

# A tangible investment.

SIMPLIFIED DISCLOSURE PROSPECTUS  
FOR AN OFFER OF FIXED RATE SENIOR  
SECURED BONDS



ARRANGER AND JOINT LEAD MANAGER

JOINT LEAD MANAGERS

**DeutscheCRAIGS**

**bnz**

**FORSYTH BARR**

This is a simplified disclosure prospectus for an offer of fixed rate senior secured bonds that rank in priority to the units in Kiwi Income Property Trust (KIP) that are listed on the NZX Main Board and in priority to the unsecured mandatory convertible notes in KIP that are also listed on the NZX Main Board.

# Important information

## SIMPLIFIED DISCLOSURE PROSPECTUS

This Prospectus is a prospectus for an offer (**Offer**) by Kiwi Property Management Limited in its capacity as manager of KIP (**Issuer**) of seven-year fixed rate senior secured bonds (**Bonds**). KIP is a unit trust registered under the Unit Trusts Act 1960.

The Issuer's obligations in respect of the Bonds will be guaranteed by New Zealand Permanent Trustees Limited in its capacity as trustee of KIP (**Trustee**) and KIP's two property holding subsidiaries, Kiwi Property Holdings Limited (**KPHL**) and Sylvia Park Business Centre Limited (**SPBCL**) (together the **Guarantors**). These Guarantors have granted security over all of their assets pursuant to a general security agreement in favour of the Security Trustee.<sup>1</sup> The Security Trustee holds the benefit of that security for the Bond Holders as well as KIP's Bank Lenders and Hedging Providers. The Bonds rank in priority to the units in KIP (**Units**) and the existing unsecured mandatory convertible notes in KIP issued in 2009 (**MCNs**), both of which are listed on the NZX Main Board. The **Group**, when referred to in this Prospectus, means KIP and its controlled entities (comprising KPHL, SPBCL and the Issuer).<sup>2</sup>

Under the Offer, the Issuer will offer \$100 million of Bonds, with the option to accept \$25 million of oversubscriptions at the Issuer's discretion.

As issuer of the Units and the MCNs, the Issuer is subject to continuous disclosure obligations that require it to notify certain material matters to NZX Limited (**NZX**) for the purpose of that information being made available to participants in the NZX Main Board. A list of NZX announcements that are material to the Offer is set out on page 33.

As a result of the Securities Act (Kiwi Income Property Trust) Exemption Notice 2014 (**Exemption Notice**) granted under the Securities Act, this Prospectus contains information similar to that which would be provided in a simplified disclosure prospectus (modified as necessary, given that the Bonds are debt securities offered for the purposes of a unit trust).

The management of KIP was internalised pursuant to a transaction that was approved by Unit Holders in December 2013. As previously announced via [nzx.com](http://nzx.com), the Issuer expects to

put a proposal to Unit Holders later this year for the corporatisation of KIP. If the corporatisation is implemented in the manner currently anticipated, the Bonds will (following corporatisation) be debt obligations of the Listed Parent Company of the Group. Further details concerning the proposed corporatisation is set out on page 11.

### Please consider carefully an investment in the Bonds

This Prospectus does not take account of your personal circumstances, financial position or investment requirements. It is important that before making any investment decision, you consider carefully the suitability of an investment in the Bonds in light of your individual risk profile for investments, personal circumstances and investment objectives.

If you are in any doubt as to how to deal with this document, please contact an authorised financial adviser.

### REGISTRATION

This Prospectus is prepared as at, and dated, 1 July 2014. A copy of this Prospectus signed by or on behalf of the directors of the Issuer (pursuant to the Exemption Notice), and having endorsed or attached the documents required by section 41 of the Securities Act, has been delivered to the Registrar of Financial Service Providers at Auckland for registration under section 42 of the Securities Act.

The documents required to be endorsed or attached to this Prospectus are:

- (a) the signing authorities for agents of the directors of the Issuer;
- (b) the Bond Trustee's statement set out on page 35;
- (c) copies of the NZX announcements referred to on page 33; and
- (d) the consents of the Valuers referred to under the heading "Details of the Valuers" on page 25 as experts to the statements of property valuations appearing in this Prospectus.

1 The guarantee obligations of the Guarantors are not limited, but recourse to the Trustee in respect of the Guarantee is limited to the assets of KIP.

2 It is currently expected that, after corporatisation, the **Group** will comprise the Listed Parent Company and its subsidiaries. Further details concerning the proposed corporatisation are set out on page 11.



## DEFINITIONS

Capitalised terms used in this Prospectus have defined meanings, which appear in the Glossary beginning on page 37, or in the relevant part of this Prospectus. All references to \$ are to New Zealand dollars unless otherwise specified and all references to pages are to pages in this Prospectus.

All legislation referred to in this Prospectus may be viewed online at [legislation.govt.nz](http://legislation.govt.nz).

## SELLING RESTRICTIONS

This Prospectus only constitutes an offer of Bonds in New Zealand. The Issuer has not and will not take any action which would permit a public offering of Bonds, or possession or distribution of any offering material in respect of the Bonds, in any country or jurisdiction where action for that purpose is required (other than New Zealand). The Bonds may only be offered for sale or sold in a jurisdiction other than New Zealand with the written consent of the Issuer and in compliance with all applicable laws and regulations in any jurisdiction in which they are offered, sold or delivered. Any information memorandum, prospectus, circular, advertisement or other offering material in respect of the Bonds may only be published, delivered or distributed in or from any country or jurisdiction under circumstances which will result in compliance with all applicable laws and regulations.

By subscribing for Bonds, you indemnify the Trustee, Issuer, Arranger, Joint Lead Managers, Organising Participant, Security Trustee and Bond Trustee in respect of any loss incurred as a result of you breaching the above selling restrictions.

This Prospectus does not constitute a recommendation by the Arranger, Joint Lead Managers, Organising Participant, Trustee, Security Trustee, Bond Trustee or any of their respective directors, officers, employees, agents or advisers to subscribe for, or purchase, any Bonds.

The Arranger, Joint Lead Managers, Organising Participant, Trustee, Bond Trustee, Security Trustee, their directors, officers, employees, agents or advisers to the extent allowable by law:

- (a) do not accept any responsibility or liability whatsoever for any loss arising from this Prospectus or its contents or otherwise arising in connection with the Offer; and

- (b) have not independently verified the information contained in this Prospectus and make no representation or warranty, express or implied, and do not accept any responsibility or liability for, the origin, validity, accuracy or completeness of, or any errors or omissions in, any information, statement or opinion contained in this Prospectus.

## NZX APPROVAL AND WAIVER

Listing Rule 11.1.1 provides that no restriction may be imposed on the ability of a security holder to transfer their securities (subject to registration of a properly completed transfer). NZX has approved provisions in the Bond Trust Documents that enable the Issuer to decline to accept or register a transfer of Bonds if the transfer would result in the transferor or the transferee holding or continuing to hold Bonds with a Principal Amount of less than \$5,000 (if not zero) or if the transfer is not in multiples of \$1,000.

Listing Rule 9.2.1 provides that an issuer shall not enter into a material transaction if a related party is or is likely to become a direct or indirect party to that material transaction. NZX has provided a waiver from Listing Rule 9.2.1 to enable related parties of KIP (such as the Issuer, KPHL or SPBCL) to enter into the Bond Trust Documents and associated guarantee and security arrangements as part of a series of transactions in relation to the Offer (which may be a “material transaction” for the purposes of the Listing Rules).

## CONSIDERATION PERIOD

Pursuant to section 43D of the Securities Act, the Issuer is unable to allot any Bonds or accept any applications or subscriptions for Bonds during the Financial Markets Authority consideration period. The consideration period commences on the date this Prospectus is registered and ends at the close of five working days after the date of registration. The Financial Markets Authority may extend the consideration period by no more than five additional working days. On the basis of the timeframe set out under the heading “Timetable for the Offer” on page 9, the consideration period will commence on 1 July 2014 and will cease at the close of 8 July 2014.

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ASB North Wharf, Auckland

# Chairman's letter



Dear Investor

On behalf of the Board of the Issuer, Kiwi Property Management Limited, I have the pleasure of presenting you with this opportunity to subscribe for seven-year fixed rate senior secured bonds of Kiwi Income Property Trust (**KIP**).

KIP is New Zealand's largest listed property trust,<sup>1</sup> with \$2.1 billion<sup>2</sup> invested in a diversified high-quality portfolio of property assets located throughout New Zealand. Our portfolio includes some of New Zealand's best retail and office properties including the iconic ASB North Wharf office complex at Wynyard Quarter, the premium-grade Vero Centre office tower and the landmark Sylvia Park Shopping Centre. Over two decades, we have built a reputation for delivering long-term sustainable returns, driven by our active asset management approach and supported by prudent financial management and robust corporate governance.

As at 31 March 2014, our property portfolio enjoyed near-full portfolio occupancy of 97.2% and a sound weighted average lease term (**WALT**) of 4.7 years.<sup>2</sup> Our lease expiry profile is well balanced with less than 12% of total portfolio income expiring on average in each of the next seven financial years, contributing to the stability of our long-term rental cash flows. As part of our active asset management approach, we focus on maximising lease terms and occupancy of our properties, demonstrated most recently by two significant 18-year lease agreements secured for ASB North Wharf in Auckland and 56 The Terrace in Wellington. To enhance the predictability of income levels, approximately 90% of our retail leases and approximately 50% of our office leases are subject to fixed and CPI-based rental increases. Underlying operating earnings continue to benefit from the quality of our assets, diversified across both retail and office properties, and our broad base of high-quality tenants.

We are seeking to raise \$100 million through this Offer, with the ability to accept oversubscriptions of up to \$25 million, with the proceeds to be used for general corporate purposes including the repayment of bank debt. The Offer is consistent

with our strategy of maintaining a strong balance sheet with conservative borrowing levels and will provide a number of benefits including extending the weighted average duration of our funding base and diversifying the sources of our funding.

The Bond terms require the level of Finance Debt for the Group to be maintained at no more than 45% of the Group's Total Tangible Assets. As at 31 March 2014 we were well under this at 35.5% and, as at the date of this Prospectus, this figure has not materially changed.<sup>3</sup>

The Bonds will be guaranteed by KIP's property holding subsidiaries and will receive the benefit of security granted by those subsidiaries and the Trustee over all of their assets.<sup>4</sup> The security is held by Public Trust, as Security Trustee for the Bond Holders, the Group's Bank Lenders and Hedging Providers.

The Offer of Bonds is an opportunity for you to invest in KIP through a security that provides semi-annual payments at a fixed interest rate. The interest rate for the Bonds is expected to be announced via [nzx.com](http://nzx.com) on 10 July 2014.

To ensure that an investment in the Bonds meets your needs, you should read carefully this Prospectus. If you have any questions or if you are interested in investing in the Bonds, please contact your usual authorised financial adviser.

On behalf of the Board, I welcome your participation in this Offer.

Yours sincerely

**MARK FORD**  
CHAIRMAN

Kiwi Property Management Limited  
Manager of Kiwi Income Property Trust

1 By total asset value, as shown in the audited 31 March 2014 statement of financial position (the total assets of KIP as at that date were \$2.2 billion).  
2 The property statistics and valuations are based on KIP's portfolio as at 31 March 2014, adjusted for the sale of KIP's remaining 50% interest in 205 Queen, Auckland, which settled on 3 June 2014.

3 Please see page 31 under the heading "Gearing Covenant" for further information on the gearing restrictions in the Bond terms and page 14 under the heading "Portfolio summary" for further information on KIP's key properties.  
4 The guarantee obligations of the Guarantors are not limited, but recourse to the Trustee in respect of the Guarantee is limited to the assets of KIP.



# Key information

## ISSUER

Kiwi Property Management Limited, in its capacity as manager of KIP.

At completion of the proposed corporatisation of KIP, the Issuer is expected to be the Listed Parent Company of the Group. The proposed corporatisation is described further under the heading "About Kiwi Income Property Trust" on page 10.

## DESCRIPTION

The Bonds are seven-year fixed rate senior secured bonds of the Issuer. This means that:

- the Bonds must be repaid in seven years time (on 20 August 2021);
- as a Bond Holder, you will be paid a fixed rate of interest;
- the obligations in respect of the Bonds will rank equally with other senior secured obligations of the Group; and
- the Bonds are supported by a general security interest granted over all assets owned by the Guarantors.

The Issuer incurs all obligations in respect of the Bonds (including payment obligations) in its capacity as manager of KIP.

The Bonds are guaranteed by each Guarantor. The Guarantee and ranking of the Bonds is discussed further below.

## OFFER

Up to \$100 million of Bonds, with the ability to accept oversubscriptions of up to \$25 million at the Issuer's discretion.

## USE OF PROCEEDS

The proceeds of the Offer will be used by KIP for the general corporate purposes of the Group including the repayment of indebtedness under the Bank Facilities.

## MATURITY DATE

The Principal Amount of the Bonds will be repaid on 20 August 2021.

## FIXED INTEREST RATE

The Interest Rate applicable to the Bonds will be set and announced by the Issuer via [nzx.com](http://nzx.com) on the Rate Set Date. You should review the Interest Rate before making any investment.

## INTEREST PAYMENTS

Interest is payable on the Bonds in arrear on each Interest Payment Date, being 20 February and 20 August of each year up to and including the Maturity Date.

## FIRST INTEREST PAYMENT DATE

On the First Interest Payment Date (being 20 August 2014), each original subscriber will be paid an amount of interest calculated as if the Bonds had been issued on the date the subscriber's application moneys were banked.

## RIGHT TO REDEEM EARLY

You have no right to require that the Bonds be redeemed early except through the Bond Trustee in the case of an Event of Default, as described under the heading "Trustee's duties and powers" on page 31. The Issuer does not have the right to redeem the Bonds early.

## RIGHT TO SELL SECURITIES

You are entitled to sell your Bonds at any time, subject to the terms of the Bond Trust Documents and any applicable securities laws and regulations (including the Listing Rules), as further described on page 33 under the heading "Right to Sell Debt Securities".

## GEARING COVENANT

The Bond Trust Documents include a gearing covenant (**Gearing Covenant**) that requires consolidated Finance Debt of the Group not to exceed 45% of the Total Tangible Assets of the Group at all times.<sup>1</sup>

The ratio of consolidated Finance Debt of the Group to Total Tangible Assets of the Group is referred to as **Gearing** in this Prospectus.

As at 31 March 2014, the Total Tangible Assets of the Group were \$2,215.4 million, the consolidated Finance Debt of the Group was \$786.5 million and accordingly the Gearing was 35.5%. As at the date of this Prospectus, the Gearing has not materially changed.

Further details of the Finance Debt of the Group, and the Group's property portfolio and its value (which comprises the large majority of the Group's Total Tangible Assets), is set out on pages 18 under the heading "Gearing" and 14 under the heading "Portfolio summary".

## RANKING OF BONDS

The Bonds are senior secured bonds that will rank equally among themselves and equally with all other senior secured obligations of the Group. This means in a liquidation of KIP your rights and claims as a Bond Holder:

- will rank **after** the claims of creditors who are preferred by law (e.g. Inland Revenue in respect of unpaid tax);
- will rank **equally** with the other senior secured creditors which include, among others, the Bank Lenders, Hedging Providers and any new secured creditors to whom the benefit of the security is extended in the future; and

<sup>1</sup> Finance Debt, for the purposes of the Gearing Covenant, excludes any subordinated debt (including the MCNs) and any unrealised indebtedness or exposure in respect of a derivative contract before its close-out. Total Tangible Assets, for the purposes of the Gearing Covenant, excludes any unrealised amount owing under a derivative contract before its close-out.



- will rank in **priority** to the claims of (i) junior secured creditors (if any), (ii) unsecured creditors, (iii) subordinated creditors (if any) (being creditors who have agreed to accept a lower priority in respect of their claims in a liquidation and includes the holders of the MCNs),<sup>2</sup> and (iv) Unit Holders.

#### **GUARANTEE**

The Bonds are guaranteed by the Guarantors on a joint and several basis. The guarantee obligations of the Guarantors are not limited, but recourse to the Trustee in respect of the Guarantee is limited to the assets of KIP.

#### **SECURITY**

The Guarantors have granted security under a general security agreement in favour of the Security Trustee over all of their assets, including (as at the date of this Prospectus) all of the properties referred to in the table under the heading “Portfolio summary” on page 14.

The security includes:

- (a) a security interest over all personal property of each Guarantor;
- (b) a charge over the Group’s real property assets; and
- (c) an agreement to mortgage pursuant to which, following certain trigger events (including the occurrence of an Event of Default under the Bond Trust Documents), the Security Trustee can require a Guarantor to grant a registrable mortgage over some or all of its properties (that mortgage to be registered pursuant to the Land Transfer Act 1952).

The benefit of that security is held by the Security Trustee for all Beneficiaries (including the Bond Holders, the Bank Lenders, the Hedging Providers and any new beneficiaries in the future) on an equal ranking basis.

The Guarantors have also agreed, under the Security Trust Deed, to not create or allow to exist any other security interests over their assets other than certain permitted security interests (which include, among others, security interests securing finance debt that does not exceed 5% of the Group’s total tangible assets).<sup>3</sup>

The process by which the security would be enforced is set out on page 29 under the heading “Security sharing and enforcement”.

#### **FURTHER INDEBTEDNESS**

The Group may incur additional finance debt (including bank debt or debt in respect of new bonds) without your consent while the Bonds are outstanding. Restrictions on the incurrence of new debt are described on page 31 under the heading “Gearing Covenant”.

#### **CREDIT RATING**

KIP and the Bonds are unrated.

#### **RISKS**

The key risks associated with the Bonds are that:

- (a) the Group becomes insolvent for any reason or is otherwise unable to meet its obligations under the Bonds. The circumstances that may give rise to these risks include:
  - adverse changes in property market sentiment or conditions generally (or market sentiment or conditions that relate to the Group’s property portfolio specifically) which may impact the value of the Group’s assets and the amount of income those properties generate or the Group’s ability to acquire, manage or develop assets;
  - rental income and/or the market value of the Group’s property portfolio is materially reduced due to national or local economic conditions, the financial condition of the Group’s major customers, changes in leasing terms, unforeseen capital expenditure or the supply of new properties; and
  - KIP being unable to obtain necessary debt or equity funding to refinance existing debt and provide for future growth, or the cost of that funding increases materially;
- (b) you cannot redeem the Bonds except through the Bond Trustee in the case of an Event of Default. If you need to sell your Bonds, you may not be able to sell them, or sell them at a price which is favourable to you;
- (c) the proceeds received after the security is enforced are insufficient to enable all outstanding amounts on the Bonds to be repaid in full; and
- (d) the enforcement of the security over the Secured Property will not be controlled by the Bond Trustee acting on the instructions of the Bond Holders. Instead, that process is likely to be controlled by the Majority Beneficiaries (which is likely to be the Bank Lenders, as discussed in more detail on page 29 under the heading “Security sharing and enforcement”).

The risks in connection with the Bonds are discussed in detail in the “Risks” section beginning on page 22.

#### **ISSUE PRICE**

\$1.00 per Bond.

#### **MINIMUM APPLICATION AMOUNT**

\$5,000 and in multiples of \$1,000 thereafter.

<sup>2</sup> Under the terms of the Trust Deed, should KIP be wound up, the MCNs may, if declared by the Trustee (in its capacity as Trustee in respect of the MCNs) in its discretion, or if directed to declare by extraordinary resolution of MCN holders, be treated as having been converted into Units immediately prior to the commencement of the winding up and the principal outstanding is treated as irrevocably discharged and satisfied. In addition, payments of interest (including unpaid interest) due on the MCNs are subordinated on a winding up of KIP.

<sup>3</sup> For the purposes of this negative pledge restriction, “total tangible assets” means, on a relevant date, the total amount of all assets of the Group as disclosed in the latest financial statements as at that date, but excluding intangible assets.

