

KIWI INCOME PROPERTY TRUST	
Results for announcement to the market	
Reporting Period	Six months to 30 September 2007
Previous Reporting Period	Six months to 30 September 2006

	Amount (\$000s)	Percentage change
Revenue from ordinary activities	83,607	+25.8%
Profit/(loss) from ordinary activities after tax attributable to unit holders	43,595	79.7%
Net profit (loss) attributable to unit holders	43,595	79.7%

Interim Dividend	Amount per unit	Imputed amount per unit
	NZ\$0.045	NZ\$0.0016

Record Date	30 November 2007
Dividend Payment Date	14 December 2007

Half Year Commentary	Refer below
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Kiwi Income Property Trust announced today an after tax profit of \$43.6 million for the half year to 30 September 2007, up 79.7% on the corresponding period the previous year (after adjusting for Unit Holder finance charges).

Chairman of the Manager of the Trust, Sean Wareing, said "this is the Trust's first Interim Result reported under New Zealand Equivalents to International Financial Reporting Standards (NZ IFRS) and the maiden profit of \$43.6 million reflects an excellent first-half performance."

After allowing for NZ IFRS and other non-cash adjustments, the Trust posted a distributable profit of \$29.3 million which is in line with the distributable profit for the six months to 30 September 2006.

Mr Wareing said "the strong performance during the reporting period combined with the positive outlook for the Trust's portfolio of premium-quality office and retail assets have put the Trust in a position to increase the projected cash distribution to 9.00 cents per unit for the full year ending 31 March 2008, an increase of 7.9% over the previous year. This projection is subject to a continuation of reasonable economic conditions.

"The key factors behind the increase in distribution are the strong rent reviews achieved and forecast across the Trust's portfolio, significant tenant demand for high-quality office and retail space resulting in high occupancy levels, and in particular, a very positive outlook on the potential growth at Sylvia Park," Mr Wareing said.

An interim cash distribution of 4.50 cents per unit, together with imputation credits of 0.16 cents per unit, will be paid to Unit Holders with a record date of 30 November 2007 and a payment date of 14 December 2007. The distribution is eligible for reinvestment in accordance with the terms of the Trust's Dividend Reinvestment Scheme.

This interim distribution will be the Trust's first to be paid under the new Portfolio Investment Entity (PIE) regime. Consequently, no further New Zealand tax will be payable, which will result in a significant improvement in after-tax returns for most New Zealand resident investors. For example, a New Zealand resident investor with a 39% tax rate will be 55% better off after tax when compared with the interim distribution last year. More good news is to come with the Trust's tax rate dropping from 33% to 30% from 1 April 2008. This means that the Trust will pay less tax and be able to distribute a greater portion of its profit to Unit Holders, net of New Zealand tax.

FINANCIAL & OPERATING HIGHLIGHTS

- Maiden NZ IFRS profit after tax of \$43.6 million, up 79.7% on the comparable period in 2006.
- Distributable profit of \$29.3 million, in line with the comparable period.
- Increased cash distribution projection for the full year of 9.0 cents per unit – up 7.9% on the previous year.
- Net rental income increased by 29.2% to \$60.6 million ('like for like' up 4.1%).
- Total assets increased by \$37 million from 31 March 2007 to \$2.0 billion.
- An annual total gross return to 31 October 2007 of 14.4%, two-year return of 19.4% per annum, and a three-year return of 18.3% per annum, all outperforming the NZSX Property Gross and NZSX50 Indices.
- Secured bank debt at 30 September 2007 of \$532 million, representing a conservative debt to total assets ratio of 26.9%.
- Completion of New Zealand's largest and highest profile shopping centre, the 70,100m² Sylvia Park, on programme and within budget.
- Continued high portfolio occupancy at 99.1%.

OPERATIONS

Chief Executive of the Manager of the Trust, Angus McNaughton, said "the financial and operational highlights of the Interim Result reflect the benefits of taking a long-term strategic view when investing in premium-quality retail and office assets throughout New Zealand.

"The office sector remains buoyant and demand for top-quality office space has resulted in high occupancy levels and strong rental growth. Rental reviews completed within the past six months on 13,360m² of lettable space across the office portfolio have achieved a 27.0% increase, or compound annual growth of 9.3% per annum, reflecting continued demand and the high 98.8% occupancy across the Trust's office portfolio. In the Trust's Vero Building in Auckland, premium rentals of \$580m² are now being achieved," he said.

"The retail portfolio has traded solidly over the past six months, with the occupancy level remaining high at 99.4%. Sylvia Park, New Zealand's largest shopping centre at 70,100m², continues to go from strength to strength with the final retail Stage IV of the landmark project opening on programme on 28 June 2007. All retail space at Sylvia Park is leased and the September 2007 retail sales were 18.6% higher than the previous September for the 100 retailers who have been open for more than a year. These figures are extremely positive and the busy Christmas trading period is now well underway," Mr McNaughton said.

