



Interim Report

30 SEPTEMBER 2005

 **KIWI INCOME**
PROPERTY TRUST

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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 for the first half of the 2006 financial year of \$29.1 million, up 15.2% on the same period last year. The Trust also declared a gross interim dividend of 4.55 cents per unit for the half-year, comprising 3.85 cents per unit in cash and 0.70 cents per unit in imputation credits.

The Trust's accomplishments over the period have been significant and include:

- Strong leasing and construction progress with the Sylvia Park retail project.
- A successful \$142.3 million issue of Mandatory Convertible Notes.
- The sale of the AUT Faculty of Arts Building in Auckland realising a \$1.8 million profit.
- Maintenance of high occupancy levels across the retail and office portfolios.
- Post half-year sale of the Trust's 19.2% stake in Capital Properties, realising a \$13 million profit.

Earlier this year the Manager announced details of a significant change to its fund management fee structure. In July, the Manager further aligned its interests with Unit Holders through a fund management fee rebate of up to \$4.0 million to the extent that the Sylvia Park retail project yield is below 7.5% for the two years post completion, which is anticipated in mid 2007. The Manager has also elected to undertake Sylvia Park's retail project management at cost during the construction phase.

A meeting of the Trust's Unit Holders was held on 9 December 2005 to vote on amendments to the Trust's Deed of Trust concerning the process for putting motions to, and calling of, meetings. Both resolutions were passed at the meeting, and as result there are two key changes to the Deed of Trust. The first lowers the threshold for Unit Holder requisitioned meetings from 10% to 5%, as well as establishing time limits for convening such meetings. The second makes it easier for Unit Holders to propose matters for discussion and/or put forward resolutions at annual meetings. The Manager consistently aims to achieve the highest standard of corporate governance and best practice protocols, and supported the changes approved by Unit Holders at the meeting.

As announced at the Trust's Annual Meeting in September, we are in the process of appointing a further independent director to the Board of the Manager. This will increase the number of independent directors to three, and will add to the skill set of the existing Board.

In October 2005 Geoff McWilliam resigned from the Board following his retirement as Executive General Manager of Colonial First State Property Limited in Australia. Geoff has made a valuable contribution to the Board since his appointment in February 2004, and the depth of his Australasian and international property experience was a great asset to the Trust during an active period.

Notwithstanding the prediction of a general slowdown in economic activity, 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.

Thank you for continuing to support the Trust.

Yours sincerely,



SEAN WAREING – CHAIRMAN
KIWI INCOME PROPERTIES LIMITED

CHIEF EXECUTIVE'S REPORT

The Trust has once again delivered a strong result, with both the retail and office portfolios supporting solid earnings growth. Portfolio occupancy remains at a high level, with minimal vacancy risk over the medium term. Recent rent reviews highlight the quality of the Trust's portfolio and continue to reflect the lack of quality space available across both the retail and office markets.

THE HALF-YEAR AT A GLANCE

- Net profit after tax increased by 15.2% (over the same period last year) to \$29.1 million. After excluding gains on realisation of investments, net profit after tax increased by 9.9%.
- Net rental revenue increased by 6.2% to \$44.3 million (over the same period last year).
- Total assets at 30 September 2005 were \$1,291.9 million, an increase of \$30.0 million on the 31 March 2005 position.
- Secured borrowings at 30 September 2005 amounted to \$222.5 million, representing 17.2% of total assets. Secured borrowings have decreased by \$118.5 million from the 31 March 2005 level due to the issue of \$142.3 million of Mandatory Convertible Notes (MCNs), and the sale of the AUT Faculty of Arts Building, offset by the capital expenditure on the Sylvia Park project. Post the half-year, secured borrowings were reduced by approximately \$69 million following settlement of the sale of the Trust's stake in Capital Properties.
- Unit Holders' funds were \$898.4 million as at 30 September 2005, up \$6.0 million on the 31 March 2005 position.
- The Trust will pay a gross interim dividend of 4.55 cents per unit for the six month period, comprising 3.85 cents per unit in cash and 0.70 cents per unit in imputation credits.
- Occupancy levels remained high in the portfolio, with the retail portfolio at 98.9%, and the office portfolio at 98.5%.

