



INTERIM REPORT
30 SEPTEMBER 2009



KIWI INCOME
PROPERTY TRUST



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LETTER FROM THE MANAGER

DEAR UNIT AND MANDATORY CONVERTIBLE NOTE HOLDERS

FINANCIAL RESULT

It is pleasing to report another solid period of operations for the Trust for the six months ended 30 September 2009. Despite challenging conditions the Trust grew key operating and profit measures over the previous corresponding period. Highlights include:

- A 6.9% increase in total revenue to \$95.5 million
- A 24.1% increase in operating profit before tax to \$39.6 million
- A 3.9% increase in distributable profit to \$29.9 million

This positive result is testament to the Trust's strategy of investing in a well diversified portfolio of high quality property assets where rental is underpinned by a broad range of tenants providing a stable income stream.

In recognition of the softening in global property markets during the period, an interim round of independent property revaluations was undertaken to ensure investors are informed of all aspects of the Trust's performance.

Overall, the value of the Trust's property portfolio reduced 3.5% or \$65.8 million which, together with other non-cash adjustments, resulted in the Trust posting an after-tax loss of \$18.2 million for the six month period. As at 30 September 2009 the Trust's total assets were \$1.84 billion and the adjusted undiluted net tangible asset backing was \$1.24 per unit¹.

Importantly, this devaluation of the Trust's assets does not affect underlying operating performance or distributions to Unit Holders.

The Board continues to hold the view that it is important to maintain a strong financial position, particularly in this environment of increased economic and financial markets uncertainty. A number of capital management initiatives were implemented to further strengthen the Trust's financial position during this latest reporting period. These measures will provide the Trust with the capacity to absorb potential future reductions

in asset valuations, such as this most recent valuation write-down at the half-year, and will also have the effect of better positioning the Trust to take advantage of future opportunities that may arise out of the current environment.

Specifically, the following measures to strengthen the balance sheet have been undertaken:

- \$50 million Institutional Placement completed April 2009
- \$15 million Unit Purchase Plan completed June 2009
- \$12 million sale of Fisher & Paykel Finance Building in Auckland settled June 2009
- \$4 million Distribution Reinvestment Plan completed June 2009
- \$26 million sale of BP House in Wellington settled August 2009

The net proceeds from these completed capital management initiatives have been applied to reduce debt levels. Bank debt at 30 September 2009 stood at \$557 million, down from \$634 million at 31 March 2009 and represents a bank debt to total assets ratio of 30.3%.

Committed bilateral banking facilities remain in place with the four leading Australasian banks for up to \$800 million. At 30 September 2009 the weighted average cost of debt was 6.62% (including margins and fees) and the weighted average duration of the facilities was 2.4 years. The Trust has no tranches of any bank debt facility expiring before April 2011 (being the commencement of the 2012 financial year).

An interim cash distribution of 3.75 cents per unit, together with imputation credits of 0.75 cents per unit, for the six months ended 30 September 2009 will be paid on 18 December 2009. This distribution is eligible for reinvestment in accordance with the terms of the Trust's Distribution Reinvestment Plan. A discount of 2.5% will continue to apply to the price at which units are issued under that Plan.

In line with previous guidance and subject to economic conditions, a full year distribution of 7.50 cents per unit is projected.

¹ The adjustment to net tangible assets refers to the exclusion of deferred tax on revaluation gains and other items which will not crystallise.

PORTFOLIO PERFORMANCE

As at 30 September 2009 occupancy across the Trust's core retail and office portfolio remained at a healthy level of 98.5% with a weighted average lease term of 4.2 years.

Retail Portfolio

Annual retail sales from the Trust's six shopping centres to 30 September 2009 were \$1.04 billion inclusive of GST, down 2.7% on the corresponding period last year on a like-for-like basis. This decline reflects the recessionary conditions that have prevailed over the past year and the resulting nationwide contraction in household spending. Specialty shop rents achieved on renewals and new leases over the last six month period have been approximately 10% less than previous contract rents, with this figure largely determined by the significant renewals programme underway at Northlands Shopping Centre. It should be noted however that at Sylvia Park Shopping Centre, new market rents have been recorded at levels approximately 6.8% above previous contract rents. The average specialty gross occupancy cost ratio across the portfolio is 14.8%, up from 14.7% six months ago.

Despite these challenging conditions for retailers, the retail portfolio was 99.0% occupied as at 30 September 2009. The strength of the Trust's shopping centres, together with a pro-active approach to asset management and retailer relationships, has meant downside consequences of the recession have been reasonably contained.

The Trust's shopping centres generate 58% of core portfolio income, approximately 90% of which is derived from supermarkets, department stores, cinema operators and reputable national and international retail chains which have generally shown resilience in the face of the economic downturn.

