

PROVEN PERFORMANCE OVER TEN YEARS...



2004 ANNUAL REPORT

 **KIWI INCOME**
PROPERTY TRUST



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...AND SOUNDLY POSITIONED FOR THE NEXT TEN

This year Kiwi Income Property Trust celebrated 10 years as a listed entity on the New Zealand Stock Exchange. The Trust was the first property trust to list on the Stock Exchange, and at the time of listing owned five properties worth \$92 million, and had 131 tenants and 4,500 unit holders. The Trust has grown considerably over the past decade, and today has 19 properties worth \$1.1 billion, over 560 tenants, and 14,000 unit holders. The Trust is now ranked 14th by market capitalisation on the NZSX50, and is regarded as the country's pre-eminent diversified property vehicle. Over the 10 years since listing, the Trust's total pre-tax return averaged 10.6% per annum.

With the quality of the portfolio and management team, the Trust is perfectly positioned for the next decade and beyond.

"ING has invested in Kiwi Income Property Trust since its initial listing. From our perspective, the Trust represents a portfolio of unique property assets. Over the last few years, the Manager has developed a high quality property portfolio that provides a solid core investment for all investors. We expect the Trust will continue to deliver attractive returns to investors."

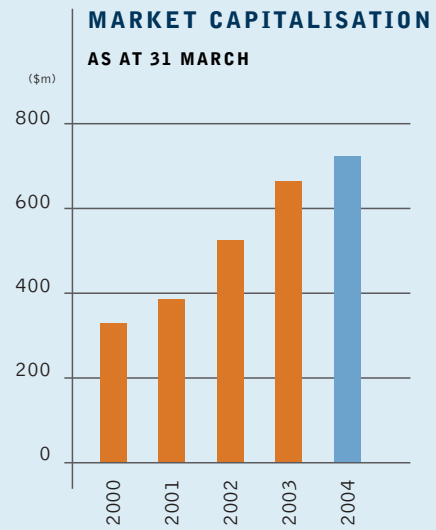
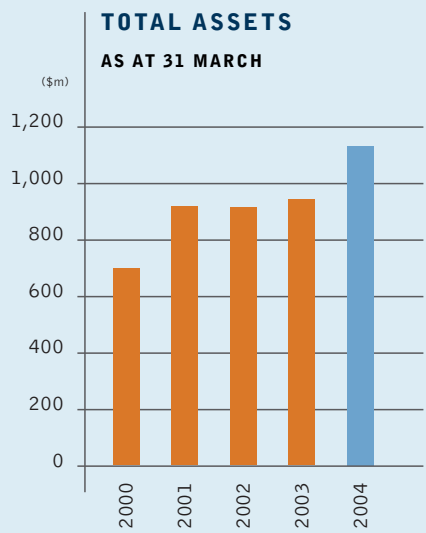
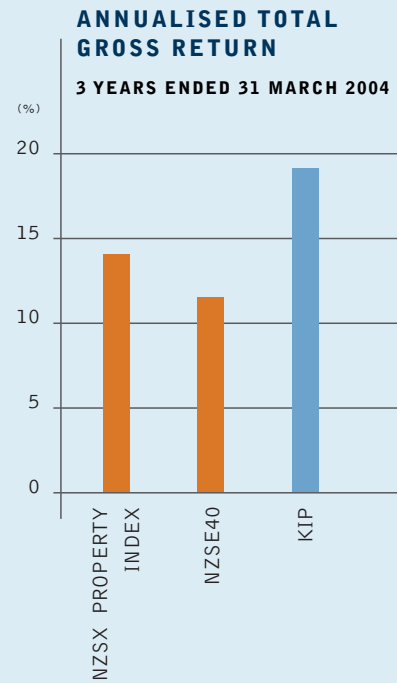
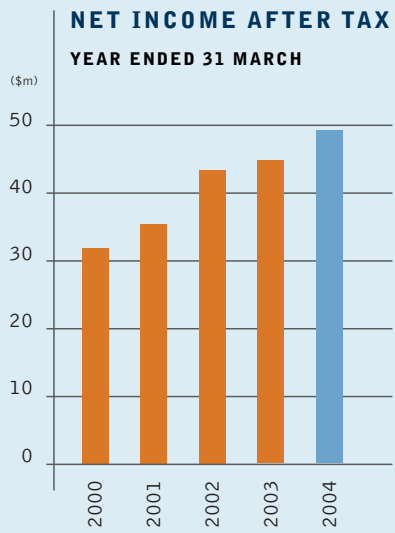
Shane Solly
Senior Investment Manager
ING (NZ) Limited

"The Manager of Kiwi Income Property Trust has successfully constructed a well diversified property portfolio, both on a geographic and sector basis, from what were fairly humble beginnings. No mean feat in this type of market. This has enabled investors to gain access to a vehicle which provides the appropriate level of return required to encourage investment in the property sector. A carefully controlled level of development activity has also been a notable feature, aiding the growth of the portfolio and enhancing returns to unit holders."

Craig Brown
Investment Manager
Walker Capital Management Limited

HIGHLIGHTS

- Net income after tax of \$49.1 million, up 9.7% on the previous year
- Total gross distribution of 8.57 cents per unit declared for year
- The portfolio is revalued upwards by \$50.6 million, increasing the net asset backing by 7% to \$1.15 per unit
- Total assets increase by \$187.1 million to \$1.1 billion
- Centre Place Shopping Centre and Vero Centre record revaluation gains of \$11.6 million and \$10.1 million respectively
- Successful capital raising of \$25 million completed in May 2003
- Unisys House was acquired for \$44.1 million
- The \$91 million Northlands' expansion is largely completed with the Centre doubling in size to 40,994m². Northlands is now the largest enclosed shopping centre in New Zealand, with occupancy at 99.6%
- Northlands achieves a revaluation gain of \$16.8 million, being \$13.2 million ahead of the prospectus forecast of \$3.6 million
- Strong leasing across both the office and retail portfolios increases average occupancy to 98.2%
- Sound progress continues with the \$10 million refurbishment of North City, with the foodcourt opening successfully in April 2004



CHAIRMAN'S LETTER

“The Trust achieved a record result, with net income after tax up 9.7% to \$49.1 million.”

JIM SYME – CHAIRMAN



Dear Unit Holders

I am pleased to report that Kiwi Income Property Trust continued to perform strongly during the financial year to 31 March 2004. While the global financial markets grappled with the negative factors inhibiting growth, the New Zealand economy achieved positive growth. This, and the overall air of confidence throughout the economy, resulted in a firmer property market and a sound platform for Kiwi Income Property Trust's activities across its diversified portfolio of prime retail and office assets. In this environment the Trust has recorded a very strong leasing performance across both the retail and office sectors, but particularly in retail. Significantly, during the year the Trust also enhanced its prospects for future income growth.

There were several important milestones achieved during the year. These included the expansion of the retail portfolio through the major redevelopment of Northlands Shopping Centre in Christchurch, the purchase of Downtown Plaza Shopping Centre in Hamilton, and the acquisition of Unisys House in Wellington.

The third and final stage of Northlands' expansion was virtually completed, creating the largest enclosed shopping centre in New Zealand. This was a major project for the Trust, completed on time and within budget, and further increasing the Trust's weighting in the strong performing retail property sector. The Centre is now 99.6% leased, and its revaluation was well above the margin originally projected.

The Trust has demonstrated the same prudent approach to asset management and income growth in the office sector, with the purchase of Unisys House in Wellington. With its spread of major government leases, this purchase has further diversified the Trust's tenant mix and strengthened the office portfolio. Details of both this property and the successful expansion of Northlands are featured within this report.

During the year the Trust passed a significant milestone, being 10 years listed on the New Zealand Stock Exchange. While the Trust's prime focus is forward looking, it is also an opportune time to reflect on historical performance and how it has met its goals. When listed, the Trust had two simple goals, maximising income and providing long-term sustainable returns for unit holders. There is no doubt these goals are being met and the performance momentum maintained.

The Trust has a loyal and performance-focused management team, confirmed by both the financial results and the activities successfully completed over the past 10 years. We have seen the benefits of an integrated approach to the management and development of the Trust's portfolio, with projects such as Northlands, increased income through intensive management, and the winning of a prestigious EnergyWise Award for the Vero Centre in Auckland.



JIM SYME – CHAIRMAN



	31 MARCH 2004	31 MARCH 2003
RENTAL INCOME	\$72.2 M	\$70.7 M
NET OPERATING INCOME BEFORE TAX	\$55.6 M	\$51.4 M
NET INCOME AFTER TAX	\$49.1 M	\$44.7 M
NET INCOME AVAILABLE FOR DISTRIBUTION	\$48.6 M	\$44.2 M
GROSS DISTRIBUTION (CENTS PER UNIT)	8.57 C	8.54 C
UNREALISED REVALUATION GAINS	\$50.6 M	\$6.1 M
DILUTED NET ASSET BACKING PER UNIT	\$1.15	\$1.07
SECURITIES ON ISSUE	651.0 M	612.9 M
TOTAL ASSETS	\$1.1 B	\$0.9 B
TOTAL INTEREST-BEARING DEBT	\$253.5 M	\$204.5 M
INVESTORS' FUNDS	\$745.5 M	\$665.9 M
RATIO OF INTEREST-BEARING DEBT TO TOTAL ASSETS	23.2%	22.5%

Looking forward there are some signs of reduced confidence in the New Zealand market, but growing confidence in the wider global marketplace. With its premium diversified portfolio of assets, the Trust is well placed to deliver long-term stable returns from its long-term lease commitments.

I hope that you enjoy reading about the achievements of the past year and the current activities that are helping to secure the Trust's future.

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

Yours sincerely

JIM SYME – CHAIRMAN

KIWI INCOME PROPERTIES LIMITED

CHIEF EXECUTIVE'S REPORT

“The year's success is the result of strong leasing activity, new income from acquisitions, and reduced interest costs.”

ANGUS MCNAUGHTON – CHIEF EXECUTIVE



TRUST PERFORMANCE

On behalf of the management team, I am very pleased to present the 2004 Annual Report for Kiwi Income Property Trust.

The Trust performed strongly during the year to 31 March 2004, achieving net income after tax of \$49.1 million, representing a 9.7% increase over the previous financial year. This increase was primarily due to strong leasing activity across the retail portfolio, new income following the purchase of Downtown Plaza Shopping Centre in Hamilton in July 2003, and a reduction in interest costs.

The total gross dividend for the year ended 31 March 2004 was 8.57 cents per unit, being a cash dividend of 7.59 cents per unit with imputation credits attached of 0.98 cents per unit. The total gross dividend of 8.57 cents per unit is ahead of the 8.54 cents per unit distributed for the year ended 31 March 2003.

MARKET PERFORMANCE

The stable characteristics of the listed property market continued through the 2004 financial year. The Trust recorded a total annual gross return of 11.9% for the year. Over the past three years the Trust has recorded an average annual gross return of 19.1%, outperforming the NZSE40 Gross Index which returned 11.5% gross per annum.

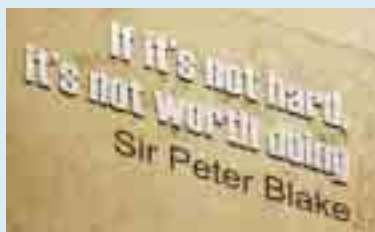
The Trust's market capitalisation increased by \$59 million during the period under review to \$722.6 million as at 31 March 2004. The Trust's ranking on the NZSX50 Index remained at 14th.

CAPITAL MANAGEMENT

At 31 March 2004, the Trust's total assets stood at \$1.1 billion and investors' funds at \$745.5 million. Total interest-bearing debt was \$253.5 million, with the ratio of interest-bearing debt to total assets being 23.2% compared with 22.5% last year. The increase in the debt ratio was primarily due to the draw-down of debt associated with the Northlands Shopping Centre redevelopment in Christchurch. In May 2003, \$25 million was raised through a placement of units. The funds were used for the acquisition of Downtown Plaza Shopping Centre in Hamilton for \$14 million, and the \$10 million refurbishment of North City Shopping Centre in Porirua.



ANGUS MCNAUGHTON – CHIEF EXECUTIVE



AT 31 MARCH 2004, THE TRUST'S TOTAL ASSETS STOOD AT \$1.1 BILLION AND INVESTORS' FUNDS AT \$745.5 MILLION.

PORTFOLIO MANAGEMENT

OCCUPANCY

As at 31 March 2004 the occupancy rate across the Trust's portfolio was 98.2%, up from 97.6% the previous year. Both the office and retail occupancies improved over the previous year due to strong leasing activity throughout the reporting period.

RETAIL SALES

While the retailing environment was varied during the year to 31 March 2004, excluding Northlands, total sales were 3% ahead of the previous year's sales.

ACQUISITIONS AND SALES

The \$44.1 million purchase of Unisys House in Wellington's CBD and government precinct was announced in March 2004, and settled on 30 April 2004. This office building has been substantially refurbished and upgraded and is fully leased, with the major tenants being Unisys, Securities Commission, Crown Law, and Department of Labour. The acquisition will improve the weighting of government tenants within the portfolio, and improves the Trust's overall diversification.

CAPITAL EXPENDITURE

Over the course of the year \$4.2 million was spent on improving and refurbishing existing assets, including a number of added-value retail tenancy remixes. This expenditure excludes the capital expenditure associated with Northlands, North City and Sylvia Park.

ADDED VALUE

The \$91 million expansion of Northlands Shopping Centre in Christchurch commenced in September 2002, with pre-commitment for 60% of new and existing major tenants' net lettable area. As at 31 March 2004, the Centre was 99.6% leased. The development is nearing completion, with the majority of the retail stores now open. The completion of the carpark outside the new Countdown store is the only phase to be completed. The Centre has doubled in size to 40,994m²,

and is now the largest enclosed shopping centre in New Zealand. A revaluation gain of \$16.8 million was achieved, considerably ahead of the \$3.6 million originally forecast. Construction has been on programme and the development was completed within budget. The development has exceeded all the financial hurdles as detailed in the Investment Statement dated 24 June 2002. These hurdles and further information on the Northlands project are contained on page 22.

Sound progress continued during the year with the Trust's Sylvia Park development in Auckland. The master plan for this well-located 24-hectare property in Mt Wellington has been completed, with the focus now on the commercial assessment and construction methodology. Negotiations to secure key tenants continue, and the Trust is also considering a strategic partner for the development. Further information on Sylvia Park is contained on page 26.

REVALUATIONS

In April 2004, revaluations of \$50.6 million in respect of the year ended 31 March 2004 were announced to the market. Underpinning this material valuation increase was the successful Northlands Shopping Centre redevelopment, the quality of the Trust's assets, real growth in income, and a firmer property market. Valuation increases were across both the Trust's office and retail assets, with the more significant changes detailed in the table below.

ASSET	VALUATION AS AT 31 MARCH 2004 \$ MILLION	VALUATION GAIN \$ MILLION
NORTHLANDS SHOPPING CENTRE, CHRISTCHURCH	203.3	16.8
CENTRE PLACE SHOPPING CENTRE, HAMILTON	89.8	11.6
VERO CENTRE, AUCKLAND	215.0	10.1
THE PLAZA SHOPPING CENTRE, PALMERSTON NORTH	70.4	5.9
NORTH CITY SHOPPING CENTRE, PORIRUA	96.3	3.7
DOWNTOWN PLAZA SHOPPING CENTRE, HAMILTON	15.3	1.3
PRICEWATERHOUSECOOPERS CENTRE, CHRISTCHURCH	34.7	1.2

The revaluation gains had a positive impact on the Trust's net asset backing per unit, which rose from \$1.07 to \$1.15. A summary of all properties held by the Trust can be found in the Summary of Investment Property section on page 36.

POST BALANCE DATE EVENTS

On 5 May 2004, \$50 million was raised through a placement of units to fund the acquisition of Unisys House in Wellington.

On 20 May 2004, the \$19.3 million purchase of NGC House was announced. This building is also located in the strongly performing government precinct in Wellington's CBD, and is adjacent to Unisys House. The building is fully leased, with the key tenants being Natural Gas Corporation, Commerce Commission, Department of Corrections, Tertiary Education Commission, and Energy Efficiency and Conservation Authority. Settlement of this building will occur on 30 September 2004.

The sale of HP House was concluded on 2 June 2004. After a review of this property, it was determined that the asset was non-strategic for the Trust and had limited future growth. HP House was sold for \$25.8 million, \$0.5 million ahead of its book value of \$25.3 million. Settlement of this transaction will also occur on 30 September 2004.

INTERNATIONAL FINANCIAL REPORTING STANDARDS

On 21 October 2002 the New Zealand Accounting Standards Review Board (ASRB) announced that they would be recommending to Government that financial statements of all New Zealand entities be prepared in accordance with International Financial Reporting Standards (IFRS) as opposed to New Zealand Generally Accepted Accounting Practice (NZ GAAP). The ASRB's recommendation was affirmed in the Ministry of Economic Development's Discussion Document released on 15 March 2004. The ASRB's decision to adopt IFRS is the most significant financial reporting development since reporting standards were first introduced in New Zealand in the 1970s and will result in fundamental changes to the way in which companies in New Zealand report their financial results. The ASRB is in the process of approving the new standards for use in New Zealand. Once approved, the Trust will prepare financial statements in accordance with the new standards with effect from its financial period commencing 1 April 2007, including comparative data for the preceding financial year. We will continue to assess the likely impacts on the Trust of transitioning from NZ GAAP to IFRS and are closely monitoring the progress of the ASRB and its approval of the standards.

OUTLOOK

The Trust is projecting a gross distribution for the year ending 31 March 2005 of between 8.40 cents per unit and 8.60 cents per unit, as outlined in the table below.

DISTRIBUTION SUMMARY	YEAR ENDED 31 MARCH 2004	YEAR ENDING 31 MARCH 2005
PROJECTED GROSS DISTRIBUTION (CENTS PER UNIT)	8.30 – 8.50 ¹	8.40 – 8.60
ACTUAL GROSS DISTRIBUTION (CENTS PER UNIT)	8.57	

¹ As disclosed in the 2003 Annual Report



The projected full-year distribution range is up on the previous year's projection, with the overall mix between cash and imputation credits changing slightly. This change in the mix of cash and imputation credits paid is due to an increase in the Trust's effective tax rate, resulting in additional tax paid by the Trust, with a corresponding increase in the amount of imputation credits available to unit holders. Further details of this are contained in the Financial Statements under Note 13 on page 67.

The interim and final distributions for the 2005 financial year will be paid in mid-December 2004 and late June 2005 respectively. The distributions will again be eligible for reinvestment in accordance with the terms of the Trust's Dividend Reinvestment Scheme. Unit holders who are interested in details of the Scheme should contact the Unit Registrar, BK Registries Limited.

