

KIPT KEEPING IT GREEN –

New Zealand Green Building Council

The New Zealand chapter of the World Green Building Council was officially launched in July 2006 – more evidence of growing local and international focus on environmental issues.

The New Zealand Green Building Council (NZGBC) has been formed to lead New Zealand's focus on green building. It is a non-government organisation, made up of industry leaders who are committed to developing market based solutions that help deliver efficient, healthier, innovative buildings for New Zealand.

The Council's focus is to:

- develop building rating tools for New Zealand
- increase the level of knowledge and expertise through education and training
- provide information and resources that will enable industry to deliver tangible building performance.

We see the Council as an important move forward. We have played a role in its establishment and in the delivery of its first rating tool. We have contributed:

- seed and ongoing funds, as a Council member, and as a Gold Foundation sponsor
- sub-committee member, Jason Happy, one of our executive team, is on the Council's rating tool sub-committee.

KIPT will continue to contribute to the new organisation. We see it as vital to advancing the uptake of environmentally sustainable practices in the design, operation and construction of New Zealand buildings.

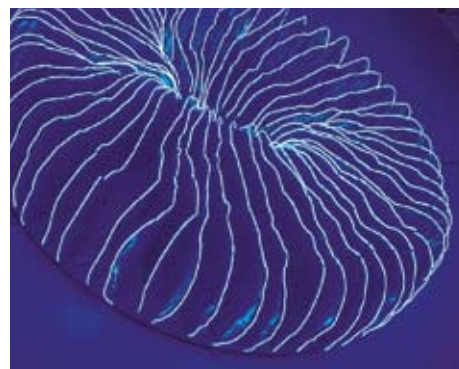
More information: www.nzgbc.org.nz

FEATURE ARTWORK: CORAL Peter Roche

Fifty four sheets of aluminium were transformed into the organic fins that form 'Coral' by Auckland kinetic sculptor Peter Roche – a feature of the landscape plaza of the Vero Centre, Auckland.

Coral is eight metres in diameter, weighs over seven tonnes, and is attached eight stories above Fort Street. It can be seen from Shortland Street.

The work is about the Pacific and our relationship with it. Rhythmic blue light delineates the aluminium that is shaped to represent sea coral.



Peter was also commissioned to create a sculpture 'Watermark' for the lobby of the Majestic Centre, Wellington.

UPDATE ON DOWNTOWN

A makeover of Hamilton's Downtown Plaza and the adjoining space has been largely completed – ahead of schedule and on budget.

The adjoining space was formerly occupied by The Warehouse. This is now fully leased and integrated into the centre and will be branded as Downtown Plaza.

In our last Investor Update, we reported two national retailers, Rebel Sport and Ezibuy, had both leased 1,200m² premises. The remaining space has been leased to retailers Howards Storage World and Unichem Pharmacy.

On the back of this makeover, refurbishment work is being undertaken in the food court and the public spaces.



PORTFOLIO REVALUATION

Following the annual valuation of the property portfolio, KIPT has recorded a revaluation gain of approximately \$210 million. The gain increases the value of the Trust's total portfolio by 13% to \$1.9 billion. The revaluation gain was a combination of the significant demand for investment grade assets internationally, portfolio rental growth, and the quality of the Trust's portfolio. The gain was equally spread between the retail and office portfolios.

The Trust's flagship office asset, the Vero Centre, has continued to benefit from a very robust Auckland office market. The building increased in value by \$44 million to \$300 million. Other strong

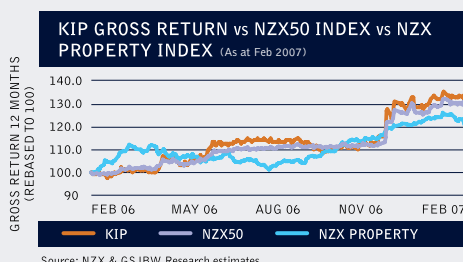
contributors within the office portfolio included Unisys House, the PricewaterhouseCoopers Centre and the National Bank Centre.

