KIWI INCOME PROPERTY TRUST ANNUAL REPORT 2012

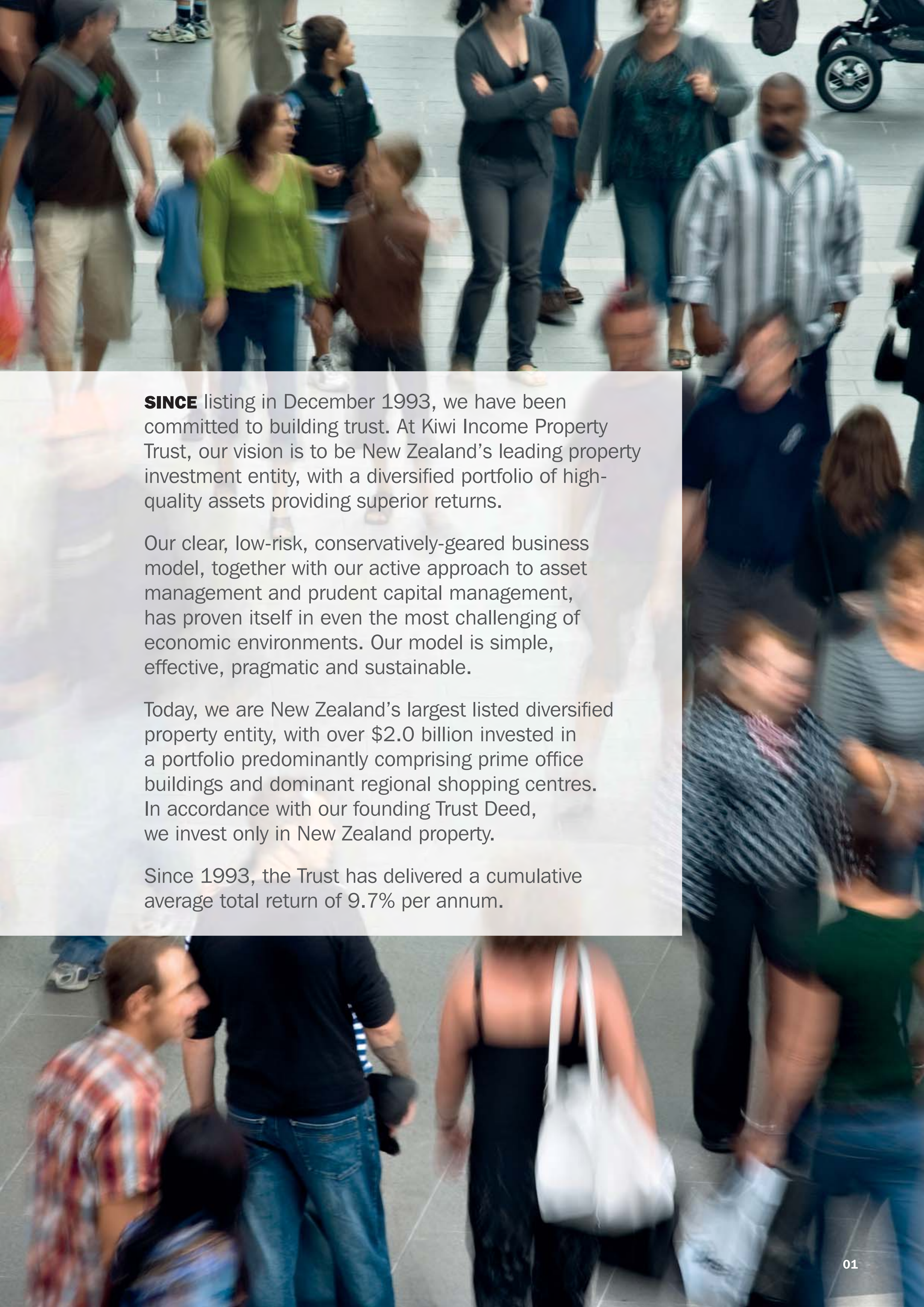
KEEPING TO OUR GAME PLAN

KIWI INCOME PROPERTY TRUST

KIWI INCOME PROPERTY TRUST IS MANAGED WITHIN

Colonial First State Global Asset Management


BUILDING
ON A
TRUSTED
VISION



SINCE listing in December 1993, we have been committed to building trust. At Kiwi Income Property Trust, our vision is to be New Zealand's leading property investment entity, with a diversified portfolio of high-quality assets providing superior returns.

Our clear, low-risk, conservatively-geared business model, together with our active approach to asset management and prudent capital management, has proven itself in even the most challenging of economic environments. Our model is simple, effective, pragmatic and sustainable.

Today, we are New Zealand's largest listed diversified property entity, with over $2.0 billion invested in a portfolio predominantly comprising prime office buildings and dominant regional shopping centres. In accordance with our founding Trust Deed, we invest only in New Zealand property.

Since 1993, the Trust has delivered a cumulative average total return of 9.7% per annum.

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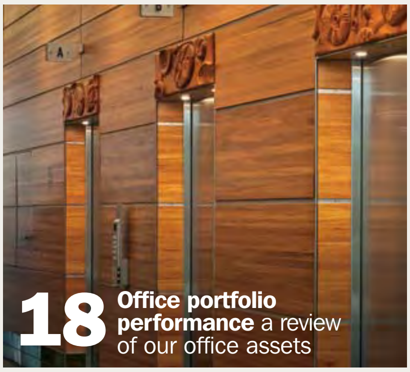
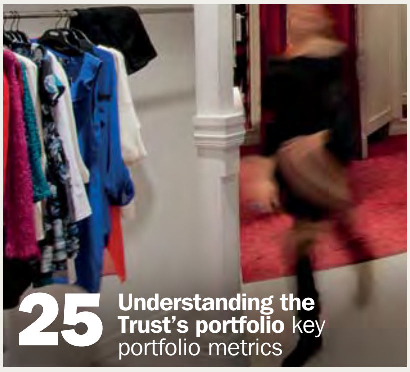
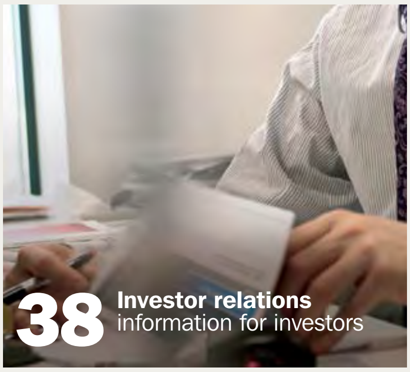
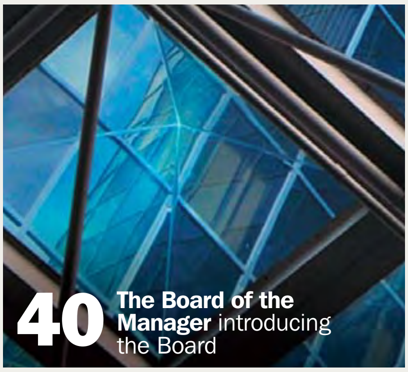
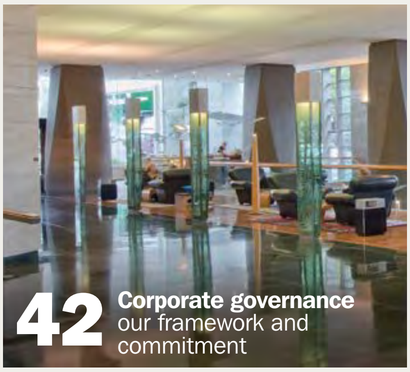
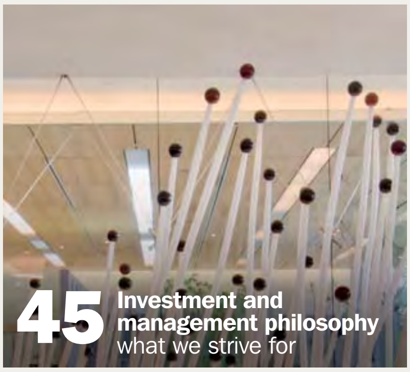


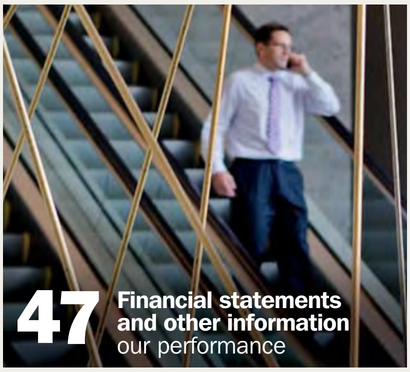












Read more


VISIBLE
RESULTS
TRUSTED
TO
PERFORM

Operating profit before tax
(2011 $76.4m)

$81.3m

Profit after tax
(2011 loss of $26.4m)

$89.2m

Distributable income
(2011 $68.8m)

$71.7m

Cash distribution
(2011 7.0 cpu)

7.0cpu

Property portfolio
(2011 $1.98b)

$2.01b

Net tangible assets per unit
(2011 $1.07)

$1.09

Retail sales
(2011 $1.32b)

$1.43b

Portfolio occupancy
(2011 97.1%)

96.2%

Weighted average lease term
(2011 4.0 years)

3.9years

Read more

"Our ability to deliver reliable returns, through good times and bad, is attributable to our simple, conservatively-geared business model and our 'hands on' approach to the management of the Trust's high-quality portfolio."

MARK FORD / CHAIRMAN

A POSITIVE RESULT

BUILDING TRUST IN A CHALLENGING ENVIRONMENT

A high-quality result in a challenging year

I AM pleased to report to you that Kiwi Income Property Trust delivered another solid performance with an operating profit before tax of $81.3 million, up $4.9 million or 6.4% on the previous year. After taking into account property revaluations, other non-cash adjustments and the settlement of our insurance claim for the PricewaterhouseCoopers Centre (PwC Centre), the Trust reported an after tax profit of $89.2 million.

In a challenging year, the Trust has delivered a pleasing result from both an operating and balance sheet perspective. Our ability to deliver reliable returns, through good times and bad, is attributable to our simple, conservatively-geared business model and our 'hands on' approach to the management of the Trust's high-quality portfolio.

The highlight has been the positive sales performance of our shopping centre portfolio, with sales growth of 8.4% for the year. This flowed through to a positive revaluation result for our retail portfolio, highlighted by Sylvia Park Shopping Centre which is now independently valued at $500 million.

I am pleased to report that the Trust continues to make good progress with the development of the ASB Bank head office in Wynyard Quarter, Auckland. Whilst we continually strive to add value and enhance returns to Unit Holders with our investment decisions, we are also making defensive investments in earthquake strengthening at The Majestic Centre in Wellington and Northlands Shopping Centre in Christchurch, and in the competitive repositioning of Centre Place Shopping Centre in Hamilton.

Against this backdrop, the Trust has performed creditably as it continues to benefit from the strength of its premium assets, its sector and geographic diversification, and its high-quality tenant base.

Distributions on target

Distributable income after tax was $71.7 million, up $2.9 million or 4.2% on the previous year.

In line with previous guidance, a final cash distribution of 3.50 cents per unit was paid to Unit Holders, together with imputation credits of 0.70 cents per unit. This brings the full year cash distribution to 7.00 cents per unit, representing a payout ratio of around 95% of distributable income.

The value of the Trust's distribution reserve now stands at $15.5 million.

Solid long-term performance

Since the Trust listed on the New Zealand Stock Exchange in December 1993, it has delivered a cumulative average total return[1] of 9.7% per annum. Over the 10-year period to 31 March 2012 the Trust has produced a total return[2] of 8.3% per annum, compared with the NZX 50 Gross Index equivalent return of 5.7% per annum and the NZX Property Gross Index return of 8.9% per annum.

The Trust's market capitalisation was $1.05 billion as at 31 March 2012, ranking it as the 11th largest stock by free market float on the New Zealand Stock Exchange and warranting its inclusion in the NZX 15 Index.

Board changes

At the conclusion of the annual meeting on 18 August 2011, Sean Wareing retired from his position as a Director and Chairman of the Board of the Manager.

The Board acknowledges the significant contribution Mr Wareing made to the governance of the Trust since he joined the Board in 2004.

Upon Mr Wareing's retirement, it was my privilege to take over as Chairman of the Board of the Manager.

In November 2011, Darren Steinberg relinquished his role as an Executive Director and in February 2012 Angus McNaughton was appointed to the Board. Mr McNaughton is Managing Director of CFSGAM Property, the direct property division of Colonial First State Global Asset Management, which provides management services to the Trust. Many Unit Holders will already be familiar with Mr McNaughton, who has been a part of Colonial First State Global Asset Management for more than 17 years, and was previously Chief Executive of the Manager of the Trust, Kiwi Income Properties Limited.

Wal Edgell, who has been an Executive Member of the Board since March 2002, will act as an Alternate Director to Mr McNaughton.

The Board now comprises eight directors, five of whom are independent.

Outlook and distribution guidance

We are encouraged that the positive performance and outlook for New Zealand's rural sector is beginning to feed through to the broader economy, as evidenced by the recovery in retail sales in our shopping centre portfolio. Economists continue to forecast a more broadly based economic recovery over the next two years, with additional stimulus expected from earthquake reconstruction activities in Christchurch.

We do however see the need to remain cautious and take into account the cost and income impacts of our earthquake strengthening requirements. Based on the outlook for the Trust and subject to a continuation of reasonable economic conditions, we are projecting distributable income after tax, and distributions to Unit Holders, for the year ending 31 March 2013 to be approximately 6.60 cents per unit.

I extend my sincere thanks for your continued support of the Trust, and wish you the very best for the year ahead. ■

Mark Ford
Chairman/
Kiwi Income Properties Limited

MANAGER OF KIWI INCOME PROPERTY TRUST

[1] Includes unit price movements and the reinvestment of all cash distributions and imputation tax credits on the ex-date.
[2] Includes unit price movements and the reinvestment of all cash distributions, but not imputation tax credits, on the ex-date.

MEETING THE CHALLENGES

BUILDING TRUST CONSISTENTLY

Profit after tax

$89.2m ↑

$89.2 million after tax profit, compared with an after tax loss of $26.4 million for the prior year.

A creditable operating result

AS noted in the Chairman's report, in the year to 31 March 2012, the Trust delivered an operating profit before tax of $81.3 million, up $4.9 million or 6.4% on the previous year. Pleasingly, this was driven by a 4.5% increase in net rental income. After taking into account property revaluations, other non-cash adjustments and the settlement of the PwC Centre insurance claim, an after tax profit of $89.2 million was reported, compared with an after tax loss of $26.4 million for the prior year.

"The Trust's shopping centre portfolio performed strongly in the 2012 financial year with a marked lift in retail sales underpinning solid valuation gains and a creditable operating result."

CHRIS GUDGEON / CHIEF EXECUTIVE

Distributable income after tax was $71.7 million, up $2.9 million or 4.2% on the previous year. Using the number of units on issue at the relevant distribution payment dates, the after tax distributable income was 7.34 cents per unit, up 3.8% on the 7.07 cents per unit in the prior year.

Unit Holder funds ended the year up $29.8 million (+2.9%), assisted by the positive year end revaluation for our retail portfolio and the PwC Centre insurance settlement. As at 31 March 2012 total assets were $2.16 billion and the net tangible asset backing per unit was $1.09, up from $1.07 in the prior year.

Drawn bank debt as at 31 March 2012 stood at $769.5 million, representing a bank debt to total assets ratio of 35.6%. In addition, the Trust had $58.5 million of Mandatory Convertible Notes funds on deposit. After allowing for this cash, the net bank debt gearing ratio was 33.8%.

Strategic highlights

Consistent with our strategy of recycling capital out of mature assets to maintain balance sheet flexibility, the Trust sold a number of properties. During the reporting period, 1-17 Broadway Avenue, in Palmerston

CHRIS GUDGEON

North, was sold for $2.0 million and 50 The Terrace, an office building in Wellington, was sold for $6.4 million. Both sales were in line with book value.

After the reporting period, we announced that the Trust had entered into an unconditional contract to sell Beca House at 21 Pitt Street, Auckland for $55 million. Beca House is a 10-level office tower which was acquired by the Trust in March 1997 for $32.2 million. The sale price represented a 2% premium to the asset's 31 March 2012 valuation of $54 million.

During the period, we reached agreement with our insurers regarding the insurance claim for our earthquake-damaged PwC Centre, which is currently being demolished. The agreement will result in the Trust receiving total insurance proceeds of $69.3 million, including payments made up to 31 March 2012 totalling $6.3 million.

The net proceeds from the sale of Beca House and the settlement of the PwC Centre insurance claim will be used to retire bank debt, further strengthening the Trust's financial position.

The Trust's robust financial position has enabled us to accommodate the decline in asset values due to the global financial crisis and the requirement to undertake earthquake strengthening works at The Majestic Centre in Wellington and Northlands Shopping Centre in Christchurch.

At Centre Place Shopping Centre in Hamilton we completed a $10 million redevelopment of the foodcourt and a new dining lane offer in time for the beginning of the Rugby World Cup. Both the dining lane and foodcourt opened 100% leased, with the outdoor dining precinct offering six new alfresco restaurant and café options and the indoor foodcourt comprising 10 food operators.

In November 2011, we announced plans to undertake a further $39.9 million redevelopment of Centre Place to anchor the shopping centre with a Farmers department store on a 15-year lease, whilst making further improvements to reposition the centre with a focus on fashion, dining and entertainment.

Good progress continues to be made on the construction of the new head office building for ASB Bank at North Wharf, Wynyard Quarter on Auckland's waterfront. In March 2012, a 'topping out' ceremony was held as construction reached its top level. The project remains on program to complete in time for ASB's July 2013 lease commencement date.

Distributable income

$71.7m ↑

4.2% increase in distributable income after tax.

Shopping centres lead the way in asset valuations

Independent valuations completed for the Trust's assets as at 31 March 2012 resulted in an overall reduction in the value of the property portfolio of $9.6 million. After allowing for the $26.9 million write-off of our investment in the PwC Centre, the total value of the portfolio now stands at $2.0 billion.

The value of the retail portfolio increased by $22.8 million (+1.8%) to $1.3 billion, driven by our Auckland shopping centres. Our flagship asset, Sylvia Park Shopping Centre, increased in value by $27.5 million (+5.8%) to $500 million due to its strong trading performance. LynnMall Shopping Centre, which was purchased by the Trust in December 2010 for $174 million, grew by $7.2 million over the prior year to $184.5 million.

The value of Northlands Shopping Centre in Christchurch recovered following a solid year of retail trading, despite the requirement to undertake earthquake strengthening works to parts of the centre. The centre's value now stands at $214.2 million, up $4.5 million (+2.1%) over the prior year.

The competition-affected Centre Place was the only retail asset to post a negative valuation outcome, declining in value by $20 million (-16.8%).

Summary of financial results

Financial performance [$m] **For the year ended**	**31-Mar-12**	**31-Mar-11**
Gross rental income	204.1	191.6
Property operating expenditure	(60.1)	(53.8)
Net rental income	**144.0**	**137.8**
Net interest expense[1]	(48.7)	(48.2)
Manager's fees	(10.8)	(10.4)
Other expenses	(3.2)	(2.8)
Operating expenditure	**(62.7)**	**(61.4)**
Operating profit before tax	**81.3**	**76.4**
Interest rate derivatives [fair value change]	(2.3)	(11.2)
Property revaluations [fair value change]	(9.6)	(82.4)
Impairment of investment properties	(26.9)	–
Insurance proceeds	67.1	–
Other non-operating items	(0.7)	(1.1)
Profit/(loss) before tax	**108.9**	**(18.3)**
Tax expense	(19.7)	(8.1)
Profit/(loss) after tax	**89.2**	**(26.4)**

Distributable income [$m] **For the year ended**	**31-Mar-12**	**31-Mar-11**
Operating profit before tax	81.3	76.4
Business interruption insurance proceeds	4.0	–
Non-cash rental adjustments[2]	(0.5)	1.0
Distributable income before tax	**84.8**	**77.4**
Current tax expense	(13.1)	(8.6)
Distributable income after tax	**71.7**	**68.8**
Distributable income after tax [cents per unit][3]	7.34	7.07

Financial position [$m] **As at**	**31-Mar-12**	**31-Mar-11**
Property assets	2,009	1,985
Total assets	2,160	2,113
Unit Holder funds[4]	1,073	1,043
Bank debt to total assets	35.6%	35.9%
Net gearing ratio[5]	33.8%	32.7%
Net tangible asset backing [per unit]	$1.09	$1.07

Distributions [cpu] **For the year ended**	**31-Mar-12**	**31-Mar-11**
Cash distribution	7.00	7.00
Imputation credits	1.35	0.88
Gross distribution	8.35	7.88

[1] Shown net of interest income and interest capitalised.
[2] Includes rental income resulting from the straight-lining of fixed rental increases and other non-cash rental income adjustments.
[3] Calculated using the number of units on issue at the distribution payment dates.
[4] Includes distribution reserves of $15.5 million (31 March 2011 $12.2 million).
[5] Calculated as bank debt less $58.5 million (31 March 2011 $102.0 million) MCN proceeds on deposit over total assets (excluding MCN proceeds on deposit).

The centre's value is expected to recover following the redevelopment now underway.

On a like-for-like basis, the weighted average capitalisation rate for the retail assets firmed 12 basis points, from 7.56% to 7.44%.

It is pleasing to see growth in the value of our shopping centres, consistent with the improvement in sales performance and assisted by our intensive asset management approach.

In the year to 31 March 2012, the value of the office portfolio decreased by $69.1 million (-10.9%). This was mostly due to a $26.9 million write-off of our investment in the PwC Centre, and a $34.4 million write-down in the value of The Majestic Centre in Wellington, after the November 2011 announcement of a $35 million earthquake strengthening program.

The overall value of the office portfolio now stands at $567.0 million with a like-for-like weighted average capitalisation rate of 8.32%, up eight basis points on the prior year.

Excluding the PwC Centre and The Majestic Centre, the balance of the office portfolio recorded a like-for-like decline in value of $7.8 million (-1.5%), mainly reflecting a weaker office market in Wellington.

High portfolio occupancy rate maintained

During the year, 771 new leases, renewals or rent reviews were completed for 145,000 sqm of space (equivalent to around 40% of the total portfolio), excluding development leasing. As a result, overall rental income increased $1.09 million (+1.2%) above previous levels, with an average compound annual growth rate of 3.6% recorded from rent reviews.

A concerted effort from our asset management and leasing teams has enabled us to maintain high occupancy rates and solid overall rental performance. The weighted average lease term is 3.9 years (4.0 years in the prior year). The portfolio occupancy rate is down only marginally from 97.1% to 96.2%.

Independent valuations for the Trust's property portfolio as at 31 March 2012 indicated that overall rents were over market by 0.8%.

Later in this report you can read more about the outlook for our retail and office portfolios and about areas of particular focus looking ahead.

Progress against 2012 priorities

PRIORITY		PROGRESS
Protect the balance sheet by maintaining conservative gearing and diversity within the capital structure to optimise the cost of capital.	✓	33.8% net bank debt to total assets ratio. $592.5 million of bank debt facilities favourably refinanced, increasing the weighted average term to maturity to 3.5 years. $63.4 million capital recycled out of mature assets to maintain balance sheet flexibility. $69.3 million settlement reached with insurers for PwC Centre.
Intensively manage assets to maximise income and investment performance.	✓	Occupancy rate of 96.2%. Seismic assessments undertaken and earthquake strengthening program proactively commenced. Sales and rental growth from our shopping centre portfolio assisted by use of research-based centre marketing programs.
Add value through our investment decisions to optimise earnings.	✓	ASB North Wharf development on program for completion in 2013 at an initial yield of 8.5% pa. Centre Place redevelopment commenced to competitively reposition the centre.

These include the ASB Bank head office development, the Centre Place redevelopment project and earthquake strengthening works at The Majestic Centre and Northlands Shopping Centre. In the Sustainability section we describe other long-term plans for earthquake strengthening.

Focus for 2013

The focus for the Trust during the 2013 financial year will be to:

- → progress construction of ASB North Wharf in readiness for ASB Bank's July 2013 lease commencement
- → progress redevelopment of Centre Place and commence construction of the new Farmers department store, with a target opening date in late 2013
- → progress seismic strengthening works at The Majestic Centre in Wellington and Northlands in Christchurch
- → seek opportunities to undertake value-added acquisitions, consistent with the Trust's strategy
- → further improve the Trust's debt maturity profile by refinancing and extending upcoming bank debt expiries
- → maintain active retail and office leasing programs to minimise vacancy.

Thank you for your continued support of the Trust. I look forward to updating you on our progress throughout the coming financial year. ■

Chris Gudgeon
Chief Executive/
Kiwi Income Properties Limited

MANAGER OF KIWI INCOME PROPERTY TRUST

PRUDENT CAPITAL MANAGEMENT

A TRUSTED BUSINESS MODEL

"Our active capital management approach has ensured the Trust's cost of debt is competitive, the facilities are well diversified, the expiry profile is appropriately spread and the term to maturity is maximised."

GAVIN PARKER / CHIEF FINANCIAL OFFICER

GAVIN PARKER

The prudent approach proves its worth

WE set ourselves two key strategic capital management objectives for the past financial year. Our first objective was to further improve the Trust's debt maturity profile by refinancing and extending upcoming bank debt expiries. Secondly, as part of our active management of the Trust's cost and sources of capital, we sought to investigate opportunities to recycle capital through asset sales. Pleasingly, both of these objectives were achieved.

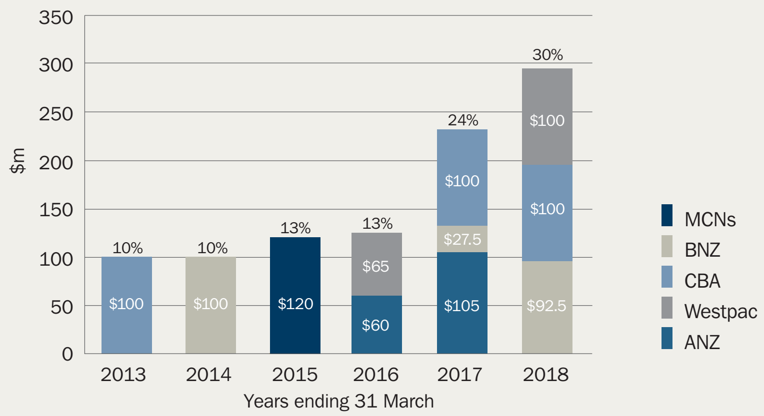
In May 2011, we entered into $50 million of new bank debt facilities with ANZ National Bank and Westpac New Zealand, lifting the overall committed facilities to $850 million. In November 2011, we renewed and extended $297.5 million of bank debt facilities that were due to expire in

Debt maturity profile

As at 31 March 2012, the weighted average term to maturity for the combined $850 million of bank debt facilities was 3.5 years, up from 2.4 years at 31 March 2011.

In addition, the Trust has $120 million of Mandatory Convertible Notes on issue which do not mature until the 2015 financial year.

Our debt facilities and maturity profile are summarised in the chart below.



March and April 2012. The new facilities have maturity dates between April 2016 and April 2017.

We also took the opportunity to proactively negotiate and extend $295 million of bank debt facilities that had expiries in April 2014, April 2015 and May 2016 for a further 12 months. Pleasingly, we were able to undertake the extensions on more favourable pricing terms, thereby reducing the cost of those facilities. Overall however, the Trust's weighted average cost of debt lifted slightly from 6.71% to 7.02%. This was due to the renewal of $297.5 million of bank debt facilities that were originally negotiated before the global financial crisis on more favourable terms.

