

THE MOST POWERFUL PROPERTIES  
IN OUR TRUST ARE HUMAN.



2003 ANNUAL REPORT



KIWI INCOME  
PROPERTY TRUST



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**MANY BUSINESSES UNDERESTIMATE THE VALUE OF THEIR PEOPLE:**

INTELLECTUAL CAPITAL IS THE VERY  
FOUNDATION OF OUR BALANCE SHEET,  
BUT ITS SPHERE OF INFLUENCE REACHES  
BEYOND THE CONTEXT OF OUR ORGANISATION.

OUR PERFORMANCE IS INSPIRED AND  
ENABLED THROUGH STRONG PARTNERSHIPS  
WITH ASSOCIATES, TENANTS AND CLIENTS.

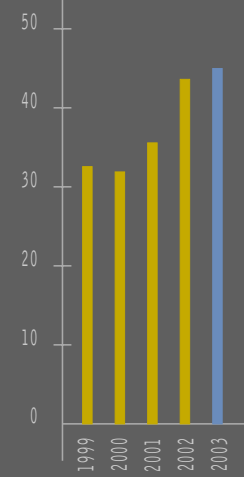
KNOWLEDGE, COMMERCIAL SAVVY,  
EXPERIENCE AND TENACITY ARE AS  
VALUABLE TO US AS BRICKS AND MORTAR.

**THEY DEFINE US AS A TRUST.**

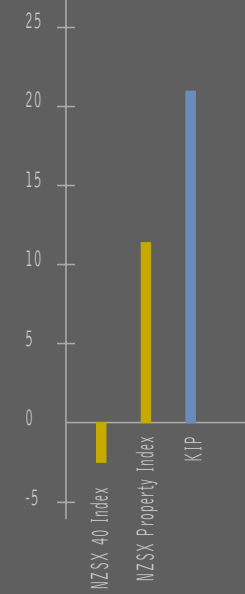
## OPERATING HIGHLIGHTS

- NET INCOME AFTER TAX OF \$44.75 MILLION, UP 3.2% ON THE PREVIOUS YEAR
- SUCCESSFUL COMPLETION OF A 1:6 PRO-RATA RIGHTS ISSUE IN JULY 2002 RAISING \$69.3 MILLION FOR THE PARTIAL FUNDING OF THE NORTHLANDS SHOPPING CENTRE EXPANSION IN CHRISTCHURCH
- TOTAL GROSS DIVIDEND OF 8.54 CENTS PER UNIT DECLARED FOR YEAR
- \$90.9 MILLION EXPANSION OF NORTHLANDS COMMENCED IN SEPTEMBER 2002, WHICH WILL SEE THE CENTRE DOUBLE IN SIZE TO 40,700M<sup>2</sup> AND BECOME ONE OF THE LARGEST ENCLOSED MALLS IN NEW ZEALAND
- 100% OF THE 54 RETAIL TENANCIES IN STAGE I AT NORTHLANDS LEASED THREE MONTHS BEFORE THEIR SCHEDULED OPENING IN JULY 2003
- STRONG LEASING ACROSS BOTH THE OFFICE AND RETAIL PORTFOLIOS INCREASES AVERAGE OCCUPANCY, EXCLUDING NORTHLANDS, TO 98%
- ROYAL & SUNALLIANCE IS 100% LEASED AND ITS VALUE INCREASED BY \$2.3 MILLION TO \$204.5 MILLION
- THE PORTFOLIO IS REVALUED UPWARDS BY \$6.1 MILLION
- THE TRUST'S RANKING ON THE NEW ZEALAND STOCK EXCHANGE TOP 50 MOVES TO 12TH
- SUCCESSFUL COMPLETION OF REFURBISHMENT OF THE PLAZA'S FOODCOURT IN PALMERSTON NORTH YIELDING 15% ON THE \$1.5 MILLION IN CAPITAL EXPENDITURE

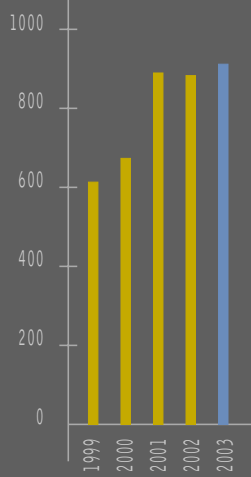
**NET INCOME AFTERTAX**  
YEAR ENDING 31 MARCH



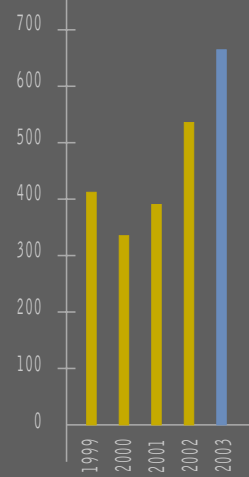
**TOTAL ANNUAL RETURNS**  
YEAR ENDING 31 MARCH 2003



**TOTAL ASSETS**  
AS AT 31 MARCH



**MARKET CAPITALISATION**  
AS AT 31 MARCH



## CHAIRMAN'S LETTER

“CREATIVE AND PROACTIVE THINKING HAVE HELPED THE TRUST ADD VALUE TO ITS ASSETS AND ENHANCE ITS PORTFOLIO.”

JIM SYME, CHAIRMAN



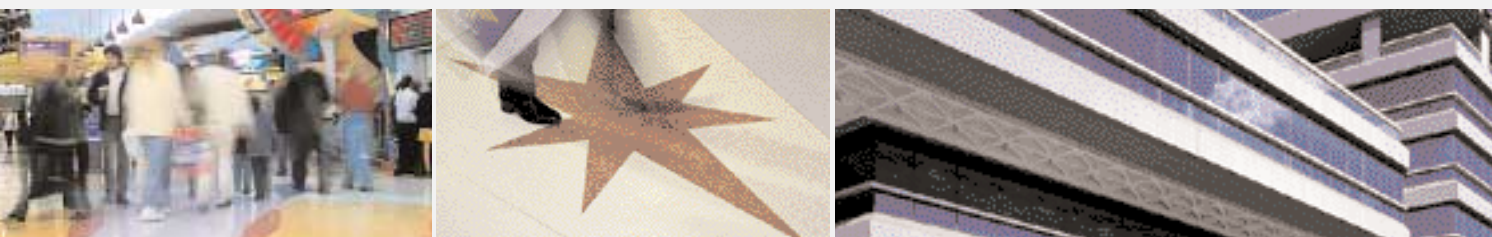
Dear Unit and Note Holders

Kiwi Income Property Trust continued to perform strongly during the financial year to 31 March 2003 despite uncertainty in world financial markets and nervousness over the impact of war. A decline in consumer confidence during the latter stages of the year had little impact on the Trust's solid performance. The listed property market, in particular Kiwi Income Property Trust, was recognised as a solid defensive investment. With its diversified portfolio of prime retail and office assets, the Trust was well placed to take advantage of an upswing in the property market. Leasing activity across both the retail and office sectors was very strong.

After three years of careful planning and investigation, the \$90.9 million development and expansion of Northlands Shopping Centre in Christchurch was announced. This proactive and prudent development reflects the Trust's philosophy of adding value and enhancing the returns to unit holders. All 54 specialty stores in Stage I of the Northlands project have been leased three months ahead of their scheduled opening in July 2003. Excellent progress is being made on leasing the remaining premises and on the construction programme. The Trust's Sylvia Park development in Auckland is also progressing well. Details of this project are outlined on page 23 of this Annual Report.

The Trust's dedicated and committed management team continues to focus on adding value to the Trust's assets. Proactive leasing and tenancy remixes are enhancing the Trust's portfolio. The Trust also launched its new [www.kipt.co.nz](http://www.kipt.co.nz) website during the year. We welcome your feedback on the website.

While New Zealand has been resilient to the uncertainty in the world's major markets, declines in consumer confidence in New Zealand have been noticeable in recent months. While cautious of



## FINANCIAL SUMMARY

	2003	2002
RENTAL INCOME	\$70.70 m	\$71.82 m
NET OPERATING INCOME BEFORE INCOME TAX	\$51.44 m	\$49.01 m
NET INCOME AFTER INCOME TAX	\$44.75 m	\$43.36 m
NET INCOME AVAILABLE FOR DISTRIBUTION	\$44.20 m	\$43.83 m
PRE TAX RETURN (CENTS PER UNIT)	8.54 c	10.15 c
UNREALISED REVALUATION GAINS	\$6.13 m	\$1.72 m
DILUTED NET ASSET BACKING PER UNIT	\$1.071	\$1.092
SECURITIES ON ISSUE	612.9 m	521.5 m
TOTAL ASSETS	\$911.6 m	\$880.0 m
TOTAL BORROWINGS	\$204.5 m	\$257.2 m
INVESTORS' FUNDS	\$665.9 m	\$585.9 m
RATIO OF DEBT TO TOTAL ASSETS	22.4%	29.2%

the year ahead, the Trust is well placed to weather this uncertainty with our premium portfolio of assets generating income streams secured by long-term lease commitments.

I hope you enjoy reading about the significant progress and sound financial results achieved during the past year.

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

Yours sincerely

JIM SYME - CHAIRMAN

KIWI INCOME PROPERTIES LIMITED

## CHIEF EXECUTIVE'S REPORT

"WE WORK HARD AS A TEAM TO ACHIEVE JUST THE RIGHT INVESTMENT BALANCE. WE'RE ALWAYS LOOKING TO MAXIMISE RETURNS, BUT WE ALSO SEEK STABILITY AND SECURITY IN THE TRUST'S INCOME STREAMS."

ANGUS MCNAUGHTON, CHIEF EXECUTIVE



### Trust Performance

On behalf of the Management Team, I am very pleased to present the performance of Kiwi Income Property Trust for the year ended 31 March 2003.

The Trust performed strongly during the year to 31 March 2003, achieving net income after income tax of \$44.75 million, representing a 3.2% increase over the previous year. This was primarily a result of improved leasing across the portfolio, and lower interest costs due to the repayment of debt with proceeds from the rights issue completed in July 2002. The total gross dividend for the year ending 31 March 2003 was 8.54 cents per unit, being a dividend paid out of 7.55 cents per unit, with imputation credits attached of 0.988 cents per unit. The payments made by the Trust are outlined in the table opposite.

The total gross dividend of 8.54 cents per unit compares with 10.15 cents per unit for the year ended 31 March 2002. The slightly lower dividend can largely be attributed to two items: the conversion of Class B units, and the \$69.3 million rights issue and the short term loss of income from the associated Northlands development. In December 2001, 54.6 million Class B units converted to ordinary units and participated in the dividend for six months of the 2002 financial year. During the current reporting period, these additional units participated for the full year. The second impact relates to the temporary reduction of income during the development of Northlands, and the associated impact from the rights issue, both as outlined in the Investment Statement dated 24 June 2002.

The Trust is projecting a gross distribution for the year ending 31 March 2004 of between 8.30 cents per unit and 8.50 cents per unit. Dividend payment dates are expected to be mid December 2003, and late June 2004.

### Market Performance

The defensive characteristics of the listed property trust market proved attractive to investors over the course of the 2003 financial year. In this strong market, the Trust recorded a total annual return of 21.0%, outperforming both the New Zealand Stock Exchange's Property Index with a total return of 11.4%, and the New Zealand Stock Exchange's Top 40 Gross Index which fell 2.8%.

## DIVIDEND SUMMARY

	SPECIAL INTERIM DIVIDEND	INTERIM DIVIDEND	FINAL DIVIDEND	TOTAL DIVIDEND
PERIOD COVERED	1 April 02 - 26 July 02	27 July 02 - 30 September 02	1 October 02 - 31 March 03	Year Ended 31 March 03
CASH (CENTS PER UNIT)	2.560	1.477	3.513	7.550
IMPUTATION CREDITS (CENTS PER UNIT)	0.310	0.288	0.390	0.988
GROSS DIVIDEND (CENTS PER UNIT)	2.870	1.765	3.903	8.538
PAYMENT DATE	31 July 02	13 December 02	27 June 03	

*New Zealand begins with  
the sea and ends with  
the sea....  
The thundering surf is a  
Musical Spectacle*



THE TRUST'S MARKET CAPITALISATION INCREASED BY \$131.2 MILLION DURING THE PERIOD UNDER REVIEW TO \$663.6 MILLION, IMPROVING THE TRUST'S POSITION AND WEIGHTING ON THE NEW ZEALAND STOCK EXCHANGE.

The Trust's market capitalisation increased by \$131.2 million during the period under review to \$663.6 million, as at 31 March 2003, up from \$532.4 million the previous year, improving the Trust's position and weighting on the New Zealand Stock Exchange (the Exchange). In March 2003, a number of positive changes were made to the Exchange's Indices. Key changes included the indices being based upon gross rather than capital values, the replacement of the NZSX40 Index with an NZSX50 Index, and the adjustment of the market capitalisation of companies to reflect the free float of shares. With these changes, and the Trust's performance and the increase in market capitalisation over the past year, the Trust's ranking on the Exchange lifted from 24th to 12th.

### Capital Management

At 31 March 2003, the Trust's total assets stood at \$911.6 million and investors' funds at \$665.9 million. Total debt was \$204.5 million, with the ratio of debt to total assets being 22.4% compared with 29.2% last year. The fall in the debt ratio was primarily brought about by the proceeds from the rights issue that was completed in July 2002. A total of \$69.3 million was raised from a renounceable pro-rata issue to existing unit holders and convertible note holders. The reduction in debt results in the Trust having a more flexible capital structure to manage the redevelopment of Northlands. In May 2003, after the Trust's balance date, \$25 million was raised through a placement to institutional and other habitual investors. The funds raised are primarily for the acquisition of the 31 specialty store Downtown Plaza Shopping Centre in Hamilton, which is under conditional contract by the Trust, and for other retail projects. Should the acquisition of Downtown Plaza not proceed, the funds will be utilised to reduce debt.

## CHIEF EXECUTIVE'S REPORT

THE OCCUPANCY RATE ACROSS THE OFFICE PORTFOLIO WAS 97.2% AT THE END OF THE FINANCIAL YEAR, WHILE RETAIL OCCUPANCY LEVELS STOOD AT 98.1%



### Portfolio Management

**Occupancy** – The occupancy rate across the office portfolio was 97.2%, as at 31 March 2003, an improvement on last year's 95.5% occupancy, and a slight reduction on the 98.9% reported as at September 2002. The strong focus on leasing during the reporting period proved to be very successful, with the portfolio well placed for the next financial year.

Retail occupancy levels continued to be strong and stood at 98.1%, as at 31 March 2003, compared with 98.7% a year earlier. The March 2003 figures exclude Northlands Shopping Centre which is being developed.

