



INTERIM REPORT



KIWI INCOME
PROPERTY TRUST

30 September 2006



Majestic Centre Lobby

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CHAIRMAN'S LETTER

DEAR UNIT AND MANDATORY CONVERTIBLE NOTE HOLDERS

I am pleased to report a record net profit after tax of \$29.7 million for the six months to 30 September 2006. Excluding realised gains, this represents an increase of 8.7% over the same period last year.

The Trust has declared a gross interim dividend of 4.75 cents per unit for the half year, comprising 4.34 cents per unit in cash and 0.41 cents per unit in imputation credits. A gross dividend for the year ending 31 March 2007 of not less than 9.10 cents per unit was projected in May 2006. Strong rent reviews and leasing performance, particularly from the office portfolio, have supported an upgrade to this dividend projection. Subject to a continuation of reasonable economic conditions, a gross dividend of 9.50 cents per unit is now projected for the full year, 4.4% ahead of the previous year's dividend.

The Trust's accomplishments over the first six months of this financial year include:

- Sylvia Park Stages I and II opened fully leased in June and August respectively.
- Achieving (post balance date) over 90% leasing by area and net rental at Sylvia Park.
- Maintenance of high occupancy levels across the retail and office portfolios.
- The post balance date acquisition of the remaining 50% of the National Bank Centre in Auckland for \$55.6 million.

The opening of Stages I and II at Sylvia Park and the strong leasing success across the remainder of the Centre (Stages III and IV) confirms the strength of Sylvia Park as the most comprehensive retail destination for the wider Auckland region. Leasing over 90% of the Centre at this stage of the project is an outstanding achievement and I remain confident that the project will be fully leased on completion next year.

In October we welcomed Ms Joanna Perry to the Board of the Manager of the Trust. Ms Perry was a partner in KPMG, New Zealand for 17 years until March 2006. Diverse roles both within, and external to, KPMG have provided Ms Perry with exposure to a range of industries (including property), industry participants and leading business individuals and she has been involved with many of New Zealand's significant business transactions over recent years. Ms Perry's skills and wealth of experience will be an asset to both the Board of the Manager and Kiwi Income Property Trust.

Notwithstanding the general slowdown in economic activity, the performance of the retail portfolio will be underpinned by high occupancy levels and underlying secured rental growth. The well-positioned office portfolio will continue to benefit from strong demand, ongoing leasing activity and positive rent reviews. We look forward to another positive year over 2007 and the exciting opening of the remainder of Sylvia Park.

Thank you for continuing to support the Trust.

Yours sincerely,



SEAN WAREING // CHAIRMAN
Kiwi Income Properties Limited

CHIEF EXECUTIVE'S REPORT

The Trust has again produced a result which highlights the strength of the Trust's portfolio and the markets within which it operates. The result reinforces the benefits of the Trust's focus on a diversified, quality property portfolio and the effective implementation of its asset management strategy.

THE HALF-YEAR AT A GLANCE

- Net profit after tax increased by 2.0% (over the same period last year) to \$29.7 million. After excluding gains on realisation of investments, net profit after tax increased by 8.7%.
- Net rental revenue increased by 7.1% to \$47.5 million ("like for like" basis up 6.0%).
- Total assets at 30 September 2006 were \$1,553.9 million, an increase of \$108.1 million on the 31 March 2006 position.
- Secured borrowings at 30 September 2006 amounted to \$344.5 million, representing 22.2% of assets.
- The increased asset base and commensurate rise in debt levels reflect the ongoing project cost at Sylvia Park. As at 30 September 2006 the total expenditure on the project was \$292.3 million.
- Unit Holders' funds were \$1,025.0 million as at 30 September 2006, up \$4.8 million on the 31 March 2006 position.
- The Trust will pay a gross interim dividend of 4.75 cents per unit for the half year, and is now projecting a gross dividend of 9.50 cents per unit for the full year, up 4.4% on 2006.
- Occupancy levels remain high across the portfolio, with the retail and office portfolio at 99.7% and 99.6% respectively.

RETAIL PORTFOLIO

A slowing domestic economy and increased competition has led to flat retail sales on a moving annual turnover basis across the retail portfolio. However, occupancy has remained high at 99.7% (as at 30 September 2006). Net rental revenue increased by 8.2%, with Northlands and The Plaza Shopping Centres strong contributors. The interim period includes the maiden contribution from Sylvia Park. On a "like for like" basis rental income from the retail portfolio increased by 2.3%.

