



HIGHLIGHTS

↑	\$59.2m	Profit after Income Tax increased 3.7% to \$59.2 million (excluding one-off realisation gains in 2006 results)
↑	9.60cpu	Total Gross Dividend increased 5.5% to 9.60 cents per unit
↑	38.0%	Total Gross Return of 38.0% per annum
↑	\$219.8m	Record Portfolio Revaluation Gain of \$219.8 million
↑	\$1.75pu	Undiluted Net Asset Backing increased 31 cents per unit to \$1.75 per unit (includes final dividend)
↑	\$1.927b	Total Assets increased by \$481.6 million to \$1.927 billion
→	99.2%	Portfolio Occupancy maintained above 99%
↑	100%	Sylvia Park Stages I, II & III opened on time, within budget and fully leased.



FROM THE CHAIRMAN

It is my pleasure to report on another successful year for Kiwi Income Property Trust, with a net profit after tax of \$59.2 million for the year ended 31 March 2007, and a record \$219.8 million revaluation gain for the portfolio.

Investors have enjoyed outstanding performances, with total gross returns for the year of 38.0% for our Unit Holders and 21.6% for our Note Holders.

The result reinforces the benefits of the Trust's focus on a well diversified, superior quality property portfolio, effective implementation of its asset management strategy, and the judicious redevelopment and refurbishment of existing assets.

Sound market fundamentals across the retail and office sectors, combined with sustained off-shore interest for both direct and indirect property investment, underpinned a very buoyant property market.

During the year the Trust continued its objective of optimising income and providing long-term sustainable returns. Consistently high occupancy levels across the Trust's portfolio, improvements in all areas of asset management, and the successful opening of the first three stages at Sylvia Park all contributed to the Trust's strong results and created value for investors.

Our dedicated and highly experienced in-house leasing team have delivered arguably New Zealand's best-ever tenancy mix for a retail centre at Sylvia Park. The exceptional location, access and profile of the site, and the overall quality of landscaping, design and amenity of this new asset, have generated an outstanding level of



SEAN WAREING – CHAIRMAN

FINANCIAL SUMMARY

	2007	2006
Net Rental Income	\$100.7m	\$88.3m
Profit after Income Tax	\$59.2m	\$72.1m
Profit after Income Tax (excluding one-off realisation gains)	\$59.2m	\$57.1m
Revaluation Gains	\$219.8m	\$103.2m
Gross Dividend	9.6cpu	9.1cpu
Total Assets	\$1.93b	\$1.45b
Secured Bank Debt	\$486.0m	\$236.0m
Unit Holders' Funds	\$1.25b	\$1.02b
Securities on Issue – Units	714.0m	708.9m
– Mandatory Convertible Notes	142.3m	142.3m
Undiluted Net Asset Backing (including final dividend)	\$1.75pu	\$1.44pu
Secured Bank Debt to Assets	25.2%	16.3%

commitment from iconic New Zealand, Australian, and international retailers, many of whom have seen Sylvia Park as their opportunity to enter either New Zealand or a shopping centre in New Zealand for the very first time. Needless to say, we are extremely proud of Sylvia Park, and look forward to the completion of the fourth and final retail stage on 28 June 2007. We are also pleased to report that a revaluation gain of \$47.6 million has been achieved for this asset, significantly ahead of the projected revaluation gain of \$6.0 million.

The announcement of the new Portfolio Investment Entity (PIE) regime by the Government in December 2006 is a substantial change for the New Zealand listed property sector. The PIE regime, taking effect from 1 October 2007 will dramatically alter the way in which the Trust's dividends are taxed, and will significantly improve after-tax returns for most New Zealand resident investors. Based on the Trust's current outlook, and with the consequences of the new PIE regime factored in, the Trust is projecting a cash dividend for the year ending 31 March 2008 of approximately 8.8 cents per unit, assuming current tax legislation and the continuation of reasonable economic conditions. As no further tax will be payable on the dividend by New Zealand resident investors, this will mean a sizeable uplift in after tax dividends.

We are very pleased with the outcome of the PIE regime, and were actively involved in making

submissions promoting this positive change. You will find more information on the PIE regime within this report.

My thanks to my fellow directors. Their support and experience have been a great asset to the Trust throughout another busy year. The Trust's focused management team also deserve full credit for the continued strong performance of the portfolio, and the successful delivery of Sylvia Park.

Despite a higher interest rate environment, property sector fundamentals are expected to remain resilient. There is demand for quality space in both the retail and office markets, underpinning rental growth in the Trust's portfolio. While continued demand by offshore and New Zealand investors for quality assets will no doubt make it increasingly challenging to acquire new assets, continuing the Trust's strategy of adding value to the portfolio through tenancy remixes, refurbishments, and the development of assets where they cannot be purchased will remain an important part of our asset management strategy.

I hope you enjoy reading more about this year's excellent performance. Thank you for continuing to support the Trust.



SEAN WAREING – CHAIRMAN
Kiwi Income Properties Limited

CHIEF EXECUTIVE'S REPORT

Over the year ahead, the Trust's management team will continue to focus on added value opportunities, whilst maintaining the stability and security of the existing property portfolio.

TRUST PERFORMANCE

The performance of the Trust for the year to 31 March 2007 was again very strong. The profit of \$59.2 million after tax represented an increase of 3.7% over the previous financial year (excluding one-off realisation gains of \$15.0 million last year from the sale of the Trust's investment in Capital Properties New Zealand, and the sale of the AUT Building). Leasing activity, high portfolio occupancy levels, positive rent reviews, and the benefits of portfolio expansion and redevelopment, all contributed to the strong result.

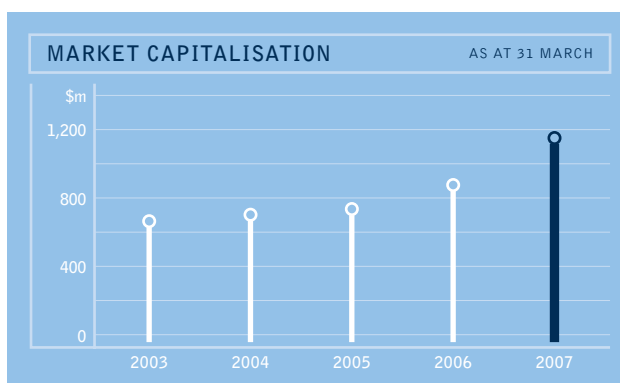
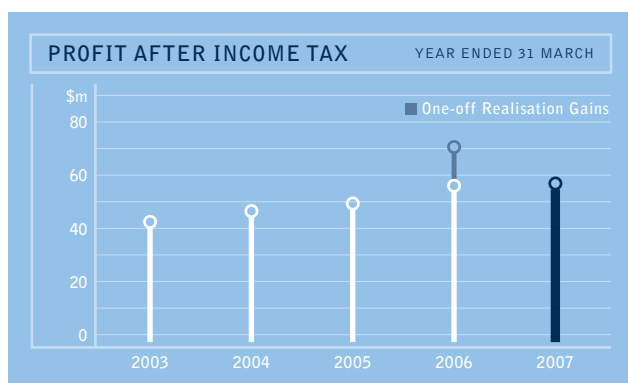
A final gross dividend of 4.85 cents per unit has been announced by the Trust, which includes imputation credits of 0.85 cents per unit. This brings the gross dividend for the year to 9.60 cents per unit, an increase of 5.5% over the previous year. The full year dividend comprises 8.34 cents per unit in cash and 1.26 cents per unit in imputation credits.

MARKET PERFORMANCE

The strong property sector, the quality and growth of the Trust's portfolio, and the new Portfolio Investment



ANGUS McNAUGHTON – CHIEF EXECUTIVE



Entity (PIE) regime all contributed to the Trust's overall market performance. The Trust has recorded a 38.0% total gross return for the year, and a return of 20.3% per annum over the past five years. During the year, the Trust's market capitalisation increased by \$271.1 million to \$1.18 billion at 31 March 2007.

CAPITAL MANAGEMENT

As at 31 March 2007, the Trust's total assets stood at \$1.93 billion, an increase of \$481.6 million over the previous year, with secured bank debt of \$486.0 million, representing 25.2% of total assets. The level of bank borrowings increased over the period by \$250.0 million, primarily due to capital expenditure on the Sylvia Park project and acquisition of the remaining 50% of the National Bank Centre.

PORTFOLIO MANAGEMENT

Occupancy Levels

Occupancy across the portfolio remained very high at 99.2%, with the retail and office portfolios achieving occupancies of 99.7%, and 98.7% respectively. Demand for retail and office space, limited new competing supply, and the quality and dominance of the Trust's portfolio all point to these strong performances continuing.

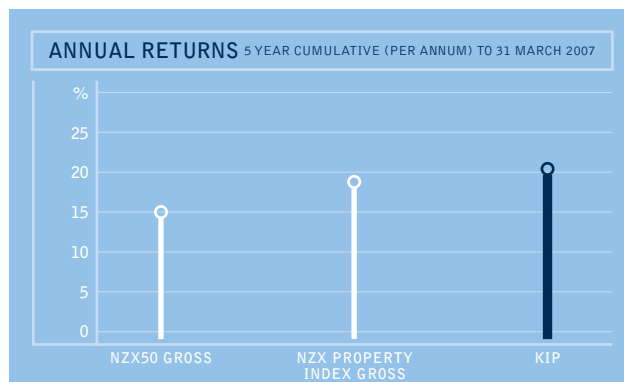
Acquisitions and Divestments

The Trust's major acquisition was the remaining 50% of the National Bank Centre which was purchased for \$55.6 million in November 2006. A revaluation gain of \$12.7 million was recorded for this asset in March 2007. No assets were sold during the year.

Added Value

The successful delivery and completion of Sylvia Park remained the key focus of the management team for the year. Stages I, II and III of the project opened on programme, within budget and 100% leased during the year. With Stage III complete, Sylvia Park is now the largest shopping centre in New Zealand at approximately 57,000m². The final Stage IV of the retail project is also on programme to open on 28 June 2007, taking the overall retail centre to 65,000m². Only one first floor retail store remains to be leased in the entire project.

Sylvia Park is now the flagship retail asset of the Trust's \$1.93 billion portfolio. It has become an iconic destination shopping centre in New Zealand, offering an international shopping, entertainment and dining experience, and setting a new benchmark for customer expectations. Further detail on this exciting project is contained within this report.



In December 2005 the property adjacent to Hamilton’s Downtown Plaza, formerly occupied by The Warehouse, was acquired. A \$5.1 million tenancy remix of both premises has recently been completed. New mini-major tenants, EziBuy and Rebel Sports, were amongst those added, with the project yielding 7.8%. A revaluation gain of \$3.7 million was achieved largely due to this revamped retail mix. This represents a 13% increase in the value of the combined premises.

Revaluations

The Trust’s portfolio achieved a record revaluation gain of \$219.8 million for the 2007 financial year, with the gain equally spread between the retail and office portfolios. This gain reflected the significant demand for investment grade assets internationally, portfolio rental growth, and again, the quality of the Trust’s portfolio, and compares with a gain of \$103.2 million for the same period last year. The revaluation gain was also the key contributor to the Trust’s undiluted net asset backing per unit increasing by 31 cents to \$1.75.

Due to Sylvia Park’s construction having reached a significant level of completion, the Centre has been revalued for the first time as an investment property. The current value of the retail centre has been assessed as at 31 March 2007 at \$422.7 million, giving rise to a current year revaluation gain of \$47.6 million. This

is a very pleasing result, and as the Chairman has identified is well ahead of the \$6.0 million revaluation gain originally projected. The Centre has been valued on a capitalisation rate of 6.0%, which is comparable with recent Australasian transactions and valuations of assets that have Sylvia Park’s growth potential and quality.

The Trust’s other retail assets also increased in value significantly. Centre Place Shopping Centre in Hamilton was up \$21.7 million to \$121.6 million, and Northlands Shopping Centre in Christchurch was up \$19.1 million to \$249.0 million.

The Trust’s flagship office asset, the Vero Centre, has continued to benefit from a very strong Auckland office market, increased market rentals, and a firming of its capitalisation rate to 6.75%. The building has increased in value by \$44.0 million to \$300.1 million and has predominantly underpinned the overall gain in the office portfolio. Other key office assets that increased strongly were Unisys House in Wellington, up \$14.2 million to \$74.1 million; PricewaterhouseCoopers Centre in Christchurch up \$13.1 million to \$57.7 million; and the National Bank Centre in Auckland, up \$12.7 million to \$120.4 million.

The overall level of valuation increase reflects the strength of both the office and retail markets. Demand for office space across the portfolio remains firm with

REVALUATION GAINS OVER \$5.0 MILLION

PROPERTY	LOCATION	AS AT 31 MARCH 2007	
		VALUATION (\$m)	VALUATION GAIN (\$m)
RETAIL PORTFOLIO			
Sylvia Park	Auckland	422.7	47.6
Centre Place	Hamilton	121.6	21.7
Northlands	Christchurch	249.0	19.1
North City	Porirua	135.1	18.3
The Plaza	Palmerston North	83.5	5.3
OFFICE PORTFOLIO			
Vero Centre	Auckland	300.1	44.0
Unisys House	Wellington	74.1	14.2
PricewaterhouseCoopers Centre	Christchurch	57.7	13.1
National Bank Centre	Auckland	120.4	12.7
The Majestic Centre	Wellington	104.2	9.7
Vector Building	Wellington	31.1	5.2

high occupancy levels providing an excellent platform for rental growth. A number of Australian retailers continued to seek new retail opportunities in New Zealand, contributing to demand for space within the retail portfolio. The increase in value of the Trust's assets continues to endorse the Trust's investment strategy which focuses on maintaining a stable, well-diversified portfolio of premium shopping centres and office buildings with strong income and superior long-term growth potential.

Revaluation gains over \$5.0 million are detailed in the table above.

MANAGEMENT FEES

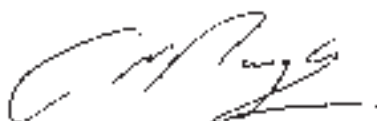
The fee structure for the Manager of the Trust, Kiwi Income Properties Limited, provides for a base fee of 0.55% of average gross assets and a performance fee calculated on Unit Holder returns above 10%, with a maximum base and performance fee of 0.70%. This fee structure ensures management fees are directly linked to the returns received by Unit Holders.

As outlined earlier, the total gross return for the year to 31 March 2007 was 38.0%, giving rise to a maximum performance fee of \$2.3 million for the year. The Manager re-invests the performance fee in new units issued by the Trust, thereby further aligning the interests of the Manager with Unit Holders.

SUMMARY

Over the year ahead, the Trust's management team will continue to focus on added value opportunities, whilst maintaining the stability and security of the existing property portfolio. We are extremely pleased with the leasing success and construction progress at Sylvia Park, and look forward to hosting the 2007 annual meeting of Unit and Note Holders in the completed Centre on 13 August this year.

Thank you for your continued support of Kiwi Income Property Trust.



ANGUS McNAUGHTON – CHIEF EXECUTIVE
Kiwi Income Properties Limited

NEW REGIME, NEW STANDARDS

“New taxation laws for Portfolio Investment Entities and new financial reporting standards for New Zealand signal two important changes for the Trust.”

GAVIN PARKER – CHIEF FINANCIAL OFFICER

PORTFOLIO INVESTMENT ENTITY REGIME

On 12 December 2006, the Government passed the Taxation (Savings Investment and Miscellaneous Provisions) Act 2006. Amongst other things, this introduced a new tax regime for collective investment vehicles that meet the definition of a Portfolio Investment Entity (PIE). The Trust meets the definition of a PIE and qualifies for the new tax regime. The new rules, which take effect from 1 October 2007, dramatically alter the way the Trust's distributions are taxed, and will improve after-tax returns for most New Zealand resident investors.

The new rules treat investments made through PIEs in a similar way as direct investment by individuals, thereby removing the current taxation disadvantages of saving through an intermediary.

The change means that any capital gains derived by the Trust and the benefit of tax allowances, such as depreciation, will effectively pass through to investors. This will result in most investors being taxed on the taxable income derived by the Trust, as opposed to the current regime whereby investors are taxed on all income distributed by the Trust. The scale of benefit will depend on each investor's personal tax circumstances and the Trust's effective tax rate. For most investors the after-tax distribution will increase.

For example, assume the Trust has \$1 available for distribution before tax, and pays tax at 15% (as opposed to 33%) due to depreciation and other tax allowances. After tax, 85 cents remains for distribution. At present, an investor with a 39% tax rate pays a further 24 cents in tax (39% less the Trust's 15% tax rate), leaving 61 cents in the hands of the investor. Under the new regime, no further tax (other than the tax already paid by the Trust) will be payable by a New Zealand resident

investor – so these investors will receive 85 cents with no further tax to pay. Based on this example a 39% tax payer will be 39% (85 cents compared with 61 cents) better off.

Investors will now receive an 'imputed dividend', representing the Trust's assessable income, plus an 'excluded dividend', representing the Trust's non-taxable income. The top tax rate for a New Zealand resident investor in a PIE has also changed from 39% to 33%, so 39% taxpayers will pay no further tax on the imputed dividend. Further to this positive change, the Government also announced in its budget on 17 May 2007, that the corporate tax rate in New Zealand will drop from 33% to 30% with effect from 1 April 2008. This means that the Trust will pay less tax. In addition, the top tax rate for a New Zealand resident investor in the Trust will also drop to 30% from this date.

For most off-shore investors, the amount of tax paid in New Zealand will decrease as non-resident withholding tax (NRWT) is not required to be deducted from the excluded dividend. However, depending on personal tax circumstances, further tax will generally be payable in the country of residence.

The new rules apply to all dividends paid after 1 October 2007. As such, they will first apply to the Trust's interim distribution for the six months ending 30 September 2007, which is payable mid-December.

Based on current tax legislation and a continuation of reasonable economic conditions, the Trust is projecting a cash dividend for the year ending 31 March 2008 of approximately 8.8 cents per unit.

To put the new rules in context, the following table compares the net after tax cash distribution for the year ended 31 March 2007 with the projected after tax cash distribution for the year ending 31 March 2008.

NET INVESTOR INCOME (CPU)

Unit Holder tax rate	39%	33%	19.5%	0.0%	Non-Resident ²
FY07 – Current Regime	5.856	6.432	7.728	8.340	7.473
FY08 – PIE Regime	8.800	8.800	8.800	8.800	8.800
% Change	50.3%	36.8%	13.9% ¹	5.5%	17.8%

¹ Taxpayers on a 19.5% tax rate will be able to use excess imputation credits in respect of the imputed dividend which can be used against other taxable income.

The '% change' shown in the above table has been calculated exclusive of this benefit.

² Non-Resident returns are shown only in respect of the tax paid in New Zealand and assume a 15% NRWT rate. There may be further foreign tax to pay.

The final outcome will depend on personal tax circumstances and the country of residence.

The information above is a guide only, and amounts may vary depending on personal tax circumstances. You should obtain independent professional advice.

We are very pleased with the outcome of the Act and were actively involved in making representations to Ministers and Government officials – helping to bring about this positive change.

INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRS)

What is IFRS?

With increasing globalisation, it is becoming more important for entities to present financial results in a consistent manner. International Financial Reporting Standards create a uniform set of accounting standards which all entities adopting IFRS must comply with.

Nearly 100 countries now require, permit the use of, or have a policy of convergence with IFRS. These include the European Union, Australia, South Africa, Singapore, Hong Kong, and New Zealand.

The New Zealand Accounting Standards Review Board approved the adoption of New Zealand Equivalents to International Financial Reporting Standards (NZ IFRS) as the mandatory standards under which all reporting entities must prepare their financial statements. This will be mandatory for accounting periods beginning on or after 1 January 2007.

Application to the Trust

The Trust will adopt NZ IFRS in its financial statements for the year ending 31 March 2008. This means

the Trust's Interim Report for the six months to 30 September 2007, and the comparative results to 30 September 2006, will be prepared under NZ IFRS rather than current financial reporting standards. Likewise, the Annual Report for the year ending 31 March 2008, and the comparative results for the year ended 31 March 2007, will be prepared under NZ IFRS.

To facilitate this, it will be necessary to restate the Trust's opening Balance Sheet as at 1 April 2006, as well as restating the financial results to 30 September 2006 and 31 March 2007 under NZ IFRS, so that they can be compared with the 30 September 2007 and 31 March 2008 NZ IFRS results.

What is the impact of adopting NZ IFRS?

The new accounting standards will change the way in which the Trust reports its financial results.

The opening Balance Sheet, together with a summary of the key impacts resulting from the adoption of NZ IFRS, are shown in Note 21 of the Financial Statements included in this Annual Report.

While there will be an impact on the Trust's reported profits and net assets, these changes will not affect the performance of the Trust's underlying assets or the cash available for investor distributions.

EXECUTIVE TEAM OF THE MANAGER



Angus McNaughton and Gavin Parker

ANGUS McNAUGHTON Chief Executive

Angus McNaughton has been with the Trust since 1994, and Chief Executive for the past five years. Prior to joining Kiwi Income Property Trust, Angus was a member of the team that floated Challenge Properties, which listed on the share market as St Lukes Group. He has an honours degree in Management Studies from the University of Waikato. Angus is a trustee of the Keystone Property Education Trust, a member of the Business Roundtable and a national board member of the Property Council of New Zealand.

GAVIN PARKER Chief Financial Officer

Gavin Parker has over 17 years' experience in the managed funds industry, together with five years' chartered accounting and taxation experience. Gavin joined the Trust in 2002. He is responsible for all aspects of the finance and accounting functions for the Trust, including financial reporting, treasury management, taxation and corporate governance. He has a Bachelor of Commerce degree and a Graduate Diploma in Business from the University of Auckland and is a member of the New Zealand Institute of Chartered Accountants.

KARL RETIEF Manager – Retail Portfolio

Karl Retief oversees and is responsible for all aspects of performance of the retail assets, including strategising remixes, improving net operating income, reviewing marketing strategies, and management of Centre teams. Karl joined the Trust in 2000 and managed North City Shopping Centre in Porirua before taking up his current position in 2003. Karl previously worked in retail for over 21 years in New Zealand and South Africa. He has an MBA degree and is a representative member of the NZ Council of Shopping Centres.