The Trust's bank debt facilities are well diversified with 10 tranches and multiple expiries spread amongst Australia's four leading banks: ANZ National Bank, Bank of New Zealand, Commonwealth Bank of Australia and Westpac New Zealand.

We remained focused on our strategic objective of recycling capital out of mature assets to assist with funding the Trust's future growth. During the year we sold two properties and an unconditional contract for a third property (Beca House at 21 Pitt Street) was entered into after the reporting period. Following settlement of Beca House these sales, all at or above book value, will have collectively raised $63.4 million.

Drawn bank debt at 31 March 2012 was $769.5 million, up from $759.0 million at 31 March 2011, representing a bank debt to total assets ratio of 35.6% (down from 35.9% as at 31 March 2011). In addition, the Trust had $58.5 million of Mandatory Convertible Notes funds on deposit. After allowing for this cash, the Trust's net bank debt gearing ratio was 33.8%.

This will be reduced by the remaining $63.0 million of insurance proceeds for the earthquake-damaged PwC Centre in Christchurch, and by the $55 million sale of Beca House. Receipt of these proceeds will reduce the Trust's net bank debt to total assets ratio by approximately four percentage points.

Our active capital management approach has ensured the Trust's cost of debt is competitive, the facilities are well diversified, the expiry profile is appropriately spread and the term to maturity is maximised.

Focus for 2013

The focus for the 2013 financial year will be to:

→ refinance $200 million of forthcoming bank debt facilities

→ further improve the Trust's expiry profile, and the term to maturity

→ continue to actively manage the Trust's cost and sources of capital and its exposure to interest rate volatility. ■

Asset sales

$63.4m

"In another active year, we settled the PwC Centre insurance claim and sold three assets. This will collectively realise $132.7 million and assist with maintaining balance sheet flexibility."

MILES BROWN / HEAD OF TRANSACTIONS

WONDERFUL PLACES TO SHOP

BUILDING
TRUST
IN RETAIL

Strong sales performance across our retail portfolio

LAST year, we set ourselves some key initiatives to deliver upon across our retail portfolio.

One of those initiatives was to work with our retailers to improve sales performance by implementing research-based centre marketing programs. In combination with a lift in consumer confidence, these initiatives produced a successful outcome with total sales increasing by 8.4% to $1.43 billion. The result is particularly pleasing given the turnaround this represents from a period of declining retail sales experienced in New Zealand during the 2008/2009 recession and the flat retail sales environment that followed over 2010/2011.

Sales at our Auckland-based centres, Sylvia Park Shopping Centre and LynnMall Shopping Centre, recorded robust growth of 7.1% and 5.1%

Key retail portfolio statistics

$1.3b	portfolio value
7.44%	like-for-like weighted average capitalisation rate
97.2%	portfolio occupancy
3.8 years	weighted average lease term
772	tenants
$1.4b	in annual sales
13.4%	specialty gross occupancy cost ratio
222,000 sqm	of retail space

Progress against 2012 priorities

PRIORITY	PROGRESS
Utilise recently completed market research to drive sales and rental income performance, with specific focus on marketing strategies and tenancy remixing opportunities to optimise and enhance the retail offer.	✓ Due in part to these initiatives, sales increased by 8.4% to $1.43 billion.
Complete the $10 million upgrade of Centre Place Shopping Centre, comprising a redevelopment of the centre's foodcourt and the creation of a dining lane.	✓ The new dining lane and foodcourt redevelopment opened successfully in September 2011.

Sylvia Park valuation

$500m ↑

"The most impressive valuation increase was recorded by our flagship asset, Sylvia Park, which grew in value by $27.5 million to $500 million."

KARL RETIEF / MANAGER RETAIL PORTFOLIO

respectively. Sylvia Park's performance reflected the centre's dominant regional position within Auckland and an ability to grow market share in a competitive market. Annual sales at Sylvia Park are now approaching $450 million with around 12 million customers visiting every year.

A creditable result was also posted by North City Shopping Centre in Porirua, with sales growth of 5.8% led by strong performances from the centre's department stores, Kmart and Farmers.

Sales at The Plaza Shopping Centre in Palmerston North are now stabilising two years post redevelopment, recording an increase of 3.1%.

Our overall portfolio sales result has been assisted by strong trading at Northlands Shopping Centre in Christchurch, with total sales improving 22.2% over the year to just under $400 million as the centre benefited from a redistribution of retail sales following the February 2011 earthquake.

Sales at Centre Place Shopping Centre in Hamilton declined by 15.8%. This was largely expected, given the competition that has emerged in the Hamilton market over recent years and the effect of the redevelopment works currently underway.

On a normalised basis, excluding Northlands and Centre Place, the overall sales increase was very pleasing at 5.7%.

Importantly also, the portfolio-wide specialty gross occupancy cost ratio, a key measure of rent affordability for specialty retailers, improved from 14.1% at March 2011 to 13.4% at March 2012, with average specialty sales increasing to $8,300 per square metre.

Economists generally forecast retail sales growth over the next few years of 2-4% per annum, in line with growth expectations for the wider economy.

Positive valuation result

Improving sales and rental growth prospects have contributed to the retail portfolio value increasing by $22.8 million to $1.3 billion as at 31 March 2012.

The most impressive valuation increase was recorded by our flagship asset, Sylvia Park, which grew in value by $27.5 million to $500 million, based on its solid trading performance and the potential for further growth in retail rents.

LynnMall's value improved $7.2 million to $184.5 million. A number of asset management initiatives undertaken since purchasing the centre have contributed to the value uplift. The tenancy mix has been strengthened and we have redeveloped and upgraded the foodcourt. Significantly, we have also recently negotiated a new 15-year lease with Farmers who will expand and refurbish their department store by December 2012. This has been a key reason for a firming in the capitalisation rate from 8.00% to 7.63%.

The value of Northlands recovered following an exceptionally busy year of retail trading despite the closure of 14 shops in March 2012 for earthquake strengthening. The centre's value now stands at $214.2 million, up $4.5 million on the prior year.

RETAIL PORTFOLIO PERFORMANCE CONTINUED

Retail sales

$1.4b ↑

"Sales at our Auckland-based centres, Sylvia Park Shopping Centre and LynnMall Shopping Centre, recorded robust growth of 7.1% and 5.1% respectively."

GORDON BRAY / MANAGER RETAIL LEASING

Centre Place was the only centre to post a negative valuation outcome for the year, declining in value by $20.0 million to $98.8 million. The redevelopment activity being undertaken at the centre, as outlined further on page 21, is expected to drive the recovery of the centre's value. Our independent valuer has assessed the projected value on completion to be $140 million.

Rent reviews support growth

During the year, rent reviews were completed over 88,000 sqm of retail space, representing nearly 40% of total retail portfolio area. The majority of rent reviews across the portfolio are undertaken annually and incorporate fixed or CPI-related review structures. This has resulted in rental uplift of $2.9 million, an average increase of 4.6%.

The Trust's retail leasing team negotiated 156 new leases during the year, accounting for close to 15% of total specialty area. Newly negotiated rents at Sylvia Park grew by 10.5% over previous rent levels. North City and Northlands also delivered growth in rentals for new leasings, while at LynnMall, rents corrected downwards to come into line with market expectations. Rents at Centre Place also declined due to competition and redevelopment activity at the centre. Overall, newly negotiated rents for the retail portfolio reflected a 10.5% decrease, or -$1.8 million, from previous prevailing rents.

Overall, the Trust recorded an increase in retail rents from rent reviews and new leasing activity of $1.2 million or 1.5%. Independent valuations indicate that our retail rents are now approximately 1.7% under market, positively under-pinning prospects for further rental growth.

Retail portfolio fundamentals remain healthy

The retail portfolio was 97.2% occupied at year end, with a weighted average lease term (WALT) of 3.8 years.

The reduction in occupancy from 98.2% at March 2011 to 97.2% at March 2012 is predominantly due to space previously occupied by Event Cinemas becoming vacant at Centre Place in February 2012.

The WALT is steady at 3.8 years, supported by good portfolio leasing activity and assisted by the new 15-year lease terms negotiated with Farmers for department stores at LynnMall and Centre Place. ■

Strategic priorities for the 2013 financial year will be to:

- Continue to drive shopping centre marketing strategies to deliver solid growth in portfolio sales of 2-4%, in line with economists' expectations
- Respond to upcoming lease expiries at Sylvia Park by successfully completing new leasings to drive rental growth, improve the retail mix, and reinforce the centre's position as the region's pre-eminent fashion and specialty retail destination
- Open the new Rebel Sport store at Centre Place and commence construction of the new Farmers department store and fashion mall
- Consolidate Northlands' enhanced trading position in Christchurch through positive leasing activity, whilst progressing earthquake strengthening work in response to the new Canterbury structural codes

Insights into online retailing

Across the globe, economists and researchers continue to debate the impact of online retailing on shopping centre sales. The one clear outcome of this debate is that shopping centres remain, and will continue to remain, the staple of consumer retailing.

THIS is despite the fact that certain retail products such as books, magazines, travel bookings and recreational products are increasingly being sold over the internet. Some items of clothing, such as footwear, are also being captured within international online sales, although the price benefit can often be eroded by size availability, shipping costs and wait times.

The one thing that online retail sales will never capture is the experiential nature of shopping centres. While there are some products that will naturally sell well on the internet, the true retail experience, which combines price comparison, selection, touch, feel, fitting, socialising and purchasing will remain within shopping centres. What we are seeing though is a need for retailers to invest more in their brand both through the in-store customer experience and their online presence. One of the most successful retailers in the world at the moment is Apple, and that is because they become part of the lives of their customers through an inspiring in-store experience, which is further reinforced through the convenience of their online presence. Apple's physical store presence is a crucial part of the customer journey.

Currently online sales in Australia and New Zealand are estimated to account for around 5% of total retail sales[1]. Data from Statistics New Zealand indicate about a third of these sales are made through New Zealand internet sites.

Research from Australia indicates that internet sales may grow over the next 10 years to peak at around 15% of total retail sales. If New Zealand internet sales growth rates are similar to those in Australia, online retailing may reduce the rate of retail sales growth within shopping centres by around 50 to 100 basis points per annum over the next 10 years.

We are already responding to this consumer trend by enhancing both the range and presentation of individual shops, and the overall retail mix – as well as enhancing the dining and entertainment experience. ■

[1] PwC – Frost & Sullivan Australia and New Zealand Online Shopping Market Insights 2011.

GREAT PLACES TO WORK

BUILDING TRUST IN OFFICE

Leasing deals concluded

20

"A total of 20 leasing deals were concluded for 6,000 sqm of space, resulting in a slight reduction (-2.7%) to prior rentals."

DAVID JOHNSON / MANAGER COMMERCIAL PORTFOLIO

Outlook improving

A MORE encouraging market outlook for the office sector in Auckland is expected to bring medium-term benefit to our office portfolio.

Research undertaken by two of the large property houses indicates that the supply pipeline for new office development in the Auckland CBD is limited and occupier demand is strengthening. The expectation of new demand is both statistically based, with forecast improvements in economic activity expected to result in positive employment and hence space uptake, but also anecdotally, with an increase in leasing enquiry being reported of late.

The supply/demand situation should lead to decreasing vacancy rates and improving net effective rentals. In the short term, the latter is expected to result from reducing incentives rather than an improvement in face rentals.

The Trust has 69% of its office portfolio by value invested in the Auckland office market (after adjusting for the sale of Beca House), with 51% of Premium grade space at the Vero Centre, and 18% of A-grade space at the National Bank Centre.

The outlook is more promising for Prime (Premium and A-grade) quality space in Auckland. Vacancy currently sits at 8.8%, and is expected to reduce to 6.4% over the next year or so with gradual space take-up. By comparison, vacancy across the Trust's Auckland office assets is just 6.3%.

There are now few options available for large occupiers requiring contiguous office space in Premium quality buildings. This should translate to an improvement in leasing prospects for the Vero Centre, where just over 2,000 sqm (or 5.3% of the building) remains vacant.

Another recent point of interest in the office leasing market has been the significant volume of leasing deals for small to medium sized businesses occupying tenancies of less than 400 sqm. The National Bank Centre, with the size of its floor plates and quality of services, is well placed to capitalise on leasing interest from this sector of the market.

The outlook for the Wellington market is less buoyant, with weaker anticipated demand from the government sector, increasing insurance costs and a greater level of consciousness about the seismic performance of the city's office stock. We have leasing exposure to the government sector at 44 The Terrace and Unisys House. However their attractive locations, good seismic performance ratings and a lack of alternatives in the market are expected to assist with tenant retention, notwithstanding the potential for some downsizing on renewal.

Key office portfolio statistics

$567.0m	portfolio value
8.32%	like-for-like weighted average capitalisation rate
94.7%	portfolio occupancy
4.1 years	weighted average lease term
115	tenants
139,000 sqm	of office space

As an example, the Commerce Commission was recently retained at 44 The Terrace for an additional six years in marginally reduced space. We are working closely with other government departments to satisfy their space requirements.

In the medium to longer term, a 'flight to quality' should ensure improved occupancy and rent parameters for higher quality grades. Obsolescence due to poor seismic performance is expected to see the removal of secondary space from the market.

By value, around 31% of our office portfolio is invested in Wellington, or about 8% of overall portfolio value.

The Majestic Centre expected to benefit

The Majestic Centre is expected to benefit from the 'flight to quality' on completion of works currently being undertaken to improve the building's seismic rating.

Earthquake performance modelling following the Canterbury earthquakes identified a number of ways the building's structure could be enhanced. The Trust is undertaking these works, at an expected cost of $35 million. A dedicated resource has been added to our team to oversee the project and liaise with tenants as the work progresses.

Leasing and rent review activity subdued

Leasing and rent review activity undertaken during the year was relatively subdued. A total of 20 leasing deals were concluded for 6,000 sqm of space, resulting in a slight reduction (-2.7%) to prior rentals.

Similarly, 27 rent reviews were undertaken during the year, resulting in a minor rent reduction of 0.3%. Independent valuations indicate the office portfolio was 6.1% over-rented at March 2012.

The retention of law firm Russell McVeagh in 7,453 sqm of offices in the Vero Centre was a significant outcome for the year. A renewal of three years was concluded, extending their lease to December 2015.

Office valuations reflect market outlook

The value of the Trust's office portfolio decreased predominantly due to the write-off of the Trust's remaining $26.9 million investment in the PwC Centre and a $34.4 million write-down in the value of The Majestic Centre following announcement of the earthquake strengthening program. The balance of the portfolio recorded a like-for-like decline in value of $7.8 million (-1.5%), mainly reflecting the more subdued outlook in Wellington.

Office occupancy remains high, despite challenges

Portfolio occupancy was 94.7% at year end, compared to 95.6% at March 2011. Vacancy increased at the National Bank Centre following the expiry of ANZ National Bank's lease over 1,170 sqm of space, with a further 6,430 sqm due to expire in July 2013.

The WALT across the office portfolio has decreased to 4.1 years, from 4.5 years in the prior year. ■

Progress against 2012 priorities

PRIORITY		PROGRESS
Focus on tenant retention and mitigation of vacancy and leasing risk.	✓	Good level of tenant retention but slight increase in vacancy.
Resolve remaining issues at PwC Centre following the 22 February 2011 earthquake.	✓	Satisfactory settlement of insurance claim achieved.
Complete the $5 million refurbishment of 21 Pitt Street.	✓	Refurbishment completed and new tenant, Beca, in occupation.
Undertake rent reviews across approximately 25% of the office portfolio.	✓	Rent reviews completed or substantially in progress for 24% of the portfolio.

Strategic priorities for the 2013 financial year will be to:

→ Improve portfolio occupancy through retention of existing tenants and a focused leasing program

→ Undertake rent reviews for approximately 20% of the portfolio

→ Complete preparatory works and commence seismic upgrade at The Majestic Centre

→ Investigate further opportunities to recycle capital from mature assets

INVESTMENT IN THE FUTURE

ASB NORTH WHARF TAKES SHAPE

GOOD progress continues to be made on the construction of the new head office building for ASB Bank at North Wharf, Wynyard Quarter on Auckland's waterfront. In March 2012, a 'topping out' ceremony was held as the building's construction reached its top level. The project remains on budget and on program to complete in time for ASB's July 2013 lease commencement date.

Following execution of the construction contract, a comprehensive review of forecast expenditure was completed. As a result, the development budget was increased by $5.9 million to $132.1[1] million. This provides for projected increases in construction, design, project management, holding and other costs. Once finally determined upon project completion, the actual cost increase will be recovered from ASB by way of a rental increase, so our net rental income yield of approximately 8.5% per annum will be achieved.

The building is projected to have a weighted average lease term of 17.2 years on completion. This will lengthen our office portfolio and investment portfolio weighted average lease term by 2.2 years and 0.8 years respectively, based on the 31 March 2012 statistics.

This premium office building will provide an attractive investment return with a secure long-term income stream, underpinned by an 18-year lease (with fixed annual increases of 2.5%) to one of New Zealand's leading banks. ■

Initial yield

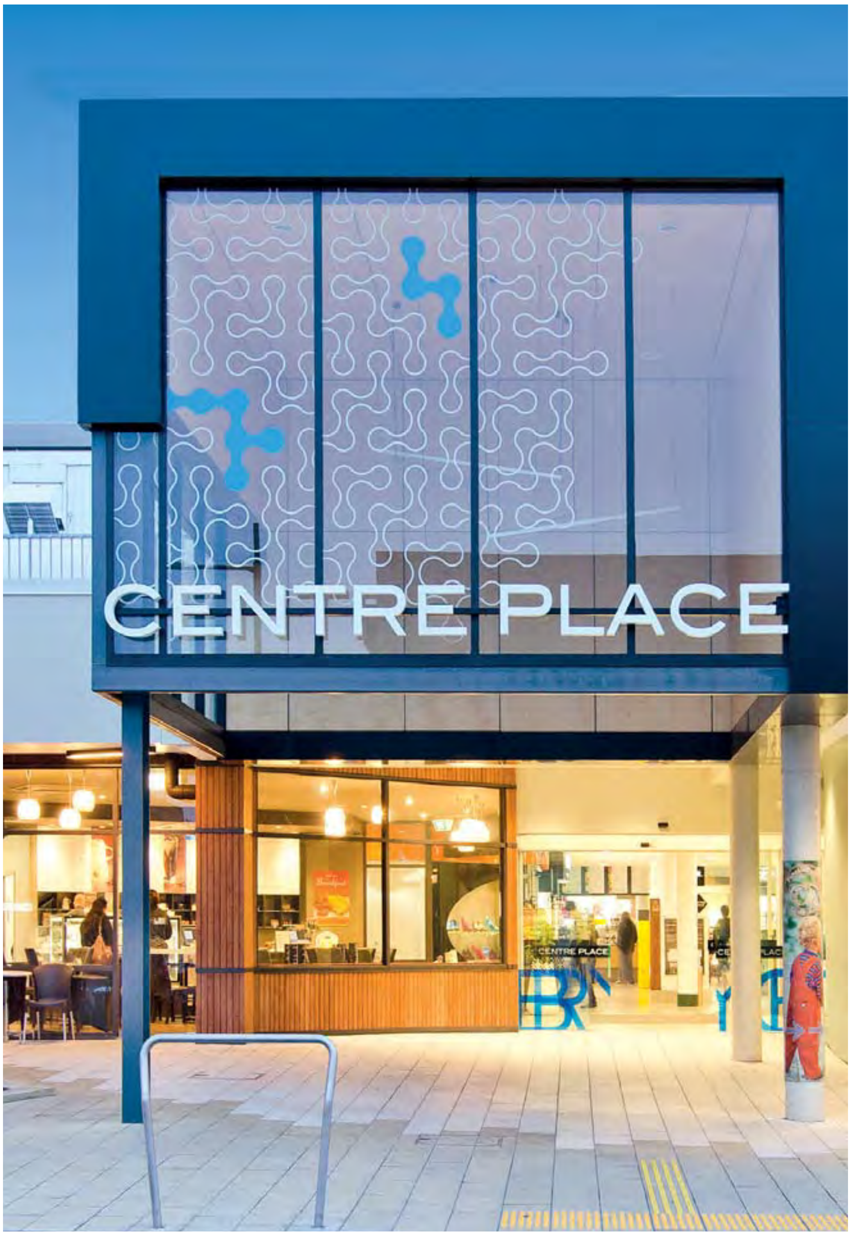
8.5 % pa

"This premium office building will provide an attractive investment return with a secure long-term income stream."

ANDREW BUCKINGHAM / PROJECT DIRECTOR

[1] As the proceeds of the Mandatory Convertible Notes (MCN) issue are to be utilised for the purposes of the development (in combination with bank debt), accounting rules require the MCN interest, net of interest earned on the MCN proceeds, to be capitalised as a project cost from the time the land for the development is unconditionally secured. This is estimated to result in approximately $9.2 million of additional holding costs being capitalised over the period of the development.

CENTRE PLACE
COMPETITIVE REPOSITIONING



Centre Place redevelopment

$39.9m

"The Trust's $39.9 million redevelopment of Centre Place in Hamilton aims to reposition it as a competitive CBD specialty centre."

MARK LUKER / GENERAL MANAGER DEVELOPMENT

THE Trust's $39.9 million redevelopment of Centre Place in Hamilton aims to reposition it as a competitive CBD specialty centre, with a focus on fashion, dining and entertainment. Key to the redevelopment is the addition of a new 7,000 sqm Farmers department store, as well as the introduction of new specialty retailers and an improved and expanded home for mini-major tenant, Rebel Sport. Farmers have committed to a 15-year lease, with a target opening date in time for Christmas 2013.

Construction is now underway, with the new Rebel Sport premises scheduled to open in mid 2012. Our development is being undertaken concurrently with the City of Hamilton's 'City Heart Revitalisation', bringing

substantial improvements to parking, signage, traffic circulation and the general urban environment in the Hamilton CBD to encourage increased shopper visitation.

The redevelopment will include a covered connection across Ward Street West, to finally bring the two parts of the centre under a single roof. This latest redevelopment stage follows the successful delivery of the new foodcourt and alfresco dining lane offer which opened in September 2011. ■

10 YEARS OF EFFICIENCY GAINS

BUILDING TRUST RESPONSIBLY

Efficiency gains

10 years of quantifiable benefits

"Ten years ago, we embarked on a program to drive efficiencies from our assets through sustainability initiatives. Sustainability is not about promises – it's about delivering meaningful performance gains and demonstrable outcomes."

JASON HAPPY /
NATIONAL FACILITIES MANAGER

OVER the past decade, we have continued to refine and develop the Trust's sustainability program to more efficiently manage our assets. At its heart, the sustainability program is about ensuring our assets perform optimally to provide improved and sustainable returns for our stakeholders.

Managing seismic performance

We recognise our responsibility to protect the safety and well-being of the Trust's customers and tenants. Following the Canterbury earthquakes, we have been proactive in completing a seismic review of the Trust's entire property portfolio. Work is now being undertaken, notably at The Majestic Centre and Northlands Shopping Centre, to address our responsibilities in this regard.

The Majestic Centre in Wellington was identified as a 'moderate risk' building using the New Zealand Society for Earthquake Engineering (NZSEE) methodology for grading buildings according to their assessed structural performance. In November 2011, we announced strengthening works to secure a 'low risk' NZSEE classification for the building, at an estimated cost of $35 million. Preparatory works are now well underway, with strengthening work expected to commence in July this year.

In response to the new stricter earthquake loadings standards in Canterbury, it was announced in March 2012 that an area affecting 14 shops at Northlands Shopping Centre would be reconstructed over approximately 15 months, at a cost of $12 million (including lost rent). As further engineering assessments at Northlands are completed it is likely that further strengthening or rebuilding will be required. Some of this work may be undertaken in conjunction with a partial redevelopment of the centre to improve the retail offer and capitalise on the increased market share the centre now enjoys, following a period of extraordinary sales growth. Such a redevelopment would be undertaken within the next five years and may also take advantage of the potential opportunity to construct a new enlarged Farmers department store.

We have also undertaken an assessment of some of the Trust's older buildings which, while meeting legal requirements, could be strengthened to target a 'low risk' NZSEE classification. Preliminary estimates indicate the cost of further strengthening works would be in the order of $30-$40 million. We are currently scoping and prioritising a program of strengthening work to be undertaken over a 10-year period.

Greenstar rating

As part of our commitment to sustainable improvements, we are in the process of seeking a Greenstar rating for the new office development for ASB Bank at Wynyard Quarter. Given the quality of this project, and its adoption of leading sustainability design principles, we expect to obtain a 5-star Greenstar rating which equates to 'New Zealand Excellence'.

Stakeholder engagement

As New Zealand's largest listed property entity, we take our leadership role very seriously. We actively encourage our tenants to adopt sustainability principles in their business activities. We do this by providing detailed fit-out guides for our retailers and, in the years ahead, we will endeavour to measure the adoption of these principles to enable our guidance to be refined. We are also moving to a position where we will require retail tenants to respond to core sustainability criteria in their fit-out designs.

We remain firmly committed to leading the uptake of sustainability practices into our business operations. In a challenging year, this has been highlighted by our commitment to seismically upgrade buildings, to ensure the safety and wellbeing of our tenants and customers, and to maintain a high-quality standard of buildings within our portfolio.

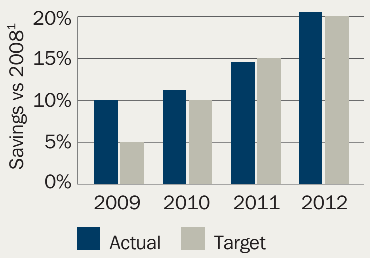
We will continue to proactively engage with organisations such as the New Zealand Green Building Council to foster sound industry measurement tools and performance metrics. We remain focused on setting challenging targets to support value creation for our stakeholders.

Over the past 10 years, we have found the best way to achieve real progress is to develop extensive partnerships with sustainability experts to deliver enduring beneficial changes. These range from pragmatic low cost operational changes, to more innovative approaches to securing sustainability efficiencies. ■

Energy savings

Target achieved

By cutting consumption, we reduce our environmental footprint and achieve real cost savings. In the past four years, we have achieved energy savings of 20.2% across our key assets, slightly ahead of our 20% target. Annual energy savings made since 2008 now total almost 4,400,000 kWh pa (equivalent to the energy used in almost 440 typical New Zealand homes in a year).



Key movers in energy efficiency in 2012

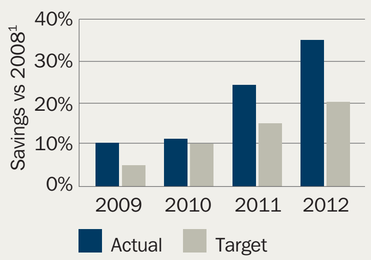
- → Vero Centre: through continued fine-tuning of the air conditioning system, energy consumption was reduced by a further 14% from 2011
- → 44 The Terrace: a further 16% reduction in energy consumption has been delivered through continued fine-tuning
- → Sylvia Park: through a focused audit and review program, energy usage has been reduced 6% from 2011
- → The Plaza: through measures implemented as part of the redevelopment, the total mall area has increased by over 100% yet energy consumption has increased by only 59% over the last few years. The Plaza is now one of the Trust's most efficient centres, measured on a per square metre basis.

Water efficiency

Target achieved

Water is increasingly recognised as one of the world's most valuable resources. Our water savings in the four years to 31 March 2012 exceeded the target we set in 2008. The target was 20% savings – we achieved 35%.

Annual water savings now total over 70 million litres a year, enough to fill over 1,400 domestic swimming pools.