"The Trust's programme of encouraging people to take the train at Sylvia Park is also proving to be successful with a September 2007 survey indicating that more than 5,000 people use the Sylvia Park Train Station during a normal week and more than 9,000 per week during the school holidays. These figures have exceeded expectations.

"Looking ahead, plans are advancing well for the proposed \$90 million expansion of The Plaza Shopping Centre in Palmerston North and construction of the first 7,600m² mid-rise office building at Sylvia Park," Mr McNaughton said.

MSCI INDEX CHANGES

A review of the eligibility criteria for the MSCI Global Investable Market Indices has resulted in a number of significant New Zealand entities, including the Trust, transferring from the MSCI Standard Index to the MSCI Small Cap Index. While the impact of this change is uncertain, there will be some investors who use the MSCI Indices as the basis for investment decisions and, as a result, may reduce their investment in the Trust.

OUTLOOK

Chairman of the Manager of the Trust, Mr Wareing said "the outlook for the Trust remains very positive despite uncertainties in global financial markets, high interest rates and the move from the MSCI Standard Index to the MSCI Small Cap Index.

"There is a shortage of high-quality office and retail space which continues to drive demand and rentals. The Trust remains well positioned to take advantage of these favourable market conditions," Mr Wareing said.

KIWI INCOME PROPERTY TRUST
CONSOLIDATED INCOME STATEMENT
FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2007 (UNAUDITED)

	30 Sep 07 \$000	30 Sep 06 \$000
Revenue		
Gross rental income	83,438	66,032
Interest income	169	429
Total: Revenue	83,607	66,461
Operating expenses		
Property operating expenditure	(22,809)	(19,102)
Interest and finance charges	(21,749)	(8,614)
Manager's fees	(5,643)	(4,549)
Other	(1,330)	(1,293)
Total: Operating expenses	(51,531)	(33,558)
Operating profit before tax	32,076	32,903
Non-operating income and expenses		
Unit Holder finance charges ¹	-	(29,063)
Recognition of amortised interest expense on mandatory convertible notes	(665)	-
Fair value change to liability component of mandatory convertible notes	-	(4,267)
Fair value change to interest rate derivatives	3,636	6,252
Fair value change to investment properties	231	545
Total: Non-operating income and expenses	3,202	(26,533)
	35,278	6,370
Income tax benefit/(expense)		
Current tax	(2,661)	(1,791)
Deferred tax	10,978	(9,378)
Total: Income tax benefit/(expense)	8,317	(11,169)
Profit/(loss) after income tax and after Unit Holder finance charges	43,595	(4,799)
Unit Holder finance charges ¹	-	29,063
Profit after income tax and before Unit Holder finance charges	\$43,595	\$24,264
Undiluted Earnings Per Unit (cents) ²	6.10	3.41
Diluted Earnings Per Unit (cents) ²	5.76	3.69

¹ Unit Holder finance charges of \$29,063,000 represents payments to Unit Holders during the period 1 April 2006 to 30 September 2006. Due to a technical and unintended consequence of adopting NZ IFRS, for this period Units are treated as a debt security with Unit Holder payments treated as a finance charge. On 28 March 2007, the Trust Deed was amended to correct this anomaly so that Units could be classified as equity, with Unit Holder payments treated as a distribution. This is consistent with the accounting treatment applied prior to the adoption of NZ IFRS. The Unit Holder finance charges in the comparative period have been added back in determining 'Profit after income tax and before Unit Holder finance charges' to provide a meaningful comparative with the current period profit after income tax.

² Earnings per unit has been calculated based on profit after income tax and before Unit Holder finance charges. Diluted earnings per unit assumes conversion of the mandatory convertible notes.

**KIWI INCOME PROPERTY TRUST
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2007 (UNAUDITED)**

	<u>30 Sep 07</u> <u>\$000</u>	<u>30 Sep 06</u> <u>\$000</u>
Balance at the beginning of the period	1,043,480	831,711
EARNINGS		
Profit after income tax and before Unit Holder finance charges	<u>43,595</u>	<u>24,264</u>
Total recognised earnings	43,595	24,264
DISTRIBUTIONS¹		
By way of finance charges	-	(29,063)
By way of distribution	<u>(28,561)</u>	<u>-</u>
Total distributions	(28,561)	(29,063)
OTHER MOVEMENTS		
Distributions reinvested	<u>1,676</u>	3,214
Performance fees reinvested	<u>1,201</u>	963
Movement in cash flow hedge reserve	<u>(108)</u>	<u>(483)</u>
Total other movements	2,769	3,694
Balance at the end of the period	<u>\$1,061,283</u>	<u>\$830,606</u>

¹ Unit Holder finance charges of \$29,063,000 represents payments to Unit Holders during the period 1 April 2006 to 30 September 2006. Due to a technical and unintended consequence of adopting NZ IFRS, for this period Units are treated as a debt security with Unit Holder payments treated as a finance charge. On 28 March 2007, the Trust Deed was amended to correct this anomaly so that Units could be classified as equity, with Unit Holder payments treated as a distribution. This is consistent with the accounting treatment applied prior to the adoption of NZ IFRS.