The Trust's management team remains committed to maximising returns to unit holders, achieving stability and security across the Trust's portfolio of property assets, and taking on the challenges of the property market as they arise.

The exciting Northlands project in Christchurch has been successfully delivered with only minor works to be completed by June 2004, and excellent progress continues to be made on the Trust's Sylvia Park development in Auckland.

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

A handwritten signature in black ink, appearing to read 'Angus McNaughton'.

ANGUS MCNAUGHTON – CHIEF EXECUTIVE
KIWI INCOME PROPERTIES LIMITED

INVESTMENT AND MANAGEMENT PHILOSOPHY

“The Trust’s objective is to maximise income and provide long-term sustainable returns to unit holders.”

ANGUS MCNAUGHTON – CHIEF EXECUTIVE



OBJECTIVE

The Trust’s objective is to maximise income and provide long-term sustainable returns to unit holders through the strategic acquisition, professional management and ongoing development of office, retail and industrial assets.

This objective is achieved through:

- Investing in a high-quality diversified portfolio of office, retail and industrial assets with a range of lease maturities throughout New Zealand. In doing this, the Trust minimises exposure to asset classes facing adverse economic circumstances.
- Fostering long-term partnerships as a means of enhancing strong and robust performance.
- Adopting an active portfolio management philosophy encompassing asset and financial management, strategic acquisitions and divestments and the prudent development of existing assets.
- Maintaining a strong balance sheet with prudent borrowing levels. The Trust Deed requires the level of debt to be maintained below 35% of the gross value of the Trust.
- Continuing to distribute all available net income (after tax) as dividends to unit holders.
- Utilising the global resources of Colonial First State Property (Colonial), who own the Trust Manager.

Colonial’s ultimate parent, the Commonwealth Bank of Australia, 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 Life. The ability of the New Zealand team to access the skills and experience of one of Australasia’s leading fund managers has strengthened the Trust’s culture of innovation and success.

ACTIVE MANAGEMENT

The Trust is actively managed in order to achieve the investment objective outlined above. Active management involves a combination of active asset and financial management, strategic acquisitions and divestments, the careful and prudent development of existing assets and the creation of new opportunities.

ACTIVE ASSET MANAGEMENT

The Trust Manager seeks to maximise net income and capital growth through strategic added-value remodels and refurbishments, renegotiation of leases and rent reviews and the improvement of all property management activities.

— THE TRUST'S ACTIVE MANAGEMENT PHILOSOPHY CONSTANTLY FINE TUNES THE PORTFOLIO AND CAPITAL FOR OPTIMUM SHORT AND LONG-TERM GAIN.

— THERE IS CONTINUOUS FOCUS ON ASSET IMPROVEMENT, ACQUISITION AND DIVESTMENT, AS WELL AS THE CREATION OF NEW OPPORTUNITIES.



This involves:

- Ensuring that tenants are satisfied with their accommodation, and working with existing and prospective tenants to create solutions that add value to both parties.
- Negotiating and managing leases and rental 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.
- Minimising vacant space in each asset and effectively marketing space as it becomes available.

STRATEGIC ACQUISITIONS AND DIVESTMENTS

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

- Realising high 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 sector and geographical location.
- Maintaining the Trust's strong income profile through long-term leases to prime tenants.

PRUDENT DEVELOPMENT

The retail assets of the Trust's portfolio have been consistent performers in one of the strongest sectors of the New Zealand property market. The continued expansion and development of shopping centres in the portfolio is an important element of the Trust's retail investment strategy due to the relatively small number of large established shopping centres in New Zealand, and the limited number of opportunities for new investment. As the New Zealand retail scene develops in line with international trends, customers are demonstrating a preference for shopping centres that offer an increasingly varied choice of retailers and recreational shopping experiences. Owners of established shopping centres must meet this challenge and ensure their "retail-offering" meets the expectations of the market, or risk losing the support of their customers.

The ongoing refurbishment and expansion of the Trust's existing assets and the careful development of new retail assets and tenancy remixes is essential to the Trust's continued performance. These activities:

- Keep the Trust's shopping centres relevant and dominant in their respective catchments or markets.
- Add value and enhance the returns to unit holders.
- Improve the quality of the Trust's income streams by securing key national and international tenants on long-term leases.

In keeping with our philosophy, the Northlands redevelopment and North City refurbishment are two examples of how the Trust has successfully met the challenge of the dynamic and changing retail market. Details on the Northlands project can be found on page 22, and the North City refurbishment on page 25. The development of a new town centre at Sylvia Park in Auckland is another project being contemplated by the Trust, with further information contained on page 26.

While office developments have been completed by the Trust in the past, and may be contemplated in the future, the current focus of the Trust is to re-weight the portfolio towards the stronger performing retail sector, as identified above.

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 unit holders. This entails:

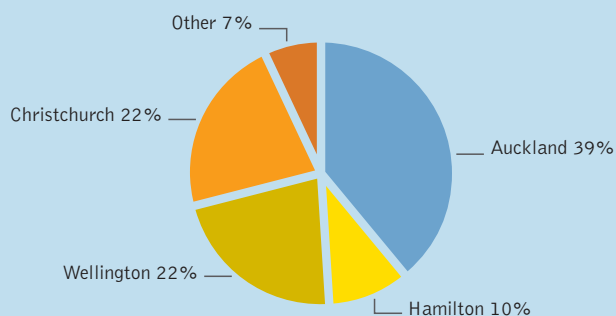
- Ensuring that cash flow from rentals is efficiently utilised, as it becomes available. This may be by way of capital expenditure for refurbishment or upgrade programmes, or simply by debt repayments or by ensuring that income is earning competitive interest returns.
- Actively managing the Trust's debt through an active and disciplined 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 acquisition opportunities.



PROPERTY STATISTICS

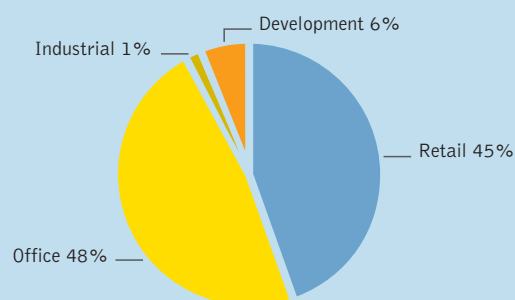
PORTFOLIO BY REGION

WEIGHTED BY VALUE
AS AT 31 MARCH 2004



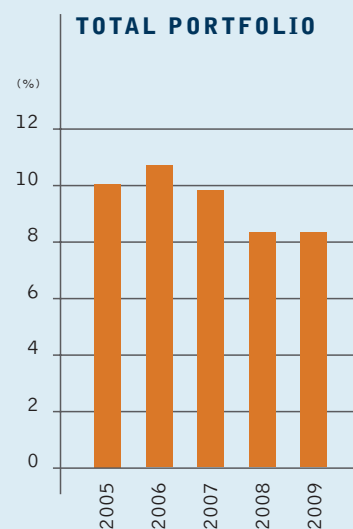
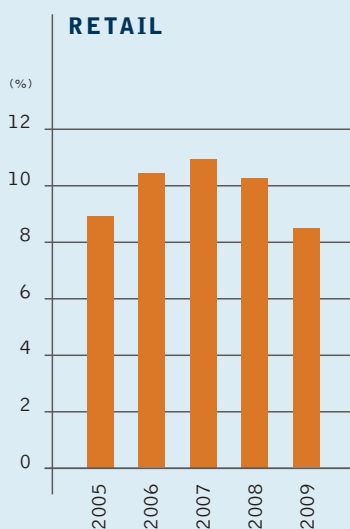
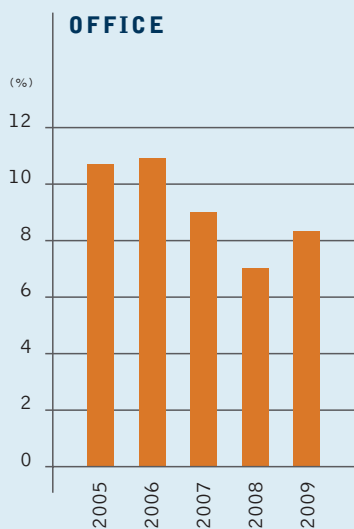
PORTFOLIO BY SECTOR

WEIGHTED BY VALUE
AS AT 31 MARCH 2004



FIVE-YEAR LEASE EXPIRY PROFILE BY NET RENTAL INCOME

AS AT 31 MARCH



WEIGHTED AVERAGE LEASE TERM

AS AT 31 MARCH

	2004	2003	2002	2001
RETAIL	4.6	3.5	4.0	4.2
OFFICE	6.0	6.9	7.3	7.9
INDUSTRIAL	1.1	1.7	2.5	2.5
TOTAL PORTFOLIO	5.3	5.7	5.9	6.6

The weighted average lease term (WALT) is a useful measure for assessing the risk attached to the sustainability of current cash flows. It will naturally reduce each year through the passing of time. The ability to add to the WALT arises when a lease expires or is restructured.

EXECUTIVE TEAM OF THE MANAGER

ANGUS MCNAUGHTON



CHIEF EXECUTIVE

Angus McNaughton has been with the Trust for nearly 10 years, and was initially responsible for the Trust's retail portfolio. He later became General Manager for the Trust's total portfolio of retail and office assets. Angus likes to take a hands-on approach, working with his team in the management of the Trust. Prior to joining Kiwi Income Property Trust, Angus was a member of the team that floated Challenge Properties, which listed on the sharemarket as St Lukes Group. He has an honours degree in Management Studies from the University of Waikato.

GAVIN PARKER



CHIEF FINANCIAL OFFICER

Gavin Parker has over 14 years' experience in the managed funds industry, together with five years' chartered accounting and taxation experience. Heading the finance team, Gavin is responsible for all aspects of the finance and accounting functions for the Trust, including Financial and Statutory Reporting, Treasury Management, Taxation and Corporate Governance. He holds a Bachelor of Commerce and Graduate Diploma in Business from the University of Auckland and is a member of the Institute of Chartered Accountants of New Zealand.

MARK LUKER



GENERAL MANAGER – DEVELOPMENT

Mark Luker has considerable experience in the property development and investment industry, having been involved in every aspect of property development – from industrial, warehousing, major retail shopping centres and offices through to more eclectic forms of investment, including ground leasehold. He was General Manager of Lend Lease Retail Projects (Australia), with responsibility for approximately A\$1 billion of development activity. Mark has been with the Trust for eight years. He is both a Registered Property Consultant and Property Manager, and Senior Member of the New Zealand Property Institute.

KARL RETIEF



MANAGER – RETAIL PORTFOLIO

Karl Retief oversees all aspects of performance of the retail assets, including strategising remixes, improving net operating income, reviewing marketing strategies, and the management of Centre teams. Karl joined the Trust four years ago and managed North City in Porirua before accepting his present position. Prior to joining Kiwi Income Property Trust, Karl had worked in retail for over 20 years in New Zealand and South Africa. He has an MBA degree.

JON LESQUEREUX



**MANAGER –
COMMERCIAL
PORTFOLIO**

Jon Lesquereux is responsible for the overall performance of the Trust's office and industrial portfolios. His role also includes advising upon acquisitions to and disposals from these sectors of the fund. Jon has over 15 years' experience in the property industry and has a significant and diverse background, including seven years in a London-based property practice. Jon has an honours degree in Urban Land Economics and is a member of the Royal Institution of Chartered Surveyors.

EVAN VERTUE



**SYLVIA PARK PROJECT
DIRECTOR**

Evan Vertue is Project Director of the Trust's planned Sylvia Park development, a 24-hectare site located at the intersection of the Southern Motorway, Mt Wellington Highway and the South Eastern Highway. Evan was formerly the Chief Executive of Southway Properties Limited – an owner, developer and manager of shopping centres in the South Island – and more recently, Chief Executive of Lemar Environmental Limited. Evan is a graduate in Civil Engineering from the University of Cape Town and brings a wide range of skills to the Trust.

ROY STANSFIELD



**MANAGER – RETAIL
LEASING**

Roy Stansfield is Manager – Retail Leasing, heading the team responsible for specialty store leasing of the Trust's retail portfolio. Roy is a qualified accountant and has 16 years' experience in the retail shopping centre industry. His knowledge of the industry includes property accountancy, centre management and retail leasing. Previously employed by Challenge Properties and St Lukes Group, Roy has been with the Trust since 1997. Currently Roy's leasing focus is completing the leasing for the North City refurbishment and Sylvia Park, Auckland.

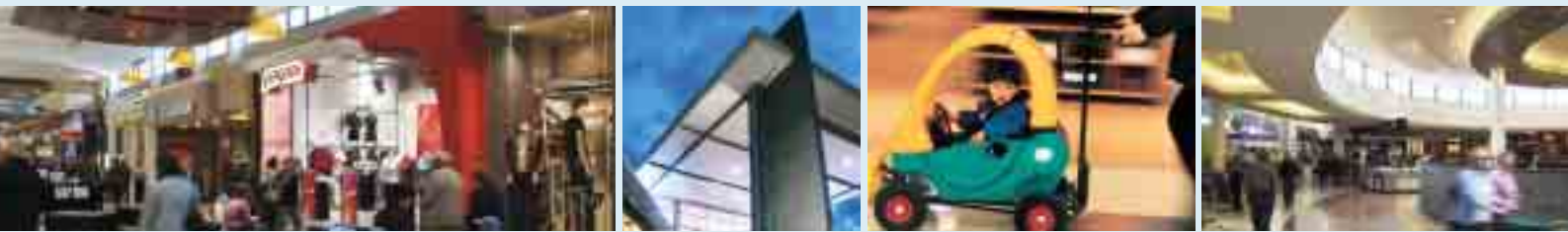
JASON HAPPY



**NATIONAL FACILITIES
MANAGER**

Jason Happy is National Facilities Manager and has been with the Trust for over five years. In his role 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. Jason has practised as a professional engineer and holds an honours degree in Mechanical Engineering. Jason also holds a Master of Science specialising in Facilities Management.

RETAIL PORTFOLIO



KEY HIGHLIGHTS

- The \$91 million redevelopment and expansion of Northlands Shopping Centre in Christchurch is successfully delivered. All financial hurdles have been exceeded, and the Centre has now doubled in size to 40,994m²
- The \$10 million remix of North City Shopping Centre in Porirua is progressing on programme, with the 500-seat foodcourt opening in early April 2004
- The 32 specialty store Downtown Plaza Shopping Centre in Hamilton was acquired in July 2003 for \$14 million
- 28 retail leases or renewals were completed (excluding North City and Northlands due to redevelopment). These leases were 23% (\$389,000) ahead of previous income, and represented 10% of the retail portfolio by area
- 116 new leases were completed within the North City and Northlands projects, representing 12,500m² of net lettable area, and \$9.5 million in net income
- 133 rent reviews were completed (excluding North City and Northlands due to redevelopment). These reviews were 5% (\$441,000) ahead of previous income and represented 28% of the retail portfolio by area
- A revaluation gain of \$40 million was achieved, increasing the retail portfolio's value to \$489 million. The revaluation gain at Northlands was \$16.8 million, being \$13.2 million ahead of the prospectus projection of \$3.6 million
- The shopping centre occupancy level increased to 98.7%



KARL RETIEF, MANAGER – RETAIL PORTFOLIO

“Shopping centres fulfil an ever-increasing social need for many people. To satisfy the needs of retailers and customers, our team is constantly searching for opportunities that add excellent value to the retail assets.”

KARL RETIEF, MANAGER – RETAIL PORTFOLIO

THE MARKET

The retail sector performed strongly over the past 12 months. Positive domestic indicators such as net inward migration, rising real wages, a decline in unemployment, stable inflation and the wealth-generating effects of the buoyant housing market combined to boost consumer spending.

Confidence in the New Zealand retail sector was reflected in renewed interest from several Australian retailers seeking space within the Trust’s retail portfolio.

The timely expansion, development and refurbishment of the Trust’s retail portfolio, plus the addition of the 2,953m² Downtown Plaza Shopping Centre in Hamilton, have enabled the retail portfolio to respond positively to the strong market.

Focused leasing activity and improved occupancy levels combined to underpin the rental growth across all the Trust’s retail assets over the past year.

The outlook for the year ahead remains positive with forecasts of steady economic growth and consumer confidence. With the redevelopments completed over the past two years, the Trust’s retail portfolio is in sound shape and well positioned for the year ahead.

OCCUPANCY

As at 31 March 2004, the retail portfolio's occupancy had increased to 98.7%, compared with 98.1% the previous year. Solid demand for retail space exists across the portfolio.

SHOPPING CENTRES

CENTRE PLACE, HAMILTON

During the past year several projects were completed including a minor remix of tenants, integration of Downtown Plaza with Centre Place, and changes to the contractual agreement for the carpark. Collectively these improvements contributed to the strong performance of the asset, with the value of the Centre increasing by 15% to \$89.8 million. While total specialty sales were only marginally ahead of the previous year, the enhancements to the mix undertaken during the year will provide continued sales growth.

DOWNTOWN PLAZA, HAMILTON

Downtown Plaza is located adjacent to Centre Place, and was purchased as a further step in the expansion of the Trust's retail portfolio. A number of synergies and cost-efficiency gains have been realised, improving the performance of the Centre within the first eight months of ownership by the Trust. Further efficiencies will be realised during the latter part of 2004. Total specialty sales were up 11% over the previous year.

THE PLAZA, PALMERSTON NORTH

Strong demand from national retailers saw the addition of two new tenants to the already robust retail mix, being Stewart Dawsons and Colorado Australia. The Plaza continues to be the dominant fashion centre in the Manawatu region, and has continued its strong performance over the past year. Total specialty sales were up 9% over the previous year.

NORTH CITY, PORIRUA

Strong progress was made with the \$10 million refurbishment during the year. In early April 2004 the new 500-seat foodcourt opened, together with new customer facilities. Feedback on the improvements has been very positive. Leasing interest remains strong for the second stage of the remix, with most tenancies now let. The Centre is very well positioned for growth over the next year.

NORTHLANDS, CHRISTCHURCH

A major highlight of the \$91 million redevelopment was the opening of the third and final stage on 2 April 2004. During this exciting project, the Centre was expanded and completely transformed, doubling the retail space to 40,994m². The Centre is now 99.6% leased, reflecting the significant interest and confidence in Northlands. An independent valuation in March 2004 valued Northlands at \$203.3 million, which represents a significant enhancement in asset value following the redevelopment. Further details on the redevelopment are contained on page 22.



