

**Chairman's Address
Meeting of Unit Holders
Friday, 9 December 2005**

Good morning Ladies and Gentlemen, welcome to this Meeting of Unit Holders of Kiwi Income Property Trust.

My name is Sean Wareing and under the terms of the Trust Deed, I have been appointed Chairman of the Meeting by the Trustee, New Zealand Permanent Trustees Limited. We have a quorum present today – I therefore declare the Meeting open.

I would like to take the opportunity to introduce my colleagues on the Board of the Manager. The full Board is present, and they are:

- **Mr Wal Edgell** - Wal is Chief Operating Officer for the Property and Alternative Investment business of Colonial First State and a Director of Colonial First State Property Limited in Australia.
- **Mr Richard Didsbury** – Richard was one of the original founders of the Trust in 1992. He is also a Trustee of the Committee of Auckland and Chairman of the Auckland City Sculpture Trust.
- **Mr Robert Narev** – Robert is a consultant and Chairman of the Auckland based law firm, Glaister Ennor.
- **Mr Jim Syme** - Jim is also a director of ASB Bank and ASB Group (Life) Limited, the holding company for Sovereign Assurance Limited and Chairman of Waste Management, Software of Excellence and Abano Healthcare.
- **Mr John Duncan** – John is the Head of Group Finance for the ASB Group which comprises ASB Bank, Sovereign Life and ASB Group Investments.

As previously advised, Mr Geoff McWilliam has resigned from the Board of the Manager following his retirement from Colonial First State Property

Group. On behalf of the Board I would like to take this opportunity to acknowledge Geoff's contribution to the Trust. His depth of Australasian and international property experience was a great asset to the Trust.

As I highlighted at the recent Annual Meeting, it is intended that an additional independent director be appointed to the Board, and we are currently working through this process.

Also joining us as at the table is the Chief Executive, Mr Angus McNaughton and the Chief Financial Officer, Mr Gavin Parker.

We also extend a welcome to our Trustee, Mr Philip Dyer from New Zealand Permanent Trustees.

BACKGROUND TO MEETING

This meeting has been convened at the request of the Trustee who in turn was requested by a number of institutional Unit Holders to convene such a meeting, to consider changes to the meeting provisions in the Trust Deed.

The Manager would like to acknowledge the considerable time and effort that the Trustee has spent on this matter. The Trustee undertook a thorough and consultative process independent of the Manager that culminated in the resolutions included in the Notice of Meeting.

SUMMARY OF THE DAY'S PROCEEDINGS

I would like to take a few moments to explain today's agenda

Given that the timing of this Meeting closely follows the announcement of the Trust's half-year result, I thought it appropriate to give you an update on the Trust's performance and outlook for the coming year.

Following this, we will deal with the formal business of the Meeting which is to consider proposed amendments to the Trust Deed concerning the process for putting motions to, and calling of, meetings.

Angus McNaughton and I will then present an update on the Sylvia Park project. Following this, we will invite questions on the project.

UPDATE ON THE TRUST'S ACTIVITIES

As announced on the 22nd of November 2005, the Trust reported a record profit for the six months to 30 September 2005 of \$29.1 million, up 15.2% on the same period last year.

This is an excellent result for Unit Holders and reflects the strength of the property market, but more particularly, the quality and diversity of the Trust's portfolio and the effectiveness of its management strategy.

The half-year showed a continuation of the strong performances in every area of the Trust's business. Net rental revenue increased 6.2% to \$44.3 million, whilst gains in divested assets added \$1.8 million, and dividend income from the Trust's investment in Capital Properties also added \$1.7 million.

In July the Trust raised \$142.3 million through a Mandatory Convertible Note issue. These securities will convert to units in the Trust in 2010. The Mandatory Convertible Notes have introduced both an expanded investor base and a diversity of funding to the Trust. Achieving full subscription was a strong endorsement of the underlying quality of the Trust's portfolio.

The Trust now has total assets of \$1.29 billion. Only one asset was divested during the period, with the focus of the Manager being on the optimisation of rental income from what is the best quality diversified portfolio in the New Zealand market.