Sylvia Park, Auckland

The Sylvia Park project continues to reach important milestones, with Stages I and II opening fully leased in June and August respectively. Leasing of the remainder of the retail project, Stages III and IV, is nearing completion with over 90% of the entire Centre now leased by both area and net rental. Construction continues to progress well, both on budget and on programme to be completed in mid-2007. The focus of Stage III will be the fashion, entertainment and leisure precinct beneath Sylvia Park's inspirational 30 metre "volcanic cone". This stage includes the Hoyts 10 cinema complex, Borders Bookstore, Dick Smith Electronics Powerhouse, adventure and fashion retailers, and a family dining lane. Stage IV will complete the retail offering with a mix of retailers that includes Noel Leeming and The Baby Factory.

Stages I and II continue to trade well, with the Christmas trading period now well underway. The opening of Stages III and IV in 2nd quarter 2007 and mid 2007 respectively will complete the premier world class destination shopping experience, setting a new benchmark for retailing in New Zealand.

OFFICE PORTFOLIO

Office market conditions remain robust, with rental growth and firming yields continuing to drive strong returns from the sector. Rentals for new leases and rent reviews are now approaching \$500/m² net in the top levels of the Vero Centre. Limited available space at the quality end of the office market is expected to continue to drive

rental growth across the Trust's office portfolio. Net rental revenue from the office portfolio increased by 7.4% compared to the previous comparable period. After adjusting for the sale of the AUT Building, and the acquisition of the Fisher & Paykel Finance Building, the level of rental growth increases to 9.5% ("like for like" basis). The Trust's office portfolio at 30 September 2006 also achieved the highest ever level of occupancy at 99.6%.

ACQUISITIONS AND DIVESTMENTS

Post balance date, the Trust exercised its pre-emptive right to unconditionally acquire the remaining 50% of the National Bank Centre in Auckland for \$55.6 million. The 26,146m² building, completed in 1990, comprises two office towers, prominent ground floor retail premises, and basement carparking. The acquisition represented a market yield of 8.0%, and was debt funded, with settlement on 20 November 2006. There are few opportunities to purchase a well located quality 'A' grade building and the National Bank Centre has good rental growth, a level of under-renting, and future opportunities to add value.

No properties were sold during the period.



OUTLOOK

The outlook for the Trust remains positive with property sector fundamentals expected to remain resilient, underpinning solid rental and leasing activity across the Trust's retail and office portfolios. The office portfolio will continue to benefit from low vacancy levels, and solid demand for office space. Any softening of retail sales will be buffered by the high occupancy levels at the Trust's retail centres and the rental increases built into the majority of the Trust's retail leases. We look forward to further leasing success at Sylvia Park and the completion of the Centre in mid-2007.

Thank you for your continued support of the Trust and I wish you all the best for Christmas and the New Year.

Yours sincerely,

ANGUS McNAUGHTON // CHIEF EXECUTIVE
Kiwi Income Properties Limited

CONSOLIDATED STATEMENT OF FINANCIAL PERFORMANCE

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2006

	NOTE	UNAUDITED 6 MONTHS 30 SEP 06 \$000	UNAUDITED 6 MONTHS 30 SEP 05 \$000	AUDITED 12 MONTHS 31 MAR 06 \$000
Operating revenue	2	47,893	46,493	90,984
Operating expenses	3	(5,842)	(4,688)	(9,759)
		42,051	41,805	81,225
Interest and finance charges	4	(8,997)	(9,149)	(15,842)
Gain on realisation of investment properties		–	1,798	1,813
Gain on realisation of other investments	8	–	–	13,181
Profit before income tax		33,054	34,454	80,377
Income tax expense	5	(3,404)	(5,374)	(8,312)
Profit after income tax		29,650	29,080	72,065

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

CONSOLIDATED STATEMENT OF MOVEMENTS IN UNIT HOLDERS' FUNDS

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2006

	NOTE	UNAUDITED 6 MONTHS 30 SEP 06 \$000	UNAUDITED 6 MONTHS 30 SEP 05 \$000	AUDITED 12 MONTHS 31 MAR 06 \$000
EARNINGS AND REVALUATIONS				
Profit after income tax		29,650	29,080	72,065
Net unrealised change in value of investment properties		–	–	103,223
Total recognised earnings and revaluations		29,650	29,080	175,288
CAPITAL MOVEMENTS				
Dividend reinvestment	9	3,214	1,563	4,294
Issue of units in satisfaction of performance fee obligation	9	963	–	105
Total capital movements		4,177	1,563	4,399
DISTRIBUTIONS				
Distributions to Unit Holders		(29,063)	(24,623)	(51,827)
Total distributions		(29,063)	(24,623)	(51,827)
Movement in Unit Holders' funds for the period		4,764	6,020	127,860
Unit Holders' funds at the beginning of the period		1,020,244	892,384	892,384
Unit Holders' funds at the end of the period		1,025,008	898,404	1,020,244