**KIWI INCOME PROPERTY TRUST
CONSOLIDATED BALANCE SHEET
AS AT 30 SEPTEMBER 2007 (UNAUDITED)**

	30 Sep 07 \$000	30 Sep 06 \$000	31 Mar 07 \$000
Current assets			
Cash and cash equivalents	2,461	4,070	3,183
Trade and other receivables	6,019	7,191	6,295
Income tax receivable	-	132	614
Other investments	252	95	147
	8,732	11,488	10,239
Non-current assets			
Property investments	1,950,991	1,539,439	1,916,519
Other investments	527	278	487
Derivative financial instruments	20,654	7,595	16,542
	1,972,172	1,547,312	1,933,548
Total assets	1,980,904	1,558,800	1,943,787
Current liabilities			
Trade and other payables	32,960	40,322	48,609
Income tax payable	370	-	-
	33,330	40,322	48,609
Non current liabilities (excluding net assets attributable to unit holders)			
Trade and other payables	-	-	1,540
Secured bank loans	532,000	344,500	486,000
Mandatory convertible notes	140,823	160,768	140,142
Deferred income tax liability	212,227	182,531	223,251
Derivative financial instruments	1,241	73	765
	886,291	687,872	851,698
Total liabilities (excluding net assets attributable to unit holders)	919,621	728,194	900,307
Net assets attributable to Unit Holders	\$1,061,283	\$830,606	\$1,043,480
Represented by:			
Units ¹	663,650	660,362	661,974
Mandatory convertible notes revaluation reserve	482	(12,872)	948
Retained earnings	397,253	182,748	380,552
Cash flow hedge reserve	(102)	368	6
Total funds attributable to Unit Holders of the Trust	\$1,061,283	\$830,606	\$1,043,480

¹ Due to a technical and unintended consequence of adopting NZ IFRS, Units are treated as a debt security during the period 1 April 2006 to 28 March 2007. On 28 March 2007, the Trust Deed was amended to correct this anomaly. Accordingly, from 28 March 2007 Units are classified as equity which is consistent with the accounting treatment applied prior to the adoption of NZ IFRS.

**KIWI INCOME PROPERTY TRUST
CONSOLIDATED CASH FLOW STATEMENT
FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2007 (UNAUDITED)**

	30 Sep 07	30 Sep 06
	\$000	\$000
CASH FLOWS FROM OPERATING ACTIVITIES		
Gross rental income	84,839	65,657
Interest income	168	427
Property operating expenditure	(23,687)	(18,552)
Interest and finance charges	(21,638)	(8,681)
Income tax benefit/(expense)	(860)	(1,100)
Manager's fees and other operating expenses	(7,115)	(5,279)
Net Goods and Services Tax	1,422	290
Net cash flows from operating activities	33,129	32,762
CASH FLOWS FROM INVESTING ACTIVITIES		
Expenditure on investment properties	(15,502)	(11,966)
Expenditure on investment properties under development	(35,018)	(95,947)
Interest and finance charges capitalised	(2,688)	(7,206)
Other investment activities	(143)	118
Net cash flows used in investing activities	(53,351)	(115,001)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from issue of units	2,877	4,177
Draw down of secured bank loans	46,000	108,500
Unit Holder payments	(29,377)	(29,482)
Net cash flows from financing activities	19,500	83,195
Net increase/(decrease) in cash and cash equivalents	(722)	956
Cash and cash equivalents at the beginning of the period	3,183	3,114
Cash and cash equivalents at the end of the period	\$2,461	\$4,070

**KIWI INCOME PROPERTY TRUST
ADDITIONAL FINANCIAL INFORMATION
FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2007 (UNAUDITED)**

PROPERTY INVESTMENTS

	30 Sep 07 \$000	30 Sep 06 \$000
Investment properties	1,880,019	1,190,921
Investment properties under development	70,972	348,518
	\$1,950,991	\$1,539,439

The movement in property investments comprises:

	Six months ended 30 September 2007			Six months ended 30 September 2006		
	Investment properties \$000	Investment properties under development \$000	Total \$000	Investment properties \$000	Investment properties under development \$000	Total \$000
Balance at the beginning of the period	1,863,079	53,440	1,916,519	1,190,921	243,107	1,434,028
Property acquisitions	-	10,759	10,759	-	8,348	8,348
Capitalised costs	16,940	6,773	23,713	-	97,063	97,063
Amortisation of lease incentives, fees and straight-line rental income	(231)	-	(231)	(545)	-	(545)
Fair value changes to investment properties	231	-	231	545	-	545
Balance at the end of the period	\$1,880,019	\$70,972	\$1,950,991	\$1,190,921	\$348,518	\$1,539,439