### OFFER PROCESS

All Bonds, including any oversubscriptions, will be reserved for subscription by clients of the Joint Lead Managers, Primary Market Participants and other persons invited to participate in the distribution of the Bonds. There is no public pool.

Retail investors should contact their usual authorised financial adviser or any Primary Market Participant for details as to how they may acquire Bonds. You can find a Primary Market Participant by visiting [nzx.com/investing/find\\_a\\_participant](https://nzx.com/investing/find_a_participant).

### BROKERAGE

You are not required to pay brokerage to the Issuer for Bonds under this Offer.

### UNDERWRITING

The Offer is not underwritten.

### NZX DEBT MARKET QUOTATION AND TRADING YOUR BONDS

NZX Debt Market ticker code KIPO10 has been reserved for the Bonds.

Application has been made to NZX for permission to quote the Bonds on the NZX Debt Market and all the requirements of NZX relating thereto that can be complied with on or before the date of this Prospectus have been duly complied with. However, the Bonds have not yet been approved for quotation and NZX accepts no responsibility for any statement in this Prospectus.

NZX is a registered exchange and the NZX Debt Market is a registered market under the Securities Markets Act 1988.

Information on how to trade your Bonds is contained under the heading "Right to Sell Debt Securities" on page 33.

### BOND TRUSTEE

New Zealand Permanent Trustees Limited. The Bond Trustee's contact details are set out in the Directory on the inside back cover.



# Timetable for the Offer

Prospectus registered	1 July 2014
Rate Set Date	10 July 2014
Opening Date	11 July 2014
Closing Date	1 August 2014
Issue Date	6 August 2014
Expected date of quotation on the NZX Debt Market	7 August 2014
First Interest Payment Date	20 August 2014 to the original subscriber of the Bonds
Subsequent Interest Payment Dates	Each 20 February and 20 August to the Bond Holder as at each respective Record Date
Maturity Date	20 August 2021

The Issuer reserves the right to extend the Closing Date and to vary any of the other dates in relation to the Offer that are set out in the timetable.

Any change will be advised by announcement via [nzx.com](http://nzx.com).

# About Kiwi Income Property Trust

Vero Centre, Auckland



## **KIP is New Zealand's largest listed property trust,<sup>1</sup> with \$2.1 billion invested in a diversified high-quality portfolio of retail and office assets located throughout New Zealand.<sup>2</sup>**

KIP is a unit trust registered under the Unit Trusts Act 1960 and has been listed on the NZX Main Board since December 1993. Under the terms of the Trust Deed, Kiwi Property Management Limited is the manager of KIP and New Zealand Permanent Trustees Limited is the trustee.

### **Corporatisation**

The Issuer (in its capacity as manager of KIP) expects to put a proposal to Unit Holders, for their approval, later this year for the corporatisation of KIP.

Corporatisation refers to the process by which KIP would move from a trust to a corporate structure. KIP would reorganise as a listed company (governed by the Companies Act), rather than a unit trust, and the listed company would be the parent company of the Group (**Listed Parent Company**). It is currently expected that the Listed Parent Company will result from the amalgamation of the Issuer and a new company. Unit Holders would have their Units exchanged for shares in the Listed Parent Company and the Listed Parent Company would become the issuer of the Bonds.

It is anticipated that if corporatisation is approved by Unit Holders, the Bonds would become debt obligations of the Listed Parent Company, and continue to be governed by the Bond Trust Documents. KPHL and SPBCL would continue to be guarantors under the Global Security Deed following corporatisation (so the Guarantee would continue to apply in respect of the Bonds) and

the Listed Parent Company would become a Guarantor under the Global Security Deed on and from corporatisation.

Corporatisation is consistent with the process by which other listed property trusts have reorganised as listed companies over the past few years. The benefits include a streamlined corporate structure and cost savings.

KIP has obtained taxation and accounting advice in respect of the corporatisation. While the structure of the Group will change, the financial position of the Group should not materially change and the Bonds will continue to benefit from the Guarantee and security. As a result, corporatisation should not have a material effect on the Bond Holders and Bond Holders will not need to take any action in relation to corporatisation when it is put to Unit Holders. Announcements in relation to corporatisation will be made by the Issuer via [nzx.com](http://nzx.com).

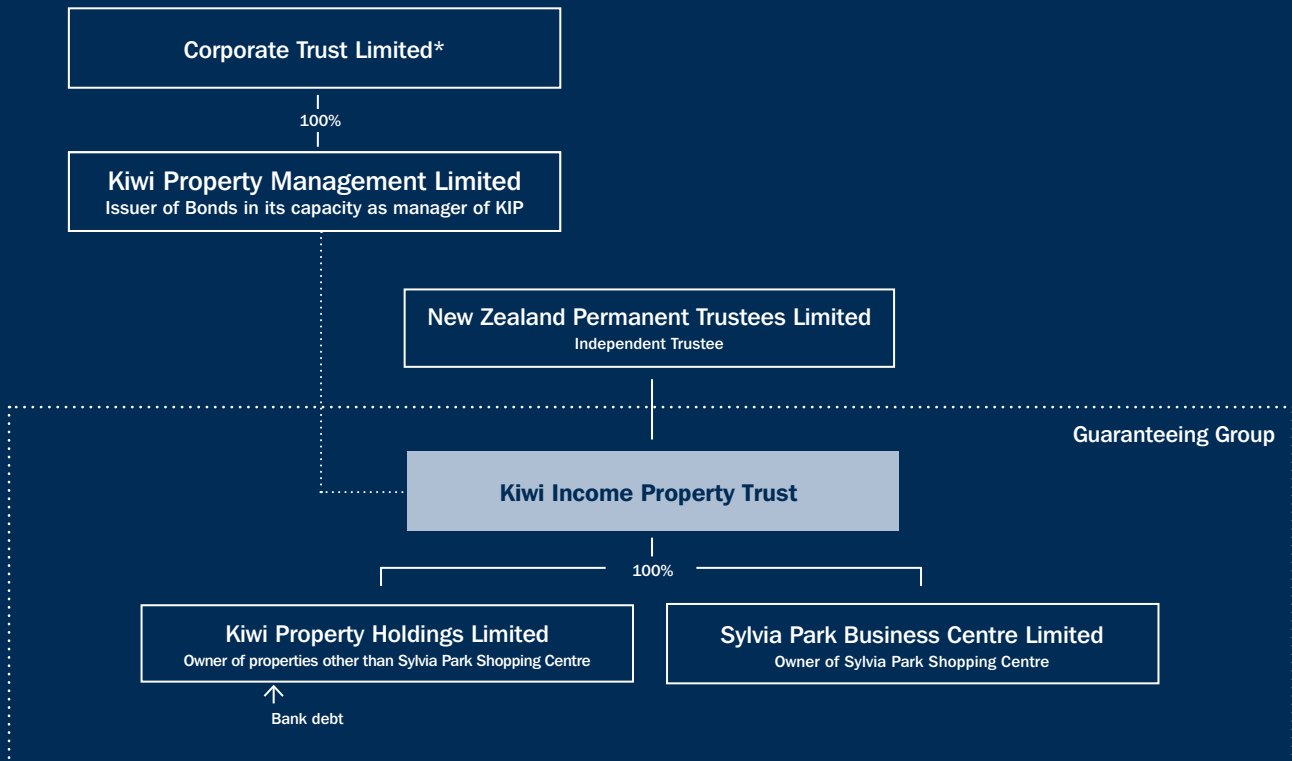
The current structure of the Group and the anticipated structure post corporatisation are set out on the following page.

<sup>1</sup> By total asset value, as shown in the audited 31 March 2014 statement of financial position (the total assets of KIP as at that date were \$2.2 billion).

<sup>2</sup> Based on valuations of KIP's portfolio as at 31 March 2014, adjusted for the sale of KIP's remaining 50% interest in 205 Queen, Auckland, which settled on 3 June 2014.

## About Kiwi Income Property Trust (continued)

### CURRENT STRUCTURE OF THE GROUP



### ANTICIPATED POST CORPORATISATION STRUCTURE OF THE GROUP



\* Corporate Trust Limited is not a Guarantor and does not guarantee the obligations of the Issuer in respect of the Bonds. The sole share of the Issuer is held by Corporate Trust Limited for the benefit of Unit Holders.

\*\* Resulting entity should the corporatisation of KIP be approved by Unit Holders and, as currently expected, following an amalgamation of Kiwi Property Management Limited and a newly incorporated company.

## INVESTMENT AND MANAGEMENT PHILOSOPHY

KIP's objectives are to optimise earnings and provide attractive long-term sustainable returns to investors through the strategic acquisition, intensive management and ongoing development of retail, office and industrial property assets.

These objectives are achieved by:

- investing in a high-quality diversified property portfolio throughout New Zealand, with a broad range of tenants and lease maturities;
- fostering long-term tenant relationships as a means of enhancing investment performance;
- adopting an active management philosophy encompassing asset and financial management, strategic investments, acquisitions and divestments and the judicious development of new and existing assets; and
- maintaining a strong balance sheet with conservative borrowing levels.

### Active management

KIP seeks to optimise earnings and capital growth through its hands-on active asset management approach, supported by strong tenant relationships and the application of best practice in all property management activities.

## Strategic acquisitions and divestments

KIP considers strategic acquisitions that have the potential to enhance investor returns and/or provide superior growth opportunities. Existing assets are continually reviewed to ensure they fit within KIP's investment criteria, and are divested if necessary. The recent sale of 205 Queen is consistent with this strategy of recycling capital to maintain balance sheet flexibility.

### Development activity

The ongoing refurbishment and/or redevelopment of KIP's existing assets, and the development of new assets, are a key part of KIP's strategy. KIP may also develop new assets where opportunities arise to enhance long-term sustainable returns to investors, acknowledging that it is often not possible or feasible to purchase these assets directly. KIP has proudly developed two of its flagship assets – Sylvia Park Shopping Centre and more recently ASB North Wharf, which won the Property Council of New Zealand Supreme Award 2014.

In late 2014, KIP will begin a refurbishment and expansion of its office building at 56 The Terrace (Unisys House) in Wellington to accommodate a new 18-year lease it has secured with the Crown. This project follows KIP's successful completion in 2013 of both the ASB North Wharf office complex at Wynyard Quarter in Auckland and the Centre Place Shopping Centre redevelopment in Hamilton.



Artists impression of 56 The Terrace, Wellington, following refurbishment

## About Kiwi Income Property Trust (continued)

### PORTFOLIO OVERVIEW<sup>1</sup>

#### Portfolio summary

PROPERTY / PORTFOLIO	LOCATION	OWNERSHIP [%]	VALUER <sup>2</sup>	CAPITALISATION RATE <sup>2</sup> [%]	VALUE <sup>2</sup> [\$000]	FY14 NET RENTAL INCOME [\$000]
Sylvia Park	Auckland	100	Colliers	6.50	564,000	35,299
LynnMall	Auckland	100	JLL	7.13	206,000	15,821
Northlands	Christchurch	100	JLL	7.75	205,322	16,506
The Plaza	Palmerston North	100	Colliers	7.25	196,000	14,370
Centre Place	Hamilton	100	Colliers	8.25	122,500	3,898
North City	Porirua	100	CBRE	8.25	96,400	7,693
<b>Total: Retail portfolio</b>				<b>7.17</b>	<b>1,390,222</b>	<b>93,587</b>
Vero Centre	Auckland	100	JLL	6.88	299,000	18,643
ASB North Wharf	Auckland	100	CBRE	6.88	162,200	9,758
The Majestic Centre	Wellington	100	CBRE	8.00	76,600	8,242
Unisys House	Wellington	100	Colliers	7.25 <sup>3</sup>	53,400	5,413
44 The Terrace	Wellington	100	Colliers	8.50	27,100	2,113
<b>Total: Office portfolio</b>				<b>7.13</b>	<b>618,300</b>	<b>44,169</b>
<b>TOTAL: INVESTMENT PORTFOLIO</b>				<b>7.16</b>	<b>2,008,522</b>	<b>137,756</b>
Adjoining properties	Various	100	Various		45,852	2,660
Development land	Auckland	100	Colliers		19,500	–
<b>Total: Other properties</b>					<b>65,352</b>	<b>2,660</b>
<b>TOTAL: PORTFOLIO</b>					<b>2,073,874</b>	<b>140,416</b>

1. The property statistics and valuations presented within this sub-section are all as at 31 March 2014 (as presented in KIP's most recent annual report for the year ended 31 March 2014), adjusted for the sale of KIP's remaining 50% interest in 205 Queen, Auckland, which occurred post balance date. This interest was sold for its 31 March 2014 independent valuation of \$56.3 million (before disposal costs) and settled on 3 June 2014.

2. Details of the Valuers and valuation methodology are included in the "Statutory information" section of this Prospectus on page 25. Information presented in these columns are extracted from the respective independent valuations as at 31 March 2014.

3. Unisys House capitalisation rate is the 'on completion' assessed rate.



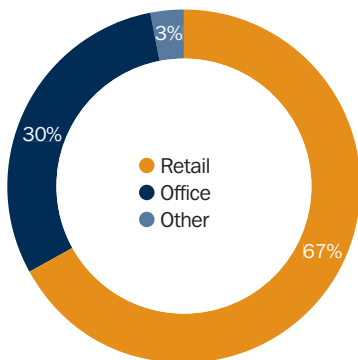


NET LETTABLE AREA [SQM]	WALT [YEARS]	OCCUPANCY [%]	TENANTS [NO.]	CARPARKS [NO.]	MAJOR TENANTS
71,185	3.6	99.6	209	4,002	The Warehouse, Hoyts Cinemas, PAK'nSAVE, Countdown, Whitcoulls, Dick Smith Electronics, JB Hi-Fi
32,220	3.6	100.0	130	1,412	Farmers, Countdown, Number One Shoes, JB Hi-Fi, Noel Leeming
41,497	3.6	100.0	124	1,870	Hoyts Cinemas, PAK'nSAVE, Farmers, Countdown, The Warehouse
32,281	3.5	100.0	114	1,251	Farmers, Kmart, Countdown, JB Hi-Fi
26,869	6.0	95.7	104	604	Farmers, METRO by Hoyts, Lido Cinemas
25,702	3.5	100.0	97	1,080	Kmart, Farmers, Reading Cinemas
<b>229,754</b>	<b>3.8</b>	<b>99.4</b>	<b>778</b>	<b>10,219</b>	
39,445	5.4	92.7	31	421	Russell McVeagh, Vero, Bell Gully, Asteron Life, Goldman Sachs
21,625	16.6	100.0	12	97	ASB Bank
24,507	4.2	86.9	18	251	Opus Consulting, Ernst & Young, NZ Trade & Enterprise, Cigna Life, Government of Japan, Airways Corporation
22,158	0.5	95.9	7	322	Ministry of Business Innovation and Employment, Unisys, Contact Energy
10,109	1.9	87.7	8	–	Commerce Commission, Tertiary Education Commission, Energy Efficiency and Conservation Authority
<b>117,844</b>	<b>6.8</b>	<b>93.0</b>	<b>76</b>	<b>1,091</b>	
<b>347,598</b>	<b>4.7</b>	<b>97.2</b>	<b>854</b>	<b>11,310</b>	

## About Kiwi Income Property Trust (continued)

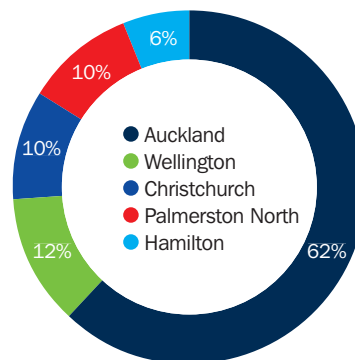
### Sector diversification (by property portfolio value)

KIP owns a high-quality diversified portfolio of retail and office assets. This diversification of KIP's portfolio is intended to reduce the volatility of income returns and enable greater consistency of income performance through property cycles.



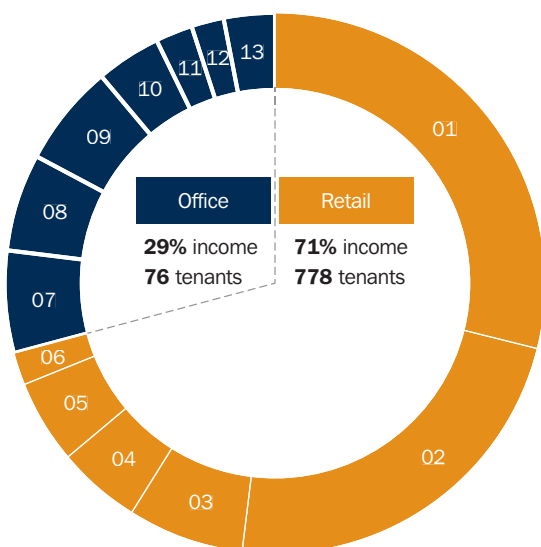
### Geographic diversification (by property portfolio value)

KIP's ownership of assets throughout New Zealand also diversifies its risk across major city and regional economies. Its geographic diversification reflects KIP's strategy of investing in New Zealand's main centres, with a bias to Auckland where over 60% of KIP's assets (by value) are located.



### Tenant diversification (by gross income)

KIP's income risk is spread across more than 850 tenants, including New Zealand, Australian and international specialty retail chains, supermarkets and department stores, government departments, legal and professional services firms, banks and insurance companies. KIP's top 20 tenants contribute 41% of the total portfolio's gross rental income, with the largest tenant contributing 7% of the total portfolio's gross rental income.



01.	New Zealand retail chains	29%
02.	Australian and international retail chains	23%
03.	Department and discount department stores	7%
04.	Supermarkets	5%
05.	Independents	5%
06.	Cinemas	2%
<b>Retail</b>		<b>71%</b>
07.	Banking	6%
08.	Legal	6%
09.	Government	6%
10.	Insurance	4%
11.	Financial services	2%
12.	Consultancy	2%
13.	Other	3%
<b>Office</b>		<b>29%</b>



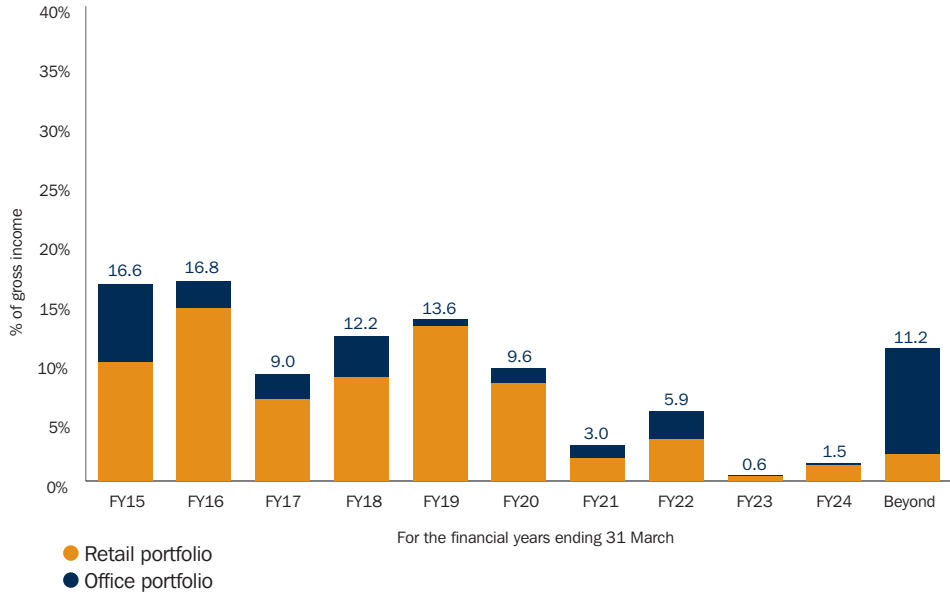
**Weighted average lease term (WALT) and occupancy**

KIP's portfolio occupancy was 97.2% and the WALT, a measure of the security of the Group's income, was 4.7 years. On completion of the refurbishment of Unisys House in Wellington and the commencement of the 18-year Government lease in August 2016, the office WALT will extend by 2.7 years and the portfolio WALT by 0.8 years, based on 31 March 2014 statistics.