RETAIL PORTFOLIO

Despite a more subdued outlook for the domestic economy, the strong positioning of the Trust's retail portfolio has continued to support solid rental and retail sales growth. The Trust's retail portfolio recorded retail sales growth of 6.0% (moving annual turnover), with an occupancy level of 98.9% as at 30 September 2005.

SYLVIA PARK, AUCKLAND

The Sylvia Park project is progressing well, with construction of The Warehouse, Foodtown, PAK'nSAVE and main mall taking shape quickly. Leasing progress has been very pleasing, with Stage One leasing close to completion (97% leased by net lettable area, 99% leased by net rental). Leasing of Stage Two, which is primarily a fashion precinct plus PAK'nSAVE, is also well advanced with 79% now leased by net lettable area, and 69% leased by net rental. The leasing success of Stage One and Two, as well as tenancies leased in the balance of the Centre, takes the total level of leasing at Sylvia Park to 65% of net lettable area, and 57% by net rental. This is a strong result given that the later stages of the project do not open until 2007. The leasing success continues to confirm the desirability of Sylvia Park as a retail destination.

Stage One, which includes flagship stores for The Warehouse and Foodtown and approximately 50 specialty stores, is on target to open as projected in mid 2006. Stage Two is targeted to open in late 2006. The specialty leasing to date incorporates a strong mix of retail brands and offerings. The tenancy mix also includes a number of new entrants to the shopping centre arena and the New Zealand retail market.

OFFICE PORTFOLIO

The office market fundamentals across both the Auckland and Wellington markets have remained strong, with both firming yields and robust rental growth. Low vacancy levels, particularly at the quality end of the market, support value and rental growth. The Trust's portfolio has continued to benefit from the positive market conditions. At 30 September 2005 the Trust's office portfolio had an occupancy level of 98.5%.

LEASING ACTIVITY

A key leasing transaction over the past half-year has been a new nine year lease to existing tenant ABN Amro for 1,800m² in the Vero Centre. Key commercial terms have also been agreed for the only key vacancy in the Trust's office portfolio, being 1,450m² on the top floor of 21 Pitt Street, Auckland.

ACQUISITIONS AND DIVESTMENTS

AUT BUILDING

The sale of the AUT Faculty of Arts Building was settled in July 2005. Net proceeds from the sale were \$29.0 million, \$1.8 million ahead of book value. No properties were purchased over the period.

CAPITAL PROPERTIES

On 28 October 2005 the Trust agreed to accept the takeover offer made by AMP Property Portfolio Investments Limited (APPIL) in respect of the Trust's 19.2% stake in Capital Properties New Zealand Limited (CNZ), realising a profit of approximately \$13 million after costs.

This was an excellent outcome for the Trust, with the sale proceeds of \$69 million initially being utilised to repay debt. The Manager was confident that there was unrecognised value in the CNZ portfolio when the stake was acquired at a price of \$1.15 per share. While the Trust had a long term view on its investment in CNZ, APPIL provided an opportunity to crystallise excellent value for this strategic stake within a short time period.

MANDATORY CONVERTIBLE NOTE ISSUE

The Primary Offer for \$110.0 million of MCNs, and the Entitlement Offer for \$32.3 million of MCNs were both fully subscribed. Achieving full subscription was a strong endorsement both of the underlying quality of the Trust's current portfolio and the potential that the Sylvia Park project provides.

DIVIDEND PROJECTION

A gross dividend of between 8.50 and 8.70 cents per unit was projected in May 2005 for the year ending 31 March 2006. With the strong underlying performance of the Trust's property portfolio, and the \$13 million profit from the sale of the CNZ stake (which is intended to be distributed over the next three years), the Manager has upgraded the full year dividend projection. Subject to a continuation of reasonable economic conditions, a gross dividend of 9.10 cents per unit is now projected for the year ending 31 March 2006, 5.2% ahead of the previous year's dividend. The level of earnings over the period should also allow for the retention of up to 5% of net earnings to assist with the ongoing financing of the Trust.

With the Trust's Sylvia Park project well underway, the Manager believes it is prudent to provide a projection for the next financial year ending 31 March 2007. Again, subject 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 ending 31 March 2007.

OUTLOOK

As the Chairman outlined, the Trust's portfolio remains in a sound position to capitalise on rental growth and demand for retail and office space. Leasing and construction is progressing well with the Sylvia Park project, and we look forward to the opening of Stage One in mid 2006.