Key movers in water efficiency in 2012

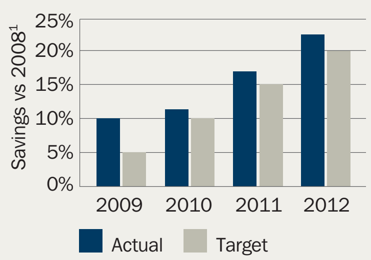
- → Vero Centre: a focused water usage review has resulted in savings of 18% from 2011
- → Sylvia Park: continued success with our water efficiency campaign has delivered further water savings of 12% from 2011.

Waste minimisation

Target achieved

Each year, trillions of tonnes of waste are sent to dumping grounds, when much of that waste could be recycled. In the past four years, the Trust has achieved waste minimisation ahead of its challenging 20% reduction target.

The waste diverted from landfill exceeded 301 tonnes a year, enough to fill almost nine typical four bedroom homes.



Key movers in waste minimisation in 2012

- → National Bank Centre: continuing an off-site sorting trial and careful on-site controls led to a further 63% reduction in waste to landfill from 2011
- → The Plaza: the total mall area has increased by over 100% yet waste production has increased by only 35% over the last few years.

CARBON DISCLOSURE PROJECT

[1] Compared to 2008 on a like-for-like basis.

A STRONG TEAM

BUILDING
TRUST
COLLABORATIVELY

Staff dedicated to the Trust

129

"Ensuring we have the right skills, education and career progression in place is critical to our performance – so development of our people is a priority."

KYLIE EAGLE / HEAD OF HUMAN RESOURCES

DIVERSITY, skill and experience all assist to drive quality results.

We put great emphasis on the quality, expertise and engagement of our people. The Manager of the Trust has a team of 129 people dedicated to driving value for the Trust's investors.

We are also supported by the strong parentage of Colonial First State Global Asset Management (CFSGAM), through which we access specialist expertise in treasury, sustainability, risk and compliance, asset management, taxation, research and investor relations. This is an important distinction in the way the Trust is managed, providing investors with a diverse range of in-house experience and expertise.

CFSGAM is part of the Commonwealth Bank of Australia group which is recognised as one of the world's leading banking groups. In New Zealand it also owns and operates the ASB Bank and Sovereign.

We have a diverse workforce across genders and generations. This diversity adds significant benefit to our organisation and the value we generate for our stakeholders.

Ensuring we have the right skills, education and career progression in place is critical to our performance – so development of our people is a priority. We support our people through in-house and external training, industry involvement and personal study programs. All employees benefit from regular performance and development reviews in order to support the achievement of their performance and career goals. We encourage all employees to consider their work/life balance and to take advantage of the flexible options available as part of our employee benefits program.

Community

As a responsible manager, we have an important role to play in the community. At the local level, we provide financial, in-kind and promotional support by partnering with various charities across New Zealand. Globally, CFSGAM is committed to encouraging and inspiring positive contributions from its people to the communities in which we live and operate. ■

AS AT 31 MARCH 2012

NO SHORT CUTS TO A STRONG PORTFOLIO

BUILDING TRUST PATIENTLY

Portfolio weighting to Auckland

61%

"Key property statistics demonstrate the Trust's focus on 'hands on' asset management and the execution of strategic initiatives."

DAVID GREENWOOD / MANAGER PORTFOLIO ANALYSIS

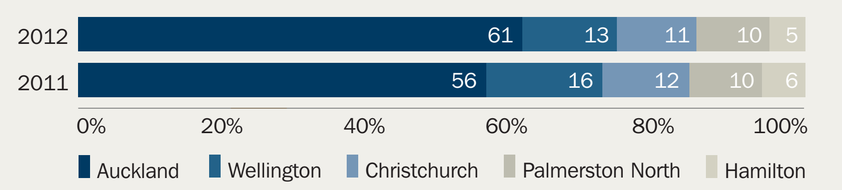
Sector and regional diversification

THE Trust's property portfolio is predominantly weighted to the dominant Auckland region, with the balance of assets spread over the cities of Wellington, Christchurch, Palmerston North and Hamilton.

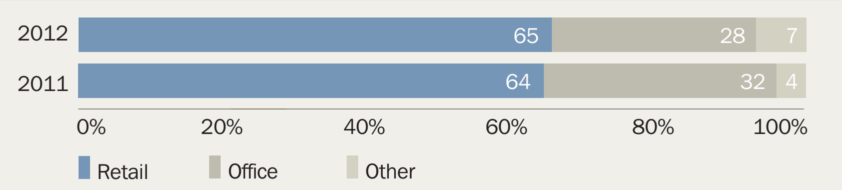
Following the positive revaluation gains recorded by our Auckland retail assets and the write-off of the PwC Centre in Christchurch, our exposure to the Auckland region has increased from 56% at March 2011 to 61% at March 2012.

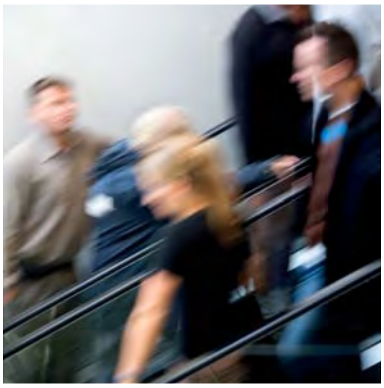
These factors, together with capital expenditure on ASB North Wharf, have altered sector weightings. Our retail exposure now sits at 65%. The office weighting has reduced to 28% and other property, which includes ASB North Wharf, has increased to 7%.

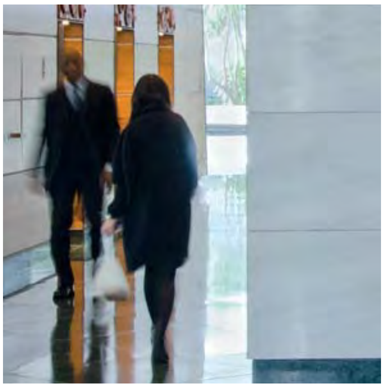
Geographic diversification (by portfolio value)



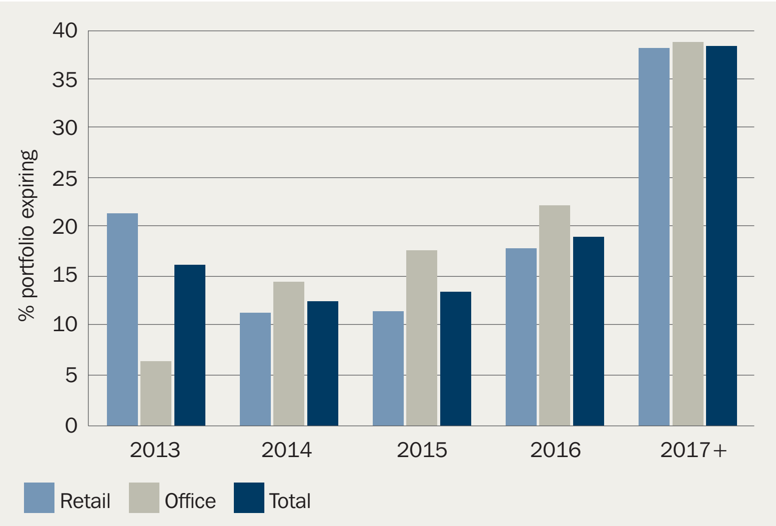
Sector diversification (by portfolio value)







Lease expiry profile (by gross income)



The lease expiry profile helps us to identify and mitigate potential leasing risks. By planning ahead we can work closely with tenants to understand their needs and maximise tenant retention.

In the 2013 financial year, 16.3% of tenancies (by income) are due to expire.

The focus will be on the 80 specialty store leases due to expire in the first three stages of Sylvia Park. Our retail leasing team are already capitalising on this opportunity and are actively engaging with existing and potential tenants to ensure the centre's retail mix continues to respond to market demand and consumer tastes.

Weighted average lease term (WALT) (by gross income)

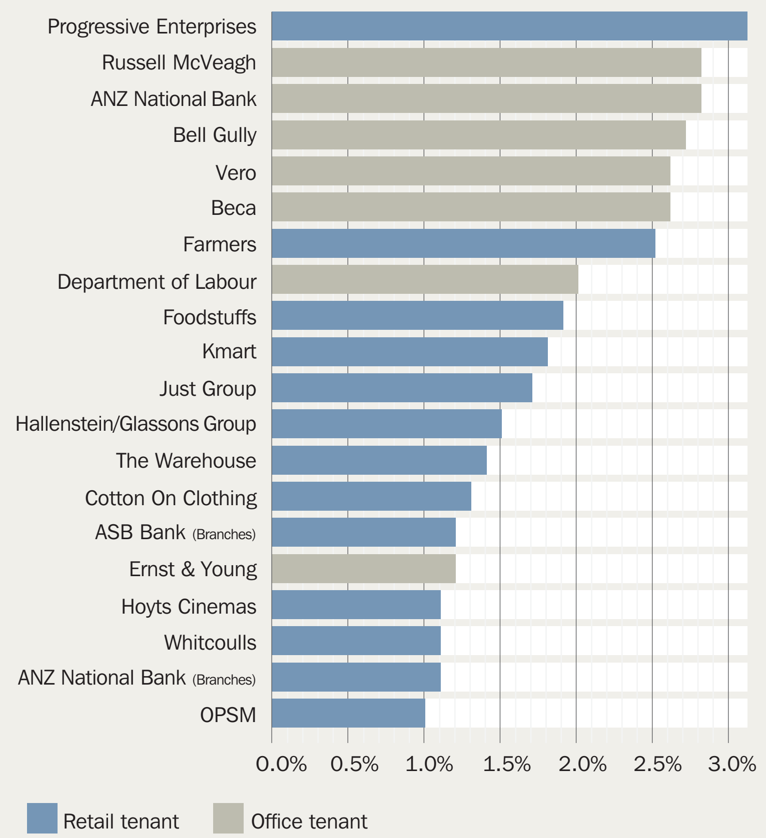
	2011	2012
RETAIL	3.8 yrs	3.8 yrs
OFFICE	4.5 yrs	4.1 yrs
TOTAL	4.0 yrs	3.9 yrs

The WALT measures the average lease term remaining across the portfolio, on an income-weighted basis. It is a good measure to assess the security of forward rental income.

The WALT also provides an indication of new portfolio activity. If no leasing activity is undertaken, the statistic reduces by one year at each financial reporting date. A movement of less than one year indicates new leases and renewals have been undertaken, to maintain or extend the WALT.

The portfolio-wide WALT is 3.9 years with some key major tenant deals and retentions having been concluded. In particular, we note the retention of Russell McVeagh at the Vero Centre and the new long-term leases to Farmers at LynnMall and Centre Place.

Top 20 tenants (by gross income)



Our list of top 20 tenants confirms that the portfolio income is underpinned by high-quality organisations with a proven track record, many of them household names. Collectively, our top 20 tenants account for approximately 38% of the portfolio by income and 50% by area.

Tenant diversification (by gross income)

OFFICE

Legal	7%
Government	7%
Consultancy	7%
Insurance	4%
Banking	3%
Financial services	2%
IT/comms	1%
Other	3%
Total	**34%**

RETAIL

New Zealand chains	27%
Australian and international chains	22%
Independents	5%
Department stores	6%
Supermarkets	5%
Cinemas	1%
Total	**66%**

Tenant quality and diversity is another key way to minimise risk.

Through our diverse tenant base we maintain exposure to a diverse range of business activity. For our shopping centres, tenant diversification also ensures a broad mix of retailing to satisfy shopper demand. ■

THE PORTFOLIO AT A GLANCE

AS AT 31 MARCH 2012

Property	Location	Valuer	Capitalisation rate [%]	Value [$000]	2012 Net rental income[1] [$000]
Retail portfolio					
Sylvia Park	Auckland	CBRE	6.88	500,000	30,830
Northlands	Christchurch	Colliers	8.00	214,226	16,245
The Plaza	Palmerston North	CBRE	7.50	195,500	14,843
LynnMall	Auckland	CBRE	7.63	184,500	15,306
North City	Porirua	JLL	8.50	105,000	8,203
Centre Place	Hamilton	JLL	8.50	98,800	4,891
Total retail portfolio			**7.55**	**1,298,026**	**90,318**
Office portfolio					
Vero Centre	Auckland	Colliers	7.75	260,000	19,206
National Bank Centre	Auckland	CBRE	9.13	95,000	8,224
The Majestic Centre	Wellington	JLL	8.50	67,000	8,523
Unisys House	Wellington	CBRE	9.25	65,000	6,870
Beca House (formerly 21 Pitt Street)[2]	Auckland	Colliers	8.13	54,000	6,218
44 The Terrace	Wellington	CBRE	9.13	26,000	2,335
Total office portfolio			**8.34**	**567,000**	**51,376**
Total investment portfolio			**7.78**	**1,865,026**	**141,694**
Other properties					
ASB North Wharf under construction		Colliers		78,700	–
Adjoining properties		Various		41,976	2,011
Development land		CBRE		23,225	–
Total other properties				**143,901**	**2,011**
Total portfolio				**2,008,927**	**143,705**

[1] Excludes 50 The Terrace which was sold during the year.

[2] Post the reporting period, the Trust entered into an unconditional contract for the sale of Beca House. Settlement is due to occur in July 2012.

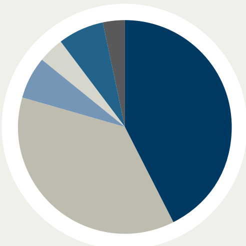
Net lettable area [sqm]	Weighted average lease term [years]	Occupancy [%]	Tenants [no.]	Carparks [no.]	Major tenants
71,242	3.2	100.0	209	4,002	The Warehouse, Countdown, PAK'nSAVE, Hoyts Cinemas, Whitcoulls, Dick Smith Electronics, JB Hi-Fi
40,000	4.7	99.7	118	1,870	PAK'nSAVE, Countdown, Farmers, The Warehouse, Hoyts Cinemas
32,454	4.5	99.7	108	1,251	Farmers, Kmart, Countdown, JB Hi-Fi
31,508	3.2	100.0	135	1,412	Farmers, Countdown, Postie Plus, JB Hi-Fi, Number One Shoes, Noel Leeming
25,483	3.2	99.7	102	1,080	Farmers, Kmart, Reading Cinemas
21,130	4.8	72.0	100	604	Lido Cinemas
221,817	**3.8**	**97.2**	**772**	**10,219**	
39,484	4.5	94.7	30	423	Vero, Bell Gully, Russell McVeagh, Craigs Investment Partners, Goldman Sachs & Partners
25,672	3.6	88.2	42	115	ANZ National Bank, DLA Phillips Fox
24,488	3.7	97.6	23	262	Opus Consulting, Ernst & Young, NZ Trade & Enterprise, Cigna Life, Airways Corporation, Govt. of Japan, IBM
22,158	1.7	97.3	9	325	Department of Labour, Crown Law Office, Unisys, Financial Markets Authority
16,837	8.0	100.0	3	249	Beca
10,109	3.6	89.6	8	–	Commerce Commission, Tertiary Education Commission, Energy Efficiency & Conservation Authority
138,748	**4.1**	**94.7**	**115**	**1,374**	
360,565	**3.9**	**96.2**	**887**	**11,593**	

RETAIL PORTFOLIO

RETAIL PORTFOLIO

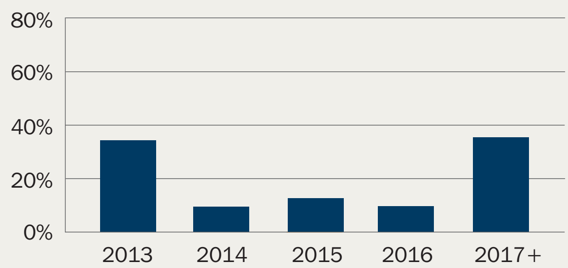
SYLVIA PARK is the Trust's flagship retail asset and the largest enclosed shopping centre in New Zealand. It is located at the demographic and geographic heart of Auckland and boasts the broadest retail mix of any New Zealand shopping centre, anchored by a strong mix of major tenants. The centre's design focus creates a unique retail environment, and reflects the rich local history and geography.

Tenant diversification (by gross income)



- NZ chains 42.7%
- Aust and intern'l chains 36.8%
- Independents 6.6%
- Dept stores 3.8%
- Supermarkets 6.8%
- Cinemas 3.3%

Lease expiry profile (by gross income)

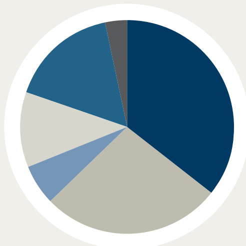


Key property statistics

Centre type	Regional Shopping Centre
Date completed	Jun-07
Net lettable area [sqm]	71,242
Carparks [no.]	4,002
2012 net rental income [$m]	30.8
Valuation [$m]	500.0
Capitalisation rate [%]	6.88
Valuation 10-year IRR [%]	9.84
Occupancy [%]	100.0
Weighted average lease term [years]	3.2
2012 total sales [$m]	445.7

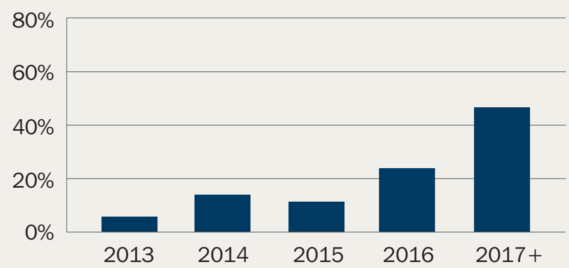
NORTHLANDS is a substantial, freestanding, single-level regional shopping centre constructed some 45 years ago. It was extensively redeveloped in 2004 with an outstanding mix of anchor tenants, and is the dominant shopping centre in northwest Christchurch.

Tenant diversification (by gross income)



- NZ chains 35.7%
- Aust and intern'l chains 27.3%
- Independents 5.9%
- Dept stores 11.4%
- Supermarkets 16.4%
- Cinemas 3.3%

Lease expiry profile (by gross income)



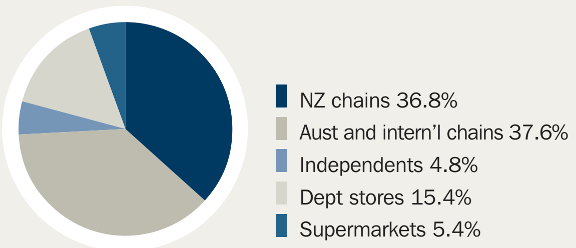
Key property statistics

Centre type	Regional Shopping Centre
Date acquired	Mar-94 / Mar-98
Net lettable area [sqm]	40,000
Carparks [no.]	1,870
2012 net rental income [$m]	16.2
Valuation [$m]	214.2
Capitalisation rate [%]	8.00
Valuation 10-year IRR [%]	10.78
Occupancy [%]	99.7
Weighted average lease term [years]	4.7
2012 total sales [$m]	396.6

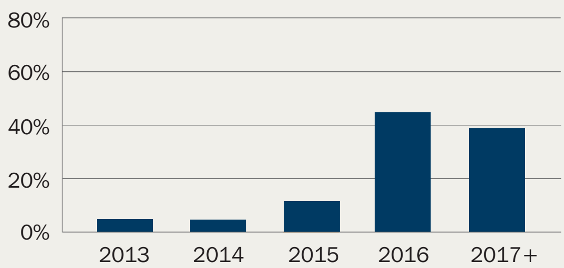
RETAIL PORTFOLIO CONTINUED

THE PLAZA is Manawatu's premium shopping destination, located on the city square, in the heart of Palmerston North's CBD. The centre was redeveloped in 2010 to include a Farmers department store and JB Hi-Fi electronics store, together with an expanded food and retail offer and extensive carparking.

Tenant diversification (by gross income)



Lease expiry profile (by gross income)

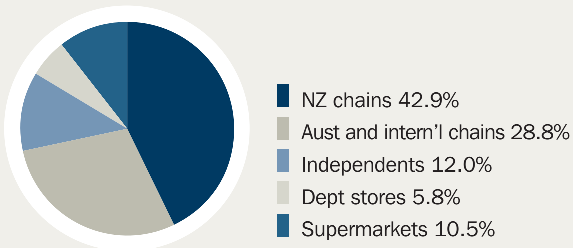


Key property statistics

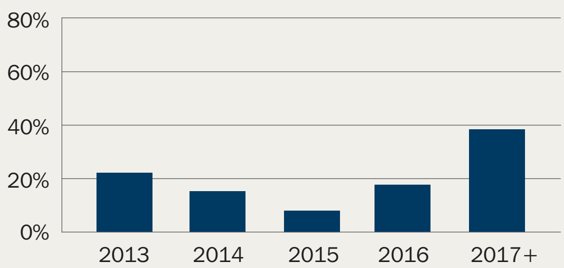
Centre type	Regional Shopping Centre
Date acquired	Aug-93
Net lettable area [sqm]	32,454
Carparks [no.]	1,251
2012 net rental income [$m]	14.8
Valuation [$m]	195.5
Capitalisation rate [%]	7.50
Valuation 10-year IRR [%]	10.52
Occupancy [%]	99.7
Weighted average lease term [years]	4.5
2012 total sales [$m]	193.7

LYNNMALL is a regional shopping centre which opened in 1963. It has been refurbished and extended over the years and is anchored by a Farmers department store, Countdown supermarket and a cluster of popular mini-major retailers. It is well located within the New Lynn town centre, adjacent to an integrated rail and bus interchange.

Tenant diversification (by gross income)



Lease expiry profile (by gross income)

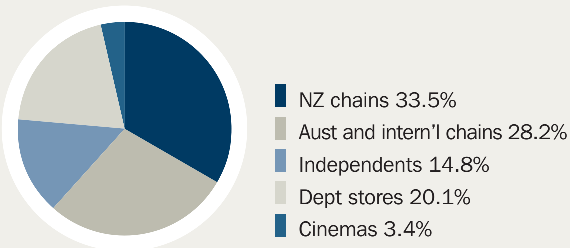


Key property statistics

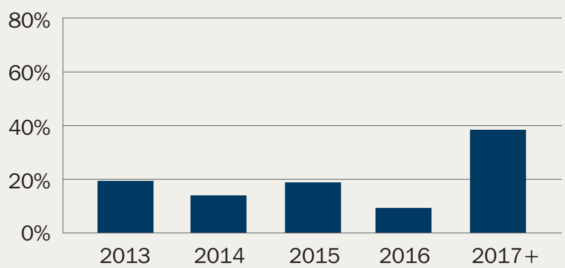
Centre type	Regional Shopping Centre
Date acquired	Dec-10
Net lettable area [sqm]	31,508
Carparks [no.]	1,412
2012 net rental income [$m]	15.3
Valuation [$m]	184.5
Capitalisation rate [%]	7.63
Valuation 10-year IRR [%]	10.42
Occupancy [%]	100.0
Weighted average lease term [years]	3.2
2012 total sales [$m]	223.4

NORTH CITY is a two-level regional shopping centre that opened in 1990 and was last refurbished in 2004. The centre includes a broad range of quality national and international retailers.

Tenant diversification (by gross income)



Lease expiry profile (by gross income)

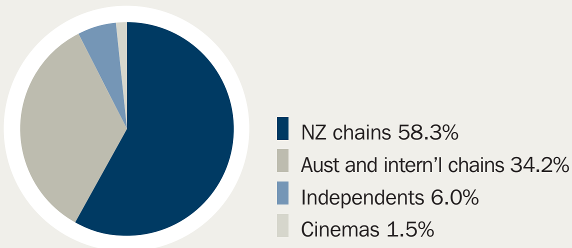


Key property statistics

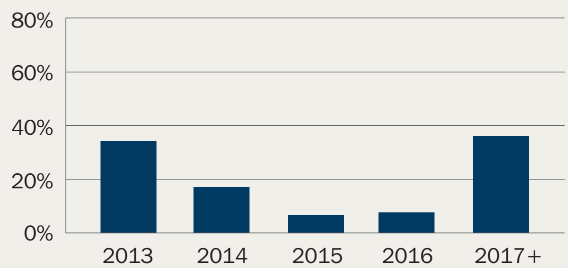
Centre type	Regional Shopping Centre
Date acquired	Dec-93
Net lettable area [sqm]	25,483
Carparks [no.]	1,080
2012 net rental income [$m]	8.2
Valuation [$m]	105.0
Capitalisation rate [%]	8.50
Valuation 10-year IRR [%]	10.37
Occupancy [%]	99.7
Weighted average lease term [years]	3.2
2012 total sales [$m]	103.7

CENTRE PLACE is Waikato's leading CBD retail and fashion destination. Tenants include a wide range of quality national and international retailers, a foodcourt, dining lane and cinemas – all serviced by integrated multi-storey carparking.

Tenant diversification (by gross income)



Lease expiry profile (by gross income)



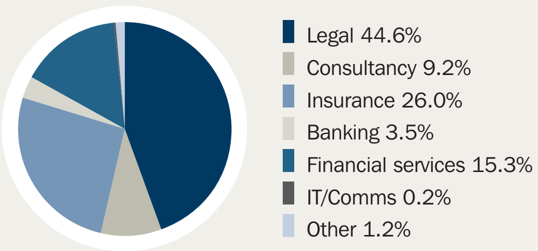
Key property statistics

Centre type	CBD Shopping Centre
Date acquired	Dec-94 / Jul-03 / Dec-05
Net lettable area [sqm]	21,130
Carparks [no.]	604
2012 net rental income [$m]	4.9
Valuation [$m]	98.8
Capitalisation rate [%]	8.50
Valuation 10-year IRR [%]	N/A
Occupancy [%]	72.0
Weighted average lease term [years]	4.8
2012 total sales [$m]	70.7

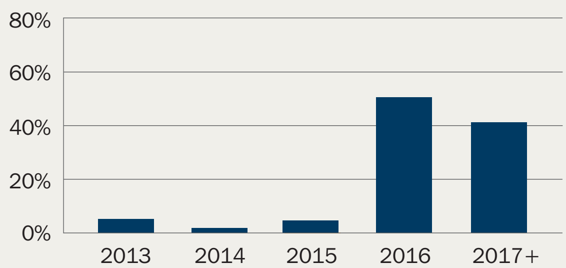
OFFICE PORTFOLIO

VERO CENTRE was completed in 2000. This impressive 39-level office tower is New Zealand's premier business address – a benchmark for quality and our flagship office asset. Vero sits in the heart of Auckland's legal and financial precinct. The building continues to attract many of New Zealand's most respected companies. It has won numerous awards for excellence in design, construction and efficiency.

Tenant diversification (by gross income)



Lease expiry profile (by gross income)

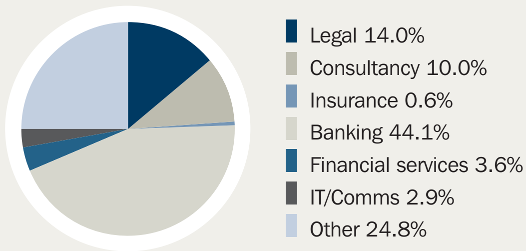


Key property statistics

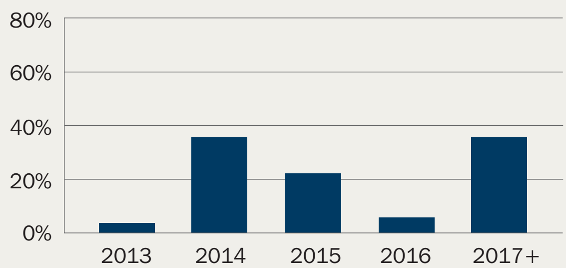
Building grade	Premium
Date acquired	Apr-01
Net lettable area [sqm]	39,484
Carparks [no.]	423
2012 net rental income [$m]	19.2
Valuation [$m]	260.0
Capitalisation rate [%]	7.75
Valuation 10-year IRR [%]	9.68
Occupancy [%]	94.7
Weighted average lease term [years]	4.5

NATIONAL BANK CENTRE is well located on an entire block, at one of Auckland's busiest pedestrian intersections. The property was completed in 1990. It comprises twin towers of 17 levels and 22 levels, with podium retail and basement carparking. The landmark property has a distinctive design.

