KIWI INCOME PROPERTY TRUST

NZX & MEDIA RELEASE

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KIWI INCOME PROPERTY TRUST
ANNOUNCES ANNUAL RESULT FOR THE YEAR ENDED 31 MARCH 2013

Kiwi Income Property Trust today announced its annual result for the year ended 31 March 2013, delivering an after tax profit[1] of $109.8 million, up $20.6 million, or 23.1% on the previous year. Unit Holders will receive a full year cash distribution of 6.60 cents per unit, in line with guidance.

Mark Ford, Chairman of the Manager of the Trust said, "The Trust continued to focus on its key priorities including maintaining high portfolio occupancy, extending lease terms, recycling capital through asset sales, pursuing acquisition opportunities, extending debt maturities, and progressing value-adding and defensive development projects. The repayment of over $100 million of bank debt from insurance proceeds received for the PwC Centre, Christchurch and sale proceeds from Beca House, Auckland was positive from a balance sheet perspective. However the absence of rental income from these properties has contributed to a lower operating result."

Operating profit before tax[2] reduced $11.9 million to $69.4 million and distributable income[2] was $61.2 million, down $10.5 million on the prior year. This was predominantly due to income no longer received from Beca House, an increase in net interest expense and the recognition of performance fees payable to the Manager.

Chris Gudgeon, Chief Executive of the Manager of the Trust, said, "From an operational perspective, we have focused on enhancing the security of future rental income streams through an active leasing program and by making solid progress on developments and projects underway at ASB North Wharf, Centre Place Shopping Centre, The Majestic Centre and Northlands Shopping Centre."

Property markets

Across the broader economy, it has been a mixed but modestly positive year for retail sales with an improvement in consumer sentiment becoming more steadily established.

Most of the growth in sales occurred in Auckland, Waikato and Canterbury, while sales declined in Wellington and were flat across the rest of the country. Within shopping centres, many retail categories experienced price deflation as the benefits of a stronger currency flowed through to consumers.

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[1] The reported profit has been prepared in accordance with New Zealand generally accepted accounting practice and complies with New Zealand Equivalents to International Financial Reporting Standards. The reported profit information has been extracted from the annual financial statements which have been the subject of an audit pursuant to New Zealand Auditing Standards issued by the External Reporting Board. Refer to the summary financial results in Attachment 1 for further information.

[2] Operating profit before tax and distributable income are alternative performance measures used by the Trust to assist investors in assessing the Trust's underlying operating performance and to determine income available for distribution. Refer to the summary financial results in Attachment 1 for full details of how these measures are calculated.

In the office markets, conditions in Auckland have steadily improved. Vacancy rates have gradually declined, supply has remained stable and underlying market rents are trending upwards. In Wellington, the influence of seismic performance concerns, government sector rationalisation and insurance costs are creating headwinds.

Highlights

Highlights of the financial year include:

Financial

- Net rental income of **$135.5m**, down $8.5m (-5.9%)
- Like-for-like net rental income of **$115.9m**, down $0.6m (-0.5%)
- Profit after tax of **$109.8m**, up $20.6m (+23.1%)
- After tax distribution of **6.60 cents per unit**, in line with guidance
- Repayment of over **$100m** of bank debt from insurance and asset sale proceeds
- Renewal and extension of **$227.5m** of bank facilities on favourable terms
- Net gearing ratio reducing to **31.8%**
- Revaluation gain of **$21.0m** (+1.0%) lifting property portfolio value to **$2.08b**
- Unit Holder funds of **$1.13b**, up $59.4m (+5.5%) with a corresponding increase in underlying net tangible assets per unit

Operational

- Occupancy improved to **97.2%** (+1.0 percentage point)
- Weighted average lease term extended to **4.3 years** (+0.4 years)
- **815 new leases and rent reviews concluded** over 200,000 sqm, equivalent to almost 60% of total portfolio area

Development

- On-program construction and fitout works for ASB Bank's new head office
- Steady progress on the Centre Place redevelopment, including execution of a new 15-year lease to Hoyts Cinemas for the multi-screen cinema complex
- Commencement of seismic strengthening works at The Majestic Centre
- Reconstruction of 10 new shops at Northlands

Focus for the 2014 financial year

The focus for the Trust during the 2014 financial year will be to:

- maintain active retail and office leasing programs to minimise vacancy
- successfully complete projects at ASB North Wharf, Centre Place and Northlands
- progress seismic strengthening works at The Majestic Centre
- conclude lease and refurbishment negotiations with the Crown at Unisys House
- seek opportunities to undertake value-added acquisitions or divestments, consistent with the Trust's strategy, and
- actively manage the cost, term and sources of the Trust's funding.