The asset that was sold was the AUT Faculty of the Arts Building in Auckland, which resulted in a profit on sale of \$1.8 million. The decision to divest was made following a strategic review of that asset, which recognised the building's heavy reliance on educational use tenants and the likely need for significant capital expenditure in coming years.

Occupancy levels across the balance of the portfolio remain extremely high, with total occupancy at 98.7%.

Leasing activity in the office sector has been pleasing. The Manager recently restructured a lease with blue chip tenant ABN Amro in the Vero Centre – securing commitment on one and a half floors until 2015. Commercial terms have also been agreed for 2,100m² of the 2,700m² expiring in the Majestic Centre in January 2007.

The only significant office vacancy at present is 1,450m² on the top floor of 21 Pitt Street in Auckland. We were pleased to advise in November that key commercial terms had been agreed for this vacancy, and we expect to finalise negotiations shortly.

In late October the Manager decided to divest the Trust's 19.2% stake in Capital Properties to AMP at \$1.48 per share. You will recall that the Trust secured its stake in Capital Properties at a price of \$1.15 per share. The sale has now resulted in a net profit to the Trust of approximately \$13 million.

At the time of acquisition, the Manager was confident that the market was not fully recognising the underlying value of the Capital Properties portfolio given, in particular, its high exposure to the Wellington government office sector. The Manager initially had a long term view on the investment, however the takeover offer from AMP provided the Trust with an opportunity to crystallise excellent value for this strategic stake within a very short time frame. The total return on this investment, including dividend income, was over 30% in the 12 month ownership period.

Recently the Trust was added to the New Zealand Stock Exchange top ten index as well as the global Morgan Stanley Capital index. These inclusions are an excellent endorsement that recognises the scale of the Trust, the liquidity of the securities on issue and the Trust's overall performance. Inclusion in the Morgan Stanley Capital index raises the Trust's profile internationally and there has been strong interest in the Trust from offshore investors as a result.

A gross interim dividend of 4.55 cents per unit will be paid on the 16th of December 2005 for the six month period to the 30th of September 2005. This represents an increase of 4.8% over the previous interim dividend. With the strong underlying performance of the Trust's portfolio, and the \$13 million profit from the sale of the Capital Properties stake, we have also upgraded the full year dividend projection.

Earlier this year we projected a full year gross distribution of between 8.50 and 8.70 cents per unit for the financial year ending 31 March 2006. Subject to a continuation of reasonable economic conditions, we are now projecting a gross dividend of 9.10 cents per unit. Furthermore, with Sylvia Park now well underway we believe it is prudent to provide a projection for the next financial year ending 31 March 2007. Subject again to a continuation of reasonable economic conditions, a gross dividend of no less than 9.10 cents per unit is projected for the next financial year.

I am sure that you will agree that by any standard, these are excellent results for the Trust.

PROPOSED AMENDMENTS TO THE TRUST DEED

I now propose that we deal with the formal business of the Meeting, which is to seek approval of the Resolutions as set out in the Notice of Meeting, and to discuss and ask questions regarding the Trust's Sylvia Park project.

At the September annual meeting I informed Unit Holders that the Manager and the Trustee had been in discussion with several of our institutional investors regarding the requirement for the Trust to hold annual meetings and the process for putting motions to, and calling of, meetings, which would move the Trust's meeting provisions more in line with those of listed companies.

These discussions resulted in several proposed changes to the Trust Deed. These proposals are contained in the two Resolutions detailed in the Notice of Meeting.

The first resolution seeks to lower the threshold for Unit Holder requisitioned meetings from 10% to 5%, as well as establishing time limits for convening such meetings. The second resolution is intended to make it easier for Unit Holders to propose matters for discussion and/or put forward resolutions at annual meetings.

To assist you in making an informed decision regarding these resolutions, explanatory information, including a comparison of the meeting provisions applying to trusts and companies, is included in the Notice of Meeting.