Signs of economic recovery are becoming evident with positive GDP growth in the June quarter following five consecutive quarters of negative growth. Retailers are expected to benefit from a recovery in consumer spending as New Zealand moves out of recession, but will require a sustained period of solid trading performance before any increase in market rents becomes affordable.

The redevelopment of The Plaza Shopping Centre in Palmerston North continues to achieve key milestones with completion scheduled for March 2010. In September 2009 Stage Two of the development opened comprising ten predominantly fashion and jewellery retailers, complementing the

15 specialty shops and food outlets that opened with Stage One in March 2009.

While many retailers are taking a cautious approach to new store commitments until household spending recovers, management continue to make good progress with the leasing programme for the balance of the project with a number of shops now leased to retailers new to the Manawatu-Wanganui region. To date 86% of budgeted rental on completion has been secured.

At Northlands Shopping Centre, it is six years since our last major redevelopment and consequently a large number of leases expire in the current financial year. It is pleasing to note that agreements have been signed for 30 of the original 34 Stage One tenancies due to expire in the six months to 30 September 2009. A further 18 leases have been concluded ahead of time on shops due to expire in the second half of the financial year. Rentals achieved on renewals and new leases are approximately 9.6% less than previous contract rents, reflecting a market correction in rents for the centre following six years of fixed rental increases typically at 1-2% above inflation.

Office Portfolio

During the period, the Trust settled the sale of two office assets, the Fisher & Paykel Finance Building, Auckland and BP House, Wellington as part of the capital management initiatives outlined earlier. These buildings were chosen for sale principally because of their low income growth potential, with age also a factor in the case of BP House.

Recently, management announced the marketing for sale of the PricewaterhouseCoopers Centre in Christchurch as part of a move to concentrate the Trust's assets in the larger Auckland and Wellington markets.

While the office portfolio has seen good rental growth over the past few years, the cycle has now turned with market rents softening and overall vacancy rates increasing. The demand for office space is subdued with many businesses rationalising space requirements, employing fewer staff, and adopting a cautious outlook. At the same time, the supply of new office space in the main centres is increasing with a number of recently completed or planned developments which, although largely pre-committed in terms of tenants, result in surplus space in buildings subsequently vacated. According to CB Richard Ellis, overall office vacancy rates in Auckland are projected to increase from 10.2% at June 2009 to 12.9% in 2012, and in Wellington from 5.8% to 10.9%.

Despite the softening market, occupancy across the office portfolio was 97.9% as at 30 September 2009 and the weighted average lease term was 4.3 years. The portfolio is well leased to quality tenants from the government, legal, professional services, insurance and banking sectors. Tenants from these industries account for over 80% of the office portfolio income.

The commercial asset management team has been active in concluding rental reviews and securing new leases in the first half of the financial year. Rental reviews were completed for over 12,500m² of office space, or 8% of the portfolio, with rental uplift of 21% over prevailing contract levels.

Additionally, new leases have been entered into for over 13,000m² of office space. Significantly, a new nine year lease agreement was concluded with Vero, the Trust's largest tenant by income for 9,607m² of office space in the Vero Centre representing one-quarter of the building's net lettable area. This new lease secures the building's anchor tenant through to 2018, and lengthens the weighted average lease term for the building by 1.3 years. It does however result in Vero downsizing from 9.5 to 7.5 office floors, with a leasing campaign now underway to lease the two floors that become vacant by March 2010.

VALUATIONS

The interim revaluations undertaken as at 30 September 2009 resulted in a net reduction in the value of the Trust's property portfolio by 3.5% or \$65.8 million to \$1.83 billion.

These latest independent valuations indicate that the rate of decline in property values appears to be slowing and expectations are that recent improvements in global economic prospects will help to stabilise values going forward.

In the six months to September 2009, the weighted average capitalisation rate across the core retail and office portfolios softened 18 basis points from 7.70% to 7.88%.

The office portfolio capitalisation rate increased 22 basis points, on a like-for-like basis, to a weighted average of 8.37% with the softer outlook for office rents also contributing to an overall value movement of -5.0%.

The downward value movement was less pronounced across the retail assets. Capitalisation rates increased 16 basis points to a weighted average of 7.55% but valuers' assessments for a more positive income outlook, meant the devaluation was limited to 2.5% for the retail portfolio.

During the past 12 to 18 months, the volume of investment sales in the domestic markets for higher value premium quality assets has been very low, providing valuers with limited comparable transactional evidence to assist in determining valuations.

OUTLOOK

The Trust continues to benefit from the strength of its diversified property portfolio, its sound tenant base and high occupancy levels. These defensive characteristics should position the Trust to continue delivering solid underlying operating earnings for the benefit of Unit Holders.