**Lease expiry profile**

The lease expiry profile is well balanced, with less than 12% of total portfolio income expiring on average in each of the next seven financial years.



## About Kiwi Income Property Trust (continued)

### GEARING

KIP has sought consistently to maintain a strong financial position with conservative gearing. KIP believes that prudent levels of debt, combined with longer debt duration and diversity of debt sources should result in strong credit metrics, a lower cost of capital and better access to capital markets. This Offer has a number of advantages to the Group, including extending the weighted average duration of its funding base and diversifying its source of funding.

The table below sets out the consolidated total Finance Debt and Total Tangible Assets of the Group as at 31 March 2014. As at 31 March 2014, the Group's total Finance Debt of \$786.5 million represented 35.5% of the Total Tangible Assets of \$2,215.4 million.<sup>4</sup> As at the date of this Prospectus, the Gearing has not materially changed and the issue of the Bonds will not have a material effect on the Gearing.

Total Tangible Assets	\$m
Investment portfolio	2,064.8
Adjoining properties	45.9
Development land	19.5
Other tangible assets	85.2
<b>Total Tangible Assets</b>	<b>2,215.4</b>

Total Finance Debt	\$m
Bank debt	786.5
<b>Total Finance Debt</b>	<b>786.5</b>

After a recent refinancing, the Group has \$875 million of committed bank debt facilities under a senior facilities agreement involving ANZ Bank New Zealand Limited, Bank of New Zealand, Commonwealth Bank of Australia and Westpac New Zealand Limited.

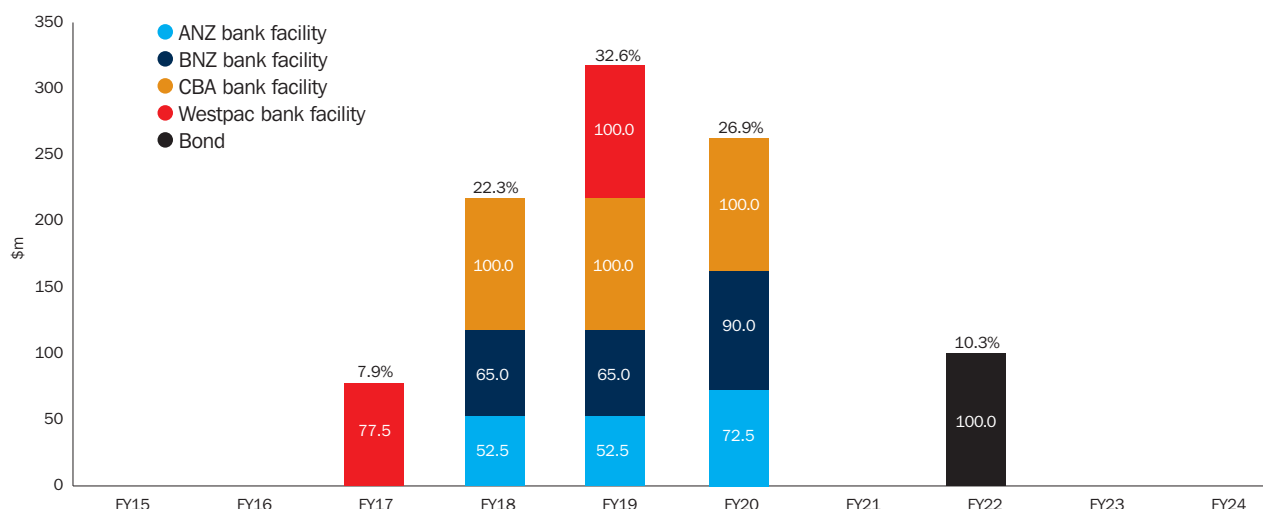
The Group's funding facilities and expiry profile as at 30 June 2014 are shown below (post the recent bank debt refinancing), assuming a \$100 million issue of Bonds. Following the issue of Bonds, some of the committed bank debt facilities may be cancelled.

The combined weighted average term to maturity for all facilities including the Bonds is 4.3 years, with no tranche of any facility expiring before August 2016 (being the 2017 financial year).

### INTEREST COVER

Although not a covenant in the Bond Trust Documents, the Bank Facilities include an interest cover ratio which is calculated as net rental income over net interest expense (net interest expense excludes interest on the MCNs). The Group's interest cover ratio calculated in accordance with the Bank Facilities as at 31 March 2014 was 3.09 times, well above the minimum threshold of 2.25 times.

### Committed debt facilities maturity profile<sup>5</sup>



<sup>4</sup> Finance Debt, for the purposes of the Gearing Covenant, excludes any subordinated debt (including the MCNs) and any unrealised indebtedness or exposure in respect of a derivative contract before its close-out. Total Tangible Assets, for the purposes of the Gearing Covenant, excludes any unrealised amount owing under a derivative contract before its close-out.

<sup>5</sup> Committed debt facilities includes drawn and undrawn facilities.



# Board of directors and executive team

## BOARD OF DIRECTORS

**Mark Ford**

ACA, FAICD (Dip),  
NSWIT Dip (Comm)

**Board membership**

Independent director –  
Chairman

**Other membership**

Member of the Audit  
and Risk Committee and  
Remuneration and  
Nominations Committee

**Date of appointment**

May 2011<sup>1</sup>

Mark is an Australia-based professional director. He holds the roles of non-executive chairman for Cbus Property Pty Limited, non-executive director of the manager for China Commercial Trust and non-executive director of The Bond Market Pty Limited. Mark also sits on the investment committee of Cbus Superannuation Fund. Mark's previous directorships include Comreality Limited, South East Asia Property Company (Chair), Property Council of Australia, Deutsche Asset Management Australia and Trafalgar Corporate Group Limited.

Prior to becoming a professional director, Mark was Managing Director, Head of DB Real Estate Australia, where he managed over A\$10 billion in property funds. He also oversaw the listing of two property trusts, the acquisition of the AXA Australia property business, the purchase of Paladin Limited and the merger of the Deutsche and Paladin Trusts. Mark was also a member of the global real estate executive committee for Deutsche Asset Management and RREEF.

Mark is a Chartered Accountant, a Fellow of the Australian Institute of Company Directors and a member of the Institute of Chartered Accountants in Australia. He holds a Diploma of Commerce (NSWIT) and a Company Directors Diploma. Mark lives in Sydney, Australia.

**Richard Didsbury<sup>2</sup>**

BE

**Board membership**

Independent director

**Other membership**

Chairman of the  
Remuneration and  
Nominations Committee

**Date of appointment**

July 1992<sup>1</sup>

Richard was a joint founder and Managing Director of the former manager of KIP. After completing his Bachelor of Engineering at the University of Auckland, his career evolved with Lend Lease and other New Zealand-based property companies.

Richard is now enjoying the opportunity to contribute to a variety of public initiatives such as serving as chairman of the Committee for Auckland. He is also on the boards of Auckland International Airport Limited, SkyCity Entertainment Group Limited and Hobsonville Land Company Limited. Richard lives in Matakana, New Zealand.

**Joanna Perry**

MNZM, MA (Cantab),  
FCA

**Board membership**

Independent director

**Other membership**

Chairman of the Audit  
and Risk Committee

**Date of appointment**

October 2006<sup>1</sup>

Joanna is Deputy Chair of Genesis Energy Limited and her other governance appointments include Trade Me Group Limited, The Co-operative Bank, Partners Life Limited, Tainui Group Holdings Limited, Sport New Zealand and Rowing New Zealand. She assumed the Chairmanship of the International Financial Reporting Standards Advisory Council on 1 April 2014 and is the Chairman of the Investment Advisory Panel of the Primary Growth Partnership.

She was previously a KPMG partner, chair of the Financial Reporting Standards Board, member of the Australian Accounting Standards Board and a member of the Securities Commission. She is a member of the New Zealand Order of Merit. Joanna lives in Auckland, New Zealand.

**Mike Steur**

DIP VAL, FRICS, FPINZ,  
FAPI, MAICD

**Board membership**

Independent director

**Other membership**

Member of the Audit  
and Risk Committee  
and Remuneration and  
Nominations Committee

**Date of appointment**

January 2010<sup>1</sup>

Mike was a founding director of Richard Ellis (later CBRE) in New Zealand in 1988. He retired from the global group of CBRE companies (**CBRE Global**) in June 2014 after 26 years with CBRE Global, including 13 years in Auckland, nine years in Sydney and most recently, four in Hong Kong where he was Executive Managing Director Asia Pacific for the Valuation and Advisory Services business line. During his time at CBRE Global, he held various Directorships and Executive Committee positions. In addition to his property advisory role at CBRE Global he was responsible for business leadership, including strategic planning, acquisitions, financial management, risk and compliance management and technology development.

Mike is on the global board of the Valuation Professional Group of the Royal Institution of Chartered Surveyors (RICS) representing the Oceania region and is Chairman of the RICS Oceania Valuation Professional Group.

Mike has more than 30 years' experience in property, spanning valuation, property management and consultancy within New Zealand, Australia, the Pacific Islands and across Asia. Mike lives in Sydney, Australia.

<sup>1</sup> Represents the date of appointment to the Board of the previous manager. All directors were appointed to the Board of Kiwi Property Management Limited on 18 November 2013 following the internalisation of KIP's management.

<sup>2</sup> In accordance with Listing Rule 3.3.11 and Clause 21.9 of the Issuer's Constitution, the number nearest to one third of Directors must retire at each annual meeting, but shall be eligible for re-election at that meeting. Richard Didsbury will retire in accordance with these provisions and offers himself for re-election at the annual meeting to be held on 30 July 2014.

## EXECUTIVE TEAM

### Chris Gudgeon

Chief Executive, BE(Civil), MBA, FRICS

Chris was appointed Chief Executive in August 2008<sup>3</sup> and has 25 years' experience in property investment, development and construction in New Zealand. Prior roles include Chief Executive of Capital Properties NZ Limited and General Manager Property at Auckland International Airport Limited.



### Gavin Parker

Chief Financial Officer, BCom, Graduate Diploma in Business, CA

Gavin has over 20 years' experience in the areas of managed funds, chartered accounting and taxation. He is responsible for KIP's finance and accounting functions including financial reporting, capital management and business technology. Gavin has been with KIP since 2002.<sup>3</sup>



### Trevor Wairepo

General Counsel and Company Secretary, LLB, BA, MBA (Distinction), FCIS, MInstD

Trevor commenced with KIP in June 2014. He is responsible for legal and company secretarial services, risk and compliance. Trevor has 14 years' legal experience, including nine years in London.



### Gordon Bray

Manager – Retail Leasing

Gordon heads the team responsible for specialty store leasing across KIP's retail portfolio. Gordon has 24 years' experience in the property industry. His background includes commercial, retail and industrial sales and leasing, shopping centre management and general management roles.



### Miles Brown

Head of Transactions, BPA, MBA

Miles coordinates KIP's Capital Transactions and New Business Group which explores new opportunities and drives portfolio-wide initiatives to add revenue and value to property assets. He has 20 years' experience in the commercial property industry, including 10 years working in the United Kingdom and Hong Kong.



### Kylie Eagle

Head of Human Resources, BCS, PostGradDipBus

Kylie is responsible for managing strategic and operational Human Resource initiatives for KIP. She has over 15 years' experience in human resources roles at Goldman Sachs, Deloitte and Vodafone. Kylie's specialist expertise is in the areas of employee engagement and leadership development.



### David Greenwood

Manager – Portfolio Analysis, BCom (Finance), BProp, MPINZ

David is responsible for the provision of analytical information across KIP's portfolio, including performance statistics, property modelling and forecasting, feasibility and new business analysis. David is a registered valuer and has over 20 years' experience in the areas of property finance, valuation and development.



### Jason Happy

National Facilities Manager, BE(Hons), MSc (Facilities Management)

Jason is responsible for ensuring KIP's existing properties and new developments are market-leading performers in terms of operational efficiency and effectiveness. Jason also manages KIP's Health and Safety and Sustainability programmes. Jason has over 20 years' experience in building services engineering and property.



### David Johnson

Manager – Commercial Portfolio, BCom

David is responsible for the performance of KIP's office portfolio, including management of the leasing, rent review and capital expenditure programmes. David joined KIP in 2010<sup>3</sup> and assumed his current role in mid 2011. He has more than 25 years' experience in the commercial property industry.



### Mark Luker

General Manager – Development, DipVal, SPINZ

Mark has over 25 years' experience and has been involved in every aspect of property development – from industrial, major retail shopping centres and offices through to more eclectic forms of investment, including ground leasehold. Mark has been with KIP since 1996<sup>3</sup> and is responsible for all of its retail development activities.



### Karl Retief

Manager – Retail Portfolio, MBA

Karl is responsible for the strategic and operational performance of KIP's retail portfolio, including management of the shopping centre teams. He has over 20 years' experience in retail management. Between 2011 and 2014 Karl was Chairman of the NZ Council of Shopping Centres and in 2012 he joined the ICSC Asia Pacific Advisory Board.

<sup>3</sup> Represents the date of appointment as an officer or employee of the previous Manager.

# Risks

Under the terms of the Bonds, the Issuer (in its capacity as manager of KIP) undertakes to each Bond Holder to pay interest on the Bonds and repay the principal amount subscribed for by the Bond Holder, and those payment obligations are guaranteed by the Guarantors. If the Group gets into financial difficulty, the Group may not be able to pay all amounts owing on the Bonds to Bond Holders. In those circumstances a Bond Holder may lose some or all of their investment.

Any investment in the Bonds will involve risks, including:

- the risk that the Group becomes insolvent for any reason, or is placed in receivership, liquidation, voluntary administration or statutory management, or is otherwise unable to meet its obligations under the Bonds;
- that you cannot redeem the Bonds except through the Bond Trustee in the case of an Event of Default. If you need to sell your Bonds, you may not be able to sell them, or sell them at a price which is favourable to you;
- that the proceeds received after the security is enforced are insufficient to enable all outstanding amounts on the Bonds to be repaid in full; and
- the risk that, even if an Event of Default has occurred under the Bonds, the Majority Beneficiaries (being secured creditors that hold more than 50% of the Group's secured debt) may not enforce the security, and the Bond Trustee has no unilateral enforcement right. Accordingly, an Event of Default under the Bonds may not lead to the security being enforced and the sales proceeds from enforcement being distributed to secured creditors (including the Bond Holders).

Some of the circumstances that may give rise to such risks are set out below.

## CREDIT RISKS

The Group is subject to business, operational and financial (including tax) risks that may have a material impact on its financial position such that those risks (on their own or in combination with other risks) result in the Group being or becoming insolvent and therefore unable to satisfy its payment obligations under the Bonds.

### Property market risks

The Group is subject to the prevailing property market conditions in New Zealand, and in particular Auckland, where over 60% of the Group's assets by book value are located.<sup>1</sup> Ten percent of the Group's assets by book value are located in Christchurch,<sup>1</sup> where market conditions are affected by the 2010 and 2011 earthquakes. Adverse changes in market sentiment or market conditions may impact KIP's ability to acquire, manage or develop assets, as well as the value of KIP's assets. These impacts could lead to a reduction in earnings or the carrying value of assets which could affect the ability of the Group to make payments of interest and principal on the Bonds.

## Changes in the valuations and income of properties

Returns from investment in property assets largely depend on the rental income generated from the properties and the expenses incurred in the operation of those properties, including the management and maintenance of the properties as well as changes in the market value of the properties.

Rental income and/or the market value of the properties may be adversely affected by a number of factors, including:

- the overall conditions in national and regional economies such as changes in economic activity, employment, inflation and interest rates;
- local real estate conditions, such as changes in the demand and supply for retail, office or industrial assets or space;
- the bankruptcy, liquidation or closure of major tenants;
- the perception of prospective tenants regarding the attractiveness and convenience of the properties;
- the ability to obtain leasing and rental terms in line with expectations (for both rent reviews, lease renewals and new lease negotiations), or at all;
- unforeseen capital expenditure;
- the occurrence of natural disasters, which are commonly unforeseen and potentially material;
- investor demand for, and liquidity of, investments;
- changing work and/or retail practices, such as a greater number of people working from home and/or shopping online, reducing the need for office and/or retail space; and
- the seismic resilience rating of the properties, and tenants' perceptions of their adequacy (thereby affecting the attractiveness and likely rental payable in connection with those properties).

The Group seeks to minimise the risk of a material earnings reduction in a number of ways including:

- maintaining the high-quality of its retail and office assets, so that the assets remain attractive even if conditions in the wider property market deteriorate;
- seeking to maximise the WALT of its portfolio to ensure that a material percentage of its income would not be affected by a temporary or short-term deterioration in property market conditions;
- ensuring that its geographic, sector and tenant specific risk is appropriately diversified, so that no single area or business group represents too large a percentage of its income; and
- maintaining a moderate level of debt, so that a material reduction in its income may not necessarily result in the Group being unable to make payments of interest and principal on the Bonds.

<sup>1</sup> Based on valuations of KIP's portfolio as at 31 March 2014, adjusted for the sale of KIP's remaining 50% interest in 205 Queen, Auckland, which settled on 3 June 2014.



## **Funding**

The Group relies on both equity and debt funding to refinance existing debt facilities from time to time and to provide for future growth. An inability to obtain any necessary funding for the Group or a material increase in the cost of the funding through an increase in interest rates, or associated line fees and margins, may have an adverse impact on the Group's ability to pay interest and principal on the Bonds. For example, during the global financial crisis, the cost of bank borrowing increased and the availability of bank funding was materially constrained, especially for longer-term debt. The Group adopts a prudent approach to managing interest rate risk, has a hedging policy in place to reduce this interest rate risk and looks to diversify its source of funding by putting in place longer-term funding such as the Bonds.

## **Insurance**

The Group arranges comprehensive material damage, business interruption and public and statutory liability insurance covering its property portfolio and utilises policy specifications and insured limits customarily carried for similar portfolios in New Zealand. There are, however, types of losses (such as earthquake and volcanic eruption) that are insured but subject to higher deductibles. The insurance programme is renewed annually and the scope of insurance will be dependent on a number of factors such as the continued availability of cover, the nature of the risks to be covered, extent of the proposed coverage and the costs involved.

There is a risk that insurance proceeds may not cover the entire costs associated with an insurable event, that insurance claims may be disputed post an insurable event, or that such an event makes subsequent insurance cover difficult or costly to obtain. Events commonly seen as very unlikely may occur and cause significant damage to the Group's property portfolio (for example, if significant volcanic activity was to occur in Auckland). Insurance may not cover all losses suffered by the Group in those circumstances.

The Group is currently claiming under its insurance policy in respect of Northlands Shopping Centre, which suffered damage as a result of the Canterbury earthquakes of 2010 and 2011. The insurance claim is the subject of a mediation process currently underway with the insurer which is described in more detail under the heading "Northlands Shopping Centre mediation" on page 34.

## **Regulatory issues and changes in law**

Like all New Zealand businesses, the Group is exposed to Government regulatory policies that could have a direct bearing on business operations. The Group believes that it currently complies with applicable laws and regulations. However, no assurance can be given that current laws and regulations or the adoption of new laws and regulations or Government regulatory policy, particularly those related to the property market, tenancy and tax, may not have a material adverse effect on the Group's operations, financial performance or prospects. The Group will seek to engage constructively with applicable regulatory bodies wherever possible

to ensure that the impact of any such regulatory change is minimised, but it may not be able to influence the outcome of those policies or their impact on the Group's business.