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



ANGUS MCNAUGHTON – CHIEF EXECUTIVE
KIWI INCOME PROPERTIES LIMITED

Consolidated Statement of
FINANCIAL PERFORMANCE
 For the six months ended 30 September 2005

| | NOTE | UNAUDITED 6 MONTHS 30 SEP 05 \$000 | UNAUDITED 6 MONTHS 30 SEP 04 \$000 | AUDITED 12 MONTHS 31 MAR 05 \$000 |
|---|------|---|---|--|
| INCOME | | | | |
| Rental Income | 2 | 44,305 | 41,720 | 88,093 |
| Interest Income | | 445 | 255 | 519 |
| Dividend Income | | 1,743 | – | 1,743 |
| | | 46,493 | 41,975 | 90,355 |
| EXPENSES | | | | |
| Audit Fees | | 100 | 85 | 179 |
| Interest Expense | | 9,149 | 6,475 | 14,518 |
| Legal and Professional Fees | | 286 | 140 | 307 |
| Manager's Fees | 13 | 3,110 | 4,018 | 8,056 |
| Registry and Stock Exchange Fees | | 183 | 96 | 214 |
| Trustee's Fees | | 212 | 147 | 300 |
| Unit Holder Communication | | 228 | 231 | 398 |
| Other Operating Expenses | | 569 | 302 | 336 |
| | | 13,837 | 11,494 | 24,308 |
| NET OPERATING INCOME BEFORE INCOME TAX | | 32,656 | 30,481 | 66,047 |
| Gains on Realisation of Investment Properties | | 1,798 | 419 | 418 |
| NET INCOME BEFORE INCOME TAX | | 34,454 | 30,900 | 66,465 |
| Income Tax Expense | 3 | 5,374 | 5,665 | 13,813 |
| NET INCOME AFTER INCOME TAX | | 29,080 | 25,235 | 52,652 |

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 2005

| | NOTE | UNAUDITED 6 MONTHS 30 SEP 05 \$000 | UNAUDITED 6 MONTHS 30 SEP 04 \$000 | AUDITED 12 MONTHS 31 MAR 05 \$000 |
|---|------|---|---|--|
| UNIT HOLDERS' FUNDS AT START OF THE PERIOD | | 892,384 | 745,542 | 745,542 |
| EARNINGS AND REVALUATIONS | | | | |
| Net Income after Income Tax | | 29,080 | 25,235 | 52,652 |
| Revaluation of Investment Properties | | – | – | 65,031 |
| TOTAL RECOGNISED EARNINGS AND REVALUATIONS | | 29,080 | 25,235 | 117,683 |
| CAPITAL MOVEMENTS | | | | |
| Placement of Units | 4 | – | 49,154 | 49,154 |
| Dividend Reinvestment | 4 | 1,563 | 2,457 | 4,819 |
| TOTAL CAPITAL MOVEMENTS | | 1,563 | 51,611 | 53,973 |
| DISTRIBUTIONS | | | | |
| Distributions to Unit Holders | | (24,623) | (24,816) | (24,814) |
| TOTAL DISTRIBUTIONS | | (24,623) | (24,816) | (24,814) |
| UNIT HOLDERS' FUNDS AT END OF THE PERIOD | | 898,404 | 797,572 | 892,384 |