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 30 SEPTEMBER 2006

	NOTE	UNAUDITED 30 SEP 06 \$000	UNAUDITED 30 SEP 05 \$000	AUDITED 31 MAR 06 \$000
ASSETS				
NON-CURRENT ASSETS				
Investment properties	6	1,195,426	1,073,655	1,191,603
Investment properties under development	7	342,891	149,333	240,052
Other investments	8	278	54,719	318
		1,538,595	1,277,707	1,431,973
CURRENT ASSETS				
Cash and deposits		4,070	4,154	3,114
Accounts receivable and prepayments		10,984	9,888	10,149
Income tax receivable		132	–	404
Other investments	8	95	166	171
		15,281	14,208	13,838
Total assets		1,553,876	1,291,915	1,445,811
UNIT HOLDERS' FUNDS				
Units	9	660,362	654,417	657,148
Reserves		364,646	243,987	363,096
Total Unit Holders' funds		1,025,008	898,404	1,020,244
LIABILITIES				
NON-CURRENT LIABILITIES				
Secured bank loans	10	344,500	222,500	236,000
Mandatory convertible notes	11	138,750	137,051	137,898
Deferred income tax liability		2,428	590	815
		485,678	360,141	374,713
CURRENT LIABILITIES				
Trade and other payables		43,190	31,807	50,854
Income tax payable		–	1,563	–
		43,190	33,370	50,854
Total liabilities		528,868	393,511	425,567
Total Unit Holders' funds and liabilities		1,553,876	1,291,915	1,445,811

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

The Board of Kiwi Income Properties Limited, the Manager of Kiwi Income Property Trust, authorised these interim financial statements for issue on 17 November 2006.



S P Wareing – CHAIRMAN OF THE BOARD
17 November 2006



R Narev – CHAIRMAN OF THE AUDIT COMMITTEE
17 November 2006

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2006

	NOTE	UNAUDITED 6 MONTHS 30 SEP 06 \$000	UNAUDITED 6 MONTHS 30 SEP 05 \$000	AUDITED 12 MONTHS 31 MAR 06 \$000
CASH FLOWS FROM OPERATING ACTIVITIES				
Net rental income		47,105	43,672	87,585
Dividend income		–	2,603	2,603
Interest income		427	445	751
Interest and finance charges		(7,430)	(6,292)	(12,151)
Income tax paid		(1,100)	(3,000)	(6,751)
Management fees and other operating expenses		(5,279)	(5,279)	(9,326)
Net Goods and Services Tax		290	(2,429)	(2,184)
Net cash flows from operating activities	12	34,013	29,720	60,527
CASH FLOWS FROM INVESTING ACTIVITIES				
Disposal of investment properties		–	29,042	29,505
Disposal of other investments		–	–	68,654
Cost of investment properties		(15,762)	(7,385)	(15,399)
Expenditure on investment properties under development		(92,152)	(41,055)	(114,938)
Interest and fees capitalised to investment properties under development		(8,456)	(4,532)	(12,031)
Other investment activities		118	18	40
Net cash flows used in investing activities		(116,252)	(23,912)	(44,169)
CASH FLOWS FROM FINANCING ACTIVITIES				
Issue of units		963	–	105
Draw-down of secured bank loans		108,500	–	–
Issue of mandatory convertible notes		–	142,273	142,273
Distributions to Unit Holders		(26,268)	(23,736)	(48,931)
Repayment of secured bank loans		–	(118,500)	(105,000)
Cost of issuing mandatory convertible notes		–	(5,761)	(5,761)
Net cash flows from/(used in) financing activities		83,195	(5,724)	(17,314)
Net increase/(decrease) in cash and deposits		956	84	(956)
Cash and deposits at the beginning of the period		3,114	4,070	4,070
Cash and deposits at the end of the period		4,070	4,154	3,114

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

NOTES TO THE INTERIM FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2006

1. PREPARATION OF INTERIM FINANCIAL STATEMENTS

These interim financial statements have been prepared in accordance with FRS 24: Interim Financial Statements, and should be read in conjunction with the previous Annual Report.