Outlook and distribution guidance

Mr Ford said, "The New Zealand economy continues to show signs of improvement with economic growth of 2.4% and 3.2% forecast for 2013 and 2014 respectively[3]. Latest business confidence indicators have also been positive. Combined, this should lead to wages and employment growth, which will likely benefit both the retail and office sectors in the medium term."

"Overall, our outlook continues to be governed by the moderate pace of economic recovery in New Zealand. We continue to see the need to remain cautious while at the same time take into account the cost and income impacts of our earthquake strengthening requirements, notably at Northlands and The Majestic Centre.

"Based upon the outlook for the Trust and subject to a continuation of reasonable economic conditions, we are projecting distributions to Unit Holders for the year ending 31 March 2014 to be approximately 6.40 cents per unit. After utilising a portion of the distribution reserve, this would represent a payout ratio of approximately 104% (before performance fees, if any)," Mr Ford concluded.

Additional information

For further information please refer to the following:

- Attachment 1: Summary financial results table
- Attachment 2: Detailed operational update

The Trust has also released today the following documents which are available for download on the Trust's website kipt.co.nz or the New Zealand Stock Exchange website nzx.com.

- Annual Results presentation
- 2013 Annual Report (online version)

ENDS

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[3] ASB Economics.

About Kiwi Income Property Trust

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

The total value of the Trust's property portfolio is $2.08 billion. Assets include:

Key Retail Assets

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

Key Office Assets

Vero Centre	Auckland
205 Queen (formerly National Bank Centre)	Auckland
The Majestic Centre	Wellington
Unisys House	Wellington
44 The Terrace	Wellington

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

ANNUAL RESULTS FOR THE YEAR ENDED 31 MARCH 2013
ATTACHMENT 1: Summary financial results

Financial performance [$m] **For the year ended**	**31-Mar-13**	**31-Mar-12**
Gross rental income	197.1	204.1
Property operating expenditure	(61.6)	(60.1)
Net rental income	**135.5**	**144.0**
Net interest expense[1]	(49.7)	(48.7)
Manager's base fees	(10.4)	(10.8)
Manager's performance fees	(3.0)	-
Other expenses	(3.0)	(3.2)
Operating expenditure	**(66.1)**	**(62.7)**
Operating profit before tax[2]	**69.4**	**81.3**
Interest rate derivatives [fair value change]	11.7	(2.3)
Property revaluations [fair value change]	21.0	(9.6)
Impairment of investment properties	-	(26.9)
Insurance proceeds	16.6	67.1
Other non-operating items	(1.1)	(0.7)
Profit before tax	**117.6**	**108.9**
Tax benefit/(expense)	**(7.8)**	**(19.7)**
Profit after tax[3]	**109.8**	**89.2**

Distributable income[2] [$m] **For the year ended**	**31-Mar-13**	**31-Mar-12**
Operating profit before tax[2]	69.4	81.3
Business interruption insurance proceeds	-	4.0
Depreciation recovery offset	3.4	-
Non-cash rental adjustments[4]	(1.4)	(0.5)
Distributable income before tax	**71.4**	**84.8**
Current tax expense	(10.2)	(13.1)
Distributable income after tax	**61.2**	**71.7**
Transfer from/(to) distribution reserve	4.3	(3.3)
Cash distribution	**65.5**	**68.4**

Financial position [$m] **As at**	**31-Mar-13**	**31-Mar-12**
Property assets	2,076.5	2,008.9
Total assets	2,126.5	2,159.7
Unit Holder funds[5]	1,132.1	1,072.7
Bank debt to total assets ratio	32.0%	35.6%
Net gearing ratio[6]	31.8%	33.8%
Net tangible asset backing [per unit]	$1.14	$1.09

Distributions [cpu] **For the year ended**	**31-Mar-13**	**31-Mar-12**
Cash distribution	6.60	7.00
Imputation credits	1.02	1.35
Gross distribution	7.62	8.35

1. Shown net of interest income and interest capitalised.
2. Operating profit before tax and distributable income are alternative performance measures used by the Trust to assist investors in assessing the Trust's underlying operating performance and to determine income available for distribution.
3. The reported profit has been prepared in accordance with New Zealand generally accepted accounting practice and complies with New Zealand Equivalents to International Financial Reporting Standards. The reported profit information has been extracted from the annual financial statements which have been the subject of an audit pursuant to New Zealand Auditing Standards issued by the External Reporting Board.
4. Includes rental income resulting from the straight-lining of fixed rental increases.
5. Includes distribution reserves of $11.3 million (31 March 2012: $15.5 million) post payment of the final distribution.
6. Calculated as bank debt less $6.0 million (31 March 2012: $58.5 million) MCN proceeds on deposit over total assets (excluding MCN proceeds on deposit).