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

Consolidated Statement of FINANCIAL POSITION

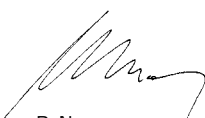
As at 30 September 2005

| | NOTE | UNAUDITED 30 SEP 05 \$000 | UNAUDITED 30 SEP 04 \$000 | AUDITED 31 MAR 05 \$000 |
|---------------------------------------|------|---------------------------------|---------------------------------|-------------------------------|
| UNIT HOLDERS' FUNDS | | | | |
| Units | 4 | 654,417 | 650,492 | 652,854 |
| Reserves | | 243,987 | 147,080 | 239,530 |
| TOTAL UNIT HOLDERS' FUNDS | | 898,404 | 797,572 | 892,384 |
| Represented by: | | | | |
| NON-CURRENT ASSETS | | | | |
| Investment Property | 6 | 1,073,655 | 1,021,148 | 1,071,977 |
| Investment Property Under Development | 8 | 149,333 | 71,373 | 95,700 |
| Investments | 9 | 54,719 | 418 | 54,751 |
| Future Income Tax Benefit | | – | 1,335 | – |
| | | 1,277,707 | 1,094,274 | 1,222,428 |
| CURRENT ASSETS | | | | |
| Cash and Deposits | | 4,154 | 9,146 | 4,070 |
| Income Tax Receivable | | – | – | 1,364 |
| Accounts Receivable and Prepayments | | 9,888 | 4,171 | 6,804 |
| Current Portion of Investments | 9 | 166 | 99 | 152 |
| Investment Property Intended for Sale | 7 | – | – | 27,118 |
| | | 14,208 | 13,416 | 39,508 |
| TOTAL ASSETS | | 1,291,915 | 1,107,690 | 1,261,936 |
| NON-CURRENT LIABILITIES | | | | |
| Secured Bank Loans | 10 | 222,500 | 261,500 | 341,000 |
| Mandatory Convertible Notes | 5 | 137,051 | – | – |
| Deferred Tax Liability | | 590 | – | 1,820 |
| | | 360,141 | 261,500 | 342,820 |
| CURRENT LIABILITIES | | | | |
| Distribution Payable | | – | 24,816 | – |
| Income Tax Payable | | 1,563 | 924 | – |
| Accounts Payable | | 29,673 | 20,858 | 25,343 |
| Advance Rentals | | 2,134 | 2,020 | 1,389 |
| | | 33,370 | 48,618 | 26,732 |
| TOTAL LIABILITIES | | 393,511 | 310,118 | 369,552 |
| NET ASSETS | | 898,404 | 797,572 | 892,384 |

The Board of Kiwi Income Properties Limited, the Manager of Kiwi Income Property Trust, authorised these interim financial statements for issue on 22 November 2005.



S P Wareing
Chairman of the Board
22 November 2005



R Narev
Chairman of the Audit Committee
22 November 2005

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

Consolidated Statement of CASH FLOWS

For the six months ended 30 September 2005

| | NOTE | UNAUDITED 6 MONTHS 30 SEP 05 \$000 | UNAUDITED 6 MONTHS 30 SEP 04 \$000 | AUDITED 12 MONTHS 31 MAR 05 \$000 |
|---|------|---|---|--|
| CASH FLOWS FROM OPERATING ACTIVITIES | | | | |
| CASH WAS PROVIDED FROM: | | | | |
| Rental Income and Operating Expense Recoveries | | 59,143 | 60,218 | 121,084 |
| Dividend Income Received | | 2,603 | – | 883 |
| Interest Received | | 445 | 255 | 517 |
| Goods and Services Tax Received | | – | 194 | – |
| | | <u>62,191</u> | <u>60,667</u> | <u>122,484</u> |
| CASH WAS APPLIED TO: | | | | |
| Tenants' and Owners' Operating Expenses | | 15,796 | 18,182 | 36,165 |
| Other Operating Expenses | | 5,279 | 3,875 | 10,119 |
| Interest Paid | | 6,292 | 6,814 | 12,754 |
| Income Tax Paid | | 3,000 | 3,298 | 9,789 |
| Goods and Services Tax Paid | | 2,429 | – | 131 |
| | | <u>32,796</u> | <u>32,169</u> | <u>68,958</u> |
| Net Cash Flows available from Operating Activities | 11 | <u>29,395</u> | <u>28,498</u> | <u>53,526</u> |
| CASH FLOWS FROM INVESTING ACTIVITIES | | | | |
| CASH WAS PROVIDED FROM: | | | | |
| Sale of Investment Property | | 30,345 | 25,800 | 25,800 |
| Repayment of Investments | | 18 | 32 | – |
| | | <u>30,363</u> | <u>25,832</u> | <u>25,800</u> |
| CASH WAS APPLIED TO: | | | | |
| Investment Property | | 8,688 | 62,685 | 77,728 |
| Investment Property Under Development | | 41,055 | 18,243 | 32,716 |
| Interest Capitalised to Investment Property Under Development | | 4,207 | 1,980 | 4,441 |
| Other Investments | | – | – | 54,353 |
| | | <u>53,950</u> | <u>82,908</u> | <u>169,238</u> |
| Net Cash Flows used in Investing Activities | | <u>(23,587)</u> | <u>(57,076)</u> | <u>(143,438)</u> |
| CASH FLOWS FROM FINANCING ACTIVITIES | | | | |
| CASH WAS PROVIDED FROM: | | | | |
| Issue of Mandatory Convertible Notes | | 142,273 | – | – |
| Issue of Units | | – | 50,000 | 50,000 |
| Increase in Borrowings | | – | 8,000 | 87,500 |
| | | <u>142,273</u> | <u>58,000</u> | <u>137,500</u> |
| CASH WAS APPLIED TO: | | | | |
| Costs Associated with Issuing Mandatory Convertible Notes | | 5,761 | – | – |
| Costs Associated with Issuing New Units | | – | 846 | 846 |
| Distributions to Unit Holders | | 23,736 | 22,364 | 45,606 |
| Decrease in Borrowings | | 118,500 | – | – |
| | | <u>147,997</u> | <u>23,210</u> | <u>46,452</u> |
| Net Cash Flows (used in)/available from Financing Activities | | <u>(5,724)</u> | <u>34,790</u> | <u>91,048</u> |
| Net Increase in Cash | | 84 | 6,212 | 1,136 |
| Add: Cash Balances at Beginning of the Period | | 4,070 | 2,934 | 2,934 |
| Cash Balances at End of the Period | | <u>4,154</u> | <u>9,146</u> | <u>4,070</u> |