Whilst an end to the recession is welcome, the effects of the significant contraction in economic activity and fall in domestic consumption that have been experienced, combined with tighter credit conditions, will continue to influence property investment performance until business profitability consolidates following a period of sustained economic recovery.

The Trust's ongoing capital management programme continues to reinforce the Trust's strong financial position, while providing a solid platform from which the Trust can explore investment opportunities to maintain long-term sustainable returns to Unit Holders.

On behalf of the Manager of the Trust we thank you for your continued support.



Sean Wareing – Chairman
Kiwi Income Properties Limited
Manager of Kiwi Income Property Trust



Chris Gudgeon – Chief Executive
Kiwi Income Properties Limited
Manager of Kiwi Income Property Trust

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2009

	NOTE	UNAUDITED 6 MONTHS 30 SEP 09 \$000	UNAUDITED 6 MONTHS 30 SEP 08 \$000
REVENUE			
Gross rental income		95,369	89,158
Interest income		133	152
Total revenue		95,502	89,310
OPERATING EXPENSES			
Property operating expenditure		(25,718)	(24,199)
Interest and finance charges		(23,989)	(26,863)
Manager's fees	4	(4,723)	(4,752)
Other		(1,512)	(1,616)
Total operating expenses		(55,942)	(57,430)
Operating profit before income tax		39,560	31,880
NON-OPERATING INCOME AND EXPENSES			
Recognition of amortised interest expense on mandatory convertible notes		(799)	(746)
Fair value change to interest rate derivatives	6	7,280	(20,553)
Fair value change to investment properties	5	(65,822)	(52,036)
Loss on disposal of investment properties		(932)	-
Total non-operating income and expenses		(60,273)	(73,335)
Loss before income tax		(20,713)	(41,455)
INCOME TAX BENEFIT/(EXPENSE)			
Current tax		(7,360)	(4,225)
Deferred tax	8	9,881	14,409
Total income tax benefit/(expense)		2,521	10,184
Loss after income tax attributable to Unit Holders		(18,192)	(31,271)
OTHER COMPREHENSIVE INCOME			
Movement in cash flow hedge reserve		113	(41)
Income tax benefit/(expense) relating to other comprehensive income	8	(34)	12
Total other comprehensive income after income tax		79	(29)
Total comprehensive loss after income tax attributable to Unit Holders		(18,113)	(31,300)
Basic and diluted earnings per unit (cents)		(1.5)	(3.2)

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2009

	NOTE	UNAUDITED 6 MONTHS 30 SEP 09 \$000	UNAUDITED 6 MONTHS 30 SEP 08 \$000
Balance at the beginning of the period		911,543	1,135,240
EARNINGS			
Total comprehensive loss after income tax		(18,113)	(31,300)
Total recognised earnings for the period		(18,113)	(31,300)
DISTRIBUTIONS			
Distributions to Unit Holders		(31,943)	(32,346)
Total distributions		(31,943)	(32,346)
OTHER MOVEMENTS			
Distributions reinvested		4,037	3,879
Units issued	12	63,236	-
Total other movements		67,273	3,879
Balance at the end of the period		928,760	1,075,473

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 30 SEPTEMBER 2009

	NOTE	UNAUDITED 30 SEP 09 \$000	UNAUDITED 30 SEP 08 \$000	AUDITED 31 MAR 09 \$000
CURRENT ASSETS				
Cash and cash equivalents		2,376	2,494	2,870
Trade and other receivables		4,773	5,609	6,384
Other investments		262	207	288
		7,411	8,310	9,542
NON-CURRENT ASSETS				
Investment properties	5	1,832,586	2,033,430	1,906,235
Other investments		370	355	375
Derivative financial instruments	6	633	3,756	505
		1,833,589	2,037,541	1,907,115
Total assets		1,841,000	2,045,851	1,916,657
CURRENT LIABILITIES				
Trade and other payables		22,856	30,409	23,783
Income tax payable		2,360	890	1,170
Mandatory convertible notes	13	143,892	-	-
		169,108	31,299	24,953
NON-CURRENT LIABILITIES				
Secured bank loans	7	557,000	598,000	634,000
Mandatory convertible notes	13	-	142,314	143,029
Deferred tax liability	8	156,154	191,892	166,001
Derivative financial instruments	6	29,978	6,873	37,131
		743,132	939,079	980,161
Total liabilities		912,240	970,378	1,005,114
Net assets attributable to Unit Holders		928,760	1,075,473	911,543
Represented by:				
Units		739,985	670,111	672,712
Retained earnings		187,995	403,577	237,570
Mandatory convertible notes revaluation reserve		891	1,984	1,451
Cash flow hedge reserve		(111)	(199)	(190)
Total funds attributable to Unit Holders		928,760	1,075,473	911,543

The Board of Kiwi Income Properties Limited, the Manager of Kiwi Income Property Trust, authorised these financial statements for issue on 5 November 2009.