ANNUAL RESULTS FOR THE YEAR ENDED 31 MARCH 2013
ATTACHMENT 2: Detailed operational update

FINANCIAL RESULT

Financial performance

- Net rental income **$135.5m** (2012: $144.0m) -$8.5m
- Like-for-like net rental income **$115.9m** (2012: $116.5m) -$0.6m
- Operating profit before tax **$69.4m** (2012: $81.3m) -$11.9m
- Profit after tax **$109.8m** (2012: $89.2m) +$20.6m

The Trust's net rental income reduced by $8.5 million to $135.5 million largely due to the sale of Beca House along with the closure of 14 shops for reconstruction at Northlands Shopping Centre in Christchurch and the impact of redevelopment activities at Centre Place Shopping Centre in Hamilton.

Like-for-like net rental income was marginally down at $115.9 million (-0.5%), predominantly due to office rentals moving back into line with market from an over-rented position.

The decrease in rental income, together with a $1.0 million increase in net interest expense and the recognition of $3.0 million in performance fees payable to the Manager, resulted in an $11.9 million decline in pre-tax operating profit to $69.4 million.

The Trust's performance over the six-month period to 30 September 2012 exceeded the total return performance fee hurdle of 10% per annum and, consequently, the Manager was paid a performance fee of $1.5 million. This was reinvested into new units issued by the Trust. Additionally, the Trust's performance over the six-month period to 31 March 2013 also exceeded the total return performance fee hurdle. As a result, the Manager is entitled to a further $1.5 million performance fee, which will also be reinvested into new units to be issued by the Trust, on the final distribution payment date in June 2013.

Distributable income and distributions to Unit Holders

- Distributable income after tax **$61.2m** (2012: $71.7m) -$10.5m
- Payout ratio **107%** (2012: 95%)
- Full year cash distribution **6.60 cpu** (2012: 7.00 cpu)

Distributable income was $61.2 million, down $10.5 million on the prior year as a result of the lower level of operating profit before tax recorded.

The Manager elected to utilise $2.4 million of the distribution reserve towards payment of the interim distribution in December 2012 and will utilise a further $1.9 million towards payment of the final distribution leaving a balance of $11.3 million in the reserve.

Consistent with the interim distribution and, in line with guidance, Unit Holders will receive a final cash distribution of 3.30 cpu, taking the full year cash distribution to 6.60 cpu.

The final distribution comprises an imputed distribution of 1.362857 cpu and an excluded distribution of 1.937143 cpu. Imputation credits of 0.53 cpu will also be distributed with the imputed distribution.

The record date for the final distribution is 28 May 2013, and the payment date is 17 June 2013. The Distribution Reinvestment Plan, which provides a discount of 2%, will remain in place. This means that eligible Unit Holders may acquire additional units in the Trust at a 2% discount to the average unit price at which the units trade through the New Zealand Stock Exchange during the pricing period.

Financial position

- Investment properties **$2,076.5m** (2012: $2,008.9m) +$67.6m
- Drawn bank debt **$681.0m** (2012: $769.5m) -$88.5m
- Bank debt to total assets ratio **32.0%** (2012: 35.6%) –3.6 percentage points
- Net tangible assets per unit **$1.14** (2012: $1.09) +$0.05

As at 31 March 2013 the property portfolio was valued at $2.08 billion, with total assets of $2.13 billion including $12.0 million of cash and MCN proceeds on deposit and a $16.6 million insurance receivable recorded in respect of certain earthquake remedial works at Northlands that are the subject of an insurance claim.

Due to the repayment of over $100 million of debt from the insurance proceeds received for the PwC Centre, Christchurch and the sale proceeds from Beca House, drawn bank debt was down $88.5 million on the prior year at $681.0 million, representing a bank debt to total assets ratio of 32.0%.