## **Acquisition of properties**

Risks associated with acquisitions of properties could include problems not revealed by due diligence or other latent liabilities such as the existence of asbestos or other hazardous materials or environmental liabilities. Depending on the nature and structure of the acquisition, there may also be risks associated with integration of businesses, including financial and operational issues as well as employee related issues. While it is the Group's policy to conduct a thorough due diligence process in relation to any such acquisition, risks remain that are inherent in such acquisitions.

## **Development of properties**

The Group is involved in the development and refurbishment of retail and office properties, such as the refurbishment and expansion of 56 The Terrace (Unisys House), Wellington, and capital works programmes, such as the seismic strengthening of The Majestic Centre also in Wellington.

Risks in relation to development, refurbishment and capital works programmes include industrial disputes, inclement weather, labour and supply shortages, design risks, escalating construction costs, construction difficulty, delays or default by a construction contractor, the inability to contract with construction contractors on the terms anticipated, including as to cost and timeframe and the existence of latent liabilities, such as asbestos or other hazardous materials. There is also the risk that tenants will not be obtained for the development space, or that a tenant may default or make claims in relation to disruption. Risks associated with land development, infrastructure and below ground services may exist which cannot be fully quantified until site works commence. Regulatory risks associated with planning approvals and changes in planning legislation could also affect the Group's ability to complete a development in a timely manner.

The Group is undertaking seismic strengthening work on certain properties in order to ensure that they meet both regulatory standards and market expectations in terms of seismic resilience. The cost and complexity of undertaking this work may be substantial and costs may exceed initial estimates. An example of this is the seismic strengthening programme currently underway at The Majestic Centre in Wellington which involves complex technical and logistical challenges.

Before undertaking any refurbishment, expansion or development proposal, the Group evaluates identified risks associated with that particular project, and then plans and implements mitigation measures designed to manage those risks within acceptable levels.

## **Repairs and maintenance**

Unanticipated material repairs and maintenance that are not recoverable from tenants or insurance would impact the Group's earnings.

## Risks (continued)

### BOND RISKS

The following risks arise from the specific terms of the Bonds.

#### Right of redemption

You have no right to redeem the Bonds early, except through the Bond Trustee following an Event of Default in the circumstances described on page 31 under the heading “Trustee’s duties and powers”. If you do not wish to hold your Bonds to maturity, you must sell or transfer them to someone else (in which case you will be exposed to the liquidity risks described below).

#### Gearing Covenant

While the Bond Holders have the benefit of the Gearing Covenant, a breach of the Gearing Covenant will not automatically trigger an Event of Default under the Bond Trust Documents, but will instead trigger an Event of Review. Following that breach, the Issuer will effectively have 13 months (once the breach is disclosed to the Bond Trustee in a directors report) to remedy the breach before it will trigger an Event of Default.

#### Indemnities

There is a risk that you may be called on to pay certain administration costs of the Bond Trustee (and indirectly the Security Trustee) under the indemnity provisions of the Security Trust Deed and the Bond Trust Documents (as described in more detail under the headings “Role of the Security Trustee” and “Consequences of Insolvency” on pages 29 and 32).

### LIQUIDITY RISKS

#### Transfer risk

If you wish to transfer your Bonds before maturity, the price at which you are able to sell your Bonds may be less than the price you paid for them because changes in market interest rates and other factors can affect the market value of the Bonds (including perceptions of the Group’s credit worthiness, which may be affected by risks noted under the heading “Credit Risks” on page 22).

#### Secondary market liquidity and yield considerations

It is intended that the Bonds will be listed on the NZX Debt Market. There is no assurance that a secondary trading market for the Bonds will develop over time and, if it does, there can be no assurance of the liquidity of that market. You may not be able to sell your Bonds readily or at a favourable price.

There are a number of market and other factors that will affect the price you may receive for your Bonds on the secondary market, and many of those factors are outside your control

and independent of the credit worthiness of the Group (such as movements in markets and interest rates).

Due to these factors, the Bonds may not be readily saleable, their value may fluctuate over time, and such fluctuations may be significant and could result in losses to you.

### ENFORCEMENT RISKS

#### Limited rights to enforce Bond Trust Documents

Bond Holders are not able to enforce their rights under the Bond Trust Documents directly against the Issuer unless the Bond Trustee fails to do so having become bound to do so under the Bond Trust Documents. Generally the Bond Trustee is only bound to enforce such rights if directed to do so by Extraordinary Resolution of Bond Holders or if a Major Bond Default has occurred.

#### Insufficient enforcement proceeds

The security over the Guarantors’ assets is held by the Security Trustee for the benefit of the Beneficiaries (including the Bond Trustee in respect of the Bonds, the Bank Lenders, the Hedging Providers and any new secured creditors to whom the benefit of the security is extended in the future) on an equal ranking basis. There is a risk that, if that security is enforced, the proceeds of such enforcement would not be sufficient to repay the Bonds in full (as discussed in more detail on pages 29 and 32 under the headings “Security sharing and enforcement” and “Consequences of Insolvency”).

The Group is subject to a restriction as to the amount of Finance Debt it may issue under the Gearing Covenant. Gearing is not permitted to exceed 45%, and accordingly the proceeds of the enforcement of the security (including proceeds from the sale of the Group’s properties) are expected to be sufficient to repay all Finance Debt of the Group in an orderly market.

#### Control of enforcement process

The enforcement of the security over the Secured Property will not be controlled by the Bond Trustee acting on the instructions of the Bond Holders. Instead, that process is likely to be controlled by the Majority Beneficiaries (which is likely to be the Bank Lenders, as discussed in more detail on page 29 under the heading “Security sharing and enforcement”).

In addition, amendments may be made to the Security Trust Deed with the consent of the Majority Beneficiaries only (currently the Bank Lenders would comprise the Majority Beneficiaries and the consent of the Bond Trustee would not be required for such an amendment).



Northlands, Christchurch

# Statutory information

The information in this section is provided in accordance with the Exemption Notice.

## 1 NAMES, ADDRESSES AND OTHER INFORMATION

The Issuer of the Bonds is Kiwi Property Management Limited acting in its capacity as manager of KIP. Kiwi Property Management Limited is a limited liability company incorporated on 18 November 2013 in New Zealand under the Companies Act. The Issuer has its registered office at Level 14, DLA Phillips Fox Tower, 205 Queen Street, Auckland and its registered company number is 4784399.

The directors of the Issuer and their principal place of residence are set out below. A more detailed biography of each director is set out in the section entitled “Board of directors and executive team” on page 20. The directors may be contacted at the Issuer’s registered office.

Richard John Didsbury – Independent director  
Matakana, New Zealand

Mark Henry Ford – Chairman and Independent director  
Sydney, Australia

Joanna Mary Gordon Perry – Independent director  
Auckland, New Zealand

Michael James Gerard Steur – Independent director  
Sydney, Australia

The Issuer’s directors are current as at the date of this Prospectus but are subject to change.

There is no promoter of the Bonds.

The Bond Trustee is New Zealand Permanent Trustees Limited. The Bond Trustee’s address is Level 35, Vero Centre, 48 Shortland Street, Auckland. The Bond Trustee has been granted a licence under section 16(1) of the Securities Trustees and Statutory Supervisors Act 2011<sup>1</sup> to act as a trustee in respect of, amongst other things, bonds, for a term expiring on 16 January 2018.

The Trustee of KIP is New Zealand Permanent Trustees Limited. The Trustee’s address is Level 35, Vero Centre, 48 Shortland Street, Auckland.

## 2 EXPERTS AND UNDERWRITER

The Offer is not underwritten.

### Valuations

The Group’s accounting policy is for investment properties to be measured at fair value, which reflects market conditions at balance date. To determine fair value, the Group obtains investment property valuations at least annually by independent registered valuers. In line with this policy, all properties were fully inspected and valued as part of the annual valuation process for the year ended 31 March 2014 by one of the valuers on the Group’s panel of valuers. The Group’s panel includes CBRE Limited (**CBRE**), Colliers International New Zealand Limited (**Colliers**) and Jones Lang LaSalle Limited (**JLL**) (for the purposes of this section, collectively referred to as the **Valuers**).

The names, addresses and qualifications of these experts are set out below. The valuations comply with applicable valuation standards.

The current valuation of each key property is included under the heading “Portfolio summary” set out on page 14.

In carrying out an assessment of market value, the Valuers have utilised two primary methods of valuation, namely the Capitalisation of Income Approach (whereby estimated maintainable net income is capitalised in perpetuity) and the Discounted Cash Flow Approach (whereby estimated net income and capital growth over a 10 year investment horizon are discounted to a net present value). Both approaches have utilised comparable market data in calculating the key assumptions.

### Details of the Valuers

#### **CBRE Limited**

CBRE prepared valuation reports as at 31 March 2014, based on certain material assumptions, in respect of the following properties:

- ASB North Wharf;
- North City Shopping Centre; and
- The Majestic Centre.

The valuation provided by CBRE in respect of ASB North Wharf was conducted by Campbell Stewart (National Director), SPINZ, ANZIV and Registered Valuer. The valuation in respect of North City Shopping Centre was provided by Timothy Arnott (Director), BCom (VPM), MPINZ and Registered Valuer. The valuation in respect of The Majestic Centre was provided by David Cook (Associate Director), BCom, BProp, MPINZ and Registered Valuer.

CBRE can be contacted at Level 14, Zurich House, 21 Queen Street, Auckland.

#### **Colliers International New Zealand Limited**

Colliers prepared valuation reports as at 31 March 2014, based on certain material assumptions, in respect of the following properties:

- Centre Place Shopping Centre;
- Sylvia Park Shopping Centre;
- The Plaza Shopping Centre;
- Unisys House; and
- 44 The Terrace.

Valuations provided by Colliers in respect of Centre Place Shopping Centre, Sylvia Park Shopping Centre and The Plaza Shopping Centre were conducted by Michael Granberg (Director), BCom, BProp, ANZIV and Registered Valuer. Valuations provided in respect of Unisys House and 44 The Terrace were conducted by Andrew Washington (Director), BCom (VPM), ANZIV, SPINZ and Registered Valuer.

Colliers can be contacted at Level 27, SAP Tower, 151 Queen Street, Auckland.

1 To be renamed the Financial Markets Supervisors Act 2011.

## Statutory information (continued)

### 2 EXPERTS AND UNDERWRITER (continued)

#### Details of the Valuers (continued)

##### *Jones Lang LaSalle Limited*

JLL prepared valuation reports as at 31 March 2014, based on certain material assumptions, in respect of the following properties:

- LynnMall Shopping Centre;
- Northlands Shopping Centre; and
- Vero Centre.

Valuations provided by JLL in respect of LynnMall Shopping Centre and Northlands Shopping Centre were conducted by Dale Winfield (National Director), BCom (VPM), MPINZ, MRICS and Registered Valuer. The valuation provided in respect of Vero Centre was conducted by Rachel Smith (Director), BProp, MPINZ and Registered Valuer.

JLL can be contacted at Level 16, PwC Tower, 188 Quay Street, Auckland.

#### Consents

Each of the Valuers is not (and does not intend to be) a director, officer, or employee of the Issuer. However, each of the Valuers may from time to time be engaged as a professional adviser to the Group.

Each of the Valuers has given, and has not before the date of this Prospectus withdrawn, their consent to the distribution of this Prospectus with the current valuation amounts referred to under the heading "Portfolio summary", set out on page 14, included in the form and context in which each of them is included.

None of the Valuers has:

- any relationship (other than that of valuer) with, or interest in, the Issuer or any associated person of the Issuer;
- any interest in properties of the Group valued by that Valuer; or
- any relationship with any other person who has a material interest in any of the properties of the Group valued by that Valuer.

Mike Steur (a director of the Issuer) was a director of CBRE from 1998 to 2009 after which he became the Executive Managing Director Asia Pacific for the Valuation and Advisory Services business line at another company within CBRE Global, based in Hong Kong. Mr Steur retired from this position in June 2014.

### 3 MAIN TERMS OF OFFER

#### Brief description of Bonds

The Bonds are fixed rate senior secured bonds. This means that:

- as a Bond Holder, you will be paid a fixed rate of interest;
- the obligations in respect of the Bonds will rank equally with other senior secured obligations of the Group; and
- the Bonds are supported by a general security interest granted over all assets owned by the Guarantors.

The Issuer incurs all obligations in respect of the Bonds (including payment obligations) in its capacity as manager of KIP.

The Bonds are guaranteed by the Guarantors.

#### Maximum number of Bonds

A maximum of \$125 million of Bonds (including oversubscriptions) are being offered.

#### Issue Price

The Issue Price for each Bond is \$1.00, with a minimum application amount of \$5,000 and thereafter in \$1,000 increments. The Issue Price for the Bonds is payable to or at the direction of the Issuer in accordance with the payment instructions below.

#### Payments

Applicants must make their application payment by direct debit, by a cheque delivered with the Application Form (attached to this Prospectus), through the NZClear System or other method acceptable to the Issuer, and must do so prior to 5.00pm on the Closing Date. If payment is not made by this time, your application may not be accepted. Further details on how to make your application and application payment are set out under the heading "Application instructions" on page 40.

#### Applications

All Bonds (including any oversubscriptions) are reserved for subscription by clients of the Joint Lead Managers, Primary Market Participants and other persons invited to participate in the distribution of Bonds.

You should contact your usual authorised financial adviser for details as to how to obtain an allocation of Bonds as there is no public pool.

Applications must be made on a completed Application Form contained in the back of this Prospectus and returned (with payment) to the authorised financial adviser from whom you have received your allocation of Bonds in sufficient time to enable the Application Form to be forwarded to and received by the Registrar no later than 5.00pm on the Closing Date.

The Issuer reserves the right to refuse all or any part of any application without giving a reason.

Any application money received in respect of an application which is not accepted by the Issuer, whether because of late receipt or otherwise, will be returned (without interest) to the applicant as soon as reasonably practicable after the Issuer decides not to accept the application and, in any event, within five Business Days of the Issue Date.

If the Issuer accepts an application in part, the balance of the application money (without interest) will be refunded as soon as reasonably practicable and, in any event, within five Business Days of the Issue Date.

If your payment for Bonds is dishonoured, any Bonds issued to you will be forfeited, and the Issuer may seek to recover from you any damages it suffers.

#### No cooling-off

There is no cooling-off period in relation to the Bonds. Consequently once your application has been lodged, you cannot withdraw or revoke it unless the Issuer determines otherwise in its sole discretion.

### 4 RELATIONSHIP WITH LISTED SECURITIES AND RANKING OF DEBT SECURITIES

#### Ranking compared to other listed securities

In a liquidation of the Group, the Bonds, which are senior secured obligations, will rank ahead of the listed MCNs and Units. The Issuer, with the approval of the Trustee, (and subject to the Trust Deed and the Listing Rules) may issue further bonds which rank equally with the Bonds.

## **Prior ranking securities**

As at 31 March 2014, there were no securities (as defined in the Securities Act) that were secured by a mortgage or charge over any of the assets of the Group ranking in point of security ahead of the Bonds.

## **Equal ranking securities**

The Bonds are supported by security granted for the benefit of the Bond Holders and other Beneficiaries. As at 31 March 2014, the aggregate amount of securities that rank in point of security equally with the Bonds is \$799.7 million, which includes finance debt owing to the Bank Lenders of \$786.5 million and the marked-to-market exposure to Hedging Providers of \$13.2 million. The benefit of the security may be extended in future to new Beneficiaries in respect of finance debt made available by those Beneficiaries to the Group.

## **5 ISSUE EXPENSES**

Applicants pay no fees or charges to invest in the Bonds. The Issuer will pay approved financial intermediaries brokerage of 0.75% of the Principal Amount on applications bearing their stamp and a firm allocation fee of 0.5% of the Principal Amount in respect of firm allocations.

Issue expenses, including brokerage and firm allocation fees, legal, accounting, registry, printing, distribution and promotion expenses, Joint Lead Manager and other fees to be incurred, are estimated to be \$2.1 million (assuming an issue size of \$100 million) and are payable by KIP.

## **6 RETURNS**

### **Interest Rate**

The Bonds will bear a fixed rate of interest at the Interest Rate.

The Interest Rate will be set on the Rate Set Date (10 July 2014 or such other date determined by the Issuer) and announced by the Issuer via nzx.com on that date. You should review the Interest Rate before making any investment.

### **Interest payments**

Interest is payable semi-annually in arrear on 20 August and 20 February of each year until the Maturity Date. If an Interest Payment Date does not fall on a Business Day, payment will be made on the next Business Day.

The first Interest payment will be made on 20 August 2014 to the original subscriber of each Bond, regardless of any transfer of Bonds before that date. The amount of Interest payable on that date will be equal to the Interest Rate on the Bond Holder's application moneys for each day in the period from (and including) the date on which the Bond Holder's application moneys were banked to the trust account in respect of the Offer to (but excluding) the first Interest Payment Date.

Each subsequent Interest payment will be made to the relevant Bond Holder on the Register as at the Record Date, which will be 10 calendar days prior to the relevant Interest Payment Date.

### **Redemption by Bond Holders**

The Principal Amount of the Bonds will be repaid by the Issuer on the Maturity Date. The Maturity Date is 20 August 2021. Should the Maturity Date not fall on a Business Day, payment will be made on the next Business Day.

You have no right to require redemption of any Bonds, except through the Bond Trustee in the case of an Event of Default. This means that you have no ability to cash in your investment prior to the Maturity Date, except following an Event of Default or by

selling your Bonds in the secondary market (if one develops). The Events of Default applicable to the Bonds are set out under the heading "Provisions of Trust Deed and Other Restrictions on Borrowing Group" on page 30.

If the Bonds are redeemed early after an Event of Default and the date of redemption does not fall on an Interest Payment Date, Interest will be equal to the Interest Rate on the Principal Amount on the basis of the number of days elapsed from, and including, the immediately preceding Interest Payment Date and a 365 day year.

### **Redemption by the Issuer**

The Issuer does not have the ability to redeem the Bonds early.

### **Key factors that determine the returns**

The key factors that determine the returns on your investment are:

- the Interest Rate payable on the Bonds;
- any applicable taxes;
- any amounts that may be owing by you under an indemnity in respect of the Bonds (as described on page 29 under the heading "Role of the Security Trustee" and on page 30 under the heading "Provisions of Trust Deed and Other Restrictions on Borrowing Group");
- the date on which redemption occurs if the Bonds are redeemed prior to the Maturity Date (upon the acceleration of the Bonds after an Event of Default);
- fluctuations in the prices of the Bonds if sold on the secondary market as described under the heading "Secondary market liquidity and yield considerations" on page 24. Your ability to sell the Bonds is described on page 33 under the heading "Right to Sell Debt Securities"; and
- the other risk factors described in the "Risks" section beginning on page 22.

There are no reserves or retentions that will impact on your returns.

### **Person legally liable to pay the returns**

The Issuer in its capacity as manager of KIP is legally liable for payment of all returns on the Bonds (other than if you sell your Bonds). As at the date of registration of this Prospectus, the Interest payable on the Bonds is not quantifiable as the Interest Rate has not been set. The Interest Rate will be set on the Rate Set Date. The Guarantors have provided a guarantee in respect of the Bonds as described under the heading "Guarantors" on page 29.

If you sell your Bonds, the purchaser will be legally liable to pay the purchase price of those Bonds to you.

### **Taxation**

The returns on the Bonds will be affected by taxes. The information set out below relates solely to New Zealand taxation and does not constitute taxation advice to any Bond Holder. The information is believed by the Issuer to be correct as at the date of this Prospectus. All applicable rates of tax are prescribed by current legislation (as modified by any relevant double tax treaty to which New Zealand is a party). Taxation laws are subject to change, and such changes may materially affect your tax position with respect to an investment in the Bonds. You should seek qualified, independent financial and tax advice before deciding to invest. In particular, you should consult your tax adviser in relation to your specific circumstances.