Tenant diversification (by gross income)



Lease expiry profile (by gross income)

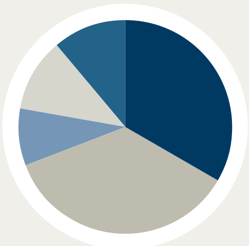


Key property statistics

Building grade	A-grade
Date acquired	Nov-96 / Nov-06
Net lettable area [sqm]	25,672
Carparks [no.]	115
2012 net rental income [$m]	8.2
Valuation [$m]	95.0
Capitalisation rate [%]	9.13
Valuation 10-year IRR [%]	10.30
Occupancy [%]	88.2
Weighted average lease term [years]	3.6

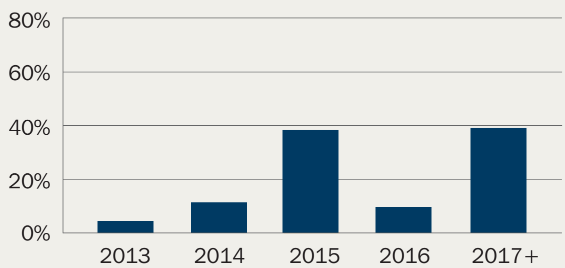
THE MAJESTIC CENTRE was completed in 1991. It is a prominent feature of the Wellington CBD and offers tenants spectacular harbour and city views. The 28-level A-grade property provides 21 large office floors, podium office space, street-level retail and six levels of basement carparking. It continues to attract and retain quality corporate tenants. The property includes the adjacent Henry Pollen House, a restored character building.

Tenant diversification (by gross income)



- Government 33.4%
- Consultancy 36.0%
- Insurance 8.5%
- IT/Comms 11.0%
- Other 11.1%

Lease expiry profile (by gross income)

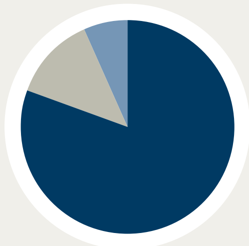


Key property statistics

Building grade	A-grade
Date acquired	Mar-94 / Dec-97
Net lettable area [sqm]	24,488
Carparks [no.]	262
2012 net rental income [$m]	8.5
Valuation [$m]	67.0
Capitalisation rate [%]	8.50
Valuation 10-year IRR [%]	9.64
Occupancy [%]	97.6
Weighted average lease term [years]	3.7

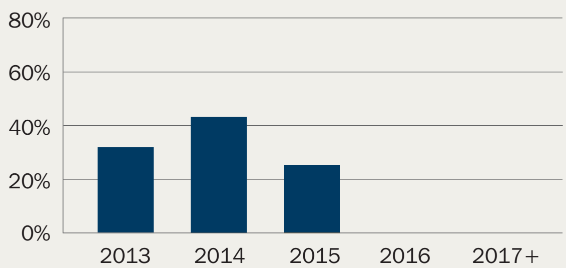
UNISYS HOUSE comprises two adjoining properties: a 19-storey office tower constructed in 1968; and Aurora Chambers, an eight-storey tower constructed in 1975. The property is ideal for government tenants, being within a short walking distance from Parliament. It enjoys a high-profile position at the northern end of the CBD. This property offers large, efficient floor plates of around 1,200 sqm.

Tenant diversification (by gross income)



- Government 80.8%
- IT/Comms 12.7%
- Other 6.5%

Lease expiry profile (by gross income)

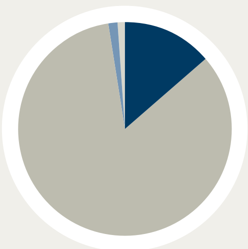


Key property statistics

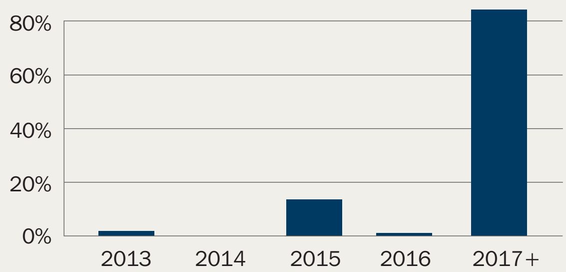
Building grade	B-grade
Date acquired	Apr-04
Net lettable area [sqm]	22,158
Carparks [no.]	325
2012 net rental income [$m]	6.9
Valuation [$m]	65.0
Capitalisation rate [%]	9.25
Valuation 10-year IRR [%]	10.33
Occupancy [%]	97.3
Weighted average lease term [years]	1.7

BECA HOUSE (formerly 21 Pitt Street) is a prominent 10-level building, on Auckland's CBD periphery, which enjoys high exposure and convenient access to the nearby central motorway junction. The building was completed in 1990 and offers 360-degree views with outstanding harbour scenery from most floors. Quality services and generous floor plates appeal to large occupiers. This property is currently under an unconditional contract for sale which is due to settle in July 2012.

Tenant diversification (by gross income)



Lease expiry profile (by gross income)

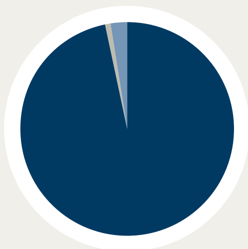


Key property statistics

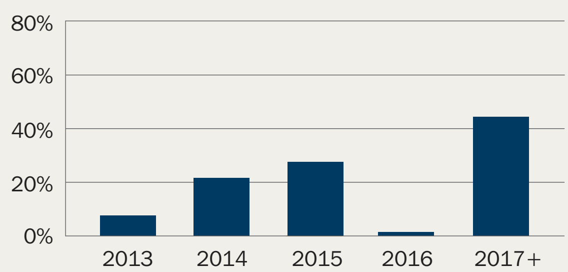
Building grade	A-grade
Date acquired	Mar-97
Net lettable area [sqm]	16,837
Carparks [no.]	249
2012 net rental income [$m]	6.2
Valuation [$m]	54.0
Capitalisation rate [%]	8.13
Valuation 10-year IRR [%]	9.79
Occupancy [%]	100.0
Weighted average lease term [years]	8.0

44 THE TERRACE provides ground floor retail and 12 levels of efficient office space. Its location attracts long-term tenants, particularly from the government sector.

Tenant diversification (by gross income)



Lease expiry profile (by gross income)



Key property statistics

Building grade	B-grade
Date acquired	Sep-04
Net lettable area [sqm]	10,109
Carparks [no.]	–
2012 net rental income [$m]	2.3
Valuation [$m]	26.0
Capitalisation rate [%]	9.13
Valuation 10-year IRR [%]	9.78
Occupancy [%]	89.6
Weighted average lease term [years]	3.6

FOCUSED ON INVESTORS

BUILDING TRUST TRANSPARENTLY

"We are committed to ensuring investors are informed about the Trust's activities and have access to timely and transparent information about their investment."

MATHEW CHANDLER / INVESTOR RELATIONS AND CORPORATE AFFAIRS MANAGER

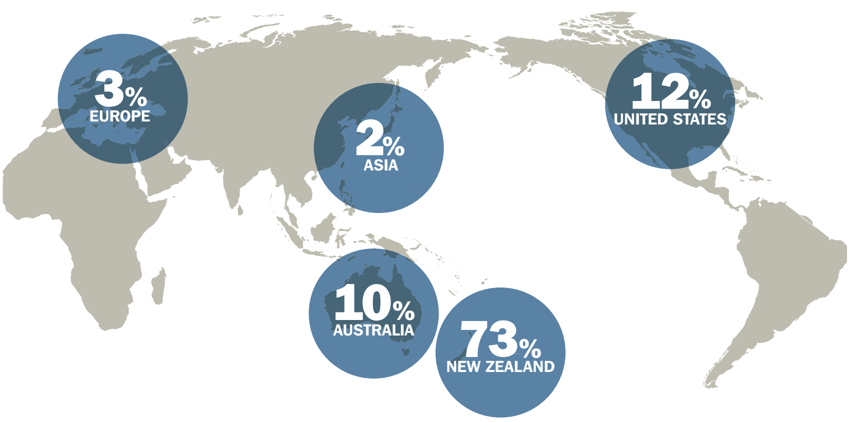
WE continue to build on our domestic and international investor relations program to ensure that investors are well informed about the activities of, and prospects for, the Trust.

Our efforts in 2012 included international investor roadshows to Australia, Singapore, Hong Kong and the United States. In New Zealand, we held institutional roadshows and site tours in Auckland, Wellington and Christchurch.

These activities, and the efforts of the entire team in collaboratively engaging our stakeholders, were recognised in the 2012 INFINZ awards which took place in May 2012. The Trust was named 'Corporate Communicator of the Year'. We are proud of this achievement and will continue to challenge ourselves to lift standards further.

The Trust also recieved two merit awards in the Asia Pacific Real Estate Association 2011 Best Practices Awards, recognising our market-leading

A world of investors



RETAIL INVESTORS	INSTITUTIONAL INVESTORS
43%	57%

practices in portfolio reporting and corporate governance. We also received a merit award for the best submission from New Zealand.

At 31 March 2012, over 12,500 investors from 25 countries made up the Trust's Register. The Trust ranked 11th on the NZX 50 Index and is a member of the NZX 15 Index. The Trust consistently ranks amongst the top 10 most liquid stocks on the NZSX.

In the 2013 financial year, we will continue our domestic and international marketing to institutional investors. We'll also increase marketing to retail investors, with roadshows throughout New Zealand's main centres. At the end of May 2012, we travelled to Nelson, Invercargill, Dunedin, Christchurch and Ashburton, and, in early June, we visited Tauranga, Hamilton, Auckland, Palmerston North and Wellington.

Our annual meeting will be held in Christchurch on Tuesday 7 August 2012. Stay in touch with what's going on at www.kipt.co.nz.

Security upgrade

Our Registrar, Link Market Services, has recently upgraded important security features for Unit Holders. If you have a mobile phone and have provided Link Market Services with your number, you will now receive an automatic SMS message to confirm any changes you make to your address, bank account, holding balance details, or when a new identification (FIN) number is issued. In addition, if you have provided our Registrar with your email address, your distribution payment advice will be provided by email.

If you are a New Zealand Unit Holder and have a New Zealand bank account, we encourage you to provide our Registrar with your bank account details and email address, so that your distribution payment and advice can be delivered to you securely and efficiently. If you have already done this, thank you.

For more information, or to update your details, contact our Registrar on enquiries@linkmarketservices.com.

Questions or issues with our service

If you have an enquiry or complaint regarding your investment, please first contact the Manager, Kiwi Income Properties Limited. If you are not satisfied with our resolution of your complaint, you may refer your complaint to the Financial Services Complaints Limited (FSCL) scheme, which we participate in.

FSCL is an independent, not-for-profit, external dispute resolution scheme that is approved by the Minister for Consumer Affairs. It deals specifically with disputes relating to financial products and services. It is operated by financial dispute resolution specialists and is not connected to finance industry groups or consumers. To find out more, visit www.fscl.org.nz and follow the 'For Consumers' link.

Alternatively, if you are an Australian investor, Kiwi Income Properties Limited is also a member (member no. 13444) of the Financial Ombudsman Service (FOS), an external complaints resolution scheme. FOS offers Australian consumers a single national source of accessible information and expertise for banking, insurance and investment disputes. For more information, visit www.fos.org.au. ■

Key dates	
19 June 2012	Payment of final distribution
20 June 2012	Payment of MCN interest
7 August 2012	Annual meeting
20 September 2012	Payment of MCN interest
14 November 2012	Interim result announcement
18 December 2012	Release of interim report
18 December 2012	Payment of interim distribution
20 December 2012	Payment of MCN interest

Please note: These dates are indicative only and may be subject to change.

CONTACT US

Contacting the Manager

If you have any questions relating to the management of the Trust, an enquiry or complaint regarding your investment:

Kiwi Income Properties Limited
PO Box 2071, Auckland 1140
New Zealand

T +64 9 359 4000
F +64 9 359 3997
E info@kipt.co.nz
W www.kipt.co.nz

Alternatively, if you are an institutional investor, please contact our Investor Relations and Corporate Affairs Manager, Mathew Chandler:

T +61 2 9303 3484
E mathewchandler@colonialfirststate.com.au

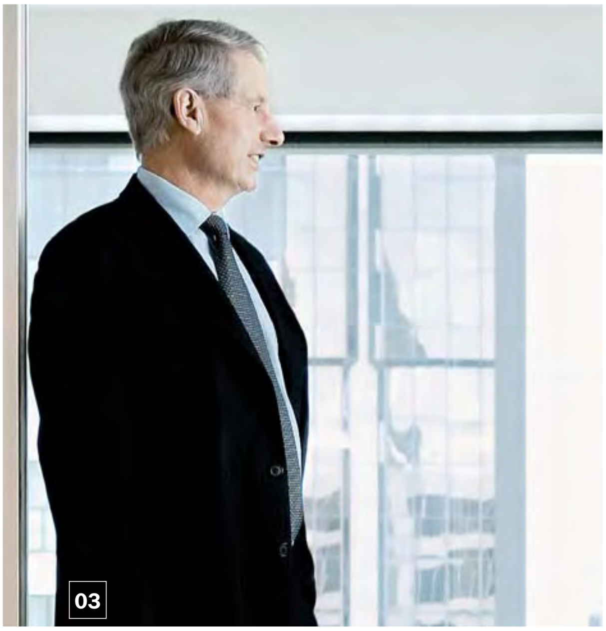
Contacting the Registrar

To change your investment details such as address, method of receipt of distributions and/or MCN coupon payments, IRD number, or to request details of the Trust's Distribution Reinvestment Plan or e-Investor program, please contact Link Market Services. Their contact details are contained in the directory on the inside back cover.

THE BOARD OF THE MANAGER

Our Board brings together a committed team of directors with extensive industry, financial and legal expertise.

On these pages we introduce the directors of the Manager, together with details of their experience, qualifications and committee memberships.



01 Mark Ford (Chairman)

FAPI, ACA, FAICD (Dip), NSWIT Dip (Comm)

Board membership	Non-Executive Chairman
Other committees	Non-Executive Member of the Audit and Risk Committee
Date of appointment	May 2011

Mark is an Australian-based professional director. He holds the roles of Non-Executive Chairman for Cbus Property Pty Limited, Non-Executive Director of the manager for China Commercial Trust and Non-Executive Director of The Bond Market Pty Limited. Mark's previous directorships include Comrealty Limited, South East Asia Property Company (Chair), Property Council of Australia, Deutsche Asset Management Australia and Trafalgar Corporate Group Limited.

Prior to becoming a professional director, Mark was Managing Director, Head of DB Real Estate Australia, where he managed over A$10 billion in property funds. He also oversaw the listing of two property trusts, the acquisition of the AXA Australia property business, the purchase of Paladin Limited, and the merger of the Deutsche and Paladin Trusts. Mark was also a member of the global real estate executive committee for Deutsche Asset Management and RREEF.

Mark began his career with Price Waterhouse in 1972. He is a Chartered Accountant, a Fellow of the Australian Institute of Company Directors, an Honorary Fellow of the Australian Property Institute and a member of the Institute of Chartered Accountants in Australia. He holds a Diploma of Commerce (NSWIT) and a Company Directors Diploma. Mark lives in Sydney, Australia.

02 Angus McNaughton

BMS (Hons)

Board membership	Executive Member
Date of appointment	February 2012

Angus is the Managing Director of Property for Colonial First State Global Asset Management (CFSGAM). The Property division includes listed property, unlisted property and the asset management and development functions. These businesses have responsibility for approximately A$18 billion in funds and assets under management. Angus oversees the performance and strategic direction for all vehicles managed by these businesses.

With more than 20 years' experience in the property (asset and development management), capital markets and funds management industries, Angus leads one of Australasia's largest fully integrated property businesses.

Angus has been with the group for more than 17 years and most recently held the position of Head of Wholesale Property Funds at CFSGAM Property based in Sydney. Prior to this, he worked in Singapore investigating opportunities for the group and was also the Chief Executive of Kiwi Income Properties Limited from 2002 to 2008. In 2007, he received the Property Institute of New Zealand's Property Industry Award (sole recipient) and in 2006, he was voted one of the New Zealand Herald's Top 10 Business Leaders of the Year. He holds an honours degree in Management Studies from the University of Waikato, New Zealand. Angus lives in Sydney, Australia.

03 John Duncan

CA

Board membership	Non-Executive Member
Other committees	Non-Executive Member of the Audit and Risk Committee
Date of appointment	March 2002

John's wide-ranging financial services experience includes banking, life insurance, funds management and trustee management. Prior to 2006 he was Head of Group Finance for the ASB Group of Companies.

Previously John has served as Chairman of Colonial Life Fiji Limited and the National Bank of Fiji Limited, Chairman of ASB Bank Group Investments Limited and Sovereign Superannuation Trustees Limited. John is a Chartered Accountant and lives in Auckland, New Zealand.

04 Wal Edgell

BA

Board membership	Executive Member – alternate director for Angus McNaughton
Date of appointment	March 2002

Wal is Head of Business Implementation Group for the property division of Colonial First State Global Asset Management (CFSGAM), a wide-ranging role within that business. Wal is an experienced company director whose current directorships include Colonial First State Property Limited and Colonial First State Property Management Limited in Australia. He is also on the boards of fund management and other management companies in Australia, Luxembourg and Malta.

Wal has over 35 years' experience in the financial services, property and infrastructure funds management business arenas.

He is a key leader in project teams involved in strategic acquisitions and merger opportunities for CFSGAM property and infrastructure managed funds, and has provided ongoing corporate services to those divisions. Wal lives in Sydney, Australia.

05 Richard Didsbury

BE

Board membership	Non-Executive Member
Date of appointment	July 1992

Richard was a founding shareholder and director of the Manager, Kiwi Income Properties Limited. After completing his Bachelor of Engineering at the University of Auckland, his career evolved with Lend Lease and other New Zealand-based property companies.

Richard is now enjoying the opportunity to contribute to a variety of public initiatives such as being a trustee of the Committee for Auckland. He is also on the boards of Auckland International Airport Limited, SkyCity Entertainment Group Limited (pending approval) and Hobsonville Land Company Limited. Richard lives in Matakana, New Zealand.

06 Joanna Perry

MNZM, MA (CANTAB), FCA (ICAEW), FCA (NZICA)

Board membership	Non-Executive Member
Other committees	Non-Executive Member of the Audit and Risk Committee
Date of appointment	October 2006

Joanna is deputy chair of Genesis Power and her other directorships include Trade Me Group, The Co-operative Bank, Partners Life, Sport New Zealand and New Zealand Rowing. She is a member of the International Financial Reporting Interpretations Committee. She was previously a KPMG partner, chair of the Financial Reporting Standards Board, member of the Australian Accounting Standards Board and a member of the Securities Commission. She is a member of the New Zealand Order of Merit. Joanna lives in Auckland, New Zealand.

07 Robert Narev

MNZM, BA, LLB

Board membership	Non-Executive Member
Other committees	Non-Executive Chairman of the Audit and Risk Committee
Date of appointment	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, for which he is now a consultant, specialising in property, commercial law and trusts. He is also Chairman of MFL Mutual Fund Limited and Superannuation Investments Limited. Robert is a trustee of, and legal adviser to, a number of charitable trusts. He is past president of the Auckland District Society of Notaries and is an Honorary Member of the New Zealand Dental Association. He is a member of the New Zealand Order of Merit. Robert lives in Auckland, New Zealand.

08 Mike Steur

DIP VAL, FRICS, FPINZ, FAPI, MAICD

Board membership	Non-Executive Member
Date of appointment	January 2010

Mike was a founding director of Richard Ellis (later CB Richard Ellis) in New Zealand in 1988. He is now the Executive Managing Director of CB Richard Ellis' Asia Pacific Valuation and Advisory Services business. He is on the Executive Committee of CB Richard Ellis in Australia and sits on the Global Executive Committee for Valuation and Advisory Services. Mike is also on the global board of the Valuation Professional Group of the RICS representing the Oceania region and chairs the Oceania Valuation Professional Group.

Mike has more than 30 years' experience in property, spanning valuation, property management and consultancy within New Zealand, Australia, the Pacific Islands and more recently Asia. In addition to his property advisory role at CBRE he is responsible for business leadership, including strategic planning, acquisitions, financial management, risk and compliance management and technology development. Mike lives in Hong Kong.

In accordance with NZSX Listing Rule 3.3.2, the Board has determined that Mark Ford, Robert Narev, John Duncan, Mike Steur and Joanna Perry are independent directors. ■

ROBUST GOVERNANCE

BUILDING TRUST WITH HIGH STANDARDS

Robust frameworks, charters and processes all support the highest standards of governance and ethical conduct.

Kiwi Income Property Trust (the Trust) is a unit trust established in Auckland under a Deed of Trust dated 21 August 1992, and is registered under the Unit Trusts Act 1960.

UNDER the terms of the Trust Deed, Kiwi Income Properties Limited (the Manager) is the Manager of the Trust and New Zealand Permanent Trustees Limited (the Trustee) is the Trustee.

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

In fulfilling this obligation, the Board and the Trustee acknowledge the need for the highest standards of corporate governance and ethical conduct. The Trust's corporate governance framework primarily comprises the Board and the Audit and Risk Committee, which operate in accordance with the principles set out in their respective charters. However, overlaying this is an additional level of governance and compliance to which the Manager is subject by reason of its ownership by Colonial First State Property Limited and its ultimate parent company, the Commonwealth Bank of Australia. Consequently, in addition to the Board and Audit and Risk 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 and holds a trustee licence to act as a trustee of securities under the Securities Trustees and Statutory Supervisors Act 2011. The Trustee was established in 1929 and is a wholly owned subsidiary of Public Trust. The Trustee's primary role is to ensure that the Manager complies with its obligations under the Trust Deed. As part of that role, the Trustee takes title to the Trust's assets. The Trust Deed also confers certain discretions and powers to approve actions (including investments and divestments) proposed to be taken by the Manager. In those cases, the Trustee does so having due regard to the interests of Unit Holders. The Trustee also acts as trustee for the holders of the Mandatory Convertible Notes.

Manager's role

The role of the Manager is to manage the Trust in accordance with the Trust Deed and the law. Ultimate responsibility for corporate governance resides with the Board of Directors.

The Board's actions and its conduct are governed by the Manager's constitution, the Trust Deed, protocols and processes specific to companies within the Commonwealth Bank of Australia Group and a Code of Corporate Governance (the Code), committed to by all directors.
The Code sets out all the functions and operating procedures of the Board, including a charter for the Audit and Risk Committee. The Code also sets out those matters that only the Board can make decisions on. These include: setting the overall strategic direction; determination of portfolio mix; property selection; analysis, review and negotiation of property acquisitions and disposals; supervision of property managers; determining distribution payments; determining the Trust's appropriate funding mix, either by way of equity and/or debt funding; approving annual financial statements; provision of information to investors; approving and monitoring major capital expenditure; and appointment of auditors.

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

Composition of the Board of Directors

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

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

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

It is the responsibility of all directors to ensure that they undergo continuous training to educate and update themselves on how to appropriately and effectively perform their duties as directors.

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

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

Board committees

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

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

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

Each committee is empowered to seek the information it requires from management in pursuing its duties, and to obtain independent legal or other professional advice.

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

Audit and Risk Committee

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

The minimum number of members on the Audit and Risk Committee is three, with a majority comprising independent directors of the Manager. The Board ensures that at least one member has an accounting or financial background. The Chairman of the Audit and Risk Committee cannot also be the Chairman of the Board, or Chairman of any other committee established by the Board.

The Audit and Risk Committee has a clear line of direct communication with management, external auditors, executives of the shareholder of the Manager and the Board. The Audit and Risk Committee is charged with: reviewing and reporting to the Board on Annual and Interim Financial Statements, related stock exchange announcements and all other financial information published or released to the market; assisting the Board in reviewing the effectiveness of the internal control environment, including effectiveness and efficiency of operations, reliability of financial reporting and compliance with applicable laws and regulations; overseeing the effective operation of the risk management and compliance framework; and recommending to the Board the appointment, removal and remuneration of the external auditors and reviewing the terms of their engagement and the scope and quality of the audit, and reviewing and approving within established procedures and, before commencement, the nature and scope of non-audit services being provided by the external auditors.

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

Code of ethics

Directors, employees and consultants of the Manager and its related entities must uphold the highest ethical standards, acting in good faith and in the best interests of the Trust and investors at all times.

Directors, employees and consultants must comply with the policies which the Board has collectively endorsed, and observe the Code of Ethics, which requires directors, employees and consultants to: act properly and efficiently and within the authorities and discretions delegated to them in pursuing the objectives of the Trust; avoid putting themselves in a position where they stand to benefit personally (directly or indirectly) or be accused of insider trading; not trade in the Trust's securities unless they do so in accordance with the Securities Trading Policy; ensure that they and the business are in compliance with all laws and regulations; maintain confidentiality of information at all times; and be absolutely honest in all professional activities.

The Code of Ethics forms part of every employment contract or consultancy agreement. Failure to comply with the Code of Ethics can result in disciplinary action including, where appropriate, dismissal. Knowledge of a breach, or suspected breach of the Code of Ethics can be reported to any layer of management, the Chairman of the Board or the Chairman of the Audit and Risk Committee, and may be done without fear of retribution or adverse action.

The Code of Ethics is regularly reviewed.

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

Risk management

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

Continuous disclosure

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

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

Interests register

Section 189(1)(c) of the Companies Act 1993 requires the Manager to keep a Register of Directors' Interests, and this has been extended to include interests in the Trust. Each director is required to disclose the following information and have that information entered into the Register of Interests as soon as they become aware of it: particulars of other board appointments; particulars of interests in transactions of the Trust; disclosure or use of Trust information acquired by virtue of office or employment by the Manager; dealings in the Trust's securities; and particulars of Board-approved payments, loans and guarantees of the debts of directors, or contracts to do any of these things.

In considering any dealings in the Trust's securities, directors and employees must observe the Securities Trading Policy. Directors and employees must notify and obtain approval of the Manager before dealing in the Trust's securities.

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

Management fees

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

The Manager is entitled to receive a management fee comprising a base fee of 0.55% per annum of the average gross value of the Trust fund, and a performance fee calculated on Unit Holder returns above 10% per annum. The total management fee payable, including both the base and performance fees, is capped at 0.70% per annum of the average gross value of the Trust fund.

The base fee is calculated and paid quarterly in arrears, and the performance fee is calculated and, where applicable, paid semi-annually in arrears (with any excess or deficit balance carried over on an aggregating basis for a period of two years). The Manager reinvests any performance fee received by way of subscribing for new units in the Trust.

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

Directors' and officers' liability insurance

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

Compliance with corporate governance best practice

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

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

INVESTMENT AND MANAGEMENT PHILOSOPHY

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

THESE objectives are achieved by:

- investing in a high-quality diversified property portfolio throughout New Zealand, with a broad range of tenants and lease maturities;
- fostering long-term tenant relationships as a means of enhancing investment performance;
- adopting an active management philosophy encompassing asset and financial management, strategic investments, acquisitions and divestments and the judicious development of new and existing assets;
- maintaining a strong balance sheet with conservative borrowing levels. The Trust Deed requires the level of borrowings to be maintained at no more than 40% of the gross value of the Trust; and
- accessing the resources of the Manager's parent business, Colonial First State Global Asset Management, and ultimate parent, Commonwealth Bank of Australia (CBA). CBA is one of the leading providers of financial services in Australasia and is best known in New Zealand for its ownership of ASB Bank and Sovereign. The ability of the Manager to access the skills and experience of one of Australasia's leading fund managers assists the Trust to achieve its investment objectives.