Unit Holder funds ended the year at $1,132.1 million, up $59.4 million (+5.5%), and the net tangible asset backing per unit was $1.14, up from $1.09 in the prior year, driven largely by the positive property revaluation gain and the insurance receivable.

Capital management

Bank debt

- Total bank debt facilities **$850.0m** (2012: $850.0m)
- Weighted average term to maturity of bank debt **3.8 years** (2012: 3.5 years)
- Weighted average cost of bank debt **7.05%** (2012: 7.02%)

Following the renewal and extension of $227.5 million of bank debt facilities during the year, the weighted average term to maturity of all bank debt facilities increased to 3.8 years at 31 March 2013.

Post the reporting period, a further $300 million of facilities with the Commonwealth Bank of Australia were extended on four, five and six-year terms, increasing the weighted average term to maturity to 4.1 years as at May 2013.

Gavin Parker, Chief Financial Officer of the Manager of the Trust, said, "Our ability to secure bank debt on six-year terms at attractive rates highlights the Trust's credit quality and the strong support that it continues to receive from our banks.

Our refinancing activities have enabled us to maximise the term to maturity for the combined facilities whilst maintaining competitive pricing and diversity amongst lenders, with an appropriately spread expiry profile."

The Manager's active capital management program has ensured that the cost of debt remains competitive. At year end the weighted average cost of bank debt was 7.05%.

Property divestments
Consistent with the Trust's strategy of recycling capital out of mature assets to maintain balance sheet flexibility, Beca House was sold for $55 million (before disposal costs). The sale settled in July 2012, with net sale proceeds utilised to repay bank debt.

In addition, the land holding at 119 Armagh Street, Christchurch (the site of the former PwC Centre) sold for $5.0 million, comparing favourably with its $4.2 million book value.

OPERATING RESULT

Overall portfolio metrics
Portfolio activity undertaken, and outlined in more detail below, has resulted in improved key metrics for the combined retail and office portfolios as at 31 March 2013. Occupancy improved from 96.2% at the prior year end to 97.2% and, over the same period, the weighted average lease term increased from 3.9 years to 4.3 years.

The weighted average capitalisation rate for the property portfolio firmed 27 basis points to 7.52% and the independent valuations indicate that the portfolio is over-rented on average by 1.0%.

Retail portfolio metrics and activity
- Portfolio value **$1,349.9m** (2012: $1,298.0m)
- Weighted average capitalisation rate **7.31%** (2012: 7.55%)
- Occupancy **99.7%** (2012: 97.2%)
- Weighted average lease term **4.0 years** (2012: 3.8 years)
- **575 rent reviews** over **107,000 sqm** providing an average uplift of 3.2%
- **175 new leases and renewals** over **35,000 sqm** resulting in rental reductions of 3.2% (excluding development leasing)

A concerted management and leasing effort yielded positive improvements to key portfolio metrics over the year, with occupancy increasing to 99.7% and the weighted average lease term lengthening to 4.0 years.

The shopping centre portfolio recorded a revaluation gain of $21.4 million (+1.6%), taking its value to $1.35 billion, driven by its Auckland assets. The Trust's flagship asset, Sylvia Park, recorded a revaluation gain of $36.9 million (+7.3%), increasing in value to $540.0 million due to its strong trading performance. LynnMall, which was purchased by the Trust in December 2010 for $174 million, has continued to show value growth. It recorded a revaluation gain of $12.1 million (+6.3%) in the current year, increasing in value to $204.0 million. Over the past two years, these two shopping centres have delivered combined revaluation gains in excess of $80 million.

At Northlands, allowances have been made for the cost to rebuild an area within the centre that was closed in March 2012, and for the cost of certain earthquake remedial works that are the subject of an insurance claim. The centre's value was accordingly adjusted further downwards to $205.5 million, resulting in a valuation decline of $14.6 million. A related insurance receivable of $16.6 million has been separately recorded.

At Centre Place, the value of the centre was adjusted downward by $7.5 million (-6.6%) to $104.9 million, consistent with a reduction in the projected value 'on completion', as account is taken of the level of rents and incentives required to complete leasing in a competitive environment.

At North City, a new 10-year lease to Kmart and a four-year lease renewal for Farmers have led to an increase in the centre's weighted average lease term to 3.9 years, however a value decline of $5.9 million (-5.6%) was recorded due to market corrections in rental levels.