## Statutory information (continued)

### 6 RETURNS (continued)

#### Taxation (continued)

All Bond Holders (including those resident outside New Zealand) must give written notice to the Registrar (or, where applicable, to the custodian/nominee registered as the Bond Holder in respect of Bonds held on behalf of the beneficial owner) of their country of residence for tax purposes and, if not New Zealand tax resident, whether the Bond Holder is engaged in business in New Zealand through a fixed establishment in New Zealand. This requirement for written notice is satisfied for initial Bond Holders where the relevant parts of the Application Form are completed by applicants.

In this section:

- Bond Holders who are New Zealand tax resident are referred to as “**Resident Bond Holders**”;
- Bond Holders who are not New Zealand tax resident but are engaged in business in New Zealand through a fixed establishment in New Zealand are referred to as “**New Zealand Branch Bond Holders**”; and
- Bond Holders who are not New Zealand tax resident and who are not engaged in business in New Zealand through a fixed establishment are referred to as “**Non-Resident Bond Holders**”.

#### **Resident withholding tax: Resident Bond Holders and New Zealand Branch Bond Holders**

For Resident Bond Holders and New Zealand Branch Bond Holders, resident withholding tax (RWT) will be deducted from the gross amount of Interest paid or credited to the Bond Holders in accordance with the provisions of the Income Tax Act 2007. As at the date of this Prospectus, RWT of 33% will be deducted if the Bond Holder’s IRD number is supplied to the Registrar, unless the Bond Holder elects for RWT to be deducted at a lesser rate.

As at the date of this Prospectus, Bond Holders who have provided the Registrar with their IRD number can elect to have RWT deducted at the following rates if they are individuals, trusts or Maori authorities:

- 10.5% (this rate is only available to individual Bond Holders who have a reasonable expectation at the time of making the election that the individual’s income for the income year will be \$14,000 or less, or for trustees of certain testamentary trusts);
- 17.5%;
- 30%; or
- 33%.

Resident Bond Holders or New Zealand Branch Bond Holders who are companies (other than a Maori authority or trustee), and have supplied their IRD number to the Registrar, are subject to RWT at a rate of 28%.

Where the Bond Holder’s IRD number is not supplied to the Registrar, RWT will be deducted at a rate of 33% from all Interest paid or credited to the Bond Holder.

Depending on the Resident Bond Holder’s level of annual income, electing a RWT rate lower than the Bond Holder’s personal tax rate may result in a requirement to file a tax return (or the provision of an income statement by Inland Revenue), to account for the tax shortfall. Conversely, if a Resident Bond Holder elects a RWT rate higher than the Bond Holder’s personal tax rate, a tax return may need to be filed in order to obtain the relevant tax refund. Investors are urged to seek tax advice in this respect by reference to their particular circumstances.

Resident Bond Holders and New Zealand Branch Bond Holders should promptly notify the Registrar of any changes to their elected RWT rate as a result of changes to their particular circumstances.

RWT will not be deducted where the Resident Bond Holder or New Zealand Branch Bond Holder provides a copy of its RWT exemption certificate to the Registrar that is current at the Record Date for the Interest payment.

#### **Approved Issuer Levy and non-resident withholding tax: Non-Resident Bond Holders**

KIP is registered as an approved issuer and will register the Bonds as registered securities with Inland Revenue for the purposes of the Approved Issuer Levy (AIL) regime. Unless otherwise agreed, KIP will, via the Registrar, where it is lawfully able, deduct AIL at a rate of 0% from the Interest payments made or credited to Non-Resident Bond Holders. In the event KIP is not lawfully able to deduct AIL at a rate of 0%, AIL will be deducted at 2%.

Non-Resident Bond Holders may request by written notice to the Registrar that AIL not be deducted from Interest paid or credited in respect of their Bonds, and that non-resident withholding tax (NRWT) be deducted instead, at the rate required by law (as reduced by any applicable double tax agreement, where the Non-Resident Bond Holder provides satisfactory evidence to the Registrar of their entitlement to such rate).

If the Non-Resident Bond Holder derives Interest under the Bonds jointly with one or more New Zealand tax residents, NRWT must be deducted from the Interest paid or credited to the Non-Resident Bond Holder at the applicable RWT rate as reduced by any foreign withholding tax.

#### **New Zealand financial arrangements rules**

Resident Bond Holders and New Zealand Branch Bond Holders who acquire Bonds for the purpose of their New Zealand fixed establishment will, in doing so, be entering into a financial arrangement which is subject to the “financial arrangements rules” in the Income Tax Act 2007. Interest paid to these Bond Holders under the Bonds will be income that is taxable at the Bond Holder’s relevant tax rate (with a credit for RWT deducted – see above).

The timing of that income will be governed by the financial arrangements rules. The financial arrangements rules require that income or expenditure arising in relation to the Bonds be spread over the life of the Bonds using an applicable method under those rules.

Resident Bond Holders and New Zealand Branch Bond Holders who are “cash basis persons” for the purposes of the financial arrangements rules will be entitled to recognise income on a receipt basis. Resident Bond Holders and New Zealand Branch Bond Holders who are not cash basis persons will be required to spread the income or expenditure using the spreading methods prescribed in the financial arrangements rules. Methods available may depend on the particular circumstances of the Bond Holder.

The financial arrangements rules may cause Resident Bond Holders and New Zealand Branch Bond Holders to derive income or incur a loss on the transfer of Bonds held by them. For example, if a gain is made on the transfer of Bonds by Bond Holders to whom the financial arrangements rules apply, the “base price adjustment” performed under the financial arrangements rules will bring the gain to account for New Zealand tax purposes and will cause that gain to be

included in their income. Where a Bond Holder incurs a loss on the transfer of Bonds, this loss may be deductible to the Bond Holder in some circumstances.

New Zealand Branch Bond Holders who do not acquire Bonds for the purpose of their New Zealand fixed establishment may also be subject to New Zealand income tax, but the financial arrangements rules will not apply.

In some circumstances, Non-Resident Bond Holders may be subject to tax in New Zealand if a gain is made on the transfer of the Bonds.

#### **Provisional tax**

All Bond Holders should ascertain whether they are subject to New Zealand's provisional tax regime.

## **7 GUARANTORS**

The guaranteeing subsidiaries, for the purpose of the Exemption Notice, are the Trustee (in its capacity as trustee of KIP), KPHL and SPBCL.

The Guarantors guarantee the obligations of the Issuer as issuer of the Bonds under the Bond Trust Documents pursuant to the guarantee contained in the Global Security Deed (**Guarantee**).

As mentioned below, the total assets held by the Guarantors are required, under the terms of the Security Trust Deed, to comprise at least 90% of the total assets of the consolidated Group.

#### **Description and quantification of liability to Bond Holders**

Under the Guarantee, the Guarantors guarantee all obligations of the Issuer to pay Interest, the Principal Amount and any other amounts in respect of the Bonds when due. The Guarantors also guarantee any obligations of KPHL or SPBCL (including KPHL's obligations to pay all amounts owing to the Bank Lenders and the Hedging Providers). The Guarantee is given for the benefit of the Security Trustee (for itself and on behalf of the Beneficiaries) and is not limited.

The guarantee obligations of the Guarantors under the Guarantee are not limited, but recourse to the Trustee (as trustee for KIP) in respect of the Guarantee is limited to the assets of KIP. The Issuer may extend the benefit of the Guarantee to other Beneficiaries that have provided funding to the Group.

#### **Security**

The Bonds are supported by security granted in favour of the Security Trustee by the Guarantors.

Each Guarantor has granted a security interest over all of its assets, including present assets and future assets (the **Secured Property**) in favour of the Security Trustee. The guarantee and the security package granted by the Guarantors are expressed to cover all amounts owing to the Beneficiaries, and are granted under the Global Security Deed.

The security granted under the Global Security Deed includes:

- (a) a security interest over all personal property of the Guarantors;
- (b) a charge over the Guarantors' real property assets; and
- (c) an agreement to mortgage those real property assets.

If an Event of Default occurs and remains unremedied, the Security Trustee may require the execution and delivery by any Guarantor of a registerable mortgage over any of its real property. A mortgage registered in accordance with the requirements of the Land Transfer Act 1952 provides the mortgagee (the Security Trustee) with the benefits of

"indefeasibility" (meaning the interest of the Security Trustee in the real property subject to the mortgage can only be defeated in very limited circumstances).

The security is held by the Security Trustee for the benefit of the Beneficiaries in equal proportions based on the outstanding indebtedness owing to them, and is able to be enforced by the Security Trustee in accordance with the Security Trust Deed.

#### **Role of the Security Trustee**

The Security Trustee is appointed in a representative capacity on behalf of the Beneficiaries. The Security Trustee has very limited discretions under the Security Trust Deed and will act solely on the instructions of the relevant Beneficiaries under the Security Trust Deed. Bond Holders have no rights to directly instruct the Security Trustee to act or not act under the Security Trust Deed or any other financing document. Enforcement of the security, including the Bond Trustee's ability to instruct the Security Trustee to enforce the Security, is discussed below under the heading "Security sharing and enforcement".

The Security Trustee has only the duties and obligations which are expressly specified in the Security Trust Deed and any other financing document to which it is a party. Those duties and obligations are solely of a mechanical and administrative nature and the Security Trustee does not have any duty, obligation or responsibility to, or relationship of trust or agency with any Group member.

The liability of the Security Trustee under the Security Trust Deed and each other related finance document is limited to amounts it is able to recover from the Secured Property. It has no personal liability to any Beneficiary other than in circumstances where the Security Trustee has acted fraudulently, grossly negligently or wilfully in breach.

If the Security Trustee incurs any liability or loss in the course of carrying out its duties, each Beneficiary will be required to indemnify the Security Trustee in respect of such liability or loss in proportion to the amount owing to it. The Bond Trustee represents the Bond Holders for such purposes and, accordingly, the Bond Trustee may be liable to indemnify the Security Trustee for its proportionate share of any liability or loss amount. Each Bond Holder separately indemnifies the Bond Trustee (under the terms of the Bond Trust Documents) for any amounts that it is required to pay to the Security Trustee.

#### **Security sharing and enforcement**

Under the Security Trust Deed, enforcement of the security over the Secured Property may occur after an Event of Default under the Bond Trust Documents, the Bank Facilities, the Hedging Documents or any other Beneficiary's financing documents. Notably, the Issuer may at any time extend the benefit of the guarantee and security package in favour of a new Beneficiary that has provided funding to the Group (subject only to that Beneficiary agreeing to comply with the terms of the Security Trust Deed).

If the Bond Trustee (on behalf of the Bond Holders), the Lenders' Representative or any of the other Beneficiaries is entitled to give, and does give, notice to the Security Trustee to enforce the security, all such parties are required to consult with each other for a period of at least five Business Days with a view to agreeing what (if any) enforcement action is appropriate. Given this limited time period, the Bond Trustee is unlikely to have enough time to obtain instructions from the Bond Holders if an Event of Default has occurred.

## Statutory information (continued)

### 7 GUARANTORS (continued)

#### Security sharing and enforcement (continued)

If the Beneficiaries are unable to reach an agreement, the Security Trustee may be directed to enforce its security rights (or not enforce its security rights) by the Majority Beneficiaries.

The Security Trustee must, where it is required to or elects to seek instructions from the Beneficiaries, act on the instructions of the Majority Beneficiaries. The Bond Trustee will be bound by any such instructions given by the Majority Beneficiaries in accordance with the Security Trust Deed.

The proceeds of the realisation of the security assets will, after payment of any costs, expenses and remuneration payable to the Security Trustee or receiver, be distributed among the Beneficiaries (including the Bond Trustee on behalf of the Bond Holders) on an equal ranking basis in proportion to the respective outstanding indebtedness owing to them.

#### Majority Beneficiaries

The Majority Beneficiaries will comprise the Beneficiaries who have Credit Participations (being the aggregate principal amount of moneys owing by the Group to them) that aggregate to be more than 50% of the total Credit Participations owed to all Beneficiaries. The Bank Lenders would (on the basis of their Credit Participations under the Bank Facilities and the Hedging Documents at the date of this Prospectus) form the Majority Beneficiaries and that is unlikely to change unless the Group substantially reduces its bank debt levels and increases its other finance debt. Accordingly, the Bank Lenders are in a position to control, and are likely to remain in a position to control, any enforcement process in relation to the security.

The Security Trustee may agree with the Issuer to amend the Security Documents without the consent of the Beneficiaries, provided that such amendment:

- is of a minor, formal, administrative or technical nature;
- is to cure any ambiguity or to correct or supplement any defective or inconsistent provision; or
- is otherwise necessary or desirable in the interests of the Beneficiaries,

and the Issuer is of the opinion, and the Security Trustee is of the reasonable opinion, that such amendment will not have a material adverse effect on the Beneficiaries generally.

Any other amendments, or any waiver of a breach of the Security Documents, may be agreed between the Security Trustee and the Issuer with the consent of the Majority Beneficiaries, except that an agreement to subordinate certain security interests requires the prior written consent of all Beneficiaries.

The Majority Beneficiaries also have the power to instruct the Security Trustee to take certain day-to-day actions.

#### Financial statements

The consolidated audited financial statements of the Group for the year ended 31 March 2014 are available free of charge from the Issuer through its registered office at Level 14, DLA Phillips Fox Tower, 205 Queen Street, Auckland and may be downloaded from its website ([kipt.co.nz/investor-information/bonds](http://kipt.co.nz/investor-information/bonds)).

### 8 PROVISIONS OF TRUST DEED AND OTHER RESTRICTIONS ON BORROWING GROUP

#### Bond Trust Documents

The Bonds are constituted by, and issued pursuant to, the Bond Trust Documents entered into between the Issuer and Bond

Trustee. Copies of the Bond Trust Documents are available on the Companies Office website ([business.govt.nz/companies](http://business.govt.nz/companies)).

The Bond Trust Documents contain a number of covenants, including, for so long as any Bonds are outstanding:

- to ensure that Finance Debt of the Group does not exceed 45% of the Total Tangible Assets of the Group at all times; and
- promptly on becoming aware of a breach of the Gearing Covenant, to notify the Bond Trustee of the breach.

While there is no limitation in the Bond Trust Documents relating to the creation of new charges, there is such a limitation in the Security Trust Deed. Under the Security Trust Deed, each Guarantor undertakes in favour of each Beneficiary (which includes the Bond Holders) to not create or allow to exist any security interest over its assets to secure any indebtedness other than certain permitted security interests (including security interests that secure in aggregate an amount equal to not more than 5% of the total tangible assets of the Group). For the purposes of this negative pledge restriction, "total tangible assets" means, on a relevant date, the total amount of all assets of the Group as disclosed in the latest financial statements as at that date, but excluding intangible assets.

Under the Security Trust Deed, each Guarantor also undertakes in favour of each Beneficiary that the total assets of the Guarantor (on a consolidated basis) will not be less than 90% of the total assets of the consolidated Group.

#### Events of Default and Event of Review

The Bond Trust Documents provide for certain Events of Default and an Event of Review. The main such events are summarised below:

##### Events of Default

- **Non-payment:** A failure to make any payment of scheduled Interest (within 3 Business Days) or scheduled Principal Amount of any Bonds (within 10 Business Days).
- **Other non-payment:** A failure to make any payment of any other amount (within 10 Business Days) of the due date.
- **Gearing breach:** An Event of Review triggered by a breach of the Gearing Covenant occurs and the breach is not remedied within the period specified below under the heading "Event of Review".
- **Cross-acceleration:** If any borrowed money indebtedness in excess of \$10 million of the Group (other than in respect of any Bonds) is required to be repaid prior to its stated maturity by reason of default by the Issuer or a Guarantor.
- **Other breach:** Any breach by the Issuer of any other undertakings or obligations under the Bond Trust Documents (subject to limited exceptions) or by any Guarantor of any undertaking in the Guarantee (as applicable) that, if capable of remedy, is not remedied within 30 days of the Issuer or that Guarantor becoming aware of that breach and such default has, or is likely to have, in the reasonable opinion of the Bond Trustee, a material adverse effect on either the Issuer's or that Guarantor's (as applicable) consolidated financial condition or operations and its subsidiaries and (prior to the Corporalisation Date) controlled entities taken together which materially adversely affects its ability to perform or comply with its payment obligations under the Bond Trust Documents or any Bond.
- **Misrepresentation:** Any breach of a representation, warranty or statement made by the Issuer in the Bond Trust Documents or by a Guarantor in the Guarantee in a material respect by the Issuer or that Guarantor which, where



capable of remedy, is not remedied within 60 days of the Issuer or that Guarantor becoming aware of the breach.

- **Guarantee:** The Guarantee is terminated or any provision amended or waived in a manner materially adverse to the interests of the Bond Holders other than in accordance with the Security Trust Deed.
- **Removal of Trustee for KIP:** Prior to the Corporatisation Date, the Trustee for KIP retires or is removed and a replacement trustee (who agrees, to be bound by the Guarantee) is not appointed within 120 days.
- **Insolvency events:** A Group member ceases or threatens to cease business, becomes insolvent, is placed in receivership, administration or statutory management, or is subject to similar insolvency events.

The Events of Default described under the headings “Non-payment” and “Gearing breach” above are defined as **Major Bond Defaults**.

If any Event of Default as specified in the Bond Trust Documents occurs, the Bond Trustee may in its discretion, and must immediately after being directed to do so by an Extraordinary Resolution of the Bond Holders or where the relevant Event of Default is a Major Bond Default, declare the Bonds to be immediately due and payable by notice in writing to the Issuer.

#### **Event of Review**

The Gearing Covenant provides that the Issuer must ensure that Finance Debt does not exceed 45% of the Total Tangible Assets of the Group. If there is a breach of this covenant (as disclosed to the Bond Trustee in a director’s report) and such breach is not remedied within six months of the delivery of the director’s report, then within 20 Business Days of the expiry of that initial six month grace period, the Issuer must give notice to the Bond Trustee and to all Bond Holders of such breach including a plan by the Issuer to remedy the breach, by selling assets, effecting a capital restructuring and/or otherwise. If the breach is not remedied within a further six months after the notice is given, then this will constitute an Event of Default.

#### **Gearing Covenant**

The Gearing Covenant in the Bond Trust Documents effectively restricts the amount of Finance Debt that is able to be incurred by the Group. Under that covenant, the Issuer must ensure that the total Finance Debt of the Group does not exceed 45% of the Total Tangible Assets of the Group at any time.

The Finance Debt of the Group will include all obligations of the Group in respect of the Bonds, all obligations under the Bank Facilities and obligations under the Hedging Documents, but will exclude any subordinated debt (including the MCNs) and any unrealised indebtedness or exposure in respect of a derivative contract before its close-out. The definition of Total Tangible Assets for the purposes of the Gearing Covenant excludes any unrealised amount owing under a derivative contract before its close-out.

The Bank Facilities contain restrictions on the level of indebtedness the Guarantors can incur in the form of a gearing ratio which is the same as the Gearing Covenant. The Bank Facilities also include the interest cover ratio described on page 18.

KIP is subject to a further borrowing restriction set out in the Trust Deed, which states that no borrowing shall be made if the effect would be that the total money borrowed by KIP and outstanding would exceed 45% of the gross value of the Trust Fund.

#### **Substitute issuer**

Pursuant to the terms of the Bond Trust Documents, a new replacement issuer of the Bonds that is a wholly owned subsidiary of the Parent may be substituted for the Issuer, but only if (among other things):

- the substitute issuer becomes bound by the terms and conditions of the Bonds in a manner that is satisfactory to the Bond Trustee;
- two directors of the substitute issuer certify that the substitute issuer will be solvent immediately after such substitution;
- the Issuer and the substitute issuer comply with the Bond Trustee’s reasonable requirements in connection with the substitution; and
- legal opinions in form and substance reasonably satisfactory to the Bond Trustee are provided in connection with the substitution.