OVERLAND

SHOES

THE PLACE

RETAIL PORTFOLIO

CENTRE PLACE SHOPPING CENTRE AND DOWNTOWN PLAZA SHOPPING CENTRE, HAMILTON

CENTRE PLACE SHOPPING CENTRE

ADDRESS	501 Victoria Street, Hamilton
DATE ACQUIRED	December 1994
NET LETTABLE AREA	15,428m ²
CURRENT VALUATION	\$89,800,000 (as at 31 March 2004)
MAJOR TENANT	Village Force Cinemas

DOWNTOWN PLAZA SHOPPING CENTRE

ADDRESS	Cnr Ward & Worley Streets, Hamilton
DATE ACQUIRED	July 2003
NET LETTABLE AREA	2,953m ²
CURRENT VALUATION	\$15,270,000 (as at 31 March 2004)



WAIKATO'S LEADING RETAIL CENTRES

Centre Place is Waikato's leading retail and fashion destination, containing Hamilton's only cinema complex. The Centre is located in the heart of Hamilton's CBD and encompasses 10 cinema screens, 80 specialty stores, and an integrated multi-storey carpark. The Centre was extensively refurbished in November 2000.

Downtown Plaza is a fully enclosed single level shopping centre constructed in 1994, containing 32 specialty stores, and is adjoining Centre Place.

THE PLAZA SHOPPING CENTRE, PALMERSTON NORTH

ADDRESS	Church Street, Palmerston North
DATE ACQUIRED	August 1993
NET LETTABLE AREA	14,526m ²
CURRENT VALUATION	\$70,400,000 (as at 31 March 2004)
MAJOR TENANT	Kmart



THE REGION'S ONLY COMPREHENSIVE SHOPPING CENTRE

The Plaza is a modern free-standing single level regional shopping centre located on the city square, in the heart of Palmerston North's CBD. The Centre is Manawatu's premium shopping destination, with Kmart, 63 specialty stores, a strong fashion focus, and surrounded by ample parking. The refurbishment of the Centre's foodcourt was completed in November 2002.

NORTH CITY SHOPPING CENTRE, PORIRUA

ADDRESS	Titahi Bay Road, Porirua
DATE ACQUIRED	December 1993
NET LETTABLE AREA	Under Development
CURRENT VALUATION	\$96,300,000 (as at 31 March 2004)
MAJOR TENANTS	Kmart, Farmers, Movieland 5



LARGEST SHOPPING CENTRE IN THE WELLINGTON REGION

North City is a substantial two-level regional shopping centre, originally constructed in 1990 and extensively refurbished and expanded in 1997. The expansion incorporated significant additional carparks. The Centre boasts strong anchor tenants and a broad range of quality national and international specialty retailers. The Centre has undergone a refurbishment relocating the foodcourt to the upper level of the Centre. The old foodcourt is being reconfigured into a fashion precinct. On completion in August 2004 the Centre will contain over 100 specialty stores, Kmart, Farmers and Movieland 5 Cinemas.

NORTHLANDS SHOPPING CENTRE, CHRISTCHURCH

ADDRESS	Main North Road, Christchurch
DATE ACQUIRED	March 1994 (50%), March 1998 (50%)
NET LETTABLE AREA	40,994m ²
CURRENT VALUATION	\$203,250,000 (as at 31 March 2004)
MAJOR TENANTS	Farmers, Hoyts 6, Pak'N Save, Countdown, The Warehouse



NEW ZEALAND'S LARGEST ENCLOSED SHOPPING CENTRE

Northlands is a substantial free-standing single-level regional shopping centre, originally constructed in 1967. The Centre has a strong history, with over 36 years of trading. It is renowned for its involvement in the community, supporting local schools, clubs and events. Northlands has undergone extensive redevelopment to incorporate New Zealand's strongest mix of anchor tenants making it the dominant shopping centre in north-west Christchurch, and the largest enclosed shopping centre in New Zealand. The Centre now contains 135 specialty stores, The Warehouse, Farmers, Pak'N Save, Countdown and Hoyts 6 Cinemas.

NORTHLANDS REDEVELOPMENT, CHRISTCHURCH



MARK LUKER, GENERAL MANAGER – DEVELOPMENT

THE VISION FOR NORTHLANDS IS ACHIEVED

From the beginning of its involvement with Christchurch's Northlands Shopping Centre 10 years ago, the Trust's vision for the Centre has been simple; creating a bigger and better regional shopping experience, and enhancing the value of the asset – a win-win for retailers, their customers and the Trust.

The third and final stage of Northlands was completed in early April 2004, marking the creation of the largest enclosed air-conditioned shopping centre in New Zealand. In total size the Centre has almost doubled, from 20,800m² to 40,994m². The number of specialty stores has increased from 65 to 135, with two department stores, two supermarkets and a cinema complex contained within the Centre – a truly enviable retail mix. By all the normal objective measurements, this redevelopment of one of New Zealand's earliest shopping centres has been a success. It was completed on time and within budget, and is 99.6% leased. All the financial hurdles set for the project have been exceeded.

“The Trust set out to create a powerful retail destination that is uniquely Cantabrian. We believe we've exceeded our objectives on all fronts.”

MARK LUKER, GENERAL MANAGER – DEVELOPMENT



April's opening was the culmination of five years' work, including planning, design, construction, fit-out and leasing. Genuine patience, partnerships and teamwork were the hallmarks of the Trust's approach to this project, from both a development and retail perspective. Development challenges included the aggregation of 20 separate parcels of land, the closure of a road, and a land agreement with education authorities and neighbouring Papanui High School. Creating a successful centre also meant attracting quality retailers, many of which have entered the South Island market for the first time with a shop at Northlands.

Following three years of extensive investigative work and planning, the redevelopment of the Centre was undertaken in three stages, the first beginning in September 2002.

Stage One set the benchmark for the project with 54 fully leased new retail stores, a new 7,500m² The Warehouse store and 550 carparking spaces, opening in July 2003. From the outset this reflected the strong demand from national and international retailers for the quality space offered within the Centre. Stage Two was completed on time, opening in November 2003, and Stage Three opened in early April 2004.

COMMUNITY LEGACY

The success of the redevelopment required the acquisition and integration of land utilised by Papanui High School that had been gifted to the Papanui community for educational purposes in 1940. There was a legislative requirement that if the land was not required by the school it had to be offered back to the original owner, the Johns Family. This was achieved with the agreement of all parties including Mr Johns Snr. The school benefited from several new buildings in compensation for the land now included within the Centre and Sisson Drive.

The success of these arrangements was made possible by the strength of the long-standing relationships between Northlands' retailers and their community including the high school, as well as the partnership established by the development team, headed by Paul Hudson.

QUALITY RETAIL OFFERING

Northlands benefits from the presence of five anchor tenants including The Warehouse, Farmers, Pak'N Save, Hoyts 6 Cinemas and Countdown. There is no other shopping centre in New Zealand with these major retailers grouped together as they are at Northlands. Originally, The Warehouse and Countdown were close neighbours of the Centre, owning and operating on their own individual sites. As part of the development, these sites were purchased and the retailers relocated to be fully integrated into the Centre.

The full leasing of Northlands above budget and ahead of programme is a real tribute to the quality of the asset and the work of the Trust's leasing team. It is also an effective endorsement of the Trust's integrated approach to such developments, where the project development, retail leasing, and centre management teams work hand in hand to meet the needs of potential tenants.

The outcome is a strong tenancy mix, including 135 specialty retailers. For many it is their first exposure to the South Island retail market, such as retailers Levis and Lush. In the case of specialty coffee house Gloria Jeans they opened their first New Zealand store in Northlands. Its cluster of fashion shops ensures Northlands' offering is second to none in the South Island. The mix of major operators and retailers has helped future-proof this asset.

In terms of its design, Northlands had to meet the demands of both shoppers and retailers for comfort, convenience and security. There are a variety of internal designs and features which create an enjoyable shopping and entertainment experience for shoppers. Amenities include a large parents' room with private cubicles and comfortable armchairs. The Centre also features comfortable lounge seating throughout.

Every effort has been made to make the Centre uniquely Cantabrian which is evident in the use of soft landscaping incorporating alpine grasses and plants. A 16-metre-high sculpture by renowned artist Jeff Thomson is a centrepiece feature of Northlands' entertainment precinct, inspired by the "patchwork" of the Canterbury plains.

PROJECT FINANCIALS

As reflected in the table below, all the financial hurdles outlined in the Investment Statement dated 24 June 2002 have been exceeded. Significant income and value have been added to the Trust's portfolio.

	INVESTMENT STATEMENT PROJECTION 24 JUNE 2002	ACTUAL 31 MARCH 2004
TOTAL DEVELOPMENT COST	\$90.9M	\$90.9M
INCREMENTAL INCOME	\$7.9M	\$8.3M
YIELD ON DEVELOPMENT COST	8.7%	9.1%
VALUATION	\$189.0M	\$203.3M
DEVELOPMENT MARGIN	\$3.6M	\$16.8M
NO. OF SPECIALTY STORES	125	135
NET LETTABLE AREA	40,700M ²	40,994M ²



BOLD ARTWORK DEPICTS CANTERBURY'S "PATCHWORK"

Renowned steel and corrugated iron artist Jeff Thomson was commissioned to prepare a unique artwork for Northlands Shopping Centre. His work, "Iron Plains", features prominently as a focal point of the Centre's newly created entertainment and leisure precinct. Standing 16 metres, it is as creatively innovative as it is large. It incorporates 100 sheets of corrugated iron to portray the patchwork effect of the paddocks of the Canterbury Plains.

Internationally renowned, Jeff graduated in 1981 from the Elam School of Fine Arts, University of Auckland. Although originally from Castor Bay, Auckland, he lives in Helensville, where he has a studio and works as a full-time artist.

Jeff uses corrugated iron because it is material that is evocative of New Zealand's past history since it was used to build the gold-mining towns in the 1840s. In his works over the past year, Jeff has used corrugated iron for weaving, stacking, curving, and has also used its surface for painting and screen-printing.

He is well known for his depiction of animals, birds, fish and insects in corrugated iron.



CENTRE WITH A PROUD HISTORY

Northlands is one of New Zealand's first shopping centres and has a proud trading tradition of being in business for over 36 years. The Centre's retailers have always enthusiastically embraced opportunities to enhance its reputation as a regional retail hub, and not surprisingly it is now Christchurch's largest retail asset.

The Trust acquired its initial 50% interest in the Centre in March 1994, with an intention to upgrade and expand the facilities. The remaining 50% was acquired in March 1998. The Trust's ownership has been characterised by strategic growth in the Centre's key retail mix and the growth in income and value of the total asset.

NORTH CITY REFURBISHMENT, PORIRUA



CENTRE REFURBISHMENT MAINTAINS FRESHNESS

The Trust has continued to invest in North City Shopping Centre at Porirua, to maintain the excitement and attraction this Centre holds for shoppers and visitors. With its mix of retail, entertainment, leisure and family facilities, North City is already the largest enclosed mall in the Wellington region. Reflecting the commitment to keeping the Centre exciting and refreshed, \$10 million is being invested in the refurbishment of the Centre following on from the refurbishment and expansion of the Centre that was completed in 1997.

Following extensive market research and consultation, the refurbishment has built on North City's existing strengths, being its expansive and vibrant foodcourt, and the growing interest among retailers in mid-range fashion and other specialty store offerings.

The refurbishment has also set out to ensure the Centre maintains its contemporary features, like the atrium that timelessly gives the complex a compelling sense of natural light and airiness. These important factors contribute to lengthening the time customers spend in the Centre.

FOOD, FAMILY AND SOCIALISING

The foodcourt has developed into a strong feature of the Centre. As part of the remix the foodcourt was enlarged to provide total seating for 500, enhancing its attraction as a vibrant family meeting place and popular venue for entertainment and socialising, particularly at weekends. It has evolved as an integral element to attracting and stimulating business for retailers and the Centre's entertainment facilities. The foodcourt at North City is now ranked among the best of any shopping centre in New Zealand.

In line with the changing socio-economic make-up of the Centre's catchment and the quality of residential development through the Paremata corridor from which customers are drawn, the demand for fashion retail has strengthened. Further space for national and international retail shops is a significant feature of the remix.

HIGHEST STANDARDS OF PUBLIC FACILITIES

In keeping with providing a quality shopping experience, a major focus has been on creating public amenities to international standards. Costing over \$1 million, the new restroom facilities meet the highest standards of personal and community health and hygiene. To complement the amenities, a parent and caregiver facility makes the North City shopping experience as hassle-free as possible for parents and their young children.

PROGRAMME AND COMMERCIAL ASSESSMENT

Works on the remix commenced in September 2003, with the final fashion stage due for completion in August 2004. Construction has been on programme and within the \$10 million project budget. Specialty leasing has also proceeded well with 57 of the 70 new retail leases now finalised. Incremental income of \$946,800 is forecast for the remix, being a return of 9.5%.

SYLVIA PARK, AUCKLAND



The Trust's 24-hectare Sylvia Park site located in Mt Wellington, Auckland, is reaching an important phase with key tenants and financial commitments being finalised for the project.

Sylvia Park represents one of New Zealand's most attractive development opportunities, based on its excellent site characteristics, being the location which is readily accessible to over 40% of Auckland's population within a 15-minute drive-time, and the profile from the 200,000-plus vehicles that pass the site on a typical day.

A Resource Consent application will be completed shortly in accordance with the provisions of Plan Change 4. This plan change, and the associated confirmation of the Business 8 zoning that will allow the development to proceed, has now been confirmed by the Environment Court.

The Business 8 zoning for the site provides for a number of activities to take place at Sylvia Park, including retail, office, educational, residential, and a broad range of community uses. The Trust's concept for Sylvia Park encompasses a number of these uses in what will be a truly regional town centre. At the core, and the first stage of the development, will be a retail centre that will fulfil the needs of the growing residential catchment that surrounds the site. A number of "low rise" office buildings are also planned for Sylvia Park to take advantage of the significant amenity that will be provided.

The market demand for quality retail assets such as that contemplated at Sylvia Park remains at a very high level due to the continued superior investment performance of the retail sector. The strong interest for assets of this type has resulted from more certain and strong rental growth achievable through modern-style retail leases, and a low volatility of overall rental returns.

Prior to the commitment of the Trust to this project, a number of key "deliverables" must be satisfied, including major tenant agreements, satisfaction of a viable financial model under various staging scenarios, a peer review, guaranteed maximum price construction contracts agreed, and satisfaction of project funding. Projects of this scale are complex and demand intense consideration and planning. Over the past year, considerable progress has been made against these "deliverables".

As has been outlined by the Trust in the past, retail opportunities with the potential of Sylvia Park are rare. However, given the potential scale of the project, and a desire for the Trust to maintain a prudent market diversity and development risk profile, the Manager is exploring the potential of a joint venture partner for the project. Further information will be made available on this exciting project once the key "deliverables" have been finalised.

OFFICE PORTFOLIO

“Well informed tenants of office buildings demand that the premises they occupy respond to their changing needs. We use collaborative processes to deliver efficient, flexible and inspiring working environments with the goal of exceeding these expectations.”

JON LESQUEREUX, MANAGER – COMMERCIAL PORTFOLIO

KEY HIGHLIGHTS

Unisys House acquired in Wellington for \$44.1 million

Vero Centre increases in value by \$10.1 million to \$215 million

Value of office portfolio exceeds \$500 million for the first time

New lease to Ernst & Young at the Majestic Centre for 3,994m² until 2018

PricewaterhouseCoopers Centre in Christchurch 100% leased for the first time since constructed, and a new nine-year lease agreed with Harman & Co over two floors

Occupancy across the office portfolio increases to 98.0%

New lease to Auckland Regional Council at Vodafone House for 11,003m² until 2009 (post balance date)

31 office leases and renewals were completed with incremental income of \$775,000 per annum. These represented:

- \$4.5 million in gross annual income
- 11,358m² in net lettable area, being 7.5% of the office portfolio by area, and 8.2% by gross income

42 rent reviews were completed, 4% (\$643,000) ahead of previous net income, representing:

- \$21.9 million in gross annual income
- 50,848m² in net lettable area, being 33% of the office portfolio by area, and 40% by gross income

THE MARKET

AUCKLAND CENTRAL BUSINESS DISTRICT (CBD)

Average vacancy rates increased from 9.8% in December 2002 to 11.7% in December 2003. This change was largely due to some retrenchment in the education sector and masked an otherwise healthy and buoyant market. Occupancy rates in premium buildings improved from 93% to around 94% over the same period, during which the Trust experienced an increase in effective rentals as tenant incentives declined. The current financial year will see limited uncommitted new supply coming to the market and effective rentals are expected to continue to improve.

Investment market conditions have been increasingly competitive with strong demand for large, quality buildings coming from both domestic and Australian institutions. Although research data suggests that prime yields have only firmed by 20 basis points (to 8.4%), provided a satisfactory margin continues to exist between Australian and New Zealand returns, further firming is expected and this will improve office values.



JON LESQUEREUX, MANAGER – COMMERCIAL PORTFOLIO

WELLINGTON CBD

Over the past year, Wellington's office market has experienced a degree of polarisation. While buildings attracting corporate tenants have competed for fewer tenants, an active government sector has underpinned significant leasing activity in the northern CBD.

Overall, CBD vacancy improved from 7.3% last year to 6.4% at December 2003. Premium vacancy fell to 4.0% over the same period, but is expected to increase to around 7% by June 2004. Gross rentals increased by approximately 5% overall and 8% in the premium sector.

Wellington's investment market shares characteristics with Auckland and is attracting international attention. A number of transactions have recently been completed at prices which suggest that the market yield for premium buildings is now close to 8%.

CHRISTCHURCH CBD

The market continues to perform well with positive net absorption and a lack of new supply improving occupancy rates. Overall, vacancy rates fell from 11.3% to 10.7% during 2003, with prime space leading the market. Currently, there is no available space to lease across the three A Grade buildings, including the Trust's PricewaterhouseCoopers Centre.

Rental levels improved throughout 2003 and low vacancy rates are expected to result in a continuation of this trend during 2004. Although pressure is mounting, the relatively low level of prime rents currently prohibits the development of a new CBD A Grade office tower. Some lower quality buildings are being refurbished to meet occupier demand.

As with the other regions, the Christchurch market is experiencing strong demand for investment properties, driven by local investors and syndicators, together with overseas purchasers looking to secure quality buildings. Prime yields have improved during 2003 to 8.75% and are expected to continue to firm in 2004.

OCCUPANCY

The total occupancy level of the office portfolio as at 31 March 2004 was 98.0% including Unisys House. This represents an improvement over the year to 31 March 2003, when the occupancy rate stood at 97.2%.