JASON HAPPY National Facilities Manager

Jason Happy has been with the Trust for nine years. He is responsible for ensuring the Trust's existing properties and new developments are market-leading performers in terms of operational efficiency and effectiveness. Jason also manages the Trust's Health and Safety and Environmental programmes. He has practised as a professional engineer and holds an honours degree in Mechanical Engineering, as well as a Master of Science degree specialising in Facilities Management.



Karl Retief, Jason Happy and Andrew Buckingham

ANDREW BUCKINGHAM Project Director – Sylvia Park

Andrew Buckingham has been with the Trust since 2004. He has worked in the commercial property industry for the last 22 years in Australia and New Zealand. He has been involved in all aspects of the industry, but specialises in shopping centre management, valuation and development. In recent years, Andrew has led development projects for Westfield New Zealand and Gandel Retail Management in Australia. He is responsible for the delivery of the Sylvia Park project. Andrew is an Associate of the Australian Property Institute and a member of the Royal Institution of Chartered Surveyors.

ROY STANSFIELD Manager – Retail Leasing

Roy Stansfield heads the team responsible for specialty store leasing of the Trust's retail portfolio. Roy is a qualified accountant and has 19 years' experience in the retail shopping centre industry. His knowledge of the industry includes property accountancy, centre management and retail leasing. Previously Roy had been employed by Challenge Properties and St Lukes Group. He has been with the Trust since 1997.



Roy Stansfield, Jon Lesquereux and Mark Luker

JON LESQUEREUX Manager – Commercial Portfolio

Jon Lesquereux has been with the Trust since 1997. For the last five years he has been responsible for the overall performance of the Trust's office and industrial portfolios. His role includes strategy development and implementation for these sectors, including acquisitions and disposals. Jon has a diverse property background, including seven years in a London-based property practice. He has an honours degree in Urban Land Economics and is a member of the Royal Institution of Chartered Surveyors.

MARK LUKER General Manager – Development

Mark Luker has been involved in every aspect of property development – from industrial, major retail shopping centres and offices through to more eclectic forms of investment, including ground leasehold. Joining the Trust in 1996, Mark was previously General Manager of Lend Lease Retail Projects (Australia). He is a Registered Property Consultant and Property Manager, and Senior Member of the Property Institute of New Zealand.

SYLVIA PARK



THE CENTRE OF ATTENTION

The most significant and high profile asset
in the Trust's extensive property portfolio

FROM STORAGE SHEDS TO STATE OF THE ART RETAIL SPACE: THE EVOLUTION OF SYLVIA PARK

Just a few years ago, it was an overlooked site in the centre of the Auckland isthmus. Today, Sylvia Park in Mt Wellington has blossomed into a world class centrepiece of sophisticated and integrated property development. A blend of retail, entertainment and community facilities, developed successfully by the Trust over three stages so far, with Stage IV yet to come.

To achieve this, the Trust has had the entire area rezoned, and undertaken one of New Zealand's most remarkable projects, with a capitalised project cost of \$388 million when the final retail stage is completed and opened on time in June 2007. Sylvia Park's 65,000m² of retail space will be the largest enclosed shopping destination in New Zealand.

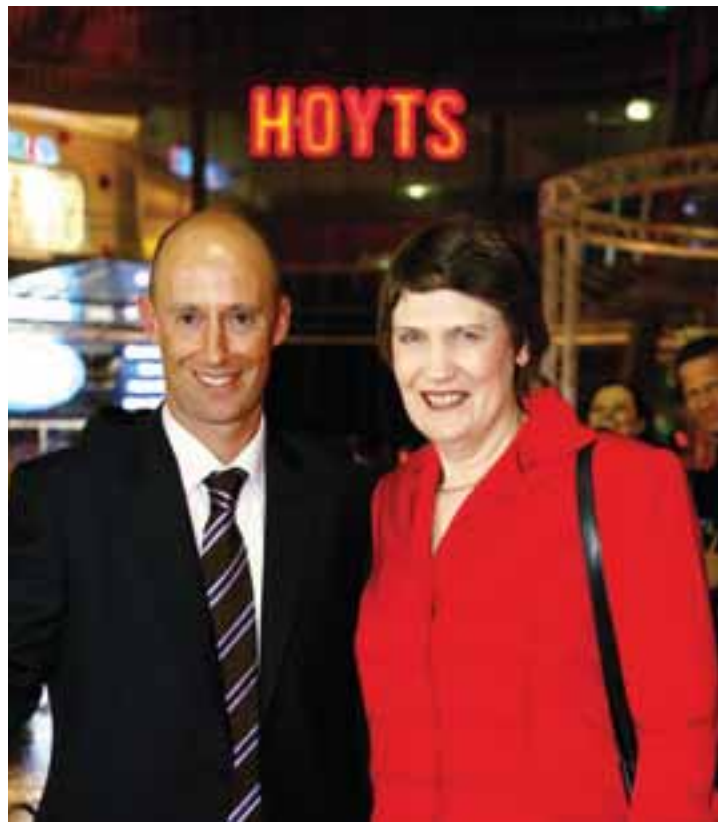
Land that had been a farm, and later housed storage sheds for the US Armed Forces, is now the setting for the country's premier shopping centre and the most significant and high profile asset in the Trust's extensive property portfolio.

Every stage of this project so far has been delivered on time, and the ambitious architectural results have added levels of aesthetic sophistication that have brought Aucklanders flocking to enjoy and share a highly-rewarding shopping experience.



Central, southern and eastern Auckland come together right here





RIGHT AT THE HEART OF AUCKLAND

Acquired in two major land parcels, Sylvia Park's 24 hectares lie right in the geographic heart of the city, between Auckland's two harbours, at the point where the Southern Motorway and Mt Wellington Highway meet and the South Eastern Arterial quite literally passes overhead.

Central, southern and eastern Auckland come together right here. As a result, Sylvia Park is seen by over 170,000 drivers every day, giving the site extraordinary prominence. Half of Auckland's population – 675,000 people – live within a 20 minute drive. This proximity, coupled with strong transport links, ensure Sylvia Park's catchment area exceeds that of any of its competitors by a wide margin.

The Trust has invested significantly to integrate a transportation hub into the onsite facility by upgrading the surrounding road network for those travelling to Sylvia Park by car and bus, and opening a railway station in July this year that puts the complex within 15 minutes travel time of downtown Auckland. This important improvement in local infrastructure benefits not just Sylvia Park, but also Mt Wellington and the rest of the Auckland region. In fact, it represents a significant revitalisation for the area.

The railway station is the first privately funded railway station in New Zealand and is a joint project between the Trust and ONTRACK, in collaboration with Auckland Regional Transport Authority and Auckland City Council.

An internal ring road extends around the site, connecting all entrances to the thousands of spaces available in the various parking areas and buildings.

STAGING THE EXPERIENCES

Four's an important number at Sylvia Park. It quantifies the number of stages in which this, the largest and most comprehensive shopping centre in New Zealand, has been constructed. But there are also four major tenants who anchor this massive property: a 12,500m² The Warehouse Extra store; a 4,700m² Foodtown store; a 6,600m² PAK'nSAVE and a flagship 6,400m² Hoyts cinema complex featuring 10 screens.

Stage I – the Home Style and Value Precinct – opened 8 June 2006 with an area of 22,700m², incorporating flagship stores for The Warehouse Extra and Foodtown, as well as approximately 50 specialty stores – a strong mix of retail brands and offerings.

Stage II – the 14,100m² Fashion Precinct – opened just over two months later on 24 August 2006. It features around 50 specialty fashion retailers, including some of this country's best known clothing brands as well as a number of international brands not seen in New Zealand before, and the PAK'nSAVE supermarket.

These two stages have quickly established Sylvia Park as the shopping destination of choice not just for Aucklanders, but also customers from well beyond the Centre's main trade catchment.

Stage III – the Entertainment and Leisure Precinct – opened on 29 March 2007, covering 20,100m² and raised the bar again, with a \$30 million 10-screen multiplex Hoyts cinema, superb dining options and an extraordinary range of stores. Anchored by its distinctive 30 metre volcanic cone, this new stage has a very different, much more 'High Street' feel than the enclosed pavilion areas developed in the first two stages.

Designed to deliver a cutting-edge visitor experience, this brilliant new stage offers:

- > Hoyts complex that includes New Zealand's first bean bag cinema, more leg room than standard cinemas and the world's biggest screen for a 35mm projector, delivering a style of cinematic experience unlike anything New Zealand has ever seen
- > Adventure themed building, housing some of the country's most outdoor focused retailers in a ground breaking way
- > Unique dining lane that allows hungry shoppers to take their pick from proven names in Japanese, Mediterranean and Portuguese cuisine, along with a gastro-bar, burgers and coffee shops.

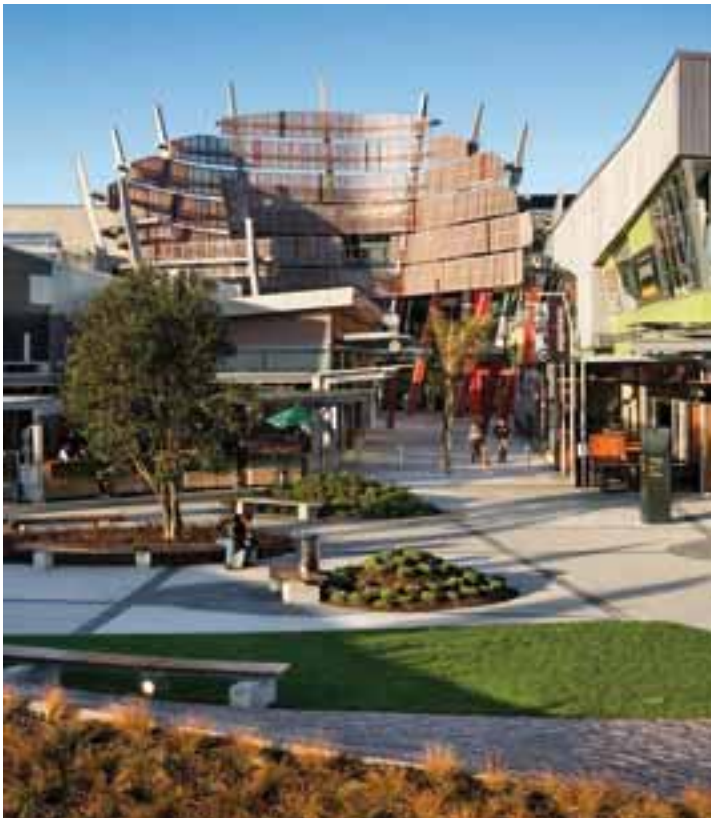
Together, the three stages have given shoppers access to a supermarket hub – as well as the opportunity to buy from leading international retailers, many of whom have seized the opportunity to open in New Zealand for the first time.

This grouping of new retail offerings, and established New Zealand brands, is unique to Sylvia Park. It highlights the project's very special status as one of the strongest, most diversified retail shopping precincts in the country: a standing reinforced by generous parking that already exceeds what is available at any other shopping centre.

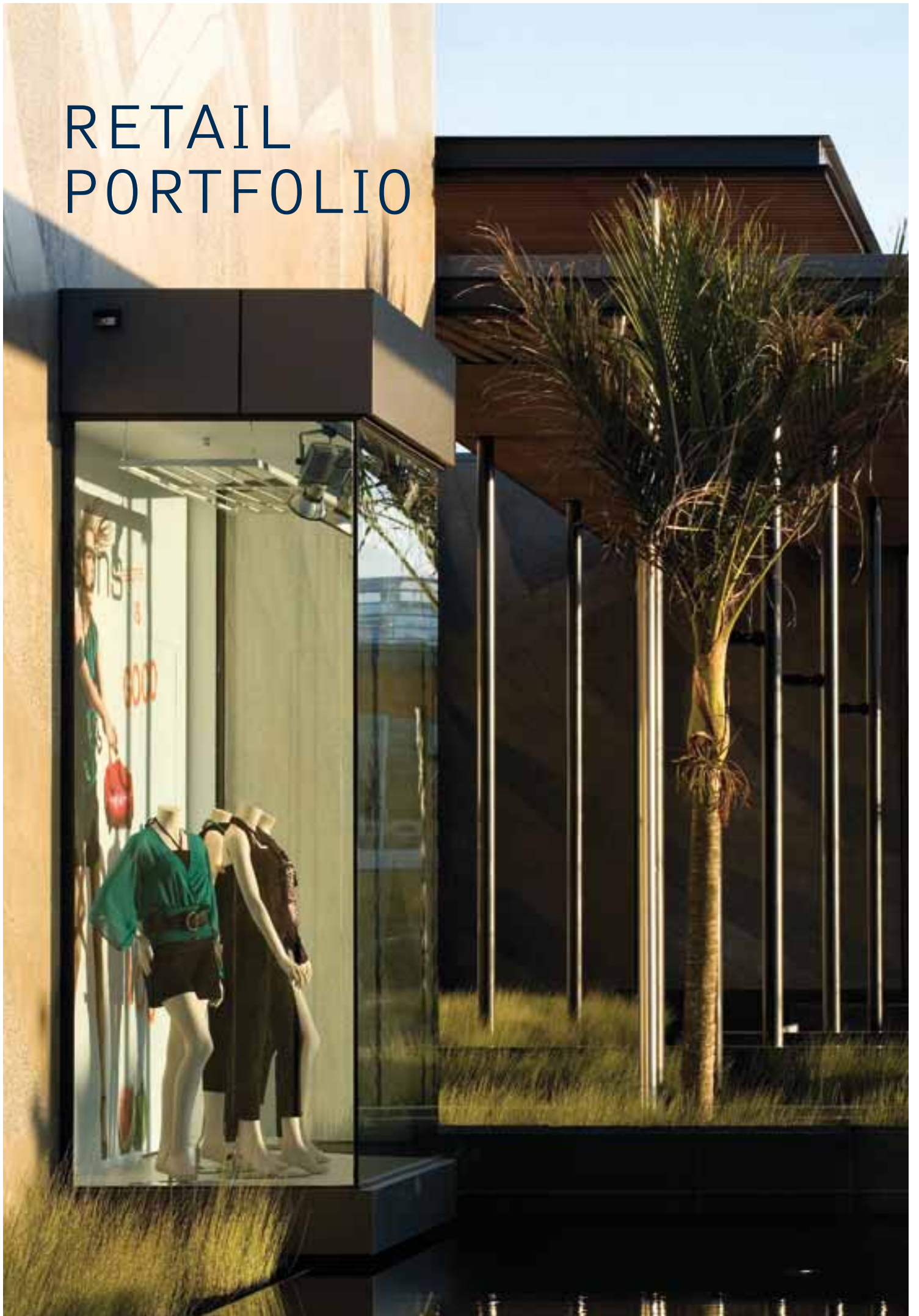
At the time of writing, the final stage of Sylvia Park – a 7,500m² Mixed Use Precinct – is scheduled to open on 28 June 2007.



One of the strongest, most diversified retail shopping precincts in the country



RETAIL PORTFOLIO



“The highlights of the year were the successful completion of the first three stages of Sylvia Park, and the performance of the retail portfolio which has delivered strong rental growth and increased value.”

KARL RETIEF, MANAGER – RETAIL PORTFOLIO

- > **Portfolio Occupancy** remained at 99.7%, in line with the record occupancy last year

- > **Leasing Activity**
(excluding Sylvia Park and Downtown Plaza expansion)
70 new leases or renewals completed representing:
 - \$0.7 million (16.7%) increase in income on space affected
 - 6,304m² of net lettable area, 3.6% of the retail portfolio area

- > **Rent Reviews**
308 rent reviews completed representing:
 - \$1.3 million (4.8%) increase in income on rent reviewed
 - 44,935m² of net lettable area, 25.8% of the retail portfolio area

- > **Revaluation Gains**
\$117.3 million revaluation gains, increasing the overall value of the retail portfolio to \$1.06 billion. Northlands, North City, Centre Place and Sylvia Park were the key contributors.

THE MARKET

There has been a strengthening of retail sales over the latter part of the year, supported by a lift in consumer confidence from the December quarter. Larger retail categories enjoying sales growth are supermarkets, grocery and appliance retailing.

Retail spending reflects moderating petrol prices, the resurgent strength of the housing market and the tight labour market. Given the lasting positive impact of these factors, the expectation is for retail spending growth to remain above the long-term average over the coming year.

AUCKLAND

Auckland consumer confidence is expected to remain the most optimistic in the country. It is predicted sales will continue to surpass the national average in the next year.

WELLINGTON

Despite moderating sales growth, consumer confidence increased towards the end of the year. Economic predictions indicate consumer spending should hold up well during the latter part of 2007.

CHRISTCHURCH

Consumer confidence in the Canterbury region has improved over the past year. Strong commodity prices are expected to bolster the rural economy and translate into increased retail sales during 2007.

SALES

Portfolio sales for the year were up 4.4% in total, and on a 'like for like' basis, were up 0.9% excluding Sylvia Park and Downtown Plaza, which were under development. Sales for both Northlands and The Plaza were ahead of last year, with sales for North City and Centre Place slightly down on the previous year due to increased competition within their catchments. Following the initial opening of the competing centres, sales have since rebounded for North City and Centre Place.

OCCUPANCY

Substantial leasing activity coupled with a strong demand for retail space underpinned the high occupancy levels for the year. Several new retailers from Australia leased space in Sylvia Park and other centres in the portfolio. Occupancy levels at 31 March 2007 were maintained at an all time high of 99.7%.

SHOPPING CENTRES

SYLVIA PARK, AUCKLAND

A feature article on this Centre is contained within this report.

Sales at Sylvia Park are expected to be in line with our expectations for the first year of trading. Strong leasing and a successful development contributed to a positive revaluation gain of \$47.6 million, with the property valued at \$422.7 million.

CENTRE PLACE, HAMILTON

A number of leases expired over the year and with solid retail demand these were renewed or replaced with new tenancies, giving an improved occupancy rate of 99.4% at year end. Combined with several successful rent reviews, the property recorded a revaluation gain of \$21.7 million, increasing the value of the Centre to \$121.6 million.

DOWNTOWN PLAZA, HAMILTON

Following the relocation of The Warehouse, the Trust purchased their vacant 3,200m² building in December 2005. In 2006 a significant reconfiguration and refurbishment programme commenced on the two properties, linking them together as one. Substantial new leasing of the combined Centre has contributed to a positive revaluation gain of \$3.7 million to \$31.7 million. The refurbished foodcourt was completed in May 2007.

THE PLAZA, PALMERSTON NORTH

Strong retailer demand for space in The Plaza continued over the past year with occupancy at 100%. The Centre benefited from increasing demand-driven rentals, resulting in positive revenue gains which underpinned the \$5.3 million rise in valuation for the year to \$83.5 million. Good progress has been made during the year on the potential expansion and redevelopment plans for this Centre.

NORTH CITY, PORIRUA

Over the past year Reading Cinemas substantially refurbished the cinemas and entrance foyer. An upgrade to North City's external signage was completed before Christmas 2006. The Centre ended the year with a high occupancy level of 99.5% and a revaluation gain of \$18.3 million to \$135.1 million.

NORTHLANDS, CHRISTCHURCH

The popular 'Lone Star' restaurant opened at Northlands during November. Despite strong retail competition, Northlands maintained an occupancy level of 99.6% and recorded a healthy increase in value of \$19.1 million to \$249.0 million.

DOWNTOWN PLAZA, HAMILTON

CREATING VALUABLE SPACE IN THE CBD

Downtown Plaza, along with the Trust's neighbouring Centre Place Shopping Centre, is the pre-eminent shopping destination in the Waikato. The two malls, located in the heart of Hamilton's CBD, have a strong fashion, lifestyle and customer focus, and consistently boast pedestrian counts amongst the highest in the city.

In December 2005, the Trust purchased the former The Warehouse building adjacent to Downtown Plaza for \$4.7 million. The aim was to refurbish and fully integrate the property with Downtown Plaza, and to provide larger format retail tenancy opportunities not typically found in CBD locations.

The refurbishment took nine months at a cost of \$5.1 million, and has successfully introduced a clean new look and feel both inside and out, as well as a number of large format national retailers, who are taking the opportunity to make their presence felt in this lucrative shopping area. These tenants are:

- > Rebel Sport – New Zealand's largest sporting retailer by turnover. This store is one of their first CBD metro formats in the country.
- > EziBuy – Australasia's largest fashion clothing and home catalogue company. This store is their first in an enclosed shopping centre.
- > Howards Storage World – an international retailer specialising in all forms of storage and organisational products for the home and office. This is their third New Zealand store.
- > Unichem Pharmacy – one of New Zealand's well known pharmacy chains.



RETAIL PORTFOLIO

SYLVIA PARK, AUCKLAND



ADDRESS
286 Mt Wellington Highway, Auckland

DATE COMPLETED
June 2007

NET LETTABLE AREA
57,377m² (as at 31 March 2007)
65,000m² (on completion)

CURRENT VALUATION
\$422,745,000

MAJOR TENANTS
The Warehouse Extra, Foodtown,
PAK'nSAVE, Hoyts, Borders,
Dick Smith Electronics Powerhouse

Sylvia Park is the Trust's flagship retail asset, now nearing completion following a two year development programme. The Centre is located at the geographic heart of Auckland and boasts the broadest retail mix of any New Zealand shopping centre, anchored by a strong collection of major tenants. The Centre extends primarily over a single level with a strong design focus that creates a unique retail environment and commemorates the site's rich history and local geography.

CENTRE PLACE, HAMILTON



ADDRESS
501 Victoria Street, Hamilton

DATE ACQUIRED
December 1994

NET LETTABLE AREA
15,125m²

CURRENT VALUATION
\$121,600,000

MAJOR TENANT
Village SKYCITY Cinemas

Centre Place remains the Waikato's leading retail and fashion destination, located in the heart of the central business district. The tenancy mix comprises a wide range of quality national and international retailers, a foodcourt, and an integrated multi storey carpark along with a cinema complex.

DOWNTOWN PLAZA, HAMILTON



ADDRESS
Cnr Ward & Worley Streets, Hamilton

DATE ACQUIRED
July 2003
December 2005

NET LETTABLE AREA
6,316m²

CURRENT VALUATION
\$31,733,000

MAJOR TENANTS
Rebel Sport, EziBuy

Downtown Plaza is a fully enclosed single-level shopping centre constructed in 1994. In December 2005 the Trust acquired the neighbouring 3,200m² property formerly occupied by The Warehouse. The two properties have been linked together as one, and refurbished. Downtown Plaza is well located in Hamilton's CBD and complements the Trust's adjacent Centre Place Shopping Centre.