As Sylvia Park is now substantially complete, it has been valued as an investment property for the first time. This has given rise to a revaluation gain of approximately \$43 million, considerably ahead of the projected gain of \$6 million. The Trust's other retail assets also recorded solid increases in value.

The revaluations are subject to final audit and will be confirmed as part of the 31 March 2007 full year result.

FINANCIAL CALENDAR

MID MAY 2007	Preliminary announcement of full year result
MID JUNE 2007	Dividend Payment and Annual Report mailed out
2 JULY 2007	Interest Payment on Mandatory Convertible Notes



CONTACT DETAILS

YOUR FEEDBACK IS WELCOME

PHONE +64 9 357 9322
 FAX +64 9 358 3044
 WEB SITE www.kipt.co.nz
 EMAIL info@kipt.co.nz

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INVESTOR UPDATE



KIWI INCOME
PROPERTY TRUST

SYLVIA'S STAGE III – "SENSATIONAL"

Sylvia Park's new Entertainment and Leisure Precinct opened on programme on Thursday 29 March.

This, our third stage, is the stage that distinguishes us from all other shopping centres, and establishes a new benchmark for customer expectations. The Entertainment and Leisure precinct presents visitors with a world-leading cinema complex, a superb range of dining and 45 stores spanning adventure, electronics, books, fashion and more.

Stage III introduces a distinctly different shopping environment from that of the enclosed pavilion environment of the first two stages.

The new signature-precinct's design is contemporary 'high street', catering for the hustle and bustle of shopping and entertainment. Sylvia Park's distinctive 30-metre 'volcanic cone' anchors the space and opens out towards the dining lane where glazed canopies provide an open-air

environment. Shopping lanes are designed with the sensation of open space, but are in fact within a climate-controlled enclosure.

It's all about creating a cutting-edge visitor experience. "Sylvia Park raises the bar for shopping and entertainment precincts in New Zealand," Angus McNaughton said of the flagship KIPT investment.

Just nine months after its Stage I opening, Sylvia Park has established a strong reputation as a shopping destination. It is attracting people from around wider Auckland, the Waikato region and beyond.

Such visits look set to increase with the opening of the Entertainment and Leisure Precinct, which features:

- Hoyts 10-cinema complex with the world's largest screen for a 35mm projector.

- International booksellers Borders.
- Dick Smith Electronics Powerhouse.
- A unique dining lane including proven names in Japanese, Mediterranean and Portuguese cuisine, plus a gastro-bar, burgers and coffee shops – open both daytime and evening.
- Adventure retailers including Kathmandu, Bivouac Outdoor, Snowgum, Norsewear Swazi and more.
- 30 other specialty shops – including fashion brands Christopher Chronis Design, General Issue, Timberland, Pumpkin Patch and Kia Kaha.
- Generous parking available on-site for visitors with another 450 spaces now available with the Stage III opening.



HOYTS New \$30 million 10-screen multiplex

For the largest screen on the planet for a 35mm projector, look no further than Hoyts.

Hoyts flagship 10-cinema complex includes New Zealand's first bean bag cinema, dubbed the 'Half Pipe'. The complex also has seats with 65% more leg room than standard cinemas – and host's 'Cinemaxx', the biggest screen in the world. Guinness World Records has determined that the 30-metre wide by 13-metre high screen is a record breaker.





Adventure, Entertainment, Fashion... plus more

For retailers and service providers, the new 20,000m² Stage III Entertainment and Leisure precinct is proving a hit. The entire Stage III was fully leased well before opening day. Across Sylvia Park, 97% of the available 65,000m² is now leased. Our vision was to create something iconic and vibrant that distinguished Sylvia Park from all other shopping centres. Stage III achieves this and establishes a new benchmark for customer expectations.

I hope that you enjoy this Investor Update which also includes exciting news on the Portfolio Investment Entity regime and the recent \$210 million revaluation gain.

Angus McNaughton – Chief Executive, Kiwi Income Properties Limited.

CURE KIDS 'GREAT ADVENTURE RACE 2007'

On 30 March this year, Cure Kids held its North Island 'Great Adventure Race' to raise funds for Cure Kids.