The Manager has always recognised the importance of Unit Holder meetings and has held an annual meeting every year since the Trust's inception. The annual meeting provides us with the opportunity to update our investors, but more importantly, provides you with an opportunity to meet those entrusted with your investment, and also to ask any questions about the Trust's business.

For these reasons the Trust Deed has already been amended to enshrine the requirement for the Manager to hold an annual meeting of Unit Holders within 15 months of the Trust's last annual meeting.

The Manager consistently aims to achieve the highest standard of corporate governance and best practice protocols and processes in its business dealings. We therefore support the resolutions detailed in the Notice of Meeting and encourage all Unit Holders to vote in favour of the Resolutions.

I am also pleased to advise that the Manager has been notified by one of the largest investors in the Trust, Colonial Mutual Life Assurance Society Limited – a subsidiary of the Commonwealth Bank of Australia that they have voted in favour of the resolutions.

I will now turn to the specific resolutions which are contained in the Notice of Meeting.

I do not intend to read the full text of each resolution. However, Resolution One, if passed, will result in the Manager being obliged to convene a meeting of Unit Holders, or any class of Unit Holders, if it receives a written request from the Trustee, or, one twentieth in number of Unit Holders, or Unit Holders holding one twentieth of the units on issue. In addition, where the Manager is required to convene a meeting at the request of the Trustee or Unit Holders, it must convene the meeting no later than 60 business days from the date of receipt of the relevant request. However, if an annual meeting is to be held within 90 business days of the date the Manager receives the request, the Manager can defer the requested meeting so that it is held on the same day as the annual meeting.

If Resolution Two is passed, any Unit Holder may propose matters for discussion and/or put forward resolutions at annual meetings.

The proposed amendments to the Trust Deed will only be made if approved today by way of extraordinary resolutions. An extraordinary resolution requires not less than 75% of the votes cast at the meeting to be in favour. An extraordinary resolution passed at this meeting will bind all Unit Holders.

At this time I would like to ask if there is any discussion on these Resolutions? The discussion at this time should be limited to the Resolutions only.

If there is no further discussion, we will now vote on each of the Resolutions.

As Chairman I will conduct the vote on each Resolution by way of a show of hands. I would like to remind you that only Unit Holders, not MCN Holders, may vote. When voting you should hold up your voting card.

I now move, from the Chair Resolution One, Amendment to the Trust Deed – Threshold for Unit Holder Requisitioned Meetings.

In respect of Resolution One we have received 690 proxies, representing 37.6% of units on issue. 548 proxies representing 92.4% of the units

presented by proxy are voting in favour of Resolution One, with the balance either open or voting against.

All those in favour of the Resolution, please raise your voting card now.

All those against the Resolution, please raise your voting card now.

I now move, from the Chair Resolution Two, Amendment to the Trust Deed – Unit Holder Proposals.

In respect of Resolution Two we have received 690 proxies, representing 37.6% of units on issue. 549 proxies representing 92.4% of the units presented by proxy are voting in favour of Resolution Two, with the balance either open or voting against.

All those in favour of the Resolution, please raise your voting card now.

All those against the Resolution, please raise your voting card now.

UPDATE AND DISCUSSION ON THE TRUST'S SYLVIA PARK PROJECT

The next item of business is to discuss, and invite questions on, the Trust's Sylvia Park project. I would like to commence by providing you with further information on the project.

Over the past six months we have had a range of feedback from investors regarding Sylvia Park. Most of this feedback can be grouped into three categories – the approval process, development risk, and the project yield. I will respond to the feedback in that order.

I will then ask Angus McNaughton to provide an update on the project. Following Angus' presentation we will invite further discussion and questions on the project.

I think it is important to outline fully the background to the decision to commit the Trust to Sylvia Park, and I appreciate your patience whilst I provide comment.

Approval Process

The process adopted by the Manager has been one of keeping expenditure to a minimum until various milestones were achieved. For example, approval for the plan change, resource consents, or securing key anchor tenants.

The Manager has always viewed the project as a significant one and has been consistently mindful of its impact on all facets of the Trust's operations.