Active management

The Manager seeks to optimise earnings and capital growth through strategic added-value remixes and refurbishments, negotiation of new leases and rent reviews and the application of best practice in all property management activities.

This involves:

- ensuring that tenants are satisfied with their accommodation, and working with existing and prospective tenants to create solutions that add value for both parties;
- negotiating and managing leases and rent reviews with each tenant, and monitoring compliance with all lease obligations;
- managing capital expenditure requirements for upgrades or refurbishment of each asset so as to optimise overall investment returns; and
- minimising vacant space in each asset and effectively marketing space if it becomes available.

Strategic acquisitions and divestments

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

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

Development activity

The ongoing refurbishment and/or redevelopment of the Trust's existing assets, and the judicious development of new assets, are essential to the Trust's continued performance. Existing shopping centre assets typically require periodic redevelopment to ensure competitiveness and the achievement of investment performance objectives. The Manager may also develop new assets where opportunities arise to enhance long-term sustainable returns to investors, acknowledging that it is often not possible or feasible to purchase these assets directly.

There are a variety of development activities the Trust may undertake and every project is different and has varying risk characteristics. For example, the refurbishment of an existing shopping centre will have a lower risk profile than the potential development of an asset on bare land which is not currently zoned for that activity. In some cases the refurbishment of an existing asset will have a lower risk profile than not undertaking that refurbishment and risking the deterioration of that asset.

While every project has a different risk profile, the types of risks may include securing control and ownership of the land, obtaining planning permissions and consents, construction procurement, cost escalation, resources, leasing, funding and ultimately delivery of the completed asset. Before undertaking any refurbishment, expansion or development proposal, the Manager evaluates identified risks associated with that particular project, and then plans and implements mitigation measures designed to manage those risks within acceptable levels.

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

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

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

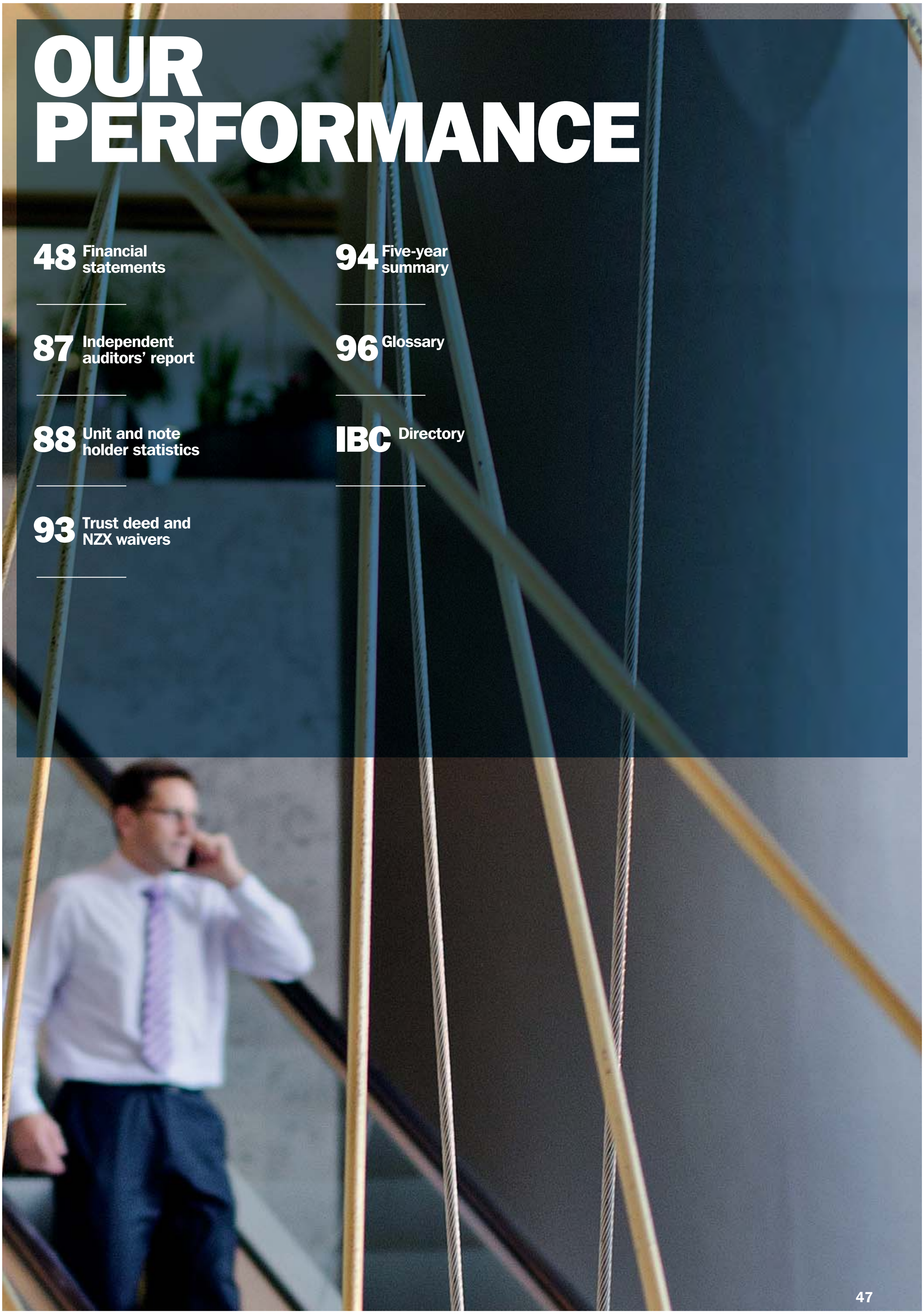
Active financial and capital management

Active financial and capital management is undertaken with the objective of ensuring that the Trust's income, expenses and financial position are managed so as to optimise long-term sustainable returns to investors. This includes:

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

The Trust's debt and its exposure to interest rate volatility is actively managed by a dedicated treasury team who report to a Capital Management Committee which operates in accordance with a Board-approved debt and hedging policy. ■

OUR PERFORMANCE



STATEMENTS OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 MARCH 2012

	Note	**Group 2012 $000**	Group 2011 $000	**Parent 2012 $000**	Parent 2011 $000
Revenue					
Gross rental income	4	**204,066**	191,575	**–**	–
Management fee income	20	**–**	–	**10,978**	10,322
Dividend income	20	**–**	–	**67,555**	76,424
Interest income		**3,532**	4,791	**13,570**	4,691
Total revenue		**207,598**	196,366	**92,103**	91,437
Operating expenses					
Property operating expenditure	4	**(60,112)**	(53,816)	**–**	–
Interest and finance charges	5	**(52,251)**	(53,009)	**(10,762)**	(13,547)
Manager's fees	6,20	**(10,786)**	(10,386)	**(11,007)**	(10,472)
Other expenses	7	**(3,129)**	(2,801)	**(2,699)**	(2,368)
Total operating expenses		**(126,278)**	(120,012)	**(24,468)**	(26,387)
Operating profit before income tax		**81,320**	76,354	**67,635**	65,050
Non-operating income and expenses					
Amortised interest expense on mandatory convertible notes		**(647)**	(1,033)	**(647)**	(1,033)
Fair value change to interest rate derivatives	13	**(2,257)**	(11,159)	**–**	–
Fair value change to investment properties	11	**(9,617)**	(82,440)	**–**	–
Loss on disposal of investment properties		**(125)**	–	**–**	–
Impairment of investment properties	11	**(26,879)**	–	**–**	–
Insurance proceeds	11	**67,112**	–	**–**	–
Total non-operating income and expenses		**27,587**	(94,632)	**(647)**	(1,033)
Profit/(loss) before income tax		**108,907**	(18,278)	**66,988**	64,017
Income tax benefit/(expense)					
Current tax	8	**(13,117)**	(8,565)	**27**	3,674
Deferred tax	8	**(6,580)**	437	**162**	74
Total income tax benefit/(expense)		**(19,697)**	(8,128)	**189**	3,748
Profit/(loss) after income tax attributable to Unit Holders		**89,210**	(26,406)	**67,177**	67,765
Other comprehensive income					
Movement in cash flow hedge reserve		**16**	48	**–**	–
Income tax expense relating to other comprehensive income	8	**(5)**	(14)	**–**	–
Total other comprehensive income after income tax		**11**	34	**–**	–
Total comprehensive income/(loss) after income tax attributable to Unit Holders		**89,221**	(26,372)	**67,177**	67,765
Basic and diluted earnings per unit (cents)	3	**8.93**	(1.55)		

The Statements of Comprehensive Income should be read in conjunction with the accompanying notes.

STATEMENTS OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 MARCH 2012

	Note	Units $000	Retained earnings $000	Mandatory convertible notes reserve $000	Cash flow hedge reserve $000	Total equity $000
Group						
Balance at 1 April 2010		744,091	244,295	307	(45)	988,648
Loss after income tax		–	(26,406)	–	–	(26,406)
Movement in cash flow hedge reserve		–	–	–	34	34
Movement in mandatory convertible notes reserve		–	307	(307)	–	–
Distributions to Unit Holders	18	–	(64,313)	–	–	(64,313)
Distributions reinvested	16	2,960	–	–	–	2,960
Units issued	16	142,273	–	–	–	142,273
Units bought-back	16	(331)	–	–	–	(331)
Balance at 31 March 2011		888,993	153,883	–	(11)	1,042,865
Balance at 1 April 2011		**888,993**	**153,883**	**–**	**(11)**	**1,042,865**
Profit after income tax		**–**	**89,210**	**–**	**–**	**89,210**
Movement in cash flow hedge reserve		**–**	**–**	**–**	**11**	**11**
Distributions to Unit Holders	18	**–**	**(68,080)**	**–**	**–**	**(68,080)**
Distributions reinvested	16	**8,696**	**–**	**–**	**–**	**8,696**
Balance at 31 March 2012		**897,689**	**175,013**	**–**	**–**	**1,072,702**
Parent						
Balance at 1 April 2010		744,091	38,680	307	–	783,078
Profit after income tax		–	67,765	–	–	67,765
Movement in mandatory convertible notes reserve		–	307	(307)	–	–
Distributions to Unit Holders	18	–	(64,313)	–	–	(64,313)
Distributions reinvested	16	2,960	–	–	–	2,960
Units issued	16	142,273	–	–	–	142,273
Units bought-back	16	(331)	–	–	–	(331)
Balance at 31 March 2011		888,993	42,439	–	–	931,432
Balance at 1 April 2011		**888,993**	**42,439**	**–**	**–**	**931,432**
Profit after income tax		**–**	**67,177**	**–**	**–**	**67,177**
Distributions to Unit Holders	18	**–**	**(68,080)**	**–**	**–**	**(68,080)**
Distributions reinvested	16	**8,696**	**–**	**–**	**–**	**8,696**
Balance at 31 March 2012		**897,689**	**41,536**	**–**	**–**	**939,225**

The Statements of Changes in Equity should be read in conjunction with the accompanying notes.

STATEMENTS OF FINANCIAL POSITION

AS AT 31 MARCH 2012

	Note	Group 2012 $000	Group 2011 $000	Parent 2012 $000	Parent 2011 $000
Current assets					
Cash and cash equivalents	20	**62,800**	107,349	**61,145**	105,832
Trade and other receivables	9	**11,774**	7,793	**370**	532
Insurance proceeds	11	**63,000**	–	**–**	–
Income tax receivable		**–**	–	**1,256**	4,592
Investments in subsidiaries	10	**–**	–	**818,575**	761,325
Other investments		**53**	68	**–**	–
		137,627	115,210	**881,346**	872,281
Non-current assets					
Investments in subsidiaries	10	**–**	–	**181,901**	181,901
Investment properties	11	**2,008,927**	1,984,714	**–**	–
Other investments		**248**	221	**75**	75
Deferred tax asset	8	**12,902**	12,270	**152**	28
Interest rate derivatives	13	**–**	140	**–**	–
		2,022,077	1,997,345	**182,128**	182,004
Total assets		**2,159,704**	2,112,555	**1,063,474**	1,054,285
Current liabilities					
Trade and other payables	12	**29,816**	33,046	**5,802**	5,014
Secured bank loans	14	**100,000**	100,000	**–**	–
Income tax payable		**58**	833	**–**	–
		129,874	133,879	**5,802**	5,014
Non-current liabilities					
Trade and other payables	12	**16,533**	15,696	**–**	–
Secured bank loans	14	**669,500**	659,000	**–**	–
Mandatory convertible notes	15	**118,245**	117,599	**118,245**	117,599
Deferred tax liability	8	**106,773**	99,556	**202**	240
Interest rate derivatives	13	**46,077**	43,960	**–**	–
		957,128	935,811	**118,447**	117,839
Total liabilities		**1,087,002**	1,069,690	**124,249**	122,853
Net assets attributable to Unit Holders		**1,072,702**	1,042,865	**939,225**	931,432
Represented by:					
Units	16	**897,689**	888,993	**897,689**	888,993
Retained earnings		**175,013**	153,883	**41,536**	42,439
Cash flow hedge reserve		**–**	(11)	**–**	–
Total funds attributable to Unit Holders		**1,072,702**	1,042,865	**939,225**	931,432

The Board of Kiwi Income Properties Limited, the Manager of Kiwi Income Property Trust, authorised these financial statements for issue on 15 May 2012.

M H Ford
Chairman of the Board
15 May 2012

R Narev
Chairman of the Audit and Risk Committee
15 May 2012

The Statements of Financial Position should be read in conjunction with the accompanying notes.

STATEMENTS OF CASH FLOWS

FOR THE YEAR ENDED 31 MARCH 2012

	Note	Group 2012 $000	Group 2011 $000	Parent 2012 $000	Parent 2011 $000
Cash flows from operating activities					
Gross rental income		**203,767**	193,700	**–**	–
Interest income		**3,695**	5,238	**13,733**	5,138
Property operating expenditure		**(59,755)**	(50,920)	**–**	–
Interest and finance charges		**(50,186)**	(55,251)	**(10,763)**	(16,384)
Income tax expense		**(12,633)**	(8,834)	**–**	–
Manager's fees		**(10,820)**	(10,134)	**(11,040)**	(10,221)
Other operating expenses		**(2,429)**	(3,074)	**(2,000)**	(2,644)
Goods and Services Tax		**(517)**	633	**(13)**	339
Net cash flows from/(used in) operating activities	21	**71,122**	71,358	**(10,083)**	(23,772)
Cash flows from investing activities					
Disposal of investment properties		**8,208**	–	**–**	–
Expenditure on investment properties		**(68,077)**	(30,179)	**–**	–
Acquisition of investment properties		**(417)**	(174,493)	**–**	–
Intercompany advances		**–**	–	**26,040**	75,813
Interest and finance charges capitalised		**(9,111)**	(2,725)	**–**	–
Manager's fees and trustee's fees capitalised		**(231)**	(91)	**–**	–
Insurance proceeds		**4,112**	–	**–**	–
Other investment activities		**(11)**	272	**–**	–
Net cash flows from/(used in) investing activities		**(65,527)**	(207,216)	**26,040**	75,813
Cash flows from financing activities					
Units issued		**8,696**	2,960	**8,696**	2,960
Units bought-back		**–**	(331)	**–**	(331)
Increase in secured bank loans		**10,500**	188,000	**–**	–
Distributions to Unit Holders (including supplementary dividends)		**(69,340)**	(65,245)	**(69,340)**	(65,245)
Net cash flows from/(used in) financing activities		**(50,144)**	125,384	**(60,644)**	(62,616)
Net decrease in cash and cash equivalents		**(44,549)**	(10,474)	**(44,687)**	(10,575)
Cash and cash equivalents at the beginning of the year		**107,349**	117,823	**105,832**	116,407
Cash and cash equivalents at the end of the year		**62,800**	107,349	**61,145**	105,832

The Statements of Cash Flows should be read in conjunction with the accompanying notes.

1. STATEMENT OF ACCOUNTING POLICIES

General information

The financial statements presented are those of Kiwi Income Property Trust (the Trust or Parent) and its subsidiaries (the Group). The Trust is a unit trust established in New Zealand under the Unit Trusts Act 1960 by a Deed of Trust dated 21 August 1992. The Trust is an issuer in terms of the Financial Reporting Act 1993 and is listed on the New Zealand Stock Exchange. The principal activity of the Group is to invest in New Zealand real estate.

The financial statements were authorised for issue in accordance with a resolution of the Board of Directors of Kiwi Income Properties Limited, the Manager of the Trust, on 15 May 2012. The Manager does not have the power to amend these financial statements once issued.

Statement of compliance

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

Summary of significant accounting policies

The significant accounting policies adopted by the Group are set out below and have been consistently applied to all periods presented in these financial statements.

Basis of preparation

The Trust is a reporting entity for the purposes of the Financial Reporting Act 1993 and the Trust and Group are designated as profit-oriented entities for financial reporting purposes.

The financial statements have been prepared in accordance with NZ IFRS, the Financial Reporting Act 1993 and the Companies Act 1993.

The financial statements are prepared on the historical cost basis, except where otherwise identified. The financial statements are presented in New Zealand dollars, which is also the functional currency, rounded to the nearest thousand dollars (unless otherwise stated).

Amendments to NZ IFRS

The Group has adopted the following new standards and amendments or revisions to existing standards:

- Improvements to NZ IFRS 2010 – This includes amendments to various standards and is effective for the Group's current reporting period. Adoption of these improvements has not resulted in any change to the Group's reported results or financial position.
- NZ IAS 24 (Revised): Related Party Disclosures – This revision changes the definition of a related party to remove inconsistency and asymmetry of relationships. There has been no impact on the Group's financial statements.
- NZ IAS 1 (Revised): Presentation of Financial Statements – The required presentation of the Statements of Changes in Equity has been revised to reconcile movements in classes of equity on the face of this statement. This has not affected the measurement of any of the items recognised in the Statements of Financial Position or Statements of Comprehensive Income in the current year.

No other amendments or revisions to NZ IFRS have had a material impact on these financial statements.

NZ IFRS issued but not yet effective

New standards, amendments and interpretations issued by the International Accounting Standards Board and the Accounting Standards Review Board in New Zealand that are not yet effective and have not been early adopted by the Group are:

- NZ IFRS 9: Financial Instruments – This standard will eventually replace NZ IAS 39: Financial Instruments – Recognition and Measurement and is required and expected to be adopted by the Group in the financial statements for the year ending 31 March 2016. The standard is not expected to materially affect the Group's financial statements.
- Harmonisation Amendments – These are effective for periods beginning after 1 July 2011 and amend multiple standards to harmonise NZ Equivalents to International Financial Reporting Standards with International Financial Reporting Standards and Australian Accounting Standards. Included in these amendments are the removal of the requirement for an independent valuer to conduct the valuation of investment property and the addition of the option to account for investment property using either cost or the fair value model, both under NZ IAS 40: Investment Property. The Group does not expect to alter its accounting policy with respect to investment property on adoption of these amendments.
- NZ IFRS 13: Fair Value Measurement – This standard defines the concept of fair value and establishes a framework for measuring fair value, while setting the disclosure requirements for fair value measurement. Prior to the introduction of NZ IFRS 13, there was no single source of guidance on fair value measurement. The standard is expected to be adopted

by the Group for the year ending 31 March 2016 when it becomes effective. The impact of this standard has not yet been assessed.

No other standards, amendments or interpretations that have been issued but are not yet effective are expected to materially impact the Group's financial statements.

Critical judgements, estimates and assumptions

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. Estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable in the circumstances, the results of which form the basis of making judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

In particular, information about significant areas of estimation uncertainty that have the most significant effect on the amount recognised in the financial statements are described in: Note 1 – investment properties accounting policy; Note 8 – deferred tax; Note 11 – investment properties; Note 13 – interest rate derivatives; and Note 19 – valuation of financial instruments.

Principles of consolidation

The consolidated financial statements include the Trust and its subsidiary entities at balance date (together referred to as the Group). Subsidiaries are entities controlled by the Group. Control exists when the Group has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. The balances and effects of transactions between controlled entities are eliminated in full.

The acquisition method of accounting is used to account for business combinations by the Group. The consideration transferred for the acquisition of a subsidiary is the fair value of the assets transferred and the liabilities incurred. Acquisition-related costs are expensed as incurred. Identifiable assets acquired and liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. The excess of the consideration transferred over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill. If the consideration is less than the fair value of the net assets of the subsidiary acquired, the difference is recognised directly in the Statements of Comprehensive Income.

Financial instruments

i. Non-derivative financial instruments

Non-derivative financial instruments comprise cash and cash equivalents, trade and other receivables, insurance proceeds, other investments, advances to subsidiaries, trade and other payables, mandatory convertible notes and secured bank loans. Non-derivative financial assets are classified as loans and receivables. Non-derivative financial liabilities are classified as other financial liabilities. These financial instruments are initially measured at fair value on transaction date, less directly attributable transaction costs, and subsequently measured at amortised cost using the effective interest rate method. Under this method, fees, costs, discounts and premiums are spread over the expected life of the instrument.

Financial assets are recognised net of impairment losses, which are recognised immediately in profit or loss. The Group assesses at each balance date whether there is objective evidence that a financial asset or a group of financial assets are impaired. Financial assets with objective evidence of impairment, such as a deterioration in the credit worthiness of the counterparty, are tested for impairment by comparing the carrying value to the recoverable amount. The recoverable amount is calculated as the present value of the estimated future cash flows, discounted at the original effective interest rate.

Financial assets are derecognised when the right to receive cash flows has expired or has been transferred. Financial liabilities are derecognised when the obligation has expired or has been transferred.

ii. Derivative financial instruments

The Group is exposed to changes in interest rates and uses interest rate derivatives to mitigate these risks.

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

On transition to NZ IFRS the Group's derivatives were designated into cash flow hedge relationships. Fair value changes on these derivatives have initially been taken to a cash flow hedge reserve and then released to profit and loss at the same time as the underlying hedged item affects profit and loss.

Since transition to NZ IFRS, the Group has not designated any derivatives into hedging relationships. Gains or losses arising from changes in fair value of interest rate derivatives are therefore recognised in the Statements of Comprehensive Income.

iii. Mandatory convertible notes (MCNs)

MCNs that contain debt and equity components due to conversion features are accounted for as compound financial instruments. The debt component representing the present

1. STATEMENT OF ACCOUNTING POLICIES (CONT.)

value of the future interest and principal payments discounted at the market rate of interest applicable to similar debt instruments that do not have a conversion feature is classified as a financial liability. The debt component, less transaction costs, is subsequently measured at amortised cost. The interest expense is recognised in the Statements of Comprehensive Income using the effective interest rate method. The equity value representing the value of the option component of the instrument is classified as equity on initial recognition. The equity component is not re-measured. On conversion, the balance of the liability is converted into units in the Trust and reclassified as equity.

Units

Units are recognised at the fair value of the consideration received by the Trust. Costs relating to the issue of new units have been charged against units on issue.

Investment properties

Investment properties, principally comprising direct property investments, are held for long term capital appreciation and to earn rentals.

Investment properties are initially brought to account at cost, plus related costs of acquisition. Subsequent expenditure is charged to the asset's carrying amount only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably.

Properties that are being constructed or developed for future use are classified as investment properties. All costs directly associated with the purchase and construction of a property, and all subsequent capital expenditures for the development qualifying as acquisition costs, are capitalised. Borrowing costs are capitalised if they are directly attributable to the acquisition or construction of an asset. Capitalisation of borrowing costs commences when the activities to prepare the asset are in progress and expenditures and borrowing costs are being incurred. The capitalisation of borrowing costs will cease, or will cease in relation to a completed stage, when substantially all the activities necessary to prepare it for its intended use, or necessary to prepare that part for its intended use, are completed.

After initial recognition, investment properties are stated at fair value as determined by independent registered valuers. The valuers have appropriately recognised professional qualifications and recent experience in the location and category of property being valued. Investment properties are valued annually and may not be valued by the same valuer for more than two consecutive years. The fair values are based on market values, being the estimated amount for which a property could be exchanged on the date of the valuation between a willing buyer and a willing seller in an arm's length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion.

In the absence of current prices in an active market, alternative valuation techniques are utilised which may include discounted cash flow projections, capitalisation of income, replacement cost and a sales comparison approach, as appropriate to the property being valued. The valuations are prepared by considering the aggregate of the estimated cash flows expected to be received from renting out the property. A yield that reflects the specific risks inherent in the net cash flows is applied to the net annual cash flows to arrive at the property valuation. The valuation takes into account occupancy rates, capitalisation rates and average lease terms. The estimate of fair value is a judgement which has been made based on circumstances which apply at balance date.

Any gains or losses from changes in the fair value of investment properties are included in the Statements of Comprehensive Income in the reporting period in which they arise.

Investment properties under construction are carried at cost until it is possible to reliably determine their fair value, from which point they are carried at fair value.

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

An impairment loss is recognised for investment properties when permanent loss of a property occurs. Any insurance proceeds for investment properties that have been impaired are recognised when they become receivable.

Investments in subsidiaries

Investments in subsidiaries are measured at cost.

Cash and cash equivalents

Cash and cash equivalents include cash at bank and short-term money market investments which are readily converted to cash. Only items that have an original maturity of three months or less are classified as cash.

Revenue

Revenue is recognised to the extent that it is probable that future economic benefits will flow to the Group and the amount can be measured reliably.

Rental income

Rental income from investment properties, including fixed rental increases, are recognised in the Statements of Comprehensive Income on a straight line basis over the lease or over the period until the next market review date. Contingent rentals are recognised as income in the reporting period in which they are earned. Lease incentives which are offered to tenants as an inducement to enter into non-cancellable operating leases are capitalised and included within investment properties and are subsequently amortised over the term of the lease as a reduction of rental income.

Management fee income

Management fees are recognised in the period in which the services are performed.

Dividend income

Dividend income is recognised on the date that the right to receive payment is established.

Interest income

Interest income is recognised using the effective interest method.

Operating expenses

All operating expenses are brought to account on an accruals basis.

Operating leases

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

Income tax

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

Deferred tax is provided, using the liability method, on all temporary differences between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes at balance date. For deferred tax liabilities or assets arising on investment property measured at fair value, it is assumed that the carrying amounts of investment property will be recovered through sale. Deferred tax liabilities are recognised for all taxable temporary differences, except for temporary differences arising on initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting or taxable profit and loss. Deferred tax assets are recognised for all deductible temporary differences, carry-forward of unused tax assets and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry-forward of unused tax assets and unused tax losses can be utilised.

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

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

Goods and Services Tax

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

Segment reporting

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

Comparatives

Where necessary, comparative figures have been adjusted to conform with changes in presentation in these financial statements. Following the amalgamation of Centre Place Shopping Centre and Downtown Plaza Shopping Centre, the comparative figures and statistics for Downtown Plaza Shopping Centre in Note 11 – investment properties have been incorporated into the figures and statistics for Centre Place Shopping Centre. This has had no impact on the overall carrying value of investment properties.

2. SEGMENT INFORMATION

The Chief Executive of the Manager of the Trust reviews the Group's internal reporting in order to assess performance and allocate resources. Operating segments have been determined based on these reports.

The Group's operating segments comprise retail (representing the Group's investment in retail property), office (representing the Group's investment in office property) and other (representing those items which are neither retail nor office). The Group operates in New Zealand only.

The Chief Executive assesses the performance of the operating segments based on a measure of net operating income. This measurement basis consists of rental income less property operating expenditure and excludes rental income resulting from straight-lining fixed rental increases. No single customer's transactions are greater than 10% of the Group's revenue. The Chief Executive separately reviews the movements in investment properties and related items. All other items of revenue and expenditure are not included in the result for each operating segment that is reviewed by the Chief Executive.