**Retail Sales** – Sales growth from Centre Place Shopping Centre in Hamilton, The Plaza Shopping Centre in Palmerston North and North City Shopping Centre in Porirua were strong leading up to Christmas 2002. In early 2003 sales growth declined in line with lower consumer confidence. For the year to 31 March 2003, total retail sales at Centre Place were up 12% on the previous year's sales, The Plaza was up 2%, and North City was the same as the previous year.

**Acquisitions and Sales** – Alcatel House in Auckland was sold unconditionally for \$10.50 million (net \$10.30 million after selling costs) in September 2002. This was slightly higher than the book value of \$10.25 million and the proceeds were used to reduce the Trust's debt. Strategic reviews are completed for each asset at regular intervals. Following such a review, it was determined that Alcatel House was a non-strategic asset with limited future growth. In addition, five of the eight industrial units at 99 Carbine Road were sold, realising \$5.40 million.

There were no acquisitions during the financial year, with the due diligence of Downtown Plaza being completed at the time of this report. Downtown Plaza is a strategic acquisition for the Trust, and is adjacent to Centre Place Shopping Centre. There are a number of synergies from this property that would add value to the Trust.

**Capital Expenditure** – Over the course of the year \$4.8 million was spent on maintaining, improving and refurbishing existing assets, including a number of added-value tenancy remixes. A key remix completed during the year was the refurbishment of The Plaza's Foodcourt, and the upgrading of the public facilities. This added

significant value to The Plaza, and with incremental income of \$225,000 per annum, provides a yield of 15% on the \$1.5 million in capital expenditure.

**Development** – The \$90.9 million expansion of Northlands Shopping Centre in Christchurch commenced in September 2002, with pre-commitment for 60% of the new lettable area. The development will see the centre increase in size from 20,785m<sup>2</sup> to 40,700m<sup>2</sup> on completion by Easter 2004. Five major retail tenants are confirmed as anchors for the Centre, being Farmers, Pak’N Save, The Warehouse, Hoyts Cinemas, and Countdown Supermarket. Construction is on programme and the development is within budget. Leasing of the specialty tenancies has been very strong, with 100% of the 54 stores in Stage I leased three months before their opening in July 2003.

Significant progress was made with the Trust’s Sylvia Park development in Auckland during the year. This superbly located 24 hectare property lies adjacent to the Southern Motorway at the cross roads of Mt Wellington Highway and the South Eastern Arterial. A new Project Director, Evan Vertue, was appointed in September 2002 and brings a wealth of experience to the management team. Further information on Sylvia Park is contained on page 23.

**Revaluations** – Added-value tenancy remixes within the Trust’s retail portfolio, combined with a positive property market, contributed to the \$6.1 million increase in asset valuations for the year ending 31 March 2003. Notable positive asset revaluations (taking into account capital expenditure) included The Plaza Shopping Centre (up \$3.8 million) and Centre Place Shopping Centre (up \$3.4 million), and the Royal & SunAlliance Centre (up \$2.3 million). A significant increase in earthquake and other insurance premiums in the Wellington region contributed to the fall in value of the Majestic Centre by \$0.8 million. The expiry of Vodafone’s lease of Vodafone House in Auckland, in November 2004, reduced the value of this asset by \$1.7 million.

The overall positive impact of these revaluations contributed to the Trust’s net asset backing (NTA) per unit, which rose from \$1.05 (post the rights issue) to \$1.07. A summary of all properties held by the Trust can be found in the Summary of Investment Property detailed on page 30.

## **Outlook**

The Trust’s management team is 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 is on track for completion by Easter 2004 and excellent progress is being made on the Trust’s Sylvia Park development in Auckland.

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



ANGUS MCNAUGHTON – CHIEF EXECUTIVE  
KIWI INCOME PROPERTIES LIMITED

## INVESTMENT AND MANAGEMENT PHILOSOPHY

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“THE DECISIONS WE MAKE CAN HAVE HUGE IMPLICATIONS. IT TAKES PEOPLE WITH INSIGHT AND MARKET SENSITIVITY TO CONSISTENTLY MAKE THOSE CALLS CORRECTLY.”

ANGUS MCNAUGHTON, CHIEF EXECUTIVE

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### 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 remixes and refurbishments, renegotiation of leases and rent reviews, and the improvement of property management.

THE TRUST'S ACTIVE MANAGEMENT PHILOSOPHY CONSTANTLY FINE TUNES THE PORTFOLIO AND CAPITAL FOR OPTIMUM SHORT AND LONG TERM GAIN. CONTINUOUS ATTENTION IS FOCUSED 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 because of 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 Trust is currently undertaking the added value development of Northlands Shopping Centre in Christchurch. Further details on the progress of this development are detailed on page 20.

The development of a new town centre at Sylvia Park in Mt Wellington, Auckland, is another project being contemplated by the Trust. As reported previously, this proposed development represents a very significant project and a financial commitment that would be beyond the current capacity and investment risk profile of the Trust. The Manager is developing an ownership strategy for Sylvia Park with the assistance of Colonial First State Property. This strategy may include a strategic partner or investors joining the Trust in the development of Sylvia Park.

While commercial 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 cashflow 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 on-going 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 cashflow 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.

## EXECUTIVE TEAM OF THE MANAGER

**Angus McNaughton – Chief Executive** Angus has been with the Trust for nearly nine 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 is an honours graduate of Waikato University in Management Studies.

**Gavin Parker – Chief Financial Officer** Gavin, has over 13 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 Corporate Governance, Financial Reporting, Treasury Management and Taxation. He holds a Bachelor of Commerce and Graduate Diploma in Business from Auckland University and is a member of the Institute of Chartered Accountants of New Zealand.

**Mark Luker – General Manager-Development** Mark 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 AU\$1 billion of development activity. Mark has been with the Trust for seven years. He is both a Registered Property Consultant and Property Manager, and Senior Member of the New Zealand Property Institute.



Angus McNaughton, Gavin Parker, Mark Luker, Karl Retief, Jon Lesquereux, Evan Vertue

**Karl Retief – Manager-Retail Portfolio** Karl oversees all aspects of performance of the retail assets, including strategising remodels, improving net operating income, reviewing marketing strategies, and the management of Centre teams. Karl joined the Trust three years ago and managed North City in Wellington 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.

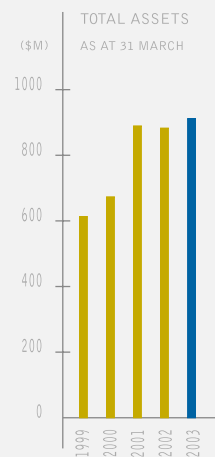
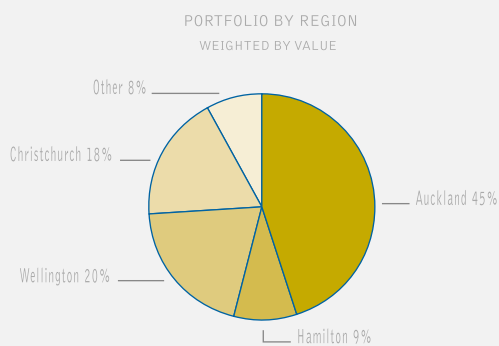
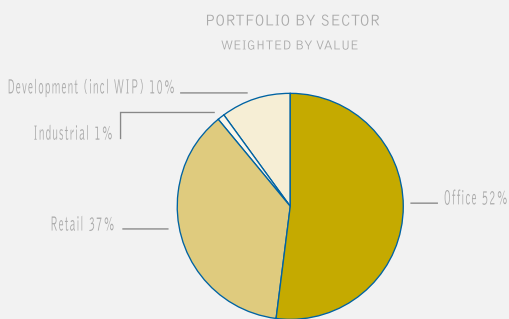
**Jon Lesquereux – Manager-Commercial Portfolio** Jon has been with Kiwi Income Property Trust for six years. He is responsible for ensuring that all office and industrial properties within the Trust's portfolio perform and advises on acquisitions and disposals for these sectors. With over 15 years experience in the property industry, Jon has significant and diverse expertise in the commercial sector, including seven years based in London where he managed office, retail and residential portfolios and undertook specialist investment, sales and valuation work. Jon is a member of the Royal Institution of Chartered Surveyors and has an Honours degree in Urban Land Economics.

**Evan Vertue – Sylvia Park Project Director** Evan is Project Director of the Trust's planned Sylvia Park development, a 24 hectare site located at the intersection of the Southern Motorway, Mount 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 Kiwi Income Property Trust team.

# PROPERTY STATISTICS

“WE HAVE TO BE OPEN-MINDED.  
WE CONTINUE TO EXPLORE OPPORTUNITIES FOR  
GROWTH WITHIN THE PORTFOLIO.”

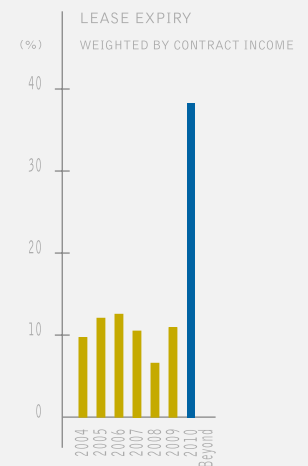
KARL RETIEF – MANAGER – RETAIL PORTFOLIO

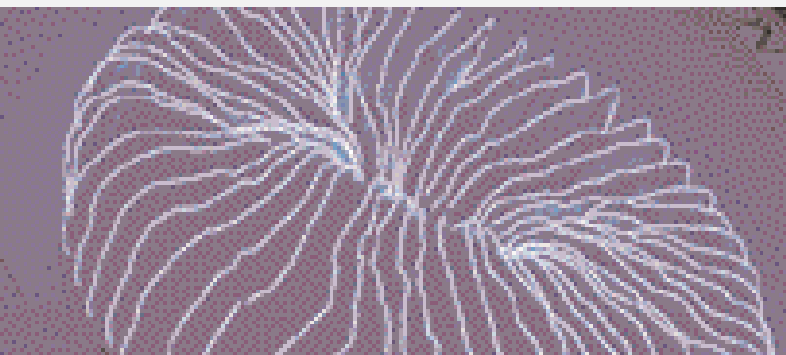
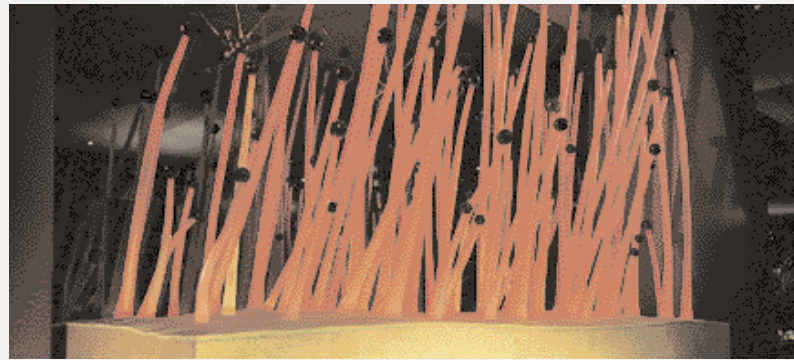


## WEIGHTED AVERAGE LEASE TERM AS AT 31 MARCH

	2003	2002	2001	2000
RETAIL	3.5	4.0	4.2	4.8
OFFICE	6.9	7.3	7.9	7.0
INDUSTRIAL	1.7	2.5	2.5	3.4
TOTAL	5.7	5.9	6.6	5.9

The weighted average lease term (WALT) is a useful measure for assessing the risk attached to the sustainability of current cashflows. 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.





# OFFICE PORTFOLIO

## KEY ACHIEVEMENTS

- ROYAL & SUNALLIANCE CENTRE 100% LEASED
- PORTFOLIO 97.2% LEASED
- 27 OFFICE LEASES AND RENEWALS WERE EXECUTED
  - REPRESENTING \$3.5 MILLION IN GROSS INCOME, 7% OF THE PORTFOLIO BY AREA AND 7% BY GROSS INCOME
- 33 RENT REVIEWS WERE COMPLETED
  - 1% (\$104,000) AHEAD OF PREVIOUS INCOME
  - REPRESENTING 32% OF THE PORTFOLIO BY AREA AND 25% BY GROSS INCOME
- GROSS CONTRACT RENTALS AT YEAR END INCREASED BY \$2.36 MILLION OVER THE PREVIOUS YEAR
- ALCATEL HOUSE AT MARITIME SQUARE SOLD FOR \$10.5 MILLION



JON LESQUEREUX, MANAGER – COMMERCIAL PORTFOLIO

## The Market

**AUCKLAND CBD** The education sector continued to contribute to the strong take up (absorption) of office space. This resulted in vacancies falling from 11.3% in June to 9.8% in December 2002. It is the first time since the late 1980's that the Central Business District (CBD) office vacancy rate has been below 10%. The vacancy level is the lowest at the top end of the market with the Premium grade at 7.1%, as at 31 December 2002. Indicative average prime rents increased during the reporting period and experience to date in 2003 suggests this trend will continue. A lack of major new supply should benefit market fundamentals during the next 12 months. While the CBD office vacancy rate is projected to fall further in 2003, there is some uncertainty on the demand side, which is increasingly dominated by domestic and offshore economic dynamics.

**WELLINGTON CBD** In December 2002 Wellington's CBD office vacancy rate stood at 7.3%. The conversion of obsolete space for alternative uses and moderate demand from occupiers seeking both small and large premises

supported the market. High quality space has the most favourable vacancy profile with Premium and Grade A vacancies both below 5%. However, leasing activity has slowed in 2003 with the strongest demand coming from the Government sector in the northern part of the CBD. A further round of corporate downsizing and relocations, combined with the full impact of insurance premium increases, appears to be dampening the prospects of further short-term rental growth in an otherwise healthy market.

**CHRISTCHURCH CBD** Positive demand across all market sectors resulted in net absorption totalling 15,000m<sup>2</sup> during the financial year. Overall, the office vacancy fell to 10.9% as at December 2003, from 13.9% a year earlier. While rental growth has been moderate in the past year, further growth is expected, as market rentals are still too low to support a significant increase in supply. Despite some major lease expiries in the city over the next few years, there remains a lack of options for larger tenants seeking prime space.

### Occupancy

The total occupancy level of the office portfolio as at 31 March 2003 was 97.2%. This improvement over the 2002 year-end position (95.5%) was a good result, particularly as more than 4,400m<sup>2</sup> became vacant in the National Bank Centre at the beginning of the period and 2,000m<sup>2</sup> became vacant within the Majestic Centre at the end of the period. Total vacant space as at 31 March 2003 was 3,939m<sup>2</sup>.