#### **Trustee’s duties and powers**

The principal duties of the Bond Trustee under the Bond Trust Documents in relation to the Bond Holders (defined under this heading to include the holders of other retail bonds issued by the Issuer from time to time) are summarised as follows:

- upon the occurrence of any Event of Default (including an unremedied Event of Review) specified in the Bond Trust Documents, the Bond Trustee may in its discretion, and shall immediately either upon being directed to do so by an Extraordinary Resolution of Bond Holders or where the relevant Event of Default is a Major Bond Default, declare the Bonds to be immediately due and payable by notice in writing to the Issuer;
- to perform a number of functions relating to the ongoing administration of the Bond Trust Documents, including in relation to the meetings of Bond Holders, and the exercise of discretions or the giving or withholding of consents (as appropriate) relating to such administration and other matters out of the ordinary, such as agreeing to modifications of the Bond Trust Documents, upon the terms set out in the Bond Trust Documents; and
- on being satisfied that all Bond Moneys have been paid or provided for upon the terms of the Bond Trust Documents, to execute a deed of release of the Bond Trust Documents.

In exercising its powers and performing its duties under the Bond Trust Documents, the Bond Trustee must:

- act honestly;
- act in the best interests of Bond Holders; and
- exercise the care, diligence and skill that a prudent person engaged in the business of acting as a licensed supervisor in relation to a debt security would exercise in the same circumstances.

In addition, the Bond Trustee must exercise reasonable diligence:

- to ascertain whether or not there has been any breach of the terms of the Bond Trust Documents or of the terms of any offer of the Bonds and to do all it is empowered to do to cause any such breach of those terms to be remedied (except where the Bond Trustee is satisfied that the breach will not materially prejudice the interests of the Bond Holders); and
- to ascertain whether or not the assets of KIP that are or may be available, whether by way of security or otherwise, are sufficient or likely to be sufficient to discharge the amounts of the Bonds as they become due.

The Bond Trustee is not required to monitor the Issuer’s or KIP’s compliance with the Listing Rules. The Bond Trustee is not responsible for monitoring the application by the Issuer of the money paid by Bond Holders.

#### **Tax indemnity**

Under the terms of the Bonds, you indemnify KIP if KIP is required to pay any tax amount on your behalf under the Guarantee. If KIP is required to make a payment of tax on your behalf, KIP can deduct that amount from any Interest payment made to you or claim that amount from you.

## Statutory information (continued)

### 9 CONSEQUENCES OF INSOLVENCY

Bond Holders will not be liable to pay money to any person as a result of the insolvency of the Group or any Group member, except that:

- any enforcement expenses would be paid in priority to amounts payable pro-rata to the Bond Holders and other Beneficiaries under the Security Trust Deed; and
- if the Bond Holders (or the Bond Trustee on their behalf) become liable to indemnify the Security Trustee or any other person pursuant to the Security Trust Deed, the Bond Trustee shall be indemnified by each Bond Holder in respect of such liability pro-rata to their holding. Such liability is not limited to the Principal Amount of the Bonds held. Any moneys paid by the Bond Trustee in respect of such indemnity may be recovered from each Bond Holder as a debt due to the Bond Trustee and may be withheld from any further payments to that Bond Holder. The Bond Trustee may, for example, require the Bond Holders to indemnify it in respect of any action that Bond Holders have instructed it to take.

As the Bonds are senior secured debt obligations, in a liquidation or statutory management of the Group, the Bond Holders' rights to repayment of any Bond Moneys will only rank after the claims of persons to whom preferential payments must be made (including creditors of the Group preferred by law, such as Inland Revenue in respect of unpaid tax) but will rank equally with the other Beneficiaries in respect of the Group's finance debt (see the table on page 18 under the heading "Gearing").

If the security granted by the Guarantors is enforced, a number of factors may affect the amount received by Bond Holders in respect of the Bonds, including:

- the prices obtained for the assets (the book value has been determined on a "market value" and not a "distressed sale" basis. In an enforcement scenario, a much lower sale price might be obtainable in relation to the Group's property portfolio);
- the total amount owing to other Beneficiaries. The greater the amount owing to other Beneficiaries, the less likely that all Beneficiaries will be repaid in full;
- costs and expenses of the enforcement process; and
- amounts owing to creditors whose claims are preferred by law (which will include certain amounts owing to Inland Revenue and certain claims by employees).

This may be mitigated by the Gearing Covenant. Gearing is not permitted to exceed 45%, and accordingly it is expected that the proceeds of the enforcement of the security (including proceeds of sale of the Group's properties) should be sufficient to repay all Finance Debt of the Group in an orderly market.

### 10 ALTERATION OF SECURITIES

The Issuer has no right to vary the amount you pay for the Bonds once your application has been accepted by the Issuer.

The terms and conditions of the Bond Trust Documents may be amended if the amendment has been approved by, or is contingent on, an Extraordinary Resolution of the Bond Holders at a meeting of Bond Holders (whether convened by the Issuer or Bond Holders) and, in limited circumstances, with the approval only of the Bond Trustee and the Issuer.

An Extraordinary Resolution includes a resolution passed at a meeting of Bond Holders at which at least 75% of Bond Holders voting at the meeting vote in favour of the resolution. A quorum for the purpose of passing an Extraordinary Resolution is two or more Bond Holders (present in person or by representative)

holding or representing at least 25% in Principal Amount of the Bonds. If a quorum is not present and the meeting is adjourned, a quorum at the adjourned meeting is all Bond Holders present (in person or by representative). Anything that may be done by Bond Holders by an ordinary resolution or an Extraordinary Resolution passed at a meeting of Bond Holders may be done by a resolution in writing signed by not less than 75% of Bond Holders having the right to vote on that resolution and holding in aggregate the right to cast not less than 75% of the votes which could be cast on that resolution.

An Extraordinary Resolution passed at a meeting of Bond Holders or by way of a resolution in writing is binding on all Bond Holders, whether or not they were present at such meeting or signed the resolution (as the case may be). However:

- a resolution which affects a particular Bond Holder only, rather than the rights of all Bond Holders generally, will not be binding on such Bond Holder unless such Bond Holder agrees to be bound by the terms of such resolution;
- a resolution which affects one class only of bonds is deemed to have been duly passed if passed at a properly convened and held meeting of the holders of that class or by a written resolution;
- a resolution which affects more than one class of bonds, but does not give rise to a conflict of interest between the holders of any of the classes so affected, is deemed to have been duly passed if passed at a single properly convened and held meeting of the holders of all classes so affected or by a written resolution; and
- a resolution which affects more than one class of bonds and gives rise to a conflict of interest between the holders of any of the classes so affected is deemed to have been duly passed if passed at separate properly convened and held meetings of the holders of each class so affected or by a written resolution.

The following amendments do not require Bond Holder approval:

- amendments of a minor, formal, administrative or technical nature;
- amendments that are to cure any ambiguity or to correct or supplement any defective or inconsistent provision;
- amendments that are to comply with the requirements or a modification of the requirements of any applicable law or any rules of any stock exchange;
- amendments that are necessary for the purpose of obtaining or maintaining a quotation of the Bonds on any stock exchange;
- amendments that reflect an exemption granted to the Issuer, or an exemption that is applicable to the Issuer, in relation to any obligation imposed upon the Issuer by or pursuant to the Securities Act, the Financial Markets Conduct Act 2013, the Companies Act, the Financial Reporting Act 1993 or any other applicable law which is materially the same as or analogous to any obligation of the Issuer under the Bond Trust Documents or the Bonds; and
- amendments in respect of any of the provisions of the Bond Trust Documents relating to reporting to the Bond Trustee, the Bond Trustee's fees, expenses and indemnities or the exercise of the Bond Trustee's powers.

The above circumstances are also subject to the general requirement that the Issuer and the Bond Trustee must each be of the opinion that the amendment will not have a material adverse effect on Bond Holders generally. Notice of such amendment, including a description, shall be provided to the Bond Holders within 10 Business Days of the amendment being made, unless

the Bond Trustee and the Issuer agree that such notification is not required or some other form of notification is appropriate.

In addition, the Bond Trustee may, with the consent of the Issuer, temporarily vary the provisions of the Bond Trust Documents, for such period and on such terms as may be deemed appropriate provided that the Bond Trustee is satisfied that the interests of the affected Bond Holders generally will not be materially and adversely prejudiced.

Subject to any applicable law, the Bond Trustee may, in respect of any series of retail bonds, waive any breach or anticipated breach of the Bond Trust Documents if satisfied that the interests of the Bond Holders generally will not be materially prejudiced.

Any amendment to the Bond Trust Documents will only be effective if it is in writing and signed by the Issuer and the Bond Trustee.

## 11 EARLY TERMINATION

Neither the Issuer nor the Bond Holders have the right to redeem the Bonds early except through the Bond Trustee in the case of an Event of Default as described on page 31 under the heading “Trustee’s duties and powers”.

## 12 RIGHT TO SELL DEBT SECURITIES

You are entitled to sell your Bonds at any time, subject to the terms of the Bond Trust Documents and any applicable securities laws and regulations (including the Listing Rules).

Application has been made to NZX for permission to list the Bonds on the NZX Debt Market and all requirements of NZX relating thereto that can be complied with on or before the date of this Prospectus have been duly complied with. However, NZX accepts no responsibility for any statement in this Prospectus. The NZX Debt Market is a registered market operated by NZX which is a registered exchange, regulated under the Securities Markets Act 1988.

As at the date of this Prospectus, there is no established secondary market for the Bonds. On the basis that permission is expected to be granted to list the Bonds on the NZX Debt Market, the Issuer is of the view that a secondary trading market for the Bonds will develop over time. However, the Issuer gives no assurances as to the existence or characteristics of any such secondary market. Consequently, you may not be able to sell your Bonds readily or at all, or at prices that will enable you to realise a yield comparable to that of similar instruments, if any, with a developed secondary market.

No charges are payable to or by the Issuer on any sale of Bonds. However, brokerage at applicable rates is likely to be payable by you on any transfer of your Bonds effected through an NZX firm or other financial intermediary.

In accordance with the approval of NZX (as discussed in more detail on page 34 under the heading “NZX approval and waiver”), the Issuer may refuse to register a transfer of Bonds if the transfer would result in the transferee holding Bonds with a Principal Amount of less than \$5,000 or the transfer is not in multiples of \$1,000.

The amount you receive from a sale of Bonds may be more or less than the amount you paid for them. The Issuer will not provide compensation for any losses incurred from selling the Bonds.

To be eligible to trade your Bonds on the NZX Debt Market, you must have an account with a Primary Market Participant, a Common Shareholder Number (CSN) and an Authorisation Code (FIN). If you do not have an account with a Primary Market Participant, you should be aware that opening an account can take a number of days depending on the Primary Market Participant’s new client procedures. If you do not have a CSN,

you will be automatically assigned one when your application is processed by the Registrar. You will also be able to obtain your CSN by calling the Registrar on +64 9 375 5998 from 6 August 2014. You will also receive a CSN from the Registrar when you receive your “Holding Statement” (which is expected to be sent on 8 August 2014). If you do not have a FIN, it is expected that you will be sent one as a separate communication by the Registrar on 7 August 2014. If you have an authorised financial adviser and have not received a FIN by the date you want to trade your Bonds, your authorised financial adviser can arrange to obtain your FIN from the Registrar. Your authorised financial adviser will incur a charge for requesting your FIN from the Registrar and may pass this cost on to you.

## 13 OTHER TERMS OF OFFER AND DEBT SECURITIES

All the terms of the Offer and the Bonds are set out in this Prospectus (except for those implied by law) and in the Bond Trust Documents.

The Interest Rate that may be earned by holding the Bonds will be set by the Issuer on the Rate Set Date.

Pursuant to the Exemption Notice, it is a term of the Offer that:

- the obligations the Trustee would otherwise have to keep a register of Bonds and to permit access to this register under sections 51 and 52 of the Securities Act have been undertaken by the Issuer; and
- the disclosure obligations that the Trustee would otherwise have, have been undertaken by the Issuer.

## 14 INFORMATION AVAILABLE UNDER THE ISSUER’S DISCLOSURE OBLIGATION

The Issuer, as a listed issuer of the Units and the MCNs, is subject to continuous disclosure obligations under the Listing Rules. Copies of announcements made by KIP to NZX are available on [nzx.com/companies/KIP/announcements](http://nzx.com/companies/KIP/announcements).

The table below sets out particulars of information notified by the Issuer to NZX prior to the date of this Prospectus in accordance with its disclosure obligations under the Listing Rules in respect of the MCNs and the Units that it considers are material to the Offer. The directors of the Issuer have considered all information disclosed under its continuous disclosure obligations and have formed the view that disclosures prior to the release of KIP’s annual report for the year ended 31 March 2014 are also captured in that annual report and so have not been repeated here.

#	Announcement date	Description of announcement
1	30 June 2014	KIP refinances \$875 million of bank debt facilities
2	3 June 2014	KIP announces settlement of remaining 50% interest in 205 Queen
3	20 May 2014	KIP announces annual result and releases online annual report
4	20 May 2014	KIP releases revised distribution reinvestment plan booklet
5	6 May 2014	KIP announces sale of remaining 50% interest in 205 Queen

## 15 FINANCIAL STATEMENTS

The Group’s audited financial statements for the financial year ended 31 March 2014 that comply with the Financial Reporting Act 1993 were registered at the Companies Office on 27 June 2014, and notified to NZX on 20 May 2014. Copies of these financial statements are also available online at [kipt.co.nz/investor-information/bonds](http://kipt.co.nz/investor-information/bonds).

## Statutory information (continued)

### 16 ADDITIONAL INTERIM FINANCIAL STATEMENTS

The most recent financial statements of the Group that comply with the Financial Reporting Act 1993 are the audited financial statements for the financial year ended 31 March 2014 referred to under the heading “Financial Statements” above.

### 17 ACCESS TO INFORMATION AND STATEMENTS

Copies of the information referred to under the heading “Information Available Under the Issuer’s Disclosure Obligation” above and the financial statements referred to under the heading “Financial Statements” are made available through KIP’s website [kipt.co.nz/investor-information/bonds](http://kipt.co.nz/investor-information/bonds) and are available on request and free of charge, by writing to the Issuer at the address specified in the Directory on the inside back cover. Copies of those documents are also filed on a public register at the Companies Office of the Ministry of Business, Innovation and Employment and are available for public inspection (including at [business.govt.nz/companies](http://business.govt.nz/companies)).

### 18 OTHER MATERIAL MATTERS

#### Material transactions

Subsequent to 31 March 2014, Auckland City Holdings Limited exercised its right to purchase KIP’s remaining 50% interest in 205 Queen, Auckland, for a purchase price of \$56.3 million, in line with the asset’s 31 March 2014 independent valuation. Settlement occurred on 3 June 2014.

#### Northlands Shopping Centre mediation

The Group is currently claiming under its insurance policy in respect of Northlands Shopping Centre (Centre), which suffered damage as a result of the Canterbury earthquakes of 2010 and 2011. The Group holds material damage insurance, which provides it with cover for the cost of repairing the earthquake damage to the Centre to an ‘as new’ condition.

The Group has submitted a number of insurance claims under its insurance policies, which as at 31 March 2014 total \$89.9 million, net of payments received. The insurers have disputed parts of these claims and, in an attempt to negotiate a settlement of the disputed elements of its claims, the Group and its insurers have commenced a formal mediation process with the intention of securing a settlement in the second half of this year.

For financial reporting purposes, the Group has separately recognised, what it considers to be, a reasonable estimate of the amount it will receive under its insurance policy in respect of the claims made for the Centre. This estimate is \$64.3 million. Accordingly, the financial statements for the year ending 31 March 2014 record, as a current asset, a net insurance receivable in respect of earthquake damage remedial works at the Centre of \$64.3 million.

There is a risk that the actual amount of insurance proceeds received may be higher or lower than this estimate made by the Group and recorded in the financial statements.

#### NZX approval and waiver

Listing Rule 11.1.1 provides that no restriction may be imposed on the ability of a security holder to transfer their securities (subject to registration of a properly completed transfer). NZX has approved provisions in the Bond Trust Documents that enable the Issuer to decline to accept or register a transfer of Bonds if the transfer would result in the transferor or the transferee holding or continuing to hold Bonds with a Principal Amount of less than \$5,000 (if not zero) or if the transfer is not in multiples of \$1,000.

Listing Rule 9.2.1 provides that an issuer shall not enter into a material transaction if a related party is or is likely to become a direct or indirect party to that material transaction. NZX has provided a waiver from Listing Rule 9.2.1 to enable related parties of KIP (such as the Issuer, KPHL or SPBCL) to enter into the Bond Trust documents and associated guarantee and security arrangements as part of a series of transactions in relation to the Offer (which may be a “material transaction” for the purposes of the Listing Rules).

#### Exemption notice

The Financial Markets Authority has granted the following exemptions in respect of the Offer, subject to the terms and conditions contained in the Exemption Notice:

- sections 37, 37A, 38A and 51 to 54B of the Securities Act and the Securities Regulations, relieving the Trustee from the obligations as issuer of the Bonds;
- section 33(2) of the Securities Act, which would require the Trustee to appoint a bond trustee for the Bonds. This exemption has been granted on the basis that the Issuer has undertaken the obligation to appoint a bond trustee and enter into a bond trust deed. The effect of this exemption is that the Issuer (in its capacity as manager of KIP) assumes the obligations to you as a Bond Holder under the Bond Trust Documents, such as the obligations to pay Interest and the Principal Amount;
- section 34(2)(a) of the Securities Act, relieving the requirements for a copy of the financial statements referred to in this Prospectus to accompany this Prospectus;
- sections 41 and 43 of the Securities Act, relieving the Trustee’s directors from the requirement to sign this Prospectus and any amendment to it;
- section 37A(1)(a) of the Securities Act, relieving the requirement for an investment statement in respect of the Bonds;
- regulations 5(1)(b) of the Securities Regulations, relieving the requirement for this Prospectus to contain all of the information, statements, and other matters specified in Schedule 2 to the Securities Regulations;
- section 54B(3)(b) of the Securities Act, relieving the requirement to send copies of the Trustee’s financial statements to investors; and
- regulation 26 of the Securities Regulations, allowing advertisements to state the amount of assets of KIP.

#### Financial service provider

The Issuer is a financial service provider (FSP number: FSP337086) and is registered for the financial service of issuing securities to the public. The Issuer is a member of the disputes resolution scheme known as Financial Services Complaints Limited. Details of the matters that the scheme deals with and how to make a complaint are set out on Financial Services Complaints Limited’s website at [fscil.org.nz](http://fscil.org.nz).

#### Other material matters

There are no material matters relating to the offer of Bonds under this Prospectus other than those set out in this Prospectus, in the disclosed information identified on page 33 under the heading “Information Available Under the Issuer’s Disclosure Obligation”, or in the financial statements referred to in this Prospectus on pages 33 and 34 under the headings “Financial Statements” and “Additional Interim Financial Statements” respectively and, contracts entered into in the ordinary course of business by the Issuer.

### 19 DIRECTORS’ STATEMENT

The directors of the Issuer, after due enquiry by them, are of the opinion that the Issuer is in compliance with the requirements of the continuous disclosure provisions that apply to it.

# Statement from the Bond Trustee



A subsidiary of Public Trust

1 July 2014

## **Kiwi Property Management Limited – Offer of fixed rate senior secured bonds**

Clause 8(3) of the schedule to the Securities Act (Kiwi Income Property Trust) Exemption Notice 2014 requires us to confirm that the offer of debt securities (**Bonds**) by Kiwi Property Management Limited in its capacity as manager of Kiwi Income Property Trust (**Issuer**) set out in the simplified disclosure prospectus dated 1 July 2014 (**Prospectus**) complies with any relevant provisions of:

- a) the bond master trust deed between the Issuer and New Zealand Permanent Trustees Limited (**Bond Trustee**) dated 30 June 2014; and
- b) the supplemental trust deed between the Issuer and the Bond Trustee dated 30 June 2014,

(together, **Bond Trust Documents**).