CASH FLOW RECONCILIATION

	30 Sep 07 \$000	30 Sep 06 \$000
Profit after income tax and before Unit Holder finance charges	43,595	24,264
Items classified as investing or financing activities:		
Movements in working capital items relating to investing and financing activities	19,155	10,373
Non-cash items:		
Movement in deferred income tax liability	(11,024)	9,141
Fair value change to liability component of mandatory convertible notes	-	4,267
Fair value change to interest rate derivatives	(3,636)	(6,252)
Fair value change to investment properties	(231)	(545)
Mandatory convertible notes amortised interest expense	665	-
Other non-cash items	534	(248)
Movements in working capital items:		
Trade and other receivables	276	(846)
Income tax receivable	984	272
Trade and other payables	(17,189)	(7,664)
Net cash flows from operating activities	\$33,129	\$32,762

DEFERRED INCOME TAX

In May 2007, the Government announced a reduction in the tax rate applicable to the Trust from 33% to 30% with effect from 1 April 2008. As temporary differences at 30 September 2007 are not expected to reverse in the foreseeable future, the deferred tax liability is calculated at 30% of all temporary differences. At 30 September 2006 and 31 March 2007, the deferred tax balances were calculated at 33% of all temporary differences. The tax change has contributed to a reduction in the deferred tax liability in the current period of \$21,163,000.

IMPACT OF ADOPTING NEW ZEALAND EQUIVALENTS TO INTERNATIONAL FINANCIAL REPORTING STANDARDS

These are the Group's first interim financial statements prepared in accordance with New Zealand Equivalents to International Financial Reporting Standards (NZ IFRS) for interim financial statements.

In preparing the opening NZ IFRS balance sheet and in restating the comparative information for the six months ended 30 September 2006 and for the year ended 31 March 2007, the Group has adjusted amounts reported previously in financial statements prepared in accordance with previous New Zealand Financial Reporting Standards (NZ FRS).

An explanation of how the transition from previous NZ FRS to NZ IFRS has affected the Group's total equity and profit after tax is set out in the following tables and notes that accompany the tables.

A. Reconciliation of Unit Holders' Funds as presented under previous NZ FRS to that under NZ IFRS

Note	Opening Balance Sheet - As at 1 April 2006			Comparative half-year Balance Sheet - As at 30 September 2006			Immediately preceding financial year Balance Sheet - As at 31 March 2007			
	Previous NZ FRS	Effect of transition to NZ IFRS	NZ IFRS	Previous NZ FRS	Effect of transition to NZ IFRS	NZ IFRS	Previous NZ FRS	Effect of transition to NZ IFRS	NZ IFRS	
ASSETS										
Property investments	a	1,431,655	2,372	1,434,027	1,538,317	1,122	1,539,439	1,912,452	4,067	1,916,519
Other assets	b	14,156	(3,804)	10,352	15,559	(3,793)	11,766	14,958	(4,232)	10,726
Derivative financial instruments	c	-	2,427	2,427	-	7,595	7,595	-	16,542	16,542
Total: ASSETS		\$1,445,811	\$995	\$1,446,806	\$1,553,876	\$4,924	\$1,558,800	\$1,927,410	\$16,377	\$1,943,787
LIABILITIES										
Mandatory convertible notes	d	140,704	15,796	156,500	141,618	19,150	160,768	142,308	(2,166)	140,142
Secured bank loans		236,000	-	236,000	344,500	-	344,500	486,000	-	486,000
Deferred income tax liability	e	815	172,575	173,390	2,428	180,103	182,531	2,823	220,428	223,251
Other liabilities		48,048	-	48,048	40,322	-	40,322	50,149	-	50,149
Derivative financial instruments	c	-	1,157	1,157	-	73	73	-	765	765
Total: LIABILITIES		425,567	189,528	615,095	528,868	199,326	728,194	681,280	219,027	900,307
UNIT HOLDERS' FUNDS										
Units	d	657,148	-	657,148	660,362	-	660,362	661,974	-	661,974
Mandatory convertible notes revaluation reserve	d	-	(10,583)	(10,583)	-	(12,872)	(12,872)	-	948	948
Retained earnings	g	32,769	151,526	184,295	35,191	147,557	182,748	36,146	344,406	380,552
Cash flow hedge reserve	c	-	851	851	-	368	368	-	6	6
Asset revaluation and realisation reserves	f	330,327	(330,327)	-	329,455	(329,455)	-	548,010	(548,010)	-
Total: UNIT HOLDERS' FUNDS		1,020,244	(188,533)	831,711	1,025,008	(194,402)	830,606	1,246,130	(202,650)	1,043,480
Total: UNIT HOLDERS' FUNDS & LIABILITIES		\$1,445,811	\$995	\$1,446,806	\$1,553,876	\$4,924	\$1,558,800	\$1,927,410	\$16,377	\$1,943,787
Undiluted net tangible assets per unit		1.439	(0.266)	1.173	1.440	(0.274)	1.166	1.745	(0.284)	1.461
Adjusted undiluted net tangible assets per unit ¹		1.439	(0.089)	1.350	1.440	(0.097)	1.343	1.745	(0.102)	1.643