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 2005

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 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. RENTAL INCOME

| | UNAUDITED 6 MONTHS 30 SEP 05 \$000 | UNAUDITED 6 MONTHS 30 SEP 04 \$000 | AUDITED 12 MONTHS 31 MAR 05 \$000 |
|--|---|---|--|
| Gross Rental Income and Operating Expense Recoveries | 60,320 | 57,505 | 118,554 |
| Less: Direct Property Expenses | | | |
| Tenants' Operating Expenses | (9,695) | (9,579) | (19,222) |
| Owners' Operating Expenses | (6,241) | (5,619) | (11,072) |
| Bad and Doubtful Debts | (79) | (587) | (167) |
| | (16,015) | (15,785) | (30,461) |
| | 44,305 | 41,720 | 88,093 |

3. INCOME TAX

| | UNAUDITED 6 MONTHS 30 SEP 05 \$000 | UNAUDITED 6 MONTHS 30 SEP 04 \$000 | AUDITED 12 MONTHS 31 MAR 05 \$000 |
|--|---|---|--|
| Net Income before Income Tax | 34,454 | 30,900 | 66,465 |
| Permanent and Non-Reversing Timing Differences: | | | |
| Imputation Credits Received/Receivable | 465 | – | 349 |
| Net Non-Assessable Gains on Realisation of Investment Properties | (1,798) | (419) | (418) |
| Tax Depreciation net of Depreciation Recovered | (10,389) | (8,393) | (13,457) |
| Deductible Expenses Capitalised (net of Non-Deductible Capital Expenditure) | (5,216) | (4,921) | (10,025) |
| Other | 178 | – | – |
| Taxable Income | 17,694 | 17,167 | 42,914 |
| Income Tax at 33% | 5,839 | 5,665 | 14,162 |
| Less: Imputation Credits Received/Receivable | (465) | – | (349) |
| Income Tax Expense | 5,374 | 5,665 | 13,813 |

4. UNITS

| | | UNAUDITED 30 SEP 05 NUMBER 000 | UNAUDITED 30 SEP 05 AMOUNT \$000 | UNAUDITED 30 SEP 04 NUMBER 000 | UNAUDITED 30 SEP 04 AMOUNT \$000 | AUDITED 31 MAR 05 NUMBER 000 | AUDITED 31 MAR 05 AMOUNT \$000 |
|--------------------------------|-----------|---|---|---|---|---------------------------------------|---|
| Balance at Beginning of Period | | 705,131 | 652,854 | 651,030 | 598,881 | 651,030 | 598,881 |
| Issue of Units: | | | | | | | |
| Placement of Units | 5-May-04 | – | – | 49,505 | 49,154 | 49,505 | 49,154 |
| Dividend Reinvestment | 25-Jun-04 | – | – | 2,409 | 2,457 | 2,409 | 2,457 |
| Dividend Reinvestment | 17-Dec-04 | – | – | – | – | 2,187 | 2,362 |
| Dividend Reinvestment | 17-Jun-05 | 1,475 | 1,563 | – | – | – | – |
| Balance at End of Period | | <u>706,606</u> | <u>654,417</u> | <u>702,944</u> | <u>650,492</u> | <u>705,131</u> | <u>652,854</u> |

In accordance with the Kiwi Income Property Trust Deed of Trust and Rule 7.3.5 of the NZSX Listing Rules, 49,504,950 new units were issued at a price of \$1.01 on 5 May 2004. The issue raised \$49,154,130 net of issue costs of \$845,870. The new units ranked equally with existing units except that they were not entitled to participate in the final dividend payable for the year ended 31 March 2004. The issue was made to fund the acquisition of Unisys House.