### Capital Projects

A number of smaller projects were completed during the year to add value to the office portfolio and enhance the quality of the working environment for tenants. A new gymnasium was created in the National Bank Centre, utilising mezzanine space and part of Level 1. A large hair salon now occupies previously unleased space in the podium of the Majestic Centre, and the gymnasium in the Royal & SunAlliance Centre has been extended to create an aerobics room. Remedial and upgrade works are also underway on the facade at BP House in Wellington.

Further capital projects are planned for the coming year, including an upgrade to the Royal & SunAlliance lobby adjoining the carpark, and the refurbishment of the Majestic Centre lobby in Wellington.

### Properties

**ROYAL & SUNALLIANCE CENTRE – AUCKLAND** Following the completion of a number of new leases, a major milestone was reached when the Centre was fully leased for the first time. The increased population of the building has added further vibrancy to the lobby and patronage of the Pavilion restaurant and gymnasium. The building continues to exceed the expectations of some of the Country's most discerning businesses.

Since year-end, Royal & SunAlliance, through their holding company Promina, has undertaken the largest initial public offering in the year to date. Over the coming months the building will be re-branded to align it with Royal & SunAlliance's new name. As a consequence the building will be renamed "The Vero Centre".

**NATIONAL BANK CENTRE – AUCKLAND** Following a number of lease expiries, a total of 5,288m<sup>2</sup> of vacant space became available during the year. Nine new leases were completed totalling \$818,330 in gross income, with 2,560m<sup>2</sup> available for lease as at 31 March 2003. The buoyant market has assisted in further leaseings since that time.

In response to a perceived demand for smaller fitted out tenancies, level 3 was subdivided and refurbished. The project proved to be highly successful and is likely to be repeated on other floors within the building.

**VODAFONE HOUSE – AUCKLAND** All existing leases in this building expire by the end of 2005. Consequently, the Manager has dedicated considerable resources to retaining existing tenants. Although Vodafone are likely to relocate to a new purpose built building, negotiations for the retention of other tenants in the building are proceeding well. It is likely that a refurbishment or upgrade to this property will be undertaken within the next two years.

**AUT BUILDING – AUCKLAND** This building is now completely devoted to educational use. As a consequence of major growth in this sector, both major tenants, AUT and Senior College, have established future requirements within the building which will continue to underpin income and capital value.

**HP HOUSE – AUCKLAND** During the year, the existing tenant Compaq, amalgamated with HP Invent. The building was subsequently renamed and HP Invent relocated a number of staff from other buildings to the Trust's property. The other major tenant in the building, Bayleys Real Estate, had another record year achieving sales in excess of \$4 billion. The Viaduct precinct continues to mature, attracting both tenant and investor interest.

**MAJESTIC CENTRE – WELLINGTON** An extremely active market contributed to a milestone for this property. During the year this building became 100% leased when INL leased level 8 and IBM leased levels 10 and 11. The Brasserie at lobby level was also leased for the first time when Buoy Hairdressing moved into a newly created salon. Lease expiries at the end of March 2003 resulted in some vacancy on levels 14 & 15. This space has subsequently been partially re-let.

**BP HOUSE – WELLINGTON** External refurbishment works are currently underway at this property. The building is to be repainted and areas of the external facade reclad.

**PRICEWATERHOUSECOOPERS CENTRE – CHRISTCHURCH** This prime Christchurch building has benefited from a limited supply of similar office space in the market. New leasing of vacant space completed in the year resulted in only a small amount of vacant space remaining on level 20. In addition, market movements in rental levels have been realised in a number of rent reviews, resulting in rent increases and improved returns from the building. Management focus is now on major expiries in 2005 and beyond.

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“WE SUCCEED NOT JUST BECAUSE OUR PEOPLE UNDERSTAND  
DIFFERENT BUSINESS NEEDS, BUT ALSO BECAUSE THEY’RE INTERESTED  
IN WHAT OUR TENANTS ARE DOING, AND HOW SENSIBLE PROPERTY  
SOLUTIONS CAN ADD VALUE TO THEIR BOTTOM LINE.”

JON LESQUEREUX – MANAGER – COMMERCIAL PORTFOLIO

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## RETAIL PORTFOLIO

HIGHLIGHTS IN THE RETAIL PORTFOLIO OVER THE PAST YEAR INCLUDE:

THE \$90.9 MILLION NORTHLANDS SHOPPING CENTRE EXPANSION COMMENCED IN SEPTEMBER 2002. LEASING OF THE FIRST STAGE HAS BEEN SUCCESSFULLY COMPLETED THREE MONTHS AHEAD OF OPENING

58 RETAIL LEASES OR RENEWALS WERE COMPLETED

– 31% (\$808,000) AHEAD OF PREVIOUS INCOME

– REPRESENTING 7% OF THE PORTFOLIO BY AREA, AND 13% BY NET INCOME

129 RENT REVIEWS WERE COMPLETED

– 6% (\$652,000) AHEAD OF CURRENT INCOME

– REPRESENTING 43% OF THE PORTFOLIO BY AREA, AND 41% BY NET INCOME

COMPARABLE SALES EXCLUDING NORTHLANDS, INCREASED BY 4% FOR THE YEAR

RETAIL REVALUATIONS INCREASED BY 2.7% TO \$331.6 MILLION (EXCLUDING NORTHLANDS WHICH IS BEING DEVELOPED)

SHOPPING CENTRE OCCUPANCY LEVEL HAS REMAINED STRONG AT 98.1%

THE PLAZA FOODCOURT WAS SUCCESSFULLY REMIXED AND OPENED IN NOVEMBER 2002 AT A COST OF \$1.5 MILLION.



KARL RETIEF, MANAGER – RETAIL PORTFOLIO



### The Market

Over the past year the Trust's retail portfolio experienced solid sales growth, driven by the rural upswing. Despite consumer confidence in the latter stages of the year declining, total sales increased by four percent over the previous year. The gross occupancy costs for the Trust's retailers, being rent and operating expenses as a percentage of sales, are at a level where continued rental growth will be achieved.

The retail market remained competitive over the past year, with several retailers refreshing their store formats and merchandise offers. Shopping centres that are suitably positioned with a compelling retail tenancy mix are expected to enjoy the benefits in the year ahead. The Trust's assets remain well placed in their respective catchments. The outlook for the retail market is expected to remain competitive, with continued retail sales and rental growth forecast for the Trust's shopping centres.

## Occupancy

Retail centres, excluding Northlands which is being developed, had a 98.1% occupancy as at 31 March 2003. The quality of the Trust's retail assets is reflected by the continued demand for retail tenancies, and the Trust's high occupancy levels.

## Properties

**CENTRE PLACE SHOPPING CENTRE, HAMILTON** The Centre remains the dominant retail centre in the Waikato Region. Centre Place continued to enjoy the benefits of the rural economic upturn and the refurbishment completed in November 2000. Total retail sales continued to show strong growth, up 12% on the previous year. Centre Place is now fully let and demand for space in the Centre remains high. Strong rental growth continues.

**THE PLAZA SHOPPING CENTRE, PALMERSTON NORTH** A \$1.5m refurbishment and remix of the foodcourt was completed during November 2002 to complement the Centre's dominant fashion mix. The positive change to the Centre has been translated into specialty sales growth, up 2% on the previous year. The Centre is fully occupied with demand for space.

**NORTH CITY SHOPPING CENTRE, PORIRUA** The Trust announced in early June 2003 the \$9.9 million remix of North City. The remix will see an enlarged 500 seat foodcourt, further space provided for fashion tenants, and refurbishment of the public facilities. Total retail sales were the same as the previous year, reflecting the competitive nature of the Wellington market.

**NORTHLANDS SHOPPING CENTRE, CHRISTCHURCH** During September 2002 the substantial development and remix of Northlands began. Strong interest in retail space is reflected in Stage I being fully leased three months ahead of opening. (See the following feature on Northlands).

## NORTHLANDS DEVELOPMENT, CHRISTCHURCH

"WE ARE TRANSFORMING AN ALREADY SUBSTANTIAL COMPLEX INTO A VIBRANT DESTINATION THAT IS ATTRACTING ENORMOUS INTEREST. THAT TAKES VISION AND DETERMINATION AND EXTRAORDINARY ATTENTION TO DETAIL."

MARK LUKER - GENERAL MANAGER - DEVELOPMENT



## Introduction

Northlands has a proud trading tradition that extends back over 35 years and as one of New Zealand's first shopping centres it has captured a strong and loyal customer base. Today it is the dominant retail asset in Christchurch's north-west sector. The Trust's vision is to position Northlands as the preferred Centre that is uniquely Cantabrian, meeting the aspirations and needs of the Centre's customers.

## History

The Trust acquired a 50% interest in Northlands Shopping Centre in February 1994. The purpose of the acquisition was to facilitate a major upgrade and expansion of the Centre, effectively converting it to one of Christchurch's major centres at the time. The Centre was subsequently increased in size from 12,750 square metres to 20,785 square metres.

The remaining 50% of the Centre was acquired by the Trust on 31 March 1998. The Manager recognised the potential for further expansion in response to continuing major tenant demand and strong population growth in the northern precincts of Christchurch. Extensive investigative work into refurbishment and expansion options was undertaken over the three year period preceding development. This clearly identified the opportunity to expand Northlands into a New Zealand regional centre. In addition to the 20,785 square metres of net lettable area in the existing Centre, the Countdown supermarket and The Warehouse stores adjacent to the Centre, but which do not form part of the existing Centre, represent another 6,800 square metres of lettable area. Another 13,100 square metres of new space is being added through the new development to take the enlarged Centre to 40,700 square metres.

## Investment Rationale

The opportunity is to create a genuine New Zealand regional shopping centre with compelling benefits including:

- Creating a high quality asset, which will boast a unique mix of major tenants in the New Zealand market.
- Achieving a new level of customer appeal and increasing Northlands' Main Trade Area market share.
- Lifting Northlands' performance by repositioning the Centre to capture long term revenue growth for unit holders.
- Improving the quality of the Trust's income streams.
- Increasing the Trust's weighting in retail assets and gaining further exposure to the best performing sector of the New Zealand property market.
- Adding value and enhancing the returns to unit holders.
- The potential value that would be created for unit holders of the Trust, as supported by extensive and in-depth research and analysis.

## Progress Report...

**LEASING – STAGE ONE 100% LEASED** Strong demand for space has enabled the Trust to fully lease the first stage of Northlands well ahead of schedule, a full three months before this stage is due to open. This first stage of the development consists of 54 stores.

There is strong and continuing demand from national and international retailers for quality retail space within the redeveloped centre.

A number of established national retailers not previously tenants of the Centre have been attracted to stage one of the development, including children's clothes retailer Pumpkin Patch, jeweller Stewart Dawsons, and homeware and gift store Acquisitions. Lush, a U.K.-based international retailer of handmade cosmetics, will enter the South Island market for the first time with a new shop at Northlands.

SINCE THE TRUST ORIGINALLY ACQUIRED ITS INITIAL STAKE IN NORTHLANDS IN 1994, THE CENTRE HAS GROWN FROM 12,750M<sup>2</sup> TO 20,785M<sup>2</sup>. THE CURRENT DEVELOPMENT WILL ENLARGE THIS CENTRE TO 40,700M<sup>2</sup>, MAKING IT THE LARGEST ENCLOSED SHOPPING CENTRE IN NEW ZEALAND.



One of the five major anchor tenants of the Northlands development, The Warehouse, will also open its new Northlands store as part of Stage I. The other four anchor tenants are Farmers, Pak’N Save, Hoyts Cinemas and Countdown.

**CONSTRUCTION – ON PROGRAMME AND WITHIN BUDGET** Construction works are progressing on programme and within budget. The first stage of the development is on schedule to open in July, with the second and third stages of the development on target to be completed by Christmas 2003 and Easter next year.

A recent milestone was achieved with the completion of Sisson Drive – a new road running between Langdons Road through to Sawyers Arms Road. This road is proving a popular new access way to Northlands. The new road severed areas of the adjoining Papanui High School, which required several new School buildings to be built. This work has been successfully completed and the students now occupy the new buildings, a lasting legacy of the development to the local community.

The extended centre is now taking shape and its presence as the largest enclosed shopping centre in New Zealand is becoming apparent. Fletcher Construction are the main Contractor to the Trust and they are completing their works to the highest industry standards.

### Project Financials

As detailed in the Investment Statement dated 24 June 2002, the Project Financials are as follows:

TOTAL DEVELOPMENT COST	\$90.9m
INCREMENTAL NET INCOME	\$7.9m
FORECAST YIELD ON DEVELOPMENT COST	8.7%
EXISTING CENTRE VALUATION	\$94.5m
VALUATION & DEVELOPMENT COST	\$185.4m
FORECAST NEW CURRENT VALUATION AT COMPLETION	\$189.0m
FORECAST DEVELOPMENT MARGIN	\$3.6m

## SYLVIA PARK

Sound progress is being made with the Trust's 24 hectare site located in Mt Wellington, Auckland.

The attributes of the site have been identified in previous reports but may be summarised as those associated with strategic location in the geographical heart of Auckland accompanied by good traffic and public transport access. The site is sufficiently large as to permit a development of scale and substance.

Masterplanning is now well advanced and negotiations are continuing with major anchor retailers for the development. Commercial assessments are constantly updated as more information flows from the masterplan and decisions made are supported by ongoing research.

The Manager of the Trust is currently working with its parent company, Colonial First State Property, in Australia to develop a long term ownership strategy for Sylvia Park. The project is a significant one, not only for the Trust, but the New Zealand market as a whole. Emphasis is therefore being placed on both identifying and managing the risks associated with a project of this scale.

In early June the Trust announced that a significant hurdle towards the implementation of Plan Change 4 at Sylvia Park had been cleared. Plan Change 4 involves the rezoning of the site to allow New Zealand's largest retail and mixed use development, which has been subject to appeal court proceedings on the protection of Wahi Tapu (sacred areas) over the site.

In November 2001, the High Court had granted the Ngati Maru Iwi Authority leave to appeal its case to the Court of Appeal. After very constructive discussions with Ngati Maru, a mutually satisfactory agreement was achieved that involves co-operation during the development of the Sylvia Park site and agreed alterations to the earthworks provisions of the District Plan. Following a joint memorandum to the Court of Appeal, the Court has referred the matter back to the Environment Court where the parties will now seek the agreed alterations. Given that the approach to the Court is a joint one with little modification required to the prevailing District Plan provisions, it is expected that the outcome will be favourable.

This is a major milestone for the Trust. The present zoning of the site was achieved after lengthy applications and court proceedings and the way has now been largely cleared to benefit from that zoning. The site and surrounding area has a very rich history and cultural heritage and it is appropriate that these factors be recognised in the overall development.