CAPITAL PROJECTS

Works to BP House in Wellington are nearing completion, with the exterior of the property being partially re-clad and painted. A comprehensive upgrade to the Fort Street lobby of the Vero Centre was completed during the year, a number of floors at the National Bank Centre were upgraded and subdivided, and minor service upgrades were completed across the portfolio.

Projects to upgrade the lobbies at the Majestic Centre and PricewaterhouseCoopers Centre are planned for the coming year, as well as a security access upgrade to the National Bank Centre.

PROPERTIES

VERO CENTRE, AUCKLAND

Following one of the world's largest Initial Public Offerings in 2003, anchor tenant Royal & SunAlliance was rebranded "Vero" with the Centre also being renamed the "Vero Centre". Although some space did become available in the building during the course of the year, this was re-let and the property is currently 100% leased.

The Trust won a prestigious national EnergyWise Award for energy savings achieved at the Vero Centre. In making the award, the judges recognised that Kiwi Income Property Trust had made significant energy savings, while still delivering high-quality services and meeting the after-hours needs of all tenants in the building. The property remains New Zealand's highest specified office tower and is ever-popular amongst its tenants.

NATIONAL BANK CENTRE, AUCKLAND

During the year a total of 3,120m² was available for lease. In total, 10 new leases, renewals or lease extensions were completed totalling \$1.34 million in gross income, reducing vacant space by year-end to 1,700m².

Following the success of the refurbishment, subdivision and leasing of Level 3, further subdivisions and refurbishment projects have been completed on Levels 8 and 9. Level 10 has also been refurbished in the year for an incoming tenant.

VODAFONE HOUSE, AUCKLAND

Vodafone has confirmed its move from the building and will be vacating the premises for a new purpose-built building between November 2004 and March 2005. Meanwhile, post balance date, agreement was reached with Auckland Regional Council (ARC) for a new lease until 2009 over their existing premises as well as two of the four floors being vacated by Vodafone. With 11,003m² to be occupied by ARC, only 3,400m² on the top two floors remains to be leased. The ARC leasing has removed considerable risk from the income profile of the building.

AUT BUILDING, AUCKLAND

Discussions continue with major tenants, AUT and NZ International Colleges Group, regarding their future space requirements. This building now forms an important part of the education sector.

HP HOUSE, AUCKLAND

Following a strategic review of the portfolio, it was decided to sell this building due to its limited growth prospects. Post balance date a sale price of \$25.8 million was achieved, being \$0.5 million ahead of the 31 March 2004 book value of \$25.3 million. Settlement will occur on 30 September 2004.

MAJESTIC CENTRE, WELLINGTON

Ernst & Young committed to a new 12-year lease extending its commitment within the building out to 2018 over four floors. As at 31 March 2004, 2,300m² was available to lease. A comprehensive marketing and leasing programme is in place to secure new tenants.

BP HOUSE, WELLINGTON

Extensive works have been completed on all exterior facades during the year. Painting works have been completed on three of the four building facades, with cladding expected to be completed by mid-year.

PRICEWATERHOUSECOOPERS CENTRE, CHRISTCHURCH

A number of major leases expire in this building in 2005, amounting to 6,800m² and over 40% of total floor area. Negotiations concluded with existing and new tenants throughout the year and post balance date have resulted in leasing commitments dealing with 3,400m² of this space. When existing negotiations are concluded during the course of this year, exposure to lease expiries in 2005 are expected to be minimal.

OFFICE PORTFOLIO

VERO CENTRE, AUCKLAND

ADDRESS	48 Shortland Street, Auckland
DATE ACQUIRED	April 2001
NET LETTABLE AREA	39,578m ²
CURRENT VALUATION	\$215,000,000 (as at 31 March 2004)
MAJOR TENANTS	Vero, Russell McVeagh, Bell Gully, Goldman Sachs JBWere, ABN Amro



AN ENVIRONMENT THAT MOTIVATES AND INSPIRES

The Vero Centre, completed in September 2000, is New Zealand's tallest and premier office tower, located in the heart of Auckland's legal and financial precinct. It is the Trust's flagship office asset and has set a new benchmark in terms of excellence of design and construction. The Centre is international in concept and quality with a distinct South Pacific style. The building boasts an excellent level of tenant amenities and a showcase of New Zealand artwork. Numerous international and national awards for efficiency, design and art have been received for the Centre.

NATIONAL BANK CENTRE, AUCKLAND

ADDRESS	205 Queen Street, Auckland
DATE ACQUIRED	November 1996 (50%)
NET LETTABLE AREA	13,073m ² (50%)
CURRENT VALUATION	\$46,500,000 (50%) (as at 31 March 2004)
MAJOR TENANTS	National Bank, Phillips Fox



LANDMARK TWIN TOWERS – AN AUCKLAND ICON

The National Bank Centre, completed in 1990, is among the top office buildings in New Zealand. The Trust owns a 50% interest in this asset, which comprises twin towers of 17 levels and 22 levels respectively, with a double podium retail level and basement carparking. The building has flexible floorplates and superior services. The property is very well located in a prominent position within the core CBD of Auckland. The site occupies an entire city block.

HP HOUSE, AUCKLAND

ADDRESS	4 Viaduct Harbour Ave, Auckland
DATE ACQUIRED	September 2000
NET LETTABLE AREA	7,369m ²
CURRENT VALUATION	\$25,350,000 (as at 31 March 2004)
MAJOR TENANTS	HP Invent, Bayleys Real Estate



TIMELESS GEORGIAN DESIGN IN THE HEART OF MARITIME SQUARE

HP House is located in the Maritime Square office park. Completed in July 2000, the seven-level building incorporates a semi-basement carpark level, a ground-floor office level and five upper floors. HP House anchors the Viaduct Harbour office precinct with up to the minute specification and efficient floorplates. The building is occupied by two leading tenants. Post balance date the Trust has sold this asset for \$25.8 million.

VODAFONE HOUSE, AUCKLAND

ADDRESS	21 Pitt Street, Auckland
DATE ACQUIRED	March 1997
NET LETTABLE AREA	17,245m ²
CURRENT VALUATION	\$38,100,000 (as at 31 March 2004)
MAJOR TENANTS	Vodafone, Auckland Regional Council



GATEWAY TO THE AUCKLAND CBD

Vodafone House is located on the periphery of the CBD, with immediate access to the central motorway junction. It is situated in a high-profile location with excellent levels of exposure and accessibility. The building has 360-degree views, with a superb outlook to the harbour from most floors. The eight-level Vodafone House has quality building services and large floorplates.

OFFICE PORTFOLIO

AUT FACULTY OF ARTS BUILDING, AUCKLAND

ADDRESS	2-14 Wakefield Street, Auckland
DATE ACQUIRED	December 1994
NET LETTABLE AREA	13,949m ²
CURRENT VALUATION	\$26,950,000 (as at 31 March 2004)
MAJOR TENANTS	AUT, NZ International College



WELL LOCATED IN A GROWING EDUCATIONAL PRECINCT

The AUT Faculty of Arts Building dominates its immediate surroundings with open views over the city, Aotea Centre and Albert Park. It is a quality building, now meeting modern educational needs, in an area of growing demand by university faculties. It has excellent exposure to Queen Street and good access to the motorway and city carparking buildings. The property comprises a multi-storey 17-level and basement modern office facility, originally constructed in the early 1970s and since completely retrofitted in 1990.

THE MAJESTIC CENTRE, WELLINGTON

ADDRESS	100 Willis Street, Wellington
DATE ACQUIRED	March 1994
NET LETTABLE AREA	23,519m ²
CURRENT VALUATION	\$70,290,000 (as at 31 March 2004)
MAJOR TENANTS	Ernst & Young, Opus Consulting, Embassy of Japan, IBM, Fairfax, Brierley



INTERNATIONAL QUALITY OFFICE BUILDING – A WELLINGTON LANDMARK

The Majestic Centre's scale and unique architectural characteristics dominate the Wellington CBD skyline. With spectacular 360-degree views of Wellington's harbour and city, it is one of the city's most highly specified office towers. The property, completed in 1991, comprises 21 office floors, three retail levels and six levels of carparking. With large floorplates, the building offers high occupational efficiency and a state of the art communications framework. The property includes Henry Pollen House, a 101 year old three-storey weatherboard building with a Category 1 listing under the Historic Places Act.

BP HOUSE, WELLINGTON

ADDRESS	Customhouse Quay, Wellington
DATE ACQUIRED	December 1994
NET LETTABLE AREA	9,140m ²
CURRENT VALUATION	\$23,960,000 (as at 31 March 2004)
MAJOR TENANT	BP



CENTRAL CBD WITH AN INTERNATIONAL BLUE CHIP TENANT

BP House was developed as the flagship headquarters for BP. It has a prime location in the heart of the CBD and is adjacent to a number of major corporates. The building has unobstructed views over the harbour and eastern suburbs, and is leased in its entirety to BP Oil New Zealand Ltd for a term of 60 years from 1971. The property provides 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, the advanced security system, a quality granite foyer and its prominent location.

PRICEWATERHOUSECOOPERS CENTRE, CHRISTCHURCH

ADDRESS	119 Armagh Street, Christchurch
DATE ACQUIRED	December 1997
NET LETTABLE AREA	16,059m ²
CURRENT VALUATION	\$34,700,000 (as at 31 March 2004)
MAJOR TENANTS	PricewaterhouseCoopers, Lane Neave, Harman & Co, Beca, HG Livingstone



PREMIUM OFFICES ON THE MAINLAND

The PricewaterhouseCoopers Centre is the South Island's premier office tower. The property, completed in 1990, consists of 21 levels, comprising 18 office levels, one retail level and a level of carparking in addition to the basement carpark. The building is an enduring and distinctive feature of the Christchurch skyline, commanding unrivalled 360-degree views over the city and across to the Southern Alps. Tenant amenities include a 13-metre pool, sauna and gymnasium. It is a vibrant, flexible workplace serving a range of corporate and professional tenants.

UNISYS HOUSE, WELLINGTON

ADDRESS	56-68 The Terrace, Wellington
DATE ACQUIRED	Unconditional on 31 March 2004 with settlement on 30 April 2004
NET LETTABLE AREA	22,104m ²
PURCHASE PRICE	\$44,100,000
MAJOR TENANTS	Unisys, Department of Labour, Crown Law Office, Securities Commission



HEART OF THE GOVERNMENT PRECINCT

Unisys House comprises two adjoining buildings – Aurora Chambers and Unisys House. The buildings have separate entrance foyers but share carparking levels and walk-through access on two floors. Unisys House, a 19-storey office tower, was constructed in 1968 and Aurora Chambers, an eight-storey tower, in 1975. The properties occupy a high profile block in the northern CBD and are extremely well located for government tenants. The location benefits from close access to the motorway, relative abundance of carparking facilities, and proximity to the railway station and Lambton Quay. Importantly, the property is within walking distance of Parliament House and The Treasury.

The property has been substantially retrofitted and refurbished in recent years. It offers large, efficient floorplates of around 1,200m² and now offers tenants a good standard of accommodation.

KEY STATISTICS

- \$44.1 million purchase price
- 9.6% initial yield
- 22,104m² net lettable area
- 328 carparks
- Average floorplate 1,200m²
- 100% occupied
- Four major tenants lease 90% of property (by income)
- 67% of the income is derived from government tenants
- 5.5 years' weighted average lease term
- Potential for rental and capital growth

UNISYS HOUSE – RECENT ACQUISITION

Towards the end of the financial year an opportunity to acquire this building arose. The existing owner identified the property as non-strategic to its industrial fund and the Trust was quickly able to negotiate an acquisition. The purchase was unconditional on 31 March 2004 and settled post balance date on 30 April 2004.

The Trust was keen to acquire property in Wellington's northern CBD as government activity has created significant demand for A and B grade accommodation.

Over the past few years all floors of Unisys House have been comprehensively retrofitted. In addition to new tenant fit-outs, all services have been upgraded and little capital expenditure is required in the short to medium term.

The building is fully leased to a range of quality tenants. With 90% of income being derived from Unisys, Crown Law, Department of Labour and Securities Commission, cash flow is very secure.

MAJOR TENANTS	NLA M ²	% NLA	% INCOME
DEPARTMENT OF LABOUR	6,941	31%	27%
UNISYS NZ	6,008	27%	30%
CROWN LAW OFFICE	4,796	22%	24%
SECURITIES COMMISSION	1,796	8%	9%

The property was acquired at a yield of 9.6%. It is expected that the return on purchase price will be in excess of 10% within 24 months. As such, the property is relatively high yielding and will be accretive to the Trust's distributions. A weighted average lease expiry of 5.5 years, combined with passing rentals closely aligned to market, is a further important attribute.

INVESTMENT RATIONALE

In addition to strong investment fundamentals, this acquisition is important to the Trust's portfolio as it provides diversity:

- **GEOGRAPHICALLY** – by exposing the Trust to the buoyant northern CBD office market and re-weighting the Trust's office exposure values across Auckland, Wellington and Christchurch.
- **BY SECTOR** – Unisys House represents an opportunity to add a higher yielding, quality B-grade property to the office portfolio. This will complement the predominantly prime and A-grade properties that the Trust owns.
- **BY TENANT** – the Trust's office portfolio was relatively underweight with government tenants. Unisys House will improve the Trust's exposure to the strength of covenant and growth offered by this sector.

The Manager believes that Unisys House will prove to be a valuable and important addition to the Trust's office portfolio.

SUMMARY OF INVESTMENT PROPERTY

AS AT 31 MARCH 2004

PROPERTY	CURRENT VALUATION	PROSPECTIVE NET RENTAL	VALUER	VALUATION DATE
RETAIL PORTFOLIO				
CENTRE PLACE, HAMILTON	\$89,800,000	\$7,893,404	CB RICHARD ELLIS	31-MAR-04
DOWNTOWN PLAZA, HAMILTON	\$15,270,000	\$1,591,248	CB RICHARD ELLIS	31-MAR-04
THE PLAZA, PALMERSTON NORTH	\$70,400,000	\$5,861,299	CB RICHARD ELLIS	31-MAR-04
NORTH CITY, PORIRUA	\$96,300,000	\$7,635,995	JONES LANG LASALLE	31-MAR-04
NORTHLANDS, CHRISTCHURCH	\$203,250,000	\$15,592,460	COLLIERS INTERNATIONAL	31-MAR-04
BEATTIE RICKMAN, HAMILTON	\$3,280,000	\$361,977	CB RICHARD ELLIS	31-MAR-04
COUNTRYWIDE BUILDING, HAMILTON	\$480,000	\$15,990	CB RICHARD ELLIS	31-MAR-04
FARMERS, PALMERSTON NORTH	\$4,850,000	\$608,862	CB RICHARD ELLIS	31-MAR-04
LANGDONS ROAD, CHRISTCHURCH	\$5,800,000	\$538,144	CB RICHARD ELLIS	31-MAR-04
TOTAL RETAIL PORTFOLIO	\$489,430,000	\$40,099,379		
OFFICE PORTFOLIO				
VERO CENTRE, AUCKLAND	\$215,000,000	\$18,083,185	JONES LANG LASALLE	31-MAR-04
NATIONAL BANK CENTRE (50%), AUCKLAND	\$46,500,000	\$3,850,013	JONES LANG LASALLE	31-MAR-04
HP HOUSE, AUCKLAND	\$25,350,000	\$2,491,864	COLLIERS INTERNATIONAL	31-MAR-04
VODAFONE HOUSE, AUCKLAND	\$38,100,000	\$3,412,547	JONES LANG LASALLE	31-MAR-04
AUT FACULTY OF ARTS BUILDING, AUCKLAND	\$26,950,000	\$2,757,766	COLLIERS INTERNATIONAL	31-MAR-04
MAJESTIC CENTRE, WELLINGTON	\$70,290,000	\$5,605,546	CB RICHARD ELLIS	31-MAR-04
BP HOUSE, WELLINGTON	\$23,960,000	\$1,858,818	CB RICHARD ELLIS	31-MAR-04
UNISYS HOUSE, WELLINGTON	\$44,100,000 ¹	\$3,837,976 ²	CB RICHARD ELLIS	31-MAR-04
PRICEWATERHOUSECOOPERS CENTRE, CHRISTCHURCH	\$34,700,000	\$3,089,641	COLLIERS INTERNATIONAL	31-MAR-04
TOTAL OFFICE PORTFOLIO	\$524,950,000	\$44,987,356		
INDUSTRIAL PORTFOLIO				
77 CARBINE RD, AUCKLAND	\$6,300,000	\$449,244	COLLIERS INTERNATIONAL	31-MAR-04
TOTAL INDUSTRIAL PORTFOLIO	\$6,300,000	\$449,244		
WORK IN PROGRESS	\$4,042,390			
TOTAL INVESTMENT PORTFOLIO	\$1,024,722,390	\$85,535,979		

Note:

¹ Represents acquisition cost

² Prospective Net Rental for Unisys House only for 11 months

NET LETTABLE

AREA (M ²)	OCCUPANCY %	VACANT (M ²)	NO. OF CARPARKS	NO. OF TENANTS	MAJOR TENANTS	
15,428	98.0%	15,120	308	604	81	VILLAGE FORCE CINEMAS
2,953	100.0%	2,953	–	–	32	
14,526	99.6%	14,462	64	684	64	KMART
				1,171	103	KMART, FARMERS, MOVIELAND 5
40,994	99.6%	40,812	182	1,800	140	FARMERS, PAK'N SAVE, COUNTDOWN, THE WAREHOUSE, HOYTS 6
2,809	86.0%	2,415	394	29	2	BEATTIE RICKMAN
396	48.0%	190	206	–	3	
8,205	100.0%	8,205	–	–	1	FARMERS
3,582	100.0%	3,582	–	146	2	WAREHOUSE STATIONERY, NOEL LEEMING
88,893	98.7%	87,739	1,154	4,434	428	
39,578	100.0%	39,578	–	386	34	VERO, RUSSELL MCVEAGH, BELL GULLY, GOLDMAN SACHS JBWERE, ABN AMRO
13,073	93.6%	12,231	842	212	31	NATIONAL BANK, PHILLIPS FOX
7,369	100.0%	7,369	–	70	2	BAYLEYS REAL ESTATE, HP INVENT
17,245	100.0%	17,245	–	48	4	AUCKLAND REGIONAL COUNCIL, VODAFONE
13,949	100.0%	13,949	–	252	2	AUT, NZ INTERNATIONAL COLLEGE
23,519	90.2%	21,221	2,298	268	17	ERNST & YOUNG, OPUS CONSULTING, EMBASSY OF JAPAN, IBM, FAIRFAX, BRIERLEY
9,140	100.0%	9,140	–	68	1	BP
22,104	100.0%	22,104	–	328	12	UNISYS NZ, DEPARTMENT OF LABOUR, SECURITIES COMMISSION, CROWN LAW
16,059	99.4%	15,962	97	160	28	PRICEWATERHOUSECOOPERS, LANE NEAVE, HARMAN & CO, BECA, HG LIVINGSTONE
162,036	98.0%	158,799	3,237	1,792	131	
12,064	97.2%	11,724	340	21	4	SEAMOUNT
12,064	97.2%	11,724	340	21	4	
262,993	98.2%	258,262	4,731	6,247	563	

DIRECTORS OF THE MANAGER

JIM SYME



CHAIRMAN

Jim Syme joined the Board in April 2002. Jim is an experienced company director whose current directorships include ASB Bank (as Deputy Chairman), Waste Management Limited (Chairman), Metrowater Limited (ACC LATE), the holding company for Sovereign Assurance Group (ASB Group (Life) Limited, as Deputy Chairman), Software of Excellence International Limited (Chairman) and Abano Healthcare Group Limited (Chairman). Jim was educated in Auckland and graduated from Victoria University with a Bachelor of Commerce, and is a Fellow of the Institute of Chartered Accountants.