5. MANDATORY CONVERTIBLE NOTES

During the period, the Trust issued 142,272,725 Mandatory Convertible Notes (MCNs) at \$1 each. The MCNs have a coupon rate of 8.0% per annum payable semi-annually on 30 June and 31 December, with the first coupon payment being made to the initial subscriber of the MCNs.

On 30 June 2010 the MCNs convert to Units in the Trust using a conversion price calculated based on the lower of a 2% discount to the average of the daily volume weighted average unit price for the 20 business days prior to the conversion announcement date, or \$1.23 per Unit.

Whilst accounting standards require the MCNs to be reported as a non-current liability, they are not treated as "finance debt" for loan covenant purposes and do not constitute "borrowings" under the Trust Deed.

Costs associated with the issue of the MCNs have been offset against the liability and are amortised on a straight line basis over the term of the MCNs. Interest on the MCNs and the amortisation of issue costs are included in Interest Expense in the Statement of Financial Performance.

Notes to the

INTERIM FINANCIAL STATEMENTS (continued)

For the six months ended 30 September 2005

6. INVESTMENT PROPERTY

| | UNAUDITED 30 SEP 05 \$000 | UNAUDITED 30 SEP 04 \$000 | AUDITED 31 MAR 05 \$000 |
|--|---------------------------------|---------------------------------|-------------------------------|
| OFFICE PROPERTY | | | |
| Vero Centre, Auckland | 226,000 | 215,000 | 226,000 |
| The Majestic Centre, Wellington | 82,150 | 70,290 | 82,150 |
| Unisys House, Wellington | 49,700 | 44,100 | 49,700 |
| National Bank Centre, Auckland (50% interest) | 48,000 | 46,500 | 48,000 |
| 21 Pitt Street, Auckland (formerly Vodafone House) | 45,400 | 38,100 | 45,400 |
| PricewaterhouseCoopers Centre, Christchurch | 36,600 | 34,700 | 36,600 |
| AUT Faculty of Arts Building, Auckland | – | 26,950 | – |
| BP House, Wellington | 24,750 | 23,960 | 24,750 |
| NGC Building, Wellington | 19,600 | 19,400 | 19,600 |
| Intergen House, Wellington | 4,200 | – | 4,200 |
| Total Office Property | 536,400 | 519,000 | 536,400 |
| RETAIL PROPERTY | | | |
| Northlands Shopping Centre, Christchurch | 214,000 | 203,250 | 214,000 |
| North City Shopping Centre, Porirua | 106,400 | 96,300 | 106,400 |
| Centre Place Shopping Centre, Hamilton | 95,730 | 89,800 | 95,730 |
| The Plaza Shopping Centre, Palmerston North | 74,750 | 70,400 | 74,750 |
| Downtown Plaza Shopping Centre, Hamilton | 16,740 | 15,270 | 16,740 |
| Langdons Road, Christchurch | 6,895 | 5,800 | 6,895 |
| Farmers, Palmerston North | 4,495 | 4,850 | 4,495 |
| Beattie Rickman, Hamilton | 3,724 | 3,280 | 3,724 |
| Countrywide Building, Hamilton | 620 | 480 | 620 |
| Total Retail Property | 523,354 | 489,430 | 523,354 |
| INDUSTRIAL PROPERTY | | | |
| 77 Carbine Road, Auckland | 7,000 | 6,300 | 7,000 |
| Total Industrial Property | 7,000 | 6,300 | 7,000 |
| WORK IN PROGRESS | | | |
| | 6,901 | 6,418 | 5,223 |
| Total Investment Property | 1,073,655 | 1,021,148 | 1,071,977 |

All Investment Property (with the exception of Intergen House), is held at net current value (market value less an allowance for disposal costs). The valuations are effective as at 31 March 2005. Intergen House was acquired on 19 January 2005 and is recorded at cost. Work in Progress is held at cost.