The Manager remains of the view that Sylvia Park presents a major development opportunity for the Trust. The scale and complexities of a development of this magnitude demand thoroughness and due process and the Manager is confident that this process will deliver a positive outcome.

MASTERPLANNING IS NOW WELL ADVANCED, AND CONSIDERABLE EMPHASIS IS BEING PLACED ON BOTH IDENTIFYING AND MANAGING THE RISKS ASSOCIATED WITH A PROJECT OF THIS SCALE, AND DEVELOPING A LONG TERM OWNERSHIP STRATEGY.



EVAN VERTUE, SYLVIA PARK PROJECT DIRECTOR

## OFFICE PORTFOLIO

	ROYAL & SUNALLIANCE CENTRE, AUCKLAND	NATIONAL BANK CENTRE, AUCKLAND	
ADDRESS	48 Shortland Street, Auckland	ADDRESS	205 Queen Street, Auckland
DATE ACQUIRED	April 2001	DATE ACQUIRED	November 1996 (50%)
NET LETTABLE AREA	39,579m <sup>2</sup>	NET LETTABLE AREA	13,012m <sup>2</sup>
CURRENT VALUATION	\$ 204,500,000 (as at 31 March 2003)	CURRENT VALUATION	\$ 46,400,000 (50%) (as at 31 March 2003)
MAJOR TENANTS	Royal & SunAlliance, Russell McVeagh, Bell Gully, JBWere, ABN Amro	MAJOR TENANTS	National Bank, Phillips Fox



### AN ENVIRONMENT THAT MOTIVATES & INSPIRES

The Royal & SunAlliance Centre, completed in September 2000, is New Zealand's tallest and premier office tower located in the heart of Auckland's legal & 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.

### 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. A prestigious national award was won in 2001 for excellence in energy conservation. The property is very well located in a prominent position within the core Central Business District of Auckland. The site occupies an entire city block.

HP HOUSE, AUCKLAND		VODAFONE HOUSE, AUCKLAND	
ADDRESS	4 Viaduct Harbour Ave, Auckland	ADDRESS	21 Pitt Street, Auckland
DATE ACQUIRED	September 2000	DATE ACQUIRED	March 1997
NET LETTABLE AREA	7,369m <sup>2</sup>	NET LETTABLE AREA	17,364m <sup>2</sup>
CURRENT VALUATION	\$ 25,300,000 (as at 31 March 2003)	CURRENT VALUATION	\$ 38,000,000 (as at 31 March 2003)
MAJOR TENANTS	HP Invent, Bayleys Real Estate	MAJOR TENANTS	Vodafone, Auckland Regional Council



#### **TIMELESS GEORGIAN DESIGN IN THE HEART OF MARITIME SQUARE**

HP House is a premium quality office building located in the prestigious 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.

#### **GATEWAY TO THE AUCKLAND CBD**

Vodafone House is an A-grade building located on the periphery of the Central Business District, 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 floor plates.

## OFFICE PORTFOLIO

	<b>AUT FACULTY OF ARTS BUILDING, AUCKLAND</b>	<b>THE MAJESTIC CENTRE, WELLINGTON</b>	
ADDRESS	2-14 Wakefield Street, Auckland	ADDRESS	100 Willis Street, Wellington
DATE ACQUIRED	December 1994	DATE ACQUIRED	March 1994
NET LETTABLE AREA	13,949m <sup>2</sup>	NET LETTABLE AREA	23,435m <sup>2</sup>
CURRENT VALUATION	\$ 26,750,000 (as at 31 March 2003)	CURRENT VALUATION	\$ 71,000,000 (as at 31 March 2003)
MAJOR TENANTS	AUT, NZ International College	MAJOR TENANTS	Ernst & Young, Opus Consulting, Embassy of Japan, IBM, INL



### **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 B+ grade 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 1970's and since completely retro-fitted in 1990.

### **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 the city's most highly specified office tower. The property, completed in 1991, comprises 21 office floors, 3 retail levels and 6 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 100 year old three-storey weatherboard building with a Category 1 listing under the Historic Places Act.

BP HOUSE, WELLINGTON		PRICEWATERHOUSECOOPERS CENTRE, CHRISTCHURCH	
ADDRESS	Customhouse Quay, Wellington	ADDRESS	119 Armagh Street, Christchurch
DATE ACQUIRED	December 1994	DATE ACQUIRED	December 1997
NET LETTABLE AREA	9,140m <sup>2</sup>	NET LETTABLE AREA	16,059m <sup>2</sup>
CURRENT VALUATION	\$ 22,770,000 (as at 31 March 2003)	CURRENT VALUATION	\$ 33,200,000 (as at 31 March 2003)
MAJOR TENANT	BP	MAJOR TENANTS	PricewaterhouseCoopers, Lane Neave Ronaldson, Harman & Co, Beca, HG Livingstone



#### 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 ten 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.

#### 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 30-metre pool, sauna and gymnasium. It is a vibrant, flexible workplace serving a range of corporate and professional tenants.

## RETAIL PORTFOLIO

CENTRE PLACE SHOPPING CENTRE, HAMILTON		THE PLAZA SHOPPING CENTRE, PALMERSTON NORTH	
ADDRESS	501 Victoria Street, Hamilton	ADDRESS	Church Street, Palmerston North
DATE ACQUIRED	December 1994	DATE ACQUIRED	August 1993
NET LETTABLE AREA	15,428m <sup>2</sup>	NET LETTABLE AREA	14,488m <sup>2</sup>
CURRENT VALUATION	\$ 77,900,000 (as at 31 March 2003)	CURRENT VALUATION	\$ 63,950,000 (as at 31 March 2003)
MAJOR TENANT	Village Force Cinemas	MAJOR TENANT	Kmart



### WAIKATO'S LEADING RETAIL CENTRE

Centre Place is Waikato's leading retail and fashion destination, including Hamilton's only cinema complex, located in the heart of the commercial business district. There is a wide range of quality national and international retailers, including a stylish new Foodcourt, and an integrated multi-storey carpark. The Centre was extensively refurbished in November 2000.

### 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 commercial business district. The Centre is Manawatu's premium shopping destination, with a strong fashion focus, and is surrounded by ample parking. The refurbishment of the Centre's Foodcourt was completed in November 2002.

NORTH CITY SHOPPING CENTRE, PORIRUA		NORTHLANDS SHOPPING CENTRE, CHRISTCHURCH	
ADDRESS	Titahi Bay Road, Porirua	ADDRESS	Main North Road, Christchurch
DATE ACQUIRED	December 1993	DATE ACQUIRED	March 1994 (50%), March 1998 (50%)
NET LETTABLE AREA	24,966m <sup>2</sup>	NET LETTABLE AREA	20,785m <sup>2</sup>
CURRENT VALUATION	\$ 82,500,000 (as at 31 March 2003)	CURRENT VALUATION	\$ 85,550,000 (as at 31 March 2002)
MAJOR TENANTS	Kmart, Farmers, Movieland 5	MAJOR TENANTS	Farmers, Hoyts 6, Pak'N Save



#### 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 REGION'S PREFERRED SHOPPING CENTRE FOR FAMILY ENTERTAINMENT

Northlands is a substantial free-standing single level regional shopping centre, originally constructed in 1967. The Centre has a strong history, with over 35 years of trading. It is the dominant shopping centre in north-west Christchurch. Northlands is currently under extensive development to incorporate New Zealand's strongest mix of anchor tenants. The Centre is renowned for its involvement in the community, supporting local schools, clubs and events.

## SUMMARY OF INVESTMENT PROPERTY

AS AT 31 MARCH 2003

PROPERTY	CURRENT VALUATION	PROSPECTIVE NET RENTAL	YIELD ON VALUATION
<b>OFFICE PORTFOLIO</b>			
Royal & SunAlliance Centre, Auckland	\$204,500,000	\$18,097,625	8.8%
National Bank Centre (50%), Auckland	\$46,400,000	\$3,689,031	8.0%
HP House, Auckland	\$25,300,000	\$2,388,959	9.4%
Vodafone House, Auckland	\$38,000,000	\$3,665,162	9.6%
AUT Faculty of Arts Building, Auckland	\$26,750,000	\$2,633,276	9.8%
Majestic Centre, Wellington	\$71,000,000	\$5,993,881	8.4%
BP House, Wellington	\$22,770,000	\$1,857,817	8.2%
PricewaterhouseCoopers Centre, Christchurch	\$33,200,000	\$3,157,387	9.5%
<b>Total Office Property</b>	<b>\$467,920,000</b>	<b>\$41,483,138</b>	<b>8.9%</b>
<b>RETAIL PORTFOLIO</b>			
Centre Place Shopping Centre, Hamilton	\$77,900,000	\$7,450,530	9.6%
The Plaza Shopping Centre, Palmerston North	\$63,950,000	\$5,626,798	8.8%
North City Shopping Centre, Porirua	\$82,500,000	\$6,605,263	8.0%
Northlands Shopping Centre, Christchurch	\$85,550,000	\$7,304,821	8.5%
Countdown, Christchurch	\$6,175,000	\$318,668	5.2%
Farmers, Palmerston North	\$5,110,000	\$609,978	11.9%
The Warehouse, Christchurch	\$4,210,000	\$470,449	11.2%
FTC Warehouse, Christchurch	\$2,780,000	–	0.0%
Beattie Rickman, Hamilton	\$3,000,000	\$342,966	11.4%
Countrywide Building, Hamilton	\$450,000	\$15,276	3.4%
<b>Total Retail Property</b>	<b>\$331,625,000</b>	<b>\$28,744,749</b>	<b>8.7%</b>
<b>INDUSTRIAL PORTFOLIO</b>			
Carbine Rd (77)	\$6,390,000	\$725,773	11.4%
<b>Total Industrial Property</b>	<b>\$6,390,000</b>	<b>\$725,773</b>	<b>11.4%</b>
<b>WORK IN PROGRESS</b>			
	\$4,034,000		
<b>TOTAL PORTFOLIO</b>			
	<b>\$809,969,000</b>	<b>\$70,953,660</b>	<b>8.8%</b>

CURRENT VALUER	VALUATION DATE	NET LETTABLE AREA (M <sup>2</sup> )	VACANT M <sup>2</sup>	OCCUPANCY %	NO. OF CARPARKS	NO. OF TENANTS
Colliers International	31-Mar-03	39,579	–	100.0%	386	32
CB Richard Ellis	31-Mar-03	13,012	1,280	90.2%	212	28
Jones Lang LaSalle	31-Mar-03	7,369	–	100.0%	70	2
Jones Lang LaSalle	31-Mar-03	17,364	–	100.0%	48	2
Colliers International	31-Mar-03	13,949	–	100.0%	252	5
CB Richard Ellis	31-Mar-03	23,435	2,152	90.8%	268	18
CB Richard Ellis	31-Mar-03	9,140	–	100.0%	68	1
CB Richard Ellis	31-Mar-03	16,059	507	96.8%	160	26
		139,907	3,939	97.2%	1,464	114
Jones Lang LaSalle	31-Mar-03	15,428	–	100.0%	604	78
CB Richard Ellis	31-Mar-03	14,488	–	100.0%	684	59
Jones Lang LaSalle	31-Mar-03	24,966	719	97.1%	1,333	93
Colliers International	31-Mar-02			Under development		
Colliers International	31-Mar-02			Under development		
CB Richard Ellis	31-Mar-03	8,205	–	100.0%	0	1
Colliers International	31-Mar-03	3,582	–	100.0%	178	1
Colliers International	31-Mar-02			Under development		
Jones Lang LaSalle	31-Mar-03	2,809	394	86.0%	29	2
Jones Lang LaSalle	31-Mar-03	396	206	48.0%	0	3
		69,874	1,319	98.1%	2,828	237
Colliers International	31-Mar-03	12,014	–	100.0%	21	4
		12,014	–	100.0%	21	4
		221,795	5,258	97.6%	4,313	355

## 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), holding company for Sovereign Assurance Group (ASB Group (Life) Limited) and Software of Excellence International Limited (Chairman) and Eldercare Limited (Chairman). Jim was educated in Auckland and graduated from Victoria University with a BCom.

**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 B.E. at Auckland University, 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 Director of Infrastructure Auckland, a Trustee of the Committee of Auckland and Chairman of the Auckland City Sculpture Trust.

**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 President of the Auckland District Society of Notaries. He is a Member of the New Zealand Order of Merit.



Jim Syme, Richard Didsbury, Robert Narev, Wal Edgell, Bob Kelly, John Duncan

**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 funds management business arenas. His recent focus has been leading project teams on strategic acquisitions and merger opportunities for the Group.

**Bob Kelly** Bob Kelly joined the Board in March 2002. Bob is Head of Funds Management for Colonial First State Property Group. Bob carries general responsibility for the strategic direction of all Funds, together with leading new initiatives. He is an experienced company director whose current directorships include Colonial First State Property Limited. Bob is based in Australia, and brings over 20 years experience in the property industry to Kiwi Income Property Trust. This includes nine years working with Lend Lease and as a self employed consultant.

**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 of 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

“ROBUST CORPORATE GOVERNANCE DEMANDS THAT WE  
APPROACH EVERY OPPORTUNITY WITH CAUTION, AND THAT  
WE REPORT OUR RESULTS WITH INTEGRITY.”

GAVIN PARKER - CHIEF FINANCIAL OFFICER



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	Non-executive Member
Robert Narev	Non-executive Member	Non-executive Chairman
Richard Didsbury	Non-executive Member	
Wal Edgell	Executive Member	
John Duncan	Non-executive Member <sup>1</sup>	Non-executive Member <sup>1</sup>
Bob Kelly	Executive Member	

<sup>1</sup> 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 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 each director 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 and 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.
- Share dealings in the Trust.
- Particulars of Board approved payments and loans and guarantees of the debts of directors, or contracts to do any of these things.

In considering any share dealings in the Trust, the directors must observe the Insider Trading Policy. Directors must notify and obtain approval of the Manager before trading in the Trust's units 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 Insider Trading Policy.
- Be absolutely honest in all professional activities.

## **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 Australian and New Zealand Stock Exchange Listing Rules with respect to management 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 only 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 'arms 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 Listing Rules of the New Zealand and Australian Stock Exchanges (the Exchanges), 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 Company Secretary is responsible for communications with the Exchanges and for ensuring that such information is not released to any person until the Exchanges have confirmed its release to the market. All stock exchange announcements are also posted on the Trust's website at [www.kipt.co.nz](http://www.kipt.co.nz).