RICHARD DIDSBURY



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 and Chairman of the Auckland City Sculpture Trust. On behalf of the Trust he chairs the Project Control Group directing the Sylvia Park town centre development.

ROBERT NAREV



Robert Narev joined the Board in June 1992. 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, of which he is now a Consultant and Chairman. He specialises in property, commercial law and trusts. He is also a Director of MFL Mutual Fund Limited and Superannuation Investments Limited and of various private companies. 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.

WAL EDGELL



Wal Edgell joined the Board in March 2002. Wal is General Manager Corporate Services, a wide-ranging role within the Colonial First State Property Group. He is an experienced company director whose current directorships include 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 Funds managed by the 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 on strategic acquisitions and merger opportunities for the Group.

GEOFF MCWILLIAM



Geoff McWilliam heads Colonial First State Property, one of Australia's leading property fund and corporate real estate managers, having joined the Commonwealth Bank of Australia in 1996 to head the investment management team of the Property Group. He has a Bachelor of Engineering, Civil Engineering from the University of New South Wales and has more than 30 years' experience in the property industry in Australia, Asia and Europe. Geoff is a Director of Colonial First State Property Limited, Alternate Director and Principal Officer for Commonwealth Managed Investments Limited (CMIL) and the Chairman of the Colonial First State Property Corporate Executive Committee.

JOHN DUNCAN



John Duncan joined the Board in March 2002. John is the Group General Manager, Financial and Risk Management for the ASB Banking Group. John has had more than 30 years' business experience in banking, accounting and senior management. A Chartered Accountant, John joined the ASB Bank in 1987 and was appointed General Manager, Finance in 1992 before being appointed to his current role in 2001.

CORPORATE GOVERNANCE

Kiwi Income Property Trust (the Trust) is a unit trust 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. Consequently, the Board of Directors of the Manager (the Board) and the Trustee assumes responsibility for corporate governance of the Trust. This responsibility entails overseeing the business and 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 sub-committees.

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 which the Manager is subject to 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 was a wholly owned subsidiary of the National Mutual Life Association of Australia Limited until the Public Trust purchased it on 3 April 2000. The Trustee's role, subject to the provisions of the Trust Deed, is to supervise the administration and maintenance of the Trust and to ensure that the interests of unit holders are protected at all times. The Trustee holds the assets of the Trust on behalf of unit holders. The Trustee's duties include the review and approval of all investment and divestment proposals put forward by the Manager.

MANAGER'S ROLE

The role of the Manager is to manage the Trust in the unit holders' best interests 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 sub-committee of the Board, is as follows:

DIRECTOR	BOARD MEMBERSHIP	AUDIT COMMITTEE MEMBERSHIP
JIM SYME	NON-EXECUTIVE CHAIRMAN ¹	NON-EXECUTIVE MEMBER ¹
ROBERT NAREV	NON-EXECUTIVE MEMBER ¹	NON-EXECUTIVE CHAIRMAN ¹
RICHARD DIDSBURY	NON-EXECUTIVE MEMBER	
WAL EDGELL	EXECUTIVE MEMBER	
JOHN DUNCAN	NON-EXECUTIVE MEMBER ²	NON-EXECUTIVE MEMBER ²
GEOFF MCWILLIAM	EXECUTIVE MEMBER	

1 Messrs Syme and Narev are regarded by the Board as being independent directors. However, due to amendments to the NZX Listing Rules that will take effect from 29 October 2004, Mr Syme will not meet the definition of an independent director as he will have a disqualifying relationship by virtue of the fact that he is indirectly associated with a substantial security holder as a result of being an independent director of a related entity.

2 Mr Duncan is a non-executive of the Manager, but is an executive of a related company in his role as General Manager, Financial and Risk Management for the ASB Banking Group, which is owned by the Commonwealth Bank of Australia.

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, committed to by all directors. The Code of Corporate Governance sets out all the functions and operating procedures of the Board, including a Charter for the Audit Committee. The Code 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; dividend payments; determining the Trust's appropriate funding mix either by way of equity and/or debt funding; approving annual accounts; provision of information to unit holders; major capital expenditure; appointment of auditors; and supervision of property managers.

The Board has delegated the management of the Trust's day-to-day affairs to the Chief Executive, Angus McNaughton. 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 the balance of executive and non-executive membership on a board of directors. The Board currently has two executive and four non-executive directors 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 NZX 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 Company's constitution and familiar with the Company's 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.

BOARD PERFORMANCE

The Board conducts an annual Board performance review to consider the appropriate mix of skills required by the Board to maximise its effectiveness and its contribution to the Trust.

CHAIRMAN

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.

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 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.
- 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 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.

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 collectively endorses and observe the code of ethics, which requires directors to:

- Act properly and efficiently in pursuing the objectives of the Trust.
- Avoid putting themselves in a position where they stand to benefit (directly or indirectly) or be accused of insider trading.
- Ensure that they and the business are in compliance with all laws and regulations.
- Maintain confidentiality of information at all times.
- Not trade in the Trust’s securities without complying with the Trading Policy.
- Be absolutely honest in all professional activities.

RISK MANAGEMENT

The Group has policies, procedures and appropriate internal controls in place to identify and effectively manage areas of significant business risks, including financial risks arising from exposures to interest rates, credit risk and liquidity risk. Processes are in place to ensure the business is in compliance with approved policies and procedures, as well as relevant legislation, regulations and the NZX 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.

TREASURY MANAGEMENT

Exposure to interest rate risk is managed in accordance with the Trust’s Hedging Policy. This policy has been designed to prohibit speculative management of the Trust’s exposure to changes in interest rates. The policy restricts hedging to pre-set levels, specifies who may initiate and authorise transactions and restricts the type of hedging instruments that can be used. The Trust’s exposure to interest rate risk and the management thereof is regularly reported to the Board.

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 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.

THE 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 NZX 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 non-executive 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 Committee has a clear line of direct communication with management, the external auditors, executives of the shareholder of the Manager (Colonial First State Property Limited) and the Board.

The Committee is charged with: reviewing and reporting to the Board on the 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; 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 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.

RELATED PARTY TRANSACTIONS

In accordance with the terms of the Trust Deed, the Manager is entitled to a management fee equal to 0.85% of gross assets. Currently the Manager charges this fee up to \$750 million of gross assets and then 0.65% thereafter. In addition 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.

CONTINUOUS DISCLOSURE

In accordance with the NZX 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 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.

CORPORATE GOVERNANCE RULES

On 29 October 2003, the NZX amended its listing rules to deal with corporate governance. The new rules will apply to the Trust with effect from 29 October 2004. In conjunction with the listing rule changes, the NZX also introduced a Corporate Governance Best Practice Code. The Group's corporate governance processes materially comply with the code except to the extent that the Manager does not maintain remuneration or nomination committees as described above under 'Board Committees'.

On 18 February 2004, the Securities Commission released its Principles and Guidelines on Corporate Governance in New Zealand. The Group's corporate governance processes materially comply with the Commission's principles and guidelines. The Board regularly reviews its practices and will continue to refine them in light of the NZX and Commission recommendations to ensure they are appropriate to the business and consistent in all material respects.

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 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.

LIMITATIONS ON ACQUISITION OF UNITS IN THE TRUST

Limitations on the acquisition of securities imposed by New Zealand law are:

- In general, securities in the Trust are freely transferable and the only significant restrictions or limitations in relation to the acquisition of securities are those imposed by New Zealand laws relating to takeovers, overseas investment and competition.

- In accordance with the NZX Listing Rules, the Trust’s Trust Deed contains notice and pause provisions. The key features of the notice and pause provisions are:
 - Before parties are contractually bound to effect a “Restricted Transfer”, (i.e. where a buyer wishes to acquire more than 20% of the units in the Trust, or where a buyer who already holds 20% wishes to increase that holding by more than 5% in any year), notice must be given to the market containing details of the number of securities involved, the price and other relevant matters. This notice must be given at least three business days before the parties become contractually bound to effect the transaction, or at least 15 business days before, if any acquirer is an insider. The 15-day period does not apply if the vendor is an insider but the acquirer is not. An “insider” is defined as a director of the Manager, an “associated person” (as defined in the Listing Rules) of a director, or a person who holds price sensitive information about the Trust that has not been disclosed to the market.
 - If the acquisition is to take place solely by buying on the share market and no acquirer is an insider and certain other criteria are met, the notice period is reduced to one business day. The Manager must also provide certain information to the NZX concerning the Restricted Transfer and endeavour to ensure that security holders and the market are fully informed to enable them to consider any other offer that may emerge.
 - If any acquirer is an insider, the Manager is required to obtain an appraisal report. This is a report from an independent expert approved by the NZX as to the fairness of the offer. However, there are certain limited circumstances in which this requirement does not apply, such as where all the transferors consent.
- The New Zealand Overseas Investment Act 1973 and Overseas Investment Regulations 1995 regulate certain investments in New Zealand by overseas persons. In general terms, the consent of the New Zealand Overseas Investment Commission is likely to be required where an overseas person acquires securities, or an interest in securities, in the Trust that amount to more than 25% of the securities issued by the Trust or, if the overseas person already holds 25% or more, the acquisition increases that holding.
- The New Zealand Commerce Act 1986 is likely to prevent a person from acquiring securities in the Trust if the acquisition would have, or would be likely to have, the effect of substantially lessening competition in a market.

COLONIAL FIRST STATE PROPERTY LIMITED AND COMMONWEALTH BANK OF AUSTRALIA

Colonial First State Property Limited (Colonial), a subsidiary of Commonwealth Bank of Australia, owns all the shares of the Manager. Colonial is an integrated property services business combining specialist operations in property funds management and corporate real estate.

Colonial has operations in Australia and New Zealand. In Australia, funds under management include two listed property trusts, nine wholesale funds, two direct property investment mandates and three property syndicates.

Colonial also manages the Commonwealth Bank of Australia’s own portfolio of real estate and provides investment advisory services to external clients.

With combined funds and assets under management in excess of A\$15 billion, Colonial combines the talents and expertise of in excess of 300 people, creating one of the largest and most innovative teams of property and funds management professionals in Australasia.

ENVIRONMENTAL PHILOSOPHY



Kiwi Income Property Trust is committed to delivering a sustainable environment for future generations through managing and developing the portfolio in a manner that embraces environmental concerns.

The Trust recognises that responsible environmental management is an ongoing commitment requiring a clearly stated intent, followed by an approach of continuous improvement. The Trust's intent in this regard is captured by an environmental policy. To translate this intent into meaningful action, benchmarks of environmental performance across the Trust's portfolio were developed and a challenging two-year work programme of improvements, reviews and further measurement set. This benchmarking and work programme has been reviewed and ratified by a leading independent environmental consultant.

While only part-way through the planned work programme, we have successfully delivered some key achievements:

- The Trust has recently received the prestigious national EnergyWise Commercial/Services Energy Efficiency Award for the Vero Centre. The award was in recognition of the Vero Centre's continuous improvement programme, and the manner in which the Trust uses this known market-leading asset to identify improvement opportunities in the balance of the portfolio.
- As a result of a prolonged energy management campaign, North City's operating energy has been reduced by 10%.
- Power Factor (the efficiency of power delivery) has been assessed for all portfolio buildings. Improvement works are under way with the target of correcting power factor in all buildings to best practice.
- Recycling programmes have now been implemented in all buildings and within the Manager's own premises.
- Cooling tower chemical usage has been reduced in Centre Place by 66%, and other minor works are also under way to trim cooling tower chemical usage in two other buildings. Once completed, chemical usage in all buildings will be at best practice levels.

Mindful of the need for continuous improvement, the Trust remains focused on fully integrating the consideration of environmental concerns into its business processes to ensure that we continue to play a part in protecting and enhancing the environment for future generations.

INVESTOR RELATIONS



Kiwi Income Property Trust is listed on the New Zealand Stock Exchange (NZSX). Investors can purchase units in the Trust and gain exposure to a diversified portfolio of prime office, retail and industrial assets while benefiting from returns paid out of the Trust's net income.

The aim of the Trust is to provide investors with a secure and regular income stream. The Trust derives income from rents paid by tenants occupying properties owned by the Trust.

Unit holders will also benefit from the liquidity provided by the share market. Units can be bought and/or sold at market prices.

In summary, an investment in the Trust provides:

- Exposure to a diversified portfolio of prime property assets located throughout New Zealand.
- An opportunity to secure a regular income stream.
- An opportunity to benefit from asset appreciation without directly owning properties.
- Liquidity benefits; in other words, an ability to buy or sell units at market prices.

ANNUAL AND INTERIM REPORTS

The Trust's annual and interim reports are sent to unit holders in June and December respectively.

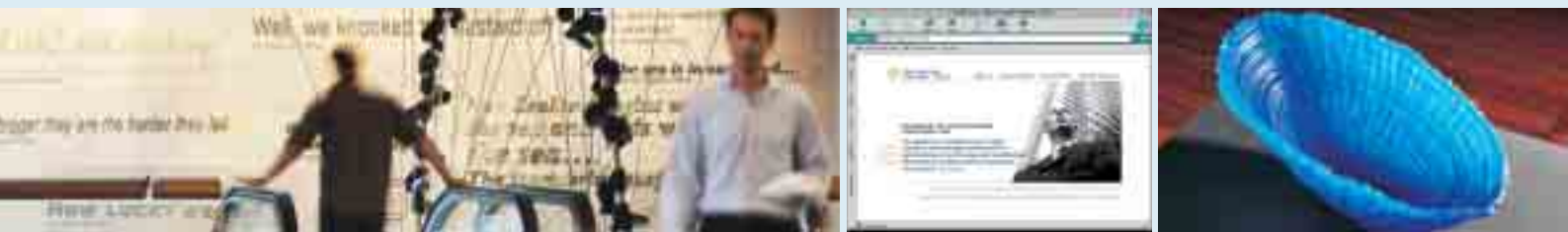
CONTACTING THE UNIT REGISTRAR

To change your investment details such as address, method of receipt of distribution, and/or IRD number, or to request details of the Trust's Dividend Reinvestment Scheme or to request deletion from the annual or interim report mailing list, please contact:

BK Registries Limited
PO Box 384
Ashburton, New Zealand
Tel: Toll Free on 0800 377 388 or +64 3 308 8887

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



KIPT WEBSITE

The Trust's website, www.kipt.co.nz is a comprehensive source of information about the Trust. The site includes details on the Trust's history, people, structure, corporate governance and profiles of each property owned by the Trust. Material NZX announcements are published on the website following release to the NZX. Recent communications to unit holders are available from the site's archives, under "Making News".

A section on the Trust's performance, with current unit price and comparative graphs, is available under "Our Performance". The information is provided by the NZX with a 20-minute delay. This Annual Report and the latest Interim Report can be downloaded within this section also.

In addition, the website contains helpful investor information. There is a "Frequently Asked Questions" (FAQ) page that answers many questions about the administration of the Trust, and includes downloadable standard forms to assist investors in the efficient management of their investment in the Trust.

DISTRIBUTION PAYMENTS

Distributions from the Trust are made bi-annually for the periods ending 31 March and 30 September.

Distributions can be paid by cheque or directly credited into a nominated New Zealand bank account. Direct credit nomination forms may be obtained from the Unit 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 Unit Registrar.

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 ending 31 March and 30 September.
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	The NZX code for Kiwi Income Property Trust.
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).
NET ABSORPTION	The difference between space supplied in a market and space leased in that market over a set time period.
NET LETTABLE AREA	The floor area of the building for which rentals can be charged.
NET TANGIBLE ASSETS	The value of gross assets less all debts and other liabilities, normally divided by the number of units on issue and shown as cents per unit.
NON CORE	Refers to assets that exhibit a number of characteristics outside the Trust's investment strategy.
NZSX40/NZSX50	Benchmark indices produced by the NZX, that comprise the top 40 (NZSX40) or top 50 (NZSX50) companies listed on the New Zealand Stock Exchange by market capitalisation.
NZSX AND NZX	The New Zealand Stock Exchange (NZSX) operated by New Zealand Exchange Limited (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. Unit holders who are on the unit register as at the record date are entitled to receive the distribution for the preceding distribution period.
REGISTRAR	The Registrar is responsible for maintaining all unit holder details. The Registrar for the Trust is BK Registries. 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 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 ordinary 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 on 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.