The reporting entity is Kiwi Income Property Trust (the Trust). The Trust is a unit trust established under the Unit Trusts Act 1960 by a Deed of Trust dated 21 August 1992 (as amended). The group consists of the Trust and its subsidiary companies (the Group). The Trust is an issuer for the purpose of the Financial Reporting Act 1993. The interim financial statements are prepared in accordance with the Financial Reporting Act 1993.

The accounting policies used are consistent with those used in the previous Annual and Interim Reports. Where necessary, comparative figures have been adjusted to conform with changes in presentation in these interim financial statements.

2. OPERATING REVENUE

	UNAUDITED 6 MONTHS 30 SEP 06 \$000	UNAUDITED 6 MONTHS 30 SEP 05 \$000	AUDITED 12 MONTHS 31 MAR 06 \$000
Gross rental income and operating expense recoveries	66,736	60,320	121,254
Less:			
Tenants' operating expenses	(10,666)	(9,695)	(19,439)
Owners' operating expenses	(8,451)	(6,241)	(12,949)
Bad debts	(104)	(14)	(301)
Doubtful debts	(51)	(65)	(285)
Net rental income	47,464	44,305	88,280
Interest income	429	445	961
Dividend income	–	1,743	1,743
	47,893	46,493	90,984

3. OPERATING EXPENSES

	UNAUDITED 6 MONTHS 30 SEP 06 \$000	UNAUDITED 6 MONTHS 30 SEP 05 \$000	AUDITED 12 MONTHS 31 MAR 06 \$000
Manager's fees:			
Total management fees incurred	5,114	3,411	7,826
Capitalised to investment properties under development	(565)	(301)	(775)
	4,549	3,110	7,051
Auditors' remuneration:			
Audit	100	100	197
Audit related services	13	13	13
Other services	5	–	5
Legal and professional fees	328	273	765
Registry and stock exchange fees	139	183	360
Trustee's fees	167	212	317
Unit Holder communication	236	228	512
Other	305	569	539
	5,842	4,688	9,759

4. INTEREST AND FINANCE CHARGES

	UNAUDITED 6 MONTHS 30 SEP 06 \$000	UNAUDITED 6 MONTHS 30 SEP 05 \$000	AUDITED 12 MONTHS 31 MAR 06 \$000
Interest and finance charges on secured bank loans	10,302	9,830	17,012
Interest on mandatory convertible notes	5,707	2,988	8,662
Amortisation of mandatory convertible notes issue costs and recognition of conversion premium	852	539	1,386
	16,861	13,357	27,060
Capitalised to investment properties under development	(7,864)	(4,208)	(11,218)
	8,997	9,149	15,842

5. INCOME TAX EXPENSE

	UNAUDITED 6 MONTHS 30 SEP 06 \$000	UNAUDITED 6 MONTHS 30 SEP 05 \$000	AUDITED 12 MONTHS 31 MAR 06 \$000
Profit before income tax	33,054	34,454	80,377
Permanent and non-reversing timing differences:			
Tax depreciation (net of depreciation recovered/recoverable)	(13,914)	(10,389)	(26,443)
Net non-assessable gains on realisation of investments	–	(1,798)	(14,994)
Imputation credits received/receivable	–	465	465
Deductible expenses capitalised (net of non-deductible capital expenditure)	(9,230)	(5,216)	(13,626)
Non-deductible expenditure	406	178	818
Taxable income	10,316	17,694	26,597
Income tax at 33%	3,404	5,839	8,777
Imputation credits received/receivable	–	(465)	(465)
Income tax expense	3,404	5,374	8,312

NOTES TO THE INTERIM FINANCIAL STATEMENTS (continued)

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2006

6. INVESTMENT PROPERTIES

	UNAUDITED 30 SEP 06 \$000	UNAUDITED 30 SEP 05 \$000	AUDITED 31 MAR 06 \$000
Office properties			
Vero Centre	255,710	226,000	255,710
The Majestic Centre	93,200	82,150	93,200
National Bank Centre (50% interest)	52,150	48,000	52,150
Unisys House	58,730	49,700	58,730
21 Pitt Street	50,800	45,400	50,800
PricewaterhouseCoopers Centre	44,550	36,600	44,550
BP House	25,200	24,750	25,200
Vector Building	25,900	19,600	25,900
Fisher & Paykel Finance Building	13,080	–	13,080
Intergen House	4,900	4,200	4,900
	624,220	536,400	624,220
Retail properties			
Northlands Shopping Centre	229,500	214,000	229,500
North City Shopping Centre	116,800	106,400	116,800
Centre Place Shopping Centre	99,400	95,730	99,400
The Plaza Shopping Centre	76,032	74,750	76,032
Downtown Plaza	19,450	16,740	19,450
Langdons Road, Christchurch	7,301	6,895	7,301
Beattie Rickman Building	4,250	3,724	4,250
Farmers Building	4,176	4,495	4,176
Countrywide Building	860	620	860
	557,769	523,354	557,769
Industrial property			
77 Carbine Road	–	7,000	–
Work in progress	13,437	6,901	9,614
	1,195,426	1,073,655	1,191,603