S P Wareing – Chairman of the Board
5 November 2009



R Narev – Chairman of the Audit Committee
5 November 2009

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

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2009

	NOTE	UNAUDITED 6 MONTHS 30 SEP 09 \$000	UNAUDITED 6 MONTHS 30 SEP 08 \$000
CASH FLOWS FROM OPERATING ACTIVITIES			
Gross rental income		93,707	91,748
Interest income		133	150
Property operating expenditure		(23,718)	(22,729)
Interest and finance charges		(23,300)	(26,441)
Income tax expense		(5,570)	(1,700)
Manager's fees and other operating expenses		(5,412)	(4,284)
Goods and Services Tax		(203)	(1,026)
Net cash flows from operating activities	10	35,637	35,718
CASH FLOWS FROM INVESTING ACTIVITIES			
Proceeds from disposal of investment properties		37,368	-
Expenditure on investment properties		(30,233)	(32,101)
Interest, manager's fees and trustee's fees capitalised		(1,027)	(1,641)
Other investment activities		30	(485)
Net cash flows from/(used) in investing activities		6,138	(34,227)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issue of units		67,274	3,879
Increase/(decrease) in secured bank loans		(77,000)	27,000
Distributions to Unit Holders		(32,543)	(32,535)
Net cash flows used in financing activities		(42,269)	(1,656)
Net decrease in cash and cash equivalents		(494)	(165)
Cash and cash equivalents at the beginning of the period		2,870	2,659
Cash and cash equivalents at the end of the period		2,376	2,494

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2009

1. STATEMENT OF ACCOUNTING POLICIES

The financial statements presented are those of Kiwi Income Property Trust (the Trust) 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 accounting policies and methods of computation used in the preparation of these interim financial statements are consistent with those used in the 2009 Annual Report with the exception of the mandatory changes to accounting standards described below. The interim financial statements have been prepared in accordance with Generally Accepted Accounting Practice in New Zealand and NZ IAS 34 – Interim Financial Reporting and IAS 34 – Interim Financial Reporting and should be read in conjunction with the 2009 Annual Report. The interim financial statements have been prepared in accordance with the requirements of the Financial Reporting Act 1993. The Group is designated as a profit-oriented entity for financial reporting purposes. To ensure consistency with the current period, comparative figures have been restated where appropriate.

The following new, revised or amended accounting standards are mandatory for application by the Group for the financial year beginning 1 April 2009:

NZ IAS 1 (Revised): Presentation of Financial Statements – The revised standard requires an entity to present all owner changes in equity, separately from non-owner changes in equity, in a Statement of Changes in Equity. All non-owner changes in equity (i.e. comprehensive income) are required to be presented in a performance statement. Entities can choose whether to present one performance statement (a Statement of Comprehensive Income) or two statements (an Income Statement and a Statement of Comprehensive Income). The Group has elected to present one Statement of Comprehensive Income. The interim financial statements have been prepared under the revised disclosure requirements.

NZ IFRS 8: Operating Segments – NZ IFRS 8 replaces NZ IAS 14: Segment Reporting. It requires a “management approach” under which segment information is presented on the same basis as that used for internal reporting purposes. Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker.

NZ IAS 40 (Amendment): Investment Property – The amended standard requires property acquired for the purpose of development to be classified as investment property. Previously, investment properties under development were held at cost less any impairment in accordance with NZ IAS 16 Property, Plant and Equipment. This change means that investment properties under development are now treated as investment properties and stated at fair value. As at 30 September 2009, this has resulted in \$268,000 of disposal costs being added back to the value of the properties previously classified as investment properties under development and a corresponding decrease in the fair value change to investment properties in the Statement of Comprehensive Income for the period ended 30 September 2009.

2. DISTRIBUTABLE PROFIT

Distributable profit is determined as follows:

	UNAUDITED 6 MONTHS 30 SEP 09 \$000	UNAUDITED 6 MONTHS 30 SEP 08 \$000
Operating profit before income tax	39,560	31,880
Non-cash adjustments:		
Fixed rental income	(2,434)	1,142
Movement in cash flow hedge reserve	113	(41)
Less: Current tax	(7,360)	(4,225)
Distributable profit	29,879	28,756
Distributable profit per unit – weighted (cents)	3.8	4.0

3. SEGMENT INFORMATION

The chief operating decision maker has been identified as the Chief Executive of the Manager (Chief Executive). The Chief Executive 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 office nor retail). 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 fixed rental income. No single customer's transactions are greater than 10% of the Group's revenue. The Chief Executive separately reviews the fair value change to investment properties. All other 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, and investment properties. All other assets are managed on a central basis and form part of the reconciliation to total assets in the Consolidated Statement of Financial Position.