THE PLAZA, PALMERSTON NORTH



ADDRESS
Church Street, Palmerston North

DATE ACQUIRED
August 1993

NET LETTABLE AREA
14,531m²

CURRENT VALUATION
\$83,450,000

MAJOR TENANT
Kmart

The Plaza is a free-standing single-level regional shopping centre located on the city square, in the heart of Palmerston North's central business district. The Centre is Manawatu's premium shopping destination, and has a fashion focus. It is easily accessible and surrounded by ample parking.

NORTH CITY, PORIRUA



ADDRESS
Titahi Bay Road, Porirua

DATE ACQUIRED
December 1993

NET LETTABLE AREA
25,651m²

CURRENT VALUATION
\$135,100,000

MAJOR TENANTS
Kmart, Farmers, Reading Cinemas

North City is a substantial two-level regional shopping centre, constructed in 1990 and extensively refurbished and expanded in 1997. A further refurbishment was undertaken in 2004 with the foodcourt moved to the upper level and additional specialty tenants added. The Centre boasts strong anchor tenants and a broad range of quality national and international specialty retailers.

NORTHLANDS, CHRISTCHURCH



ADDRESS
Main North Road, Christchurch

DATE ACQUIRED
March 1994 (50%)
March 1998 (50%)

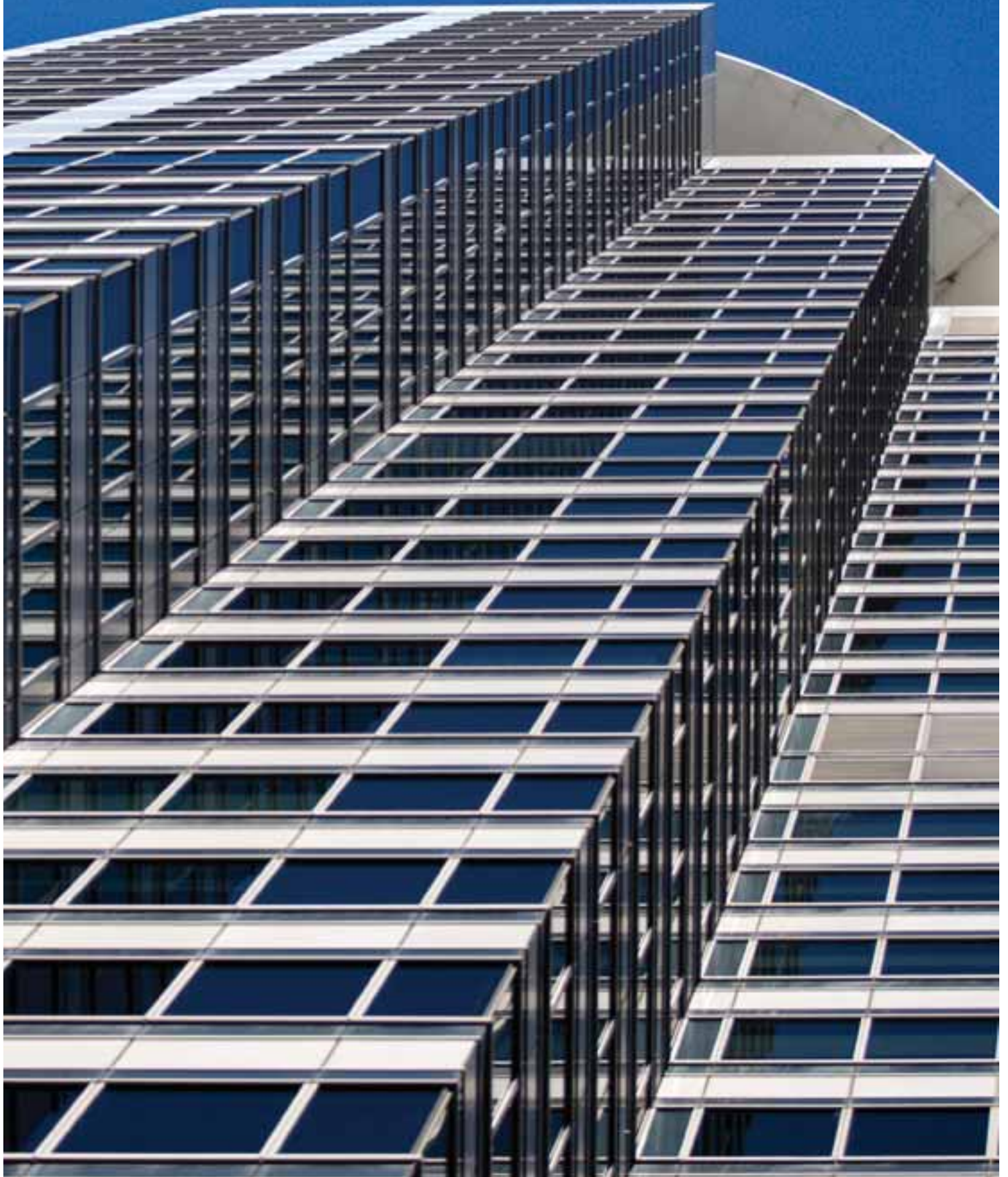
NET LETTABLE AREA
41,480m²

CURRENT VALUATION
\$249,000,000

MAJOR TENANTS
The Warehouse, Farmers,
PAK'nSAVE, Countdown, Hoyts

Northlands is a substantial free-standing single-level regional shopping centre, constructed in 1967. The Centre has a strong history, with over 40 years of trading, and is renowned for its involvement in the community. Northlands was extensively redeveloped in 2004 to incorporate an enviable mix of anchor tenants, making it the dominant shopping centre in north-west Christchurch.

OFFICE PORTFOLIO



“While all sectors of the property market have benefited from continued increases in investor demand, the commercial sector has achieved notable out-performance due to an historic low base and limited supply.”

JON LESQUEREUX, MANAGER – COMMERCIAL PORTFOLIO

- > **Portfolio Occupancy** at 98.7%
- > **Leasing Activity**
 - 38 new leases, renewals and extensions agreed, representing:
 - \$0.9 million (22.7%) increase in income on space affected
 - 12,837m² of net lettable area, 7.5% of the office portfolio area
- > **New Leases**
 - The Government of Japan – 2,043m², nine years (The Majestic Centre)
 - Deutsche New Zealand – 1,237m², nine years (Vero Centre)
- > **Rent Reviews**
 - 71 rent reviews completed representing:
 - \$1.5 million (8.5%) increase in income on rent reviewed
 - 42,909m² of net lettable area, 25.1% of the office portfolio area
- > **Revaluation Gains**
 - \$105.0 million revaluation gains, increasing the overall value of the office portfolio to \$789.1 million
- > **Acquisitions**
 - Acquisition of remaining 50% of National Bank Centre for \$55.6 million

THE MARKET

AUCKLAND CENTRAL BUSINESS DISTRICT (CBD)

The Auckland office market has been resilient with rising rents and firming yields over the past year. According to CB Richard Ellis (CBRE) research, the overall vacancy rate at 8.4% remains unchanged from last year, although further analysis reveals a prime vacancy rate of only 1.9% compared to 3.2% twelve months ago.

Over the last six months net absorption, characterised by expansion of existing occupiers, has been significantly higher than historical averages. Combined with limited new supply this has helped to drive rentals across all sectors. Prime net effective rentals increased by an average of 7.8% year on year, while B-grade rentals rose 12.3%. This disparity results from the rental gap that has emerged between premium rents (now in excess of \$500/m² net) and B-grade rents of around \$250/m² net.

New development remains largely confined to the CBD fringe. However, the development community is now aggressively seeking opportunities to construct a new CBD tower.

The investment market continues to see growth with yields firming. The last year has seen a highly competitive market with investor interest turning to lower grade properties. This has resulted in a degree of yield compression between the quality sectors. Premium office yields have firmed to 6.75% and secondary yields to 8.4%.

WELLINGTON CBD

Market trends have not seen any significant change in the past 12 months. Pressure on premium office space was mitigated slightly by the availability of space in the recently completed Maritime Tower. Vacancy in this sector remained at only 2.5%, resulting in an 11.9% increase in average premium rents to over \$400/m² gross.

Despite significant development recently completed and underway, tenant demand, largely from the Government sector, is still forecast to outstrip known supply. Consequently, a number of large development opportunities are being promoted in the city.

There has been an increased level of investor activity over the past year with a number of medium to large transactions being completed. While CBRE report average premium office market yields of 7.2%, a number of sales have been transacted at prices that equate to initial yields much firmer than this. Overall, the market remains healthy from an existing owner's perspective. New benchmark rentals in excess of \$500/m² gross have now been achieved in the market.

CHRISTCHURCH CBD

CBRE report that office vacancy has increased over the past year from 7.6% to 8.9%. This vacancy is concentrated in the lower quality sectors with only 450m² of A-grade space available at 31 March 2007.

Pressure remains on prime rentals, with net effective rentals on the upper levels of the Trust's premium office building, PricewaterhouseCoopers Centre in the region of \$230/m², compared to around \$205/m² a year ago. Again, this level of performance is confined to the prime sector with CBRE recording overall rental increases of only 1.7% across all quality sectors.

Further new office development in the CBD remains uneconomic based on market rents. However, the new 14,000m² IRD building is reaching completion and a new 7,500m² office building is planned. Development of new non-CBD buildings continues with IAG and ANZ National Bank recently choosing to decentralise.

OCCUPANCY

A high occupancy rate was maintained throughout the year with 98.7% of the portfolio leased as at 31 March 2007.

OFFICE PROPERTIES

VERO CENTRE, AUCKLAND

As New Zealand's pre-eminent office tower, Vero Centre continues to experience solid rental and capital growth. At 31 March 2007 an independent valuation of the property recorded a market value of \$300.1 million. This represents a 17% increase in capital value over the past 12 months, 33% over two years and 50% over the six years since the Trust acquired the asset.

As market rentals have increased, the level of over-renting in Vero has steadily reduced. For the first time, none of the tenancies within the Centre are over-rented. In fact, as at 31 March 2007 the building as a whole was approximately 6% under-rented. This presents a clear opportunity for future income growth.

With very little vacancy in the building, rental growth has been achieved primarily through rent review settlements. Anecdotal rentals for the upper floors are now well in excess of \$500/m² net. While these rental improvements have contributed to the increase in capital value, the primary driver has been firming of the capitalisation rate from 7.50% to 6.75%.

It was a quiet year for leasing in the building with near full occupancy and limited expiries. However, late in the year we were pleased to welcome Deutsche New Zealand who took a new lease over level 36 of the Centre.

NATIONAL BANK CENTRE, AUCKLAND

The Trust has owned a 50% share in this asset since 1996. During the year the co-owner and the Trust's joint venture partner, Capital Properties (now owned by AMP Property Portfolio Investments Limited), decided to dispose of their interest. Under the joint venture

agreement the Trust benefited from a pre-emptive right to acquire Capital Properties' 50% share. This option was triggered, resulting in the Trust's acquisition of Capital Properties' interest at a price of \$55.6 million with settlement occurring on 20 November 2006. Controlling 100% of this asset provides the Trust with greater exposure to the Auckland office market and flexibility to deal with the property in a way that is not constrained by a joint venture partner. It will also provide the opportunity for more effective management. For example, the Trust is now free to commit to capital improvement projects which in turn will have positive implications for forthcoming lease expiries and existing vacancies.

Overall, the property recorded a valuation gain of \$12.7 million (11.8%). This represents a \$4.6 million (8.3%) gain on the acquired 50% share over just four and a half months.

A number of smaller leases expired during the year and Macquarie, who occupied levels 14 and 15 of the DLA Phillips Fox Tower, vacated the building when their lease expired on 31 March 2007. Consequently, the level of vacancy has increased and a marketing campaign has begun.

During the year ahead the Manager intends to undertake works to improve the ambience of the lobby and lifts.

21 PITT STREET, AUCKLAND

Following a restructure of Auckland Regional Council's (ARC) ground floor lease and the departure of the ground floor cafeteria operator, the opportunity was taken to significantly upgrade and refurbish the building's lobby and lifts. Achieved at a total cost of \$580,000, and in close collaboration with ARC, the work included the creation of a new café at the front of the building. The café, now successfully trading as 'Veluto', combined with the new lobby, provides occupants with a fresh new meeting place.

FISHER & PAYKEL FINANCE BUILDING, AUCKLAND

The acquisition of this office building for \$13.1 million was settled on 1 May 2006. The property is leased to Fisher & Paykel Finance in its entirety and lies in an area that is benefiting from significant infrastructure improvements and new commercial development. A valuation of \$13.4 million was recorded as at 31 March 2007, an increase of \$0.3 million (2.4%).

THE MAJESTIC CENTRE, WELLINGTON

Over the past three years a number of capital projects have been undertaken at this property to upgrade various office spaces as they have become vacant. Improvements have been made to the lobby and extensions made to the Willis Street retail shops and exterior finishes. Over the past 12 months this programme has continued with the refurbishment of Henry Pollen House (a Historic Places listed house attached to the Centre) and reconfiguration of additional podium space for Cigna.

Towards the end of the year, agreement was reached with the Government of Japan for a new nine year lease over their existing office space on levels 18 and 19. A number of additional smaller leasing deals ensured that the property was fully occupied for most of the year.

The Majestic Centre recorded a \$9.7 million (10.3%) revaluation gain resulting in the market value exceeding \$100 million.

BP HOUSE, WELLINGTON

As market rentals continue to rise this property is becoming increasingly under-rented. The potential for future growth is reflected in the firming of the cap rate from 7.8% to 7.0%, resulting in a revaluation gain of \$1.9 million (7.5%).

UNISYS HOUSE, WELLINGTON

An upgrade of the building's lobby to give a lighter, cleaner, contemporary feel was completed shortly after the end of the financial year. This has greatly enhanced the presentation of the ground floor entrance.

Fully occupied for the year, Unisys House again benefited from extremely strong tenant and investor demand, resulting in a \$14.2 million (23.8%) revaluation gain. At \$74.1 million, the property has increased in value by 68% since it was acquired in 2004. Market rentals for the upper levels of the property are now in excess of \$350/m² gross, an increase of around 13% over one year.

The Manager's focus is currently on two major lease expiries totalling 13,000m² which occur in 2008.

VECTOR BUILDING, WELLINGTON

Vector Building has enjoyed another strong year of full occupancy and rising rents. During the year the three high rise lifts in the building were substantially upgraded resulting in significantly improved performance. The property's market value has increased by 19.9% over the past 12 months.

50 THE TERRACE, WELLINGTON (FORMERLY INTERGEN HOUSE)

Intergen recently re-located to new premises and this building has been re-named, '50 The Terrace'. The Tertiary Education Commission are now leasing the space vacated by Intergen, as well as renewing their existing lease within the building. A 24.8% increase in value was recorded for the year ended 31 March 2007.

PRICEWATERHOUSECOOPERS CENTRE, CHRISTCHURCH

Near zero vacancy in the premium office sector in Christchurch contributed to sustained rental growth and near 100% occupancy. Combined with rapidly escalating demand for investment product in Christchurch, this contributed to a revaluation gain of \$13.4 million, or a 29.3% increase, the highest across the Trust's portfolio. Over two years the market value of this property has increased by 50% and market rents by approximately 24%.

OFFICE PORTFOLIO

VERO CENTRE, AUCKLAND



ADDRESS
48 Shortland Street, Auckland

DATE ACQUIRED
April 2001

NET LETTABLE AREA
39,490m²

CURRENT VALUATION
\$300,110,000

MAJOR TENANTS
Vero, Russell McVeagh, Bell Gully,
Goldman Sachs JBWere, ABN Amro,
Deutsche New Zealand

Completed in September 2000, this imposing 39-level office tower remains New Zealand's premier business address and is the Trust's flagship office asset. Located in the heart of Auckland's legal and financial precinct, the Vero Centre is Auckland's benchmark for office quality. It has attracted many of New Zealand's most respected companies and has won numerous awards for excellence in design, construction and efficiency. The building's lobby has a distinct South Pacific style and is a showcase of New Zealand artwork.

NATIONAL BANK CENTRE, AUCKLAND



ADDRESS
205 Queen Street, Auckland

DATE ACQUIRED
November 1996 (50%)
November 2006 (50%)

NET LETTABLE AREA
26,147m²

CURRENT VALUATION
\$120,350,000

MAJOR TENANTS
ANZ National Bank,
DLA Phillips Fox

Following the acquisition of the Trust's joint venture partner's 50% share in November 2006, the Trust now benefits from 100% ownership of this asset. The building was completed in 1990 and is well located on an entire city block. The Centre comprises a 17-level tower and a 22-level tower situated above some of the City's most valuable high street retail space. The location, at the intersection of Victoria and Queen Streets, benefits from one of the busiest pedestrian flows in New Zealand. The quality of construction and services within the towers generally exceeds that of its competitors.

21 PITT STREET, AUCKLAND



ADDRESS
21 Pitt Street,
Auckland

DATE ACQUIRED
March 1997

NET LETTABLE AREA
17,236m²

CURRENT VALUATION
\$54,880,000

MAJOR TENANTS
Auckland Regional Council, Beca

This prominent asset, completed in 1990, is an eye-catching 10-level building, located on the periphery of the Auckland CBD. With immediate access to Auckland's central motorway junction, and its proximity to the city, 21 Pitt Street enjoys excellent levels of exposure and convenience. The building has 360-degree views, with a superb outlook to the harbour from most floors. Quality services and generous floor plates have made the property attractive to large occupiers. The lobby has recently been refurbished with a contemporary design.

OFFICE PORTFOLIO (CONTINUED)

FISHER & PAYKEL FINANCE BUILDING, AUCKLAND



ADDRESS
31 Highbrook Drive,
Auckland

DATE ACQUIRED
May 2006

NET LETTABLE AREA
4,049m²

CURRENT VALUATION
\$13,400,000

MAJOR TENANT
Fisher & Paykel Finance

This property comprises a modern purpose-built head office facility with associated amenities and carparking. It is located on the corner of Highbrook Drive and Maurice Paykel Place within the established industrial and commercial precinct of East Tamaki. Constructed in 1999, the single-storey property was extended in 2004 to provide architecturally designed office accommodation constructed to a high specification.

THE MAJESTIC CENTRE, WELLINGTON



ADDRESS
100 Willis Street, Wellington

DATE ACQUIRED
March 1994 (50%)
December 1997 (50%)

NET LETTABLE AREA
23,988m²

CURRENT VALUATION
\$104,210,000

MAJOR TENANTS
Ernst & Young, Opus Consulting, NZ
Trade & Enterprise, CIGNA Life Insurance,
Airways Corporation, Govt. of Japan, IBM

The Majestic Centre dominates the Wellington skyline, offering tenants spectacular harbour and city views. This 28-level A-grade property provides office space over 21 floors, podium and retail levels and six levels of basement carparking. The main lobby and Willis Street retail stores underwent substantial refurbishment in 2006 and the Centre continues to attract and retain some of Wellington's most discerning businesses. The Centre includes the historic Wellington icon, Henry Pollen House, which itself has recently been comprehensively refurbished.

BP HOUSE, WELLINGTON



ADDRESS
20-34 Customhouse Quay,
Wellington

DATE ACQUIRED
December 1994

NET LETTABLE AREA
9,140m²

CURRENT VALUATION
\$27,088,000

MAJOR TENANT
BP

BP House was developed as the flagship headquarters for BP. Upon completion in 1971, BP took a 60-year lease of the building. The property occupies a prime location in the heart of the CBD with a superb outlook across the harbour and beyond. Accommodation is provided on ground and first-floor podium levels with a 10-level office tower above. BP House has retained its status as a high-quality building due to ongoing upgrading and refurbishment work to the interior and exterior, the advanced security system, a quality granite foyer and its prominent location.

UNISYS HOUSE, WELLINGTON



ADDRESS
56-68 The Terrace,
Wellington

DATE ACQUIRED
April 2004

NET LETTABLE AREA
22,151m²

CURRENT VALUATION
\$74,050,000

MAJOR TENANTS
Unisys, Crown Law Office, Securities
Commission, Department of Labour

Unisys House comprises two adjoining properties. Unisys House, a 19-storey office tower, was constructed in 1968 and Aurora Chambers, an eight-storey tower, in 1975. Positioned within a high-profile block at the northern end of the CBD, this property is extremely well located for government tenants. Importantly, it is within walking distance of Parliament House and The Treasury. This asset has been substantially retrofitted and refurbished in recent years, with an upgrade of the lobby completed in April 2007. It offers large, efficient floor plates of around 1,200m².

VECTOR BUILDING, WELLINGTON



ADDRESS
44 The Terrace,
Wellington

DATE ACQUIRED
September 2004

NET LETTABLE AREA
10,109m²

CURRENT VALUATION
\$31,090,000

MAJOR TENANTS
Vector, Commerce Commission,
Tertiary Education Commission

The Vector Building is an attractive, modern office building that was extensively retrofitted and refurbished in 2002. It comprises ground floor retail, with 12 office tower floors above. Vector Building is located in the same city block as Unisys House.

PRICEWATERHOUSECOOPERS CENTRE, CHRISTCHURCH



ADDRESS
119 Armagh Street,
Christchurch

DATE ACQUIRED
December 1997

NET LETTABLE AREA
16,082m²

CURRENT VALUATION
\$57,700,000

MAJOR TENANTS
PricewaterhouseCoopers, Lane Neave,
Harman & Co, Beca, Hudson

This 21-level office tower, completed in 1990, is Christchurch's premier office tower. The Centre comprises 18 office floors, ground floor retail shops, gymnasium, swimming pool, sauna and two levels of carparking. Largely unencumbered 360-degree views encompassing the city and Southern Alps combine with efficient 860m² floor plates to create a vibrant, flexible workplace serving a range of corporate tenants.