Segment assets consist of property debtors, less a provision for doubtful debts, investment properties and insurance proceeds. All other assets are managed on a central basis and form part of the reconciliation to total assets in the Statements of Financial Position.

	Group			
	Retail 2012 $000	**Office 2012 $000**	**Other 2012 $000**	**Total 2012 $000**
Segment profit/(loss)				
Net operating income from external customers	**89,596**	**51,809**	**2,007**	**143,412**
Fair value change to investment properties	**22,777**	**(42,170)**	**9,776**	**(9,617)**
Impairment of investment properties	**–**	**(26,879)**	**–**	**(26,879)**
Insurance proceeds	**–**	**67,112**	**–**	**67,112**
Total segment profit	**112,373**	**49,872**	**11,783**	**174,028**
Assets				
Property debtors	**338**	**305**	**85**	**728**
Insurance proceeds	**–**	**63,000**	**–**	**63,000**
Investment properties	**1,298,026**	**567,000**	**143,901**	**2,008,927**
Total segment assets	**1,298,364**	**630,305**	**143,986**	**2,072,655**

	Group			
	Retail 2011 $000	Office 2011 $000	Other 2011 $000	Total 2011 $000
Segment profit/(loss)				
Net operating income from external customers	80,337	55,701	2,654	138,692
Fair value change to investment properties	(25,365)	(53,132)	(3,943)	(82,440)
Total segment profit/(loss)	54,972	2,569	(1,289)	56,252
Assets				
Property debtors	841	166	47	1,054
Investment properties	1,259,500	638,800	86,414	1,984,714
Total segment assets	1,260,341	638,966	86,461	1,985,768

A reconciliation of the total segment profit to the profit/(loss) before income tax in the Statements of Comprehensive Income is provided as follows:

	Group 2012 $000	Group 2011 $000
Total profit for reportable segments	**174,028**	56,252
Interest income	**3,532**	4,791
Rental income resulting from straight-lining fixed rental increases	**565**	(849)
Amortisation of capitalised lease incentives not included in segment profit	**(23)**	(84)
Interest and finance charges	**(52,251)**	(53,009)
Manager's fees	**(10,786)**	(10,386)
Other expenses	**(3,129)**	(2,801)
Amortised interest expense on mandatory convertible notes	**(647)**	(1,033)
Fair value change to interest rate derivatives	**(2,257)**	(11,159)
Loss on disposal of investment properties	**(125)**	–
Profit/(loss) before income tax	**108,907**	(18,278)

A reconciliation of the total segment assets to total assets in the Statements of Financial Position is provided as follows:

	Group 2012 $000	Group 2011 $000
Total segment assets	**2,072,655**	1,985,768
Cash and cash equivalents	**62,800**	107,349
Trade debtors	**4,910**	2,828
Prepayments	**5,947**	3,559
Term deposit interest receivable	**189**	352
Other investments	**301**	289
Deferred tax asset	**12,902**	12,270
Interest rate derivatives	**–**	140
Total assets	**2,159,704**	2,112,555

3. EARNINGS PER UNIT (EPU)

	Group 2012	Group 2011
Basic and diluted EPU (cents)	**8.93**	(1.55)

The units and earnings adjustments arising as a result of the future conversion of the mandatory convertible notes have been included in the calculation of both the basic and diluted EPU.

	$000	$000
Profit/(loss) used in the calculation of basic and diluted EPU		
Profit/(loss) after income tax	**89,210**	(26,406)
Interest expense on mandatory convertible notes (net of tax)	**8,214**	10,206
	97,424	(16,200)

	Number 000	Number 000
Weighted average number of units used in the calculation of basic and diluted EPU		
Weighted average units	**975,010**	931,016
Units to be issued on conversion of mandatory convertible notes	**116,460**	116,788
	1,091,470	1,047,804

4. PROPERTY INCOME AND EXPENDITURE

	Group 2012 $000	Group 2011 $000	Parent 2012 $000	Parent 2011 $000
Gross rental income				
Gross lease receipts	**207,507**	196,227	**–**	–
Amortisation of capitalised lease incentives	**(4,006)**	(3,803)	**–**	–
Rental income resulting from straight-lining fixed rental increases	**565**	(849)	**–**	–
	204,066	191,575	**–**	–
Operating lease payments expected as an operating lessor				
The value of future minimum operating lease payments receivable:				
Within one year	**195,556**	206,015	**–**	–
One year or later and not later than five years	**517,264**	594,548	**–**	–
Later than five years	**89,977**	127,066	**–**	–
	802,797	927,629	**–**	–
Property operating expenditure				
Direct operating expenses arising from property that generated rental income during the year	**(60,112)**	(53,816)	**–**	–
	(60,112)	(53,816)	**–**	–

5. INTEREST AND FINANCE CHARGES

	Group 2012 $000	Group 2011 $000	Parent 2012 $000	Parent 2011 $000
Interest and finance charges on secured bank loans	**50,584**	42,139	**–**	–
Interest on mandatory convertible notes	**10,762**	13,547	**10,762**	13,547
Net change in fair value of cash flow hedges transferred from equity	**16**	48	**–**	–
	61,362	55,734	**10,762**	13,547
Capitalised to investment properties	**(9,111)**	(2,725)	**–**	–
	52,251	53,009	**10,762**	13,547

6. MANAGER'S FEES

	Group 2012 $000	Group 2011 $000	Parent 2012 $000	Parent 2011 $000
Manager's fees comprise:				
Base fees	**11,007**	10,472	**11,007**	10,472
Capitalised to investment properties	**(221)**	(86)	**–**	–
	10,786	10,386	**11,007**	10,472

Performance fees are calculated at 30 September and 31 March each year, with a liability, if any, recorded in the financial statements on that date. Payment of performance fees occurs on the date distributions are paid to Unit Holders for the relevant period. The Manager reinvests performance fees by subscribing for new units in the Trust. At 31 March 2012, the Manager held 3,442,568 units (2011 3,442,568 units). Units have been issued to the Manager as follows:

	Number of Units	Price $	Value $
16 December 2005	83,141	$1.26	104,524
16 June 2006	741,014	$1.30	963,318
15 December 2006	788,441	$1.39	1,095,933
15 June 2007	760,062	$1.58	1,200,898
14 December 2007	1,069,910	$1.35	1,444,379
	3,442,568		4,809,052

The maximum performance fee payable in any year is capped at 0.15% per annum of the average gross value of the Trust Fund. The performance fee calculation may give rise to excess or deficit performance. At 31 March 2012 deficit performance of 2 cents per unit exists (2011 8 cents per unit). Subject to the two year expiry criterion, this will be applied in the calculation of future performance fees.

Further information on Manager's fees is contained in Note 20.

7. OTHER EXPENSES

	Group 2012 $000	Group 2011 $000	Parent 2012 $000	Parent 2011 $000
Auditors' remuneration:				
Audit	**245**	217	**245**	217
Audit-related services	**5**	–	**5**	–
Legal and professional fees	**805**	647	**366**	210
Registry and stock exchange fees	**379**	352	**379**	352
Trustee's fees	**497**	470	**507**	474
Unit Holder communication	**548**	501	**548**	501
Information technology	**202**	186	**202**	186
Other	**448**	428	**447**	428
	3,129	2,801	**2,699**	2,368

8. INCOME TAX

	Group 2012 $000	Group 2011 $000	Parent 2012 $000	Parent 2011 $000
Income tax benefit/(expense)				
The income tax benefit/(expense) is represented by:				
Current tax				
Current tax benefit/(expense)	**(13,117)**	(8,565)	**27**	3,674
	(13,117)	(8,565)	**27**	3,674
Deferred tax				
Relating to the origination and reversal of temporary differences	**(6,580)**	(5,798)	**162**	59
Resulting from the reduction in tax rate to 28%	**–**	6,235	**–**	15
	(6,580)	437	**162**	74
	(19,697)	(8,128)	**189**	3,748

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

	Group 2012 $000	Group 2011 $000	**Parent 2012 $000**	Parent 2011 $000
Profit/(loss) before income tax	**108,907**	(18,278)	**66,988**	64,017
Prima facie income tax benefit/(expense) at 28% (2011: 30%)	**(30,494)**	5,483	**(18,757)**	(19,205)
Adjusted for:				
Non assessable dividends from subsidiaries	**–**	–	**18,915**	22,927
Amortised interest expense on mandatory convertible notes	**(181)**	(310)	**(181)**	(310)
Fair value change to interest rate derivatives	**(632)**	(3,348)	**–**	–
Fair value change to investment properties	**(2,693)**	(24,732)	**–**	–
Loss on disposal of investment properties	**(35)**	–	**–**	–
Impairment of investment properties	**(7,526)**	–	**–**	–
Insurance proceeds	**17,658**	–	**–**	–
Depreciation	**6,611**	11,905	**–**	–
Depreciation recovered on disposal of investment properties	**(28)**	–	**–**	–
Deferred leasing costs and incentives	**1,349**	736	**–**	–
Deductible capitalised expenditure	**3,033**	1,745	**–**	–
Other	**(179)**	(44)	**50**	262
Current tax benefit/(expense)	**(13,117)**	(8,565)	**27**	3,674
Depreciation recoverable	**(6,072)**	(8,514)	**–**	–
Fair value change to interest rate derivatives	**637**	3,362	**–**	–
Amortisation of mandatory convertible notes issue costs	**38**	104	**38**	104
Other	**(1,183)**	(750)	**124**	(45)
Adjustment resulting from the reduction in tax rate to 28%	**–**	6,235	**–**	15
Deferred tax benefit/(expense)	**(6,580)**	437	**162**	74
Income tax benefit/(expense) reported in the Statements of Comprehensive Income	**(19,697)**	(8,128)	**189**	3,748

8. INCOME TAX (CONT.)

Deferred tax

Deferred tax balances

Deferred tax assets and liabilities are attributable to the following:

	Group			
	Assets 2012 $000	Assets 2011 $000	**Liabilities 2012 $000**	Liabilities 2011 $000
Depreciation recoverable	**–**	–	**(100,368)**	(94,296)
Interest rate derivatives	**12,902**	12,270	**–**	–
Mandatory convertible notes	**–**	–	**(202)**	(240)
Other temporary differences	**–**	–	**(6,203)**	(5,020)
	12,902	12,270	**(106,773)**	(99,556)

	Parent			
	Assets 2012 $000	Assets 2011 $000	**Liabilities 2012 $000**	Liabilities 2011 $000
Mandatory convertible notes	**–**	–	**(202)**	(240)
Other temporary differences	**152**	28	**–**	–
	152	28	**(202)**	(240)

Deferred tax movement

Deferred tax movements are attributable to the following:

	Group – 2012			
	Balance 1 April 2011 $000	**Recognised in profit/(loss) $000**	**Recognised in other comprehensive income $000**	**Balance 31 March 2012 $000**
Depreciation recoverable	**(94,296)**	**(6,072)**	**–**	**(100,368)**
Interest rate derivatives	**12,270**	**637**	**(5)**	**12,902**
Mandatory convertible notes	**(240)**	**38**	**–**	**(202)**
Other temporary differences	**(5,020)**	**(1,183)**	**–**	**(6,203)**
	(87,286)	**(6,580)**	**(5)**	**(93,871)**

	Group – 2011				
	Balance 1 April 2010 $000	Effect of tax rate change $000	Recognised in profit/(loss) $000	Recognised in other comprehensive income $000	Balance 31 March 2011 $000
Depreciation recoverable	(92,517)	6,735	(8,514)	–	(94,296)
Interest rate derivatives	9,798	(876)	3,362	(14)	12,270
Mandatory convertible notes	(361)	17	104	–	(240)
Other temporary differences	(4,629)	359	(750)	–	(5,020)
	(87,709)	6,235	(5,798)	(14)	(87,286)

	Parent – 2012			
	Balance 1 April 2011 $000	**Recognised in profit/(loss) $000**	**Recognised in other comprehensive income $000**	**Balance 31 March 2012 $000**
Mandatory convertible notes	**(240)**	**38**	**–**	**(202)**
Other temporary differences	**28**	**124**	**–**	**152**
	(212)	**162**	**–**	**(50)**

	Parent – 2011				
	Balance 1 April 2010 $000	Effect of tax rate change $000	Recognised in profit/(loss) $000	Recognised in other comprehensive income $000	Balance 31 March 2011 $000
Mandatory convertible notes	(361)	17	104	–	(240)
Other temporary differences	75	(2)	(45)	–	28
	(286)	15	59	–	(212)

8. INCOME TAX (CONT.)

Key assumptions and other information used in calculating income tax

The key assumptions and other information used in the preparation of the Group's tax calculation are as follows:

- *Tax rate* – In May 2010, the Government announced a reduction in the tax rate applicable to the Group from 30% to 28% with effect from 1 April 2011. The deferred tax assets and liabilities on temporary differences at 31 March 2012 and 31 March 2011 are calculated at 28%. At 31 March 2010, the deferred tax balances on temporary differences were calculated at 30%. The tax change contributed to a reduction in the Group's net deferred tax liability in the prior year of $6.2 million.
- *Depreciation on building structures* – In May 2010, the Government announced the removal of depreciation deductions for building structures with effect from 1 April 2011.
- *Deferred tax on depreciation* – Deferred tax is provided in respect of depreciation expected to be recovered on the sale of investment properties at fair value. Investment properties are valued each year by independent valuers (as outlined in Note 1). These values include an allocation of the valuation between the land and building components. The calculation of deferred tax on depreciation recovered places reliance on this split provided by the valuers.
- *Depreciation recovered on the PricewaterhouseCoopers Centre (PwC Centre)* – As outlined in Note 11, the impairment of the PwC Centre triggers a potential tax liability of $5.1 million for depreciation recovered. The Government introduced new legislation which provides, in certain circumstances, rollover relief for taxpayers affected by the earthquakes where insurance proceeds will be used to acquire or develop replacement property in the Canterbury region. As at 31 March 2012, the Trust qualifies for this relief and as such no tax is payable in respect of the depreciation recovered in the current year. However, a deferred tax liability continues to be provided as at 31 March 2012.

Deferred tax assets and liabilities are not expected to crystallise in the next 12 months and consequently are classified as non-current.

	Group 2012 $000	Group 2011 $000
Imputation credits		
Balance at the beginning of the year	**2,996**	2,678
Movements for the year:		
Income tax paid	**12,633**	8,834
Imputation credits attached to distributions paid (net of supplementary dividends)	**(8,856)**	(8,516)
Balance at the end of the year	**6,773**	2,996

9. TRADE AND OTHER RECEIVABLES

	Group 2012 $000	Group 2011 $000	Parent 2012 $000	Parent 2011 $000
Trade debtors:				
Current	**4,536**	2,572	**48**	32
Past due:				
Up to 3 months	**638**	968	**–**	–
3-5 months	**119**	206	**–**	–
Over 5 months	**245**	43	**–**	–
Impaired	**767**	840	**–**	–
Provision for doubtful debts	**(667)**	(747)	**–**	–
Term deposit interest receivable	**189**	352	**189**	352
Prepayments	**5,947**	3,559	**98**	127
Goods and Services Tax	**–**	–	**35**	21
	11,774	7,793	**370**	532

Analysis of trade debtors

Trade debtors are reviewed for objective impairment on an on-going basis. A trade debtor is considered past due when the counterparty has failed to make payment when contractually due. A trade debtor is considered impaired when the Group may not be able to collect all amounts due according to the original terms of the receivables. The Group provides for doubtful debts when the debt is considered to be impaired. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows. Debtors are written off when recovery is no longer anticipated. There are no significant past due trade debtors at balance date which have been outstanding for more than a year (2011 $Nil).

	Group 2012 $000	Group 2011 $000	Parent 2012 $000	Parent 2011 $000
Reconciliation of provision for doubtful debts				
Balance at the beginning of the year	**747**	1,010	**–**	–
Provision for receivables impairment	**503**	517	**–**	–
Receivables written off during the year as uncollectible	**(260)**	(200)	**–**	–
Unused amounts reversed	**(323)**	(580)	**–**	–
Balance at the end of the year	**667**	747	**–**	–

10. INVESTMENTS IN SUBSIDIARIES

	Parent 2012 $000	Parent 2011 $000
Advances to subsidiaries – current	**818,575**	761,325
Shares – non-current	**181,901**	181,901
	1,000,476	943,226

Significant subsidiaries

The Parent has two wholly owned subsidiaries, Kiwi Property Holdings Limited and Sylvia Park Business Centre Limited. Sylvia Park Business Centre Limited owns Sylvia Park Shopping Centre and an adjoining property at 77 Carbine Road. All other investment properties are owned by Kiwi Property Holdings Limited.

Advances to subsidiaries

Advances have been made by the Parent to its subsidiaries to finance the acquisition of properties and capital expenditure, and to fund working capital requirements. The advances are repayable upon demand and interest may be charged on outstanding balances at a rate equivalent to the Group's cost of funds. $10.2 million of interest was charged in the current year (2011 $Nil).

11. INVESTMENT PROPERTIES

	Group – 2012								
	Valuer[a]	Net lettable area sqm	Capitalisation rate %	Occupancy %	Weighted average lease term years	Fair value 31 March 2011[b] $000	Capital movements 2012[c] $000	Fair value changes and impairments 2012[c] $000	Fair value 31 March 2012[b] $000
Retail									
Sylvia Park Shopping Centre	CBRE	71,242	6.88%	100.0%	3.23	474,000	(1,547)	27,547	500,000
Northlands Shopping Centre[d]	Colliers	40,000	8.00%	99.7%	4.68	207,000	2,759	4,467	214,226
The Plaza Shopping Centre	CBRE	32,454	7.50%	99.7%	4.48	192,000	1,069	2,431	195,500
LynnMall Shopping Centre	CBRE	31,508	7.63%	100.0%	3.20	175,000	2,294	7,206	184,500
North City Shopping Centre	JLL	25,483	8.50%	99.7%	3.16	103,000	900	1,100	105,000
Centre Place Shopping Centre[e] (incorporating Downtown Plaza)	JLL	21,130	8.50%	72.0%	4.80	108,500	10,274	(19,974)	98,800
		221,817	7.55%	97.2%	3.78	1,259,500	15,749	22,777	1,298,026
Office									
Vero Centre	Colliers	39,484	7.75%	94.7%	4.49	259,100	471	429	260,000
National Bank Centre	CBRE	25,672	9.13%	88.2%	3.55	94,000	1,903	(903)	95,000
The Majestic Centre[f]	JLL	24,488	8.50%	97.6%	3.67	101,000	419	(34,419)	67,000
Unisys House	CBRE	22,158	9.25%	97.3%	1.66	69,700	131	(4,831)	65,000
Beca House (formerly 21 Pitt Street)[g]	Colliers	16,837	8.13%	100.0%	7.97	49,000	5,456	(456)	54,000
PricewaterhouseCoopers Centre[d]		–	–	–	–	32,000	(5,121)	(26,879)	–
44 The Terrace	CBRE	10,109	9.13%	89.6%	3.55	27,700	290	(1,990)	26,000
50 The Terrace[h]		–	–	–	–	6,300	(6,300)	–	–
		138,748	8.34%	94.7%	4.12	638,800	(2,751)	(69,049)	567,000
Other									
ASB North Wharf under construction[i]						26,669	44,890	7,141	78,700
Adjoining properties[j]						45,295	(2,492)	(827)	41,976
Development land[k]						14,450	5,313	3,462	23,225
						86,414	47,711	9,776	143,901
						1,984,714	60,709	(36,496)	2,008,927

The accompanying notes (a) to (k) on pages 68-70 should be read in conjunction with this table.

	Valuer[a]	Net lettable area sqm	Capitalisation rate %	Occupancy %	Weighted average lease term years	Fair value 31 March 2010[b] $000	Capital movements 2011[c] $000	Fair value changes 2011[c] $000	Fair value 31 March 2011[b] $000
	Group – 2011								
Retail									
Sylvia Park Shopping Centre	JLL	71,277	6.75%	100.0%	3.67	452,000	(664)	22,664	474,000
Northlands Shopping Centre	Colliers	42,307	8.50%	99.6%	4.87	236,000	2,323	(31,323)	207,000
The Plaza Shopping Centre	CBRE	32,425	7.50%	100.0%	5.28	194,179	4,129	(6,308)	192,000
LynnMall Shopping Centre	CBRE	31,413	8.00%	100.0%	2.93	–	174,680	320	175,000
North City Shopping Centre	JLL	25,734	8.75%	98.2%	3.33	103,000	1,022	(1,022)	103,000
Centre Place Shopping Centre[e] (incorporating Downtown Plaza)	Colliers	20,952	9.65%	83.5%	2.10	114,800	3,396	(9,696)	108,500
		224,108	7.74%	98.2%	3.80	1,099,979	184,886	(25,365)	1,259,500
Office									
Vero Centre	CBRE	39,490	7.75%	95.0%	4.71	265,400	1,493	(7,793)	259,100
The Majestic Centre	JLL	24,387	8.50%	100.0%	4.36	103,400	172	(2,572)	101,000
National Bank Centre	Colliers	26,141	9.00%	90.2%	4.06	97,500	2,301	(5,801)	94,000
Unisys House	CBRE	22,158	8.75%	98.6%	2.54	79,800	215	(10,315)	69,700
Beca House (formerly 21 Pitt Street)	Colliers	17,215	8.38%	100.0%	8.78	52,000	(211)	(2,789)	49,000
PricewaterhouseCoopers Centre[d]	Colliers	16,082	12.00%	92.2%	3.23	51,800	983	(20,783)	32,000
44 The Terrace	CBRE	10,109	8.75%	92.0%	3.18	30,250	338	(2,888)	27,700
50 The Terrace	CBRE	2,442	9.25%	100.0%	3.19	6,200	291	(191)	6,300
		158,024	8.48%	95.6%	4.47	686,350	5,582	(53,132)	638,800
Other									
Adjoining properties[j]						47,907	558	(3,170)	45,295
ASB North Wharf under construction[i]						–	26,669	–	26,669
Development land[k]						14,416	807	(773)	14,450
						62,323	28,034	(3,943)	86,414
						1,848,652	218,502	(82,440)	1,984,714

The accompanying notes (a) to (k) on pages 68-70 should be read in conjunction with this table.

11. INVESTMENT PROPERTIES (CONT.)

The following notes relate to and should be read in conjunction with the tables provided on pages 66 and 67.

(a) Independent valuers

Valuer	Abbreviation
CB Richard Ellis Limited	CBRE
Colliers International New Zealand	Colliers
Jones Lang LaSalle Limited	JLL

(b) Effective date of valuations

All valuations are effective 31 March.

(c) Movement in investment properties

	Group 2012 $000	Group 2011 $000
Balance at the beginning of the year	**1,984,714**	1,848,652
Capital movements:		
Property acquisitions	**417**	190,189
Property disposals	**(8,300)**	–
Capitalised costs (including fees and incentives)	**66,011**	32,211
Capitalised interest and finance charges	**9,111**	2,725
Capitalised manager's fees and trustee's fees	**231**	91
Amortisation of lease incentives, fees and fixed rental income	**(6,761)**	(6,714)
	60,709	218,502
Fair value change to investment properties	**(9,617)**	(82,440)
Impairment of investment properties (PricewaterhouseCoopers Centre)	**(26,879)**	–
	(36,496)	(82,440)
Balance at the end of the year	**2,008,927**	1,984,714

The effective interest rate applied to capitalise interest is 6.80% (2011 5.93%).

The Parent had no direct property investments as at 31 March 2012 (2011 $Nil).

(d) Northlands Shopping Centre and PricewaterhouseCoopers Centre, Christchurch

General background

Christchurch city and the wider Canterbury region suffered a 7.1 magnitude earthquake on 4 September 2010, a 6.3 magnitude earthquake on 22 February 2011 and a 6.3 magnitude earthquake on 13 June 2011, together with a series of on-going aftershocks.

The Trust has two assets in Christchurch which suffered damage during the earthquakes; the PricewaterhouseCoopers Centre and Northlands Shopping Centre. Further details on these investment properties and the earthquake impacts are described below.

PricewaterhouseCoopers Centre

Background

In preparing the financial statements as at 31 March 2011, an independent valuation of the PricewaterhouseCoopers Centre (PwC Centre) was obtained. Due to the short timeframe between the February earthquake and the Trust's balance date, the valuation by CBRE necessarily required significant estimation based on a series of detailed assumptions. At 31 March 2011, the PwC Centre was written down to $32.0 million (allocated between land and buildings $6.0 million and $26.0 million respectively).

At the earliest available opportunity the Trust engaged engineering, geotechnical and other appropriate consultants to survey the extent of damage suffered. These reports confirmed significant damage to the structure, façade, services and foundations.

On the basis of these reports, agreement was reached with the Trust's insurers that the building was a constructive total loss. The building is currently being demolished at the insurers' cost.

In March 2012, agreement was reached with the Trust's insurers to settle the claim at $69.3 million, with settlement to occur by 24 May 2012.

Impact on the financial statements

The financial statements record the following in relation to the PwC Centre and the insurance proceeds:

- The insurance proceeds ($69.3 million settlement less $2.2 million of expenditure) have been recognised as income in the Statements of Comprehensive Income. A corresponding receivable (net of progress payments already received) has been recognised as a current asset in the Statements of Financial Position as the amount is expected to be received within twelve months of balance date.
- The building component of the investment property has been written down from its book value of $25.4 million to Nil with a corresponding entry to the impairment of investment properties in the Statements of Comprehensive Income.
- The land component of the investment property was independently assessed by CBRE at a value of $4.5 million as at 30 September 2011. The difference between this and the book value as at 31 March 2011 of $6.0 million has been recognised as an impairment of investment properties in the Statements of Comprehensive Income. As at 31 March 2012 the land was valued at $4.2 million and has been reclassified from Office Properties to Development Land as it is no longer considered part of the core investment portfolio.
- A current tax expense of $1.1 million has been recognised in respect of the business interruption component of the insurance proceeds.
- The impairment of the PwC Centre triggers a potential tax liability of $5.1 million for depreciation recovered. The Government introduced new legislation which provides, in certain circumstances, rollover relief for taxpayers affected by the earthquakes where insurance proceeds will be used to acquire or develop replacement property in the Canterbury region. As at 31 March 2012 the Trust qualifies for this relief and as such no tax is payable in respect of the depreciation recovered in the current year. However, a deferred tax liability continues to be provided for as a non-current liability as at 31 March 2012.
- The overall impact on the financial statements since 1 April 2010 was a fair value reduction of $20.8 million and an impairment loss of $26.9 million. This was offset by insurance proceeds of $67.1 million. The residual land value at 31 March 2012 was $4.2 million.

Northlands Shopping Centre

As a result of recent structural engineering assessments completed to comply with requirements of the Canterbury Earthquake Recovery Authority, there are areas of the Centre which require remediation to meet minimum building standards. On 15 March 2012, 14 of the Centre's 126 shops were closed while works are to be completed. At 31 March 2012, Colliers assessed the fair value of Northlands Shopping Centre (on a fully completed basis) to be $230.0 million from which a $15.8 million cost allowance was deducted to assess an "as is" valuation of $214.2 million. This takes into account known remedial works together with an allowance for risk. The valuer has assumed that no further works will be required as a result of past earthquake events that are not covered by insurance.

The valuer continues to note that there remains a high level of uncertainty around the medium to longer term recovery of Christchurch in relation to population, competition and subsequent spending patterns, insurance, potential government policy changes as a result of these significant events and continuing risk of new events. These uncertainties are reflected in the capitalisation rate adopted for the Centre of 8.00% (2011 8.50%, pre-earthquakes 7.50%).