The relevant provisions of the Bond Trust Documents are those which:

- a) entitle the Issuer to constitute and issue under the Bond Trust Documents the Bonds offered under the Prospectus; and
- b) impose any restrictions on the right of the Issuer to offer the Bonds,

and are described in the “Provisions of Trust Deed and Other Restrictions on Borrowing Group” section on pages 30 to 31 of the Prospectus.

The Bond Trustee’s statement does not refer to any financial information, or to any material contained in the Prospectus which does not relate to the Bond Trust Documents.

The Bond Trustee confirms that the offer of Bonds set out in the Prospectus complies with any relevant provisions of the Bond Trust Documents. We have given this confirmation on the basis set out above.

The inclusion of this Bond Trustee’s statement in the Prospectus should not be taken to imply that the Bond Trustee has responsibility for the material in the Prospectus other than the Bond Trustee’s statement.

The Bond Trustee does not guarantee or provide any assurance as to the repayment of the Bonds, the payment of interest on the Bonds, or any other aspect of the Bonds.

Yours faithfully,

Signed for and on behalf of the Bond Trustee



# Statutory index

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This Prospectus is required to comply with the content requirements of the Schedule to the Exemption Notice, which is intended to replicate the content requirements found in Schedule 12 to the Securities Regulations (modified as necessary, given that the securities are debt securities being offered for the purposes of a unit trust). The above table is required to be included in this Prospectus by Regulation 16 of the Securities Regulations. The Exemption Notice exempts this Prospectus from the requirement to contain the statement specified in clause 1 of Schedule 12 to the Securities Regulations.

## EXECUTION

The copy of this Prospectus delivered to the Registrar of Financial Services Providers for registration has been signed by each director of the Issuer or by his or her agent authorised in writing.

# Glossary

**AIL** means Approved Issuer Levy and has the meaning set out in Part 6B of the Stamp and Cheque Duties Act 1971.

**Application Form** means the application form in respect of the Offer attached to this Prospectus.

**Arranger** means Deutsche Craigs Limited.

**Bank Facilities** means the senior facilities agreement entered into pursuant to an amendment and restatement deed dated 30 June 2014 between, among others, KPHL as borrower, the Guarantors as guarantors, the Bank Lenders as lenders and the Security Trustee.

**Bank Lenders** means the lenders under the Bank Facilities from time to time, which, at the date of this Prospectus, are ANZ Bank New Zealand Limited, Bank of New Zealand, Commonwealth Bank of Australia and Westpac New Zealand Limited.

**Beneficiaries** means the beneficiaries for whom the security is held under the Security Trust Deed by the Security Trustee, including the Bank Lenders, the Bond Holders, the Bond Trustee, the Hedging Providers and any future creditor of the group (and/or its trustee, agent or other representative) who becomes a beneficiary under the terms of the Security Trust Deed.

**Board** means the board of directors of the Issuer.

**Bond Holder** means a person whose name is recorded on the Register as the holder of a Bond.

**Bond Money** means, in relation to a Bond at any time, the Principal Amount, Interest and other moneys payable on, or in relation to, that Bond to the relevant holder of that Bond.

**Bond Trust Documents** means:

- (a) the bond master trust deed dated 30 June 2014 entered into by the Issuer and the Bond Trustee; and
- (b) the supplemental trust deed dated 30 June 2014 entered into by the Issuer and the Bond Trustee.

**Bond Trustee** means New Zealand Permanent Trustees Limited as trustee for the Bond Holders or any successor of the Bond Trustee.

**Bonds** means the bonds offered pursuant to this Prospectus.

**Business Day** means a day (other than a Saturday or Sunday) on which registered banks are generally open for business in Auckland and Wellington.

**Capitalisation of Income Approach** means a valuation methodology which determines fair value by capitalising a property's sustainable net income at an appropriate, market-derived capitalisation rate with subsequent capital adjustments for near-term events, typically including letting-up allowances for vacancies and pending expiries, expected short-term capital expenditure and the present value of any difference between contract and market rentals.

**CBRE** means CBRE Limited.

**Closing Date** means the end of the offer period for the Bonds, being 1 August 2014 or such other date that the Issuer may determine.

**Colliers** means Colliers International New Zealand Limited.

**Companies Act** means the Companies Act 1993.

**Corporatisation Date** means the date on which the proposed corporatisation of KIP (which is subject to Unit Holder approval) is completed.

**Credit Participations** means, in relation to a Beneficiary under the Security Trust Deed, the aggregate principal amounts owing to that Beneficiary under a finance document that has been recognised for the purposes of the Security Trust Deed and includes an exposure under the Hedging Documents (even if the underlying hedging transactions are yet to be closed out).

**Directory** means the directory on the inside back cover.

**Discounted Cash Flow Approach** means a valuation methodology which requires the application of financial modelling techniques. Discounted cash flow analysis requires explicit assumptions to be made regarding the prospective income and expenses of a property, such assumptions pertaining to the quantity, quality, variability, timing and duration of inflows and outflows over an assumed holding period, typically ten years. The assessed cash flows are discounted to present value at an appropriate, market-derived discount rate to determine fair value.

**Event of Default** has the meaning given to that term in the Bond Trust Documents, as summarised in this Prospectus.

**Event of Review** has the meaning given to that term in the Bond Trust Documents, as summarised in this Prospectus.

**Exemption Notice** means the Securities Act (Kiwi Income Property Trust) Exemption Notice 2014.

**Extraordinary Resolution** means:

- (a) a resolution passed at a meeting of holders of a class of bonds at which at least 75% of such holders voting at the meeting, voted in favour of the resolution, or if a poll is duly demanded then at least 75% of the votes cast on such a poll, voted in favour of the resolution; or
- (b) a resolution in writing signed by not less than 75% of holders of a class of bonds having the right to vote on that resolution, holding in aggregate bonds conferring the right to cast not less than 75% of the votes which could be cast on that resolution.

**Finance Debt** means any indebtedness, present or future, actual or contingent for or in respect of money borrowed or raised by any means or any financial accommodation whatsoever (including indebtedness under the Bank Facilities) and for the deferred purchase price of assets and services, but excludes, for the avoidance of doubt, any subordinated debt (including the MCNs) and any unrealised indebtedness or exposure in respect of a derivative contract before its close-out.

**First Interest Payment Date** means 20 August 2014.

**Gearing** has the meaning given to that term on page 6.

**Gearing Covenant** has the meaning given to that term on page 6.

**Global Security Deed** means the global security deed dated 5 November 1998 (as amended and restated on 30 June 2014) under which the Guarantors have granted a cross guarantee of all finance debt of the other Guarantors and the Issuer in respect of the Bonds, Bank Facilities and Hedging Documents and have granted security over all of their present and future assets in favour of the Security Trustee (on behalf of the Beneficiaries).

## Glossary (continued)

### Group means:

- (a) prior to the proposed corporatisation, KIP and its controlled entities, which as at the date of this Prospectus includes the Issuer, KPHL and SPBCL; and
- (b) on and from corporatisation, which remains subject to Unit Holder approval, the Listed Parent Company and each of its subsidiaries, which will include KPHL and SPBCL.

**Guarantee** means the guarantee provided by the Guarantors in favour of the Security Trustee (on behalf of the Beneficiaries) under the Global Security Deed.

**Guarantors** means the Trustee (in its capacity as trustee of KIP), KPHL and SPBCL and any other entity that may in the future accede to the Security Trust Deed as a Guarantor.

**Hedging Documents** means the ISDA documents entered into by members of the Group and each Hedging Provider in connection with the provision of hedging arrangements to the Group.

**Hedging Providers** means each counterparty under a Hedging Document and includes at the date of this Prospectus, each of the Bank Lenders.

**Interest** means interest payable in accordance with the terms of the Bonds offered pursuant to this Prospectus.

**Interest Payment Dates** means 20 February and 20 August in each year until redemption of the Bonds, provided that the First Interest Payment Date will be 20 August 2014.

**Interest Rate** means the interest rate set and announced by the Issuer on the Rate Set Date, fixed for the term of the Bonds and paid on the Interest Payment Dates.

**Issue Date** means 6 August 2014, or such other date as the Issuer shall determine.

**Issue Price** means \$1.00 per Bond.

### Issuer means:

- (a) prior to the Corporatisation Date, Kiwi Property Management Limited (New Zealand Company Number 4784399) acting in its capacity as manager of KIP; and
- (b) on and from the Corporatisation Date, the Listed Parent Company.

**JLL** means Jones Lang LaSalle Limited.

**Joint Lead Managers** means Deutsche Craigs Limited, Bank of New Zealand and Forsyth Barr Limited.

**KIP** means Kiwi Income Property Trust, a trust established under the Trust Deed and registered under the Unit Trusts Act 1960.

**KPHL** means Kiwi Property Holdings Limited, a wholly owned subsidiary of the Parent.

**Lenders' Representative** means, if a facility agent has been appointed pursuant to the terms of the Bank Facilities, the facility agent, or, if no facility agent has been so appointed, the "majority lenders" (as defined in the Bank Facilities).

**Listed Parent Company** means the new listed parent company, which will be the ultimate holding company of both KPHL and SPBCL following the corporatisation of KIP.

### Listing Rules means:

- (a) in relation to the Bonds, the listing rules of the NZX Debt Market; and
- (b) in relation to the Units and the MCNs, the listing rules of the NZX Main Board.

**Major Bond Default** has the meaning given on page 31.

**Majority Beneficiaries** means, at any time, the Beneficiaries who have Credit Participations at that time which aggregate to more than 50% of the total Credit Participations at that time.

**Maturity Date** for a Bond means 20 August 2021.

**MCNs** means the unsecured subordinated mandatory convertible notes issued pursuant to a prospectus dated 10 November 2009.

**NRWT** means Non Resident Withholding Tax and has the meaning set out in subpart RF of the Income Tax Act 2007.





**NZ GAAP** or **GAAP** means generally accepted accounting practice in New Zealand.

**NZX** means NZX Limited.

**NZX Debt Market** means the New Zealand debt market called the NZX Debt Market operated by NZX.

**NZX Main Board** means the New Zealand main board equity securities market operated by NZX.

**Offer** means the offer of up to \$125 million of Bonds, at a price of \$1.00 per Bond, made pursuant to this Prospectus.

**Opening Date** means the opening date of the Offer to New Zealand residents being 11 July 2014.

**Organising Participant** means Craigs Investment Partners Limited.

**Parent** means:

(a) prior to the Corporatisation Date, the Trustee as trustee of KIP; and

(b) on and from the Corporatisation Date, the Listed Parent Company.

**Primary Market Participant** has the meaning set out in the NZX Participant Rules.

**Principal Amount** means in relation to a Bond, the amount (other than Interest) payable on redemption or repayment of that Bond, being the amount recorded as such in the Register relating to that Bond in respect of that Bond.

**Prospectus** means this prospectus.

**Rate Set Date** means the date for setting the Interest Rate for the Bonds, which is proposed to be 10 July 2014.

**Record Date** means, in relation to a payment due on a Bond, 5.00pm on the 10th calendar day before the relevant Interest Payment Date or Maturity Date.

**Register** means any register of Bonds maintained by the Registrar.

**Registrar** means Link Market Services Limited.

**RWT** means Resident Withholding Tax and has the meaning set out in subpart RE of the Income Tax Act 2007.

**Secured Property** means, in relation to a Guarantor, the whole of that Guarantor's present and future undertakings, property, assets and revenues and a reference to the Secured Property includes any part of it.

**Securities Act** means the Securities Act 1978.

**Securities Regulations** means the Securities Regulations 2009.

**Security Documents** means, as at the date of this Prospectus, the Security Trust Deed and the Global Security Deed.

**Security Trust Deed** means the security trust deed dated 30 June 2014 between the Guarantors of the Group, the Security Trustee, the Bank Lenders, the Hedging Providers and the Bond Trustee.

**Security Trustee** means Public Trust, in its capacity as security trustee under the Security Trust Deed.

**SPBCL** means Sylvia Park Business Centre Limited, a wholly owned subsidiary of the Parent.

**Total Tangible Assets** means, at any date, the aggregate amount on a consolidated basis of all assets of the Group which would be disclosed in the financial statements if they were prepared as at that date after deducting assets which according to NZ GAAP are considered to be intangible assets, but excludes, for the avoidance of doubt, any unrealised amount that is owing under a derivative contract before its close-out.

**Trust Deed** means the Trust Deed dated 21 August 1992 (as amended from time to time) constituting KIP, between (among others) the Trustee and the Issuer.

**Trust Fund** means the assets of KIP which are held by the Trustee in trust for Unit Holders in accordance with the Trust Deed.

**Trustee** means New Zealand Permanent Trustees Limited as trustee of KIP.

**Unit Holder** means, at any time, the holder of a Unit.

**Units** means an undivided part or share in the Trust Fund.

**Valuers** means, collectively, CBRE, Colliers and JLL.

**WALT** means the average remaining lease term weighted by gross income.



# Application instructions

Applications to subscribe for Bonds must be made on the Application Form contained in this Prospectus.

## INVESTOR DETAILS

Insert your full name(s), address and telephone numbers.

Applications must be in the name(s) of natural persons, companies or other legal entities, up to a maximum of three names per application.

Use the table below to see how to write your name correctly.

Type of Investor	Correct way to write name	Incorrect way to write name
Individual person	JOHN SMITH	J SMITH
More than one person	JOHN SMITH, MICHELLE SMITH	J & M SMITH
Company	ABC LIMITED	ABC
Trusts	JOHN SMITH, MARY SMITH, PETER SMITH [JOHN SMITH FAMILY A/C]	SMITH FAMILY TRUST
Partnerships	JOHN SMITH, MICHAEL SMITH [JOHN SMITH AND SONS A/C]	JOHN SMITH & SONS
Clubs and unincorporated associations	JOHN SMITH, PETER SMITH [THE INVESTMENT CLUB A/C]	SMITH INVESTMENT CLUB
Superannuation funds	JOHN SMITH [SUPERANNUATION FUND A/C]	JOHN SMITH, SUPERANNUATION FUND

By supplying your mobile number you will enable the Registrar to advise you by TXT Alerts (post-allotment) of any changes on your holding balance, or if your bank account details or address on register change, or if a new / replacement FIN has been requested. This feature provides additional security to you as an investor.

## APPLICATION DETAILS

- Complete the Principal Amount of Bonds applied for. Note the minimum amount is \$5,000, and thereafter in multiples of \$1,000.
- If you have other investments registered under a Common Shareholder Number (CSN) you must supply your CSN in the space provided. The name and address details on your Application Form must correspond with the registration details under that CSN, otherwise a new CSN and FIN will be allocated to you.
- Provide your IRD number. Only one IRD number is required for a joint holding.
- Elect the rate at which you wish resident withholding tax to be deducted by ticking the relevant box.
- Tick the relevant box if you hold a resident withholding tax (RWT) exemption certificate. If you hold a valid exemption, please attach a photocopy of the exemption certificate and supply the expiry date.

- Select whether you wish to receive payments of Interest and principal in respect of Bonds into a nominated bank account or into a cash management account (if you have one) with a financial intermediary.
- By supplying your email address, the Issuer will be able to deliver your investor correspondence to you electronically where possible. This is a much more environmentally friendly, cost-effective and timely option than paper based investor mail outs, and the Issuer encourages you to provide this.

## SIGNING AND DATING

Read carefully the Application Form and this Prospectus and sign and date the form.

The Application Form must be signed by the applicant(s) personally, or by two directors of a company (or one director if there is only one director, whose signature must be witnessed), or in either case by an attorney or duly authorised agent.

If the Application Form is signed by an attorney, the power of attorney document is not required to be lodged, but the attorney must complete the certificate of non-revocation of power of attorney on the reverse of the Application Form.

If the Application Form is signed by an agent, the agent must complete the certificate of non-revocation of agency on the reverse of the Application Form.

Joint applicants must each sign the Application Form.

## PAYMENT

Bonds are issued at \$1.00 per Bond so the payment amount is an amount equal to the number of Bonds for which you apply. Payment must be made in New Zealand dollars.

Investors must pay for the Bonds applied for by direct debit (option 1), by a cheque delivered with the Application Form prior to 5.00pm on the Closing Date (option 2), through the NZClear System (option 3) or by another payment method approved by the Issuer.

### Option 1 (Direct Debit)

If you choose the direct debit option you must **tick the box authorising the Registrar to direct debit** the bank account nominated on the Application Form, on the day the Application Form is received by the Registrar, for the amount applied for on the Application Form. You cannot specify a direct debit date and you must ensure that:

- the bank account details supplied are correct;
- the application funds in the bank account for direct debit are **available on the day the Registrar receives the Application Form**;
- **the person giving the direct debit instruction has the authority to operate the account** solely/jointly; and
- the bank account you nominated is a **transactional account eligible for direct debit** transactions. If you are uncertain you should contact your bank.

The Registrar will not be able to process your direct debit if you do not sign and date the Application Form. If requested, a direct debit authority form will be provided to you by the Registrar.

Should your direct debit fail, your application will be rejected.

### Option 2 (Cheque)

Cheques must be drawn on a New Zealand registered bank and must be made in New Zealand dollars. **Cheques must be made payable to "KIP Bond Offer"**, crossed "Not Transferable" and must not be post-dated as cheques will be banked on the day of receipt. If your cheque is dishonoured, the Issuer may cancel your allotment of Bonds and pursue any other remedies available to it at law.

If you pay by cheque, please supply your bank account details to enable the Issuer to pay your Interest into your nominated bank account. Future Interest payments from the Issuer will be made to you by direct credit.

### Option 3 (NZClear)

Investors who are members of NZClear may, by prior arrangement with the Registrar, settle their applications for Bonds on the Issue Date through the NZClear System.

## CLOSING DATE

This Offer will close at 5.00pm on the Closing Date. You should remember that the Closing Date may be changed at the sole discretion of the Issuer. Changes will be advised via [nzx.com](http://nzx.com).

The Issuer reserves the right to refuse to accept applications received by the Registrar after the Closing Date.

## DELIVERY

Applications received cannot be revoked or withdrawn.

Please return your completed Application Form to the authorised financial adviser from whom you received your allocation in enough time to enable the authorised financial adviser to submit your application to the Registrar by 5.00pm on the Closing Date.

All Bonds are reserved for subscription by clients of the Joint Lead Managers, Primary Market Participants (as defined in the NZX Participant Rules) and other persons invited to participate in the distribution of Bonds. Retail investors should contact their usual authorised financial advisor or a Primary Market Participant for details of the application process for Bonds as there is no public pool.

## PERSONAL INFORMATION RIGHTS

Personal information provided by you will be held by the Issuer and the Registrar at their respective addresses shown in the Directory on the inside back cover or at such other place as is notified upon request. This information will be used for the purpose of managing your investment and may be disclosed to third parties where necessary to comply with legal requirements. You have a right to access and correct any personal information about you under the Privacy Act 1993.

You can also access and update your information on the Registrar's website: [linkmarketservices.co.nz](http://linkmarketservices.co.nz). You will be required to enter your CSN and FIN.

## QUESTIONS

If you have any questions about how to apply under the Offer, you can call the Registrar on 09 375 5998 during the Offer period between 8.00am to 5.30pm (Monday to Friday).



# Application Form

This Application Form is issued with the Simplified Disclosure Prospectus (**Prospectus**) dated 1 July 2014, issued by Kiwi Property Management Limited (**Issuer**) in its capacity as manager of Kiwi Income Property Trust (**KIP**). Please complete this Application Form and return it to, or lodge it with, an appropriate person as specified in the section 'Application instructions' on page 40 of the Prospectus. Before completing this Application Form, applicants should read the Prospectus to which this application relates.