Almost 40 corporate teams, made up of four competitors (and four support-crew) faced 5-10 hours of running, trekking, mountain biking and traversing waterways, in Auckland's Waitakere Ranges.

One of the teams entered was by Kiwi Property Management (KPM), the Trust's property management company.

Cure Kids is the face of the Child Health Research Foundation – a charitable organisation established over 30 years ago to address the lack of research into life-threatening childhood illnesses in New Zealand. Since then, they have invested over \$13 million in medical research, helping to save hundreds of young lives and improving quality of life for thousands of children.

Training for race day was a physical focus for our team. Raising funds was also an integral part of the challenge. We'd like to thank all those

that donated towards this charity, in particular our major sponsors Jasmax, Ellis Gould, Rider Hunt, Kensington Swan, Schindler and Vector.

A special mention also to KPM service providers supporting the fundraising effort – Total Property Services, FM Concepts, Kone, Isthmus Group, ADT, ABS Services and Dalkia Technical Services.

The aptly named 'Flying Kiwis' were placed second overall.

In December 2006, KPM charity donations were also made to Ronald McDonald House and Great Potentials HIPPY Programme.



WHAT'S IN A PIE? Investment Taxation Changes a Positive for KIP Investors.

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

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

The change means that any capital gains derived by the Trust and the benefit of tax allowances, such as depreciation, effectively pass through to investors. This will result in most investors being **taxed on the taxable income** derived by the Trust, as opposed to the current regime whereby investors are **taxed on all income distributed** by the Trust. The scale of benefit will depend on each investor's personal tax circumstances and the Trust's effective tax rate. Whilst the Trust's gross distribution is not affected, for most investors the after-tax distribution will increase.

in a PIE has also changed from 39% to 33%, so 39% tax payers will pay no further tax on the imputed dividend.

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

To put the changes in context, the following table illustrates the net distribution, pre and post the PIE regime, based on the Trust's distribution for the year ended 31 March 2006, which comprised 7.95 cents in cash and 1.15 cents in imputation credits.

NET INVESTOR INCOME (CPU)	UNIT HOLDER TAX RATE				
	39%	33%	19.5%	0.0%	NON-RESIDENT ¹
CURRENT	5.551	6.097	7.326	7.950	7.108
PIE	7.950	7.950	7.950 ²	7.950	7.950
% CHANGE	43.2%	30.4%	14.9% ²	0.0%	11.8%

- 1 Non-resident returns are shown only in respect of the tax paid in New Zealand and assume a 15% NRWT rate. There may be further foreign tax to pay. The final outcome will depend on personal tax circumstances and the country of residence.
- 2 Taxpayers on a 19.5% tax rate will be able to use excess imputation credits in respect of the imputed dividend which can be used against other taxable income. The '% change' shown in the above table has been calculated assuming that investors can utilise the credit.
- 3 The information above is a guide only, and amounts may vary depending on personal tax circumstances. You should obtain independent professional advice.

The new regime takes effect from 1 October 2007 and applies to dividends paid after that date. For investors in the Trust, this means that it will apply to the interim distribution for the six months ending 30 September 2007, which is payable mid-December.

We are very pleased with the outcome of the Act and were actively involved in lobbying Ministers and Government officials for this positive change.

We will continue to provide further details on the PIE regime in our 2007 Annual Report, which will be distributed in June 2007.

Here's an example. Assume the Trust has \$1 available for distribution before tax, and pays tax at 15% (as opposed to 33%) due to depreciation and other tax allowances. After tax, 85 cents remains for distribution. At present, an investor with a 39% tax rate pays a further 24 cents in tax (39% less the Trust's 15% tax rate), leaving 61 cents in the hands of the investor.

Under the new regime, no further tax (other than the tax already paid by the Trust) will be payable by a New Zealand resident investor – so these investors will receive 85 cents with no further tax to pay. **Based on this example a 39% tax payer will be 39% (85 cents compared with 61 cents) better off.**

Investors will now receive an 'imputed dividend', representing the Trust's assessable income, plus an 'excluded dividend', representing the Trust's non-taxable income. The top tax rate for a New Zealand resident investor