At every stage of the process extensive analysis, financial modelling and research has been undertaken and independent valuations have been sought to support any expenditure. Regular dialogue and briefings have been held with the Trustee, with formal detailed capital expenditure submissions made at each stage of the approval process.

On 29 September 2004 the key resource consent for the project was received. Following approval from the Trustee the Trust announced the commencement of demolition, site preparation, and infrastructure works with an estimated cost of \$30 million.

The resource consent, along with securing major tenant agreements, was one of the critical factors for the management team to achieve before any further funding would be considered by the Board.

The final decision by the Board to proceed with the project was made on 13 May 2005, and Trustee approval was received on 16 May, the same day that the project was announced to the market. Suggestions from some investors that this go ahead was approved at some earlier date, and by inference not properly communicated to Unit Holders, is simply factually incorrect.

There has been the suggestion that Unit Holder approval was required to proceed with the Sylvia Park project because the project was allegedly an essential change to the business, and/or, was a transaction that exceeded 50% of the market capitalisation of the Trust. Let me state clearly that neither contention is accurate. In order to be certain of these points, the Manager sought and received confirming legal advice, and similarly, the Trustee has separately sought and received confirming independent legal advice. We are therefore quite satisfied that the Manager was empowered to proceed; that the Trustee was empowered to approve; and accordingly we proceeded on that basis.

Sylvia Park continues a pattern of investments by the Trust in association with selected development activities that enhance the overall portfolio with the aim of providing long term sustainable returns.

I would like to make the point that in relation to Sylvia Park the number of investors that have voiced their objections to us proceeding with this project, either with or without a partner, is a small number out of a total of 12,000 Unit Holders.

Consideration was given to many factors when making the final decision to proceed with Sylvia Park. For example:

- What was the initial yield of the project and could this be improved?
- What was the long term growth and returns expected from Sylvia Park?
- Did the market research and valuation advice support the establishment of a new centre?
- What was the potential impact that the project would have upon the Trust's dividends over the short and longer term?
- Were all key consents in place?
- Was the size of the project too large for the Trust relative to both the perceived or real risks?
- Could the Trust finance the project?
- Was there an experienced development management and leasing team in place?

- Were the appropriate controls in place to manage the project?
- Who were the main contractors and how was construction risk being handled?
- Were all other potential risks or issues identified and the appropriate strategies in place to mitigate these?
- Along with many other items.

The Board was confident that the management team had the appropriate processes, controls and strategies to deliver the project in its entirety.

In the past the Manager has made various statements about the Sylvia Park project in respect of the financial capacity of the Trust and the desirability of having a joint venture partner.

The statements in respect of the Trust's financial capacity were made as far back as 2001, when the Trust was a significantly smaller vehicle with just \$886 million in assets and a debt to asset ratio of 29%, with other major development activity planned at that time.

At the time of these statements, it was simply not possible for the Trust to undertake Sylvia Park on its own Balance Sheet or without a partner. To do so would have been beyond the financial capacity and investment capability of the Trust.

The Trust is now nearly 50% larger in size and has \$1.3 billion in assets. Its ability to finance the project and manage the associated risk has today advanced in line with the growth and maturity of the portfolio and the market place in general.

In line with public statements, the Manager has explored the potential of a joint venture partner for the project. Earlier this calendar year we had selected a potential partner, and discussions continued up until the middle of April this year. On the right commercial terms a partner for the project at this time would have been of interest. However, the unique opportunity that has been created at Sylvia Park was not going to be given away and we were confident to proceed with the project without a partner.

Over the past six months we have been approached by a number of parties interested in owning part of Sylvia Park. As Angus will outline to you shortly, we are in the final stages of negotiating the Guaranteed Maximum Price contract for the Entertainment and Leisure Precinct with Multiplex. Following the execution of this contract, the project will be further de-risked and of more value should a partner be introduced. With leasing and construction proceeding very well, the risk within the project is reducing every day.

A number of investors, analysts and commentators have commented to us that with the project substantially de-risked, why would the Trust want to share the long term opportunity with anyone else? We continue to monitor the project closely, and have not closed the door to a partner, but as each day goes by, it is less likely that we will want to share the project with anyone. We firmly believe that it is unlikely that the Trust will have another opportunity like Sylvia Park again.