7. INVESTMENT PROPERTY INTENDED FOR SALE

| | UNAUDITED 30 SEP 05 \$000 | UNAUDITED 30 SEP 04 \$000 | AUDITED 31 MAR 05 \$000 |
|---|---------------------------------|---------------------------------|-------------------------------|
| AUT Faculty of Arts Building, Auckland | – | – | 27,118 |
| Total Investment Property Intended for Sale | – | – | 27,118 |

During the period, the Trust sold the AUT Faculty of Arts Building in Auckland, with settlement occurring on 15 July 2005. The sale price, net of disposal costs, was \$29.0 million.

8. INVESTMENT PROPERTY UNDER DEVELOPMENT

| | | | |
|---|---------|--------|--------|
| Sylvia Park, Auckland | 149,333 | 71,373 | 95,700 |
| Total Investment Property Under Development | 149,333 | 71,373 | 95,700 |

9. INVESTMENTS

| | | | |
|---|--------|------|--------|
| Tenant Advances | 509 | 517 | 527 |
| Repayments due within one year reclassified as Current Assets | (166) | (99) | (152) |
| Quoted Securities | 54,376 | – | 54,376 |
| | 54,719 | 418 | 54,751 |

The Quoted Securities represents the Trust's 19.2% interest in Capital Properties New Zealand Limited (CNZ), a property investment company listed on the New Zealand Stock Exchange. The investment is recorded at cost. The market value of the Trust's CNZ shares at 30 September 2005 is \$66,926,414 (30 September 2004 Nil, 31 March 2005 \$56,236,779).

As detailed in Note 15, 'Subsequent Events', the Trust sold its 19.2% interest in CNZ on 28 October 2005, with settlement occurring on 22 November 2005.

10. SECURED BANK LOANS

A group of banks have provided the Group with a total revolving credit facility of \$650 million (30 September 2004 \$350 million, 31 March 2005 \$400 million).

The weighted average term to maturity for the combined facility is 3.4 years (30 September 2004 3.6 years, 31 March 2005 4.0 years).

The weighted average cost of funds for amounts currently drawn down under the facility is 6.80% (30 September 2004 6.63%, 31 March 2005 6.83%).

The loans are secured by a Global Security Deed dated 5 November 1998 and a supplemental deed dated 22 March 2004. Pursuant to the Deeds, 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.

Notes to the

INTERIM FINANCIAL STATEMENTS (continued)

For the six months ended 30 September 2005

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

| | UNAUDITED 6 MONTHS 30 SEP 05 \$000 | UNAUDITED 6 MONTHS 30 SEP 04 \$000 | AUDITED 12 MONTHS 31 MAR 05 \$000 |
|--|---|---|--|
| Net Income after Income Tax | 29,080 | 25,235 | 52,652 |
| Items Classified as Investing Activities: | | | |
| Gains on Realisation of Investment Properties | (1,798) | (419) | (418) |
| Non Cash Items: | | | |
| Movement in Deferred Tax Liability/(Benefit) | (1,230) | (464) | 2,691 |
| Amortisation of MCN Costs and Conversion Discount | 540 | – | – |
| | 26,592 | 24,352 | 54,925 |
| Add/(Less) Movements Relating to Operating Activities in Working Capital Items: | | | |
| Accounts Receivable | (3,098) | (652) | (3,285) |
| Income Tax Receivable/Payable | 3,604 | 2,831 | 543 |
| Accounts Payable | 1,552 | 978 | 985 |
| Advance Rentals | 745 | 989 | 358 |
| Net Cash Flows available from Operating Activities | 29,395 | 28,498 | 53,526 |

12. COMMITMENTS AND CONTINGENCIES

| | UNAUDITED 30 SEP 05 \$000 | UNAUDITED 30 SEP 04 \$000 | AUDITED 31 MAR 05 \$000 |
|--|---------------------------------|---------------------------------|-------------------------------|
|--|---------------------------------|---------------------------------|-------------------------------|

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

CAPITAL COMMITMENTS

| | | | |
|--|----------------|-------|--------|
| Development costs at North City Shopping Centre, Porirua | – | – | 984 |
| Development costs at Sylvia Park, Auckland | 119,810 | 1,076 | 18,588 |

GROUND LEASES

Ground leases exist at North City Shopping Centre, Northlands Shopping Centre, Centre Place Shopping Centre, National Bank Centre and the Countrywide Building. The amount paid in respect of ground leases during the period was \$592,646 (30 September 2004 \$530,664, 31 March 2005 \$990,513). 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 2005 (30 September 2004 Nil, 31 March 2005 Nil).