The weighted average capitalisation rate for the retail portfolio has firmed 24 basis points to 7.31%.

The retail leasing team negotiated 175 new leases, accounting for more than 23% of the total number of retail tenants. Overall, newly negotiated rentals decreased 3.2% (-$0.7 million) from previous prevailing rents, evidencing a generally challenging retail leasing market. Leasing successes included:

- the execution of 85 new or renewed leases at Sylvia Park securing an average rental uplift of 5.6%
- a new 15-year lease to Farmers at LynnMall for expanded and refurbished premises
- a new 15-year lease to Hoyts cinemas at Centre Place for the refurbished multiplex cinema complex scheduled to open by October 2013
- a new 10-year lease to Kmart at North City, and
- a four-year lease renewal to Farmers at North City.

The independent valuations for the retail portfolio as at 31 March 2013 indicated that overall retail rents were now essentially in line with market.

Rent reviews were completed over approximately 107,000 sqm of retail space, almost half of the portfolio area, resulting in a total uplift of $2.0 million, or an average annual increase of 2.8%.

Once more we have seen the benefit of the Trust's retail rent review structure, with over 88% of tenants on fixed or CPI-related annual increases. The rent uplift provided through rent reviews has more than offset the rental decline from new leasing.

Retail sales and gross occupancy costs

- Total sales **$1,389.3m** (2012: $1,433.8m) -3.1%
- Comparable unaffected sales[4] **$967.4m** (2012: $966.5m) +0.1%
- Specialty gross occupancy costs (incl. GST) **13.5%** (2012: 13.4%)

Total retail sales for the year to 31 March 2013 declined by 3.1% to $1.39 billion. While Sylvia Park recorded positive sales growth, LynnMall, The Plaza and North City sales were essentially flat.

A decline in sales was reported at Centre Place (-7.7%) and Northlands (-10.1%) for the year. Centre Place turnover has been affected by the impacts of redevelopment as well as ongoing competitive impacts.

At Northlands, while trading is still above pre-earthquake levels, the exceptional level of trading activity following the February 2011 earthquake has abated. In addition, sales have been impacted by the closure of 14 shops in March 2012 to facilitate earthquake strengthening.

Excluding sales from Centre Place and Northlands, the balance of the portfolio recorded a nominal 0.1% increase in turnover.

Sales levels have been influenced by price deflation across a number of retail categories that dominate our shopping centres, including supermarkets and electronics retailing.

Office portfolio metrics and activity

- Portfolio value **$525.0 million** (2012: $567.0m)
- Like-for-like weighted average capitalisation rate[5] **8.08%** (2012: 8.34%)
- Occupancy **92.6%** (2012: 94.7%)
- Weighted average lease term **4.8 years** (2012: 4.1 years)
- **37 rent reviews** over **27,000 sqm** resulting in a 4.3% reduction in rental
- **28 new leases** or renewals over **31,000 sqm** resulting in a 0.8% reduction in rental

Four of the Trust's five office buildings produced revaluation gains but, as a whole, the portfolio posted a valuation decline of $3.5 million (-0.7%) due to a $14.5 million write-down in the value of The Majestic Centre following an increase in the earthquake strengthening budget.

Excluding Beca House and The Majestic Centre, the like-for-like value of the office portfolio grew by $11.0 million (+2.4%), reflecting generally improved market conditions. The like-for-like weighted average capitalisation rate firmed by 26 basis points to 8.08%.

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[4] Comparable unaffected sales provides a more normalised picture of sales trends. They include centres which have not undergone redevelopment in either year of comparison, therefore excludes Centre Place, and also excludes Northlands which experienced increased trading levels post the February 2011 earthquake.

[5] Excludes Beca House, which was sold during the year, and The Majestic Centre due to earthquake strengthening related write down.

Active leasing has ensured that key office portfolio metrics have been maintained. Major leases executed during the year include:

- a new 12-year lease to Bell Gully for 6,514 sqm at the Vero Centre
- a new five and a half year lease to Russell McVeagh from December 2015, for 6,216 sqm at the Vero Centre
- an eight-year lease to DLA Phillips Fox for 2,924 sqm at 205 Queen (formerly the National Bank Centre)
- a new 12-year lease to Opus Consulting for 3,313 sqm at The Majestic Centre
- a new seven-year lease to New Zealand Trade and Enterprise for 2,976 sqm at The Majestic Centre, and
- a new 10-year lease extension to Unisys for over 2,403 sqm of space at Unisys House.