## **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 Listing Rules of the New Zealand Stock Exchange, 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", (ie. where a buyer wishes to acquire more than 20% of the units or converting notes 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 New Zealand Stock Exchange 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 New Zealand Stock Exchange 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 of 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, eight wholesale funds, and three direct property investment mandates. In New Zealand Colonial is responsible for the management of two listed property trusts.

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\$13 billion, Colonial combines the talents and expertise of in excess of 250 people, creating one of the largest and most innovative teams of property and funds management professionals in Australasia.

## ENVIRONMENTAL PHILOSOPHY

### Guiding Framework

Kiwi Income Property Trust recognises that it can play an important role in protecting and enhancing the environment for future generations. The Trust is demonstrating its commitment to securing a viable and sustainable property sector through integrating environmental considerations into its business practices. An Environmental Policy for the Trust has been developed and is being implemented.

The goals of this policy are to:

- minimise the use of energy, water and materials.
- minimise waste while reducing, reusing and recycling resources as much as possible.
- minimise air and water pollution.
- work in partnership with suppliers and contractors to improve environmental performance.
- openly communicate the Trust’s environmental policies and practices to interested parties.
- promote continuous improvement through setting environmental performance and programme targets and by annually reviewing progress against those targets.

The guiding framework of this policy is to adopt a balanced approach to all environmental matters within the context of a commercial operation. The Trust will strive for continuous improvement and regularly review progress. An executive of the management team has been tasked with co-ordinating and championing the Trust’s efforts to act in an environmentally responsible manner.

### Achieving Environmental Standards

In line with the Trust’s aims, we have recently completed a programme benchmarking environmental performance across the Trust’s portfolio of buildings. We investigated energy efficiency, recycling and waste management, and water treatment and usage. The majority of buildings achieved performance levels above the published benchmarks. In particular, the Royal & SunAlliance Centre has won three environmental awards – two national and one international. We are now progressively improving the environmental performance of buildings across our portfolio, and have set challenging improvement targets.

A reporting programme has been set in place to monitor progress over the coming year. To ensure the Trust takes a balanced view and follows best practice, we intend having our recently completed benchmarking programme externally reviewed.

We are committed to playing our part in delivering a sustainable environment for future generations.



## INVESTOR RELATIONS

Kiwi Income Property Trust is listed on the New Zealand Exchange (NZX) and the Australian Stock Exchange (ASX). Investors can purchase units in the Trust and gain exposure to a diversified portfolio of prime office, retail and industrial property 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 growing 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 sharemarket. Units can be bought and/or sold at market prices.

In summary, an investment in Kiwi Income Property Trust provides:

- exposure to a diversified portfolio of prime property assets in New Zealand's North and South Islands.
- 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 us at [information@kipt.co.nz](mailto:information@kipt.co.nz)

### KIPT Website

The Trust website, [www.kipt.co.nz](http://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. New Zealand Stock Exchange and Australian Stock Exchange announcements are published on the website following release to the exchanges. 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, converting note price and comparative graphs are available under "Our Performance". The information is provided by the New Zealand Stock Exchange 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.

## COMMON TERMS EXPLAINED

<b>ASX</b>	Australian Stock Exchange.
<b>DIVIDEND OR DISTRIBUTION</b>	A dividend is the amount per unit paid out by the Trust to unit holders. These payments comprise a share of the net income (after tax) of the Trust. The Trust pays distributions for the periods ended 31 March, and 30 September.
<b>IMPUTATION CREDITS</b>	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.
<b>INDEPENDENT VALUATION</b>	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.
<b>KIP</b>	The New Zealand Stock Exchange code for Kiwi Income Property Trust.
<b>KIT</b>	The Australian Stock Exchange code for Kiwi Income Property Trust.
<b>MARKET CAPITALISATION</b>	The market value of the Trust, representing the sum of the number of Units on issue multiplied by the unit price and the number of Converting Notes on issue multiplied by the converting note price (as quoted on the NZX).
<b>NET ABSORPTION</b>	The difference between space supplied in a market and space leased in that market over a set time period.
<b>NET LETTABLE AREA</b>	The floor area of the building for which rentals can be charged.
<b>NET TANGIBLE ASSETS</b>	The value of gross assets less all debts and other liabilities, normally divided by the number of shares on issue and shown as cents per unit.
<b>NON CORE</b>	Refers to assets that exhibit a number of characteristics outside the Trust's investment strategy.
<b>NZSX40/NZSX50</b>	Benchmark indices produced by the New Zealand Stock Exchange, that comprise the top 40 (NZSX40) or top 50 (NZSX50) companies listed on the New Zealand Stock Exchange by market capitalisation.
<b>NZX</b>	New Zealand Exchange (formerly NZSE).
<b>OCCUPANCY</b>	The amount of space occupied measured against the total stock of space.
<b>OVER-RENTING</b>	Where the contract rental being paid under the lease exceeds the market rent achievable on the open market today.
<b>RECORD DATE</b>	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 that period.
<b>REGISTRAR</b>	The Registrar is responsible for maintaining all security holder details. The Registrar for the Trust is BK Registries. Details of the Registrar are included in the directory.
<b>RENT REVIEW</b>	A date stipulated in a lease at which the landlord and tenant review the contracted rental being paid under the lease.
<b>THE MANAGER</b>	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.
<b>THE TRUST</b>	Kiwi Income Property Trust. A unit trust registered under the Unit Trusts Act 1960 and governed by the terms of the Trust Deed.
<b>TOTAL RETURNS</b>	The return to shareholders when adding the income (dividend) return and capital (unit price movement) returns.
<b>TRUSTEE</b>	The Trustee for unit holders in Kiwi Income Property Trust is New Zealand Permanent Trustees Limited. Refer to the Corporate Governance section for further detail on the role of the Trustee.
<b>UNIT</b>	An undivided part or share in the Trust. All units carry equal voting rights and participate in distributions made by the Trust. Units in the Trust can be bought or sold on either the New Zealand or Australian Stock Exchanges.
<b>UNIT PRICE</b>	The price transacted for a unit in Kiwi Income Property Trust as recorded by the New Zealand or Australian Stock Exchanges.
<b>WEIGHTED AVERAGE LEASE TERM</b>	The average lease term weighted by net income.
<b>YIELD</b>	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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STATEMENTS OF  
**FINANCIAL PERFORMANCE**

FOR THE YEAR ENDED 31 MARCH 2003

	NOTE	GROUP 2003 \$ 000	GROUP 2002 \$ 000	PARENT 2003 \$ 000	PARENT 2002 \$ 000
<b>INCOME</b>					
Rental Income	9	70,698	71,817	–	126
Interest Income	17	436	238	8,251	7,139
Management Fee Income	17	–	–	7,128	7,128
Dividend Income	17	–	–	39,790	40,208
		<u>71,134</u>	<u>72,055</u>	<u>55,169</u>	<u>54,601</u>
<b>DIRECT COSTS</b>					
Audit Fees	18	160	145	98	80
Interest Expense	19	11,487	14,935	–	–
Legal & Professional Fees	18	222	161	220	180
Manager's Fees	17	6,629	6,685	7,171	7,184
Registry & Stock Exchange Fees		265	126	265	150
Subvention Payment	17	–	–	–	383
Trustee's Fees		278	318	299	293
Unit Holder Communication		290	194	290	194
Other Operating Expenses		366	483	242	371
		<u>19,697</u>	<u>23,047</u>	<u>8,585</u>	<u>8,835</u>
<b>Net Operating Income before Income Tax</b>		<b>51,437</b>	<b>49,008</b>	<b>46,584</b>	<b>45,766</b>
Add Gains/Less Losses on Realisation of Investments	3	548	(468)	526	–
<b>Net Income before Income Tax</b>		<b>51,985</b>	<b>48,540</b>	<b>47,110</b>	<b>45,766</b>
Less: Income Tax	12	7,239	5,180	2,386	1,938
<b>Net Income after Income Tax</b>		<b>44,746</b>	<b>43,360</b>	<b>44,724</b>	<b>43,828</b>
Less Gains/Add Losses on Realisation of Investments	3	(548)	468	(526)	–
<b>Income Available for Distribution</b>		<b>44,198</b>	<b>43,828</b>	<b>44,198</b>	<b>43,828</b>

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

STATEMENTS OF  
MOVEMENTS IN INVESTORS' FUNDS

FOR THE YEAR ENDED 31 MARCH 2003

	NOTE	GROUP 2003 \$ 000	GROUP 2002 \$ 000	PARENT 2003 \$ 000	PARENT 2002 \$ 000
Investors' Funds at Start of the Year		585,865	581,401	585,865	581,401
<b>EARNINGS AND REVALUATIONS</b>					
Income Available for Distribution		44,198	43,828	44,198	43,828
Revaluation of Investment Properties	3	6,132	1,717	526	–
Revaluation of Investment in Subsidiaries	3	–	–	5,628	1,249
Gains/(Losses) on Realisation of Investment Properties	3	548	(468)	548	–
Losses on Realisation of Investment in Subsidiaries	3	–	–	(22)	–
<b>Total Recognised Earnings and Revaluations</b>		<b>50,878</b>	<b>45,077</b>	<b>50,878</b>	<b>45,077</b>
<b>CAPITAL MOVEMENTS</b>					
Rights Issue	2	69,318	–	69,318	–
Dividend Reinvestment Plan	2	4,050	3,215	4,050	3,215
<b>Total Capital Movements</b>		<b>73,368</b>	<b>3,215</b>	<b>73,368</b>	<b>3,215</b>
<b>DISTRIBUTIONS</b>					
Converting Note Interest		(5,985)	(5,985)	(5,985)	(5,985)
Income Tax Benefit on Converting Note Interest		1,975	1,975	1,975	1,975
Distributions to Unit Holders		(40,188)	(39,818)	(40,188)	(39,818)
<b>Total Distributions</b>		<b>(44,198)</b>	<b>(43,828)</b>	<b>(44,198)</b>	<b>(43,828)</b>
Investors' Funds at End of the Year		<b>665,913</b>	<b>585,865</b>	<b>665,913</b>	<b>585,865</b>

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

STATEMENTS OF  
**FINANCIAL POSITION**

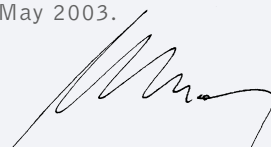
AS AT 31 MARCH 2003

	NOTE	GROUP 2003 \$ 000	GROUP 2002 \$ 000	PARENT 2003 \$ 000	PARENT 2002 \$ 000
<b>INVESTORS' FUNDS</b>					
Units	2	506,107	432,739	506,107	432,739
Reserves	3	95,629	88,949	95,629	88,949
		<u>601,736</u>	<u>521,688</u>	<u>601,736</u>	<u>521,688</u>
Converting Notes	4	64,177	64,177	64,177	64,177
<b>Total Investors' Funds</b>		<u>665,913</u>	<u>585,865</u>	<u>665,913</u>	<u>585,865</u>
Represented by:					
<b>NON-CURRENT ASSETS</b>					
Investment Property	5	809,969	809,633	–	–
Investment Property Under Development	7	88,738	63,874	–	6,557
Investment in Subsidiaries	15	–	–	678,959	597,266
Investments	10	358	437	76	106
Future Income Tax Benefit	12	950	482	–	–
		<u>900,015</u>	<u>874,426</u>	<u>679,035</u>	<u>603,929</u>
<b>CURRENT ASSETS</b>					
Cash and Deposits		5,281	1,260	5,233	585
Income Tax Receivable		965	1,146	4,572	3,873
Accounts Receivable and Prepayments	8	2,951	3,063	436	240
Investments	10	91	140	–	–
Investment Property Intended for Sale	6	2,338	–	2,338	–
		<u>11,626</u>	<u>5,609</u>	<u>12,579</u>	<u>4,698</u>
<b>Total Assets</b>		<u>911,641</u>	<u>880,035</u>	<u>691,614</u>	<u>608,627</u>
<b>NON-CURRENT LIABILITIES</b>					
Term Liabilities	11	204,500	257,200	–	–
<b>CURRENT LIABILITIES</b>					
Distribution Payable		20,281	20,906	20,281	20,906
Accounts Payable		20,297	15,101	5,420	1,856
Advance Rentals		650	963	–	–
		<u>41,228</u>	<u>36,970</u>	<u>25,701</u>	<u>22,762</u>
<b>Total Liabilities</b>		<u>245,728</u>	<u>294,170</u>	<u>25,701</u>	<u>22,762</u>
<b>Net Assets</b>		<u>665,913</u>	<u>585,865</u>	<u>665,913</u>	<u>585,865</u>

The Board of Kiwi Income Properties Limited, the Manager of Kiwi Income Property Trust, authorised these annual financial statements for issue on 23 May 2003.



J M R Syme  
Chairman of the Board  
23 May 2003



R Narev  
Chairman of the Audit Committee  
23 May 2003

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

STATEMENTS OF  
**CASH FLOWS**

FOR THE YEAR ENDED 31 MARCH 2003

	NOTE	GROUP 2003 \$ 000	GROUP 2002 \$ 000	PARENT 2003 \$ 000	PARENT 2002 \$ 000
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>					
Cash was provided from:					
Rental Income & Operating Expense Recoveries		96,590	92,544	131	181
Interest Received		466	234	486	117
		<u>97,056</u>	<u>92,778</u>	<u>617</u>	<u>298</u>
Cash was applied to:					
Tenants Operating Expenses		15,587	14,452	–	–
Other Property & Operating Expenses		16,194	15,027	–	1,981
Interest Paid		11,887	14,671	–	–
Income Tax Paid		5,551	1,481	3,741	1,856
Goods & Services Tax Paid		1,031	127	91	297
		<u>50,250</u>	<u>45,758</u>	<u>3,832</u>	<u>4,134</u>
Net Cash Flows available from/(used in)					
Operating Activities	14	<u>46,806</u>	<u>47,020</u>	<u>(3,215)</u>	<u>(3,836)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>					
Cash was provided from:					
Sale of Investment Property		16,145	17,942	5,586	–
Repayment of Investments		53	198	–	–
		<u>16,198</u>	<u>18,140</u>	<u>5,586</u>	<u>–</u>
Cash was applied to:					
Cost of Investment Property		6,063	11,980	–	–
Cost of Investment Property Under Development		24,922	8,215	1,302	2,998
Cost of Investment in Kiwi Development Trust		–	550	–	550
Interest Capitalised to Investment Property					
Under Development		4,306	3,875	77	148
Other Investments		31	–	–	–
		<u>35,322</u>	<u>24,620</u>	<u>1,379</u>	<u>3,696</u>
Net Cash Flows available from/(used in)					
Investing Activities		<u>(19,124)</u>	<u>(6,480)</u>	<u>4,207</u>	<u>(3,696)</u>

STATEMENTS OF  
**CASH FLOWS – CONTINUED**

FOR THE YEAR ENDED 31 MARCH 2003

	NOTE	GROUP 2003 \$ 000	GROUP 2002 \$ 000	PARENT 2003 \$ 000	PARENT 2002 \$ 000
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>					
Cash was provided from:					
Issue of Units		71,277	–	71,277	–
Increase in Borrowings		–	1,200	–	–
Refund of Stock Exchange Bond		–	75	–	–
Net Advances from Subsidiaries		–	–	–	46,512
		<u>71,277</u>	<u>1,275</u>	<u>71,277</u>	<u>46,512</u>
Cash was applied to:					
Costs Associated with Issuing New Units		1,959	–	1,959	–
Net Advances to Subsidiaries		–	–	25,428	–
Distributions to Unit Holders		36,809	35,118	36,764	32,825
Converting Note Interest		3,470	5,934	3,470	5,934
Decrease in Borrowings		52,700	366	–	–
		<u>94,938</u>	<u>41,418</u>	<u>67,621</u>	<u>38,759</u>
Net Cash Flows available from/(used in)					
Financing Activities		<u>(23,661)</u>	<u>(40,143)</u>	<u>3,656</u>	<u>7,753</u>
Net Increase in Cash		4,021	397	4,648	221
Add: Cash at Start of the Year		1,260	863	585	364
Cash at End of the Year		<u>5,281</u>	<u>1,260</u>	<u>5,233</u>	<u>585</u>

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

NOTES TO THE  
**FINANCIAL STATEMENTS**

FOR THE YEAR ENDED 31 MARCH 2003

**1. STATEMENT OF ACCOUNTING POLICIES**

**(a) 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.

**(b) 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.

**(c) Specific Accounting Policies**

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

**(i) 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.

**(ii) Valuation of Investment Property**

Investment Property 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 deducted from the revaluation of property.

