

NZX RELEASE

11 November 2013

Kiwi Income Property Trust – Internalisation Recommendation

Subject to Unit Holder approval, the Independent Directors of Kiwi Income Properties Limited, the Manager of Kiwi Income Property Trust, and Commonwealth Bank of Australia (“CBA”) have reached agreement to internalise the management of Kiwi Income Property Trust (“Trust”) for a net payment of approximately \$70.6 million.¹

Mark Ford, Independent Director and Chairman, said: “The Independent Directors provide their unanimous support to the internalisation proposal. We firmly believe it is in the best interests of Unit Holders.”

Internalisation of management is expected to result in pre-tax net expenditure savings of approximately \$8 million per annum (after funding costs)². It will remove the need to fund the current Manager’s base remuneration and performance fees, realising significant on-going future savings.

Based on 31 March 2013 financial information, the net payment equates to a revenue multiple of approximately 2.8x and an earnings before interest and tax (EBIT) multiple of approximately 6.6x. These multiples are in line with New Zealand comparable transactions.

Further, if approved by Unit Holders, the internalisation will:

- establish a New Manager which will be controlled by Unit Holders;
- enable the smooth transition of management and staff, and the retention of management capability, institutional knowledge, systems and business infrastructure;
- lead to all Directors being appointed at the direction of Unit Holders;
- remove the option of CBA selling its fund and property management rights in the Trust to a third party;

¹ All amounts described in this announcement are excluding GST (if any).

² Based on 31 March 2013 financial information as a guide and excluding the impact of the Manager’s performance fee (including any performance fees payable would increase the expenditure savings).

- provide an expected increase in profit before tax equivalent to approximately 0.81 cents per unit as a result of the net expenditure savings to the Trust, based on 31 March 2013 financial information; and
- provide further alignment of interests between management and Unit Holders, with the New Manager to operate on a break-even basis.

Financial consideration, financed by the Trust through existing debt facilities, would involve a net payment of approximately \$70.6 million to CBA resulting from:

- a Termination Payment of \$72.5 million to CBA for the relinquishment of its fund and property management arrangements; and
- the acquisition by the New Manager of the business assets of Kiwi Income Properties Limited ("Manager") and Kiwi Property Management Limited ("Property Manager") for approximately \$0.65 million reduced by the assumption of approximately \$2.6 million of employee liabilities of the Manager and Property Manager.

The Termination Payment of \$72.5 million should be deductible for tax purposes meaning that the net cost of the internalisation should equate to approximately \$50.3 million.

The Trust otherwise continues as a trust established under the Unit Trusts Act, with a corporatisation proposal to be put forward to Unit Holders in due course.

Unit Holders will be invited to vote upon the recommendation to internalise management at a special meeting which has been scheduled for 12 December 2013.

A Notice of Special Meeting, including an Explanatory Memorandum and an Independent Appraisal Report from Deloitte, is expected to be released to NZX on or about 20 November 2013 and sent to Unit Holders around 26 November 2013.

ENDS

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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 15 Index.

The total value of the Trust's property portfolio is \$2.1 billion. Assets include:

Key Retail Assets

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

Key Office Assets

Vero Centre	Auckland
ASB North Wharf	Auckland
205 Queen	Auckland
The Majestic Centre	Wellington
Unisys House	Wellington
44 The Terrace	Wellington

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