These agreements, together with other new leasing activity, totalled over 31,000 sqm of office space, representing more than quarter of the office portfolio. Achieved rentals resulted in a marginal decline of $0.1 million (-0.8%) over previous rents.

Rent reviews were completed for a further 27,000 sqm of space with a $0.6 million (-4.3%) rental decline over previous levels.

Rental declines were expected given the portfolio was over-rented by 6.1% at March 2012. The independent valuations at March 2013 indicated that the over-renting has declined to around 3.6%.

The weighted average term of all new leasing deals completed was 8.2 years, increasing the portfolio weighted average lease term to 4.8 years.

Office portfolio occupancy was down from 94.7% to 92.6% at year end due to increased vacancy at Unisys House, 44 The Terrace and the Vero Centre.

Developments

Significant progress has been made on development, redevelopment and earthquake strengthening projects, with the overall objective of enhancing the security of future rental streams.

- **ASB Bank office development**

  Construction of the new head office building for ASB Bank at North Wharf, Wynyard Quarter on Auckland's waterfront is progressing on budget and on program to complete in time for ASB's July 2013 lease commencement date.

  In an important milestone for the project, lease agreements have now been secured for nine of the 10 ground floor tenancies, with terms of between six and 12 years. Tenants include Baduzzi, a new restaurant concept by well-known restaurateur Michael Dearth, Miss Clawdy, a new concept specialising in southern USA cuisine. They will join Pita Pit, Thai Street, Sal's Pizza, Tank Juice, Smart Sushi, Portside Café and convenience store operator 7 Mart. These tenancies will open progressively between June and August 2013. Negotiations are well advanced on the final tenancy.

The building will have a weighted average lease term of approximately 17.4 years on completion, lengthening the office and investment portfolio weighted average lease term by 2.3 years and 0.9 years respectively, based on the 31 March 2013 statistics.

The projected net rental income yield on completion is 8.5% based on the forecast development cost of $134 million[6], with the building's value now projected to be $153 million on completion, up from the initial feasibility projection of $144 million at the commencement of the project.

- **Centre Place redevelopment**
  The Trust's redevelopment of Centre Place aims to reposition the centre as a competitive CBD specialty destination with a focus on fashion, food and entertainment.

  The final stage of the redevelopment will include a two-level, 7,000 sqm Farmers department store, a modernised and refurbished multiplex cinema, operated by Hoyts Cinemas and approximately 30 new specialty stores including two external retail pods to be constructed in a section of Ward Street that is to be pedestrianised.

  These additions will complement the existing offer which includes a Lido cinema complex, Rebel Sport store, foodcourt and dining lane, much of which has been redeveloped in stages over the last two years.

  The final stage of the redevelopment project, costing $47 million, is scheduled to open in October 2013 and is now 89% leased by net lettable area with 79% of budgeted base rent achieved.

- **Northlands Shopping Centre seismic strengthening**
  Northlands continues to trade well while good progress is made behind the scenes on reconstruction activities, with 10 new shops scheduled to open progressively between August and November this year.

  Steady progress is also being made on the resolution of insurance claims. Completion of the claims lodgement process and resolution of appropriate remedial works and associated costs is expected to be ongoing over the course of the year. A number of claims have already been lodged, with some payments received.

- **The Majestic Centre seismic strengthening**
  The Trust set out in November 2011 to strengthen The Majestic Centre to 70% of New Building Standard (NBS) at a projected cost of $35 million. Having now substantially completed the structural design for the strengthening solutions it has been necessary to increase the project budget by $19 million due to an increase in the scope of work.

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[6] The proceeds of the Mandatory Convertible Notes (MCN) issue are being utilised for the purposes of the development (in combination with bank debt). Accounting rules require the MCN interest, net of interest earned on the MCN proceeds, to be capitalised as a project cost from the time the land for the development is unconditionally secured. This is estimated to result in approximately $9 million of additional holding costs being capitalised over the period of the development.

The increase in the project budget will however facilitate strengthening the building to a target level of 100% of NBS, in recognition of the strong tenant demand for strengthened buildings in the Wellington market.

The value of this rigorous and comprehensive strengthening project, which commenced on site in July 2012, has been recognised by incumbent tenants, Opus Consulting and New Zealand Trade and Enterprise, who have recently entered into new long-term lease agreements for a combined area of approximately 6,300 sqm.