PORTFOLIO SUMMARY

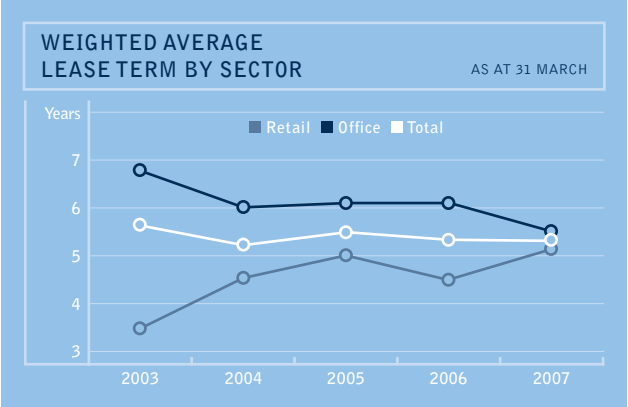
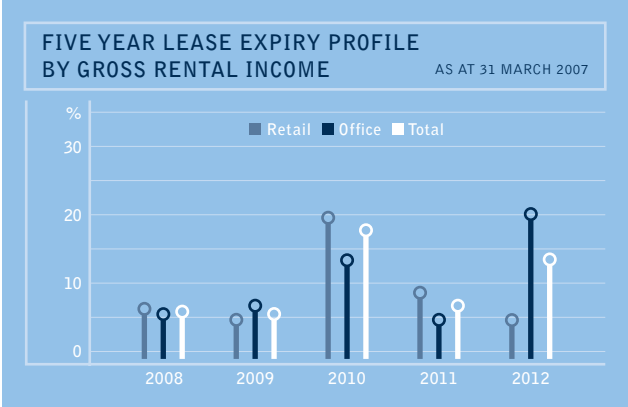
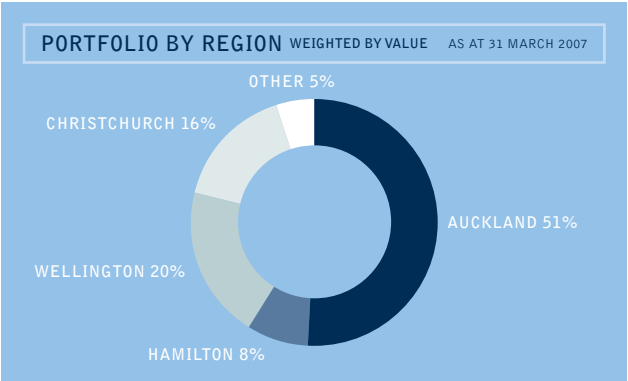
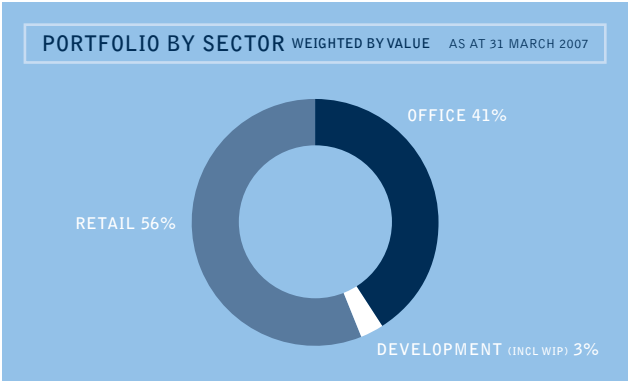
AS AT 31 MARCH 2007

PROPERTY	LOCATION	CURRENT VALUER	VALUATION DATE	CURRENT VALUATION \$000	INDICATIVE 2008 NET RENTAL \$000
RETAIL PORTFOLIO					
Sylvia Park	Auckland	CB Richard Ellis	31-Mar-07	422,745	23,602
Centre Place	Hamilton	Jones Lang LaSalle	31-Mar-07	121,600	9,013
Downtown Plaza	Hamilton	Jones Lang LaSalle	31-Mar-07	31,733	2,488
The Plaza	Palmerston North	Colliers International	31-Mar-07	83,450	6,468
North City	Porirua	Jones Lang LaSalle	31-Mar-07	135,100	9,091
Northlands	Christchurch	Colliers International	31-Mar-07	249,000	16,775
PricewaterhouseCoopers Building (formerly Beattie Rickman Building)	Hamilton	Jones Lang LaSalle	31-Mar-07	5,490	375
Countrywide Building	Hamilton	Jones Lang LaSalle	31-Mar-07	930	83
The Farmers Building	Palmerston North	Colliers International	31-Mar-07	4,290	603
Langdons Road	Christchurch	Colliers International	31-Mar-07	7,510	569
Total Retail Portfolio				1,061,848	69,067
OFFICE PORTFOLIO					
Vero Centre	Auckland	CB Richard Ellis	31-Mar-07	300,110	19,662
National Bank Centre	Auckland	Colliers International	31-Mar-07	120,350	8,388
21 Pitt Street	Auckland	CB Richard Ellis	31-Mar-07	54,880	3,963
Fisher & Paykel Finance Building	Auckland	Jones Lang LaSalle	31-Mar-07	13,400	968
The Majestic Centre	Wellington	CB Richard Ellis	31-Mar-07	104,210	6,711
BP House	Wellington	Jones Lang LaSalle	31-Mar-07	27,088	1,862
Unisys House	Wellington	Colliers International	31-Mar-07	74,050	5,351
Vector Building	Wellington	Colliers International	31-Mar-07	31,090	2,055
50 The Terrace (formerly Intergen House)	Wellington	Colliers International	31-Mar-07	6,190	492
PricewaterhouseCoopers Centre	Christchurch	Jones Lang LaSalle	31-Mar-07	57,700	3,749
Total Office Portfolio				789,068	53,201
DEVELOPMENT PROPERTY				34,706	-
WORK IN PROGRESS				26,830	1,309
TOTAL PORTFOLIO				1,912,452	123,577

Note: Sylvia Park statistics relate to the Centre as at 31 March 2007, therefore NLA & tenant numbers for Stage IV are not reported.

NLA m ²	OCCUPANCY %	OCCUPANCY m ²	VACANCY m ²	NO. OF CARPARKS	NO. OF TENANTS	MAJOR TENANTS
57,377	100.0	57,377	–	3,198	158	The Warehouse Extra, Foodtown, PAK'nSAVE, Hoyts, Borders, Dick Smith Electronics Powerhouse
15,125	99.4	15,028	97	604	87	Village SKYCITY Cinemas
6,316	98.6	6,227	89	–	32	Rebel Sport, EziBuy
14,531	100.0	14,531	–	684	69	Kmart
25,651	99.5	25,535	116	1,171	118	Farmers, Kmart, Reading Cinemas
41,480	99.6	41,299	181	1,800	142	Farmers, PAK'nSAVE, Countdown, The Warehouse, Hoyts
2,812	100.0	2,812	–	29	4	PricewaterhouseCoopers
397	100.0	397	–	–	4	
8,205	100.0	8,205	–	–	1	Farmers
3,600	100.0	3,600	–	146	2	Warehouse Stationery, Noel Leeming
175,494	99.7	175,011	483	7,632	617	
39,490	99.4	39,252	238	386	36	Vero, Russell McVeagh, Bell Gully, ABN Amro, Goldman Sachs JBWere, Deutsche New Zealand
26,147	93.3	24,384	1,763	217	31	ANZ National Bank, DLA Phillips Fox
17,236	100.0	17,236	–	251	5	Auckland Regional Council, Beca
4,049	100.0	4,049	–	248	1	Fisher & Paykel Finance
23,988	100.0	23,988	–	268	24	Ernst & Young, Opus Consulting, NZ Trade & Enterprise, CIGNA Life Insurance, Airways Corporation, Govt. of Japan, IBM
9,140	100.0	9,140	–	68	1	BP
22,151	100.0	22,151	–	328	14	Unisys, Department of Labour, Crown Law Office, Securities Commission
10,109	100.0	10,109	–	–	7	Vector, Tertiary Education Commission, Commerce Commission
2,428	91.9	2,231	197	61	9	Tertiary Education Commission
16,082	100.0	16,082	–	159	33	PricewaterhouseCoopers, Lane Neave, Harman & Co, Beca, Hudson
170,820	98.7	168,622	2,198	1,986	161	
346,314	99.2	343,633	2,681	9,618	778	

PORTFOLIO STATISTICS





DIRECTORS OF THE MANAGER



Sean Wareing



Richard Didsbury



John Duncan



Wal Edgell

SEAN WAREING, CHAIRMAN FCPA, ACIS, FAICD

Sean Wareing joined the Board as an independent director in October 2004. Sean has considerable expertise in the property industry as well as a wealth of experience across many other sectors both in Australia and New Zealand. Based in Australia, Sean is also Chairman of Alesco Corporation Limited and Commonwealth Managed Investments Limited as well as a director of The Royal Institute for Deaf and Blind Children. Former directorships include Allianz Australia Limited, St Hilliers Holdings Pty Limited, Air New Zealand, GRW Property Limited, Lend Lease Corporation, Homebush Bay Development Corporation, Clyde Industries Limited and Australian Tourism Group Limited.

Sean is a Senior Management Programme graduate of Harvard Business School, a Fellow of the Australian Institute of Company Directors, an Associate of the Institute of Chartered Secretaries and Administrators and a Fellow of the Australian Society of Certified Practising Accountants. Sean lives in Sydney.

RICHARD DIDSBURY BE

Richard Didsbury was a founding shareholder and director of the Manager, Kiwi Income Properties Limited, when the Trust was established in 1992. After completing his Bachelor of Engineering at the University

of Auckland, his career evolved with Lend Lease and other New Zealand-based property companies. Richard is now enjoying the opportunity to contribute to a variety of public initiatives. He is also well known for his visionary work on the Property Council of New Zealand. Richard is a trustee of the Committee of Auckland. He also chairs the Trust's Project Control Group directing the Sylvia Park development. Richard lives in Auckland.

JOHN DUNCAN CA

John Duncan joined the Board in March 2002. John is Chairman of Colonial Fiji Life Limited and the National Bank of Fiji Limited. He also chairs the Compliance Boards of ASB Bank Group Investments Limited and Sovereign Superannuation Trustees Limited. He has had more than 35 years' business experience in banking, accounting and senior management and, before retiring last year, held senior management positions with the ASB Group of Companies. John is a Chartered Accountant and lives in Auckland.

WAL EDGELL BA

Wal Edgell joined the Board in March 2002. Wal is Chief Operating Officer, Property and Alternative Investments, a wide-ranging role within the Colonial First State Global Asset Management business. Wal is an experienced company director whose current directorships include



Robert Narev



Joanna Perry



Jim Syme

Colonial First State Property Limited. Based in Australia, his main focus is strategic and business planning and the provision of business infrastructure to the Property and Alternative Investments Group. Wal has had more than 30 years' experience in the financial services and property funds management business arenas. His recent focus has been leading project teams in strategic acquisitions and merger opportunities for the Property and Alternative Investments Group, and in the provision of corporate services to that Group. Wal lives in Narara (New South Wales).

ROBERT NAREV MNZM, BA, LLB

Robert Narev joined the Board in June 1992 and is an independent director. Robert was the founding Chairman of Kiwi Income Properties Limited and served in that capacity for nine years. He was a senior partner of the Auckland-based law firm Glaister Ennor, for whom he is now a Consultant. He specialises in property, commercial law and trusts. He is also a director of MFL Mutual Fund Limited and Superannuation Investments Limited. Robert is a trustee of, and legal adviser to, a number of charitable trusts and is the past president of the Auckland District Society of Notaries. He is a Member of the New Zealand Order of Merit. Robert lives in Auckland.

JOANNA PERRY MA(Cantab), FCA(ICAEW), FCA(NZICA)

Joanna Perry was a KPMG partner for 17 years until March 2006 and joined the Board as an independent director in September 2006. During her time at KPMG, she was audit engagement partner for some of New Zealand's leading companies as well as KPMG's National Technical Partner and Chairman of KPMG's Auckland/Wellington Management Board.

Joanna currently chairs the Financial Reporting Standards Board, is a member of the Australian Accounting Standards Board and has been a member of the Securities Commission for 10 years. Her current directorships include PSIS, Genesis Power Limited and Pod Limited. Joanna lives in Auckland.

JIM SYME BCOM, FACA, CMA

Jim Syme joined the Board in April 2002. Jim is an experienced company director whose current directorships include ASB Bank (Deputy Chairman) and Software of Excellence International Limited (Chairman). Jim was educated in Auckland, graduated from Victoria University with a Bachelor of Commerce, and is a Fellow of the New Zealand Institute of Chartered Accountants. Jim lives in Auckland.

INVESTMENT AND MANAGEMENT PHILOSOPHY

The Trust's objective is to optimise earnings and provide attractive long-term sustainable returns to investors through the strategic acquisition, professional management and ongoing development of office, retail and industrial property assets.

This objective is achieved through:

- > investing in a high-quality diversified portfolio of office, retail and industrial assets throughout New Zealand, with a range of lease maturities;
 - > fostering long-term tenant relationships as a means of enhancing strong and robust performance;
 - > adopting an active management philosophy encompassing asset and financial management, strategic investments, acquisitions and divestments and the judicious development of new and existing assets;
 - > maintaining a strong balance sheet with prudent borrowing levels. The Trust Deed requires the level of borrowings to be maintained at no more than 40% of the gross value of the Trust; and
 - > utilising the resources of the Manager's parent, Colonial First State Property Limited, and ultimate parent, Commonwealth Bank of Australia (CBA). CBA is one of the leading providers of financial services in Australasia and is best known in New Zealand for its ownership of ASB Bank and Sovereign Assurance. The ability of the Manager to access the skills and experience of one of Australasia's leading fund managers has strengthened the Trust's culture of innovation and success.
- > ensuring that tenants are satisfied with their accommodation, and working with existing and prospective tenants to create solutions that add value for both parties;
 - > negotiating and managing leases and rent reviews with each tenant, and monitoring compliance with all lease obligations;
 - > managing capital expenditure requirements for upgrades or refurbishment of each asset and maximising the return on capital expenditure; and
 - > minimising vacant space in each asset and effectively marketing space if it becomes available.

STRATEGIC ACQUISITIONS AND DIVESTMENTS

The Manager will consider strategic acquisitions that have the potential to enhance investor returns and/or provide superior growth opportunities. Assets are continually reviewed to ensure that they fit within the Trust's investment criteria, and are divested if necessary. With every asset the Manager looks at:

- > maximising returns from rental income and achieving long-term capital growth;
- > minimising risk by investing in high-quality strategically located assets;
- > the potential for superior growth and added-value opportunities;
- > the further diversification of the Trust's portfolio by tenant, sector and geographical location; and
- > maintaining the Trust's strong income profile through long-term leases to prime tenants.

ACTIVE MANAGEMENT

The Manager seeks to optimise earnings and capital growth through strategic added-value remixes and refurbishments, renegotiation of leases and rent reviews and the improvement of all property management activities. This involves:

DEVELOPMENT ACTIVITY

The ongoing refurbishment and expansion of the Trust's existing assets, tenancy remixes and the judicious development of new assets is essential to the Trust's continued performance.

There are a variety of development activities that the Trust may undertake to achieve its objectives. Typically these activities include the refurbishment, extension or redevelopment of existing assets to ensure they maintain their dominance and continue to provide long-term sustainable earnings. The Trust may also develop new assets where opportunities arise to provide further diversification and growth potential for the Trust as it is often not possible to purchase these assets directly.

Every project is different and has varying risk characteristics. For example, the refurbishment of an existing shopping centre will have a lower risk profile than the potential development of an asset on bare land which is not currently zoned for that activity. In some cases the refurbishment of an existing asset will have a lower risk profile than not undertaking that refurbishment and risking the deterioration of that asset. The expansion of Northlands Shopping Centre is an example of this, for if that Centre were not extended and re-positioned, its performance would likely have suffered materially to the benefit of its competitors.

Whilst every project has a different risk profile, the types of risks may include securing control and ownership of the land, obtaining planning permissions and consents, construction procurement, cost escalation, resources, leasing, funding and ultimately delivery of the completed asset. Before considering any refurbishment, expansion or development proposal, the Board evaluates each and every risk associated with that particular project, and methodically and objectively manages each of them.

The quantum of development undertaken by the Trust at any one time will depend on numerous factors, including, but not limited to, the risks associated with the particular development, the rate of return on the investment, the availability of resources and funding capacity.

In accordance with the Trust Deed and the NZSX Listing Rules, the Manager may not enter into a transaction (to acquire or dispose of assets):

- i) that would change the essential nature of the business of the Trust; or

- ii) the value of which would exceed 50% of the average market capitalisation of the Trust;

except with the prior approval of Unit Holders by way of an ordinary resolution.

Furthermore, the Trust Deed requires that any investment exceeding \$1 million must first be approved by the independent Trustee. In considering any proposals, the Trustee does so having due regard to the interests of Unit Holders.

The Manager does not as a general guiding principle intend to have more than approximately 15% of the gross value of the Trust held as Investment Properties under Development at any point in time. The Manager may exceed this guideline if a unique opportunity presents itself which fits the Trust's investment criteria and is adequately de-risked, or where to not undertake a refurbishment or expansion of an existing asset would result in its deterioration.

ACTIVE FINANCIAL MANAGEMENT

Active financial management involves ensuring that the Trust's income, expenses and balance sheet are managed in such a way as to maximise returns to investors. This includes:

- > ensuring that cash flows from rentals are efficiently utilised as they become available. This may be by way of capital expenditure for refurbishment or upgrade programmes, or simply by debt repayments or by ensuring that income is earning competitive interest rates;
- > actively managing the Trust's debt and exposure to interest rate volatility through a disciplined debt and hedging strategy that ensures an ongoing spread of maturities, maximises the term of renewal, and achieves an appropriate mix of fixed rate and short-term floating rate debt to meet the Trust's cash flow requirements;
- > ensuring that borrowings are used prudently, minimising interest costs, while at the same time making appropriate decisions about the trade-off between the cost of borrowing and the potential return from investment opportunities; and
- > careful consideration of any requirement for new equity, balancing the potential return from investment opportunities.

CORPORATE GOVERNANCE

Kiwi Income Property Trust (the Trust) is a unit trust established in Auckland under a Deed of Trust dated 21 August 1992 (as amended), and is registered under the Unit Trusts Act 1960. Under the terms of the Trust Deed, Kiwi Income Properties Limited (the Manager) is the Manager of the Trust and New Zealand Permanent Trustees Limited (the Trustee) is the Trustee.

The Board of Directors of the Manager (the Board) and the Trustee assume responsibility for corporate governance of the Trust. This responsibility includes overseeing the business and the affairs of the Trust, establishing with management the strategies and financial objectives to be implemented by management, and monitoring the performance of management directly and indirectly through subcommittees.

In fulfilling this obligation, the Board and the Trustee acknowledge the need for the highest standards of corporate governance and ethical conduct. The Trust's corporate governance framework primarily comprises the Board and the Audit Committee, which operate in accordance with the principles set out in their respective charters. However, overlaying this is an additional level of governance and compliance to which the Manager is subject by reason of its ownership by Colonial First State Property Limited and its ultimate parent company, the Commonwealth Bank of Australia. Consequently, in addition to the Board and Audit Committee charters, the Board is also required to be cognisant of protocols and processes specific to companies within the Commonwealth Bank of Australia Group.

TRUSTEE'S ROLE

The Trustee is authorised to act as a trustee company under the Trustee Companies Act 1967. The Trustee was established in 1929 and is a wholly owned subsidiary of Public Trust. The Trustee's primary role is to ensure that the Manager complies with its obligations under the Trust Deed. As part of that role, the Trustee takes title to the Trust's assets. The Trust Deed also confers certain

discretions and powers to approve actions (including investment and divestment proposals) proposed to be taken by the Manager. In those cases, the Trustee does so having due regard to the interests of Unit Holders. The Trustee also acts as trustee for the holders of the Mandatory Convertible Notes.

MANAGER'S ROLE

The role of the Manager is to manage the Trust in accordance with the Trust Deed and the law. Ultimate responsibility for corporate governance resides with the Board of Directors of the Manager. Membership of the Board and the Audit Committee, a subcommittee of the Board, is as follows:

DIRECTOR	BOARD MEMBERSHIP	AUDIT COMMITTEE MEMBERSHIP
Sean Wareing	Non-Executive Chairman ¹	Non-Executive Member ¹
Richard Didsbury	Non-Executive Member	
John Duncan	Non-Executive Member	Non-Executive Member
Wal Edgell	Executive Member	
Robert Narev	Non-Executive Member ¹	Non-Executive Chairman ¹
Joanna Perry	Non-Executive Member ¹	Non-Executive Member ¹
Jim Syme	Non-Executive Member	

¹ In accordance with NZSX Listing Rule 3.3.1A, the Board has determined that Robert Narev, Joanna Perry and Sean Wareing are independent directors, as defined by NZSX Listing Rule 1.1.2 (when read in conjunction with the waiver from the NZSX Listing Rules granted to the Trust and the Manager by NZX Regulation on 28 October 2004).

The Board's actions and its conduct are governed by the Manager's constitution, the Trust Deed, protocols and processes specific to companies within the Commonwealth Bank of Australia Group and a Code of Corporate Governance (the Code), committed to by all directors. The Code sets out all the functions and operating procedures of the Board, including a charter for the Audit Committee. The Code also sets out those matters that only the Board can make decisions on. These include: setting the overall strategic direction; determination of portfolio mix; property selection; analysis, review and negotiation of property acquisitions

and disposals; supervision of property managers; determining dividend payments; determining the Trust's appropriate funding mix, either by way of equity and/or debt funding; approving annual financial statements; provision of information to investors; approving and monitoring major capital expenditure; and appointment of auditors.

The Board has delegated the management of the Trust's day-to-day affairs to the Chief Executive. The Chief Executive makes recommendations as to the Trust's overall strategic direction and presents annual budgets for approval by the Board. The Trust's performance against budget is monitored by the Board, as is the performance of other delegated responsibilities. All investment and divestment approvals sought from the Trustee must first have the approval and recommendation of the Board.

COMPOSITION OF THE BOARD OF DIRECTORS

A fundamental tenet of corporate governance is to have a mix of executive, non-executive and independent directors on the Board. The Board currently has one executive and six non-executive directors (three of whom are independent) and regularly assesses the independence of each director in light of interests disclosed by them.

As well as having both executive and non-executive directors, effective boards require a mix of directors from different backgrounds with complementary skills and experience. The Board is structured in such a way that it has a proper understanding of, and competence to deal with, the current and emerging issues of the Trust, and can effectively review and challenge the performance of management and exercise independent judgement, including in relation to financial issues.