**(iii) 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.

**(iv) 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.

NOTES TO THE  
**FINANCIAL STATEMENTS – CONTINUED**

FOR THE YEAR ENDED 31 MARCH 2003

**(v) 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.

**(vi) 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.

**(vii) Valuation of Other Investments**

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

**(viii) Recognition of Income**

Rental, interest and dividend income and realised gains and losses are recognised through the Statements of Financial Performance. Realised gains and losses on investments and investment properties are not distributed. Operating expenses borne by tenants are offset by recoveries from the tenants. Operating expenses not borne by tenants are netted against rental income.

**(ix) Accounts Receivable**

Accounts Receivable are recorded at estimated realisable value.

**(x) 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.

**(xi) 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 Units and Converting Notes issued as the net proceeds derived by the Trust.

**(xii) 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.

**(xiii) Goods & Services Tax**

The financial statements have been prepared on a Goods & Services Tax exclusive basis.

**(xiv) Statements of Cash Flows**

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

- (a) Operating activities include all transactions and other events that are not investing or financing activities.
- (b) 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.
- (c) 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.
- (d) Cash includes cash on hand, deposits held at call with banks and investments in money market instruments, net of bank overdrafts, which are used as part of day-to-day cash management.

**(d) Changes in Accounting Policies**

There have been no changes of accounting policy during the year. All policies have been applied on bases consistent with the previous year.

**(e) Comparative Figures**

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

NOTES TO THE  
**FINANCIAL STATEMENTS – CONTINUED**

FOR THE YEAR ENDED 31 MARCH 2003

	DATE	GROUP & PARENT 2003		GROUP & PARENT 2002	
		NO. OF UNITS		NO. OF UNITS	
		000	\$ 000	000	\$ 000
<b>2. UNITS</b>					
<b>(i) Units</b>					
Balance as at 1 April		461,086	432,739	308,299	311,258
Kiwi Development Trust					
Acquisition – 5%	2-Apr-01	–	–	7,200	6,480
Kiwi Development Trust					
Acquisition – Takeover Offer	2-Apr-01	–	–	84,525	76,072
Kiwi Development Trust Compulsory					
Acquisition	19-Apr-01	–	–	2,996	2,697
Dividend Reinvestment Plan	4-May-01	–	–	1,219	1,047
Conversion of Class B Units to Units	3-Dec-01	–	–	54,589	33,017
Dividend Reinvestment Plan	14-Dec-01	–	–	2,258	2,168
Allotment of 1:6 Rights Issue	26-Jul-02	86,923	69,318	–	–
Dividend Reinvestment Plan	31-Jul-02	3,760	3,384	–	–
Dividend Reinvestment Plan	13-Dec-02	646	666	–	–
Balance of Units as at 31 March		<u>552,415</u>	<u>506,107</u>	<u>461,086</u>	<u>432,739</u>
<b>(ii) Class B Units</b>					
Balance as at 1 April		–	–	54,589	33,017
Conversion of Class B Units to Units	3-Dec-01	–	–	(54,589)	(33,017)
Balance of Class B Units at 31 March		–	–	–	–
Total Units Issued		<u>552,415</u>	<u>506,107</u>	<u>461,086</u>	<u>432,739</u>

Units and Class B Units ranked pari passu in all respects except that the Class B Units were not entitled to participate in any dividend or other distribution in respect of any period ended on or prior to 30 September 2001. The Class B Units converted to Units on 3 December 2001.

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 rank pari passu with existing units in all respects except that they were not entitled to participate in the dividend paid on 31 July 2002.

Subsequent to balance date, an additional 23,584,906 new units were issued at a price of \$1.06 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 New Zealand Stock Exchange Listing Rules. Further details of the issue are contained in Note 24, 'Subsequent Event'.

GROUP 2003 \$ 000	GROUP 2002 \$ 000	PARENT 2003 \$ 000	PARENT 2002 \$ 000
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### 3. RESERVES

#### (i) Asset Revaluation Reserve

Balance as at 1 April	95,832	90,871	89,670	88,421
Revaluation of Investment Properties	6,132	1,717	526	–
Revaluation of Investment in Subsidiaries	–	–	5,628	1,249
Transfer to Asset Realisation Reserve on Disposal of Properties	1,593	3,244	1,154	–
Asset Revaluation Reserve as at 31 March	<u>103,557</u>	<u>95,832</u>	<u>96,978</u>	<u>89,670</u>

#### (ii) Asset Realisation Reserve

Balance as at 1 April	(6,883)	(3,171)	(721)	(721)
Gains/(Losses) on Realisation of Investment Properties	548	(468)	548	–
Losses on Realisation of Investment in Subsidiaries	–	–	(22)	–
Transfer from Asset Revaluation Reserve on Disposal of Properties	(1,593)	(3,244)	(1,154)	–
Asset Realisation Reserve as at 31 March	<u>(7,928)</u>	<u>(6,883)</u>	<u>(1,349)</u>	<u>(721)</u>
Total Reserves	<u>95,629</u>	<u>88,949</u>	<u>95,629</u>	<u>88,949</u>

GROUP & PARENT 2003 NO. OF NOTES 000	GROUP & PARENT 2003 \$ 000	GROUP & PARENT 2002 NO. OF NOTES 000	GROUP & PARENT 2002 \$ 000
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### 4. CONVERTING NOTES

Total Notes on Issue	<u>60,455</u>	<u>64,177</u>	<u>60,455</u>	<u>64,177</u>
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The subordinated Converting Notes are unsecured and carry a fixed coupon of 9% per annum. The Notes are constituted under a Trust Deed dated 7 November 1996. Interest is 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 will mandatorily convert into Units on a basis which ensures that the minimum conversion value of each Note is \$1.23. The Notes do not carry voting rights in the meetings of Unit Holders, but they participate in rights and bonus issues as described in the Trust Deed. No note holders have elected to convert the Notes into Units since issue.

As detailed in Note 16, the Converting Note Trust Deed has been amended to adjust the minimum conversion value of each note from \$1.25 to \$1.23. This adjustment was a consequence of the rights issue which was made on 26 July 2002, pursuant to a prospectus dated 14 June 2002. The adjustment was calculated by PricewaterhouseCoopers (prior to that firms appointment as auditors) on behalf of the Converting Note Trustee. The change in conversion value was necessary to reflect the theoretical value of the rights entitlement received by each holder of converting notes in respect of each converting note held. The adjustment had the effect of leaving the yield to maturity of the notes unchanged post the rights issue, relative to the yield to maturity of the notes when they were issued.

NOTES TO THE  
**FINANCIAL STATEMENTS – CONTINUED**

FOR THE YEAR ENDED 31 MARCH 2003

GROUP 2003 \$ 000	GROUP 2002 \$ 000	PARENT 2003 \$ 000	PARENT 2002 \$ 000
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**5. INVESTMENT PROPERTY**

**Office Property**

**Royal & SunAlliance Centre, Auckland**

Valuation (Colliers International, March 2003)	204,500	201,500	–	–
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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 \$17,183,258.

**Majestic Centre, Wellington**

Valuation (CB Richard Ellis, March 2003)	71,000	71,500	–	–
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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 \$6,434,307.

**National Bank Centre, Auckland (50% interest)**

Valuation (CB Richard Ellis, March 2003)	46,400	46,000	–	–
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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 \$3,609,432.

**Vodafone House, Auckland**

Valuation (Jones Lang LaSalle, March 2003)	38,000	39,600	–	–
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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 \$3,651,133.

GROUP	GROUP	PARENT	PARENT
2003	2002	2003	2002
\$ 000	\$ 000	\$ 000	\$ 000

#### PricewaterhouseCoopers Centre, Christchurch

Valuation (CB Richard Ellis, March 2003)	33,200	33,000	–	–
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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 \$3,053,321.

#### AUT Faculty of Arts Building, Auckland

Valuation (Colliers International, March 2003)	26,750	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 \$2,683,273.

#### HP House (formerly Compaq House), Auckland

Valuation (Jones Lang LaSalle Advisory, March 2003)	25,300	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 \$2,329,917.

#### BP House, Wellington

Valuation (CB Richard Ellis, March 2003)	22,770	22,275	–	–
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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 \$1,879,354.

#### Alcatel House, Auckland

Valuation (Jones Lang LaSalle Advisory, March 2002)	–	10,250	–	–
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Construction of Alcatel House in the Maritime Square development was completed in March 2000 at a cost of \$10,263,407. The building was sold for net proceeds of \$10,288,482. The net annual rental income for the current year was \$411,277.

<b>Total Office Property</b>	<b>467,920</b>	<b>476,175</b>	<b>–</b>	<b>–</b>
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NOTES TO THE  
**FINANCIAL STATEMENTS – CONTINUED**

FOR THE YEAR ENDED 31 MARCH 2003

GROUP	GROUP	PARENT	PARENT
2003	2002	2003	2002
\$ 000	\$ 000	\$ 000	\$ 000

**Retail Property**

**Northlands Shopping Centre, Christchurch**

Valuation (Colliers International, March 2002)	85,550	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.

The existing centre has not been revalued at 31 March 2003 as it adjoins property which is subject to development. The development costs incurred up to 31 March 2003 have been recorded in Investment Property Under Development. On completion of the development works, the combined centre will be revalued. The net annual rental income for the current year was \$7,129,600.

**North City Shopping Centre, Porirua**

Valuation (Jones Lang LaSalle, March 2003)	82,500	82,750	–	–
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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. Refurbishment and extension of the Centre was completed in November 1997 at a cost of \$28,485,818. The net annual rental income for the current year was \$6,957,305.

**Centre Place Shopping Centre, Hamilton**

Valuation (Jones Lang LaSalle, March 2003)	77,900	74,250	–	–
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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 \$7,171,468.

**The Plaza Shopping Centre, Palmerston North**

Valuation (CB Richard Ellis, March 2003)	63,950	58,500	–	–
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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 \$5,371,984.

GROUP	GROUP	PARENT	PARENT
2003	2002	2003	2002
\$ 000	\$ 000	\$ 000	\$ 000

#### Countdown, Christchurch

Valuation (Colliers International, March 2002)	6,175	6,175	–	–
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The building was purchased on 22 April 1999 for \$6,067,634 and was supported by an independent valuation of \$6,000,000.

The existing building has not been revalued at 31 March 2003 as it is under development as detailed under Northlands Shopping Centre above. The net annual rental income for the current year was \$477,211.

#### Farmers, Palmerston North

Valuation (CB Richard Ellis, March 2003)	5,110	5,480	–	–
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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 \$621,995.

#### The Warehouse, Christchurch

Valuation (Colliers International, March 2003)	4,210	4,215	–	–
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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 \$464,873.

#### FTC Warehouse, Christchurch

Valuation (Colliers International, March 2002)	2,780	2,780	–	–
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The building was purchased on 22 April 1999 for \$2,028,986 and was supported by an independent valuation of \$2,000,000.

The existing building has not been revalued at 31 March 2003 as it is under development as detailed under Northlands Shopping Centre above. The net annual rental income for the current year was \$78,495.

#### Beattie Rickman, Hamilton

Valuation (Jones Lang LaSalle, March 2003)	3,000	2,940	–	–
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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 \$300,221.

#### Countrywide Building, Hamilton

Valuation (Jones Lang LaSalle, March 2003)	450	420	–	–
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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 \$17,612.

<b>Total Retail Property</b>	<b>331,625</b>	<b>323,060</b>	<b>–</b>	<b>–</b>
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NOTES TO THE  
FINANCIAL STATEMENTS – CONTINUED

FOR THE YEAR ENDED 31 MARCH 2003

	GROUP 2003 \$000	GROUP 2002 \$000	PARENT 2003 \$000	PARENT 2002 \$000
<b>Industrial Property</b>				
77 Carbine Road, Auckland				
Valuation (Colliers International, March 2003)	6,390	6,540	–	–
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 \$818,684.				
<b>Total Industrial Property</b>	<b>6,390</b>	<b>6,540</b>	<b>–</b>	<b>–</b>
<b>Work in Progress</b>	<b>4,034</b>	<b>3,858</b>	<b>–</b>	<b>–</b>
<b>Total Investment Property</b>	<b>809,969</b>	<b>809,633</b>	<b>–</b>	<b>–</b>
	GROUP 2003 \$000	GROUP 2002 \$000	PARENT 2003 \$000	PARENT 2002 \$000

**6. INVESTMENT PROPERTY INTENDED FOR SALE**

99 Carbine Road, Auckland	2,338	–	2,338	–
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 was commenced in October 2001 and at that time it was reclassified as Investment Property Under Development. The development 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 5 of the 8 units had been sold with net proceeds of \$5,403,177.				
<b>Total Investment Property Intended for Sale</b>	<b>2,338</b>	<b>–</b>	<b>2,338</b>	<b>–</b>

GROUP	GROUP	PARENT	PARENT
2003	2002	2003	2002
\$000	\$000	\$000	\$000

## 7. INVESTMENT PROPERTY UNDER DEVELOPMENT

Sylvia Park Lot 1 & 2, Auckland	57,762	52,486	–	–
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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 \$19,741,703 (2002 \$14,235,157) including interest of \$14,659,730 (2002 \$11,289,835) has been capitalised.