FINANCIAL STATEMENTS

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FINANCIAL PERFORMANCE

FOR THE YEAR ENDED 31 MARCH 2004

	NOTE	GROUP 2004 \$000	GROUP 2003 \$000	PARENT 2004 \$000	PARENT 2003 \$000
INCOME					
Rental Income	10	72,196	70,698	–	–
Interest Income	18	497	436	7,754	8,251
Management Fee Income	18	–	–	7,605	7,128
Dividend Income	18	–	–	44,803	39,790
		72,693	71,134	60,162	55,169
LESS: DIRECT COSTS					
Audit Fees	19	160	160	91	98
Interest Expense	20	8,471	11,487	–	–
Legal and Professional Fees	19	300	222	336	220
Manager's Fees	18	6,716	6,629	7,647	7,171
Registry and Stock Exchange Fees		222	265	222	265
Trustee's Fees		270	278	305	299
Unit Holder Communication		289	290	289	290
Other Operating Expenses		620	366	513	242
		17,048	19,697	9,403	8,585
Net Operating Income before Income Tax		55,645	51,437	50,759	46,584
Add: Gains on Realisation of Investments	3	430	548	430	526
Net Income before Income Tax		56,075	51,985	51,189	47,110
Less: Income Tax	13	7,004	7,239	2,118	2,386
Net Income after Income Tax		49,071	44,746	49,071	44,724
Less: Gains on Realisation of Investments	3	430	548	430	526
Income Available for Distribution		48,641	44,198	48,641	44,198

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

MOVEMENTS IN INVESTORS' FUNDS

FOR THE YEAR ENDED 31 MARCH 2004

	NOTE	GROUP 2004 \$000	GROUP 2003 \$000	PARENT 2004 \$000	PARENT 2003 \$000
Investors' Funds at Start of the Year		665,913	585,865	665,913	585,865
EARNINGS AND REVALUATIONS					
Income Available for Distribution		48,641	44,198	48,641	44,198
Revaluation of Investment Properties	3	50,602	6,132	–	526
Revaluation of Investment in Subsidiaries	3	–	–	50,602	5,628
Gains on Realisation of Investment Properties	3	430	548	430	548
Losses on Realisation of Investment in Subsidiaries	3	–	–	–	(22)
Total Recognised Earnings and Revaluations		99,673	50,878	99,673	50,878
CAPITAL MOVEMENTS					
Rights Issue	2	–	69,318	–	69,318
Placement of Units	2	24,549	–	24,549	–
Dividend Reinvestment	2	4,048	4,050	4,048	4,050
Total Capital Movements		28,597	73,368	28,597	73,368
DISTRIBUTIONS					
Converting Note Interest		(2,993)	(5,985)	(2,993)	(5,985)
Income Tax Benefit on Converting Note Interest		988	1,975	988	1,975
Distributions to Unit Holders		(46,636)	(40,188)	(46,636)	(40,188)
Total Distributions		(48,641)	(44,198)	(48,641)	(44,198)
Investors' Funds at End of the Year		745,542	665,913	745,542	665,913

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

FINANCIAL POSITION

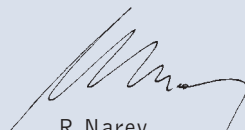
AS AT 31 MARCH 2004

	NOTE	GROUP 2004 \$000	GROUP 2003 \$000	PARENT 2004 \$000	PARENT 2003 \$000
INVESTORS' FUNDS					
Units	2	598,881	506,107	598,881	506,107
Reserves	3	146,661	95,629	146,661	95,629
		745,542	601,736	745,542	601,736
Converting Notes	4	–	64,177	–	64,177
Total Investors' Funds		745,542	665,913	745,542	665,913
Represented by:					
NON-CURRENT ASSETS					
Investment Property	5	1,024,722	809,969	–	–
Investment Property Under Development	7	64,197	88,738	–	–
Investment in Subsidiaries	16	–	–	771,062	678,959
Investments	11	480	358	78	76
Future Income Tax Benefit	13	871	950	–	–
		1,090,270	900,015	771,140	679,035
CURRENT ASSETS					
Cash and Deposits		2,934	5,281	2,355	5,233
Income Tax Receivable		1,907	965	–	4,572
Accounts Receivable and Prepayments	8	3,519	2,951	222	436
Current Portion of Investments	11	69	91	–	–
Investment Property Intended for Sale	6	–	2,338	–	2,338
		8,429	11,626	2,577	12,579
Total Assets		1,098,699	911,641	773,717	691,614
NON-CURRENT LIABILITIES					
Term Liabilities	12	253,500	204,500	–	–
CURRENT LIABILITIES					
Distribution Payable		24,821	20,281	24,821	20,281
Income Tax Payable		–	–	542	–
Accounts Payable	9	73,805	20,297	2,812	5,420
Advance Rentals		1,031	650	–	–
		99,657	41,228	28,175	25,701
Total Liabilities		353,157	245,728	28,175	25,701
Net Assets		745,542	665,913	745,542	665,913

The Board of Kiwi Income Properties Limited, the Manager of Kiwi Income Property Trust, authorised these annual financial statements for issue on 18 May 2004.



J M R Syme
Chairman of the Board
18 May 2004



R Narev
Chairman of the Audit Committee
18 May 2004

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

CASH FLOWS

FOR THE YEAR ENDED 31 MARCH 2004

	NOTE	GROUP 2004 \$000	GROUP 2003 \$000	PARENT 2004 \$000	PARENT 2003 \$000
CASH FLOWS FROM OPERATING ACTIVITIES					
Cash was provided from:					
Rental Income and Operating Expense Recoveries		102,251	96,590	13	131
Interest Received		495	466	405	486
Goods and Services Tax Received		855	–	220	–
		103,601	97,056	638	617
Cash was applied to:					
Tenants' Operating Expenses		16,934	15,587	–	–
Other Property and Operating Expenses		20,019	16,194	1,860	–
Interest Paid		10,357	11,887	6	–
Income Tax Paid		6,880	5,551	374	3,741
Goods and Services Tax Paid		–	1,031	–	91
		54,190	50,250	2,240	3,832
Net Cash Flows available from/(used in)					
Operating Activities	15	49,411	46,806	(1,602)	(3,215)
CASH FLOWS FROM INVESTING ACTIVITIES					
Cash was provided from:					
Sale of Investment Property		3,006	16,145	3,006	5,586
Repayment of Investments		32	53	–	–
		3,038	16,198	3,006	5,586
Cash was applied to:					
Cost of Investment Property		17,753	6,063	–	–
Cost of Investment Property Under Development		59,392	24,922	238	1,302
Interest Capitalised to Investment Property					
Under Development		7,347	4,306	–	77
Other Investments		130	31	–	–
		84,622	35,322	238	1,379
Net Cash Flows available from/(used in)					
Investing Activities		(81,584)	(19,124)	2,768	4,207

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

CASH FLOWS – CONTINUED

FOR THE YEAR ENDED 31 MARCH 2004

	NOTE	GROUP 2004 \$000	GROUP 2003 \$000	PARENT 2004 \$000	PARENT 2003 \$000
CASH FLOWS FROM FINANCING ACTIVITIES					
Cash was provided from:					
Issue of Units		25,000	71,277	25,000	71,277
Increase in Borrowings		300,000	–	–	–
Net Advances from Subsidiaries		–	–	15,130	–
		325,000	71,277	40,130	71,277
Cash was applied to:					
Costs Associated with Issuing New Units		451	1,959	451	1,959
Net Advances to Subsidiaries		–	–	–	25,428
Distributions to Unit Holders		37,965	36,809	37,965	36,764
Converting Note Interest		5,758	3,470	5,758	3,470
Decrease in Borrowings		251,000	52,700	–	–
		295,174	94,938	44,174	67,621
Net Cash Flows available from/(used in)					
Financing Activities		29,826	(23,661)	(4,044)	3,656
Net (Decrease)/Increase in Cash		(2,347)	4,021	(2,878)	4,648
Add: Cash Balances at Start of Year		5,281	1,260	5,233	585
Cash Balances at End of Year		2,934	5,281	2,355	5,233

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

FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2004

1. STATEMENT OF ACCOUNTING POLICIES

Reporting Entity

Kiwi Income Property Trust was established in Auckland under a Deed of Trust dated 21 August 1992. The Trust is a unit trust registered under the Unit Trusts Act 1960. The Group consists of Kiwi Income Property Trust and its subsidiaries. Kiwi Income Property Trust is an issuer for the purposes of the Financial Reporting Act 1993. The financial statements and group financial statements of Kiwi Income Property Trust have been prepared in accordance with the Financial Reporting Act 1993.

Measurement Base

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

Specific Accounting Policies

The following specific accounting policies which materially affect the measurement of financial performance and the financial position have been applied.

(a) Basis of Consolidation

The consolidated financial statements include the parent trust and its subsidiaries accounted for using the purchase method. All significant intercompany transactions are eliminated on consolidation. Fair values are assigned to assets and liabilities on the date of acquisition. Goodwill arising on consolidation is amortised over a period not exceeding 10 years. Any negative goodwill is used to write down the fair value of non-monetary assets acquired.

(b) Valuation of Investment Property

Investment Property is initially recorded at cost and is revalued to net current value (market value less an allowance for disposal costs) as determined by a registered valuer at intervals of not more than twelve months. The difference at balance date between the latest valuation and the previous carrying value is recognised in Investors' Funds. Costs incurred as a result of acquiring property are capitalised into the cost of the property.

(c) Investment Property under Development

Investment Property under Development is valued at cost and represents the costs incurred in relation to incomplete projects at balance date. Costs include 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 in addition to the carrying value of the investment property immediately prior to the development/refurbishment.

(d) 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 Property. Work in Progress is valued at cost.

(e) Investment Property Intended for Sale

Investment Property Intended for Sale is valued at the lower of cost and net realisable value. On disposal, the difference between sale proceeds (net of selling costs) and carrying value is recorded in the Statements of Financial Performance before being transferred to the Asset Realisation Reserve. The Asset Revaluation Reserve, if any, is transferred to the Asset Realisation Reserve.

FINANCIAL STATEMENTS – CONTINUED

FOR THE YEAR ENDED 31 MARCH 2004

- (f) **Valuation of Investments in Subsidiaries**
Investments in subsidiary companies are revalued to recognise fluctuations in the value of investment properties in those companies. The revaluations are recorded in Investors' Funds.
- (g) **Valuation of Other Investments**
All other investments are valued at the lower of cost, or net realisable value.
- (h) **Recognition of Income**
Rental, interest and dividend income and realised gains and losses are recognised through the Statements of Financial Performance. Operating expenses borne by tenants are offset by recoveries from the tenants. Operating expenses not borne by tenants are netted against rental income.
- (i) **Accounts Receivable**
Accounts Receivable are recorded at estimated realisable value.
- (j) **Taxation**
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 any deferred taxation liability in respect of tax depreciation recoverable on investment properties as it is not intended that these properties will be sold. Future taxation benefits are not recognised unless realisation of the asset is virtually certain.
- (k) **Investors' Funds**
Brokerage and other capital raising costs are not treated as a charge against income but are deducted from Investors' Funds as permitted by the Trust Deed. The effect of this is to disclose the value of securities issued as the net proceeds derived by the Trust.
- (l) **Financial Instruments**
Financial Instruments recognised in the Statements of Financial Position include cash balances and deposits, receivables, payables, investments, loans and borrowings. In addition, financial instruments 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 in the Statements of Financial Performance.
- (m) **Goods and Services Tax**
The financial statements have been prepared on a Goods and Services Tax exclusive basis.
- (n) **Statements of Cash Flows**
The following are definitions of the terms used in the Statements of Cash Flows:
Operating activities include all transactions and other events that are not investing or financing activities.
Investing activities are those activities relating to the acquisition, addition, holding and disposal of investment property and investment property under development and includes any addition and reduction of investments in subsidiaries.

Financing activities are those activities that result in changes in the size and composition of the capital structure. This includes both equity and debt not falling within the definition of cash. Dividends and Converting Note Interest paid in relation to the capital structure are included in financing activities as are any borrowings that form part of a financing facility.

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.

(o) **Comparative Figures**

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 of accounting policies during the year. All policies have been applied on bases consistent with the previous year.

FINANCIAL STATEMENTS – CONTINUED

FOR THE YEAR ENDED 31 MARCH 2004

	DATE	GROUP & PARENT		GROUP & PARENT	
		2004	2004	2003	2003
		NUMBER	AMOUNT	NUMBER	AMOUNT
		000	\$000	000	\$000
2. UNITS					
Balance at beginning of year		552,415	506,107	461,086	432,739
Issue of Units:					
1:6 Rights Issue	26-Jul-02	–	–	86,923	69,318
Dividend Reinvestment	31-Jul-02	–	–	3,760	3,384
Dividend Reinvestment	13-Dec-02	–	–	646	666
Placement of Units	28-May-03	23,585	24,549	–	–
Dividend Reinvestment	27-Jun-03	2,183	2,271	–	–
Conversion of Converting Notes	30-Sep-03	71,139	64,177	–	–
Dividend Reinvestment	19-Dec-03	1,708	1,777	–	–
Balance at end of year		651,030	598,881	552,415	506,107

In accordance with a prospectus dated 14 June 2002, 86,923,399 new units were issued on 26 July 2002. The issue raised \$69,317,758 net of issue costs of \$1,959,429. The new units ranked pari passu with existing units in all respects except that they were not entitled to participate in the special dividend paid on 31 July 2002.

In accordance with clause 5(c) of the Kiwi Income Property Trust Deed of Trust and Rule 7.3.5 of the NZX Listing Rules, 23,584,906 new units were issued on 28 May 2003. The issue raised \$24,548,551 net of issue costs of \$451,449. The new units ranked pari passu with existing units in all respects.

In accordance with clause 9 of the Kiwi Income Property Trust Converting Note Trust Deed, 71,138,608 new units were issued on 30 September 2003 and allotted to Converting Note Holders in consideration for the redemption of all Converting Notes. The new units ranked pari passu with existing units in all respects except that they were not entitled to participate in the interim dividend payable for the six month period ended 30 September 2003.

Subsequent to balance date, an additional 49,504,950 new units were issued at a price of \$1.01 by way of a placement in accordance with clause 5(c) of the Kiwi Income Property Trust Deed of Trust and Rule 7.3.5 of the NZX Listing Rules. Further details of the issue are contained in Note 25, 'Subsequent Events'.

GROUP	GROUP	PARENT	PARENT
2004	2003	2004	2003
\$000	\$000	\$000	\$000

3. RESERVES

(i) Asset Revaluation Reserve

Balance at beginning of year	103,557	95,832	96,978	89,670
Revaluation of Investment Properties	50,602	6,132	–	526
Revaluation of Investment in Subsidiaries	–	–	50,602	5,628
Transfer to Asset Realisation Reserve on Disposal of Properties	285	1,593	285	1,154
Balance at end of year	154,444	103,557	147,865	96,978

(ii) Asset Realisation Reserve

Balance at beginning of year	(7,928)	(6,883)	(1,349)	(721)
Gains on Realisation of Investment Properties	430	548	430	548
Losses on Realisation of Investment in Subsidiaries	–	–	–	(22)
Transfer from Asset Revaluation Reserve on Disposal of Properties	(285)	(1,593)	(285)	(1,154)
Balance at end of year	(7,783)	(7,928)	(1,204)	(1,349)
Total Reserves	146,661	95,629	146,661	95,629

GROUP & PARENT		GROUP & PARENT	
2004	2004	2003	2003
NUMBER	AMOUNT	NUMBER	AMOUNT
000	\$000	000	\$000

4. CONVERTING NOTES

Balance at beginning of year	60,455	64,177	60,455	64,177
Conversion of Converting Notes	(60,455)	(64,177)	–	–
Balance at end of year	–	–	60,455	64,177

The subordinated Converting Notes (the Notes) were unsecured and carried a fixed coupon of 9% per annum. The Notes were constituted under a Trust Deed dated 7 November 1996. Interest was payable semi annually on 31 March and 30 September. Note holders were entitled to convert the Notes into Units in the Trust on a one for one basis on 30 September 1999 and were entitled to convert on 30 September in every subsequent year up to and including 30 September 2002. On 30 September 2003 all Converting Notes not previously converted into Units mandatorily converted into Units on a basis which ensured that the minimum conversion value of each Note was \$1.23. The final conversion ratio was 1.176724 Units for each Converting Note. The Notes did not carry voting rights in the meetings of Unit Holders, but they participated in rights and bonus issues as described in the Trust Deed. No note holders elected to convert the Notes into Units prior to the mandatory conversion on 30 September 2003.

FINANCIAL STATEMENTS – CONTINUED

FOR THE YEAR ENDED 31 MARCH 2004

GROUP	GROUP	PARENT	PARENT
2004	2003	2004	2003
\$000	\$000	\$000	\$000

5. INVESTMENT PROPERTY

Office Property

Vero Centre, Auckland (formerly Royal & SunAlliance Centre)

Valuation (Jones Lang LaSalle, March 2004)	215,000	204,500	–	–
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In December 1997 the Trust sold its site at 48 Shortland Street, Auckland to Kiwi Development Trust's (KDT) wholly owned subsidiary Fort Street Properties Limited, to be developed as the Royal & SunAlliance Centre. The Trust received as consideration a 4.96% unit holding in KDT. Subsequent purchases of KDT units in December 1997, January 1998 and April 1998 increased the Trust's investment to 17.3%. From May to August 1999 the Trust further increased its investment to 34.2% and in December 2000 to 39.2%. In January 2001 the Trust made a successful offer to acquire the balance of the units in KDT to which it was not beneficially entitled. The offer was declared unconditional on 9 March 2001 and settlement occurred on 2 April 2001. The effective cost of the building paid by the Trust was \$193,156,414 and was supported by an independent valuation of \$202,000,000. The net annual rental income for the current year was \$17,721,664 (2003 \$17,183,258).

Majestic Centre, Wellington

Valuation (CB Richard Ellis, March 2004)	70,290	71,000	–	–
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The Trust acquired a 50% interest in Majestic Centre Limited which was incorporated as a joint venture company for the purpose of acquiring the Majestic Centre. The joint venture company acquired the building on 31 March 1994 for \$48,753,019 and was supported by an independent valuation of \$49,000,000. The other 50% shareholding of Majestic Centre Limited, was acquired in December 1997. The cost of acquiring the minority interest was supported by an independent valuation on that date. The net annual rental income for the current year was \$5,502,326 (2003 \$6,434,307).

National Bank Centre, Auckland (50% interest)

Valuation (Jones Lang LaSalle, March 2004)	46,500	46,400	–	–
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The Trust acquired a 96% unit holding in Prime Property Trust on 29 November 1996. Prime Property Trust's wholly owned subsidiary, Premium Property Investment Trust No. 1, owned a 50% leasehold interest in the National Bank Centre. The effective cost of the building to the Trust was \$42,524,231 and was supported by an independent valuation of \$42,500,000. The other 4% unit holding of Prime Property Trust was acquired in December 1997. The cost of acquiring the minority interest was supported by an independent valuation on that date. The net annual rental income for the current year was \$3,161,212 (2003 \$3,609,432).

Unisys House, Wellington

Acquisition Cost	44,100	–	–	–
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An unconditional agreement was entered into for the purchase of Unisys House on 31 March 2004 for \$44,100,000. The acquisition was supported by an independent valuation of \$45,000,000. Settlement of the property occurred on 30 April 2004. There was no rental income in the current year (2003 nil).

	GROUP	GROUP	PARENT	PARENT
	2004	2003	2004	2003
	\$000	\$000	\$000	\$000

Vodafone House, Auckland

Valuation (Jones Lang LaSalle, March 2004)	38,100	38,000	–	–
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The building was purchased on 27 March 1997 for \$32,205,434 and was supported by an independent valuation of \$32,000,000 dated 26 July 1996, the date at which the agreement to purchase was declared unconditional. At the time of settlement, a further amount of \$1,741,763 was capitalised in respect of recladding the building. The net annual rental income for the current year was \$3,721,967 (2003 \$3,651,133).