As at 30 September 2006 and 31 March 2006 all valuations are net current values, effective as at 31 March 2006, other than the Fisher & Paykel Finance Building which is carried at its acquisition cost. As at 30 September 2005, all valuations were net current values, effective as at 31 March 2005, other than Intergen House which was carried at its acquisition cost.

During the period \$4.6 million was transferred from Work in Progress to Investment Properties Under Development in relation to Downtown Plaza and the redevelopment of the space formerly occupied by The Warehouse. During the year ended 31 March 2006, the property at 77 Carbine Road was transferred to Investment Properties Under Development at its 31 March 2005 value and is included within Sylvia Park.

7. INVESTMENT PROPERTIES UNDER DEVELOPMENT

	UNAUDITED 30 SEP 06 \$000	UNAUDITED 30 SEP 05 \$000	AUDITED 31 MAR 06 \$000
Sylvia Park	337,396	149,333	240,052
Downtown Plaza (formerly The Warehouse)	5,495	–	–
	342,891	149,333	240,052

During the period, interest and finance charges of \$7.7 million (30 September 2005 \$4.1 million, 31 March 2006 \$10.9 million) were capitalised to these developments.

Included within the 30 September 2006 balance is an amount of \$198.3 million representing costs associated with Stages I and II of the four-stage Sylvia Park development. Stage I of the overall retail development was completed and opened on 8 June 2006. Stage II of the overall retail development was completed and opened on 24 August 2006.

The net rental income associated with Stages I and II is included in Operating Revenue in the Consolidated Statement of Financial Performance from the date each stage was completed. No further holding costs will be capitalised in respect of these stages.

8. OTHER INVESTMENTS

	UNAUDITED 30 SEP 06 \$000	UNAUDITED 30 SEP 05 \$000	AUDITED 31 MAR 06 \$000
Current			
Tenant advances	95	166	171
Non-current			
Tenant advances	278	343	318
Quoted securities	–	54,376	–
	278	54,719	318
	373	54,885	489

On 28 October 2005 the Trust sold its 19.2% interest in Capital Properties New Zealand Limited (CNZ) to AMP Property Portfolio Investments Limited for \$1.48 per share. The sale became unconditional on 16 November 2005, with settlement occurring on 22 November 2005. The sale resulted in a profit of \$13.2 million. The sale proceeds of \$68.8 million were used to repay debt. The market value of the Group's interest in CNZ at 30 September 2005 was \$66.9 million.

9. UNITS

	UNAUDITED 30 SEP 06 NUMBER 000	UNAUDITED 30 SEP 06 AMOUNT \$000	UNAUDITED 30 SEP 05 NUMBER 000	UNAUDITED 30 SEP 05 AMOUNT \$000	AUDITED 31 MAR 06 NUMBER 000	AUDITED 31 MAR 06 AMOUNT \$000
Balance at the beginning of the period	708,857	657,148	705,131	652,854	705,131	652,854
Dividend reinvestment	17-06-05	–	–	1,475	1,563	1,563
Dividend reinvestment	16-12-05	–	–	–	2,168	2,731
Performance fee reinvestment	16-12-05	–	–	–	83	105
Transfer to retained earnings	16-12-05	–	–	–	–	(105)
Dividend reinvestment	16-06-06	2,454	3,214	–	–	–
Performance fee reinvestment	16-06-06	741	963	–	–	–
Transfer to retained earnings	16-06-06	–	(963)	–	–	–
Balance at the end of the period	712,052	660,362	706,606	654,417	708,857	657,148

Amounts equivalent to performance fees reinvested by the Manager were transferred from units to retained earnings to be made available for distribution to Unit Holders.

NOTES TO THE INTERIM FINANCIAL STATEMENTS (continued)

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2006

10. SECURED BANK LOANS

ANZ National Bank, Bank of New Zealand, Westpac Banking Corporation and Commonwealth Bank of Australia (the Banks) have provided the Group with a revolving loan facility of \$650 million (30 September 2005 \$650 million, 31 March 2006 \$650 million) of which \$344.5 million (30 September 2005 \$222.5 million, 31 March 2006 \$236.0 million) had been drawn down at balance date.