Northlands Shopping Centre, Christchurch	30,976	4,831	–	–
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The existing Northlands Shopping Centre is currently being enlarged by the development of land and buildings adjacent to the existing Centre. The completed development will take the Centre from 20,785 square metres to 40,700 square metres. The majority of the works are scheduled to be completed by March 2004. As at 31 March 2003 \$26,976,459 (2002 \$831,595) including interest of \$1,662,178 (2002 \$998,668) had been capitalised to the development.

99 Carbine Road, Auckland	–	6,557	–	6,557
---------------------------	---	-------	---	-------

The building was purchased on the 9 November 1992 for \$4,200,904 and was supported by an independent valuation of \$4,100,000. Redevelopment of the building commenced in October 2001 at which stage the building was reclassified from Investment Property – Industrial to Investment Property Under Development. The development was completed in May 2002 at a cost of \$3,657,777 and the property was reclassified to Investment Property Intended for Sale.

<b>Total Investment Property Under Development</b>	<b>88,738</b>	<b>63,874</b>	<b>–</b>	<b>6,557</b>
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GROUP	GROUP	PARENT	PARENT
2003	2002	2003	2002
\$000	\$000	\$000	\$000

## 8. ACCOUNTS RECEIVABLE AND PREPAYMENTS

Debtors	2,168	2,713	136	70
Prepayments	690	601	41	2
Provision for Doubtful Debts	(486)	(251)	–	–
Goods & Services Tax	579	–	259	168
	<b>2,951</b>	<b>3,063</b>	<b>436</b>	<b>240</b>

NOTES TO THE  
**FINANCIAL STATEMENTS – CONTINUED**

FOR THE YEAR ENDED 31 MARCH 2003

	GROUP 2003 \$ 000	GROUP 2002 \$ 000	PARENT 2003 \$ 000	PARENT 2002 \$ 000
<b>9. RENTAL INCOME</b>				
Gross Rental Income & Operating Expense Recoveries	94,786	92,916	68	150
Less:				
Tenants Operating Expenses	(15,587)	(14,452)	–	–
Owners Operating Expenses	(8,111)	(6,529)	(68)	(24)
Bad Debts	(390)	(118)	–	–
	<u>(24,088)</u>	<u>(21,099)</u>	<u>(68)</u>	<u>(24)</u>
Rental Income	<u>70,698</u>	<u>71,817</u>	<u>–</u>	<u>126</u>
<b>10. INVESTMENTS</b>				
Advances	449	501	76	106
Other	–	76	–	–
	<u>449</u>	<u>577</u>	<u>76</u>	<u>106</u>
Repayments due within one year reclassified as current assets	91	140	–	–
	<u>358</u>	<u>437</u>	<u>76</u>	<u>106</u>
<b>11. TERM LIABILITIES</b>				
Syndicated Bank Debt	204,500	257,200	–	–
	<u>204,500</u>	<u>257,200</u>	<u>–</u>	<u>–</u>

The ANZ Banking Group, Bank of New Zealand, The Hongkong and Shanghai Banking Corporation, and Citibank, N.A. (the Banks) have provided the Trust with \$300 million of revolving loans for a term of five years, expiring on 13 October 2004. The loans are secured by a Global Security Deed, dated 13 October 1999, between the Trust and the Bank of New Zealand (as security agent) which provides for a composite fixed and floating charge over the assets of the Trust and all of its charging subsidiaries (the Charging Group). As well, further security is provided by a Master Banking Agreement, dated 5 November 1998, between the Charging Group and the Banks, whereby the Charging Group has given a negative pledge that (with certain exceptions) it will not create or allow any security interest over its charged assets. 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:

- (a) Total assets of the Charging Group will not be less than 90% of the total assets of the Group.
- (b) Total borrowings of the Charging Group will not exceed 35% of total assets of the Charging Group.
- (c) The sum of total borrowings of the Charging Group and the net close out amount of interest rate swaps, hedges or options will not exceed 40% of total assets of the Charging Group.
- (d) The ratio of net rental income of the Charging Group to interest charge (after the deduction of interest received) of the Charging Group for the 6 month periods ending on 30 September and 31 March will not be less than 2.5 to 1.
- (e) Unitholders' funds will not be less than \$300 million.

(f) The value of real property of the Charging Group in each of the following classes will be within the percentage range indicated:

Commercial property	40% – 75%
Retail property	30% – 65%
Industrial property	0% – 20%

(g) The weighted average lease term of all unexpired commercial leases will exceed the lesser of 5 years or the aggregate of 2 years and the unexpired term of the commitment.

(h) Total borrowings of the Charging Group will not exceed 50% of the total assets of the Group less the market value of all equity investments of the Charging Group.

As well, the Group undertakes that the ratios as specified in (b), (d) and (e) will be maintained.

The weighted average cost of funds for amounts currently drawdown under the syndicated debt facility, as at 31 March 2003, is 6.89% (2002 7.11%).

GROUP	GROUP	PARENT	PARENT
2003	2002	2003	2002
\$ 000	\$ 000	\$ 000	\$ 000

## 12. INCOME TAX

### Income Tax Expense

Net Income before Income Tax	51,985	48,540	47,110	45,766
Permanent and Non Reversing Timing Differences:				
(Gains)/Losses on Realisation of Investments	(70)	468	(48)	–
Non-assessable Dividends from Subsidiaries	–	–	(39,790)	(40,208)
Tax Depreciation net of Depreciation Recovered	(23,385)	(25,227)	(105)	(30)
Deductible Expenses Capitalised (net of non-deductible capital expenditure)	(6,594)	(8,085)	63	344
Taxable Income	21,936	15,696	7,230	5,872
Income Tax at 33%	7,239	5,180	2,386	1,938

The Taxation charge is represented by:

Current Taxation	7,707	4,612	2,386	1,870
Deferred Taxation	(468)	568	–	68
	7,239	5,180	2,386	1,938

### Deferred Taxation

Balance as at 1 April	(482)	(1,050)	–	(68)
Current Year Charge/(Benefit)	(468)	568	–	68
Future Income Tax Benefit as at 31 March	(950)	(482)	–	–

The Trust applies the partial method of accounting for deferred taxation. As explained in Note 1(c), tax depreciation is claimed on investment properties but no deferred liability is recognised in respect of depreciation recoverable as it is not expected to reverse for the foreseeable future. The tax effect of these timing differences is \$44,379,431 (2002 \$37,503,691).

NOTES TO THE  
**FINANCIAL STATEMENTS – CONTINUED**

FOR THE YEAR ENDED 31 MARCH 2003

	GROUP 2003 \$ 000	GROUP 2002 \$ 000	PARENT 2003 \$ 000	PARENT 2002 \$ 000
<b>13. IMPUTATION CREDIT ACCOUNT</b>				
Balance as at 1 April	2,163	2,870	1,887	2,604
Income Tax Paid	5,551	1,481	3,741	1,471
Prior Period Adjustment	(128)	–	–	–
Income Tax Transferred to Subsidiaries	–	–	(2,455)	–
Imputation Credits Received from Subsidiaries	–	–	600	–
Imputation Credits Distributed to Unit Holders	(3,750)	(2,188)	(3,750)	(2,188)
Imputation Credits as at 31 March	<u>3,836</u>	<u>2,163</u>	<u>23</u>	<u>1,887</u>

**14. RECONCILIATION OF NET INCOME TO NET  
CASH FLOW FROM OPERATING ACTIVITIES**

Net Income after Income Tax	44,746	43,360	44,724	43,828
Add Non Cash Items:				
Imputed Interest on Vendor Loans	–	42	–	–
(Gain)/Loss on Realisation of Investment Properties	(548)	468	(526)	–
Intercompany Transactions	–	–	(50,217)	(44,813)
Movement in Future Taxation Benefit	(468)	568	–	68
Taxation Benefit on Converting Note Interest	1,975	1,975	1,975	1,975
	<u>45,705</u>	<u>46,413</u>	<u>(4,044)</u>	<u>1,058</u>
Add/(Less) Movements Relating to				
Operating Activities in Working Capital Items				
Taxation Receivable/Payable	181	1,155	(699)	(3,970)
Accounts Receivable	111	58	(196)	(121)
Accounts Payable	1,122	(439)	1,724	(803)
Advance Rentals	(313)	(167)	–	–
Net Cash Inflow/(Outflow) from Operating Activities	<u>46,806</u>	<u>47,020</u>	<u>(3,215)</u>	<u>(3,836)</u>

PARENT	PARENT
2003	2002
\$ 000	\$ 000

**15. INVESTMENT IN SUBSIDIARIES**

Shares (at Valuation)	277,961	319,943
Advances to Subsidiaries	400,998	277,323
	<u>678,959</u>	<u>597,266</u>

**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.

## **16. TRUST DEED AND CONVERTING NOTE DEED**

The Trust Deed was amended and restated by deed dated 13 June 2002 and then amended by supplemental deeds dated 19 December 2002 and 31 March 2003. The Converting Note Trust Deed was amended and restated by deed dated 13 June 2002 and then amended by supplemental deeds dated 18 September 2002, 19 December 2002 and 31 March 2003. The following is a summary of the principal changes made to the Trust Deed and Converting Note Trust Deed (together the Deeds).

### **Deeds of variation and restatement dated 13 June 2002**

The principal changes to the Deeds were:

- (a) The criteria for repurchasing or redeeming units, and repurchasing converting notes, by the Trust was amended by expanding the methods of repurchase and redemption available. In particular, the Trust may repurchase and redeem units, and repurchase converting notes, so long as the units or converting notes are not repurchased or redeemed from certain persons (including the Manager and its associates), and that the total number of units and converting notes that are repurchased or redeemed in any 12 month period do not exceed 10% of the total number of units and converting notes on issue at the commencement of that 12 month period. Consequential amendments were made throughout the Deeds.
- (b) The restrictions on financial assistance were amended by clarifying the categories of persons who may not receive financial assistance from the Trust for the purchase of units and converting notes.

NOTES TO THE  
**FINANCIAL STATEMENTS – CONTINUED**

FOR THE YEAR ENDED 31 MARCH 2003

- (c) The Converting Note Trust Deed was amended to record the actual number of converting notes issued and remove the Manager's power to issue further converting notes.
- (d) Further amendments were made for consistency with the New Zealand Stock Exchange listing rules including changes of a classificatory nature regarding the procedure for compulsory acquisition, major transactions and transactions with related parties.
- (e) Changes of a consequential or drafting nature.

**Supplemental deed dated 18 September 2002**

On the advice of an Independent Adviser, the Converting Note Trust Deed was amended in connection with the rights issue made on 26 July 2002, so that the minimum conversion value that holders of converting notes receive upon maturity of the notes is \$1.23, instead of \$1.25, per note.

**Supplemental deeds dated 19 December 2002**

On 1 July 2002, the admission category of the Trust on the Australian Stock Exchange changed from a foreign exempt listing to a full listing. As a condition of that change of admission category, the Deeds were amended to contain provisions consistent with the Australian Stock Exchange listing rules 15.12 and 15.13. In particular:

- (a) Securities issued to certain persons are restricted in their transferability for a period of time.
- (b) The Manager may now only give notice once in every twelve month period (instead of a notice at any time) that a unit or converting note holder's holding is less than the minimum and require either the disposal of that holding or the acquisition of further units to restore the minimum.
- (c) References to the Australian Stock Exchange and its listing rules were inserted, and the definitions of the Minimum Number of units and converting notes were amended to reflect the minimum holding allowed by the Australian Stock Exchange.

**Supplemental deeds dated 31 March 2003**

Further amendments were made to the Deeds at the request of the Australian Stock Exchange. In particular:

- (a) The definitions of words and expressions including Business Day, Quotation and Ruling were amended to reflect references to the Australian Stock Exchange and its listing rules.
- (b) Where the Australian Stock Exchange listing rules require a notice of meeting to include a Voting Exclusion Statement and the proxy form specifies that the chairman of the meeting or an officer of the Trustee is appointed as proxy by default, these proxy forms have to contain certain information including a statement of the Chairman's or officer of the Trustee's voting intentions in relation to undirected proxies.

The Trust Deed was further amended to reflect changes in the New Zealand Stock Exchange listing rules. In particular:

- (a) The definition of Material Transaction was expanded to include a related series of transactions.
- (b) Preliminary announcements are to be filed within 60 days (instead of 75 days) of the end of the period to which they relate.

**17. TRANSACTIONS WITH RELATED PARTIES**

**Group**

The Manager of the Kiwi Income Property Trust Group is Kiwi Income Properties Limited. During the year Kiwi Income Property Trust incurred Manager's fees of \$7,207,281 (2002 \$7,201,459) of which \$577,839

(2002 \$516,040) were capitalised to Investment Properties under Development. The Manager's fee outstanding as at 31 March 2003 is \$2,036,247 (2002 \$50,165). This is payable on normal trading terms and is included in accounts payable in the Statements of Financial Position. Properties owned by the Kiwi Income Property Trust Group were managed during the year, on normal commercial terms, by Kiwi Property Management Limited, a related entity of Kiwi Income Properties Limited. The Kiwi Income Property Trust Group incurred property management fees of \$3,068,369 (2002 \$2,549,601). No fees were outstanding at 31 March 2003 (2002 nil). Lend Lease Corporation Limited, a related entity of Kiwi Income Properties Limited until 28 March 2002, provided consultancy services on normal commercial terms, in respect of retail and development properties owned by the Kiwi Income Property Trust Group. Fees in respect of these services for the year ended 31 March 2003 were nil (2002 \$1,316,657). These fees were capitalised to Investment Property under Development.