	UNAUDITED 6 MONTHS ENDED 30 SEPTEMBER 2009			
	RETAIL \$000	OFFICE \$000	OTHER \$000	TOTAL \$000
SEGMENT PROFIT/(LOSS)				
Net operating income from external customers	35,665	29,841	1,711	67,217
Fair value change to investment properties	(26,753)	(37,323)	(1,746)	(65,822)
Total segment profit/(loss)	8,912	(7,482)	(35)	1,395
ASSETS				
Property debtors	1,187	284	94	1,565
Investment properties	1,057,685	710,750	64,151	1,832,586
Total segment assets	1,058,872	711,034	64,245	1,834,151

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2009

3. SEGMENT INFORMATION (CONTINUED)

	UNAUDITED 6 MONTHS ENDED 30 SEPTEMBER 2008			
	RETAIL \$000	OFFICE \$000	OTHER \$000	TOTAL \$000

SEGMENT PROFIT/(LOSS)

Net operating income from external customers	35,613	28,615	1,873	66,101
Fair value change to investment properties	(26,831)	(15,643)	(9,562)	(52,036)
Total segment profit/(loss)	8,782	12,972	(7,689)	14,065

ASSETS

Property debtors	629	754	205	1,588
Investment properties	1,114,300	841,790	77,340	2,033,430
Total segment assets	1,114,929	842,544	77,545	2,035,018

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

	UNAUDITED 6 MONTHS 30 SEP 09 \$000	UNAUDITED 6 MONTHS 30 SEP 08 \$000
Total profit/(loss) for reportable segments	1,395	14,065
Interest income	133	152
Fixed rental income	2,434	(1,142)
Interest and finance charges	(23,989)	(26,863)
Manager's fees	(4,723)	(4,752)
Other expenses	(1,512)	(1,616)
Recognition of amortised interest expense on mandatory convertible notes	(799)	(746)
Fair value change to interest rate derivatives	7,280	(20,553)
Loss on disposal of investment properties	(932)	-
Loss before income tax	(20,713)	(41,455)

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

	UNAUDITED 30 SEP 09 \$000	UNAUDITED 30 SEP 08 \$000
Total segment assets	1,834,151	2,035,018
Cash and cash equivalents	2,376	2,494
Trade debtors	1,382	2,192
Prepayments	1,826	1,829
Other investments	632	562
Derivative financial instruments	633	3,756
Total assets	1,841,000	2,045,851

4. MANAGER'S FEES

	UNAUDITED 6 MONTHS 30 SEP 09 \$000	UNAUDITED 6 MONTHS 30 SEP 08 \$000
Manager's fees comprise:		
Base fees	5,240	5,687
Rebate of base fees	(449)	(805)
Performance fees	-	-
	4,791	4,882
Capitalised to investment properties	(68)	(130)
	4,723	4,752

REBATE OF BASE FEES

The Manager agreed to rebate the base management fee in relation to the construction of the Sylvia Park Shopping Centre. The base fee rebate was up to a maximum of \$4.0 million to the extent that the yield of the completed Centre was less than 7.5% for the two years post completion in June 2007. As the actual yield was below 7.5%, the Group received the full rebate.

PERFORMANCE FEES

Performance fees are calculated at 30 September and 31 March each year, with a liability for payment of the fee, 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 30 September 2009, the Manager held 3,442,568 units (30 September 2008 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 gross average value of the Trust Fund. The performance fee calculation may give rise to excess or deficit performance. At 30 September 2009 deficit performance of 29 cents per unit exists (30 September 2008 deficit performance of 16 cents per unit). Subject to the two year expiry criterion, this will be applied in the calculation of future performance fees.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2009