The weighted average term to maturity for the combined facility is 3.2 years (30 September 2005 3.4 years, 31 March 2006 3.7 years).

The weighted average cost of funds for amounts currently drawn down under the facility is 6.91% (30 September 2005 6.80%, 31 March 2006 6.93%).

The 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 composite fixed and floating charge has been provided over the assets of the Trust and all of its charging subsidiaries (the Charging Group). In addition, the Charging Group has given a negative pledge that (with certain exceptions) it will not create or allow any security interest over its charged assets. Certain negative and positive undertakings have also been given as to the nature and conduct of its business. In addition, mortgages over the Sylvia Park land have been granted in favour of the Banks.

11. MANDATORY CONVERTIBLE NOTES

	UNAUDITED 30 SEP 06 \$000	UNAUDITED 30 SEP 05 \$000	AUDITED 31 MAR 06 \$000
Face value of notes issued	142,273	142,273	142,273
Issue costs	(5,761)	(5,761)	(5,761)
Amortisation of issue costs	1,498	361	928
	(4,263)	(5,400)	(4,833)
Recognition of conversion premium	740	178	458
	138,750	137,051	137,898

The MCNs have a coupon rate of 8.0% per annum payable semi-annually on 30 June and 31 December, and convert to units on 30 June 2010.

12. RECONCILIATION OF PROFIT AFTER INCOME TAX TO NET CASH FLOWS FROM OPERATING ACTIVITIES

	UNAUDITED 30 SEP 06 \$000	UNAUDITED 30 SEP 05 \$000	AUDITED 31 MAR 06 \$000
Profit after income tax	29,650	29,080	72,065
Items classified as investing or financing activities:			
Gains on realisation of investments	–	(1,798)	(14,994)
Movements in working capital items relating to investing and financing activities	10,125	(1,094)	(20,672)
Non-cash items:			
Movement in deferred tax liability/(benefit)	1,613	(1,925)	1,005
Amortisation of MCN issue costs and recognition of conversion premium	852	539	1,386
Movements in working capital items:			
Accounts receivable and prepayments	(835)	(3,084)	(3,345)
Income tax (receivable)/payable	272	2,927	960
Trade and other payables	(7,664)	5,075	24,122
Net cash from operating activities	34,013	29,720	60,527

13. PERFORMANCE FEES AND UNITS HELD BY THE MANAGER

Under the terms of the Trust Deed, subject to satisfying certain performance hurdles, the Manager is entitled to a performance fee.

A performance fee of \$1,095,933 is payable to the Manager in respect of the six month period ended 30 September 2006 (30 September 2005 \$104,524, 31 March 2006 \$963,319). This fee is recorded in Trade and Other Payables in the Consolidated Statement of Financial Position. On 15 December 2006, units to this value will be issued to the Manager in accordance with the performance fee provisions of the Trust Deed. The calculation of the performance fee for the six month period ended 30 September 2006 also resulted in excess performance of 7.74 cents (30 September 2005 Nil, 31 March 2006 10.46 cents). This excess is available to be carried forward for a maximum of two years. No liability for the combined excess of 18.20 cents is recognised in the interim financial statements as future returns cannot be reliably estimated.

14. COMMITMENTS AND CONTINGENCIES

	UNAUDITED 30 SEP 06 \$000	UNAUDITED 30 SEP 05 \$000	AUDITED 31 MAR 06 \$000
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Capital commitments

The following amounts have been committed to but not recognised in the financial statements:

Development costs at Sylvia Park, Auckland	74,525	119,810	158,322
Development costs at Downtown Plaza, Hamilton	1,715	–	–

Ground leases

Ground leases exist over North City Shopping Centre, Centre Place Shopping Centre, Northlands Shopping Centre, National Bank Centre and the Countrywide Building. The amount paid in respect of ground leases during the period was \$650,402 (30 September 2005 \$592,646, 31 March 2006 \$1,084,248).

The leases terminate between May 2018 and June 2179. Due to the duration of the leases and the different methods of calculating the lease payments, the total value of the commitment has not been calculated.

Contingencies

There are no material contingencies as at 30 September 2006 other than as disclosed elsewhere in these financial statements (30 September 2005 \$Nil, 31 March 2006 \$Nil).