13. PERFORMANCE FEES AND UNITS HELD BY THE MANAGER

A performance fee of \$104,524 is payable to the Manager in respect of the period ended 30 September 2005 (30 September 2004 Nil, 31 March 2005 Nil). This fee is included in Manager's Fees in the Statement of Financial Performance. No units were issued to or acquired by the Manager over the period (30 September 2004 Nil, 31 March 2005 Nil).

14. ADDITIONAL INFORMATION

Net Tangible Asset Backing¹ per Unit at 30 September 2005 is \$1.233 (30 September 2004 \$1.135, 31 March 2005 \$1.230). Earnings Per Share at 30 September 2005 is \$0.041 (30 September 2004 \$0.036, 31 March 2005 \$0.075).

¹ The NTA calculation has been adjusted to exclude the dividend payment for the relevant period.

15. SUBSEQUENT EVENTS

On 22 November 2005 the Board of the Manager declared the interim distribution of \$27,204,360 to Unit Holders for the six months ended 30 September 2005. This represents a gross distribution of 4.55 cents per Unit, comprising 3.85 cents in cash and 0.70 cents in imputation credits. The distribution will be paid on 16 December 2005 to all Unit Holders on the Trust's register at the close of business on 7 December 2005.

On the 28 October 2005, the Trust sold its 19.2% interest in Capital Properties New Zealand Limited 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 approximately \$13 million and the sale proceeds of \$69 million were used to repay debt.

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 Trust intends to adopt from 1 April 2007. Accordingly, the adoption of NZ IFRS will be first reflected in the Trust's interim report for the six month period ended 30 September 2007.

In conjunction with its external advisors, the Trust has commenced work to convert to NZ IFRS and is on schedule to complete the adoption of NZ IFRS within the required timeframes.

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 Trust and the industry. Furthermore, NZ IFRS will continue to be reviewed, with new or amended Reporting Standards issued. Such changes may or may not be material to the Trust. Accordingly, the Trust is currently unable to reliably quantify all impacts at this time.

Notes to the
INTERIM FINANCIAL STATEMENTS (continued)
For the six months ended 30 September 2005

An overview of the most significant differences in accounting policies that are expected to impact the Trust 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 non-cash movements.

1.2. Treatment of Disposal Costs

Currently Investment Property is 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 Property 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.

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 Trust 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 value of accumulated tax depreciation claimed on existing properties in prior years, with a contra entry being taken to Reserves. 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 Trust 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. 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, lease incentives offered as part of new developments are capitalised into the cost of the development.

Under NZ IFRS, lease incentives should be recognised as a separate asset in the Statement of Financial Position. The lease incentives will be amortised over the life of the lease.

On initial adoption of NZ IFRS, this change will result in an asset being created relating to the value of lease incentives previously capitalised into the cost of developments, with a corresponding credit likely to be taken to Reserves. On an ongoing basis, income will be reduced by the amount of the amortisation charge for the respective period. The amortisation charge is a non-cash adjustment.

4. Financial Instruments

Under NZ Generally Accepted Accounting Practice, 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 derivative instruments is disclosed in the Notes to the Financial Statements.

Under NZ IFRS there is a requirement to recognise the fair value of all derivative instruments on 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 Trust continues to evaluate whether it will qualify for hedge accounting. This change is a non-cash adjustment.

5. Unit Holders' Funds

Under New Zealand trust law, all property trusts must have termination dates. The Trust will 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 may meet the definition of a financial liability.

This would have a significant impact on the listed trust industry, as units which were previously classified as equity would have to be classified as debt.

The standard setting bodies are giving further consideration to the implications of this issue.

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 2005 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 2005 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 2005 in accordance with the Review Engagement Standards issued by the Institute of Chartered Accountants of New Zealand.

Our firm has a tenancy relationship with the Group on normal commercial 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 2005 and its financial performance and cash flows for the six months ended on that date.

Our review was completed on 22 November 2005 and our review opinion is expressed as at that date.



Chartered Accountants

Auckland

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John Duncan
Wal Edgell
Robert Narev
Jim Syme

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BANKERS

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

VALUATION PANEL

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