5. INVESTMENT PROPERTIES

	VALUERS REFERENCE	BOOK VALUE 31 MAR 09 \$000	ADDITIONS/ DISPOSALS \$000	FAIR VALUE CHANGES \$000	BOOK VALUE 30 SEP 09 \$000	BOOK VALUE 30 SEP 08 \$000
OFFICE						
Vero Centre	2	300,000	224	(23,224)	277,000	328,000
The Majestic Centre	2	107,500	(51)	(699)	106,750	112,500
National Bank Centre	1	108,700	370	(9,070)	100,000	117,800
Unisys House	3	82,000	34	(234)	81,800	86,000
PricewaterhouseCoopers Centre	1	55,400	23	(723)	54,700	57,000
21 Pitt Street	3	55,800	(109)	(2,691)	53,000	58,100
44 The Terrace	3	31,800	55	(555)	31,300	34,900
BP House		26,300	(26,300)	-	-	27,400
Fisher & Paykel Finance Building		12,000	(12,000)	-	-	13,590
50 The Terrace	3	6,300	27	(127)	6,200	6,500
		785,800	(37,727)	(37,323)	710,750	841,790
RETAIL						
Sylvia Park Shopping Centre ¹	2	445,000	3,712	(11,712)	437,000	470,000
Northlands Shopping Centre	3	242,000	603	(7,603)	235,000	250,000
The Plaza Shopping Centre ²	3	132,984	23,106	3,995	160,085	127,000
North City Shopping Centre	2	107,000	427	(4,427)	103,000	113,000
Centre Place Shopping Centre	1	103,500	1,282	(5,082)	99,700	122,800
Downtown Plaza Shopping Centre	1	24,800	24	(1,924)	22,900	31,500
		1,055,284	29,154	(26,753)	1,057,685	1,114,300
OTHER						
Adjoining properties ^{1,2}		51,390	342	(2,281)	49,451	58,926
Development properties		13,761	404	535	14,700	18,414
		65,151	746	(1,746)	64,151	77,340
		1,906,235	(7,827)	(65,822)	1,832,586	2,033,430

Valuers reference

1 – CB Richard Ellis Limited

2 – Colliers International New Zealand Limited

3 – Jones Lang LaSalle Limited

NOTES

1. Valuations in prior periods in respect of Sylvia Park Shopping Centre have been adjusted to reclassify 77 Carbine Road to adjoining properties.
2. Valuations in prior periods in respect of The Plaza Shopping Centre have been adjusted to reclassify 104 Princess Street to adjoining properties.
3. The valuations are effective 30 September 2009, 31 March 2009 and 30 September 2008 respectively.

MOVEMENT IN INVESTMENT PROPERTIES

	UNAUDITED 6 MONTHS 30 SEP 09 \$000	UNAUDITED 6 MONTHS 30 SEP 08 \$000	AUDITED 12 MONTHS 31 MAR 09 \$000
Balance at the beginning of the period	1,906,235	2,060,580	2,060,580
Property acquisitions	–	1,100	1,100
Property disposals	(38,300)	–	–
Capitalised costs (including fees and incentives)	27,431	25,098	59,249
Capitalised interest and finance charges	956	1,505	3,393
Capitalised manager's fees and trustee's fees	71	136	244
Amortisation of lease incentives, fees and fixed rental income	2,015	(2,953)	(3,222)
Fair value change to investment properties	(66,090)	(52,036)	(215,109)
Fair value change to investment properties due to change in accounting policy (refer Note 1)	268	–	–
Balance at the end of the period	1,832,586	2,033,430	1,906,235

The Group's accounting policy is for investment properties to be measured at fair value, which reflects market conditions at balance date. To determine fair value, the Group obtains investment property valuations at least annually by independent registered valuers.

The Board of the Manager considered it prudent and appropriate, in the current economic climate, to undertake an additional round of valuations at the half year. Accordingly, valuations were sought as at 30 September 2009 from the Group's panel of valuers, which includes CB Richard Ellis Limited, Colliers International Limited and Jones Lang LaSalle Limited.

The valuations obtained comply with NZ IAS 40 – Investment Property. As all properties were fully inspected as part of the annual valuation process for the year ended 31 March 2009, the valuers were instructed not to re-inspect the properties at 30 September 2009. The valuers were provided with current tenancy information in schedule form. However, the valuers did not review all new lease documentation. In all other respects the valuations comply with applicable valuation standards.

The impact of the valuations has been included within the financial statements by writing down the carrying value of investment properties in the Consolidated Statement of Comprehensive Income and the Consolidated Statement of Financial Position.

The key property information is as follows:

	UNAUDITED 30 SEP 09	UNAUDITED 30 SEP 08	AUDITED 31 MAR 09
Weighted average capitalisation rate:			
Office	8.37%	7.68%	8.16%
Retail	7.55%	6.95%	7.39%
Weighted average lease term:			
Office	4.28 years	4.95 years	4.63 years
Retail	4.10 years	4.45 years	4.14 years
Occupancy:			
Office	97.9%	99.0%	98.3%
Retail	99.0%	99.1%	98.9%

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2009

6. DERIVATIVE FINANCIAL INSTRUMENTS

	UNAUDITED 30 SEP 09 \$000	UNAUDITED 30 SEP 08 \$000	AUDITED 31 MAR 09 \$000
Interest rate swap assets	633	3,756	505
Interest rate swap liabilities	(29,978)	(6,873)	(37,131)
Net interest rate swaps	(29,345)	(3,117)	(36,626)

A fair value gain on interest rate derivatives has been reflected in the Consolidated Statement of Comprehensive Income for the period ended 30 September 2009. The fair value of interest rate swaps has been favourably impacted by movements in the underlying yield curve.