B. Reconciliation of Profit after Tax under previous NZ FRS to that under NZ IFRS

Note	Comparative half-year Income Statement - Six months ended 30 September 2006			Immediately preceding financial year Income Statement - Year ended 31 March 2007			
	Previous NZ FRS	Effect of transition to NZ IFRS	NZ IFRS	Previous NZ FRS	Effect of transition to NZ IFRS	NZ IFRS	
Revenue							
Gross rental income	b	66,736	(704)	66,032	142,181	(2,024)	140,157
Interest income	c	429	-	429	716	-	716
Total: Revenue		67,165	(704)	66,461	142,897	(2,024)	140,873
Operating expenses							
Property operating expenditure		(19,272)	170	(19,102)	(41,480)	888	(40,592)
Interest and finance charges	c	(8,997)	383	(8,614)	(24,349)	1,224	(23,125)
Manager's fees		(4,549)	-	(4,549)	(9,720)	-	(9,720)
Other		(1,293)	-	(1,293)	(2,177)	-	(2,177)
Total: Operating expenses		(34,111)	553	(33,558)	(77,726)	2,112	(75,614)
Non-operating income and expenses							
Unit Holder finance charges	d	-	(29,063)	(29,063)	-	-	-
Fair value change to liability component of mandatory convertible notes	d	-	(4,267)	(4,267)	-	(21,339)	(21,339)
Fair value change to interest rate derivatives	c	-	6,252	6,252	-	14,507	14,507
Fair value change to investment properties	a & g	-	545	545	-	223,694	223,694
Total: Non-operating income and expenses		-	(26,533)	(26,533)	-	216,862	216,862
		33,054	(26,684)	6,370	65,171	216,950	282,121
Income tax benefit/(expense)	e	(3,404)	(7,765)	(11,169)	(5,960)	(35,793)	(41,753)
Profit/(loss) after income tax and after Unit Holder finance charges		29,650	(34,449)	(4,799)	59,211	181,157	240,368
Unit Holder finance charges	d	-	29,063	29,063	-	-	-
Profit after income tax and before Unit Holder finance charges		\$29,650	(\$5,386)	\$24,264	\$59,211	\$181,157	\$240,368

¹ The adjusted undiluted net tangible assets per unit calculation excludes deferred tax on items which will not crystallise. The undiluted and adjusted undiluted net tangible assets per unit at 30 September 2007 is \$1.483 and \$1.634 respectively.

C. Reconciliation of Profit after Tax to Distributable Profit

	Note	30 Sep 07 \$000	30 Sep 06 \$000
Profit after income tax and before Unit Holder finance charges		43,595	24,264
NZ IFRS adjustments:			
Fair value change to interest rate derivatives	c	(3,636)	(6,252)
Unwind of cash flow hedge reserve	c	(154)	(721)
Recognition of previously capitalised revenues and costs	a	817	1,240
Fair value change to liability component of mandatory convertible notes	d	-	4,267
Reverse amortisation of issue costs, conversion premium and accrued interest on mandatory convertible notes	d	(961)	(913)
Recognise amortised interest expense on mandatory convertible notes	d	665	-
Deferred tax on investment property revaluations	e	1,142	(637)
Deferred tax on depreciation	e	6,389	4,596
Deferred tax on other temporary differences	e	2,262	3,806
Impact on deferred tax of change in tax rate from 33% to 30%		(21,163)	-
Other deferred tax adjustments		323	-
Distributable profit		\$29,279	\$29,650

NOTES TO THE ABOVE NZ IFRS RECONCILIATIONS:

a. Property investments

	Note	NZ IFRS Adjustments		
		1 Apr 06 \$000	30 Sep 06 \$000	31 Mar 07 \$000
Reversal of previously recognised disposal costs	[i]	8,932	8,932	12,163
Other adjustments	[ii]	(6,560)	(7,810)	(8,096)
		2,372	1,122	4,067

[i] Fair value of investment properties

Under previous NZ FRS investment properties were valued annually at market value less estimated disposal costs. Under NZ IFRS, investment properties are measured at fair value (without deduction of disposal costs).

On transition to NZ IFRS, the value of investment properties was increased by the value of previously recognised disposal costs, with contra entries taken to deferred tax and retained earnings. In other comparative periods, the value of investment properties is increased by the value of previously recognised disposal costs, with a contra entry being taken to fair value change to investment properties in the Income Statement. On an on-going basis, no allowance will be made for disposal costs.

[ii] Other adjustments

Under NZ IFRS there are a number of other changes to the way costs are able to be capitalised to investment properties (including those under development). These changes impact accounting for borrowing costs, lease incentives, leasing fees and capitalised income.

On transition to NZ IFRS, the net effect of these changes was to increase the value of investment properties with contra entries being taken to deferred tax and retained earnings. In other comparative reporting periods, the value of investment properties is increased or decreased as appropriate by the value of costs or revenues not meeting the criteria for capitalisation, with contra entries taken to gross rental income or property operating expenditure in the Income Statement. On an on-going basis, costs or revenues not able to be capitalised under NZ IFRS will be expensed or recognised as income immediately in the Income Statement.

b. Other assets

Under NZ IFRS, leasing fees and lease incentives, regardless of their type, are recognised as part of each investment property. Accordingly, on transition to NZ IFRS, amounts previously recognised within prepayments have been transferred to the value of investment properties.