Each director is required to be conversant with corporate governance, corporate strategy and relevant laws, regulations and the NZSX Listing Rules. In addition, directors need to be familiar with the responsibilities and obligations of a company director, aware of their rights and obligations under the Manager's constitution and familiar with operations, strategies, budgets and financial plans. At least one director is required to have an accounting or financial background.

It is the responsibility of all directors to ensure that they undergo continuous training to educate and update

themselves on how to appropriately and effectively perform their duties as directors.

In recognition of the importance of independent views and the Board's role in supervising the activities of management, the Chairman of the Board may not also hold the position of Chief Executive of the Manager.

The Chairman of the Board ensures that all directors receive and understand the information needed for the Board to make fully informed decisions to enable the directors to effectively discharge their duties. If required, members of the Board are entitled to seek independent legal advice.

BOARD COMMITTEES

The Board may establish committees to assist in the execution of its duties and allow detailed consideration of complex issues.

Each committee has its own written charter setting out its role and responsibilities and the manner in which the committee is to operate.

Committees do not diminish the full Board's responsibility for the affairs of the Trust. All matters that are determined by committees are submitted to the full Board as recommendations for the Board's decision.

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 Manager does not maintain a Remuneration Committee as the Manager pays the remuneration of the directors and the Chief Executive, rather than the Trust. There is no requirement for directors to hold units in the Trust, although they are encouraged to do so. A Nomination Committee is not deemed necessary as directors are appointed in accordance with the Manager's constitution.

AUDIT COMMITTEE

The Audit Committee assists the Board in carrying out its responsibilities under the Companies Act 1993, the Financial Reporting Act 1993, the Unit Trusts Act 1960 and the NZSX Listing Rules with respect to accounting practices, policies and controls.

The minimum number of members on the Audit Committee is three, with a majority comprising

independent directors of the Manager. The Board ensures that at least one member has an accounting or financial background. The Chairman of the Audit Committee cannot also be the Chairman of the Board, or Chairman of any other committee established by the Board.

The Audit Committee has a clear line of direct communication with management, external auditors, executives of the shareholder of the Manager and the Board.

The Audit Committee is charged with: reviewing and reporting to the Board on Annual and Interim reports, 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 effectiveness and efficiency of operations, reliability of financial reporting and compliance with applicable laws and regulations; overseeing the effective operation of the risk management and compliance framework; and recommending to the Board the appointment, removal and remuneration of the external auditors and reviewing the terms of their engagement and the scope and quality of the audit and reviewing and approving within established procedures and, before commencement, the nature and scope of non-audit services being provided by the external auditors.

The Audit Committee has authority to seek the information it requires from any employee or external party and may, if necessary, conduct or authorise investigations into any matters within the Committee's scope of responsibilities. The Committee is empowered to retain independent counsel, accountants or others to assist it in the conduct of its duties.

CODE OF ETHICS

Directors must uphold the highest ethical standards, acting in good faith and in the best interests of the Trust and Unit Holders at all times.

Directors must comply with the policies which the Board has collectively endorsed, and observe the Trust's Code of Ethics, which requires directors to: act properly and efficiently and within the authorities and discretions delegated to them in pursuing the objectives of the Trust; avoid putting themselves in a position where

they stand to benefit personally (directly or indirectly) or be accused of insider trading; not trade in the Trust's securities unless they do so in accordance with the Trust's Trading Policy; ensure that they and the business are in compliance with all laws and regulations; maintain confidentiality of information at all times; and be absolutely honest in all professional activities.

A copy of the Trust's Code of Ethics is available on the Trust's website at www.kipt.co.nz

RISK MANAGEMENT

The Trust has policies, procedures and appropriate internal controls in place to identify and effectively manage areas of significant business risk, including financial risks arising from exposures to interest rates, credit risk and liquidity risk. Processes are in place to ensure the business is compliant with approved policies and procedures, as well as relevant legislation, regulations and the NZSX Listing Rules. Management processes are also in place to ensure all material risks identified are promptly reported to the Board and Trustee. Matters reported are assessed and, where appropriate, corrective action is taken to mitigate and monitor the risk.

CONTINUOUS DISCLOSURE

In accordance with the NZSX Listing Rules, the Trust is required to disclose to the market matters which could be expected to have a material effect on the price or value of the Trust's securities. Management processes are in place to ensure that all material matters which may potentially require disclosure are promptly reported to the Chief Executive, through established reporting lines. Matters reported are assessed and, where required by the NZSX Listing Rules, advised to the market. The Chief Financial Officer is responsible for communications with the NZX and for ensuring that such information is not released to any person until the NZX has confirmed its release to the market.

All material NZX announcements are also posted on the Trust's website at www.kipt.co.nz

INTERESTS REGISTER

Section 189(1)(c) of the Companies Act 1993 requires the Manager to keep a Register of Directors' Interests, and this has been extended to include interests in the

Trust. Each director is required to disclose the following information and have that information entered into the Register of Interests as soon as they become aware of it: particulars of other board appointments; particulars of interests in transactions of the Trust; disclosure or use of Trust information acquired by virtue of office or employment by the Manager; dealings in the Trust's securities; and particulars of Board-approved payments, loans and guarantees of the debts of directors, or contracts to do any of these things.

In considering any dealings in the Trust's securities, directors and employees must observe the Trust's Trading Policy. Directors and employees must notify and obtain approval of the Manager before dealing in the Trust's securities and are only permitted to trade in two window periods. That is, from one day after the interim or annual results are announced and up to five months after the end of the financial year, or four months after the end of the half-year accounting period, as the case may be.

Directors and Officers must also observe the Directors and Officers Disclosure Policy in respect of 'relevant interests' in securities of the Trust or any of its related entities.

MANAGEMENT FEES

In accordance with the terms of the Trust Deed, the Manager is entitled to receive a management fee.

In a revision to the Trust Deed dated 13 May 2005, and with effect from 1 April 2005, the Manager is entitled to receive a management fee comprising a base fee of 0.55% per annum of the average gross value of the Trust fund, and a performance fee calculated on Unit Holder returns above 10% per annum. The total management fee payable, including both the base and performance fees, is capped at 0.70% per annum of the average gross value of the Trust fund.

The base fee is calculated and paid quarterly in arrears, and the performance fee is calculated and, where applicable, paid semi-annually in arrears (with any excess or deficit balance carried over on an aggregating basis for a period of two years). In accordance with a waiver from the NZX, and the approval of Unit Holders

(which was given at a meeting of Unit Holders held on 2 September 2005), the Manager reinvests any performance fee received by way of subscribing for new units in the Trust.

In addition, the Manager, or a related entity of the Manager, has the right to be reimbursed for certain expenses or services. These include property management services, property agency services, including facilities management and leasing services, development advisory and project management services, accounting services, advertising and promotional services. Any such services which are provided by the Manager, or a related entity of the Manager, are on an 'arm's length' basis at normal commercial rates, and are disclosed as related party transactions in the Notes to the Financial Statements.

DIRECTORS' AND OFFICERS' LIABILITY INSURANCE

The Manager maintains Directors' and Officers' Liability Insurance and indemnifies the directors and officers of the Manager against all liabilities which may arise out of the performance of normal duties as directors or officers, unless the liability relates to conduct involving a lack of good faith. This includes indemnity of costs and expenses incurred in defending an action that falls within the scope of the indemnity.

COMPLIANCE WITH CORPORATE GOVERNANCE BEST PRACTICE

The Trust's corporate governance processes materially comply with the Corporate Governance Best Practice Code recommended by the NZX (the NZX Code). The key area where the principles adopted by the Trust do not align with the NZX Code relate to the establishment of Remuneration and Nomination Committees, as described above under "Board Committees".

The Trust's corporate governance framework also materially complies with the Securities Commission's Corporate Governance Principles. The Board regularly reviews its practices and will continue to refine them in light of the NZX and Commission's recommendations to ensure they are appropriate to the Trust and consistent in all material respects.

ENVIRONMENTAL PHILOSOPHY

“Increasingly, international interest in sustainability is making it a business necessity in New Zealand.”

JASON HAPPY – NATIONAL FACILITIES MANAGER

The Trust identified the trend towards sustainability five years ago and implemented an environmental programme seeking to ensure environmental considerations were integrated into the Trust’s business practices. Our latest environmental developments feature below:

- > **21 Pitt Street** – building management system and cooling towers upgraded, improving energy efficiency, reducing water loss, and providing a platform for improved monitoring.
- > **50 The Terrace (formerly Intergen House)** – energy consumption reduced by 20% through a targeted energy management programme.
- > **PricewaterhouseCoopers Centre** – boiler upgraded, reducing peak electrical demand.
- > **Unisys House**– hot water system upgraded providing significant energy savings.

Of the Trust’s environmental successes over recent times, the most noteworthy are the environmental features included in the Sylvia Park retail project. These have included a range of good practice and innovative measures.

NEW ZEALAND GREEN BUILDING COUNCIL

The New Zealand chapter of the World Green Building Council was officially launched in July 2006. The Trust has played its part in establishing this body through foundation membership and aiding one of the Council’s first major goals – a rating tool for new office buildings. The Trust continues to contribute to this organisation which is vital to advancing the uptake of environmentally sustainable practices in New Zealand buildings by providing:

- > Independent validation of environmental performance.
- > A source of education to tenants, owners, investors and advisors.

FUTURE ENVIRONMENTAL PROGRAMME

Given the maturity of the Trust’s environmental programme and the growing presence of environmental concerns and demands in New Zealand, the Trust has recently taken the opportunity to thoroughly evaluate the programme’s performance to date. Based on this review and an estimation of future environmental issues and opportunities, the Trust is now revising its targets and associated action plan to ensure it continues to be a leader in the property sector in regards to this national and global critical issue.



SUSTAINABILITY AT SYLVIA PARK'S RETAIL PRECINCT

INNOVATIVE ELEMENTS

ECOLOGY

- > Around 1,300 trees and 70,000 shrubs were planted
 - 50% of the plantings are New Zealand native trees, adding to the distinctly New Zealand feel of Sylvia Park.
- > Rainwater is harvested for use in public toilets.

WATER

- > Stormwater discharge is passively treated to a high level via filtration and active catalytic media.

COMMUNITY

- > Creating a new 'town centre' as part of a wider urban renewal initiative by Auckland City Council.
- > Incorporating a new railway station to enhance public access.

ENERGY

- > A number of strategies incorporated to reduce energy consumption compared to a conventional mall with centralised air conditioning. These strategies include:
 - Passive ventilation and cooling of the north mall laneways, with highly efficient radiant heaters in key locations.
 - Each tenancy has its own dedicated air conditioning unit.
 - The south mall is designed to a temperature range which is wider than conventional but still comfortable.

- A substantial portion of the foodcourt seating is semi-enclosed with highly efficient radiant heaters and readily removable 'clears' to allow the space to be adapted to suit the weather.
- The foodcourt extract systems are a 'balanced flue' type where 'make up' fresh air is provided directly to the cooker top.

GOOD PRACTICE ELEMENTS

Sylvia Park features numerous good practice measures with regard to energy and water efficiency, recycling facilities, materials selection, emissions and community. Some notable aspects are:

- > A good practice environmental management plan used throughout the construction, resulting in:
 - 30,000m³ of concrete recycled onsite.
 - 79% of all site waste to date recycled.
 - All non-contaminated demolition timber recycled onsite as wood chip.
- > Current technology lighting control system and high levels of daylighting practically throughout the mall space.
- > Highly efficient air conditioning managed by a sophisticated building management system.
- > Planned facilities for recycling operational waste.
- > Low toxicity paints used virtually throughout public spaces.

INVESTOR RELATIONS

INVESTING IN THE TRUST

Investors can invest in the Trust in two ways:

- > By acquiring units in the Trust which are listed on the New Zealand Stock Exchange (NZSX), under the code KIP.
- > By acquiring Mandatory Convertible Notes (MCN) which are also listed on the NZSX under the code KIPGB.

COMMUNICATIONS

The Trust is committed to providing Investors with timely, balanced and readily available information regarding the Trust. Information is communicated through a number of media including:

- > **Annual and Interim Reports**
The Trust's Annual and Interim Reports are sent to Unit Holders and MCN Holders in June and December respectively. Copies of these reports may also be downloaded from the Trust's website.
- > **Investor Newsletters**
The Trust distributes a bi-annual newsletter to convey relevant information about the Trust's performance and activities. Newsletters are generally sent in March and September of each year.
- > **Website**
The Trust's website (www.kipt.co.nz) is a comprehensive source of information about the Trust, including details regarding the Trust's history, people, structure, corporate governance, a summary of the property portfolio, answers to frequently asked questions, material NZX announcements and key financial information, including unit price performance.
- > **Investor Meetings**
All Investors are invited to attend the annual meeting. This is an excellent opportunity for the Board to provide an update on the Trust's activities and for Investors to ask questions about the Trust.

DIVIDENDS AND MCN COUPON PAYMENTS

Dividends are paid to Unit Holders semi-annually for the periods ending 31 March and 30 September, with payment occurring in June and December respectively. Dividends can be paid by cheque or directly credited into a nominated New Zealand bank account. Direct credit nomination forms may be obtained from the Registrar. Alternatively you can participate in the Trust's Dividend Reinvestment Scheme. Unit Holders who wish to participate in the Scheme, and who have not previously elected to participate, should notify the Registrar.

MCN coupon payments are made semi-annually on 30 June and 31 December (or the next business day). Coupon payments can be paid by cheque or directly credited into a nominated New Zealand bank account. Direct credit nomination forms may be obtained from the Registrar.

CONTACTING THE REGISTRAR

To change your investment details such as address, method of receipt of distribution and/or MCN coupon payment, IRD number, or to request details of the Trust's Dividend Reinvestment Scheme, please contact Link Market Services. Contact details are included on the inside back cover of this report.

Alternatively, you can access Link Market Services' website at www.linkmarketservices.com and take advantage of their on-line services, such as holding balance, payment history, change of address, payment instructions, transaction history and communication options.

CONTACTING THE MANAGER

If you have any questions relating to the management of the Trust, please call +64 9 357 9322 or email info@kipt.co.nz

FINANCIAL STATEMENTS



STATEMENTS OF FINANCIAL PERFORMANCE

FOR THE YEAR ENDED 31 MARCH 2007

	NOTE	GROUP 2007 \$000	GROUP 2006 \$000	PARENT 2007 \$000	PARENT 2006 \$000
Operating revenue	1	101,417	90,984	81,725	73,402
Operating expenses	2	(11,897)	(9,759)	(12,711)	(10,285)
		89,520	81,225	69,014	63,117
Interest and finance charges	3	(24,349)	(15,842)	(13,080)	(10,048)
Gain on realisation of investment properties		–	1,813	–	–
Gain on realisation of other investments		–	13,181	–	–
Profit before income tax		65,171	80,377	55,934	53,069
Income tax (expense)/benefit	4	(5,960)	(8,312)	5,350	4,004
Profit after income tax		59,211	72,065	61,284	57,073

The notes form part of and are to be read in conjunction with these financial statements.

STATEMENTS OF MOVEMENTS IN UNIT HOLDERS' FUNDS

FOR THE YEAR ENDED 31 MARCH 2007

	NOTE	GROUP 2007 \$000	GROUP 2006 \$000	PARENT 2007 \$000	PARENT 2006 \$000
EARNINGS AND REVALUATIONS					
Profit after income tax	10	59,211	72,065	61,284	57,073
Net unrealised change in value of investment properties	10	219,756	103,223	–	–
Unrealised change in value of investments in subsidiaries	10	–	–	217,683	118,217
Total recognised earnings and revaluations		278,967	175,288	278,967	175,290
CAPITAL MOVEMENTS					
Dividend reinvestment	9	4,826	4,294	4,826	4,294
Issue of units in satisfaction of performance fee obligation	9	2,059	105	2,059	105
Total capital movements		6,885	4,399	6,885	4,399
DISTRIBUTIONS					
Distributions to Unit Holders	10	(59,966)	(51,827)	(59,966)	(51,827)
Total distributions		(59,966)	(51,827)	(59,966)	(51,827)
Movements in Unit Holders' funds for the year		225,886	127,860	225,886	127,862
Unit Holders' funds at the beginning of the year		1,020,244	892,384	1,020,225	892,363
Unit Holders' funds at the end of the year		1,246,130	1,020,244	1,246,111	1,020,225

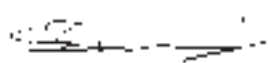
The notes form part of and are to be read in conjunction with these financial statements.

STATEMENTS OF FINANCIAL POSITION

AS AT 31 MARCH 2007

	NOTE	GROUP 2007 \$000	GROUP 2006 \$000	PARENT 2007 \$000	PARENT 2006 \$000
ASSETS					
NON-CURRENT ASSETS					
Property investments	5	1,912,452	1,431,655	–	–
Investments in subsidiaries	6	–	–	1,385,974	1,156,392
Other investments	7	487	318	75	81
		1,912,939	1,431,973	1,386,049	1,156,473
CURRENT ASSETS					
Cash and deposits		3,183	3,114	2,236	2,247
Accounts receivable and prepayments	8	10,528	10,149	130	74
Income tax receivable		614	404	6,280	6,177
Other investments	7	146	171	–	–
		14,471	13,838	8,646	8,498
Total assets		1,927,410	1,445,811	1,394,695	1,164,971
UNIT HOLDERS' FUNDS					
Units	9	661,974	657,148	661,974	657,148
Reserves	10	584,156	363,096	584,137	363,077
Total Unit Holders' funds		1,246,130	1,020,244	1,246,111	1,020,225
LIABILITIES					
NON-CURRENT LIABILITIES					
Trade and other payables	14	1,540	–	–	–
Secured bank loans	12	486,000	236,000	–	–
Mandatory convertible notes	13	139,596	137,898	139,596	137,898
Deferred income tax liability	4	2,823	815	486	555
		629,959	374,713	140,082	138,453
CURRENT LIABILITIES					
Trade and other payables	14	51,321	50,854	8,502	6,293
		51,321	50,854	8,502	6,293
Total liabilities		681,280	425,567	148,584	144,746
Total Unit Holders' funds and liabilities		1,927,410	1,445,811	1,394,695	1,164,971

The Board of Kiwi Income Properties Limited, the Manager of Kiwi Income Property Trust, authorised these financial statements for issue on 16 May 2007.



S P Wareing – CHAIRMAN OF THE BOARD
16 May 2007



R Narev – CHAIRMAN OF THE AUDIT COMMITTEE
16 May 2007

The notes form part of and are to be read in conjunction with these financial statements.

STATEMENTS OF CASH FLOWS

FOR THE YEAR ENDED 31 MARCH 2007

	NOTE	GROUP 2007 \$000	GROUP 2006 \$000	PARENT 2007 \$000	PARENT 2006 \$000
CASH FLOWS FROM OPERATING ACTIVITIES					
Net rental income		105,003	87,585	–	–
Dividend income		–	2,603	–	–
Interest income		722	751	486	683
Net Goods and Services Tax		1,550	(2,184)	37	(39)
Interest and finance charges		(20,454)	(12,151)	(11,466)	(5,850)
Income tax paid		(3,360)	(6,751)	–	(200)
Management fees and other operating expenses		(10,870)	(9,326)	(3,320)	(3,137)
Net cash flows from/(used in) operating activities	15	72,591	60,527	(14,263)	(8,543)
CASH FLOWS FROM INVESTING ACTIVITIES					
Disposal of investment properties		–	29,505	–	–
Disposal of other investments		–	68,654	–	–
Net inter-group advances		–	–	68,136	(80,161)
Net tenant advances		(150)	40	–	–
Cost of investment properties		(95,515)	(15,399)	–	–
Expenditure on investment properties under development		(157,801)	(114,938)	–	–
Interest and fees capitalised to investment properties under development		(15,172)	(12,031)	–	–
Net cash flows from/(used in) investing activities		(268,638)	(44,169)	68,136	(80,161)
CASH FLOWS FROM FINANCING ACTIVITIES					
Issue of units		2,059	105	2,059	105
Net movement in secured bank loans		250,000	(105,000)	–	–
Issue of mandatory convertible notes		–	142,273	–	142,273
Distributions to Unit Holders		(55,943)	(48,931)	(55,943)	(48,931)
Cost of issuing new units		–	–	–	–
Cost of issuing mandatory convertible notes		–	(5,761)	–	(5,761)
Net cash flows from/(used in) financing activities		196,116	(17,314)	(53,884)	87,686
Net increase/(decrease) in cash and deposits		69	(956)	(11)	(1,018)
Cash and deposits at the beginning of the year		3,114	4,070	2,247	3,265
Cash and deposits at the end of the year		3,183	3,114	2,236	2,247

The notes form part of and are to be read in conjunction with these financial statements.

STATEMENT OF ACCOUNTING POLICIES

FOR THE YEAR ENDED 31 MARCH 2007

REPORTING ENTITY

The reporting entity is Kiwi Income Property Trust (the Trust, or the Parent). The Trust is a unit trust established under the Unit Trusts Act 1960 by a Deed of Trust dated 21 August 1992 (as amended). The group consists of the Trust and its subsidiary companies (the Group). The Trust is an issuer for the purposes of the Financial Reporting Act 1993. The financial statements are prepared in accordance with the Financial Reporting Act 1993.

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

MEASUREMENT BASE

The Group follows the accounting principles recognised as appropriate for the measurement and reporting of financial performance and financial position on an historical cost basis, modified by the revaluation of certain assets.

SPECIFIC ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these financial statements are as follows:

Basis of consolidation

The consolidated financial statements include the Parent and its subsidiaries accounted for using the purchase method. All significant inter-group transactions are eliminated on consolidation.

Revenue recognition

Rental income is recognised in the Statements of Financial Performance on an accrual basis when earned, except where it relates to investment properties under development in which case it is capitalised to the development.

Operating expenses borne by tenants are offset by recoveries from the tenants. Operating expenses not borne by tenants are netted against rental income.

Interest, dividend income and management fees are recognised in the Statements of Financial Performance on an accrual basis when earned.

Income tax

The Trust adopts tax effect accounting, whereby income tax is matched with operating profit after allowing for permanent differences, using the partial liability method. The Trust does not recognise a deferred tax liability in respect of tax depreciation recoverable on investment properties as it is not intended that these properties will be sold. Future tax benefits are not recognised unless realisation of the asset is virtually certain.