Development Risk

Given the tightly held nature of major retail assets in New Zealand there is an inability to 'buy' this type and quality of asset and deliver the associated benefits of superior growth and diversification. It is therefore necessary in these specific market conditions to have an ability to create opportunities. This is particularly so in the Auckland region which is New Zealand's major growth market and a market which the Trust has no retail exposure to.

As we have said on several occasions, it is imperative that the Trust does not stand still in this dynamic marketplace – we must move forward or by default will fall backwards. The development at Northlands is an excellent example of this, for if that centre was not extended and re-positioned its performance would have suffered materially to the benefit of its competition.

There has been some comment about the level of development risk within the Trust. The Board does not accept the global use of the term 'development risk' as it does not fairly articulate the relative risks of this

form of asset creation. What is being referred to is in reality a package of different risks which in aggregate are sometimes referred to as development risk.

The key risks in a project like Sylvia Park lie in securing control and ownership of the land; obtaining the required planning permissions and consents; leasing; the construction procurement and management process; funding, and ultimately in delivery.

The Manager has logically and objectively managed each of these risks in their own right and ensured appropriate achievements or deliverables for each element before committing to the next.

For example the Trust secured ownership of the total site in 1998, maintaining a reasonable level of holding income from it whilst undertaking the necessary master-planning and town planning investigative work, which ultimately led to the successful provision of Plan Change 4 in 2004 and then the resource consent for the development now in progress.

Leasing pre-commitment from the key anchor tenants was the next step in the process. Whilst these tenants represent a relatively low proportion of rental income in comparison to the area they occupy, they are the fundamental foot traffic drivers and opinion leaders of a retail centre, without which you would not contemplate such a development.

The Manager ensured the commitment of four leading New Zealand retail brands to the project, whilst maintaining a full conditional position to provide ultimate commercial flexibility and risk aversion for the Trust.

It should be noted that each of these tenants undertook their own significant research studies into the potential of Sylvia Park, which further confirmed our own view of its superior retail characteristics.

It is important for our Unit Holders to understand the dynamics of the retail leasing market. Specialty retailers typically do not pre-commit to a new retail centre ahead of construction. They generally have a 12 to 18 month

planning window and will only commit to a centre once the major tenants have been secured and development has commenced. This is precisely what happened at Sylvia Park.

Therefore the Board was satisfied with the leasing commitment level at the time of approving the project and that the specialty leasing strategy developed by the dedicated in-house team was appropriate. Angus will outline the strong leasing progress shortly.

The construction procurement and management process was also approached from a risk averse stance. Guaranteed Maximum Price and Fixed Price Lump Sum contracts have been negotiated with reputable and highly experienced builders for the initial stages, providing an upper limit on construction expenditure but also opportunities to benefit from achieved savings. A Guaranteed Maximum Price contract is in the final stages of negotiation for the balance of the retail development, and we expect this to be within our budget.

As I stated at the last Annual Meeting we intend to evolve and publish a fuller statement about the investment and management philosophy in relation to the Trust's development activities, and anticipate this to be included in the next Annual Report.

Project Yield

There has also been commentary and feedback that the initial yield on Sylvia Park is too low relative to the development exposure of the project, and that the project is dilutive to the Trust.

The introduction of a new investment to a property trust (any property trust) which initially dilutes yield is not unusual but in fact fairly common. Around the world, or even just in our own region, we are aware of retail investments purchased on yields of well below 7%, with some as low as 5.5%.

To focus solely on the initial yield of the project is somewhat simplistic for the long term investor. The fundamental features of Sylvia Park in terms of location, design and tenancy range are expected to deliver solid long term income and capital growth to Unit Holders which can only fairly be measured by considering the total return over time. CB Richard Ellis has projected a 10% internal rate of return for Sylvia Park over a 10 year period.