7. SECURED BANK LOANS

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

	UNAUDITED 30 SEP 09 \$000	UNAUDITED 30 SEP 08 \$000	AUDITED 31 MAR 09 \$000
Facility drawn down	557,000	598,000	634,000
Undrawn facility available	243,000	202,000	166,000
Total facility available	800,000	800,000	800,000

Weighted average interest rate for drawn debt

(inclusive of current interest rate swaps, margins and line fees) **6.62%** 7.52% 6.45%

Weighted average term to maturity for the combined facilities **2.4 years** 3.4 years 2.9 years

8. DEFERRED TAX LIABILITY

	BALANCE 31 MAR 09 \$000	RECOGNISED IN PROFIT/(LOSS) \$000	RECOGNISED IN OTHER COMPREHENSIVE INCOME \$000	BALANCE 30 SEP 09 \$000	BALANCE 30 SEP 08 \$000
Fair value change to investment					
properties	60,070	(15,047)	–	45,023	83,848
Depreciation	89,325	2,544	–	91,869	83,479
Deductible capitalised costs	22,785	208	–	22,993	20,930
Derivative financial instruments	(10,987)	2,150	34	(8,803)	(935)
Mandatory convertible notes	373	(140)	–	233	500
Other temporary differences	4,435	404	–	4,839	4,070
	166,001	(9,881)	34	156,154	191,892

9. TRANSACTIONS WITH RELATED PARTIES

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

	UNAUDITED 6 MONTHS 30 SEP 09 \$000	UNAUDITED 6 MONTHS 30 SEP 08 \$000	AUDITED 12 MONTHS 31 MAR 09 \$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 period, 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 for the period.

Base fee: The base fee is calculated and paid quarterly in arrears.

Performance fee: 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 period.

During the period the Group incurred manager's fees as follows:

Total manager's fees incurred	4,791	4,882	9,869
Proportion of manager's fees capitalised to investment properties	(68)	(130)	(233)
Proportion of manager's fees outstanding at balance date (included in trade and other payables)	2,610	2,846	2,838

For further details of manager's fees refer to Note 4.

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 period 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 period the Group incurred the following property management fees:

Total property management fees incurred	5,733	4,572	11,062
Proportion of property management fees on-charged to tenants	(2,399)	(2,359)	(4,778)
Net property management fees incurred by the Group	3,334	2,213	6,284
Proportion of property management fees outstanding at balance date (included in trade and other payables)	69	64	67

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2009

9. TRANSACTIONS WITH RELATED PARTIES (CONTINUED)

	UNAUDITED 6 MONTHS 30 SEP 09 \$000	UNAUDITED 6 MONTHS 30 SEP 08 \$000	AUDITED 12 MONTHS 31 MAR 09 \$000
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KIWI PROPERTY MANAGEMENT LIMITED (CONTINUED)

In addition, during the period, 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.

Total expenses incurred on behalf of the Group	1,751	2,417	4,581
Proportion of expenses on-charged to tenants	(1,060)	(1,412)	(2,744)
Net expenses incurred on behalf of the Group	691	1,005	1,837
Proportion of expenses outstanding at balance date	-	-	-

Tenancy relationship

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

Total rental including operating expenses paid to the Group	295	284	571
Proportion of rental outstanding at balance date	4	-	-

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	285,000	285,000	285,000
Portion of revolving credit facility drawn down at balance date	235,000	235,000	235,000
Interest incurred under revolving credit facility (net of interest rate swaps)	6,505	9,780	17,842
Proportion of interest (net of interest rate swaps) outstanding at balance date (included in trade and other payables)	886	915	611

	UNAUDITED 6 MONTHS 30 SEP 09 \$000	UNAUDITED 6 MONTHS 30 SEP 08 \$000	AUDITED 12 MONTHS 31 MAR 09 \$000
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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	133,500	108,500	133,500
Fair value liability of derivatives at balance date	12,040	3,691	14,815

Units in the Trust

CBA and its subsidiaries own the following investment, and have received the following distributions from the Trust during the period:

Units in the Trust (in accordance with substantial security holder notices received by the Trust) (000 units)	81,569	81,569	81,569
Distributions received	3,263	3,671	6,933

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 period.