On an on-going basis, the value of lease incentives and leasing fees are amortised on a straight-line basis over the term of the respective lease agreements. The amortisation of lease incentives is recognised as a reduction of Gross Rental Income. The amortisation of leasing fees is recognised as a property operating expense in the Income Statement.

c. Derivative financial instruments

The Group uses interest rate swaps and other interest rate derivatives to manage its interest rate risks. Under previous NZ FRS, the net differential paid or received on those derivatives was recognised as a component of interest expense over the life of the contract. The fair value of derivative instruments was disclosed in the Notes to the Financial Statements, but was not recognised in the Balance Sheet.

Under NZ IFRS the fair value of all derivative financial instruments are recognised in the Balance Sheet. Changes in the fair value of the derivatives are recognised as a fair value change to interest rate derivatives in the Income Statement.

On transition to NZ IFRS, the fair value of derivative financial assets and derivative financial liabilities were recognised, with contra entries taken to deferred tax and a cash flow hedging reserve. This reserve will be released to Interest and Finance Charges in the Income Statement as the underlying borrowing interest occurs.

On an on-going basis, the derivative instruments are fair valued at each reporting period, with movements taken to the fair value change to interest rate derivatives in the Income Statement.

d. Units and Mandatory Convertible Notes

Due to a technical and unintended consequence of adopting NZ IFRS, Units became a debt security on transition to NZ IFRS. Accordingly, on 28 March 2007, the Trust Deed was amended to correct this anomaly so that Units could continue to be classified as equity which is consistent with the accounting treatment adopted prior to the adoption of NZ IFRS. The accounting impact of this change is as follows:

Prior to 28 March 2007:

(a) Units on issue were treated as a debt security.

(a) Payments to Unit Holders were recognised as a finance charge in the Income Statement; and

(b) The conversion feature of the Mandatory Convertible Notes (MCNs) was considered an embedded liability derivative and is held at fair value. On transition, the change in fair value was recognised immediately in the mandatory convertible note revaluation reserve. From transition until 28 March 2007, the change in fair value was recognised in the Income Statement then transferred to the mandatory convertible note revaluation reserve.

Subsequent to 28 March 2007:

Units meet the definition of equity and payments to Unit Holders are recorded as distributions. At 28 March 2007, the option component within the MCNs was transferred from liabilities to the mandatory convertible notes revaluation reserve, and is not subject to further revaluations. The debt component of the MCNs is held at amortised cost and an interest expense is initially recognised in the Income Statement using the effective interest rate method, then transferred to the mandatory convertible note revaluation reserve.

e. Deferred income tax

	Note	NZ IFRS Adjustments		
		1 Apr 06 \$000	30 Sep 06 \$000	31 Mar 07 \$000
Recognition of deferred tax on:				
Investment property revaluations	[i]	94,269	93,632	113,233
Depreciation	[ii]	62,190	66,786	72,370
Other temporary differences	[iii]	16,116	19,685	34,825
		<u>172,575</u>	<u>180,103</u>	<u>220,428</u>

Under NZ IFRS, deferred tax is calculated in accordance with the 'balance sheet' approach, which recognises deferred tax assets and deferred tax liabilities by reference to the differences between the accounting and tax book values of balance sheet items. Under previous NZ FRS, deferred tax was recognised on a partial basis. The partial basis of accounting for deferred tax is not allowed under NZ IFRS. Accordingly, three key adjustments arise on adoption of NZ IFRS.

[i] Deferred tax on investment property revaluations

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

On transition to NZ IFRS, a deferred tax liability was established representing 33% of the value of the building component of past revaluation gains, with a contra entry to retained earnings.

On an on-going basis, a deferred tax expense/benefit, and a corresponding liability or asset (as appropriate) will be recognised on the building component of investment property revaluations recorded for that period.

This deferred tax liability will not crystallise. On disposal of a property, the deferred tax liability in respect of that property will be reversed back to the Income Statement.

[ii] Deferred tax on depreciation

Under previous NZ FRS, the Group did not recognise a deferred tax liability 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.

On transition to NZ IFRS, a deferred tax liability was established representing 33% of the value of accumulated tax depreciation claimed on existing properties, with a contra entry to retained earnings.

On an on-going basis, a deferred tax expense and a corresponding liability will be recognised on tax depreciation claimed for that period.

[iii] Other temporary differences

Under NZ IFRS, other tax deductible expenses will give rise to a temporary difference resulting in a deferred tax liability.

On transition to NZ IFRS, a deferred tax liability was established representing the value of deferred tax on past deductible expenses (with a contra entry to retained earnings). In subsequent periods, a deferred tax expense or benefit, and a corresponding liability or asset, as appropriate, will be recognised on other temporary differences arising in that period.