We acknowledge that the initial yield of approximately 7% will result in some initial dilution upon the completion of Sylvia Park. However at the time of making the decision to proceed, the Manager took the view that the long term growth prospects of Sylvia Park out-weighed the initial income dilution. With the strong performance of the Trust's portfolio, and the future forecast growth in rentals, we also had the ability to retain a small level of earnings to offset the initial dilution of the project upon completion, and we formed the view that subject to a continuation of reasonable economic conditions, Sylvia Park was unlikely to impact upon the Trust's current level of dividends to Unit Holders.

Since the commencement of the project in May, three factors have further enabled the Trust to increase its dividend and provide consistent returns through the development and establishment of Sylvia Park. Firstly, the Manager has agreed to rebate fund management fees of up to \$4 million, which I will talk about soon; secondly, the Trust has realised a \$13 million profit on the sale of its Capital Properties shares, which is intended to be distributed over three years; and finally, the underlying growth and leasing performance of the Trust's assets has been strong over the past six months.

Throughout the project, the management team have consistently sought independent validation of projected returns through valuations from CB Richard Ellis. CBRE has concluded that the initial rental levels recognise the centre will be establishing new trading patterns, with their demographic and market rental analysis supporting sound rental growth in the short to medium term as Sylvia Park draws increasing market share.

The Manager could have quite easily stripped out significant costs from the project to improve the initial yield, however this would have clearly been to the detriment of the medium to long term performance of the asset, and potentially to the wider Trust had a substandard asset been delivered to the market.

I would draw an analogy with the quality of the Vero Centre, which at the time of its development was considered by some to be over specified and not delivering appropriate value to investors. The Vero Centre is now the pre-eminent commercial real estate asset in New Zealand delivering the highest rental levels in the marketplace, superior tenant satisfaction and sound economic performance, as well as setting the standards for all new office buildings in the New Zealand market.

We have on occasions been faced with comparisons to other property owners' stated yields on developments or prevailing capitalisation rates for their properties. Direct comparison is often difficult as typically projected initial returns are reported as target yields based on so-called "stabilised income", which we believe means income after a full trading pattern has been established and notionally assuming full occupancy.

Typically the majority of retail development projects in the New Zealand market are extensions to existing centres which provide benefits in terms of lower land entry costs and existing infrastructure, and therefore offer limited comparability.

One example often cited is that St Lukes, historically Auckland's pre-eminent retail centre, was valued on a capitalisation rate of 7.25% at December 2004. With a revaluation of Westfield's assets imminent it would not be unreasonable to expect this capitalisation rate to have firmed further due to the very strong current market conditions.

By comparison, CBRE's projected capitalisation rate for Sylvia Park in 2008 is 7.4% for what will be a larger, more dominant centre with stronger inherent growth.

We have recognised some investors remain unconvinced that an initial yield of 7% is high enough for Sylvia Park when it first opens. In order to improve this initial return, the Manager has previously announced that it intends to rebate its funds management fee by up to \$4 million for the first two years post completion, to the extent that the yield remains below 7.5%. This is a significant concession and further aligns the Manager's interests with those of Unit Holders.

Based on leasing success to date and projected rental growth through the lease structures we have in place, we are confident that investors will see strong improvement in rental returns over time.

Summary

In summary, the Board has taken a very deliberate, careful and methodical process over many years to bring the Sylvia Park project to fruition.

While Sylvia Park is at the larger end of the scale of projects likely to be completed by the Trust, we believe that the appropriate risk mitigation measures are in place, the project is being well managed and well leased, we have the financial capacity to offset any initial impact of the project on completion, and we believe that we can continue to provide the long term sustainable returns to Unit Holders.

Sylvia Park is a tremendous opportunity for the Trust, and will set a new benchmark for the New Zealand market that will rival any Australasian Shopping Centre. The long term performance and returns from Sylvia Park are expected to contribute significantly to the Trust's continued performance.

I trust that this has outlined the significant deliberation and consideration undertaken by the Manager on Sylvia Park. I also hope I have been able to respond constructively to some of the feedback on the project.

I'd now like to ask Angus to give you an update on the leasing and construction progress at Sylvia Park, and then I will open up the floor to questions.

ENDS