Property investments

Investment properties

Investment properties are measured initially at their cost, including related transaction costs. In each subsequent year, investment properties are revalued to net current value (market value less an allowance for disposal costs) as determined by a registered valuer. The difference, at balance date, between the latest valuation and the previous carrying value is recognised in Unit Holders' funds.

Investment properties under development

Investment properties under development are recorded at cost being the costs incurred in relation to incomplete projects at balance date.

As well as the initial cost of the land, cost includes development/refurbishment costs capitalised, which includes interest, leasing, management fee costs and lease incentive costs up to the date of practical completion, offset against interest received and other income.

Any transfers between investment properties and investment properties under development are made at the carrying amount at the time of the transfer.

Work in progress

Certain items are classified as work in progress until a decision is made to undertake a development project or hold the items as investment properties. Work in progress is recorded at cost, including related transaction costs.

Investment properties intended for sale

Investment properties intended for sale are recorded at the lower of the carrying amount (at the date of the change in intention) and the net realisable value.

On disposal, the difference between the sale proceeds (net of selling costs) and the carrying value is recorded in the Statements of Financial Performance before being transferred to the asset realisation reserve. The asset revaluation reserve in respect of that property, if any, is also transferred to the asset realisation reserve.

Investments in subsidiaries

Investments in subsidiaries are revalued to net asset value to recognise fluctuations in the value of investment properties in those companies. The revaluations are recorded in Unit Holders' funds.

Other investments

All other investments are recorded at the lower of cost or net realisable value.

Cash and deposits

Cash and deposits are recorded at cost.

Accounts receivable

Accounts receivable are recorded at estimated realisable value.

Unit Holders' funds

Brokerage and other capital raising costs are recognised as a reduction of the amount collected per unit.

Secured bank loans

Secured bank loans are recorded at face value.

STATEMENT OF ACCOUNTING POLICIES (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2007

Mandatory convertible notes

The mandatory convertible notes (MCNs) presentation is determined at the time the MCNs are issued based on the underlying terms and conditions.

The MCNs issued during June and July 2005 (which mature on 30 June 2010) have been recognised as a liability. Costs associated with the issue have been offset against the liability and are amortised on a straight-line basis over the term of the MCNs.

Interest on the MCNs is included in interest expense in the Statements of Financial Performance. The amortisation of issue costs and the recognition of the conversion premium on an accrual basis are also included in interest expense in the Statements of Financial Performance.

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.

Financial instruments

Financial instruments recognised in the Statements of Financial Position include cash and deposits, receivables, payables, other investments, secured bank loans and MCNs. The particular recognition methods adopted are disclosed in the individual policy statements associated with each instrument.

In addition, financial instruments with off balance sheet risk, such as interest rate swaps, are used to reduce the exposure to fluctuations in interest rates. Interest rate swaps are accounted for on the same basis as the underlying hedged items. The net differential paid or received is recognised as a component of interest expense in the Statements of Financial Performance.

Statements of Cash Flows

The following are the definitions of the terms used in the Statements of Cash Flows:

- (a) Operating activities include all transactions that are not investing or financing activities.
- (b) Investing activities include those activities relating to the acquisition, addition, holding and disposal of investment properties and investment properties under development and any addition or reduction of subsidiary investments and advances.
- (c) Financing activities are those activities that result in changes in the size and composition of Unit Holders' funds, secured bank loans and mandatory convertible notes.
- (d) Cash includes cash on hand, deposits held at call with banks and investments in money market instruments, net of bank overdrafts, which are used as part of day-to-day cash management.

COMPARATIVES

Where necessary, comparative figures have been adjusted to conform with changes in presentation in these financial statements.

CHANGES IN ACCOUNTING POLICIES

There have been no changes to accounting policies during the year. All policies have been applied on a basis consistent with the previous year.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2007

1. OPERATING REVENUE

	GROUP 2007 \$000	GROUP 2006 \$000	PARENT 2007 \$000	PARENT 2006 \$000
Gross rental income and operating expense recoveries	142,181	121,254	–	–
Less:				
Tenants' operating expenses	(22,626)	(19,439)	–	–
Owners' operating expenses	(18,429)	(12,949)	–	–
Bad debts	(733)	(301)	–	–
Doubtful debts	308	(285)	–	–
Net rental income	100,701	88,280	–	–
Management fee income	–	–	8,372	6,717
Interest income	716	961	480	687
Dividend income	–	1,743	72,873	65,998
	101,417	90,984	81,725	73,402

2. OPERATING EXPENSES

	GROUP 2007 \$000	GROUP 2006 \$000	PARENT 2007 \$000	PARENT 2006 \$000
Manager's fees:				
Total management fees incurred	10,719	7,826	10,719	7,826
Capitalised to investment properties under development	(999)	(775)	–	–
	9,720	7,051	10,719	7,826
Auditors' remuneration:				
Audit	200	197	200	100
Audit-related services	18	13	18	13
Other services	–	5	–	5
Legal and professional fees	390	765	165	576
Registry and stock exchange fees	282	360	282	360
Trustee's fees	356	317	405	354
Unit Holder communication	485	512	485	512
Other	446	539	437	539
	11,897	9,759	12,711	10,285

In addition to the auditors' remuneration disclosed above, in the prior year an amount of \$225,000 (inclusive of GST) was paid to the auditors, PricewaterhouseCoopers, for audit-related services attributable to the issue of the mandatory convertible notes (MCNs). This cost has been offset against the MCNs and is amortised on a straight-line basis over the term of the MCNs.

In the prior year \$38,447 was paid to the auditors, PricewaterhouseCoopers for financial advisory services in relation to the Sylvia Park development. This cost was capitalised to the development.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2007

3. INTEREST AND FINANCE CHARGES

	GROUP 2007 \$000	GROUP 2006 \$000	PARENT 2007 \$000	PARENT 2006 \$000
Interest and finance charges on secured bank loans	25,393	17,012	–	–
Interest on mandatory convertible notes	11,382	8,662	11,382	8,662
Amortisation of mandatory convertible notes issue costs and recognition of conversion premium	1,698	1,386	1,698	1,386
	38,473	27,060	13,080	10,048
Capitalised to investment properties under development	(14,124)	(11,218)	–	–
	24,349	15,842	13,080	10,048

4. INCOME TAX

	GROUP 2007 \$000	GROUP 2006 \$000	PARENT 2007 \$000	PARENT 2006 \$000
Income tax expense/(benefit)				
Profit before income tax	65,171	80,377	55,934	53,069
Permanent and non-reversing timing differences:				
Tax depreciation (net of depreciation recovered/recoverable)	(30,585)	(26,443)	–	–
Net non-assessable gains on realisation of investments	–	(14,994)	–	–
Non-assessable dividends from subsidiaries	–	–	(72,873)	(65,998)
Imputation credits received/receivable	–	465	–	–
Deductible expenses capitalised (net of non-deductible capital expenditure)	(17,278)	(13,626)	–	–
Non-deductible expenditure	753	818	727	797
Taxable income/(loss)	18,061	26,597	(16,212)	(12,132)
Income tax at 33%	5,960	8,777	(5,350)	(4,004)
Imputation credits received	–	(465)	–	–
Income tax expense/(benefit)	5,960	8,312	(5,350)	(4,004)
The income tax expense/(benefit) is represented by:				
Current income tax	3,952	9,317	(5,281)	(4,562)
Deferred income tax	2,008	(1,005)	(69)	558
	5,960	8,312	(5,350)	(4,004)

The benefit attributable to the Parent will be offset with the tax liabilities attributable to its subsidiaries.

4. INCOME TAX (CONTINUED)

	GROUP 2007 \$000	GROUP 2006 \$000	PARENT 2007 \$000	PARENT 2006 \$000
Deferred income tax liability				
Balance at the beginning of the year	815	1,820	555	(3)
Current year expense/(benefit)	2,008	(1,005)	(69)	558
Balance at the end of the year	2,823	815	486	555

As outlined in the Statement of Accounting Policies, the Group applies the partial method of accounting for deferred income tax. Tax depreciation is claimed on investment properties, but no deferred liability is recognised in respect of depreciation recoverable as it is not expected to reverse for the foreseeable future. The tax effect of these unrecognised timing differences is a maximum unrecognised liability of \$78.1 million (2006 \$65.2 million).

Imputation credit account

Balance at the beginning of the year	5,787	7,521	–	–
Movements for the year:				
Income tax paid	3,360	6,959	–	–
Imputation credits received from quoted securities	–	651	–	–
Imputation credits distributed to Unit Holders (net of supplementary dividends)	(5,307)	(9,344)	–	–
Balance at the end of the year	3,840	5,787	–	–

The Parent and its subsidiary, Kiwi Property Holdings Limited, form an imputation group.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2007

5. PROPERTY INVESTMENTS

		BOOK VALUE 2006 \$000	CAPITAL CHANGES 2007 \$000	FAIR VALUE CHANGES 2007 \$000	BOOK VALUE 2007 \$000
	CURRENT VALUER				
Investment properties – office					
Vero Centre	CB Richard Ellis	255,710	445	43,955	300,110
National Bank Centre	Colliers International	52,150	55,527	12,673	120,350
The Majestic Centre	CB Richard Ellis	93,200	1,296	9,714	104,210
Unisys House	Colliers International	58,730	1,076	14,244	74,050
PricewaterhouseCoopers Centre	Jones Lang LaSalle	44,550	87	13,063	57,700
21 Pitt Street	CB Richard Ellis	50,800	1,353	2,727	54,880
Vector Building	Colliers International	25,900	20	5,170	31,090
BP House	Jones Lang LaSalle	25,200	4	1,884	27,088
Fisher & Paykel Finance Building	Jones Lang LaSalle	13,080	11	309	13,400
50 The Terrace (formerly Interger House)	Colliers International	4,900	60	1,230	6,190
		624,220	59,879	104,969	789,068
Investment properties – retail					
Sylvia Park Shopping Centre	CB Richard Ellis	–	375,161	47,584	422,745
Northlands Shopping Centre	Colliers International	229,500	428	19,072	249,000
North City Shopping Centre	Jones Lang LaSalle	116,800	2	18,298	135,100
Centre Place Shopping Centre	Jones Lang LaSalle	99,400	456	21,744	121,600
The Plaza Shopping Centre	Colliers International	76,032	2,072	5,346	83,450
Downtown Plaza Shopping Centre	Jones Lang LaSalle	19,450	8,633	3,650	31,733
Langdons Road, Christchurch	Colliers International	7,301	–	209	7,510
PricewaterhouseCoopers Building (formerly Beattie Rickman Building)	Jones Lang LaSalle	4,250	–	1,240	5,490
The Farmers Building	Colliers International	4,176	–	114	4,290
Countrywide Building	Jones Lang LaSalle	860	–	70	930
		557,769	386,752	117,327	1,061,848
Investment properties under development					
Sylvia Park	Not applicable	240,052	(202,806)	(2,540)	34,706
Work in progress					
	Not applicable	9,614	17,216	–	26,830
		1,431,655	261,041	219,756	1,912,452

In the current year all valuations are net current values, effective as at 31 March 2007. In the prior year, all valuations were net current values, other than the Fisher & Paykel Finance Building which was carried at its acquisition cost.

5. PROPERTY INVESTMENTS (CONTINUED)

Capital changes during the year were comprised of the following:

	INVESTMENT PROPERTIES – OFFICE & RETAIL \$000	INVESTMENT PROPERTIES UNDER DEVELOPMENT \$000	WORK IN PROGRESS \$000	TOTAL CAPITAL CHANGES \$000
Acquisition costs	55,401	–	21,586	76,987
Capitalised costs (including fees, incentives & capitalised income)	7,492	161,439	(48)	168,883
Capitalised interest and finance charges	–	13,839	285	14,124
Capitalised management and trustee fees	–	1,024	23	1,047
Transfer from work in progress to investment properties under development	–	4,630	(4,630)	–
Transfers from investment properties under development to investment properties – retail	383,738	(383,738)	–	–
	446,631	(202,806)	17,216	261,041

CB Richard Ellis has assessed the fair value of Sylvia Park Shopping Centre (on a fully completed basis) at \$449.5 million. Due to Sylvia Park's construction reaching a significant level of completion, the Centre has been transferred from investment properties under development to investment properties – retail. The fair value change represents the gain based on a completed centre. However, as at 31 March 2007, \$26.8 million of the costs to complete the Centre had not been incurred. Accordingly, the book value at 31 March 2007 represents the assessed value of \$449.5 million less the costs to complete of \$26.8 million. The book value of the Centre will increase post 31 March 2007 as the capital commitments and other expenditures are met.

During the year \$4.6 million was transferred from work in progress to investment properties under development in relation to Downtown Plaza and the redevelopment of the space formerly occupied by The Warehouse. Jones Lang LaSalle has assessed the fair value of Downtown Plaza (on a fully completed basis) at \$33.5 million. At 31 March 2007, the redevelopment was substantially complete. Therefore, the development was transferred from investment properties under development to investment properties – retail. The fair value change represents the gain based on a fully completed redevelopment. However, as at 31 March 2007, \$1.8 million of the costs to complete the redevelopment had not been incurred. Accordingly, the book value at 31 March 2007 represents the assessed value of \$33.5 million less the costs to complete of \$1.8 million. The book value of the property will increase post 31 March 2007 as the capital commitments and other expenditures are met.

The Parent had no direct property investments at 31 March 2007 (2006 \$Nil).

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2007

6. INVESTMENTS IN SUBSIDIARIES

	PARENT 2007 \$000	PARENT 2006 \$000
Shares	729,911	512,228
Advances to subsidiaries	656,063	644,164
	1,385,974	1,156,392

Significant subsidiaries

The Parent has two wholly owned subsidiaries, Kiwi Property Holdings Limited and Sylvia Park Business Centre Limited. Sylvia Park Business Centre Limited owns Sylvia Park Shopping Centre. All other investment properties are owned by Kiwi Property Holdings Limited.

Advances to subsidiaries

Advances have been made by the Parent to its subsidiaries to finance the acquisition of properties and capital expenditure, and to fund working capital requirements. The advances are repayable upon demand and interest may be charged on outstanding balances at a rate equivalent to the Group's cost of funds. No interest was charged in the current year (2006 \$Nil).

7. OTHER INVESTMENTS

	GROUP 2007 \$000	GROUP 2006 \$000	PARENT 2007 \$000	PARENT 2006 \$000
Current				
Tenant advances	146	171	-	-
Non-current				
Tenant advances and New Zealand Stock Exchange bond	487	318	75	81
	633	489	75	81

8. ACCOUNTS RECEIVABLE AND PREPAYMENTS

	GROUP 2007 \$000	GROUP 2006 \$000	PARENT 2007 \$000	PARENT 2006 \$000
Trade debtors	4,169	3,027	103	3
Provision for doubtful debts	(650)	(966)	–	–
Prepayments	6,521	6,050	27	39
Goods and Services Tax	488	2,038	–	32
	10,528	10,149	130	74

9. UNITS

		GROUP & PARENT 2007		GROUP & PARENT 2006	
	DATE	NUMBER 000	AMOUNT \$000	NUMBER 000	AMOUNT \$000
Balance at the beginning of the year		708,857	657,148	705,131	652,854
Issue of units:					
Dividend reinvestment	17-Jun-05	–	–	1,475	1,563
Dividend reinvestment	16-Dec-05	–	–	2,168	2,731
Performance fee reinvestment	16-Dec-05	–	–	83	105
Performance fee transfer to retained earnings	16-Dec-05	–	–	–	(105)
Dividend reinvestment	16-Jun-06	2,454	3,214	–	–
Performance fee reinvestment	16-Jun-06	741	963	–	–
Performance fee transfer to retained earnings	16-Jun-06	–	(963)	–	–
Dividend reinvestment	15-Dec-06	1,185	1,612	–	–
Performance fee reinvestment	15-Dec-06	788	1,096	–	–
Performance fee transfer to retained earnings	15-Dec-06	–	(1,096)	–	–
Balance at the end of the year		714,025	661,974	708,857	657,148

During the year, amounts equivalent to performance fees reinvested by the Manager were transferred from units to retained earnings to be made available for distribution to Unit Holders. The total amount transferred was \$2,059,251 (2006 \$104,524).

All units carry equal weight in respect of voting rights, distribution rights and rights on winding up of the Trust.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2007

10. RESERVES

	GROUP 2007 \$000	GROUP 2006 \$000	PARENT 2007 \$000	PARENT 2006 \$000
Retained earnings				
Balance at the beginning of the year	32,769	27,420	32,750	27,399
Profit after income tax	59,211	72,065	61,284	57,073
Performance fee transfers from units for distribution	2,059	105	2,059	105
Transfer from realisation reserve for distribution	2,073	–	–	–
Transfer to asset realisation reserve on disposal of investment properties	–	(1,813)	–	–
Transfer to asset realisation reserve on disposal of other investments	–	(13,181)	–	–
Distributions to Unit Holders	(59,966)	(51,827)	(59,966)	(51,827)
Balance at the end of the year	36,146	32,769	36,127	32,750
Asset revaluation reserve				
Balance at the beginning of the year	318,055	218,351	331,531	213,314
Net unrealised change in value of investment properties	219,756	103,223	–	–
Transfer to asset realisation reserve on disposal of investment properties	–	(3,519)	–	–
Unrealised change in value of investments in subsidiaries	–	–	217,683	118,217
Balance at the end of the year	537,811	318,055	549,214	331,531
Asset realisation reserve				
Balance at the beginning of the year	12,272	(6,241)	(1,204)	(1,204)
Gain on realisation of investment properties	–	1,813	–	–
Gain on realisation of other investments	–	13,181	–	–
Transfer from asset revaluation reserve on disposal of investment properties	–	3,519	–	–
Transfer to retained earnings for distribution	(2,073)	–	–	–
Balance at the end of the year	10,199	12,272	(1,204)	(1,204)
	584,156	363,096	584,137	363,077

11. DISTRIBUTIONS TO UNIT HOLDERS

	GROUP & PARENT 2007 \$000		GROUP & PARENT 2006 cpu	
Interim distribution				
Current year: declared 17 November 2006, paid 15 December 2006				
Prior year: declared 22 November 2005, paid 16 December 2005				
Cash	30,903	4.340	27,205	3.850
Imputation credits	2,919	0.410	4,946	0.700
	33,822	4.750	32,151	4.550
Final distribution				
Current year: declared 16 May 2007, payable 15 June 2007				
Prior year: declared 12 May 2006, paid 16 June 2006				
Cash	28,561	4.000	29,063	4.100
Imputation credits	6,069	0.850	3,190	0.450
	34,630	4.850	32,253	4.550
Total distributions				
Cash	59,464	8.340	56,268	7.950
Imputation credits	8,988	1.260	8,136	1.150
	68,452	9.600	64,404	9.100

12. SECURED BANK LOANS

ANZ National Bank, Bank of New Zealand, Westpac Banking Corporation and Commonwealth Bank of Australia (the Banks) have provided the Group with a revolving loan facility of \$650 million (2006 \$650 million) of which \$486 million (2006 \$236 million) had been drawn down at balance date.

The weighted average term to maturity for the combined facility is 3.6 years (2006 3.7 years).

The weighted average cost of funds for amounts currently drawn down under the facility is 7.18% (2006 6.93%).

The loans are secured by a Global Security Deed dated 5 November 1998 and a Supplemental Deed dated 22 March 2004 (the Deeds). Pursuant to the Deeds, a composite fixed and floating charge has been provided over the assets of the Trust and all of its charging subsidiaries (the Charging Group). In addition, the Charging Group has given a negative pledge that (with certain exceptions) it will not create or allow any security interest over its charged assets. Certain negative and positive undertakings have also been given as to the nature and conduct of its business. In addition, mortgages over the Sylvia Park land have been granted in favour of the Banks.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2007

13. MANDATORY CONVERTIBLE NOTES

During the prior year, the Trust issued 142,272,725 mandatory convertible notes (MCNs) at \$1.00 each. The MCNs have a coupon rate of 8.0% per annum payable semi-annually on 30 June and 31 December.

On 30 June 2010 the MCNs convert to units in the Trust using a conversion price calculated based on the lower of a 2% discount to the average of the daily volume weighted average unit price for the 20 business days prior to the conversion announcement date, or \$1.23 per unit.

While accounting standards require the MCNs to be reported as a liability, they are not treated as 'finance debt' for loan covenant purposes and do not constitute 'borrowings' under the Trust Deed.