(e) Centre Place Shopping Centre, Hamilton

Following the announcement by the Trust of a $39.9 million redevelopment of Centre Place Shopping Centre (Centre Place) in November 2011, JLL has assessed the fair value of Centre Place (on a fully completed basis) at $140.0 million as at 31 March 2012. However, at 31 March 2012, $37.2 million of costs had not been incurred. Accordingly, the book value at 31 March 2012 represented the assessed value of $140.0 million less the costs to complete of $37.2 million and a $4.0 million profit and risk allowance.

11. INVESTMENT PROPERTIES (CONT.)

(f) The Majestic Centre, Wellington

A detailed seismic assessment completed by structural engineers has identified The Majestic Centre as a 'moderate risk' building using the New Zealand Society for Earthquake Engineering system for grading buildings according to their assessed structural performance.

In November 2011, the Trust announced that works to strengthen the building would be undertaken so as to secure the building a 'low risk' classification at an estimated cost of $35 million.

Taking account of this estimated cost, JLL has assessed the fair value of The Majestic Centre at 31 March 2012 at $67.0 million. JLL made their assessment of value taking into consideration the present value of the estimated costs and timeframes associated with completing these works.

(g) Beca House, Auckland

On 27 April 2012 the Group entered into an unconditional contract for the sale of Beca House for $55.0 million. Settlement is due to occur on 2 July 2012.

(h) 50 The Terrace, Wellington

In August 2011, 50 The Terrace was sold for $6.4 million.

(i) ASB North Wharf under construction, Auckland

Investment property

At 31 March 2012, the ASB North Wharf development was sufficiently progressed to enable a reliable fair value to be determined. Colliers assessed the fair value of ASB North Wharf (on a fully completed basis) at $144.0 million as at 31 March 2012 based on a capitalisation rate of 7.63%. However, as the building is still under construction, allowance has been made for costs to complete (including holding costs and a profit and risk allowance). Accordingly, at 31 March 2012 the value has been assessed at $78.7 million.

Ground lease and liability

A 90-year ground lease over the land (with a right to extend that term by 30 years) has been entered into with Auckland Waterfront Development Agency. Ground rent for the initial 90-year term is via one up-front payment, payable when the development is completed, which is scheduled for June 2013.

At balance date, a liability for the leasehold interest in the land has been recognised at the net present value of $16.5 million (2011 $15.7 million). The discount rate adopted is 8.29%, which has been determined on a pre-tax weighted average cost of capital basis.

For financial reporting purposes, as the proceeds of the Mandatory Convertible Notes (MCN) issue are being utilised for the purposes of the development (in combination with bank debt), accounting rules require the MCN interest, net of interest earned on the MCN proceeds, to be capitalised as a project cost from the time the land for the development was unconditionally secured (January 2011).

(j) Adjoining properties

Due to the nature of the properties included in adjoining properties, a variety of valuation techniques are used to determine fair value including discounted cash flow projections, capitalisation of income, replacement cost and a sales comparison approach. The weighted average capitalisation rate applicable to adjoining properties was 9.01% (2011 9.54%).

(k) Development land

Development land is valued using a sales comparison approach. The average value per square metre applied to the land was $856/sqm (2011 $559/sqm).

12. TRADE AND OTHER PAYABLES

	Group 2012 $000	Group 2011 $000	Parent 2012 $000	Parent 2011 $000
Current				
Trade creditors	**18,720**	17,931	**3,035**	2,215
Manager's fees payable	**2,767**	2,799	**2,767**	2,799
Interest and finance charges payable	**5,569**	3,520	**–**	–
Development costs payable	**1,616**	6,698	**–**	–
Rent in advance	**371**	808	**–**	–
Goods and Services Tax	**773**	1,290	**–**	–
	29,816	33,046	**5,802**	5,014
Non-current				
ASB North Wharf development land liability	**16,533**	15,696	**–**	–
	16,533	15,696	**–**	–

13. INTEREST RATE DERIVATIVES

	Group 2012 $000	Group 2011 $000
Interest rate derivative assets	**–**	140
Interest rate derivative liabilities	**(46,077)**	(43,960)
Net interest rate derivatives	**(46,077)**	(43,820)

The Group is exposed to changes in interest rates and uses interest rate derivatives to mitigate these risks by exchanging floating rate interest obligations for fixed rate interest obligations (commonly referred to as interest rate swaps). The fair value of interest rate derivatives is based on the present value of the estimated future cash flows of these instruments. The fair value of interest rate derivatives not traded in an active market is determined by using valuation techniques. The valuation of these instruments is influenced by several factors, including the time of day pricing decisions are made, assessment of assumptions and the methodology adopted. Models use observable data to the extent practicable. However, areas such as volatility assumptions require management to make estimates. For example, the volatility of intra-day interest rates can result in a range of reasonably possible valuations, which require certain critical judgements to be made by management in determining their fair value. These values are verified against valuations prepared by the respective counterparties. The fair value change to the net interest rate derivatives during the year was a loss of $2.3 million (2011 a loss of $11.2 million).

The notional amount of the Group's interest rate derivatives is the contractual amount and provides a basis for comparison with instruments recognised in the Statements of Financial Position. This amount is not exchanged and does not indicate the Group's exposure to price risk. The amount acts as a reference value upon which interest payments and net settlements can be calculated and on which revaluation is based. The favourable or unfavourable market values of these instruments, and the consequent aggregate fair values of interest rate derivative assets and liabilities, can fluctuate significantly from time to time. At 31 March 2012, the Group had active interest rate derivatives with a notional contract amount of $640.0 million (2011 $640.0 million). The active derivatives mature over the next 5.04 years (2011 6.05 years) and have fixed interest rates ranging from 4.43% to 7.53% (2011 4.43% to 7.53%).

The Parent had no interest rate derivatives as at 31 March 2012 (2011 $Nil).

14. SECURED BANK LOANS

Details

Secured bank loans are provided by ANZ National Bank, Bank of New Zealand, Commonwealth Bank of Australia and Westpac New Zealand. At balance date the following facilities were available and drawn down:

	Group 2012 $000	Group 2011 $000
Facility drawn down – current[1]	**100,000**	100,000
Facility drawn down – non-current	**669,500**	659,000
Undrawn facility available	**80,500**	41,000
Total facility available	**850,000**	800,000
Weighted average interest rate for drawn debt (inclusive of active interest rate derivatives, margins and line fees)	**7.02%**	6.71%
Weighted average term to maturity for the combined facilities	**3.5 years**	2.4 years

[1] Relates to a facility which matures on 19 December 2012. The Group intends to renew and extend this facility in advance of the maturity date.

Security

The bank loans are secured by a Global Security Deed dated 5 November 1998 and a Supplemental Deed dated 22 March 2004 (the Deeds). Pursuant to the Deeds, a security interest has been granted over all of the assets of the Trust and all the assets of its charging subsidiaries (the Charging Group). As at 31 March 2012 the value of investment properties subject to that security interest was $2.01 billion (2011 $1.98 billion). The Charging Group comprises New Zealand Permanent Trustees Limited as trustee of Kiwi Income Property Trust and both of the Trust's wholly owned subsidiaries Kiwi Property Holdings Limited and Sylvia Park Business Centre Limited. Under the terms of the Deeds, a security agent (acting on behalf of the banks) may require a Charging Group member to grant a mortgage over its real property if an event of default (as defined in the bank facility agreements) occurs. The Deeds also provide for a release of assets disposed of by the Charging Group provided that the disposal is in accordance with the bank facilities and that no event of default has occurred or would result from that disposal. The bank facilities permit the Charging Group to dispose of its assets, subject to certain conditions being satisfied. In addition, the Charging Group has given a negative pledge that (with certain exceptions) it will not create or allow any security interest to exist over its secured assets. Certain negative and positive undertakings have also been given as to the nature and conduct of its business.

Changes to bank debt facilities

On 17 May 2011 $50 million of new bank debt facilities were entered into increasing the Group's total facilities to $850 million. The facilities were provided by Westpac New Zealand and ANZ National Bank ($25 million each) and had maturity dates of April 2014 and April 2015 respectively.

Re-financing of bank debt facilities

On 15 November 2011, the Group renewed and extended $297.5 million of bank debt facilities that were due to expire in March and April 2012. The maturity dates for the renewed facilities range from April 2016 to April 2017. At the same time, maturity dates for $295 million of facilities expiring in April 2014, April 2015 and May 2016 were each extended for a further 12 months.

15. MANDATORY CONVERTIBLE NOTES

120,000,000 mandatory convertible notes (MCNs) were issued in December 2009 at $1.00 each. The MCNs have a coupon rate of 8.95% per annum payable quarterly on 20 March, 20 June, 20 September and 20 December (or the next business day). On 20 December 2014 the MCNs convert into units in the Trust using a conversion price calculated on the lower of a 2% discount to the average of the daily volume weighted average unit price for the 20 business days prior to the conversion announcement date, or $1.20 per unit. The MCNs contain a debt and equity component due to the conversion feature, however, the equity component representing the value of the option component has been assessed and deemed to be insignificant and has therefore not been separately recognised as equity.

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

	Group & Parent 2012 $000	Group & Parent 2011 $000
Liability component of the MCNs – non-current	**118,245**	117,599
Movement in liability component of the MCNs		
Balance at the beginning of the year	**117,599**	117,014
Amortised interest costs	**647**	586
Movement in coupon interest accrual	**(1)**	(1)
Balance at the end of the year	**118,245**	117,599
Effective interest rate	**9.58%**	9.58%
Weighted average term to conversion	**2.72 years**	3.73 years

16. UNITS

		Group & Parent		Group & Parent	
	Date	**2012 Number 000**	**2012 Amount $000**	2011 Number 000	2011 Amount $000
Balance at the beginning of the year		**972,582**	**888,993**	807,269	744,091
Cancellation of units:					
Units bought-back at $0.94	27-Jul-10	–	–	(100)	(94)
Units bought-back at $0.95	4-Aug-10	–	–	(150)	(143)
Units bought-back at $0.94	6-Aug-10	–	–	(100)	(94)
Issue of units:					
Distribution reinvestment at $0.91	23-Jun-10	–	–	3,253	2,960
Conversion of 2005 MCNs at $0.876	30-Jun-10	–	–	162,410	142,273
Distribution reinvestment at $0.9982	20-Dec-11	**8,712**	**8,696**	–	–
Balance at the end of the year		**981,294**	**897,689**	972,582	888,993

All units carry equal weight in respect of voting rights, distribution rights and rights on winding up of the Trust and have no par value.

17. CAPITAL MANAGEMENT

The Group's capital includes units, reserves and retained earnings. Total capital is $1,072.7 million (2011 $1,042.9 million). The Group maintains a strong capital base to ensure investor, creditor and market confidence and to sustain the Group's on-going activities. The impact of the level of capital on Unit Holder returns and the need to maintain a balance between the higher returns that might be possible with greater gearing and the advantages and security afforded by a sound capital position is recognised by the Group. The Group is subject to the following imposed capital requirements: the Trust Deed requires that the Group's borrowings be maintained at no more than 40% of the gross value of the Trust Fund; the Group's bilateral facility agreements with each of the banks listed in Note 14 require that total finance debt be maintained at no more than 45% of the gross value of the Trust Fund. Both of these capital requirements have been complied with throughout the year.

The Group's policies in respect of capital management and allocation are reviewed regularly by the Board of Directors of the Manager. As outlined in Note 14, $592.5 million of bank debt facilities were renewed and extended during the year and an additional $50 million of bank debt facilities were put in place. In addition, two properties were sold during the year for a total of $8.4 million and the Trust's Distribution Reinvestment Plan raised a further $8.7 million. There have been no other material changes in the Group's management of capital during the year.

18. DISTRIBUTIONS TO UNIT HOLDERS

Distributions paid during the year comprised:

	Group & Parent – 2012			
	Date declared	Date paid	cpu	$000
Final distribution				
Cash	17-May-11	21-Jun-11	3.50	34,040
Imputation credits			0.39	3,793
			3.89	37,833
Interim distribution				
Cash	15-Nov-11	20-Dec-11	3.50	34,040
Imputation credits			0.65	6,322
			4.15	40,362
Total distribution				
Cash			7.00	68,080
Imputation credits			1.04	10,115
			8.04	78,195

	Group & Parent – 2011			
	Date declared	Date paid	cpu	$000
Final distribution				
Cash	19-May-10	23-Jun-10	3.75	30,273
Imputation credits			0.58	4,682
			4.33	34,955
Interim distribution				
Cash	11-Nov-10	15-Dec-10	3.50	34,040
Imputation credits			0.49	4,766
			3.99	38,806
Total distribution				
Cash			7.25	64,313
Imputation credits			1.07	9,448
			8.32	73,761

Distributable income

Distributable income has been determined as follows:

	Group 2012 $000	Group 2011 $000
Operating profit before income tax	**81,320**	76,354
Adjusted for:		
Business interruption insurance proceeds received	**4,045**	–
Rental income resulting from straight-lining fixed rental increases	**(565)**	849
Movement in cash flow hedge reserve	**16**	48
Other non-cash adjustments	**23**	84
Less: Current tax	**(13,117)**	(8,565)
Distributable income	**71,722**	68,770
Distributable income per unit – weighted (cents)	**7.36**	7.39

19. FINANCIAL INSTRUMENTS

Summary of financial instruments

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

	Group 2012 $000	Group 2011 $000	**Parent 2012 $000**	Parent 2011 $000
Non-derivative financial assets				
At amortised cost:				
Cash and cash equivalents	**62,800**	107,349	**61,145**	105,832
Trade and other receivables	**5,827**	4,234	**237**	384
Insurance proceeds	**63,000**	–	**–**	–
Other investments	**301**	289	**75**	75
Advances to subsidiaries	**–**	–	**818,575**	761,325
Total non-derivative financial assets at amortised cost	**131,928**	111,872	**880,032**	867,616
Non-derivative financial liabilities				
At amortised cost:				
Trade and other payables	**(45,205)**	(46,644)	**(5,802)**	(5,014)
Secured bank loans	**(769,500)**	(759,000)	**–**	–
Mandatory convertible notes	**(118,245)**	(117,599)	**(118,245)**	(117,599)
Total non-derivative financial liabilities at amortised cost	**(932,950)**	(923,243)	**(124,047)**	(122,613)
Net carrying amount of non-derivative financial instruments	**(801,022)**	(811,371)	**755,985**	745,003
Derivative financial instruments held for risk management				
At fair value through profit or loss (held for trading):				
Interest rate derivative assets	**–**	140	**–**	–
Interest rate derivative liabilities	**(46,077)**	(43,960)	**–**	–
Total derivative financial instruments at fair value through profit or loss	**(46,077)**	(43,820)	**–**	–
Net carrying amount of financial instruments	**(847,099)**	(855,191)	**755,985**	745,003

Fair values

The fair value of financial instruments traded in active markets (such as the mandatory convertible notes) is based on listed market prices at balance date. The fair value of financial instruments that are not traded in an active market (for example derivative financial instruments) is determined using valuation techniques such as discounted cash flows. The carrying value less impairment provision of other financial assets and liabilities are assumed to approximate their fair values.

The carrying value of all financial instruments, excluding the mandatory convertible notes, is equivalent to their fair value. The fair value of the mandatory convertible notes is $129.6 million (2011 $127.2 million) based on their listed market price.

The only financial instruments measured at fair value in the Statements of Financial Position are interest rate derivatives. Under the fair value hierarchy, the fair value estimation of interest rate derivatives is classified as Level 2 under NZ IFRS 7: Financial Instruments Disclosures.

General financial risk management principles

The Board of Directors of the Manager provides principles for overall risk management, as well as policies covering specific areas, such as interest rate risk, credit risk, use of derivative financial instruments and investing excess liquidity.

Key principles include:

- Ensuring that cash flows from rentals are efficiently used as they become available. This may be by way of capital expenditure for refurbishment or upgrade programs, repayment of debt or by ensuring that cash balances are earning competitive interest returns;
- Actively managing the Group's debt through a 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 Group's cash flow requirements; and
- Maintaining a strong financial position with prudent borrowing levels. The Trust Deed requires that borrowings be maintained at no more than 40% of the gross value of the Trust Fund. The Group's bilateral facility agreements with each of the banks listed in Note 14 require that total finance debt be maintained at no more than 45% of the gross value of the Trust Fund.

Credit risk

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

Concentrations

The Group has placed its cash and deposits with ANZ National Bank and ASB Bank, both of whom are AA- rated by Standard & Poor's. As at 31 March 2012, the Group had insurance proceeds receivable from the Trust's panel of insurers who are all rated A- or greater by Standard & Poor's. The Group and Parent are not exposed to any other concentrations of credit risk other than advances to wholly owned subsidiaries.

Interest rate risk

The Group's financial assets and liabilities which are exposed to interest rate risk include cash and deposits and secured bank loans. The Group's secured bank loans are subject to floating interest rates. The Group adopts a policy of reducing the exposure to changes in interest rates by utilising interest rate derivatives to limit future interest costs in accordance with its Debt and Hedging Policy. The weighted average interest rate (including interest rate derivatives) and term to maturity of the Group's secured bank loans are set out in Note 14.

19. FINANCIAL INSTRUMENTS (CONT.)

Interest rate sensitivity

Fair value sensitivity

At balance date the Group's only fixed interest rate assets or liabilities held at fair value were interest rate derivatives. A 1% increase or decrease in the interest rates attached to the interest rate derivatives would have increased/decreased the fair value movement in derivatives in the Statements of Comprehensive Income by $17.3 million (2011 $20.5 million) and $18.2 million (2011 $22.2 million) respectively, and correspondingly increased/decreased equity by $12.4 million (2011 $14.8 million) and $13.1 million (2011 $16.0 million) respectively. This analysis assumes all other variables remain constant.

Cash flow sensitivity

The Group's assets and liabilities which are subject to interest rate changes, consist of cash and cash equivalents, secured bank loans and interest rate derivatives. A change of 1% in interest rates would have increased/(decreased) profit after income tax and equity in respect of these items by the amounts shown below. This analysis assumes all other variables remain constant.

	1% Increase $000	1% Decrease $000
Group		
2012		
Cash and cash equivalents	**452**	**(452)**
Secured bank loans	**(5,540)**	**5,540**
Interest rate derivatives	**4,608**	**(4,608)**
2011		
Cash and cash equivalents	751	(751)
Secured bank loans	(5,313)	5,313
Interest rate derivatives	4,608	(4,608)
Parent		
2012		
Cash and cash equivalents	**440**	**(440)**
2011		
Cash and cash equivalents	741	(741)

Liquidity risk

Liquidity risk represents the Group's ability to meet its contractual obligations. The following liquidity profile is analysed based on the remaining period at balance date to the contractual maturity dates and assumes all other variables remain constant. The Group evaluates its liquidity requirements on an on-going basis. The Group generates sufficient cash flows from its operating activities to meet its obligations arising from its financial liabilities and has bank facilities available to cover potential shortfalls. Further details about the undrawn bank facilities available are given in Note 14. The following table outlines the Group's liquidity profile based on contractual undiscounted cash flows.

	Statements of Financial Position $000	Contractual cash flows (principal and interest) Total $000	0-6 mths $000	6-12 mths $000	1-2 yrs $000	2-5 yrs $000	> 5 yrs $000
Group							
2012							
Trade and other payables	**39,636**	**41,219**	**23,325**	**222**	**444**	**17,228**	**–**
Secured bank loans	**769,500**	**874,240**	**15,019**	**114,108**	**123,713**	**416,290**	**205,110**
Interest rate derivatives	**46,077**	**54,573**	**11,457**	**10,861**	**13,969**	**14,909**	**3,377**
Mandatory convertible notes	**118,245**	**29,549**	**5,399**	**5,318**	**10,740**	**8,092**	**–**
	973,458	**999,581**	**55,200**	**130,509**	**148,866**	**456,519**	**208,487**
2011							
Trade and other payables	43,124	45,988	27,650	222	444	17,672	–
Secured bank loans	759,000	832,376	14,568	114,501	316,465	304,895	81,947
Interest rate derivatives	43,820	41,325	10,148	10,080	15,800	4,984	313
Mandatory convertible notes	117,599	40,341	5,414	5,355	10,740	18,832	–
	963,543	960,030	57,780	130,158	343,449	346,383	82,260
Parent							
2012							
Trade and other payables	**5,802**	**5,802**	**5,802**	**–**	**–**	**–**	**–**
Mandatory convertible notes	**118,245**	**29,549**	**5,399**	**5,318**	**10,740**	**8,092**	**–**
	124,047	**35,351**	**11,201**	**5,318**	**10,740**	**8,092**	**–**
2011							
Trade and other payables	5,014	5,014	5,014	–	–	–	–
Mandatory convertible notes	117,599	40,341	5,414	5,355	10,740	18,832	–
	122,613	45,355	10,428	5,355	10,740	18,832	–

20. TRANSACTIONS WITH RELATED PARTIES

The Group has no parent entity or ultimate controlling party. The Parent has two subsidiaries as described in Note 10.

All trade receivables and trade payables detailed below are unsecured, interest free and receivable or payable on normal commercial terms.

During the year, the following transactions were undertaken with related parties:

	Group 2012 $000	Group 2011 $000	**Parent 2012 $000**	Parent 2011 $000
Kiwi Income Properties Limited				
Manager's fees				
In accordance with the terms of the Trust Deed, the Manager is entitled to receive a management fee comprising a base fee of 0.55% per annum of the average gross value of the Trust Fund for the year, and a performance fee calculated on Unit Holder returns above 10% per annum. The maximum performance fee payable in any year is capped at 0.15% per annum of the average gross value of the Trust Fund for the year. The total management fee payable, including both the base and performance fees, is capped at 0.70% per annum of the average gross value of the Trust Fund for the year.				
The base fee is calculated and paid quarterly in arrears. The performance fee is calculated and, where applicable, paid semi–annually in arrears. The Manager reinvests performance fees by subscribing for new units in the Trust. Further details of performance fees are included in Note 6.				
During the year the Group incurred manager's fees as follows:				
Total manager's fees incurred	**11,007**	10,472	**11,007**	10,472
Proportion of manager's fees on–charged to subsidiaries	**–**	–	**(10,978)**	(10,322)
Proportion of manager's fees capitalised to investment properties	**(221)**	(86)	**–**	–
Proportion of manager's fees outstanding at balance date (included in trade and other payables)	**2,767**	2,799	**2,767**	2,799
For further details of manager's fees refer to Note 6.				
Units in the Trust				
The Manager owns the following investment, and has received the following distributions from the Trust during the year:				
Units in the Trust (000 units)	**3,443**	3,443	**3,443**	3,443
Distributions received	**241**	250	**241**	250

	Group 2012 $000	Group 2011 $000	Parent 2012 $000	Parent 2011 $000

Kiwi Property Management Limited

Property management fees

Properties owned by the Group are managed, on normal commercial terms, by Kiwi Property Management Limited (KPML), a related entity of the Manager by virtue of a common parent company. During the year the Group incurred property management fees (including leasing, development and facilities management fees). Under the terms of the leases between the Group and its tenants, a significant portion of the property management fees incurred are on-charged to those tenants.

During the year the Group incurred the following property management fees:

	Group 2012 $000	Group 2011 $000	Parent 2012 $000	Parent 2011 $000
Total property management fees incurred	**14,337**	10,450	**–**	–
Proportion of property management fees on-charged to tenants	**(5,393)**	(4,886)	**–**	–
Net property management fees incurred by the Group	**8,944**	5,564	**–**	–
Proportion of property management fees outstanding at balance date (included in trade and other payables)	**–**	58	**–**	–

In addition, during the year, KPML paid expenditure on behalf of the Group for which it was reimbursed. Under the terms of the leases between the Group and its tenants, a significant portion of this expenditure was on-charged to tenants.

	Group 2012 $000	Group 2011 $000	Parent 2012 $000	Parent 2011 $000
Total expenses incurred on behalf of the Group	**5,922**	4,394	**369**	297
Proportion of expenses on-charged to tenants	**(3,475)**	(2,547)	**–**	–
Net expenses incurred on behalf of the Group	**2,447**	1,847	**369**	297
Proportion of expenses outstanding at balance date (included in trade and other payables)	**128**	–	**128**	–

Tenancy relationship

KPML has a tenancy relationship with the Trust at the National Bank Centre on normal commercial terms and conditions.

	Group 2012 $000	Group 2011 $000	Parent 2012 $000	Parent 2011 $000
Total rental including operating expenses paid to the Group	**541**	549	**–**	–
Proportion of rental outstanding at balance date (included in trade and other receivables)	**–**	–	**–**	–

20. TRANSACTIONS WITH RELATED PARTIES (CONT.)

	Group 2012 $000	Group 2011 $000	Parent 2012 $000	Parent 2011 $000
Commonwealth Bank of Australia				
Commonwealth Bank of Australia (CBA) is the ultimate parent of the Manager. The following transactions have been undertaken with CBA:				
Revolving credit facility				
The Group has a bilateral facility agreement in place with CBA. The agreement provides a committed revolving credit facility.				
Total committed revolving credit facility	**300,000**	300,000	**–**	–
Portion of revolving credit facility drawn down at balance date	**247,000**	300,000	**–**	–
Interest incurred under revolving credit facility (net of interest rate derivatives)	**17,306**	17,176	**–**	–
Proportion of interest (net of interest rate derivatives) outstanding at balance date (included in trade and other payables)	**1,802**	1,340	**–**	–
Interest rate derivatives				
A number of interest rate derivatives were entered into with CBA on normal commercial terms (on a competitive pricing basis) for the purpose of limiting the Group's exposure to interest rates.				
Notional value of active derivatives at balance date	**255,000**	230,000	**–**	–
Fair value liability of derivatives at balance date	**21,761**	20,325	**–**	–
Units in the Trust				
CBA and its subsidiaries own the following investment, and have received the following distributions from the Trust during the year:				
Units in the Trust (in accordance with substantial security holder notices received by the Trust) (000 units)	**91,772**	91,772	**91,772**	91,772
Distributions received	**6,424**	6,271	**6,424**	6,271

	Group 2012 $000	Group 2011 $000	Parent 2012 $000	Parent 2011 $000

ASB Bank Limited

ASB Bank Limited (ASB) is a related entity of the Manager by virtue of a common ultimate parent company, the Commonwealth Bank of Australia. The following transactions have been undertaken with ASB:

Term deposits

The Group has entered into various short term bank deposits throughout the year with ASB on normal commercial terms (on a competitive pricing basis) for the purpose of maximising interest income on the proceeds of the mandatory convertible notes issue.

	Group 2012 $000	Group 2011 $000	Parent 2012 $000	Parent 2011 $000
Total term deposits at balance date (included in cash and cash equivalents)	**28,400**	48,900	**28,400**	48,900
Interest received on term deposits	**1,716**	3,754	**1,716**	3,754
Proportion of interest outstanding at balance date (included in trade and other receivables)	**92**	164	**92**	164

ASB North Wharf development

The Group has entered into a development agreement with ASB to develop new head office premises in Wynyard Quarter on Auckland's waterfront. Under the terms of the agreement, ASB are to take an 18-year lease over approximately 19,466 sqm of office space. The total development cost is expected to be $132.1 million. The proceeds of the Mandatory Convertible Notes (MCN) have been set aside as specific borrowings to assist with funding the development. Consequently the MCN interest expense, net of interest earned on the MCN proceeds, is being capitalised to the development. This is estimated to result in a further $9.2 million of additional interest costs being capitalised to the development over the period of the development. For more information on the development, refer to Note 11.

New Zealand Permanent Trustees Limited

Trustee's fees

The Trustee is paid a fee of $250,000 per annum plus 0.02% per annum of the average gross value of the Trust Fund in excess of $750 million for the year.