#### Parent

The Manager of Kiwi Income Property Trust is Kiwi Income Properties Limited. During the year Kiwi Income Property Trust incurred Manager's fees of \$7,207,281 (2002 \$7,201,459) of which \$35,983 (2002 \$17,851) were capitalised to Investment Properties under Development and \$7,127,654 (2002 \$7,127,910) were oncharged to its subsidiaries. The Manager's fee outstanding as at 31 March 2003 is \$2,036,247 (2002 \$50,165). This is payable on normal trading terms and is included in accounts payable in the Statements of Financial Position. Properties owned by Kiwi Income Property Trust were managed during the year, on normal commercial terms, by Kiwi Property Management Limited, a related entity of Kiwi Income Properties Limited. Kiwi Income Property Trust (as Parent) incurred no property management fees during the year (2002 \$19,384). No fees were outstanding at 31 March 2003 (2002 nil). Interest of \$7,797,455 (2002 \$7,017,918) and dividends of \$39,790,340 (2002 \$40,208,411) were received by Kiwi Income Property Trust from its subsidiaries. During the prior year a subvention payment of \$383,457 was made by Kiwi Income Property Trust to its subsidiary Northlands Sissons Limited. Kiwi Income Property Trust sold its units in Kiwi Development Trust to Kiwi Property Holdings Limited during the year for \$49,086,905.

#### 18. FEES PAID TO AUDITORS

In addition to the audit fees disclosed an amount of \$3,311 was paid to the auditors, Pricewaterhouse-Coopers, for audit related services and \$8,961 for other services prior to appointment as the auditors. In 2002, an amount of \$59,885 was paid to the auditors, KPMG, primarily for taxation advice provided during the year.

GROUP	GROUP	PARENT	PARENT
2003	2002	2003	2002
\$ 0 0 0	\$ 0 0 0	\$ 0 0 0	\$ 0 0 0

#### 19. INTEREST EXPENSE

Total Interest Expense	15,793	18,810	77	148
Less: Interest Capitalised to Investment Properties under Development	4,306	3,875	77	148
Interest Expense per Statement of Financial Performance	11,487	14,935	—	—

NOTES TO THE  
**FINANCIAL STATEMENTS – CONTINUED**

FOR THE YEAR ENDED 31 MARCH 2003

**20. PRINCIPAL BUSINESS ACTIVITY**

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

**21. 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.

**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:

	GROUP 2003 \$ 000	GROUP 2002 \$ 000	PARENT 2003 \$ 000	PARENT 2002 \$ 000
Cash and Short Term Deposits	5,372	1,400	5,233	585
Accounts Receivable and Income Tax Receivable	3,916	4,209	5,008	240
Advances to Subsidiaries	–	–	400,998	277,323
Investments	358	437	76	106

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

**Credit Facilities**

The Group has total bank borrowing facilities of \$300,000,000 (2002 \$300,000,000). Of this \$204,500,000 (2002 \$257,000,000) 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 6.07% (2002 6.21%). At balance date the swaps fix interest on \$20m for less than 6 months, \$40m between 6 and 12 months, \$50m between 1 and 2 years, \$20m between 2 and 5 years.

**Fair Values**

The carrying value of financial instruments, excluding swaps, on the Statements of Financial Position is their fair value. The market valuation at balance date of the interest rate swaps is a fair value loss of \$1,199,440 (2002 fair value gain of \$906,226).

	GROUP 2003 \$ 000	GROUP 2002 \$ 000	PARENT 2003 \$ 000	PARENT 2002 \$ 000
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**22. COMMITMENTS**

**(a) Capital Commitments**

Development costs at Northlands Shopping Centre, Christchurch	51,844	–	–	–
Development costs at 99 Carbine Road, Auckland	–	320	–	320

**(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 \$1,045,852 (2002 \$1,091,255). 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.

**23. ADDITIONAL INFORMATION AS REQUIRED BY THE TRUST DEED AND THE UNIT TRUSTS ACT 1960**

**(i) 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.

**(ii) Units held by the Manager**

The Manager held no Units in the Trust at 31 March 2003 (2002 Nil).

GROUP	GROUP
2003	2002
\$000	\$000

**(iii) Other Financial Information**

Net Tangible Asset Backing per Unit – Undiluted	\$1.089	\$1.131
Net Tangible Asset Backing per Unit – Diluted	\$1.071	\$1.092
Earnings per Unit after Tax – Undiluted	\$0.078	\$0.093
Earnings per Unit after Tax – Diluted	\$0.076	\$0.087

The calculation of the diluted Net Tangible Asset Backing per unit has assumed that the Converting Notes will convert on the basis of the unit price prevailing at 31 March 2003 (31 March 2002 for comparatives).

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 24, 'Subsequent Event'.

**24. SUBSEQUENT EVENT**

On 28 May 2003 an additional 23,584,906 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 New Zealand Stock Exchange Listing Rules. The issue was made to fund the acquisition of Downtown Plaza (located in Hamilton's Central Business District), and other retail projects. The new units rank equally in all respects with existing units and participate in the final dividend for the year ended 31 March 2003.

The issue resulted in additional cash of \$24,562,500 (net of issue costs), with a corresponding increase to Investors' Funds. The total number of units on issue following the placement is 576,000,846.

# AUDITORS' REPORT



To the Unit Holders of Kiwi Income Property Trust

We have audited the financial statements on pages 42 to 65. The financial statements provide information about the past financial performance and cash flows of the Trust and Group for the year ended 31 March 2003 and their financial position as at that date. This information is stated in accordance with the accounting policies set out on pages 47 to 49.

## **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 2003 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.



## UNIT AND NOTE HOLDER

# STATISTICS

	NO. OF UNITS	% OF TOTAL ISSUED UNITS
<b>TWENTY LARGEST UNIT HOLDERS</b>		
AS AT 5 JUNE 2003		
<b>Unit Holder</b>		
New Zealand Central Securities Depository Limited	268,262,737	46.57%
Investment Custodial Services Limited (C Account)	10,244,970	1.78%
Custodial Nominees Limited	5,538,952	0.96%
Custodial Services Limited – Account 3	3,396,563	0.59%
Investment Custodial Services Limited	2,675,491	0.46%
Forbar Custodians Limited – PPM Low Account	2,665,566	0.46%
Rangatira Limited	2,241,000	0.39%
University of Otago	2,216,666	0.38%
Forbar Custodians Limited – PPM Medium Account	2,104,836	0.37%
Rect Funds Management Limited	1,721,000	0.30%
Astley Trading Limited	1,628,000	0.28%
Asset Custodian Nominees Limited	1,465,317	0.25%
Epoch Nominees Limited	1,250,000	0.23%
Custodial Services Limited – Account 2	1,204,868	0.21%
Dunedin City Council	959,000	0.17%
Progressive Technology Limited	929,195	0.16%
Custodial Services Limited	912,630	0.16%
Pakihi Investments Limited	810,000	0.14%
JBWere (NZ) Limited	740,415	0.13%
Yeow Ann Chiam & Sok Eng Boey	707,362	0.12%
<b>Total</b>	311,674,568	54.11%
<b>Total Units on Issue</b>	576,000,846	

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	48,545,198	8.43%
Westpac Banking Corporation – Client Assets No 2	45,774,843	7.95%
ANZ Nominees Limited	44,920,603	7.80%
Premier Nominees Ltd – Armstrong Jones Australasian Property Securities	30,330,169	5.27%
National Nominees New Zealand Limited	28,522,274	4.95%
Accident Compensation Corporation	10,417,529	1.81%
Guardian Trust Investment Nominees (RWT) Limited	9,398,252	1.63%
MFL Mutual Fund Limited	7,019,392	1.22%
Custody and Investment Nominees Limited	6,408,628	1.11%
TEA Custodians Limited – No 2 Account	6,018,096	1.04%
The Trustees Executors & Agency Company of NZ Ltd	4,103,529	0.71%
AMP Superannuation Tracker Fund	3,097,706	0.54%
The NZ Guardian Trust Co Ltd – Guardian Trust Investment Ltd	2,763,084	0.48%
Sovereign Services Limited	2,614,679	0.45%
The Public Trustee – GIF 46	2,306,000	0.40%
NZ Pension Plans (Life) Limited	2,198,951	0.38%
Premier Nominees Ltd – Armstrong Jones NZ Share Fund	1,782,823	0.31%
BNZ Nominees Limited	1,710,741	0.30%
Cogent Nominees Limited	1,572,567	0.27%
TEA Custodians Ltd – O/A The NZ Mid Cap Index Fund	1,316,791	0.23%
Balance of 31 Unit Holders	7,440,882	1.29%
<b>Total</b>	268,262,737	46.57%

NO. OF HOLDERS

NO. OF UNITS

%

**SPREAD OF UNIT HOLDERS**

AS AT 5 JUNE 2003

Holdings			
1 – 1,000	638	316,389	0.05%
1,001 – 5,000	2,338	7,344,476	1.28%
5,001 – 10,000	2,936	22,155,413	3.85%
10,001 – 20,000	3,379	48,153,794	8.36%
20,001 – 35,000	2,077	55,603,015	9.65%
35,001 – 50,000	765	32,466,813	5.64%
50,001 – 100,000	685	46,198,820	8.02%
100,001 – 250,000	223	33,324,224	5.79%
250,001 – 500,000	41	14,007,067	2.43%
500,001 – 1,000,000	14	9,814,869	1.70%
1,000,001 and over	14	306,615,966	53.23%
<b>Total</b>	<b>13,110</b>	<b>576,000,846</b>	<b>100.00%</b>

% OF TOTAL  
NO. OF NOTES ISSUED NOTES

**TWENTY LARGEST CONVERTING NOTE HOLDERS**

AS AT 5 JUNE 2003

Note Holder		
New Zealand Central Securities Depository Limited	33,470,537	55.36%
Clyde Holland & Rena Holland	2,000,000	3.31%
Public Trust	904,770	1.50%
Agincourt Holdings Limited	824,794	1.36%
Investment Custodial Services Limited (C Account)	614,907	1.02%
Yeow Ann Chiam & Sok Eng Boey	433,893	0.72%
AMI Insurance Limited	400,000	0.66%
Dingwall Trust	380,000	0.63%
Hendry Nominees Limited	305,000	0.50%
Custodial Services Limited – Account 2	303,760	0.50%
Custodial Services Limited – Account 3	239,650	0.40%
Cyril Leonard Love Smith	225,000	0.37%
New Zealand Law Foundation	225,000	0.37%
Robert Meger & Michelle Comeau-Meger	200,000	0.33%
Sally Tetro No 3 Account	200,000	0.33%
Presbyterian Support Central	190,000	0.31%
Chartwell Investments Limited	175,000	0.29%
Nees Holdings Limited	170,000	0.28%
Dunes Construction Limited	161,000	0.27%
Custodial Nominees Limited	151,112	0.26%
<b>Total</b>	<b>41,574,423</b>	<b>68.77%</b>
<b>Total Converting Notes on Issue</b>	<b>60,454,800</b>	

UNIT AND NOTE HOLDER

## STATISTICS – CONTINUED

### TWENTY LARGEST CONVERTING NOTE HOLDERS – CONTINUED

AS AT 5 JUNE 2003

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

	NO. OF NOTES	% OF TOTAL ISSUED NOTES
Premier Nominees Ltd – Armstrong Jones Property Securities Fund	7,336,158	12.13%
ANZ Nominees Limited	6,874,628	11.37%
National Nominees New Zealand Limited	6,825,967	11.29%
Westpac Banking Corporation – Client Assets No. 2	3,267,437	5.40%
MFL Mutual Fund Limited	2,054,169	3.40%
Custody and Investment Nominees Limited	1,706,100	2.82%
TEA Custodians Limited No. 2 Account	1,556,243	2.57%
Accident Compensation Corporation	960,658	1.59%
Citibank Nominees (New Zealand) Limited	792,860	1.31%
New Zealand Pension Plans (Life) Limited	531,151	0.88%
AMP Superannuation Tracker Fund	338,943	0.56%
The Trustes Executors & Agency Company of NZ Ltd	290,000	0.48%
Balance of 11 Note Holders	936,223	1.56%
<b>Total</b>	<b>33,470,537</b>	<b>55.36%</b>

NO. OF HOLDERS                      NO. OF NOTES                      %

### SPREAD OF CONVERTING NOTE HOLDERS

AS AT 5 JUNE 2003

Holdings			
1 – 1,000	19	15,733	0.03%
1,001 – 5,000	209	813,474	1.35%
5,001 – 10,000	291	2,472,242	4.09%
10,001 – 20,000	278	4,398,899	7.28%
20,001 – 35,000	116	3,221,292	5.33%
35,001 – 50,000	69	3,043,888	5.03%
50,001 – 100,000	48	3,781,549	6.26%
100,001 – 250,000	19	3,070,062	5.08%
250,001 – 500,000	5	1,822,653	3.01%
500,001 – 1,000,000	3	2,344,471	3.88%
1,000,001 and over	2	35,470,537	58.66%
<b>Total</b>	<b>1,059</b>	<b>60,454,800</b>	<b>100.00%</b>

## SUBSTANTIAL SECURITY HOLDERS

AS AT 12 JUNE 2003

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	43,917,871
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 12 June 2003 is 576,000,846

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

AS AT 31 MARCH 2003

	HOLDING	SECURITY HELD	NATURE OF RELEVANT INTEREST
Jim Syme	30,000	Units	Beneficial owner
	100,000	Units	Non beneficial interest as the holder of a power of attorney
Robert Narev	368,060	Units	Non beneficial interest as a trustee of various trusts
	74,660	Units	Non beneficial interest in units owned by spouse
	200,000	Converting Notes	Non beneficial interest as a trustee of a trust
Richard Didsbury	45,482	Units	Beneficial owner
	45,483	Units	Non beneficial interest in units owned by spouse
	87,500	Units	Non beneficial interest in units owned by daughter
	205,234	Units	Non beneficial interest as a trustee of various trusts
	929,195	Units	Non beneficial interest as a shareholder of a company
John Duncan	Nil		
Bob Kelly	Nil		
Wal Edgell	Nil		

# DIRECTORY

## **TRUST MANAGER**

Kiwi Income Properties Limited  
Level 2, The Ferry Building,  
99 Quay Street, PO Box 9679, Newmarket,  
Auckland, New Zealand.  
Telephone +64 9 357 9333  
Facsimile +64 9 358 1869

## **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

## **CONVERTING NOTE TRUSTEE**

The New Zealand Guardian Trust Company Limited  
Level 7, Royal & SunAlliance Centre,  
48 Shortland Street, PO Box 1934,  
Auckland, New Zealand.  
Telephone +64 9 379 3630  
Facsimile +64 9 377 7222

## **UNIT & CONVERTING NOTE 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  
Citibank, N.A.  
The Hongkong & Shanghai Banking  
Corporation Limited

## **LEGAL ADVISORS**

To the Trust, the Manager and the Trustees  
Russell McVeagh, Auckland  
Glaister Ennor, Auckland  
Bell Gully Buddle Weir, Auckland

## **VALUATION PANEL**

CB Richard Ellis Limited  
Colliers International New Zealand Limited  
Darroch Valuations Limited  
Jones Lang LaSalle Limited