The MCNs are presented in the Statements of Financial Position as follows:

	GROUP 2007 \$000	GROUP 2006 \$000	PARENT 2007 \$000	PARENT 2006 \$000
Face value of notes issued	142,273	142,273	142,273	142,273
Issue costs	(5,761)	(5,761)	(5,761)	(5,761)
Amortisation of issue costs	2,064	928	2,064	928
	(3,697)	(4,833)	(3,697)	(4,833)
Recognition of conversion premium	1,020	458	1,020	458
	139,596	137,898	139,596	137,898

14. TRADE AND OTHER PAYABLES

	GROUP 2007 \$000	GROUP 2006 \$000	PARENT 2007 \$000	PARENT 2006 \$000
Current				
Trade creditors	14,268	9,030	2,331	772
Management fees payable	3,458	2,715	3,458	2,715
Interest and finance charges payable	6,600	4,403	2,713	2,806
Development costs payable	25,483	20,919	-	-
Settlement of Fisher & Paykel Finance Building	-	11,765	-	-
Rent in advance	1,512	2,022	-	-
	51,321	50,854	8,502	6,293
Non-current				
Trade creditors	1,540	-	-	-
	52,861	50,854	8,502	6,293

**15. RECONCILIATION OF PROFIT AFTER INCOME TAX TO NET
CASH FLOWS FROM/(USED IN) OPERATING ACTIVITIES**

	GROUP 2007 \$000	GROUP 2006 \$000	PARENT 2007 \$000	PARENT 2006 \$000
Profit after income tax	59,211	72,065	61,284	57,073
Items classified as investing or financing activities:				
Gains on realisation of investments	–	(14,994)	–	–
Inter-group investing transactions	–	–	(72,873)	(65,998)
Movements in working capital items relating to investing and financing activities	8,256	(20,672)	(6,353)	(1,253)
Non-cash items:				
Movement in deferred income tax liability	2,008	1,005	(69)	(558)
Amortisation of MCN issue costs and conversion premium	1,698	1,386	1,698	1,386
Movements in working capital items:				
Accounts receivable and prepayments	(379)	(3,345)	(56)	843
Income tax receivable	(210)	960	(103)	(3,276)
Trade and other payables	2,007	24,122	2,209	3,240
Net cash flows from/(used in) operating activities	72,591	60,527	(14,263)	(8,543)

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2007

16. FINANCIAL INSTRUMENTS

The following material financial assets and liabilities, that potentially subject the Group to financial risk, have been recognised in the financial statements:

	GROUP 2007 \$000	GROUP 2006 \$000	PARENT 2007 \$000	PARENT 2006 \$000
Cash and deposits	3,183	3,114	2,236	2,247
Accounts receivable	3,519	2,061	103	3
Income tax receivable	614	404	6,280	6,177
Advances to subsidiaries	–	–	656,063	644,164
Other investments	633	489	75	81
Trade and other payables	(51,349)	(48,832)	(8,502)	(6,293)
Secured bank loans	(486,000)	(236,000)	–	–
Mandatory convertible notes	(139,596)	(137,898)	(139,596)	(137,898)
Net carrying amount of recognised financial instruments	(668,996)	(416,662)	516,659	508,481

Credit risk

In the normal course of business, the Group incurs credit risk from trade debtors and transactions with financial institutions. The risk from trade debtors is managed with a credit policy which includes performing credit evaluations on all customers requiring credit. Generally collateral is not required. The risk from financial institutions is managed by placing cash and deposits with high credit quality financial institutions only. The maximum exposures to credit risk are outlined in the table above and are recognised net of any provision for losses on these financial instruments.

Concentrations of credit risk

The Group has placed its cash and deposits with the ANZ National Bank. The Group and Parent are not exposed to any other concentrations of credit risk other than advances to wholly owned subsidiaries.

Interest rate risk

The Group's financial assets and liabilities which are exposed to interest rate risk include cash and deposits and secured bank loans. The Group's secured bank loans are subject to floating interest rates. The weighted average interest rates and maturity profile of the Group's secured bank loans are set out in Note 12. The Group adopts a policy of reducing the Trust's exposure to changes in interest rates by utilising interest rate swaps to limit future interest costs in accordance with its Debt and Hedging Policy.

The following table identifies the periods in which interest rates are subject to review on interest-bearing financial assets and liabilities and the weighted average interest rates of each item.

Trade receivables, trade creditors and sundry receivables and creditors are also excluded from the table as they are not interest rate sensitive.

16. FINANCIAL INSTRUMENTS (CONTINUED)

	EFFECTIVE INTEREST RATE	0 TO 1 YEAR \$000	1 TO 5 YEARS \$000	OVER 5 YEARS \$000	TOTAL \$000
GROUP 2007					
Financial assets					
Cash and deposits	7.50%	3,183	–	–	3,183
Financial liabilities					
Secured bank loans ¹	7.18%	(486,000)	–	–	(486,000)
Mandatory convertible notes ²	8.81%	–	(145,119)	–	(145,119)
Off balance sheet instruments					
Interest rate swaps ³		370,000	(230,000)	(140,000)	–
		(112,817)	(375,119)	(140,000)	(627,936)
GROUP 2006					
Financial assets					
Cash and deposits	7.25%	3,114	–	–	3,114
Financial liabilities					
Secured bank loans ¹	6.93%	(236,000)	–	–	(236,000)
Mandatory convertible notes ²	8.81%	–	(145,119)	–	(145,119)
Off balance sheet instruments					
Interest rate swaps ³		375,000	(230,000)	(145,000)	–
		142,114	(375,119)	(145,000)	(378,005)
PARENT 2007					
Financial assets					
Cash and deposits	7.50%	2,236	–	–	2,236
Financial liabilities					
Mandatory convertible notes ²	8.81%	–	(145,119)	–	(145,119)
		2,236	(145,119)	–	(142,883)
PARENT 2006					
Financial assets					
Cash and deposits	7.25%	2,247	–	–	2,247
Financial liabilities					
Mandatory convertible notes ²	8.81%	–	(145,119)	–	(145,119)
		2,247	(145,119)	–	(142,872)

¹ Interest rate is inclusive of current interest rate swaps

² Interest rate excludes conversion premium

³ Includes forward start swaps

Fair values

The carrying value of financial instruments, excluding interest rate swaps and MCNs, on the Statements of Financial Position is equivalent to their fair value.

The market value of the interest rate swaps is a fair value gain of \$15.8 million (2006 fair value gain of \$1.3 million).

The market value of the MCNs is \$177.8 million (2006 \$156.5 million).

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2007

17. TRANSACTIONS WITH RELATED PARTIES

	GROUP 2007 \$000	GROUP 2006 \$000	PARENT 2007 \$000	PARENT 2006 \$000
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During the year, the following transactions were undertaken with related parties:

Kiwi Income Properties Limited

The Manager of the Trust and Group is Kiwi Income Properties Limited. During the year the Trust and Group incurred management fees as follows:

Total management fees incurred	10,719	7,826	10,719	7,826
Proportion of total management fees on-charged to subsidiaries	–	–	(8,372)	(6,717)
Proportion of total management fees outstanding at balance date (included in trade and other payables)	3,458	2,715	3,458	2,715
Proportion of total management fees capitalised to investment properties under development	(999)	(775)	–	–

Kiwi Property Management Limited

Properties owned by the Group are managed, on normal commercial terms, by Kiwi Property Management Limited, a related entity of the Manager by virtue of a common parent company. During the year the Group incurred property management fees, as follows:

Total property management fees incurred	5,384	5,821	–	–
Proportion of total property management fees outstanding at balance date (included in trade and other payables)	331	–	–	–

In addition, during the year, Kiwi Property Management Limited was reimbursed by the Group for expenditure incurred on its behalf.

Glaister Ennor

Robert Narev is a Director of the Manager and up until 30 November 2006 he was also the Chairman of Glaister Ennor. During the year the Group and Parent incurred professional fees for legal advice from Glaister Ennor as follows:

Legal fees incurred	267	228	56	1
Proportion of legal fees outstanding at balance date (included in trade and other payables)	51	10	32	2

17. TRANSACTIONS WITH RELATED PARTIES (CONTINUED)

New Zealand Permanent Trustees Limited

Public Trust (the parent of New Zealand Permanent Trustees Limited) has a tenancy relationship with the Trust at the Vero Centre on normal commercial terms and conditions.

Commonwealth Bank of Australia (CBA)

CBA is the ultimate parent of the Manager.

On 22 March 2004, the Group entered into a bilateral facility agreement with CBA. The agreement provides a revolving credit facility of \$135 million (2006 \$135 million) of which \$135 million (2006 \$Nil) had been drawn at balance date. The drawn down value of the revolving credit facility is included in secured bank loans. A number of interest rate swap agreements were entered into on normal commercial terms (on a competitive pricing basis) for the purpose of limiting the Group's exposure to interest rates. CBA and its subsidiaries hold units and mandatory convertible notes in the Trust. In accordance with Substantial Security Holder notices received by the Trust, CBA and its subsidiaries hold 81,568,740 units in the Trust (2006 81,568,740 units).

18. PERFORMANCE FEES AND UNITS HELD BY THE MANAGER

Under the terms of the Trust Deed, the Manager is entitled to a performance fee calculated on Unit Holder returns above 10% per annum. The maximum fee payable in any year is capped at 0.15% per annum of the average gross value of the Trust fund.

A performance fee of \$1,095,933 was paid to the Manager in respect of the six-month period ended 30 September 2006 (30 September 2005 \$104,524). This fee is included in Manager's fees within operating expenses in the Statements of Financial Performance. In accordance with the performance fee provisions of the Trust Deed, the performance fee was used by the Manager to subscribe for new units in the Trust. Accordingly, on 15 December 2006 the Manager was issued 788,441 units in consideration for the \$1,095,933 performance fee reinvested by the Manager. The calculation of the performance fee for the six-month period ended 30 September 2006 also resulted in excess performance of 7.74 cents per unit (30 September 2005 Nil). This excess is available to be used in the calculation of future Unit Holder returns for a maximum of two years.

A performance fee of \$1,200,898 is payable to the Manager in respect of the six-month period ended 31 March 2007 (31 March 2006 \$963,319). This fee is included in Manager's fees within operating expenses in the Statements of Financial Performance and the liability is recorded in trade and other payables in the Statements of Financial Position. On 15 June 2007, units to this value will be issued to the Manager in accordance with the performance fee provisions of the Trust Deed. The calculation of the performance fee for the six-month period ended 31 March 2007 also resulted in excess performance of 24.72 cents per unit (31 March 2006 10.46 cents). This excess is available to be used in the calculation of future Unit Holder returns for a maximum of two years.

The combined excesses at 31 March 2007 amount to 42.92 cents per unit (31 March 2006 10.46 cents) which may, subject to the expiry criteria, be applied in the calculation of future Unit Holder returns.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2007

19. COMMITMENTS AND CONTINGENCIES

	GROUP 2007 \$000	GROUP 2006 \$000	PARENT 2007 \$000	PARENT 2006 \$000
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Capital commitments

The following amounts have been committed to but not recognised in the financial statements:

Development costs at Sylvia Park Shopping Centre, Auckland	26,755	158,322	–	–
Development costs at Downtown Plaza, Hamilton	1,149	–	–	–

Ground leases

Ground leases exist over Centre Place Shopping Centre, PricewaterhouseCoopers Building (Hamilton), National Bank Centre and the Countrywide Building. In addition, ground leases also exist over parts of the land at North City Shopping Centre and Northlands Shopping Centre. The amount paid in respect of ground leases during the year was \$1,587,004 (2006 \$1,084,248). The leases terminate between May 2018 and June 2179. Due to the duration of the leases and the different methods of calculating the lease payments, the total value of the commitment has not been calculated.

Contingencies

There are no material contingencies as at 31 March 2007 other than as disclosed elsewhere in these financial statements (2006 \$Nil).

20. SUBSEQUENT EVENTS

Declaration of final dividend

On 16 May 2007 the Board of the Manager declared the final distribution to Unit Holders for the year ended 31 March 2007. The distribution is payable on 15 June 2007 to all Unit Holders on the Trust's register at the close of business on 1 June 2007. The distribution is eligible for reinvestment in accordance with the terms of the Trust's Dividend Reinvestment Scheme.

21. IMPACT OF ADOPTING NEW ZEALAND EQUIVALENTS TO INTERNATIONAL FINANCIAL REPORTING STANDARDS

In December 2002, the New Zealand Accounting Standards Review Board determined that all New Zealand reporting entities will be required to adopt New Zealand Equivalents to International Financial Reporting Standards (NZ IFRS) for reporting periods beginning on or after 1 January 2007. The Group will first adopt NZ IFRS in its financial statements for the year ending 31 March 2008. Those financial statements will include NZ IFRS compliant comparative figures for the year ending 31 March 2007.

A project team, monitored by a steering committee, has been established to plan and implement the Group's transition to NZ IFRS. The project is being managed internally with assistance and technical expertise provided by the Group's external NZ IFRS advisors, KPMG. The steering committee comprises members of the project team and KPMG, and is chaired by audit committee member, and independent director, Ms Joanna Perry. The steering committee is responsible for evaluating NZ IFRS standards and assessing their impact on the Group as well as recommending to the audit committee, NZ IFRS compliant accounting policies. The Board has ultimate responsibility for approval of NZ IFRS accounting policies.

To date the project team has completed a detailed technical evaluation of NZ IFRS standards as they apply to the Group and has proposed NZ IFRS compliant accounting policies.

21. IMPACT OF ADOPTING NEW ZEALAND EQUIVALENTS TO INTERNATIONAL FINANCIAL REPORTING STANDARDS (CONTINUED)

The key differences between present New Zealand Generally Accepted Accounting Practice (NZ GAAP) and NZ IFRS that are likely to impact the Group are summarised below. This summary should not be taken as an exhaustive list of all differences between existing NZ GAAP and NZ IFRS that will impact the Group. Changes continue to be made to NZ IFRS and therefore there may be further changes to the information disclosed below prior to adoption. In addition, the Directors may, at any time until completion of the Group's first NZ IFRS compliant financial statements, elect to revisit, and where considered necessary, revise the accounting policies selected. The actual impact of adopting NZ IFRS may vary from the information presented and the variation may be material.

Reconciliation of the Group balance sheet on transition to NZ IFRS as at 1 April 2006

GROUP	TOTAL REPORTED UNDER NZ GAAP AT 1 APRIL 2006	NZ IFRS ADJUSTMENTS			TOTAL REPORTED UNDER NZ IFRS AT 1 APRIL 2006
		DEFERRED TAX (A)	INVESTMENT PROPERTIES (B)	DERIVATIVE FINANCIAL INSTRUMENTS (C)	
ASSETS					
Investment properties	1,431,655	–	15,818	–	1,447,473
Other assets	14,156	–	(3,804)	–	10,352
Derivative assets	–	–	–	2,427	2,427
Total assets	1,445,811	–	12,014	2,427	1,460,252
LIABILITIES					
Mandatory convertible notes	137,898	–	–	–	137,898
Secured bank loans	236,000	–	–	–	236,000
Deferred income tax	815	177,842	3,558	419	182,634
Other liabilities	50,854	–	–	–	50,854
Derivative liabilities	–	–	–	1,157	1,157
Total liabilities	425,567	177,842	3,558	1,576	608,543
UNIT HOLDERS' FUNDS					
Units	657,148	–	–	–	657,148
Retained earnings	32,769	(177,842)	338,783	–	193,710
Hedging reserve	–	–	–	851	851
Asset revaluation and realisation reserve	330,327	–	(330,327)	–	–
Total Unit Holders' funds	1,020,244	(177,842)	8,456	851	851,709
Total Unit Holders' funds and liabilities	1,445,811	–	12,014	2,427	1,460,252
Undiluted Net Asset Backing per unit	1.44	(0.25)	0.01	–	1.20
Adjusted undiluted Net Asset Backing per unit	1.44	(0.09) ¹	0.01	–	1.36

¹ The adjusted undiluted Net Asset Backing per unit calculation excludes deferred tax on items which will not crystallise.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2007

21. IMPACT OF ADOPTING NEW ZEALAND EQUIVALENTS TO INTERNATIONAL FINANCIAL REPORTING STANDARDS (CONTINUED)

KEY IMPACT AREAS

A. Deferred tax

Under NZ IFRS, deferred tax is calculated in accordance with the 'balance sheet' approach, which recognises deferred tax assets and deferred tax liabilities by reference to the differences between the accounting and tax book values of balance sheet items. The current approach recognises differences between the accounting surplus and taxable income.

Furthermore, the Group currently accounts for deferred tax using the partial basis which means that a deferred tax liability is only recognised to the extent that it can be foreseen to crystallise in the future. The partial basis of accounting for deferred tax is not allowed under NZ IFRS. Accordingly, three adjustments will be required on adoption of NZ IFRS:

Depreciation

The Group does not currently recognise deferred tax in respect of tax depreciation claimed on investment properties as it is not intended that the investment properties will be sold. Under NZ IFRS, depreciation claimed for tax purposes is considered a temporary difference resulting in a deferred tax liability.

Accordingly, on initial adoption of NZ IFRS, a deferred tax liability will be established representing 33% of the value of accumulated tax depreciation claimed on existing properties in prior years, with a contra entry being taken to retained earnings. The adjustment on transition is estimated to be \$65.2 million.

On an ongoing basis, a deferred tax expense, and a corresponding liability, will be recognised in respect of tax depreciation claimed each year.

Investment property revaluations

The Group does not currently recognise a deferred tax liability on investment property revaluations in excess of cost, as gains on investment properties are not taxable. NZ IFRS requires the recognition of a deferred tax liability on the building component of such gains.

On initial adoption of NZ IFRS, a deferred tax liability will be established representing 33% of the value of the building component of past revaluation gains, with a contra entry being taken to retained earnings. The adjustment on transition is estimated to be \$91.9 million.

On an ongoing basis, a deferred tax expense or benefit, and a corresponding liability or asset, as appropriate, will be recognised in the year of revaluation.

This deferred tax liability will not crystallise. On disposal of a property, the deferred tax liability in respect of that property will be reversed back to the Income Statement.

Other

Under NZ IFRS, other tax deductible expenses will give rise to a temporary difference resulting in a deferred tax liability. Accordingly, on initial adoption of NZ IFRS, a deferred tax liability will be established representing the value of deferred tax on past deductible expenses, with a contra entry being taken to retained earnings. The adjustment on transition is estimated to be \$20.7 million. On disposal of a property, this deferred tax component, in respect of that property, will not crystallise. Accordingly, the amount will be reversed back to the Income Statement.

On an ongoing basis, a deferred tax expense or benefit, and a corresponding liability or asset, as appropriate, will be recognised on other temporary differences arising in the year.

21. IMPACT OF ADOPTING NEW ZEALAND EQUIVALENTS TO INTERNATIONAL FINANCIAL REPORTING STANDARDS (CONTINUED)

B. Investment properties

Fair value of investment properties

Investment properties are currently valued annually at market value less the estimated cost of disposal. Under NZ IFRS, investment properties will be measured at fair value (without deduction of disposal costs).

The effect of this change, on transition to NZ IFRS, is to recognise an increase in the value of investment properties of \$8.9 million with contra entries being taken to deferred tax (\$2.5 million) and to retained earnings (\$6.4 million).

The Group currently records changes in the valuation of investment properties in equity as an asset revaluation reserve. Under NZ IFRS, both upward and downward revaluations of investment properties will be recognised directly in the Income Statement, which will flow through to Unit Holders' funds as retained earnings. The effect of this change on transition to NZ IFRS is to transfer the asset revaluation and asset realisation reserves of \$330.3 million to retained earnings.

This change in accounting treatment will result in greater earnings volatility as future revaluations will be recognised in the Income Statement.

Other adjustments

Under NZ IFRS there are a number of other changes to the way investment properties (including those under development) are accounted for. The changes impact accounting for borrowing costs, lease incentives, leasing fees and capitalised income.

The cumulative effect of these changes in accounting treatment result in an increase in investment properties at transition of \$6.9 million, with contra entries taken to other assets (\$3.8 million), deferred tax (\$1.0 million) and retained earnings (\$2.1 million).

C. Derivative financial instruments

The Group uses interest rate swaps and other derivative financial instruments to manage its interest rate risks. Currently the net differential paid or received on those derivatives is recognised as a component of interest expense over the life of the contract. The fair value of derivative instruments are disclosed in the Notes to the Financial Statements, but not recognised in the Balance Sheet.

Under NZ IFRS the fair value of all derivative financial instruments are recognised in the Balance Sheet. Changes in the fair value of the derivatives will be recognised in the Income Statement.

The effect of this change in policy is to recognise, at transition, derivative financial assets of \$2.4 million, offset by derivative financial liabilities of \$1.1 million with contra entries taken to deferred tax (\$0.4 million) and a hedging reserve (\$0.9 million). This reserve will be released to the Income Statement as the underlying borrowing interest occurs.

On an ongoing basis, the adoption of NZ IFRS in relation to the recognition of financial derivatives is likely to result in greater earnings volatility as the changes in fair value will be recognised in the Income Statement.

Other matters – Unit Holders' funds

At the date of transition to NZ IFRS, currently approved NZ IFRS accounting standards would require Units in the Trust to be accounted for as a debt security rather than Unit Holders' Funds as is the practice under current NZ GAAP. The accounting standard setters have recognised this technical and unintended consequence of adopting NZ IFRS and have issued a proposed amendment to the applicable accounting standard.

It is expected that this amendment will ultimately be incorporated into the applicable NZ IFRS standard, and retrospectively applied. On this assumption, no changes to the way Units are accounted for is expected.

AUDITORS' REPORT

FOR THE YEAR ENDED 31 MARCH 2007



To the Unit Holders of Kiwi Income Property Trust

We have audited the financial statements on pages 48 to 73. The financial statements provide information about the past financial performance and cash flows of the Trust and Group for the year ended 31 March 2007 and their financial position as at that date. This information is stated in accordance with the accounting policies set out on pages 52 to 54.

MANAGER AND TRUSTEE RESPONSIBILITIES

The Manager is responsible for the preparation and presentation of the financial statements which give a true and fair view of the financial position of the Trust and Group as at 31 March 2007 and their financial performance and cash flows for the year ended on that date. The Trustee is also responsible for ensuring that such financial statements are prepared.

AUDITORS' RESPONSIBILITIES

We are responsible for expressing an independent opinion on the financial statements presented by the Manager and reporting our opinion to you.

BASIS OF OPINION

An audit includes examining, on a test basis, evidence relevant to the amounts and disclosures in the financial statements. It also includes assessing:

- (a) the significant estimates and judgements made by the Manager in the preparation of the financial statements; and
- (b) whether the accounting policies are appropriate to the circumstances of the Trust and Group, consistently applied and adequately disclosed.

We conducted our audit in accordance with generally accepted auditing standards in New Zealand. We planned and performed our audit so as to obtain all the information and explanations which we considered necessary to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatements, whether caused by fraud or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Our firm has tenancy relationships with the Group on normal terms within the ordinary course of trading activities. We have no further relationships with or interests in the Trust or any of its subsidiaries other than in our capacity as auditors, and the providers of certain assurance related services.

UNQUALIFIED OPINION

We have obtained all the information and explanations we have required.

In our opinion:

- (a) proper accounting records have been kept by the Trust as far as appears from our examination of those records; and
- (b) the financial statements on pages 48 to 73:
 - (i) comply with generally accepted accounting practice in New Zealand; and
 - (ii) give a true and fair view of the financial position of the Trust and Group as at 31 March 2007 and their financial performance and cash flows for the year ended on that date.

Our audit was completed on 16 May 2007 and our unqualified opinion is expressed as at that date.

A handwritten signature in cursive script that reads "Price Waterhouse Coopers".