Some of these deferred tax liabilities will not crystallise. On disposal of a property, the deferred tax liability that does not crystallise in respect of that property will be reversed back to the Income Statement.

f. Asset Revaluation and Realisation Reserves

Under previous NZ FRS, the Group recorded changes in the valuation of investment properties in equity as an asset revaluation reserve. Under NZ IFRS, both upward and downward revaluations of investment properties are recognised directly in the Income Statement, which will flow through to Unit Holders' funds as Retained Earnings.

On transition to NZ IFRS, the asset revaluation and asset realisation reserves were transferred to retained earnings.

g. Retained Earnings

The effect of the opening NZ IFRS adjustments on retained earnings are as follows:

Increase/(Decrease) in Retained Earnings arising from opening NZ IFRS adjustments

	Note	1-Apr-06 \$000
Transfer of Asset Revaluation and Asset Realisation Reserves to Retained Earnings	f	330,327
Reversal of previously recognised disposal costs	a	8,932
Recognition of previously capitalised revenues and costs	a	(10,364)
Recognition of deferred tax on investment property revaluations	e	(94,269)
Recognition of deferred tax on accumulated depreciation	e	(62,190)
Recognition of deferred tax on other temporary differences	e	(20,910)
		<u>151,526</u>

The information contained in this report is based on consolidated results. The abridged interim financial statements attached to this report have been extracted from the unaudited interim financial statements for the six month period ended 30 September 2007.

As these results have been prepared under NZ IFRS, there have been several changes to the Trust's accounting policies.

The significant accounting policies adopted by the Group as amended under NZ IFRS are set out below and have been consistently applied throughout the period and in preparing an opening NZ IFRS Balance Sheet as at 1 April 2006 and comparative financial information for the purpose of the transition to NZ IFRS.

Significant policies include: -

Financial instruments

i. Non-derivative financial instruments

Non-derivative financial instruments comprise cash and cash equivalents, trade and other receivables, other investments, amounts due from related parties, trade and other payables and secured bank loans. Secured bank loans are initially measured at the fair value of funds received, less directly attributable transaction costs, and subsequently measured at amortised cost using the effective interest rate method. Under this method, fees, costs, discounts and premiums are spread over the expected life of the loans.

ii. Derivative financial instruments

The Group is exposed to changes in interest rates and uses interest rate derivatives to mitigate these risks.

Such derivative instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently re-measured to fair value each balance date. Derivatives are carried as assets when their fair value is positive and as liabilities when their fair value is negative. Gains or losses arising from changes in fair value are recognised in the Income Statement.

iii. Mandatory convertible notes (MCNs)

Treatment for the period 1 April 2006 to 28 March 2007 (prior to amendments to the Trust Deed regarding Units)

MCNs containing an option component are recognised initially at fair value, including any directly attributable transaction costs. Subsequent to initial recognition, the instruments, including both the liability and the option component, are recognised at fair value with any change in fair value recognised immediately in the Income Statement, then transferred within equity to the mandatory convertible note revaluation reserve. The fair value of the MCNs is calculated with reference to their quoted bid price at balance sheet date.

Treatment subsequent to 28 March 2007 (subsequent to amendments to the Trust Deed regarding Units)

MCNs are accounted for as compound financial instruments. The equity value, representing the value of the option component of the instrument at 28 March 2007, was transferred from liabilities to equity in the mandatory convertible note revaluation reserve. The equity component was calculated as the excess of the fair value of the total instrument at 28 March 2007 less the debt component which was determined as the present value of the future interest and principal repayments, discounted at the market rate of interest applicable to similar debt instruments that do not have a conversion feature.

Subsequent to the Units reverting to equity, the debt component is held at amortised cost. The interest expense is initially recognised in the Income Statement using the effective interest rate method, then transferred within equity to the mandatory convertible note revaluation reserve, reducing it to nil by the date that the MCNs convert. The equity component is not re-measured. On conversion, the balance of the liability will be converted into Units in the Trust.

iv. Units

Units are recognised at the fair value of the consideration received by the Trust. Costs relating to the issue of new units have been charged against units on issue.

Investment properties

Investment properties are initially brought to account at cost, plus related costs of acquisition.

After initial recognition, investment properties are stated at fair value as determined by registered valuers. Investment properties are valued annually and may not be valued by the same valuer for more than two consecutive years. In determining the fair value, the expected net cash flows are discounted to their present value using a market determined risk adjusted rate.

Any gains or losses from changes in the fair value of investment properties are included in the Income Statement in the reporting period in which they arise.

Subsequent expenditure is charged to the asset's carrying amount only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably.

The net gain or loss on disposal of assets is calculated as the difference between the carrying amount of the investment property at the time of the disposal and the proceeds on disposal and is included in the Income Statement in the reporting period in which the disposal occurred.

Property that is being constructed or developed for future use as investment property is classified as investment properties under development and stated at cost until construction or development is complete, at

which time it is reclassified and subsequently accounted for as investment property. At the date of transfer, the difference between fair value and cost is recorded in the Income Statement.

All costs directly associated with the purchase and construction of a property, and all subsequent capital expenditures for the development qualifying as acquisition costs, are capitalised.