15. SUBSEQUENT EVENTS

Declaration of interim dividend

On 17 November 2006 the Board of the Manager declared an interim distribution of \$30,903,058 to Unit Holders for the six months ended 30 September 2006. This represents a gross distribution of 4.75 cents per unit, comprising 4.34 cents in cash and 0.41 cents in imputation credits. The distribution will be paid on 15 December 2006 to all Unit Holders on the Trust's register at the close of business on 4 December 2006. The distribution is eligible for reinvestment in accordance with the terms of the Trust's Dividend Reinvestment Scheme.

Acquisition of 50% of National Bank Centre, Auckland

On 31 October 2006 the Group entered into an unconditional agreement to acquire the balance of the National Bank Centre in Auckland for \$55.6 million, with settlement on 20 November 2006.

NOTES TO THE INTERIM FINANCIAL STATEMENTS (continued)

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2006

16. IMPACT OF ADOPTING NEW ZEALAND EQUIVALENTS TO INTERNATIONAL FINANCIAL REPORTING STANDARDS

In December 2002, the New Zealand Accounting Standards Review Board determined that all New Zealand reporting entities will be required to adopt New Zealand equivalents to International Financial Reporting Standards (NZ IFRS) for reporting periods beginning on or after 1 January 2007, with the option of early adoption for periods beginning on or after 1 January 2005. The Group will adopt the new standards from 1 April 2007.

Accordingly, the adoption of NZ IFRS will be first reflected in the Group's interim report for the six-month period ended 30 September 2007.

In conjunction with its external advisors, the Group has undertaken a project to convert to NZ IFRS and is on schedule to complete the adoption of NZ IFRS within the required time-frames.

Entities complying with NZ IFRS for the first time will be required to restate their comparative financial statements to amounts reflecting the adoption of NZ IFRS for that comparative period. Most adjustments required on transition to NZ IFRS will be made, retrospectively, against reserves.

Key changes

There are a number of areas that have been identified where accounting policy changes will be required. These areas are still subject to ongoing interpretation and review by both the Group and the industry. Furthermore, NZ IFRS will continue to be reviewed, with new or amended Reporting Standards issued. Accordingly, the Group has quantified some impacts, but is currently unable to reliably quantify all impacts at this time.

Such changes may or may not be material to the Group.

An overview of the most significant differences in accounting policies that are expected to impact the Group on adoption of NZ IFRS follows:

1. Valuation of investment properties

1.1. Treatment of revaluations

Under current accounting policy, the impact of revaluation increments is recorded as a movement in the asset revaluation reserve.

Under NZ IFRS, revaluation movements are recognised, in the period in which they arise, as part of net income in the Statement of Financial Performance.

On an ongoing basis, the adoption of NZ IFRS in relation to revaluations is likely to increase the volatility of future earnings. However, the change should not affect distributions to Unit Holders to the extent that unrealised gains/losses are excluded from Unit Holder distributions.

1.2. Treatment of disposal costs

Currently investment properties are measured at market value less an allowance for disposal costs.

Under NZ IFRS, the recognition of disposal costs on valuation is not permitted, therefore, investment properties will be measured at market value.

On initial adoption of NZ IFRS, the value of investment properties will increase to reflect the add back of disposal costs previously deducted from valuations. The change in carrying value of investment properties will be restated through reserves as required when NZ IFRS is adopted for the first time. As at 30 September 2006, the value of this adjustment would be \$8.9 million.

On an ongoing basis the adoption of NZ IFRS will result in the absence of disposal costs in future investment property valuations.

2. Income tax

2.1. Depreciation

In accordance with current accounting policy, the Group does not recognise deferred tax in respect of tax depreciation claimed on investment properties as it is not intended that the investment properties will be sold.

Under NZ IFRS, depreciation claimed for tax purposes is considered a temporary difference resulting in a deferred tax liability.

NZ IFRS does not allow the use of the partial method of accounting for deferred tax. Accordingly, on initial adoption of NZ IFRS, a deferred tax liability will be established representing 33% of the estimated recoverable amount of accumulated tax depreciation claimed on existing properties in prior years, with a contra entry being

taken to reserves. This adjustment has not been quantified. However, based on accumulated depreciation claimed to 30 September 2006, the maximum amount is estimated to be \$81.1 million.

This amount will increase, depending on the amount of depreciation claimed during the balance of the financial year. On an ongoing basis, a deferred tax expense, and a corresponding liability, will be recognised in respect of tax depreciation claimed each year.

While this change will impact net assets, it is a non-cash adjustment.