PricewaterhouseCoopers Centre, Christchurch

Valuation (Colliers International, March 2004)	34,700	33,200	–	–
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The building was purchased on 1 December 1997 for \$28,188,213 and was supported by an independent valuation of \$28,000,000. The net annual rental income for the current year was \$3,066,883 (2003 \$3,053,321).

AUT Faculty of Arts Building, Auckland

Valuation (Colliers International, March 2004)	26,950	26,750	–	–
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The building was purchased on 16 December 1994 for \$24,150,787 and was supported by an independent valuation of \$24,500,000. The net annual rental income for the current year was \$2,698,975 (2003 \$2,683,273).

HP House (formerly Compaq House), Auckland

Valuation (Colliers International, March 2004)	25,350	25,300	–	–
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Construction of HP House in the Maritime Square development was completed in September 2000 at a cost of \$24,280,563. The net annual rental income for the current year was \$2,400,912 (2003 \$2,329,917).

BP House, Wellington

Valuation (CB Richard Ellis, March 2004)	23,960	22,770	–	–
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The building was purchased on 16 December 1994 for \$20,897,824 and was supported by an independent valuation of \$21,200,000. The net annual rental income for the current year was \$1,911,109 (2003 \$1,879,354).

Total Office Property	524,950	467,920	–	–
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FINANCIAL STATEMENTS – CONTINUED

FOR THE YEAR ENDED 31 MARCH 2004

GROUP	GROUP	PARENT	PARENT
2004	2003	2004	2003
\$000	\$000	\$000	\$000

Retail Property**Northlands Shopping Centre, Christchurch**

Valuation (Colliers International, March 2004)	203,250	85,550	–	–
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A 50% shareholding in Northlands Property Holdings Limited was acquired in the year ended 31 March 1994. At the time of acquisition the company was refurbishing Northlands Shopping Centre. Practical completion of the Centre was 31 March 1996 and the completed cost was \$45,762,283, supported by an independent valuation of \$58,410,000. The remaining 50% shareholdings of Northlands Property Holdings Limited and Northlands Sissons Limited were purchased on 31 March 1998, and were supported by an independent valuation on that date.

During the period 2 September 2002 to 31 March 2004 the Centre was enlarged by the development of land and buildings adjacent to the Centre. The completed development increased the size of the Centre from 20,785 square metres to 40,994 square metres. A total of \$91,973,910, including interest of \$5,105,704 was capitalised to the development. The net annual rental income for the current year was \$7,696,909 (2003 \$7,129,600).

North City Shopping Centre, Porirua

Valuation (Jones Lang LaSalle, March 2004)	96,300	82,500	–	–
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The Centre was purchased on 10 December 1993 for \$42,185,078 and was supported by an independent valuation of \$42,600,000. A refurbishment and extension of the Centre was completed in November 1997 at a cost of \$28,485,818. A further refurbishment was undertaken during the year at a cost of \$9,939,035. The net annual rental income for the current year was \$6,919,352 (2003 \$6,957,305).

Centre Place Shopping Centre, Hamilton

Valuation (CB Richard Ellis, March 2004)	89,800	77,900	–	–
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The building was purchased on 16 December 1994 for \$34,106,825 and was supported by an independent valuation of \$34,600,000. The ground floor of the office tower adjoining the Centre was purchased on 1 October 1997 for \$6,709,929 and was supported by an independent valuation of \$6,700,000. Refurbishment of the Centre was completed in November 2000 at a cost of \$10,364,836. The net annual rental income for the current year was \$7,875,867 (2003 \$7,171,468).

Downtown Plaza Shopping Centre, Hamilton

Valuation (CB Richard Ellis, March 2004)	15,270	–	–	–
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The Centre was purchased on 15 July 2003 for \$13,958,855 and was supported by an independent valuation of \$13,790,000. The net annual rental income for the current year was \$1,081,860 (2003 nil).

The Plaza Shopping Centre, Palmerston North

Valuation (CB Richard Ellis, March 2004)	70,400	63,950	–	–
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The building was purchased on 27 August 1993 for \$32,117,286 and was supported by an independent valuation of \$32,000,000. An adjacent building was purchased on 28 September 1994 for \$1,216,008 and was supported by an independent valuation of \$1,165,000. The net annual rental income for the current year was \$5,634,123 (2003 \$5,371,984).

	GROUP 2004 \$000	GROUP 2003 \$000	PARENT 2004 \$000	PARENT 2003 \$000
Countdown, Christchurch	–	6,175	–	–
The building was purchased on 22 April 1999 for \$6,067,634 and was supported by an independent valuation of \$6,000,000. The property now forms part of the expanded Northlands Shopping Centre and is included in the valuation of that property. The net annual rental income for the current year was \$515,974 (2003 \$477,211).				
Farmers, Palmerston North				
Valuation (CB Richard Ellis, March 2004)	4,850	5,110	–	–
The building was purchased on 25 February 1999 for \$5,772,835 and was supported by an independent valuation of \$5,400,000. The net annual rental income for the current year was \$653,077 (2003 \$621,995).				
Langdons Road, Christchurch (formerly The Warehouse)				
Valuation (CB Richard Ellis, March 2004)	5,800	4,210	–	–
The building was purchased on 5 October 1998 for \$4,199,193 and was supported by an independent valuation of \$4,000,000. The net annual rental income for the current year was \$500,707 (2003 \$464,873).				
FTC Warehouse, Christchurch	–	2,780	–	–
The building was purchased on 22 April 1999 for \$2,028,986 and was supported by an independent valuation of \$2,000,000. The property now forms part of the expanded Northlands Shopping Centre and is included in the valuation of that property. The net annual rental income for the current year was nil (2003 \$78,495).				
Beattie Rickman, Hamilton				
Valuation (CB Richard Ellis, March 2004)	3,280	3,000	–	–
The building was purchased on 16 December 1994 for \$3,696,549 and was supported by an independent valuation of \$3,750,000. The net annual rental income for the current year was \$313,605 (2003 \$300,221).				
Countrywide Building, Hamilton				
Valuation (CB Richard Ellis, March 2004)	480	450	–	–
The building was purchased on 20 September 1999 for \$468,247 and was supported by an independent valuation of \$475,000. The net annual rental income for the current year was \$15,364 (2003 \$17,612).				
Total Retail Property	489,430	331,625	–	–

FINANCIAL STATEMENTS – CONTINUED

FOR THE YEAR ENDED 31 MARCH 2004

	GROUP 2004 \$000	GROUP 2003 \$000	PARENT 2004 \$000	PARENT 2003 \$000
Industrial Property				
77 Carbine Road, Auckland				
Valuation (Colliers International, March 2004)	6,300	6,390	–	–
The building was purchased as part of an adjoining property of Sylvia Park and is not considered to be part of the development site. The net annual rental income for the current year was \$774,476 (2003 \$818,684).				
Total Industrial Property	6,300	6,390	–	–
Work in Progress	4,042	4,034	–	–
Total Investment Property	1,024,722	809,969	–	–

6. INVESTMENT PROPERTY INTENDED FOR SALE

99 Carbine Road, Auckland	–	2,338	–	2,338
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The building was purchased on 9 November 1992 for \$4,200,904 and was supported by an independent valuation of \$4,100,000. Redevelopment of the property commenced in October 2001 and at that time it was reclassified to Investment Property Under Development. The redevelopment was completed in May 2002 at a cost of \$3,966,852 and the property was reclassified to Investment Property Intended for Sale.

During redevelopment the property was split into 8 Units. At balance date all 8 units had been sold with net proceeds of \$8,229,306 (2003 5 units sold with net proceeds of \$5,403,177).

Total Investment Property Intended for Sale	–	2,338	–	2,338
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GROUP	GROUP	PARENT	PARENT
2004	2003	2004	2003
\$'000	\$'000	\$'000	\$'000

7. INVESTMENT PROPERTY UNDER DEVELOPMENT

Sylvia Park Lots 1 & 2, Auckland	64,197	57,762	–	–
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Lot 2 was purchased on 19 October 1995 for \$10,008,856 and was supported by an independent valuation of \$10,000,000. An adjoining property was acquired on 2 April 1997 for \$7,221,963 and was supported by an independent valuation, for the combined property, of \$21,550,000. A deposit of \$2,440,468 was paid on 12 June 1997 with settlement of \$18,003,500 paid on 12 June 1998 for the purchase of Lot 1. The purchase was supported by an independent valuation of \$20,000,000. Immediately following the acquisition of Lot 1, the property holdings known as Sylvia Park were considered to be a development site and reclassified accordingly. A portion of the property acquired known as 77 Carbine Rd is not part of the development site and remains an investment property.

To date an amount of \$26,177,499 (2003 \$19,741,703) including interest of \$18,285,600 (2003 \$14,659,730) has been capitalised.

Northlands Shopping Centre, Christchurch	–	30,976	–	–
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During the year Northlands Shopping Centre was enlarged with the development of land and buildings adjacent to the original Centre. The completed development has taken the Centre from 20,785 square metres to 40,994 square metres. The majority of the works were completed by March 2004 and the full value of the combined Northlands Shopping Centre is now shown under Investment Property. As at 31 March 2004 \$91,973,910 (2003 \$30,976,459) including interest of \$5,105,704 (2003 \$1,662,178) had been capitalised to the development.

Total Investment Property Under Development	64,197	88,738	–	–
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8. ACCOUNTS RECEIVABLE AND PREPAYMENTS

Trade Debtors	2,746	2,168	175	136
Provision for Doubtful Debts	(772)	(486)	–	–
Prepayments	1,545	690	8	41
Goods and Services Tax	–	579	39	259
	3,519	2,951	222	436

9. ACCOUNTS PAYABLE

Settlement of Unisys House	44,100	–	–	–
Trade Creditors	10,159	12,774	855	3,384
Management Fee Payable	1,957	2,036	1,957	2,036
Development Costs Payable	17,312	5,487	–	–
Goods and Services Tax	277	–	–	–
	73,805	20,297	2,812	5,420

FINANCIAL STATEMENTS – CONTINUED

FOR THE YEAR ENDED 31 MARCH 2004

	GROUP 2004 \$000	GROUP 2003 \$000	PARENT 2004 \$000	PARENT 2003 \$000
10. RENTAL INCOME				
Gross Rental Income and Operating Expense Recoveries	99,999	94,786	7	68
Less:				
Tenants' Operating Expenses	(16,934)	(15,587)	–	–
Owners' Operating Expenses	(10,236)	(8,111)	(7)	(68)
Bad and Doubtful Debts	(633)	(390)	–	–
	(27,803)	(24,088)	(7)	(68)
Rental Income	72,196	70,698	–	–
11. INVESTMENTS				
Advances	549	449	78	76
Repayments due within one year reclassified as current assets	(69)	(91)	–	–
	480	358	78	76
12. TERM LIABILITIES				
Secured Bank Debt	253,500	204,500	–	–
	253,500	204,500	–	–

The syndicated debt facility with ANZ Banking Group, Bank of New Zealand, Hongkong and Shanghai Banking Corporation, and Citibank, N.A. for \$300 million of revolving loans that was due to expire on 13 October 2004 was repaid on 24 March 2004. A new facility comprising separate bilateral facility agreements with ANZ Banking Group, Bank of New Zealand, Westpac Banking Corporation and Commonwealth Bank of Australia (the Banks) for a total of \$350 million of revolving loans was entered into on 22 March 2004. The new loans range in term from between 3 and 5 years. The current weighted average term to maturity for the combined facility is 4.1 years. The loans are secured by a Global Security Deed dated 5 November 1998 and supplemental deed dated 22 March 2004, between the Trust and the Bank of New Zealand (as security agent) which provides for a security interest over the assets of the Trust and all of its charging subsidiaries (the Charging Group). In addition, pursuant to the Bilateral Facility Agreements dated 22 March 2004, the Charging Group has given a negative pledge which provides that (with certain exceptions) it will not create or allow any other security interest over its charged assets. Further negative and positive undertakings have been given as to the nature and conduct of its business.

One of the principal negative undertakings is to ensure the following financial ratios are met:

- Total assets of the Charging Group will not be less than 90% of the total assets of the Consolidated Group.
- Total Finance Debt of the Consolidated Group will not exceed 40% of the Gross Value of the Trust Fund.
- The ratio of Net Rental Income of the Consolidated Group to net Interest Expense of the Consolidated Group for the 6 month periods ending on 30 September and 31 March will not be less than 2.5.
- Unit holders' funds will not be less than \$450 million.
- At all times, the Value of Real Property of the Charging Group in each of the following classes will be within the percentage range specified opposite that class of the Value of all Real Property of the Charging Group:

Commercial property	30% – 70%
Retail property	30% – 70%
Industrial property	0% – 30%

- (f) The weighted average of the unexpired term of all Leases will exceed 3 years.
- (g) Total Finance Debt of the Consolidated Group will not exceed 50% of the Gross Value of the Trust Fund less the Market Value on any day of all Equity Investments of the Consolidated Group.

The weighted average cost of funds for amounts currently drawdown under the debt facility, as at 31 March 2004, is 6.17% (2003 6.89%).

GROUP	GROUP	PARENT	PARENT
2004	2003	2004	2003
\$000	\$000	\$000	\$000

13. INCOME TAX

Income Tax Expense

Net Income before Income Tax	56,075	51,985	51,189	47,110
Permanent and Non Reversing Timing Differences:				
Net Non Assessable Gains on Realisation of Investments	(289)	(70)	(289)	(48)
Non Assessable Dividends from Subsidiaries	–	–	(44,803)	(39,790)
Tax Depreciation net of Depreciation Recovered	(23,837)	(23,385)	112	(105)
Deductible Expenses Capitalised (net of non deductible capital expenditure)	(10,725)	(6,594)	209	63
Taxable Income	21,224	21,936	6,418	7,230
Income Tax at 33%	7,004	7,239	2,118	2,386
The Taxation charge is represented by:				
Current Taxation	6,925	7,707	2,118	2,386
Deferred Taxation	79	(468)	–	–
	7,004	7,239	2,118	2,386

Due to the "Permanent and Non Reversing Timing Differences" referred to above, the Group's effective tax rate for the current year was 12.5%. This effective tax rate is expected to increase in the next financial year due to a number of factors. Firstly, tax depreciation is claimed on a predominantly diminishing value basis, so the tax deduction reduces each year as the value of the assets are depreciated. Secondly, with the Northlands Shopping Centre and North City Shopping Centre developments now largely complete, deductible expenses capitalised in respect of those developments will be substantially lower in the next financial year. Finally, due to the impending introduction of International Financial Reporting Standards (IFRS) in New Zealand and the effect that they will have on the way the Trust accounts for deferred tax, the Trust has elected to not claim tax depreciation in respect of recent and new property acquisitions and developments. As detailed under the heading "Deferred Tax" on the following page and in Note 1(j), the Trust currently applies the partial method of accounting for deferred tax. The requirements for recognising deferred tax under IFRS are significantly different from current New Zealand Generally Accepted Accounting Practice (NZ GAAP). The applicable International Accounting Standard does not allow the partial method of deferred tax to be applied. Under IFRS, the deferred tax on all temporary differences must be recognised in the financial statements. Each of these factors will result in additional tax being paid by the Trust with a corresponding increase in the amount of imputation credits available to unit holders.

FINANCIAL STATEMENTS – CONTINUED

FOR THE YEAR ENDED 31 MARCH 2004

	GROUP 2004 \$000	GROUP 2003 \$000	PARENT 2004 \$000	PARENT 2003 \$000
Deferred Tax				
Balance at beginning of year	(950)	(482)	–	–
Current Year Charge/(Benefit)	79	(468)	–	–
Balance at end of year	(871)	(950)	–	–

As explained in Note 1(j), the Trust applies the partial method of accounting for deferred taxation. Tax depreciation is claimed on investment properties acquired prior to 31 March 2003 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 timing differences is an unrecognised liability of \$51,687,302 (2003 \$44,379,431).

14. IMPUTATION CREDIT ACCOUNT

Balance at beginning of year	3,836	2,163	23	1,887
Income Tax Paid	6,880	5,551	374	3,741
Prior Period Adjustment	(7)	(128)	–	–
Income Tax Transferred to Subsidiaries	–	–	(4,358)	(2,455)
Imputation Credits Received from Subsidiaries	–	–	–	600
Imputation Credits Distributed to Unit Holders	(4,854)	(3,750)	(4,854)	(3,750)
Balance at end of year	5,855	3,836	(8,815)	23

With effect from 1 April 2003, the Parent and its subsidiary, Kiwi Property Holdings Limited are in an imputation group.

15. RECONCILIATION OF NET INCOME TO NET CASH FLOWS FROM OPERATING ACTIVITIES

Net Income after Income Tax	49,071	44,746	49,071	44,724
Items Classified as Investing/Financing Activities:				
Gains on Realisation of Investment Properties	(430)	(548)	(430)	(526)
Intercompany Transactions	–	–	(56,509)	(50,217)
Non Cash Items:				
Movement in Future Income Tax Benefit	79	(468)	–	–
Income Tax Benefit on Converting Note Interest	988	1,975	988	1,975
	49,708	45,705	(6,880)	(4,044)
Add/(Less) Movements Relating to Operating Activities in Working Capital Items:				
Income Tax Receivable/Payable	(942)	181	5,114	(699)
Accounts Receivable	(568)	111	214	(196)
Accounts Payable	832	1,122	(50)	1,724
Advance Rentals	381	(313)	–	–
Net Cash Inflow/(Outflow) from Operating Activities	49,411	46,806	(1,602)	(3,215)

PARENT	PARENT
2004	2003
\$ 000	\$ 000

16. INVESTMENT IN SUBSIDIARIES

Shares (at Valuation)	328,563	277,961
Advances to Subsidiaries	442,499	400,998
	771,062	678,959

Significant Subsidiaries

Kiwi Property Holdings Limited
Sylvia Park Business Centre Limited

All subsidiaries are wholly owned property investment companies with a balance date of 31 March.

On 30 September 2002 Kiwi Harbour Investments Limited and Northlands Sissons Limited were amalgamated into Kiwi Property Holdings Limited under Part XIII of the Companies Act 1993. Until the date of amalgamation, Kiwi Harbour Investments Limited and Northlands Sissons Limited had been wholly owned subsidiaries of Kiwi Income Property Trust. Under the amalgamation, Kiwi Property Holdings Limited took control of all of the assets of Kiwi Harbour Investments Limited and Northlands Sissons Limited and assumed responsibility for the liabilities of the amalgamated companies.