During the year the Group incurred trustee's fees as follows:

	Group 2012 $000	Group 2011 $000	Parent 2012 $000	Parent 2011 $000
Total trustee's fees incurred	**507**	474	**507**	474
Proportion of trustee's fees capitalised to investment properties	**(10)**	(4)	**–**	–
Proportion of trustee's fees outstanding at balance date (included in trade and other payables)	**126**	120	**126**	120

20. TRANSACTIONS WITH RELATED PARTIES (CONT.)

	Group 2012 $000	Group 2011 $000	**Parent 2012 $000**	Parent 2011 $000
New Zealand Permanent Trustees Limited (cont.)				
Tenancy relationship				
Public Trust (the parent of New Zealand Permanent Trustees Limited) has a tenancy relationship with the Trust at the Vero Centre on normal commercial terms and conditions.				
Total rental including operating expenses paid to the Group	**212**	211	**–**	–
Proportion of rental outstanding at balance date (included in trade and other receivables)	**–**	–	**–**	–

The Trust and its subsidiaries

Advances have been made by the Trust to its subsidiaries to finance the acquisition of properties and capital expenditure, and to fund working capital requirements. The advances are repayable on demand and interest may be charged on outstanding balances at a rate equivalent to the Group's cost of funds. Details of the advances are included in Note 10. The Trust received dividends from its subsidiaries during the year, details of which are included in the Statements of Comprehensive Income.

Key management personnel

The Trust does not employ personnel in its own right. Under the terms of the Trust Deed, Kiwi Income Properties Limited is the Manager and New Zealand Permanent Trustees Limited is the Trustee. The Manager and its related entity KPML, are responsible for the remuneration of their directors and personnel. Key management compensation paid by the Manager and its related entity, KPML comprises:

	Group 2012 $000	Group 2011 $000	**Parent 2012 $000**	Parent 2011 $000
Compensation category:				
Directors' fees	**461**	428	**–**	–
Salaries and performance bonuses	**3,786**	3,423	**–**	–
Other long-term benefits	**–**	66	**–**	–

Key management compensation covers directors' fees and remuneration of senior executive personnel. None of these costs are borne by the Trust.

21. CASH FLOW RECONCILIATION

	Group 2012 $000	Group 2011 $000	Parent 2012 $000	Parent 2011 $000
Profit/(loss) after income tax	**89,210**	(26,406)	**67,177**	67,765
Items classified as investing or financing activities:				
Intra Group investing transactions	**–**	–	**(78,534)**	(86,746)
Movements in working capital items relating to investing and financing activities	**6,060**	(11,642)	**(3,497)**	(8,341)
Non-cash items:				
Movement in deferred tax asset	**(632)**	(2,472)	**(124)**	47
Movement in deferred tax liability	**7,217**	2,049	**(38)**	(121)
Amortised interest expense on mandatory convertible notes	**647**	1,033	**647**	1,033
Fair value change to interest rate derivatives	**2,257**	11,159	**–**	–
Fair value change to investment properties	**9,617**	82,440	**–**	–
Impairment of investment properties	**26,879**	–	**–**	–
Movement in cash flow hedge reserve	**16**	48	**–**	–
Movements in working capital items:				
Trade and other receivables	**(3,981)**	(1,705)	**162**	705
Insurance proceeds	**(63,000)**	–	**–**	–
Income tax receivable/payable	**(775)**	(1,201)	**3,336**	1,952
Trade and other payables	**(2,393)**	18,055	**788**	(66)
Net cash flows from/(used in) operating activities	**71,122**	71,358	**(10,083)**	(23,772)

22. COMMITMENTS

	Group 2012 $000	Group 2011 $000	**Parent 2012 $000**	Parent 2011 $000
Capital commitments				
The following amounts have been committed to but not recognised in the financial statements:				
Development costs at Centre Place Shopping Centre, Hamilton	**1,035**	4,203	**–**	–
Development costs at ASB North Wharf, Auckland	**48,864**	3,062	**–**	–
	49,899	7,265	**–**	–

Ground leases

Ground leases exist over National Bank Centre, ASB North Wharf and certain adjoining properties. In addition, ground leases also exist over parts of the land at Centre Place Shopping Centre, Sylvia Park Shopping Centre, North City Shopping Centre and Northlands Shopping Centre. The amount paid in respect of ground leases during the year was $1,786,441 (2011 $1,783,615). The liability recognised in respect of the ground lease at ASB North Wharf is $16.5 million (2011 $15.7 million). The leases terminate between October 2014 and June 2179. Due to the duration of the leases and the different methods of calculating the lease payments, the total value of the overall commitment has not been calculated.

23. SUBSEQUENT EVENTS

Declaration of final distribution

On 15 May 2012 the Board of the Manager declared a final cash distribution of $34.3 million to Unit Holders for the six months ended 31 March 2012. This represents a cash distribution of 3.50 cents per unit. The distribution record date is 31 May 2012 and payment will occur on 19 June 2012.

Sale of Beca House, Auckland

On 27 April 2012 the Group entered into an unconditional contract for the sale of Beca House for $55.0 million. Settlement is due to occur on 2 July 2012.

INDEPENDENT AUDITORS' REPORT

TO THE UNIT HOLDERS OF
KIWI INCOME PROPERTY TRUST

Report on the financial statements

We have audited the financial statements of Kiwi Income Property Trust (the "Trust") on pages 48 to 86, which comprise the statements of financial position as at 31 March 2012, the statements of comprehensive income, statements of changes in equity and statements of cash flows for the year then ended, and the notes to the financial statements that include a summary of significant accounting policies and other explanatory information for both the Trust and the Group. The Group comprises the Trust and the entities it controlled at 31 March 2012 or from time to time during the financial year.

Manager's responsibility for the financial statements

The Directors of Kiwi Income Properties Limited (the "Manager") are responsible for the preparation of these financial statements in accordance with generally accepted accounting practice in New Zealand and that give a true and fair view of the matters to which they relate and for such internal controls as the Manager determines are necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' responsibility

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

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

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

Our firm has a tenancy relationship with the Group on normal terms within the ordinary course of trading activities. We have no further relationship with or interests in Kiwi Income Property Trust or its subsidiaries other than in our capacities as auditors, providers of other assurance services and accounting advisors. These services have not impaired our independence as auditors of the Trust or the Group.

Opinion

In our opinion, the financial statements on pages 48 to 86:

(i) comply with generally accepted accounting practice in New Zealand; and

(ii) comply with International Financial Reporting Standards; and

(iii) give a true and fair view of the financial position of the Trust and the Group as at 31 March 2012, and their financial performance and cash flows for the year then ended.

Report on other legal and regulatory requirements

We also report in accordance with Sections 16(1)(d) and 16(1)(e) of the Financial Reporting Act 1993. In relation to our audit of the financial statements for the year ended 31 March 2012:

(i) we have obtained all the information and explanations that we have required; and

(ii) in our opinion, proper accounting records have been kept by the Trust and the Group as far as appears from an examination of those records.

Restriction on distribution or use

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

PricewaterhouseCoopers

Chartered Accountants　　Auckland
15 May 2012

UNIT AND NOTE HOLDER STATISTICS

TWENTY LARGEST UNIT HOLDERS

AS AT 30 APRIL 2012

Unit Holder	Number of units	% of total issued units
New Zealand Central Securities Depository Limited	557,245,640	56.79%
Investment Custodial Services Limited (C A/C)	31,685,732	3.23%
Custodial Services Limited (3 A/C)	21,870,962	2.23%
FNZ Custodians Limited	20,213,118	2.06%
Forsyth Barr Custodians Limited (1-33 A/C)	11,736,365	1.20%
Forsyth Barr Custodians Limited (1-17.5 A/C)	9,259,825	0.94%
Custodial Services Limited (2 A/C)	8,398,335	0.86%
Custodial Services Limited (18 A/C)	5,952,275	0.61%
New Zealand Depository Nominee Limited (1 A/C)	5,926,403	0.60%
Custodial Services Limited (1 A/C)	5,071,853	0.52%
Forsyth Barr Custodians Limited (1-30 A/C)	4,799,514	0.49%
Custodial Services Limited (4 A/C)	3,740,365	0.38%
Kiwi Income Properties Limited	3,442,568	0.35%
Superlife Trustee Nominees Limited (SL Prop A/C)	3,311,556	0.34%
University of Otago Foundation Trust	2,598,361	0.26%
Haochen Investment Limited	2,002,135	0.20%
Investment Custodial Services Limited (R A/C)	1,795,147	0.18%
ASB Nominees Limited (677680 A/C)	1,783,339	0.18%
Custodial Services Limited (16 A/C)	1,638,879	0.17%
FNZ Custodians Limited (DRP NZ A/C)	1,361,999	0.14%
Total	**703,834,371**	**71.73%**
Total units on issue	**981,293,912**	

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:

Unit Holder	Number of units	% of total issued units
Citibank Nominees (NZ) Limited	155,321,257	15.83%
Accident Compensation Corporation	90,308,036	9.20%
HSBC Nominees (New Zealand) Limited	68,295,172	6.96%
BT NZ Unit Trust Nominees Limited	41,969,514	4.28%
Premier Nominees Limited – Armstrong Jones Property Securities Fund	39,108,187	3.99%
National Nominees New Zealand Limited	39,004,087	3.97%
JPMorgan Chase Bank (CHAM 24 A/C)	23,657,152	2.41%
HSBC Nominees (New Zealand) Limited	21,386,247	2.18%
New Zealand Superannuation Fund Nominees Limited	16,147,283	1.65%
Cogent Nominees Limited (COGN 40 A/C)	13,215,317	1.35%
MFL Mutual Fund Limited	11,065,784	1.13%
TEA Custodians Limited (O/A TEA C 40 A/C)	7,239,080	0.74%
NZ Permanent Trustees Limited – Group Investment Fund No 20 (NZP 440 A/C)	7,204,415	0.73%
Private Nominees Limited (PBKN 90 A/C)	4,764,182	0.49%
Custody and Investment Nominees Limited	4,242,170	0.43%
Premier Nominees Limited (ING Wholesale Australasian Share Fund A/C)	4,052,679	0.41%
Premier Nominees Limited (Wholesale Transtasman Property A/C)	2,967,515	0.30%
Sovereign Assurance Company Limited	2,491,560	0.25%
NZGT Nominees Limited (AMP Capital Listed Prop Securities Fund A/C)	2,324,126	0.24%
NZGT Nominees Limited (AMP Capital NZ Shares Index Fund AIEI 40 A/C)	1,214,600	0.12%
Balance of 4 Unit Holders	1,267,277	0.13%
Total	**557,245,640**	**56.79%**

TWENTY LARGEST MANDATORY CONVERTIBLE NOTE HOLDERS

AS AT 30 APRIL 2012

MCN Holder	Number of MCNs	% of total issued MCNs
New Zealand Central Securities Depository Limited	25,860,377	21.55%
Custodial Services Limited (3 A/C)	7,781,060	6.48%
Forsyth Barr Custodians Limited (1-33 A/C)	6,922,911	5.77%
Custodial Services Limited (1 A/C)	4,058,457	3.38%
Forsyth Barr Custodians Limited (1-17.5 A/C)	3,960,270	3.30%
Custodial Services Limited (2 A/C)	3,279,686	2.73%
Custodial Services Limited (18 A/C)	2,327,223	1.94%
Forsyth Barr Custodians Limited (1-30 A/C)	1,960,145	1.63%
Clyde Holland and Rena Holland	1,585,000	1.32%
Custodial Services Limited (4 A/C)	1,421,796	1.18%
FNZ Custodians Limited	979,441	0.82%
Investment Custodial Services Limited (C A/C)	825,680	0.69%
Richard Izard and Patience Izard and Wayne Boyd (Izard Charitable Trust A/C)	750,000	0.63%
Society of Mary Trust Board	750,000	0.63%
Custodial Services Limited (16 A/C)	745,689	0.62%
Custodial Services Limited (6 A/C)	689,000	0.57%
Mackenzie Charitable Foundation	640,000	0.53%
Warren Richard Couillault and Sarah Julie Couillault and Craig Stephen Rice (SARANDWAR A/C)	585,000	0.49%
University of Otago Foundation Trust	566,395	0.47%
Forsyth Barr Custodians Limited (1 E A/C)	528,232	0.44%
Total	**66,216,362**	**55.17%**
Total MCNs on issue	**120,000,000**	

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

MCN Holder	Number of MCNs	% of total issued MCNs
Accident Compensation Corporation	17,959,500	14.97%
New Zealand Permanent Trustees Limited (NZPT 43 A/C)	1,960,100	1.63%
National Nominees New Zealand Limited	1,754,212	1.46%
MFL Mutual Fund Limited	1,306,301	1.09%
TEA Custodians Limited (O/A TEA C40 A/C)	1,185,000	0.99%
JPMorgan Chase Bank (CHAM 24 A/C)	1,013,082	0.84%
Private Nominees Limited (PBKN 90 A/C)	633,554	0.53%
HSBC Nominees (New Zealand) Limited	25,266	0.02%
Courtenay Nominees Limited	11,780	0.01%
BT NZ Unit Trust Nominees Ltd	10,000	0.01%
Citibank Nominees (NZ) Ltd	1,582	0.00%
Total	**25,860,377**	**21.55%**

SPREAD OF UNIT HOLDERS

AS AT 30 APRIL 2012

Size of holding	Number of holders	Number of units	% of total issued units
1 – 1,000	515	270,605	0.03%
1,001 – 5,000	1,832	5,884,174	0.60%
5,001 – 10,000	2,325	18,069,366	1.84%
10,001 – 20,000	2,882	42,050,377	4.29%
20,001 – 50,000	2,755	85,300,457	8.69%
50,001 and over	1,111	829,718,933	84.55%
Total	**11,420**	**981,293,912**	**100.00%**

SPREAD OF MANDATORY CONVERTIBLE NOTE HOLDERS

AS AT 30 APRIL 2012

Size of holding	Number of holders	Number of MCNs	% of total issued MCNs
1 – 1,000	1,137	765,385	0.64%
1,001 – 5,000	773	2,595,762	2.16%
5,001 – 10,000	589	5,367,124	4.47%
10,001 – 20,000	447	7,627,883	6.36%
20,001 – 50,000	452	15,813,207	13.18%
50,001 and over	182	87,830,639	73.19%
Total	**3,580**	**120,000,000**	**100.00%**

UNIT AND NOTE HOLDER STATISTICS CONTINUED

GEOGRAPHICAL DISTRIBUTION OF UNIT HOLDERS
AS AT 30 APRIL 2012

Country	Number of holders	% of total issued units
New Zealand	714,912,218	72.85%
United States	116,951,801	11.92%
Australia	93,764,692	9.56%
United Kingdom	19,836,388	2.02%
Japan	13,729,514	1.40%
Rest of the world	22,099,299	2.25%
Total	**981,293,912**	**100.00%**

SUBSTANTIAL SECURITY HOLDERS
AS AT 30 APRIL 2012

The following security holders had filed substantial security holder notices in accordance with the Securities Markets Act 1988.

Security holder	Number of units held at date of notice	Number of MCNs held at date of notice
Accident Compensation Corporation	92,742,796	17,529,465
Commonwealth Bank of Australia and Subsidiaries	91,772,277	–
OnePath (NZ) Limited	66,175,608	–

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.

HOLDINGS OF DIRECTORS OF THE MANAGER (AND THEIR ASSOCIATES)
AS AT 30 APRIL 2012

Director	Security held	Number	Nature of relevant interest
Robert Narev	Units	165,380	Non-beneficial interest
	Mandatory Convertible Notes	3,000	Non-beneficial interest
John Duncan	Units	228,310	Beneficial interest

Trust deed

There were no amendments to the Trust Deed constituting Kiwi Income Property Trust during the year ended 31 March 2012.

NZX waivers

On 5 July 2011, NZX granted the Trust a waiver from Listing Rule 7.3.2(b) in relation to the issue of units on an ongoing basis to the Manager (or its nominee) equivalent to the performance fee in accordance with clause 25.11 of the Trust Deed. The waiver allowed the Trust to issue units to the Manager in this way beyond the 12-month period permitted by Listing Rule 7.3.2(b), subject to the following conditions: that the manner in which the performance fee is calculated and units issued does not materially change (unless both Unit Holder and MCN Holder approval is obtained); that the number and price of units issued in respect of the Manager's performance fee and the existence of the waiver are disclosed in each annual and interim report in the period in which the units are issued; that the aggregate price of units issued relating to the payment of the Manager's performance fee does not exceed 0.15% of the average gross asset value of the trust fund in respect of any financial year; and that any amendments to the terms on which the units are issued are approved in accordance with the Trust Deed and the Listing Rules. This waiver is equivalent to the waiver granted to the Trust by NZX on 4 July 2008 (for a three-year period), except that this waiver will apply indefinitely.

On 2 March 2010, NZX granted the Trust a waiver from Listing Rule 9.2.1 in relation to the conditional agreement between the Manager and ASB Bank Limited (ASB) pursuant to which the Trust would construct new head office premises which would be owned by the Trust but leased to ASB on an 18-year lease on commercial terms (Transaction). The waiver allowed the Trust to enter into the Transaction without the requirement of Unit Holder approval. Unit Holder approval would have otherwise been required as ASB and the Manager are "related parties" for the purposes of the Listing Rules and should the Transaction proceed it is likely to be a "material transaction" for the purposes of the Listing Rules. NZX granted the waiver as it was satisfied that the involvement of a related party in the Transaction was unlikely to influence the promotion to enter the Transaction or its terms, the relationship between ASB and the Manager is relatively remote, and an independent report by Ernst & Young confirmed that, in the opinion of Ernst & Young, the Transaction is on arm's length terms and the terms and conditions of the Transaction are within normal market parameters for a transaction of this nature. The waiver was granted on the condition that the directors of the Manager that are not also on the board of ASB certify to NZX that, to the best of each of those directors' knowledge and belief, the Transaction is on arm's length and commercial terms and is in the best interests of Unit Holders not associated with Commonwealth Bank of Australia.

On 2 October 2008, NZX granted the Trust a waiver from Listing Rule 7.11.1 in relation to its allotment of units under its Distribution Reinvestment Plan. Applications to participate in the Distribution Reinvestment Plan close on the record date for entitlement to the distribution. The price per unit under the Distribution Reinvestment Plan is calculated based on the volume weighted average market price (Average Unit Price) over the 10 business days following the record date with units being allotted at the time the distribution is paid. This means that the price per unit can not be calculated in time to allow allotment within five business days after the date applications close as required by Listing Rule 7.11.1. The waiver allows the Trust to proceed with allotment within three business days of determining the Average Unit Price and entitlement of Unit Holders.

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

FIVE-YEAR SUMMARY

FINANCIAL PERFORMANCE

	(Restated)[1] 2008 $m	(Restated)[1] 2009 $m	(Restated)[1] 2010 $m	2011 $m	**2012 $m**
Net rental income	125.1	133.7	133.7	137.8	**144.0**
Net interest and finance charges	(46.4)	(51.4)	(47.7)	(48.2)	**(48.7)**
Manager's fees	(9.8)	(9.6)	(9.7)	(10.4)	**(10.8)**
Other expenses	(2.2)	(2.8)	(2.9)	(2.8)	**(3.2)**
Operating profit before income tax	66.7	69.9	73.4	76.4	**81.3**
Fair value change to investment properties	64.7	(215.1)	(74.7)	(82.4)	**(9.6)**
Impairment of investment properties	–	–	–	–	**(26.9)**
Insurance proceeds	–	–	–	–	**67.1**
Fair value change to interest rate derivatives	1.7	(54.1)	4.0	(11.2)	**(2.3)**
Other non-operating income and expenses	(1.4)	(1.5)	(2.7)	(1.0)	**(0.7)**
Profit/(loss) before income tax	131.7	(200.8)	0.0	(18.2)	**108.9**
Current tax expense	(5.3)	(8.4)	(10.7)	(8.6)	**(13.1)**
Deferred tax benefit/(expense)	5.5	(4.8)	2.2	0.4	**(6.6)**
Profit/(loss) after income tax	131.9	(214.0)	(8.5)	(26.4)	**89.2**

DISTRIBUTABLE INCOME

	2008 $m	2009 $m	2010 $m	2011 $m	**2012 $m**
Operating profit before income tax	66.7	69.9	73.4	76.4	**81.3**
Business interruption insurance proceeds	–	–	–	–	**4.0**
Add/(less): other non-cash adjustments	0.7	(0.5)	(1.6)	1.0	**(0.5)**
Less: current tax expense	(5.3)	(8.4)	(10.7)	(8.6)	**(13.1)**
Distributable income	62.1	61.0	61.1	68.8	**71.7**
Weighted average number of units [m]	716.3	722.1	798.8	931.0	**975.0**
Distributable income – weighted [cpu]	8.67	8.45	7.65	7.39	**7.36**

DISTRIBUTIONS

	2008 cpu	2009 cpu	2010 cpu	2011 cpu	**2012 cpu**
Cash distribution	9.00	8.00	7.50	7.00	**7.00**
Imputation credits	0.34	1.12	1.33	0.88	**1.35**
Gross distribution	9.34	9.12	8.83	7.88	**8.35**

[1] Due to an amendment to NZ IAS 12 – Income Taxes during the 2011 year, certain comparative data for the 2008 to 2010 years has been restated to reflect the reversal of deferred tax on revaluation gains and deductible capitalised costs which are no longer required to be provided for.

FINANCIAL POSITION

	(Restated)[1] 2008 $m	(Restated)[1] 2009 $m	(Restated)[1] 2010 $m	2011 $m	**2012 $m**
Assets					
Investment properties	2,060.6	1,906.2	1,848.7	1,984.7	**2,008.9**
Cash and cash equivalents	2.7	2.9	117.8	107.3	**62.8**
Other assets	28.0	18.5	18.3	20.6	**88.0**
Total assets	2,091.3	1,927.6	1,984.8	2,112.6	**2,159.7**
Liabilities					
Secured bank loans	571.0	634.0	571.0	759.0	**769.5**
Mandatory convertible notes	141.5	143.0	261.7	117.6	**118.2**
Deferred tax liability	85.1	100.8	97.5	99.6	**106.8**
Other liabilities	37.2	62.1	66.0	93.5	**92.5**
Total liabilities	834.8	939.9	996.2	1,069.7	**1,087.0**
Unit Holders' funds	1,256.5	987.7	988.6	1,042.9	**1,072.7**
Net bank debt to total assets[2]	27.3%	32.9%	24.4%	32.7%	**33.8%**
Net tangible assets per unit	$1.75	$1.36	$1.22	$1.07	**$1.09**

PROPERTY METRICS

	2008	2009	2010	2011	**2012**
Number of core properties	16	16	14	15	**12**
Net lettable area [sqm]	350,039	348,963	349,152	382,132	**360,565**
Occupancy rate	99.1%	98.6%	97.0%	97.1%	**96.2%**
Weighted average lease term [years]	4.9	4.3	4.3	4.0	**3.9**
Weighted average capitalisation rate	6.95%	7.71%	7.86%	7.99%	**7.78%**

[1] Due to an amendment to NZ IAS 12 – Income Taxes during the 2011 year, certain comparative data for the 2008 to 2010 years has been restated to reflect the reversal of deferred tax on revaluation gains and deductible capitalised costs which are no longer required to be provided for.
[2] As at March 2012 calculated as bank debt less $58.5 million MCN proceeds on deposit (2011 $102.0 million) over total assets (excluding MCN proceeds on deposit).

Amortisation – The systematic and regular write-down of an asset over its projected life.

Capital expenditure – Expenditure on non-routine works to improve the value and/or performance of an asset.

Capitalisation rate – A market-derived rate or yield applied to a property's net income to determine its value at a specific date.

Distributable income – The amount of income available for distribution. Refer to Note 18 of the financial statements for further details.

Distribution – The amount paid by the Trust to Unit Holders. The Trust pays distributions for the periods ended 31 March and 30 September.

Distribution reinvestment plan (DRP) – The Trust's Distribution Reinvestment Plan dated 29 October 2008. The plan provides Unit Holders with the option of reinvesting distributions without incurring any transaction costs.

Earnings per unit (EPU) – Calculated as profit after income tax for the period divided by the weighted average number of units on issue for that period, adjusted for the conversion of the Trust's MCNs.

Imputation credits – Credits that represent tax paid by the Trust. By attaching imputation credits to distributions, the tax paid by the Trust effectively flows through to Unit Holders to offset any New Zealand tax liability.

Independent valuation – A valuation of a property undertaken by an independent registered valuer for the purposes of determining market value.

Internal rate of return (IRR) – The average annual total return from a property investment over a specified time period.

KIP and KIPGC – The New Zealand Stock Exchange (NZSX) codes for Kiwi Income Property Trust's units (KIP) and 8.95% Mandatory Convertible Notes (KIPGC).

Mandatory Convertible Notes (MCNs) – The unsecured subordinated 8.95% mandatory convertible notes issued pursuant to the Offer Document dated 10 November 2009. MCNs can be bought and sold on the NZSX.

Market capitalisation – The market value of the Trust calculated by multiplying the number of units on issue by the unit price (as quoted on the NZSX).

Net lettable area (NLA) – The floor area of a building for which rent can be charged.

Net rental income – Represents gross rental income less property operating expenditure including the amortisation of lease incentives and rental income resulting from the straight-lining of fixed rental increases.

Net tangible asset backing (NTA) – The value of assets less all debts and other liabilities, normally divided by the number of units on issue and expressed as an amount per unit.

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

NZX 15 – Benchmark index produced by the New Zealand Exchange (NZX) comprising the top 15 companies listed on the NZSX by free-float market capitalisation.

NZX 50 – Benchmark index produced by the New Zealand Exchange (NZX) comprising the top 50 companies listed on the NZSX by free-float market capitalisation.

Occupancy – The amount of space occupied measured against the total amount of space.

Over or under renting – Where the contract rental being paid under the lease is more than or less than the market rent achievable on the open market.

Portfolio investment entity (PIE) – An entity, such as the Trust, that qualifies for the PIE tax regime introduced from 1 October 2007. Under this regime, no further New Zealand tax is payable by Unit Holders on distributions they receive from the Trust.

Record date – The date fixed by the Manager for determining Unit Holders' entitlements to distributions and MCN Holders' entitlements to interest payments.

Registrar – Link Market Services Limited is the Registrar for the Trust and is responsible for maintaining Unit and MCN Holder records.

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

Swap – An agreement involving two parties to exchange one entitlement for another. The Trust may enter into swaps to exchange a floating interest rate obligation with a fixed interest rate obligation.

The Manager – Kiwi Income Properties Limited is the Manager of the Trust. Please refer to the Corporate Governance section for further details on the role of the Manager.

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

Total return – The return, including unit price movements and the reinvestment of all cash distributions and imputation tax credits.

Trust deed – The Trust Deed under which Kiwi Income Property Trust was formed.

Unit – An undivided share in the equity of the Trust. All units carry equal voting rights and participate in distributions from the Trust. Units can be bought and sold on the NZSX.

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

Weighted average lease term (WALT) – The average remaining lease term weighted by gross income.

Yield – The annual income of an asset expressed as a percentage of value, cost or purchase price.

DIRECTORY

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Bankers

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

Valuation panel

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

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Under the terms of the Trust Deed, Kiwi Income Properties Limited is the Manager of Kiwi Income Property Trust and New Zealand Permanent Trustees Limited is the Trustee. The Manager is a wholly owned subsidiary of the Commonwealth Bank of Australia Ltd ABN 48 123 124 (the Bank).

Colonial First State Global Asset Management (CFSGAM) is the consolidated asset management arm of the Bank and sits within the Bank's wealth management division. Entities within CFSGAM provide management services to Kiwi Income Property Trust.

KIWI INCOME PROPERTY TRUST

www.kipt.co.nz