Borrowing costs are capitalised if they are directly attributable to the acquisition or construction of an asset. Capitalisation of borrowing costs commences when the activities to prepare the asset are in progress and expenditures and borrowing costs are being incurred. The capitalisation of borrowing costs will cease, or will cease in relation to a completed stage, when substantially all the activities necessary to prepare it for its intended use, or necessary to prepare that part for its intended use, are completed.

Revenue

Revenue is recognised to the extent that it is probable that future economic benefits will flow to the Trust and the amount can be measured reliably. Rental income from investment properties, including fixed rental increases, are recognised in the Income Statement on a straight line basis over the lease or over the period until the next market review date. Contingent rentals are recognised as income in the reporting period in which they are earned.

Income tax

Income tax on the profit or loss for the year comprises current and deferred tax. Income tax expense is recognised in the Income Statement except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred income tax is provided, using the liability method, on all temporary differences at the balance date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. Deferred income tax liabilities are recognised for all taxable temporary differences. Deferred income tax assets are recognised for all deductible temporary differences, carry forward of unused tax assets and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry-forward of unused tax assets and unused tax losses can be utilised.

The carrying amount of deferred tax assets is reviewed at each balance date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilised.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at balance date.

Goods and Services Tax

The financial information has been prepared on a Goods and Services Tax exclusive basis, with the exception of receivables and payables which are inclusive of Goods and Services Tax.

Accountants' Report	
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A copy of the Accountants' Report on the Trust's financial statements is attached.

Dividend Reinvestment Scheme	
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The interim dividend which is payable on 14 December 2007 is eligible for reinvestment in accordance with the terms of the Trust's Dividend Reinvestment Scheme. Unit Holders may elect to apply all or a specified part of the net dividend payable to them towards subscribing for new fully paid units in the Trust. The strike price for reinvestment will be determined by reference to the weighted average of the prices at which units in the Trust are traded at through the New Zealand Stock Exchange during the period 3 December 2007 to 7 December 2007 inclusive. Unit Holders who wish to participate in the Scheme and who have not previously elected to participate, should notify the Registrar, Link Market Services Limited, PO Box 384, Ashburton, New Zealand, phone +64 3 308 8887 or toll free on 0800 377 388 and request the brochure containing the Terms of the Dividend Reinvestment Scheme and complete an Election Notice. Notices must be received by the Registrar prior to the close of business on 30 November 2007.

ENDS

For further information please contact

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About Kiwi Income Property Trust

Kiwi Income Property Trust’s objective is to optimise returns for its Unit Holders through the careful acquisition, development and professional management of its property portfolio. The Trust is listed on the New Zealand Stock Exchange and is ranked within the top 15 on the NZX 50 Index, and is a member of the NZX 10 Index.

The total value of the Trust’s assets is \$2.0 billion. Key assets include:

Key Office Assets

Vero Centre	Auckland
National Bank Centre	Auckland
21 Pitt Street	Auckland
Majestic Centre	Wellington
Unisys House	Wellington
BP House	Wellington
Vector Building	Wellington
PricewaterhouseCoopers Centre	Christchurch

Key Retail Assets

Sylvia Park Shopping Centre	Auckland
Northlands Shopping Centre	Christchurch
Centre Place Shopping Centre	Hamilton
Downtown Plaza Shopping Centre	Hamilton
North City Shopping Centre	Porirua
The Plaza Shopping Centre	Palmerston North

Kiwi Income Property Trust’s website address is www.kipt.co.nz

Accountants' Report

To the Unit Holders of Kiwi Income Property Trust

We have reviewed the interim financial statements (financial statements) on pages 1 to 11. 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 2007 and its financial position as at that date. This information is stated in accordance with the accounting policies set out on pages 5 and 6.

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 2007 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 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 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 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 2007 in accordance with the Review Engagement Standards issued by the New Zealand Institute of Chartered Accountants.

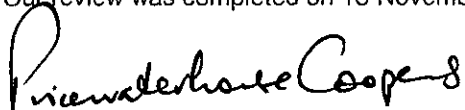
Our firm has tenancy relationships with the Group on normal terms within the ordinary course of trading activities. We have no further relationship with or interests in Kiwi Income Property Trust or its subsidiaries other than in our capacity as accountants conducting this review, auditors under the Companies Act 1993 and accounting advisors.

Review opinion

We have reviewed the financial performance and cash flows of the Group for the six months ended 30 September 2007 and its financial position as at that date.

Based on our review nothing has come to our attention that causes us to believe that the financial statements do not present fairly the financial position of the Group as at 30 September 2007 and its financial performance and cash flows for the six months ended on that date in accordance with both International Accounting Standard 34 and New Zealand Equivalent to International Accounting Standard 34, Interim Financial Reporting and International Financial Reporting Standard 1 and New Zealand Equivalent to International Financial Reporting Standard 1, First-time Adoption of International Financial Reporting Standards.

Our review was completed on 13 November 2007 and our review opinion is expressed as at that date.



Chartered Accountants

Auckland