On 31 March 2003 Fort Street Properties Limited was amalgamated into Kiwi Property Holdings Limited under Part XIII of the Companies Act 1993. Until the date of amalgamation, Fort Street Properties Limited had been a wholly owned subsidiary of Kiwi Income Property Trust. Under the amalgamation, Kiwi Property Holdings Limited took control of all of the assets of Fort Street Properties Limited and assumed responsibility for the liabilities of the company.

Kiwi Harbour Investments Limited, Northlands Sissons Limited and Fort Street Properties Limited have been removed from the New Zealand register of companies.

The assets and liabilities have been brought into Kiwi Property Holdings Limited's financial statements at their carrying amounts which approximate their fair value. The operating results of the amalgamated companies after the amalgamation have been included in the Statement of Financial Performance of Kiwi Property Holdings Limited since the respective amalgamation dates.

Kiwi Development Trust was liquidated in December 2002. At the date of liquidation Kiwi Development Trust was a wholly owned subsidiary of Kiwi Property Holdings Limited. The assets of Kiwi Development Trust were distributed to Kiwi Property Holdings Limited by way of an in-specie distribution.

The amalgamations and liquidation had no impact on the Group.

17. TRUST DEED

The Trust Deed constituting Kiwi Income Property Trust was amended by supplemental deeds dated 11 December 2003 and, subsequent to balance date, on 22 April 2004. The following is a summary of the principal changes made to the Trust Deed.

Supplemental deed dated 11 December 2003

The Trust Deed was amended to replace references to the "New Zealand Stock Exchange" and "NZSE" with "New Zealand Exchange Limited" "NZX" or "NZSX" (as appropriate).

FINANCIAL STATEMENTS – CONTINUED

FOR THE YEAR ENDED 31 MARCH 2004

The Trust Deed was also amended as a consequence of the Trust's de-listing from the Australian Stock Exchange on 12 September 2003, by deleting the changes previously made for consistency with the Australian Stock Exchange listing rules.

Supplemental deed dated 22 April 2004

For consistency with a recent amendment to the NZX Listing Rules, the limitation on the number of new units which may be issued in any 12 month period other than pro rata to unit holders, or with the approval of unit holders, was increased from 10% to 15% of the existing units of the Trust. The relevant threshold in the NZX Listing Rules was increased to 15% on 29 October 2003.

18. TRANSACTIONS WITH RELATED PARTIES**Group**

The Manager of the Kiwi Income Property Trust Group (the Group) is Kiwi Income Properties Limited. During the year Kiwi Income Property Trust incurred Manager's fees of \$7,646,945 (2003 \$7,207,281) of which \$931,049 (2003 \$577,839) were capitalised to Investment Properties under Development. The Manager's fee outstanding as at 31 March 2004 is \$1,956,757 (2003 \$2,036,247). This is payable on normal trading terms and is included in accounts payable in the Statements of Financial Position.

Properties owned by the Group were managed during the year, on normal commercial terms, by Kiwi Property Management Limited, a related entity of Kiwi Income Properties Limited (by virtue of a common parent company). The Group incurred property management fees of \$3,852,643 (2003 \$3,084,369). Fees outstanding at 31 March 2004 were \$74,109 (2003 nil).

On 22 March 2004 the Group entered into a bilateral facility agreement with the Commonwealth Bank of Australia, the ultimate parent company of Kiwi Income Properties Limited. The agreement provides the Group with a revolving credit facility of \$100,000,000. The interest incurred during the year in relation to that facility was \$57,729 (2003 nil). During the year the Group entered into a number of interest rate swap agreements with the Commonwealth Bank of Australia. The swaps were entered into on normal commercial terms (on a competitive pricing basis) for the purpose of limiting the Groups exposure to changes in interest rates. As at 31 March 2004, the Commonwealth Bank of Australia and its subsidiaries held 40,769,708 units in the Trust (2003 40,769,708 units).

The Group incurred fees for legal advice from Glaister Ennor of \$330,886 (2003 \$188,803). Robert Narev is the Chairman of Glaister Ennor and a director of Kiwi Income Properties Limited.

Parent

The Manager of Kiwi Income Property Trust (the Trust) is Kiwi Income Properties Limited. During the year the Trust incurred Manager's fees of \$7,646,945 (2003 \$7,207,281), of which \$7,604,503 (2003 \$7,127,654) were oncharged to its subsidiaries. The Manager's fee outstanding as at 31 March 2004 is \$1,956,757 (2003 \$2,036,247). This is payable on normal trading terms and is included in accounts payable in the Statements of Financial Position. No fees were capitalised to Investment Properties under Development (2003 \$35,983). Interest of \$7,347,169 (2003 \$7,797,455) was charged to subsidiaries during the year and dividends of \$44,802,931 (2003 \$39,790,340) were received by the Parent from its subsidiaries.

The Trust incurred fees for legal advice from Glaister Ennor of \$12,340 (2003 \$10,401). Robert Narev is the Chairman of Glaister Ennor and a director of Kiwi Income Properties Limited.

19. FEES PAID TO AUDITORS

In addition to the audit fees disclosed, an amount of \$8,000 (2003 \$3,311) was paid to the auditors PricewaterhouseCoopers for audit related services and \$105,576 (2003 \$8,961) for the provision of financial advisory services. Before engaging PricewaterhouseCoopers to provide this advice, the Audit Committee considered the nature of the advice being sought to ensure that it would not compromise their independence as auditors. Taking into account the likely fees relating to the advice relative to the size of the auditors' practice as well as the nature of services and personnel involved, the Audit Committee formed the view that the assignment would not impinge on auditor independence.

	GROUP	GROUP	PARENT	PARENT
	2004	2003	2004	2003
	\$000	\$000	\$000	\$000

20. INTEREST EXPENSE

Total Interest Expense	15,818	15,793	–	77
Less: Interest Capitalised to Investment				
Properties under Development	7,347	4,306	–	77
Interest Expense recorded in the				
Statements of Financial Performance	8,471	11,487	–	–

21. PRINCIPAL BUSINESS ACTIVITY

The principal activity of the Trust and its Subsidiaries is to invest in New Zealand real estate.

22. FINANCIAL INSTRUMENTS

Concentrations of Credit Risk

The Group and Parent have placed their cash and short term investments with the ANZ Banking Group (NZ) Limited. The Group and Parent are not exposed to any other concentrations of credit risk other than advances to subsidiaries.

Credit Risk

Financial instruments which potentially subject the Group and Parent to credit risk principally consist of bank balances and accounts receivable. The Group and Parent perform credit evaluations on all customers requiring credit and generally do not require collateral.

Maximum exposures to credit risk as at balance date are:

Cash and Short Term Deposits	2,934	5,281	2,355	5,233
Accounts Receivable and Income Tax Receivable	5,426	3,916	222	5,008
Advances to Subsidiaries	–	–	442,499	400,998
Investments	549	449	78	76

The above maximum exposures are net of any recognised provision for losses on these financial instruments.

FINANCIAL STATEMENTS – CONTINUED

FOR THE YEAR ENDED 31 MARCH 2004

Credit Facilities

The Group has total bank borrowing facilities of \$350,000,000 (2003 \$300,000,000). Of this \$253,500,000 (2003 \$204,500,000) has been borrowed by the Group.

Interest Rate Risk

The Group has exposure to interest rate risk as its borrowings are subject to floating interest rates. However, the Group generally adopts a policy of minimising exposure to changes in interest rates by utilising interest rate swaps to limit future interest costs. The swaps in place at balance date have an average weighted interest rate of 6.06% (2003 6.07%). At balance date the swaps fix interest on \$25,000,000 (2003 \$20,000,000) for less than 6 months, nil (2003 \$40,000,000) for 6 to 12 months, \$15,000,000 (2003 \$50,000,000) between 1 and 2 years, \$100,000,000 (2003 \$20,000,000) between 2 and 5 years and \$30,000,000 (2003 nil) for greater than 5 years.

Fair Values

The carrying value of financial instruments, excluding swaps, on the Statements of Financial Position is equivalent to their fair value. The market valuation at balance date of the interest rate swaps is a fair value loss of \$1,396,950 (2003 fair value loss of \$1,199,440).

	GROUP	GROUP	PARENT	PARENT
	2004	2003	2004	2003
	\$000	\$000	\$000	\$000

23. COMMITMENTS**(a) Capital Commitments**

Development costs at Northlands Shopping Centre,

Christchurch	–	51,844	–	–
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Development costs at North City Shopping Centre, Porirua	455	–	–	–
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(b) Ground Leases

Ground leases exist over North City Shopping Centre, Centre Place Shopping Centre, National Bank Centre, Countrywide Building and HP House. The amount paid in respect of ground leases during the year was \$1,020,712 (2003 \$1,045,852). The leases terminate between November 2089 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.

(c) Contingencies

There are no material contingencies as at 31 March 2004 other than as disclosed elsewhere in these financial statements (2003 nil).

24. ADDITIONAL INFORMATION AS REQUIRED BY THE TRUST DEED, THE UNIT TRUST ACT 1960 AND THE NEW ZEALAND EXCHANGE LIMITED LISTING RULES**(a) Termination Date**

The Trust will terminate after the expiration of 40 years from 21 August 1992 provided that the Unit Holders may, by Extraordinary Resolution passed at any time before the expiration of such 40 year period, extend the Trust for a further period of 39 years.

(b) Units held by the Manager

The Manager held no Units in the Trust at 31 March 2004 (2003 nil).

2004

2003

(c) Other Financial Information

Net Tangible Asset Backing per Unit – Undiluted	\$1.145	\$1.089
Net Tangible Asset Backing per Unit – Diluted	\$1.145	\$1.071
Earnings per Unit after Tax – Undiluted	\$0.077	\$0.078
Earnings per Unit after Tax – Diluted	\$0.076	\$0.076

The calculation of the diluted Net Tangible Asset Backing per unit for 31 March 2003 has assumed that the Converting Notes converted on the basis of the unit price prevailing at 31 March 2003.

The calculation of Earnings per Unit after Tax does not take into account the effect of the new securities which were issued subsequent to balance date. Further details of the issue are contained in Note 25, 'Subsequent Events'.

(d) New Zealand Exchange Limited Waivers

On 12 February 2004, the NZX granted the Trust a waiver from listing rule 9.2 in relation to the refinancing of the Trust's debt facilities. The waiver allowed the Trust to enter into a Bilateral Facility Agreement with the Commonwealth Bank of Australia, a related entity of Kiwi Income Properties Limited without the need for the transaction to be approved by a meeting of unit holders.

On 30 March 2004, the NZX granted the Trust a further waiver from listing rule 9.2 in relation to the acquisition by the Trust of Unisys House from Macquarie Goodman Property Trust (MGP). The waiver allowed the Trust to acquire the property without the need for the transaction to be approved by a meeting of unit holders. At the date of the acquisition of Unisys House, there were no relationships between the Trust and MGP, or any of their directors or associated companies, of the nature contemplated by listing rule 9.2.

25. SUBSEQUENT EVENTS

On 30 April 2004, the settlement of Unisys House was completed. The settlement increased Term Liabilities by \$44,100,000 with a corresponding reduction in Accounts Payable.

On 5 May 2004 an additional 49,504,950 new units were issued by way of a placement in accordance with clause 5(c) of the Kiwi Income Property Trust Deed of Trust and Rule 7.3.5 of the NZX Listing Rules. The issue was made to fund the acquisition of Unisys House located in Wellington's Central Business District. The new units rank equally with existing units except that they were not entitled to participate in the final dividend for the year ended 31 March 2004. The issue resulted in additional cash and a subsequent reduction in Term Liabilities of \$49,167,500 (proceeds net of issue costs), with a corresponding increase to Investors' Funds. The total number of units on issue following the placement is 700,536,001.

On 7 April 2004 the Trust entered into a conditional contract for the acquisition of NGC House, located in Wellington's Central Business District. The acquisition price is \$19,365,000 and settlement will occur on 30 September 2004.

AUDITORS' REPORT

FOR THE YEAR ENDED 31 MARCH 2004



To the Unit Holders of Kiwi Income Property Trust

We have audited the financial statements on pages 50 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 2004 and their financial position as at that date. This information is stated in accordance with the accounting policies set out on pages 55 to 57.

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 2004 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, 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 a tenancy relationship 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 and advisory 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 50 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 2004 and their financial performance and cash flows for the year ended on that date.

Our audit was completed on 18 May 2004 and our unqualified opinion is expressed as at that date.

Chartered Accountants

Auckland

STATISTICS

	NO. OF UNITS	% OF TOTAL ISSUED UNITS
TWENTY LARGEST UNIT HOLDERS		
AS AT 15 JUNE 2004		
Unit Holder		
New Zealand Central Securities Depository Limited	363,300,089	51.86%
Investment Custodial Services Limited (C)	10,714,530	1.53%
Custodial Nominees Limited	5,683,314	0.81%
Custodial Services Limited – Account 3	5,403,528	0.77%
Investment Custodial Services Limited	2,581,167	0.37%
Forbar Custodians Limited – PPM Low	2,547,585	0.36%
Forbar Custodians Limited – PPM Medium	2,501,382	0.36%
Rect Funds Management Limited	2,250,000	0.32%
Rangatira Limited	2,241,000	0.32%
University of Otago	2,216,666	0.32%
Custodial Services Limited – Account 2	1,911,955	0.27%
Asset Custodian Nominees Limited	1,878,583	0.27%
Epoch Nominees Limited	1,250,000	0.18%
Kay Hong Chiam	1,239,052	0.18%
First NZ Capital Custodians Limited	1,115,627	0.16%
AMI Insurance	1,097,356	0.16%
Public Trust	1,064,665	0.15%
Pakihi Investments Limited	1,010,000	0.14%
Goldman Sachs JBWere	978,090	0.14%
Forbar Custodians Limited – PPM High	921,560	0.13%
Total	411,906,149	58.80%
Total Units on Issue	700,536,001	

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:

	NO. OF UNITS	% OF TOTAL ISSUED UNITS
Citibank Nominees (New Zealand) Limited	55,928,679	7.98%
Westpac Banking Corporation – Client Assets No 2	53,727,725	7.67%
Westpac Nominees NZ Limited	51,662,216	7.38%
Premier Nominees Ltd – Armstrong Jones Australasian Property Securities	36,880,999	5.26%
National Nominees New Zealand Limited	36,667,076	5.23%
Accident Compensation Corporation	18,547,595	2.65%
MFL Mutual Fund Limited	18,379,068	2.62%
Guardian Trust Investment Nominees (RWT) Limited	14,634,054	2.09%
ANZ Nominees Limited	14,191,157	2.03%
Custody and Investment Nominees Limited	9,894,745	1.41%
BT NZ Unit Trust Nominees Limited	7,948,225	1.13%
TEA Custodians Limited No 2	5,312,051	0.76%
The NZ Guardian Trust Investment Nominees Limited	4,818,022	0.69%
AMP Life Limited	4,318,539	0.62%
Cogent Nominees Limited	3,974,710	0.57%
Asteron Life Limited	3,571,719	0.51%
Sovereign Services Limited	3,373,679	0.48%
AMP Superannuation Tracker Fund	3,075,140	0.44%
The Public Trustee – GIF 46	2,547,208	0.36%
NZ Pension Plans (Life) Limited	2,429,973	0.35%
Balance of 20 Unit Holders	11,417,509	1.63%
Total	363,300,089	51.86%

STATISTICS – CONTINUED

	NO. OF HOLDERS	NO. OF UNITS	% OF TOTAL ISSUED UNITS
SPREAD OF UNIT HOLDERS			
AS AT 15 JUNE 2004			
Holdings			
1 – 1,000	591	292,687	0.04%
1,001 – 5,000	2,296	7,432,367	1.06%
5,001 – 10,000	3,137	24,009,815	3.43%
10,001 – 20,000	3,641	52,375,718	7.48%
20,001 – 35,000	2,196	58,433,394	8.34%
35,001 – 50,000	848	36,188,834	5.17%
50,001 – 100,000	726	49,871,819	7.12%
100,001 – 250,000	249	37,426,522	5.34%
250,001 – 500,000	43	14,535,906	2.07%
500,001 – 1,000,000	15	9,962,440	1.42%
1,000,001 and over	18	410,006,499	58.53%
Total	13,760	700,536,001	100.00%

SUBSTANTIAL SECURITY HOLDERS

AS AT 15 JUNE 2004

The following unit holders hold 5% or more of units on issue and have filed substantial security holder notices in accordance with the Securities Markets Act.

	NO. OF UNITS
AXA Asia Pacific Holdings Limited	37,591,311
Commonwealth Bank of Australia and Subsidiaries	40,769,708
ING (NZ) Limited	49,643,549

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 15 June 2004 was 700,536,001.

HOLDINGS OF DIRECTORS OF THE TRUST MANAGER (AND THEIR ASSOCIATES)

AS AT 31 MARCH 2004

	NUMBER	SECURITY HELD	NATURE OF RELEVANT INTEREST
Jim Syme	77,500	Ordinary Units	Beneficial owner
Robert Narev	232,437	Ordinary Units	Non beneficial interest as a trustee of various trusts
Richard Didsbury	87,500	Ordinary Units	Non beneficial interest in units owned by daughter
	205,234	Ordinary Units	Non beneficial interest as a trustee of various trusts
John Duncan	Nil		
Geoff McWilliam	Nil		
Wal Edgell	Nil		

DIRECTORY

TRUST MANAGER

Kiwi Income Properties Limited
Level 2, The Ferry Building,
99 Quay Street,
PO Box 2071, Shortland Street,
Auckland 1015, New Zealand.
Telephone +64 9 357 9322
Facsimile +64 9 358 3044

UNIT TRUSTEE

New Zealand Permanent Trustees Limited
117-125 Lambton Quay, PO Box 5067,
Wellington, New Zealand.
Telephone +64 4 474 3753
Facsimile +64 4 474 3839

UNIT REGISTRAR

BK Registries Limited
138 Tancred Street, PO Box 384,
Ashburton, New Zealand.
Telephone +64 3 308 8887 or 0800 377 388
Facsimile +64 3 308 1311

AUDITORS

PricewaterhouseCoopers
188 Quay Street,
Private Bag 92162,
Auckland, New Zealand.
Telephone +64 9 355 8000
Facsimile +64 9 355 8001

BANKERS

ANZ Banking Group (NZ) Limited
Bank of New Zealand Limited
Commonwealth Bank of Australia
Westpac Banking Corporation

LEGAL ADVISORS

Russell McVeagh, Auckland
Glaister Ennor, Auckland
Bell Gully, Auckland

VALUATION PANEL

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