## 1. APPLICATION DETAILS AND INFORMATION – PLEASE PRINT IN BLOCK LETTERS

First name(s): \_\_\_\_\_ Last name: \_\_\_\_\_

First name(s): \_\_\_\_\_ Last name: \_\_\_\_\_

First name(s): \_\_\_\_\_ Last name: \_\_\_\_\_

Company or Designated Account name: \_\_\_\_\_

Postal address & postal code: \_\_\_\_\_

\_\_\_\_\_

Phone number Mobile: \_\_\_\_\_ Business hours: \_\_\_\_\_

## 2. APPLICATION PAYMENT – IMPORTANT

Your Application Form must be received by Link Market Services Limited (**Registrar**) by 5.00pm on 1 August 2014.

Applications must be for a minimum of NZ\$5,000 and, thereafter, in multiples of NZ\$1,000.

Amount of Bonds applied for \$

You may choose only ONE of the options below for payment of your application moneys. Please tick the box next to your selected option (✓)

- OPTION 1 – Direct debit** Please direct debit my bank account stated below for the amount of Bonds applied for above (or any lesser amount as determined by the Issuer). By ticking this box and signing this Application Form, I agree that the Registrar is authorised to direct debit my account for the full amount of Bonds applied for (or any lesser amount as determined by the Issuer).
- OPTION 2 – Cheque** Please find attached my cheque payable to 'KIP Bond Offer' and crossed 'Not Transferable'. I have supplied my bank account details below for the purpose of direct crediting any future Interest paid by the Issuer.
- OPTION 3 – NZClear System** Payment will be made by NZClear as arranged with the Registrar (**authorised institutional investors only**). I have supplied my bank account details below for the purposes of direct crediting any future interest paid by the Issuer.
- NZClear mnemonic \_\_\_\_\_

### NEW ZEALAND DOLLAR BANK ACCOUNT DETAILS FOR DIRECT DEBIT AND FUTURE INTEREST PAYMENTS

Name of Bank: \_\_\_\_\_ Account name: \_\_\_\_\_

Bank	Branch	Account Number	Suffix
<input style="width: 20px; height: 20px;" type="text"/>	<input style="width: 20px; height: 20px;" type="text"/>	<input style="width: 20px; height: 20px;" type="text"/>	<input style="width: 20px; height: 20px;" type="text"/>

### OR for the purpose of Interest payments only, direct credit to my cash management account

Name of NZX Participant where Cash Management Account held \_\_\_\_\_

Cash Management Account Client Account Number

If you wish to have your future Interest payments direct credited to a different bank account you need to advise the Registrar in writing.

## 3. COMMON SHAREHOLDER NUMBER (CSN)

Please note that the application must be in the same name as the CSN below otherwise the application will be deemed to be made without a CSN and a base registry number will be allocated.

If you hold any other securities under a CSN, please enter your CSN here

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#### 4. IRD NUMBER OR RWT EXEMPTION

---

IRD number  Only one IRD number is required in respect of a joint application.

Deduct Resident Withholding Tax (RWT) from my Interest earned at the following rate (please tick ✓ one).

Please note that companies (other than a company which is acting as a trustee or a company which is a Maori authority) do not need to tick any box unless they hold an RWT exemption certificate. Tax will automatically be deducted at 28%.

10.5%  17.5%  30%  33%

Exempt – please tick this box if you hold an RWT exemption certificate from the IRD and attach a copy of your RWT exemption certificate. The RWT exemption certificate must relate to the IRD number provided.

Country of residence for tax purposes \_\_\_\_\_ If not a New Zealand tax resident, are you engaged in business in New Zealand through a fixed establishment in New Zealand? **Yes / No** (delete one)

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#### 5. ELECTRONIC CORRESPONDENCE AND REPORTING

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To enable the Issuer to provide you electronically with correspondence in relation to your holding in this security, please complete your email address below. If you do not provide an email address, investor correspondence will be mailed to you at the address provided on this Application Form.

Email Address: \_\_\_\_\_

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#### 6. AGREEMENT OF TERMS

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I/We hereby acknowledge that I/we have received and read the Prospectus for Bonds, and apply for the Principal Amount of Bonds set out above and agree to accept such Bonds (or such lesser number as may be allotted to me/us) on, and subject to, the terms and conditions set out in the Prospectus.

All applicants on the Application Form must sign.

Signature Of Applicant: \_\_\_\_\_

Signature Of Applicant: \_\_\_\_\_

Signature Of Applicant: \_\_\_\_\_

Date: \_\_\_\_\_

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#### 7. DELIVERY

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Your Application Form must be delivered in accordance with the instructions and at the time given to you by your authorised financial adviser from whom you received your allocation.

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#### 8. TERMS AND CONDITIONS OF APPLICATION

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- By signing (or authorising an attorney or agent to sign) this Application Form:
  - the applicant acknowledges that this form was distributed with the Prospectus; and
  - the applicant acknowledges that he/she/it has read and understood the statements made in the Prospectus relating to the Privacy Act 1993 in the section of the Prospectus entitled 'Application instructions' on page 40.
- An application received by the Registrar cannot be withdrawn or revoked by the applicant.
- The Issuer reserves the right to decline any application, in whole or in part, without giving any reason. The Issuer may decide not to accept any applications whatsoever.
- Applications must conform with the application instructions in the section of the Prospectus entitled 'Application instructions' on page 40.
- A joint application must be signed by all applicants. Only the address of the first named of the joint applicants will be recorded on the Register and all Interest payments, notices and other correspondence will be sent to that address.
- Applications lodged by individuals must be signed personally or by their attorney or agent. If this Application Form is signed by an attorney, the attorney must complete the certificate of non-revocation of power of attorney set out above. If this Application Form is signed by an agent, the agent must complete the certificate of non-revocation of agency set out above.
- Terms defined in the Prospectus have the same meaning in this Application Form.
- This Application Form, the Offer and any contract arising out of its acceptance are governed by New Zealand law. Under the Anti-Money Laundering and Countering Financing of Terrorism Act 2009 (AML Act), investors may be required to produce evidence of their identity. You agree to provide your financial adviser, the Issuer and their agents with all requested due diligence information that is required to satisfy applicable laws, such as the customer due diligence obligations under the AML Act. You also agree that your financial adviser may provide the Issuer and its agents with all information evidencing your identity that is held by, or later provided to, your financial adviser and that is required by the Issuer to satisfy its obligations under the AML Act.

**9. CERTIFICATE OF NON-REVOCATION OF POWER OF ATTORNEY**

**(Complete this section if you are acting on behalf of the Applicant on this Application Form for whom you have power of attorney.)**

I, \_\_\_\_\_ of \_\_\_\_\_  
(full name) (place and country of residence)

hereby certify that:

(Occupation)

1. By deed dated \_\_\_\_\_ (date of instrument creating the power of attorney),

\_\_\_\_\_ (full name of person/body corporate which granted the power of attorney)

of \_\_\_\_\_  
(place and country of residence of person/body corporate which granted the power of attorney\*)

Appointed me \_\_\_\_\_ attorney;  
(his/her/its)

- 2. That I have executed the application for Bonds printed on this Application Form under that appointment and pursuant to the powers thereby conferred on me; and
- 3. That I have not received notice of any event revoking the power of attorney.

Signature of attorney

Signed at \_\_\_\_\_ this \_\_\_\_\_ day of \_\_\_\_\_ 2014

\*If a donor is a body corporate, state place of registered office or principal place of business of donor and, if that is not in New Zealand, state the country in which the principal place of business is situated.

**10. CERTIFICATE OF NON-REVOCATION OF AGENCY**

**(Complete this section if you are acting as agent on behalf of the applicant on this Application Form)**

I, \_\_\_\_\_ of \_\_\_\_\_  
(full name) (place and country of residence)

hereby certify that:

(Occupation)

1. By the agency agreement dated \_\_\_\_\_ (date of instrument creating the power of agency),

\_\_\_\_\_ (full name of person/body corporate which appointed you as agent)

of \_\_\_\_\_  
(place and country of residence of person/body corporate which appointed you as agent\*\*)

Appointed me \_\_\_\_\_ agent;  
(his/her/its)

- 2. That I have executed the application for Bonds printed on this Application Form under that appointment and pursuant to the powers thereby conferred on me; and
- 3. That I have not received notice or information of the revocation of my appointment as agent.

Signature of agent

Signed at \_\_\_\_\_ this \_\_\_\_\_ day of \_\_\_\_\_ 2014

\*\*If a donor is a body corporate, state place of registered office or principal place of business of donor and, if that is not in New Zealand, state the country in which the principal place of business is situated.

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# Application Form

This Application Form is issued with the Simplified Disclosure Prospectus (**Prospectus**) dated 1 July 2014, issued by Kiwi Property Management Limited (**Issuer**) in its capacity as manager of Kiwi Income Property Trust (**KIP**). Please complete this Application Form and return it to, or lodge it with, an appropriate person as specified in the section 'Application instructions' on page 40 of the Prospectus. Before completing this Application Form, applicants should read the Prospectus to which this application relates.

## 1. APPLICATION DETAILS AND INFORMATION – PLEASE PRINT IN BLOCK LETTERS

First name(s): \_\_\_\_\_

Last name: \_\_\_\_\_

First name(s): \_\_\_\_\_

Last name: \_\_\_\_\_

First name(s): \_\_\_\_\_

Last name: \_\_\_\_\_

Company or Designated Account name: \_\_\_\_\_

 Postal address & postal code: \_\_\_\_\_  
 \_\_\_\_\_

Phone number Mobile: \_\_\_\_\_

Business hours: \_\_\_\_\_

## 2. APPLICATION PAYMENT – IMPORTANT

Your Application Form must be received by Link Market Services Limited (**Registrar**) by 5.00pm on 1 August 2014.

Applications must be for a minimum of NZ\$5,000 and, thereafter, in multiples of NZ\$1,000.

Amount of Bonds applied for

 \$ 

You may choose only ONE of the options below for payment of your application moneys. Please tick the box next to your selected option (✓)

**OPTION 1 – Direct debit** Please direct debit my bank account stated below for the amount of Bonds applied for above (or any lesser amount as determined by the Issuer). By ticking this box and signing this Application Form, I agree that the Registrar is authorised to direct debit my account for the full amount of Bonds applied for (or any lesser amount as determined by the Issuer).

**OPTION 2 – Cheque** Please find attached my cheque payable to 'KIP Bond Offer' and crossed 'Not Transferable'. I have supplied my bank account details below for the purpose of direct crediting any future Interest paid by the Issuer.

**OPTION 3 – NZClear System** Payment will be made by NZClear as arranged with the Registrar (**authorised institutional investors only**). I have supplied my bank account details below for the purposes of direct crediting any future interest paid by the Issuer.

NZClear mnemonic \_\_\_\_\_

### NEW ZEALAND DOLLAR BANK ACCOUNT DETAILS FOR DIRECT DEBIT AND FUTURE INTEREST PAYMENTS

Name of Bank: \_\_\_\_\_

Account name: \_\_\_\_\_

Bank	Branch	Account Number	Suffix
<input style="width: 20px; height: 20px;" type="text"/> <input style="width: 20px; height: 20px;" type="text"/>	<input style="width: 20px; height: 20px;" type="text"/> <input style="width: 20px; height: 20px;" type="text"/> <input style="width: 20px; height: 20px;" type="text"/>	<input style="width: 20px; height: 20px;" type="text"/> <input style="width: 20px; height: 20px;" type="text"/> <input style="width: 20px; height: 20px;" type="text"/> <input style="width: 20px; height: 20px;" type="text"/> <input style="width: 20px; height: 20px;" type="text"/> <input style="width: 20px; height: 20px;" type="text"/>	<input style="width: 20px; height: 20px;" type="text"/> <input style="width: 20px; height: 20px;" type="text"/>

### OR for the purpose of Interest payments only, direct credit to my cash management account

Name of NZX Participant where Cash Management Account held \_\_\_\_\_

Cash Management Account Client Account Number

If you wish to have your future Interest payments direct credited to a different bank account you need to advise the Registrar in writing.

## 3. COMMON SHAREHOLDER NUMBER (CSN)

Please note that the application must be in the same name as the CSN below otherwise the application will be deemed to be made without a CSN and a base registry number will be allocated.

If you hold any other securities under a CSN, please enter your CSN here

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#### 4. IRD NUMBER OR RWT EXEMPTION

---

IRD number  Only one IRD number is required in respect of a joint application.

Deduct Resident Withholding Tax (RWT) from my Interest earned at the following rate (please tick ✓ one).

Please note that companies (other than a company which is acting as a trustee or a company which is a Maori authority) do not need to tick any box unless they hold an RWT exemption certificate. Tax will automatically be deducted at 28%.

10.5%  17.5%  30%  33%

Exempt – please tick this box if you hold an RWT exemption certificate from the IRD and attach a copy of your RWT exemption certificate. The RWT exemption certificate must relate to the IRD number provided.

Country of residence for tax purposes \_\_\_\_\_ If not a New Zealand tax resident, are you engaged in business in New Zealand through a fixed establishment in New Zealand? **Yes / No** (delete one)

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#### 5. ELECTRONIC CORRESPONDENCE AND REPORTING

---

To enable the Issuer to provide you electronically with correspondence in relation to your holding in this security, please complete your email address below. If you do not provide an email address, investor correspondence will be mailed to you at the address provided on this Application Form.

Email Address: \_\_\_\_\_

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#### 6. AGREEMENT OF TERMS

---

I/We hereby acknowledge that I/we have received and read the Prospectus for Bonds, and apply for the Principal Amount of Bonds set out above and agree to accept such Bonds (or such lesser number as may be allotted to me/us) on, and subject to, the terms and conditions set out in the Prospectus.

All applicants on the Application Form must sign.

Signature Of Applicant: \_\_\_\_\_

Signature Of Applicant: \_\_\_\_\_

Signature Of Applicant: \_\_\_\_\_

Date: \_\_\_\_\_

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#### 7. DELIVERY

---

Your Application Form must be delivered in accordance with the instructions and at the time given to you by your authorised financial adviser from whom you received your allocation.

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#### 8. TERMS AND CONDITIONS OF APPLICATION

---

- By signing (or authorising an attorney or agent to sign) this Application Form:
  - the applicant acknowledges that this form was distributed with the Prospectus; and
  - the applicant acknowledges that he/she/it has read and understood the statements made in the Prospectus relating to the Privacy Act 1993 in the section of the Prospectus entitled 'Application instructions' on page 40.
- An application received by the Registrar cannot be withdrawn or revoked by the applicant.
- The Issuer reserves the right to decline any application, in whole or in part, without giving any reason. The Issuer may decide not to accept any applications whatsoever.
- Applications must conform with the application instructions in the section of the Prospectus entitled 'Application instructions' on page 40.
- A joint application must be signed by all applicants. Only the address of the first named of the joint applicants will be recorded on the Register and all Interest payments, notices and other correspondence will be sent to that address.
- Applications lodged by individuals must be signed personally or by their attorney or agent. If this Application Form is signed by an attorney, the attorney must complete the certificate of non-revocation of power of attorney set out above. If this Application Form is signed by an agent, the agent must complete the certificate of non-revocation of agency set out above.
- Terms defined in the Prospectus have the same meaning in this Application Form.
- This Application Form, the Offer and any contract arising out of its acceptance are governed by New Zealand law. Under the Anti-Money Laundering and Countering Financing of Terrorism Act 2009 (AML Act), investors may be required to produce evidence of their identity. You agree to provide your financial adviser, the Issuer and their agents with all requested due diligence information that is required to satisfy applicable laws, such as the customer due diligence obligations under the AML Act. You also agree that your financial adviser may provide the Issuer and its agents with all information evidencing your identity that is held by, or later provided to, your financial adviser and that is required by the Issuer to satisfy its obligations under the AML Act.

**9. CERTIFICATE OF NON-REVOCATION OF POWER OF ATTORNEY**

**(Complete this section if you are acting on behalf of the Applicant on this Application Form for whom you have power of attorney.)**

I, \_\_\_\_\_ of \_\_\_\_\_  
(full name) (place and country of residence)

hereby certify that:

(Occupation)

1. By deed dated \_\_\_\_\_ (date of instrument creating the power of attorney),

\_\_\_\_\_ (full name of person/body corporate which granted the power of attorney)

of \_\_\_\_\_  
(place and country of residence of person/body corporate which granted the power of attorney\*)

Appointed me \_\_\_\_\_ attorney;  
(his/her/its)

- 2. That I have executed the application for Bonds printed on this Application Form under that appointment and pursuant to the powers thereby conferred on me; and
- 3. That I have not received notice of any event revoking the power of attorney.

Signature of attorney

Signed at \_\_\_\_\_ this \_\_\_\_\_ day of \_\_\_\_\_ 2014

\*If a donor is a body corporate, state place of registered office or principal place of business of donor and, if that is not in New Zealand, state the country in which the principal place of business is situated.

**10. CERTIFICATE OF NON-REVOCATION OF AGENCY**

**(Complete this section if you are acting as agent on behalf of the applicant on this Application Form)**

I, \_\_\_\_\_ of \_\_\_\_\_  
(full name) (place and country of residence)

hereby certify that:

(Occupation)

1. By the agency agreement dated \_\_\_\_\_ (date of instrument creating the power of agency),

\_\_\_\_\_ (full name of person/body corporate which appointed you as agent)

of \_\_\_\_\_  
(place and country of residence of person/body corporate which appointed you as agent\*\*)

Appointed me \_\_\_\_\_ agent;  
(his/her/its)

- 2. That I have executed the application for Bonds printed on this Application Form under that appointment and pursuant to the powers thereby conferred on me; and
- 3. That I have not received notice or information of the revocation of my appointment as agent.

Signature of agent

Signed at \_\_\_\_\_ this \_\_\_\_\_ day of \_\_\_\_\_ 2014

\*\*If a donor is a body corporate, state place of registered office or principal place of business of donor and, if that is not in New Zealand, state the country in which the principal place of business is situated.

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**ISSUER**

**Kiwi Property Management Limited  
(in its capacity as manager of KIP)**

Level 14, DLA Phillips Fox Tower  
205 Queen Street  
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or

PO Box 2071  
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Telephone: +64 9 359 4000  
Facsimile: +64 9 359 3997  
Email: info@kipt.co.nz

**REGISTRAR**

**Link Market Services Limited**

Level 7, Zurich House  
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Auckland 1010

or

PO Box 91976  
Auckland 1142

Toll free: 0800 377 388  
Telephone: +64 9 375 5998  
Facsimile: +64 9 375 5990  
Email: enquiries@linkmarketservices.co.nz

**TRUSTEE AND BOND TRUSTEE**

**New Zealand Permanent  
Trustees Limited**

Level 35, Vero Centre  
48 Shortland Street  
Auckland 1010

or

PO Box 1598  
Shortland Street  
Auckland 1140

**SECURITY TRUSTEE**

**Public Trust**

Level 5, 40-42 Queens Drive  
Lower Hutt 5040

or

PO Box 31543  
Lower Hutt 5040

**ARRANGER AND JOINT LEAD  
MANAGER**

**Deutsche Craigs Limited**

Level 36, Vero Centre  
48 Shortland Street  
Auckland 1010

or

PO Box 1196  
Auckland 1140  
Telephone: 0800 351 153

**ORGANISING PARTICIPANT**

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Partners Limited**

Craigs Investment Partners House  
158 Cameron Road  
Tauranga 3110

or

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Tauranga 3141  
Telephone: 0800 351 153

**JOINT LEAD MANAGER**

**Bank of New Zealand**

Level 6, 80 Queen Street  
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or

Private Bag 92208  
Auckland 1142  
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**JOINT LEAD MANAGER**

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or

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**LEGAL ADVISER TO THE ISSUER**

**Russell McVeagh**

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Auckland 1010

or

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**LEGAL ADVISER TO THE  
BOND TRUSTEE**

**Kensington Swan**

89 The Terrace  
Wellington 6011

or

PO Box 10246  
Wellington 6143

