



NZX & MEDIA RELEASE

16 June 2010

KIP MCN Conversion, Tax Changes and Distribution Guidance

Kiwi Income Properties Limited, as Manager of Kiwi Income Property Trust, wishes to advise of: the registration of a Memorandum of Amendments to the combined Investment Statement and Prospectus dated 31 May 2005 that relates to the 8% Mandatory Convertible Notes issued in 2005; the implications of the recent changes in tax legislation; and distribution guidance for the year ending 31 March 2011.

Memorandum of Amendments to the 2005 MCN Offer Document

In compliance with the Securities Act 1978, the combined Investment Statement and Prospectus dated 31 May 2005 (Offer Document) that relates to the 8% Mandatory Convertible Notes issued in 2005 was amended by a Memorandum of Amendments dated 16 June 2010.

Sections of the Offer Document containing information about the Trust were amended to comply with the Securities Act 1978.

A copy of the Memorandum of Amendments along with the amended Offer Document is available on the Trust's website, www.kipt.co.nz or may be obtained upon request from the Manager of the Trust.

Implications of the recent changes in tax legislation

On 20 May 2010, the New Zealand Government announced a number of tax changes and these were officially introduced in the Taxation (Budget Measures) Act 2010.

The changes that will directly impact the Trust include:

- a reduction in the depreciation rate applicable to 'building structures' to 0%, with effect from 1 April 2011;

- removal of depreciation loading for assets acquired after 20 May 2010 (under the current rules depreciation loading increases the depreciation rate by 20% for qualifying assets, such as certain plant and equipment); and
- a reduction in the Portfolio Investment Entity (PIE) tax rate applicable to the Trust from 30% to 28%, with effect from 1 April 2011.

The net result of these changes will be an increase in the Trust's effective tax rate, and ultimately a decrease in income available for distribution. Based on available information, this decrease has been assessed at approximately 5% for the Trust in the first full year (being the year ending 31 March 2012) and diminishing thereafter. It should be noted that the tax changes announced are expected to have no impact on distributable profit for the year ending 31 March 2011.

The change in the depreciation rate applicable to 'building structures' will also result in a reduction in the tax book value of items classified as 'building structure' to nil for financial reporting purposes because future tax deductions will no longer be available from the financial year commencing 1 April 2011. Consequently, this will increase the deferred tax liability recorded by the Trust in respect of depreciation, with a corresponding increase in income tax expense. This accounting treatment is required under International Financial Reporting Standards and is a result of the fact that the Trust will no longer be entitled to depreciate its buildings. Based on available information, the Manager of the Trust has estimated the potential impact of this change is to increase the deferred tax liability by \$132 million.

The reduction in the Trust's tax rate from 30% to 28% will also affect deferred tax balances recorded by the Trust. The estimated effect on balances recorded by the Trust at 31 March 2010 is a reduction in net deferred tax liabilities of \$11 million with a corresponding decrease in income tax expense.

The net effect of these deferred tax adjustments is an estimated \$121 million increase in net deferred tax liabilities and income tax expense, resulting in a reduction in both profit after income tax and Unit Holders' funds. These adjustments will be reflected in the Trust's Interim Financial Statements for the six month period ending 30 September 2010. These deferred tax adjustments will not affect distributions to Unit Holders.

The Government also announced that it would undertake a review of the definition of 'building structures' for tax purposes. Due to the uncertainty regarding the outcome of this review, the impact on the Trust is not currently quantifiable.

Chris Gudgeon, Chief Executive of the Manager of the Trust, said "It is disappointing to note the New Zealand Government's decision to effectively target tax increases at investors in property trusts listed on the New Zealand Stock Exchange. Many of our 11,000 Unit Holders are retirees supplementing their income in retirement and people saving for retirement through Kiwisaver schemes. The result of this Government's actions has been a significant diminution of Unit Holder wealth across the whole listed property sector on the New Zealand Stock Exchange, due to its decision to not differentiate between residential rental property investors seeking tax-free capital gains and our investors who in contrast not only support New Zealand's capital markets but also pay significant tax through the Trust on rental income."

Distribution guidance

Sean Wareing, Chairman of the Manager of the Trust, said "While we remain cautious in the current economic environment, based upon the outlook for the Trust, and subject to economic conditions, we are projecting a cash distribution for the year ending 31 March 2011 of approximately 7.00 cents per unit."

At the current unit price of \$0.92, the projected cash distribution represents an after tax return of approximately 7.6% pa (equivalent to an 11.4% pa pre-tax return for 33% tax payers).

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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 property portfolio is \$1.85 billion. Assets include:

Key retail assets

Sylvia Park 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
National Bank Centre	Auckland
21 Pitt Street	Auckland
The Majestic Centre	Wellington
Unisys House	Wellington
44 The Terrace	Wellington
50 The Terrace	Wellington
PricewaterhouseCoopers Centre	Christchurch

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