Chartered Accountants

Auckland

UNIT AND NOTE HOLDER STATISTICS

TWENTY LARGEST UNIT HOLDERS

AS AT 30 APRIL 2007

UNIT HOLDER	NO. OF UNITS	% OF TOTAL ISSUED UNITS
New Zealand Central Securities Depository Limited	454,847,754	63.70%
Investment Custodial Services Limited (C A/C)	14,596,926	2.04%
FNZ Custodians Limited	10,032,039	1.41%
Custodial Services Limited (3 A/C)	4,848,293	0.68%
ASB Nominees Limited (677680 A/C)	4,420,931	0.62%
Forsyth Barr Custodians Limited (1 M A/C)	2,791,353	0.39%
Rangatira Limited	2,241,000	0.31%
University of Otago (Common Fund A/C)	2,216,666	0.31%
Investment Custodial Services Limited (R A/C)	2,147,438	0.30%
Private Nominees Limited (Resident A/C)	2,141,551	0.30%
Custodial Services Limited (2 A/C)	1,833,104	0.26%
NZ Guardian Trust Co Limited (NZSE10 A/C)	1,738,440	0.24%
Forsyth Barr Custodians Limited (1 L A/C)	1,685,640	0.24%
Kiwi Income Properties Limited	1,612,596	0.23%
Kay Hong Chiam	1,239,052	0.17%
Epoch Nominees Limited	1,122,000	0.16%
Pakihi Investments Limited	1,010,000	0.14%
Custodial Services Limited	954,662	0.13%
Superlife Trustee Limited	946,647	0.13%
NZ Guardian Trust Co Limited (NZSX 50 Portfolio Index Fund A/C)	914,008	0.13%
Total	513,340,100	71.89%
Total Units on Issue	714,025,725	

New Zealand Central Securities Depository Limited provides a custodial depository service to financial institutional Unit Holders and does not have a beneficial interest in these units. The detail of this holding is as follows:

Citibank Nominees (NZ) Limited	138,348,272	19.38%
Premier Nominees Limited – Armstrong Jones Property Securities Fund	50,487,525	7.07%
National Nominees NZ Limited	50,445,137	7.06%
HSBC Nominees (NZ) Limited (State Street A/C)	44,024,548	6.17%
HSBC Nominees (NZ) Limited	35,716,911	5.00%
ANZ Nominees Limited	28,059,842	3.93%
MFL Mutual Fund Limited	15,837,105	2.22%
Guardian Trust Investment Nominees (RWT) Limited	12,798,584	1.79%
AMP Custodian Services Limited	12,113,891	1.70%
BT NZ Unit Trust Nominees Limited	9,545,718	1.34%
Custody & Investment Nominees Limited	8,088,584	1.13%
AMP Investment Strategic Equity Growth Trust Fund	7,960,673	1.11%
NZGT Nominees Limited – AIF Equity Fund	6,248,800	0.88%
The Public Trustee – GIF 46	5,611,409	0.79%
NZ Superannuation Fund Nominees Limited	5,509,476	0.77%
AMP Life Limited	3,511,682	0.49%
Sovereign Services Limited	3,394,679	0.48%
Accident Compensation Corporation	2,659,759	0.37%
NZ Guardian Trust Investment Nominees Limited	2,388,901	0.33%
AMP Superannuation Tracker Fund	2,094,756	0.29%
Balance of 16 Unit Holders	10,001,502	1.40%
Total	454,847,754	63.70%

UNIT AND NOTE HOLDER STATISTICS (CONTINUED)

TWENTY LARGEST MANDATORY CONVERTIBLE NOTE HOLDERS

AS AT 30 APRIL 2007

MCN HOLDER	NO. OF MCNs	% OF TOTAL ISSUED MCNs
New Zealand Central Securities Depository Limited	53,729,626	37.78%
Investment Custodial Services Limited (C A/C)	6,030,819	4.24%
Private Nominees Limited (Resident A/C)	4,477,319	3.15%
Clyde Holland and Rena Holland	4,000,000	2.81%
Custodial Services Limited (3 A/C)	3,025,177	2.13%
Custodial Services Limited (1 A/C)	1,799,897	1.27%
Custodial Services Limited (2 A/C)	1,680,483	1.18%
Forsyth Barr Custodians Limited (1 M A/C)	1,668,076	1.17%
Portfolio Custodian Limited (085148 A/C)	1,500,000	1.05%
Forsyth Barr Custodians Limited (1 L A/C)	1,372,284	0.96%
Society of Mary Trust Board	700,000	0.49%
FNZ Custodians Limited	522,336	0.37%
Forsyth Barr Custodians Limited (1 E A/C)	504,686	0.35%
Dunedin City Council	500,282	0.35%
AMI Insurance Limited	500,000	0.35%
Morrow Plastics Limited	500,000	0.35%
Presbyterian Support	500,000	0.35%
The Church Property Trustees	500,000	0.35%
The Public Trustee (T G Macarthy A/C)	500,000	0.35%
JH Mansell and CA Mansell and DT Brown (Harvan A/C)	455,000	0.32%
Total	84,465,985	59.37%
Total MCNs on Issue	142,272,725	

New Zealand Central Securities Depository Limited provides a custodial depository service to financial institutional MCN Holders and does not have a beneficial interest in these MCNs. The detail of this holding is as follows:

Accident Compensation Corporation	30,597,935	21.51%
Citibank Nominees (NZ) Limited	6,873,000	4.83%
MFL Mutual Fund Limited	5,706,299	4.01%
Guardian Trust Investment Nominees (RWT) Limited	4,281,153	3.01%
Premier Nominees Limited – Armstrong Jones Property Securities Fund	2,612,371	1.84%
NZ Guardian Trust Investment Nominees Limited	1,753,107	1.23%
TEA Custodians Limited NZ Post Pension Fund	500,000	0.35%
Custody & Investment Nominees Limited	482,291	0.34%
National Nominees NZ Limited	418,389	0.29%
Sovereign Services Limited	135,899	0.10%
ANZ Nominees Limited	130,548	0.09%
NZ Pension Plans (Life) Limited	95,071	0.07%
HSBC Nominees (NZ) Limited (State Street A/C)	79,316	0.06%
New Scotland Nominees Limited – Low Risk Growth Fund	19,943	0.01%
Courtenay Nominees Limited	17,391	0.01%
HSBC Nominees (NZ) Limited	9,317	0.01%
TEA Custodians Limited No 2 Account	9,292	0.01%
New Scotland Nominees Limited – Growth Fund	8,304	0.01%
Total	53,729,626	37.78%

SPREAD OF UNIT HOLDERS

AS AT 30 APRIL 2007

SIZE OF HOLDING	NO. OF HOLDERS	NO. OF UNITS	% OF TOTAL ISSUED UNITS
1 – 1,000	568	259,142	0.04%
1,001 – 5,000	1,990	6,265,817	0.88%
5,001 – 10,000	2,398	18,262,944	2.56%
10,001 – 20,000	2,739	40,068,892	5.61%
20,001 – 35,000	1,583	42,188,218	5.91%
35,001 – 50,000	572	24,434,079	3.42%
50,001 – 100,000	481	33,096,359	4.64%
100,001 – 250,000	146	22,049,140	3.09%
250,001 – 500,000	25	8,429,408	1.18%
500,001 – 1,000,000	12	8,446,943	1.18%
1,000,001 and over	17	510,524,783	71.49%
Total	10,531	714,025,725	100.00%

SPREAD OF MANDATORY CONVERTIBLE NOTE HOLDERS

AS AT 30 APRIL 2007

SIZE OF HOLDING	NO. OF HOLDERS	NO. OF MCNs	% OF TOTAL ISSUED MCNs
1 – 1,000	903	525,043	0.37%
1,001 – 5,000	907	2,462,517	1.73%
5,001 – 10,000	527	4,421,963	3.11%
10,001 – 20,000	495	8,065,667	5.67%
20,001 – 35,000	304	8,329,006	5.85%
35,001 – 50,000	219	10,048,612	7.06%
50,001 – 100,000	141	10,913,728	7.67%
100,001 – 250,000	54	9,317,274	6.55%
250,001 – 500,000	18	6,677,930	4.69%
500,001 – 1,000,000	4	2,227,304	1.57%
1,000,001 and over	10	79,283,681	55.73%
Total	3,582	142,272,725	100.00%

UNIT AND NOTE HOLDER STATISTICS (CONTINUED)

SUBSTANTIAL SECURITY HOLDERS

As at 30 April 2007, the following Unit Holders had filed substantial security holder notices in accordance with the Securities Markets Act 1988.

UNIT HOLDER	NO. OF UNITS HELD AT DATE OF NOTICE
ING (NZ) Limited	107,016,373
Commonwealth Bank of Australia and Subsidiaries	81,568,740
Nomura Asset Management Co. Limited	39,389,189
AMP Capital Investors (New Zealand) Limited	37,811,265

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

The total number of units on issue as at 30 April 2007 was 714,025,725.

HOLDINGS OF DIRECTORS OF THE MANAGER (AND THEIR ASSOCIATES)

AS AT 31 MARCH 2007

DIRECTOR	NUMBER	SECURITY HELD	NATURE OF RELEVANT INTEREST
Robert Narev	115,638	Ordinary Units	Non-beneficial interest
	3,611	Mandatory Convertible Notes	Non-beneficial interest
Jim Syme	100,000	Mandatory Convertible Notes	Non-beneficial interest
	77,500	Ordinary Units	Beneficial owner
John Duncan	3,369	Mandatory Convertible Notes	Beneficial owner
	200,000	Mandatory Convertible Notes	Beneficial interest

TRUST DEED AND OTHER INFORMATION

TRUST DEED

The Trust Deed constituting Kiwi Income Property Trust was amended during the year by a Deed of Amendment dated 28 March 2007. A number of technical changes to the Trust Deed were made to accommodate the adoption of New Zealand Equivalents to International Financial Reporting Standards (NZ IFRS).

The Trust will adopt NZ IFRS with effect from 1 April 2007.

The changes have been made by the Manager and Trustee in accordance with the amendment provisions of the Trust Deed. The changes have also been reviewed and approved by the NZX in accordance with the NZSX Listing Rules.

The changes are as follows:

1. The winding up provisions have been amended so as to allow the Trust to continue to classify its units as equity under NZ IFRS. These amendments include:
 - replacing the Trust's finite life with a perpetuity period of 80 years;
 - inserting new provisions so that units may not be issued or redeemed after the perpetuity period unless that issue or redemption would not breach any rule of law; and
 - inserting new provisions so that the Trust will not automatically wind up at the end of the perpetuity period.
2. The definition of Net Asset Value has been amended to allow the Manager (with the approval of the Trustee) to make certain adjustments when calculating Net Asset Value. The purpose of this is to ensure that the calculation of Net Asset Value is not materially impacted by the move to the new accounting standards.
3. The determination of Income under the Trust Deed has been amended to provide for the exclusion of new items of a capital or non-cash nature which will be included in the financial statements as a result of the adoption of NZ IFRS. The purpose of this is to ensure that the calculation of income available for distribution to Unit Holders is not materially impacted by the move to the new accounting standards.

NEW ZEALAND EXCHANGE LIMITED WAIVERS

On 28 October 2004, the NZX granted the Trust and its Manager a waiver from Listing Rule 1.1.2 in relation to the appointment of Mr Sean Wareing as an independent director of the Manager as he is an independent director and chairman of Commonwealth Managed Investments Limited (which has an indirect relationship with the Trust). The waiver allows Mr Wareing to be regarded as an independent director of the Manager (subject to various conditions).

On 11 May 2005, the NZX granted the Trust a waiver from Listing Rules 3.1.1(a), 3.1.1B, 3.3.2 to 3.3.12, 3.4.3 and 3.5 in relation to the application of the Listing Rules to the Trust's corporate governance structure, in light of the fact that those Listing Rules are not readily applicable to an issuer who is a Unit Trust where the directors for the purposes of the Listing Rules are the directors of the Manager. The waivers allowed the Manager, amongst other things, to appoint its own directors without Unit Holder approval, provided those who are considered to be independent directors are notified to the market, and to fix the remuneration of the Manager's directors, provided that such remuneration is paid directly from income of the Manager.

On 11 August 2005, the NZX granted the Trust a waiver from Listing Rule 7.3.2(b) in relation to the issue of units on an ongoing basis to the Manager (or its nominee) equivalent to the performance fee in accordance with clause 25.11 of the Trust Deed. The waiver allowed the Trust to issue units to the Manager in this way beyond the 12-month period permitted by Listing Rule 7.3.2(b). The waiver was granted for a three-year period commencing 2 September 2005, subject to both Unit Holder and Note Holder approval at the 2005 annual meeting and various other conditions.

OTHER FINANCIAL INFORMATION

	2007	2006
Net Asset Backing per Unit – Undiluted	\$1.745	\$1.439
Net Asset Backing per Unit – Diluted	\$1.670	\$1.404
Earnings per Unit after Tax – Undiluted	\$0.083	\$0.102
Earnings per Unit after Tax – Diluted	\$0.080	\$0.099

GLOSSARY

DIVIDEND OR DISTRIBUTION – A dividend is the amount per unit paid out by the Trust to Unit Holders. These payments comprise a share of the net income (after tax) of the Trust. The Trust pays distributions for the periods ended 31 March and 30 September.

EARNINGS PER UNIT – Calculated as net profit after tax for the period divided by the weighted average number of units on issue for that period.

IMPUTATION CREDITS – Imputation credits represent tax paid by the Trust. By imputing dividends, the tax paid by the Trust effectively flows through to Unit Holders. New Zealand resident Unit Holders may then offset these credits against their personal tax liability.

INDEPENDENT VALUATION – Property valuations are undertaken annually by independent registered valuers for the purpose of determining a market value for each property at a specified date. These valuations are used in the Trust's Statements of Financial Position.

KIP AND KIPGB – The NZSX codes for Kiwi Income Property Trust's Units (KIP) and Mandatory Convertible Notes (KIPGB).

MARKET CAPITALISATION – The market value of the Trust, representing the sum of the number of units on issue multiplied by the unit price (as quoted on the NZSX).

MANDATORY CONVERTIBLE NOTES – The unsecured subordinated mandatory convertible notes issued in Kiwi Income Property Trust (MCNs or Notes) pursuant to the combined Prospectus and Investment Statement dated 31 May 2005. MCNs can be bought or sold on the NZSX.

NET ABSORPTION – The difference between space supplied in a market and space leased in that market over a set time period.

NET LETTABLE AREA (NLA) – The floor area of a building for which rentals can be charged.

NET ASSET BACKING – The value of gross assets less all debts and other liabilities, normally divided by the number of units on issue and expressed as an amount per unit.

NEW ZEALAND EQUIVALENTS TO INTERNATIONAL FINANCIAL REPORTING STANDARDS (NZ IFRS) – Accounting standards approved by the New Zealand Accounting Standards Review Board which are required to be applied in the preparation and presentation of financial statements.

NZX50 – Benchmark index produced by the NZX, that comprises the top 50 companies listed on the NZSX market by free float market capitalisation.

NZSX AND NZX – The New Zealand Stock Exchange (NZSX) operated by New Zealand Exchange (NZX).

OCCUPANCY – The amount of space occupied measured against the total stock of space.

OVER-RENTING – Where the contract rental being paid under the lease exceeds the market rent achievable on the open market today.

RECORD DATE – The date fixed by the Manager for determining Unit Holders' entitlement to distributions and MCN Holders' entitlement to interest payments. Holders who are on the register at the record date are entitled to receive the distribution or interest payments for the preceding payment period.

REGISTRAR – The Registrar is responsible for maintaining all Unit and MCN Holder details. The Registrar for the Trust is Link Market Services Limited. Details of the Registrar are included in the Directory.

RENT REVIEW – A date stipulated in a lease at which the landlord and tenant review the contracted rental being paid under the lease.

THE MANAGER – Kiwi Income Properties Limited is the Manager of the Trust. Refer to the Corporate Governance section for further details on the role of the Manager.

THE TRUST – Kiwi Income Property Trust. A unit trust registered under the Unit Trusts Act 1960 and governed by the terms of the Trust Deed.

TOTAL RETURNS – The return to Unit Holders when adding the income (dividend) return and capital (unit price movement) returns.

TRUSTEE – The Trustee for Unit and MCN Holders in Kiwi Income Property Trust is New Zealand Permanent Trustees Limited. Refer to the Corporate Governance section for further details on the role of the Trustee.

UNIT – An undivided part or share in the Trust. All units carry equal voting rights and participate in distributions made by the Trust. Units in the Trust can be bought or sold on the NZSX.

UNIT PRICE – The price transacted for a unit in Kiwi Income Property Trust as recorded by the NZSX.

WEIGHTED AVERAGE LEASE TERM – The average lease term weighted by gross income.

YIELD – The annual net rental income derived from a property expressed as a percentage of value, cost or purchase price.

DIRECTORY

TRUST

Kiwi Income Property Trust

Level 2, The Ferry Building
99 Quay Street
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Shortland Street
AUCKLAND 1140

Telephone: +64 9 357 9322
Facsimile: +64 9 358 3044
Website: www.kipt.co.nz
Email: info@kipt.co.nz

MANAGER

Kiwi Income Properties Limited

Level 2, The Ferry Building
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PO Box 2071
Shortland Street
AUCKLAND 1140

Telephone: +64 9 357 9322
Facsimile: +64 9 358 3044
Website: www.kipt.co.nz
Email: info@kipt.co.nz

TRUSTEE

New Zealand Permanent Trustees Limited

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PO Box 5067
WELLINGTON 6145

Telephone: +64 4 978 4497
Facsimile: +64 4 978 4480
Website: www.trustee.co.nz
Email: enquiry@trustee.co.nz

REGISTRAR

Link Market Services Limited

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ASHBURTON 7740

Telephone: +64 3 308 8887 or 0800 377 388
Facsimile: +64 3 308 1311
Website: www.linkmarketservices.com
Email: Imsenquiries@linkmarketservices.com

AUDITORS

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Website: www.pwc.co.nz

LEGAL ADVISOR TO THE MANAGER

Russell McVeagh

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Facsimile: +64 9 367 8163
Website: www.russellmcveagh.com

LEGAL ADVISOR TO THE TRUSTEE

Kensington Swan

89 The Terrace
PO Box 10246
WELLINGTON 6143

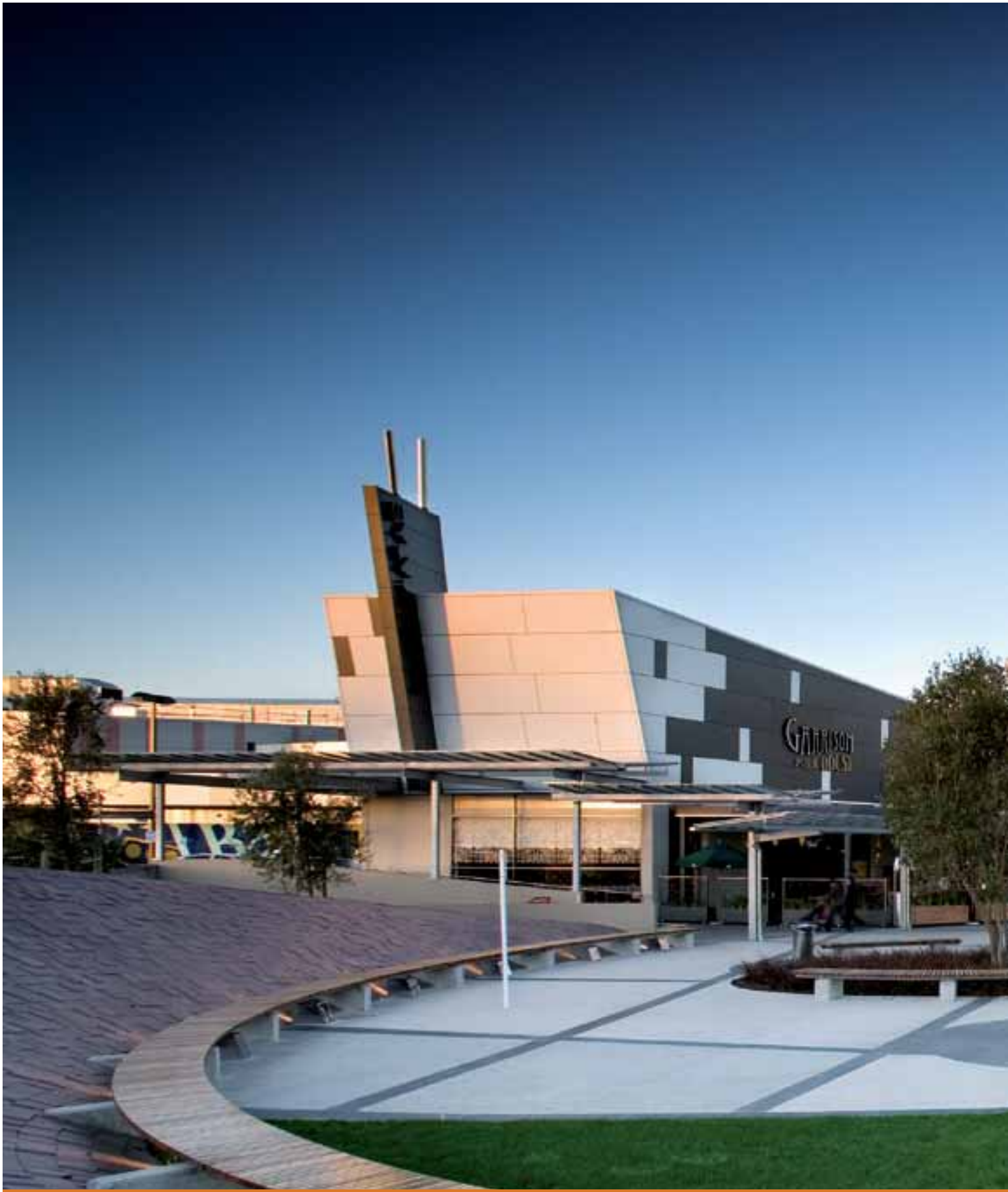
Telephone: +64 4 472 7877
Facsimile: +64 4 472 2291
Website: www.kensingtonswan.com

BANKERS

ANZ National Bank
Bank of New Zealand
Commonwealth Bank of Australia
Westpac Banking Corporation

VALUATION PANEL

CB Richard Ellis Limited
Colliers International New Zealand Limited
DTZ New Zealand Limited
Jones Lang LaSalle Limited



**KIWI INCOME
PROPERTY TRUST**

www.kipt.co.nz