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

Total trustee's fees incurred	241	257	512
Proportion of trustee's fees capitalised to investment properties	(3)	(6)	(11)
Proportion of trustee's fees outstanding at balance date (included in trade and other payables)	120	128	128

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	105	39	143
Proportion of rental outstanding at balance date	-	-	-

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2009

9. TRANSACTIONS WITH RELATED PARTIES (CONTINUED)

	UNAUDITED 6 MONTHS 30 SEP 09 \$000	UNAUDITED 6 MONTHS 30 SEP 08 \$000	AUDITED 12 MONTHS 31 MAR 09 \$000
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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:

Compensation category:

Directors' fees	182	182	364
Salaries and performance bonuses	1,967	2,297	2,885
Other long-term benefits	200	225	633

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

10. CASH FLOW RECONCILIATION

	UNAUDITED 6 MONTHS 30 SEP 09 \$000	UNAUDITED 6 MONTHS 30 SEP 08 \$000
Loss after income tax	(18,192)	(31,271)
Items classified as investing or financing activities:		
Movements in working capital items relating to investing and financing activities	3,147	10,379
Non-cash items:		
Movement in deferred tax liability	(9,847)	(14,421)
Fair value change to interest rate derivatives	(7,280)	20,553
Fair value change to investment properties	65,822	52,036
Movement in cash flow hedge reserve	113	(41)
Movements in working capital items:		
Trade and other receivables	1,611	1,679
Income tax payable	1,190	2,337
Trade and other payables	(927)	(5,533)
Net cash flows from operating activities	35,637	35,718

11. COMMITMENTS

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

	UNAUDITED 30 SEP 09 \$000	UNAUDITED 30 SEP 08 \$000
Development costs at Sylvia Park, Auckland	–	10,019
Development costs at The Plaza Shopping Centre, Palmerston North	18,962	56,549

12. UNITS ISSUED

INSTITUTIONAL PLACEMENT

A \$50.0 million institutional placement was completed on 8 April 2009, with 56.9 million new units issued at a price of \$0.879 per unit raising \$48.5 million net of costs.

UNIT PURCHASE PLAN

A \$15.0 million unit purchase plan was completed on 8 June 2009, with 17.1 million new units issued at a price of \$0.879 per unit raising \$14.7 million net of costs.

13. MANDATORY CONVERTIBLE NOTES

The Trust's mandatory convertible notes convert into units on 30 June 2010.

14. SUBSEQUENT EVENTS

DECLARATION OF INTERIM DISTRIBUTION

On 5 November 2009 the Board of the Manager declared an interim distribution of \$30,118,634 to Unit Holders for the six months ended 30 September 2009. This represents a cash distribution of 3.75 cents per unit. The distribution will be paid on 18 December 2009 to all Unit Holders on the Trust's register at the close of business on 30 November 2009. The distribution is eligible for reinvestment in accordance with the terms of the Trust's Distribution Reinvestment Plan.

ACCOUNTANTS' REPORT

TO THE UNIT HOLDERS OF KIWI INCOME PROPERTY TRUST



We have reviewed the interim financial statements (financial statements) on pages 4 to 19. The financial statements provide information about the past financial performance and cash flows of the Group, comprising Kiwi Income Property Trust and its subsidiaries for the six months ended 30 September 2009 and its financial position as at that date. This information is stated in accordance with the accounting policies set out on page 8.

MANAGER'S RESPONSIBILITIES

The Manager is responsible for the preparation and presentation of the financial statements that present fairly the financial position of the Group as at 30 September 2009 and its financial performance and cash flows for the six months ended on that date.

ACCOUNTANTS' RESPONSIBILITIES

We are responsible for reviewing the financial statements presented by the Manager in order to report 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 financial statements do not present fairly the matters to which they relate.

BASIS OF OPINION

A review is limited primarily to enquiries of company 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 financial statements and, accordingly, we do not express an audit opinion.

We have reviewed the financial statements of the Group for the six months ended 30 September 2009 in accordance with the Review Engagement Standards issued by the Institute of Chartered Accountants of New Zealand.

Our firm has tenancy relationships 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 accountants conducting this review, auditors and accounting advisors.

REVIEW OPINION

Based on our review, nothing has come to our attention that causes us to believe that the financial statements which have been prepared in accordance with International Accounting Standard 34 and New Zealand Equivalent to International Accounting Standard 34: Interim Financial Reporting do not present fairly the financial position of the Group as at 30 September 2009 and its financial performance and cash flows for the six months ended on that date.

Our review was completed on 5 November 2009 and our review opinion is expressed as at that date.

A handwritten signature in cursive script that reads "PricewaterhouseCoopers".

Chartered Accountants

Auckland

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BANKERS

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Bank of New Zealand
Commonwealth Bank of Australia
Westpac Banking Corporation

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Colliers International New Zealand Limited
DTZ New Zealand Limited
Jones Lang LaSalle Limited

www.kipt.co.nz