2.2. Investment property revaluations

The Group does not currently recognise a deferred tax liability on the building component of investment property revaluations in excess of cost, as gains on investment properties are not taxable. NZ IFRS requires the recognition of a deferred tax liability on such gains.

On initial adoption of NZ IFRS, a deferred tax liability will be established representing the value of deferred tax on past revaluations, with a corresponding charge to reserves. On an ongoing basis, a deferred tax expense, and a corresponding liability, will be recognised in the year of revaluation. An estimate of the impact of this adjustment will be made following the annual revaluation of the Group's investment properties.

While this change will impact net assets, it is a non-cash adjustment.

The deferred tax liability will not crystallise in the ordinary course of business. On disposal of a property, the deferred tax liability will be reversed back to the Statement of Financial Performance.

3. Capitalised lease incentives

Under existing accounting policy, certain lease incentives offered as part of new developments have been capitalised into the cost of the development.

Under NZ IFRS, all lease incentives are amortised over the life of the lease.

On adoption of NZ IFRS, the unamortised portion of lease incentives previously capitalised into the cost of developments will need to be amortised over the remaining term of the leases. The amount to be amortised is estimated to be \$4.5 million.

The amortisation charge is a non-cash adjustment.

4. Financial instruments

Under current NZ generally accepted accounting practice (NZ GAAP), any gains and losses on derivative instruments (such as interest rate swaps) that are designated as hedges of specific items are accounted for on the same basis as the underlying hedged item. The net differential paid or received, in respect of that derivative, is recognised as a component of interest in the Statement of Financial Performance. The fair value of the Group's interest rate swaps at 30 September 2006 was a \$7.5 million gain.

Under NZ IFRS there is a requirement to recognise the fair value of all derivative instruments in the Statement of Financial Position. If the instrument does not meet the requirements for hedge accounting then any mark to market movements will be recognised in the Statement of Financial Performance. If a derivative instrument does qualify for hedge accounting then any mark to market movements will be recognised directly within the Statement of Movements in Unit Holders' Funds, then released to the Statement of Financial Performance in accordance with the movements in the underlying hedged instrument.

NZ IFRS is prescriptive in terms of the requirements to be satisfied in order to qualify for hedge accounting. The Group continues to evaluate whether it will adopt hedge accounting.

This change results in non-cash adjustments.

5. Unit Holders' funds

Under New Zealand Trust law, an interest in property held on trust must vest within a particular period. The Trust will therefore terminate after the expiration of 40 years from 21 August 1992, unless Unit Holders, by extraordinary resolution, extend the Trust for a further period of 39 years.

Under NZ IFRS, as the Trust has a defined termination date, units in the Trust will likely meet the definition of a financial liability.

The standard setting bodies are giving further consideration to the implications of this issue, but fundamentally it will not alter the net assets attributable to Unit Holders.

TO THE UNIT HOLDERS OF KIWI INCOME PROPERTY TRUST

We have reviewed the interim financial statements on pages 4 to 15. The interim financial statements provide information about the past financial performance and cash flows of the Group comprising the Trust and its subsidiaries for the six months ended 30 September 2006 and its financial position as at that date. This information is stated in accordance with the accounting policies referred to on page 8.

Manager's Responsibilities

The Manager is responsible for the preparation and presentation of the interim financial statements that present fairly the financial position of the Group as at 30 September 2006 and its financial performance and cash flows for the six months ended on that date.

Accountants' Responsibilities

We are responsible for reviewing the interim financial statements presented by the Manager in order to report to you whether, in our opinion and on the basis of the procedures performed by us, anything has come to our attention that would indicate that the interim financial statements do not present fairly the matters to which they relate.

Basis of Opinion

A review is limited primarily to enquiries of the Manager's personnel and analytical review procedures applied to financial data and thus provides less assurance than an audit. We have not performed an audit on the interim financial statements and, accordingly, we do not express an audit opinion.

We have reviewed the interim financial statements of the Group for the six months ended 30 September 2006 in accordance with the Review Engagement Standards issued by the New Zealand Institute of Chartered Accountants.

Our firm has a tenancy relationship with the Group on normal terms within the ordinary course of trading activities. We have no further relationships with or interests in the Trust or any of its subsidiaries other than in our capacity as auditors, and the providers of certain assurance related and advisory services.

Review Opinion

Based on our review, nothing has come to our attention that causes us to believe that the interim financial statements do not present fairly the financial position of the Group as at 30 September 2006 and its financial performance and cash flows for the six months ended on that date.

Our review was completed on 17 November 2006 and our review opinion is expressed as at that date.



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DTZ New Zealand Limited
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