NZX & MEDIA RELEASE
DNZ Property Fund Limited
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DNZ Delivers a Solid Result in 2011

DNZ Property Fund has announced a very satisfying financial result for 2011 that it says leaves the Company well placed for the coming 2012 financial year.

Highlights include:

- A successful IPO and $45 million capital raising
- An NZX listing on 16 August 2010
- Positive share price growth ($0.97 at listing to $1.24 as at 31 March 2011)
- Solid financial performance with distributable profit ahead of 2010 prospectus forecast
- Positive IRD binding Tax Ruling on deductibility of management contract termination payment
- Fourth quarter cash dividend of 2.0 cents in line with previous guidance
- Completion of the asset sales programme
- Minimal 31 March 2011 valuation reduction of 1.9% for year
- Solid portfolio performance
    - 188 lease transactions completed
    - WALT of 4.3 years
    - Occupancy at 98%
- First internally managed listed property entity

DNZ recorded distributable profit[1] of $21.9m, or 9.60 cents per share, showing a solid underlying operating performance. The net profit before renegotiation payment, termination payment, changes in fair value and taxation was $19.7m, just ahead of the Prospectus forecast.

The Company reported an after tax loss of $35.1m for its full year result to 31 March 2011, driven by one-off items such as the termination payment of the management contract and non-cash items such as deferred tax and unrealised revaluation movements.

"We are pleased to note the distributable profit was 13.8% or $2.7 million above the forecast in our July 2010 offer document. Coupled with our share price increase of 28% in a little over six months to 31 March 2011, it's been a very satisfying start to life as a listed property company," said DNZ Chairman, Tim Storey.

"The capital management initiatives undertaken during the year have ensured the Company is well capitalised and well within its banking covenants. The successful capital raising and completion of the asset sales programme has reduced our bank Loan to Value Ratio (LVR) to 40.4% as at 31 March 2011, down from 46.9% last year."

"The key benefits and drivers of listing were to provide liquidity and an improved share price for our shareholders. Since listing over 70 million shares have traded and the strong share price growth confirms the listing decision has been a success. The steps we've taken position the company strongly going forward and allow us to explore opportunities that become available, such as the recent Argosy proposal."

The independent valuations of the portfolio at 31 March 2011 saw a minimal correction, with the book value of the Company's portfolio reducing over the year by 1.9%, or $11.8m[2], to $637.7m. The decline predominately occurred in the Wellington Office sector of the portfolio, a market currently characterised by slow growth and increasing vacancy.

The Board is pleased to approve a final cash dividend for the fourth quarter, consistent with guidance, of 2.0 cents per share. This dividend will carry no imputation credits. The final quarterly payment brings the total cash distribution to 7.3 cents per share for the 2011 Financial Year. On an annualised basis (excluding the first quarter dividend that was paid prior to listing) this equates to 8.0 cents per share.

The record date for the final dividend is 8 June 2011, with payment to shareholders on 22 June 2011.

[1] Distributable Profit is a measure adopted by DNZ and is defined as net profit/(loss) before tax adjusted for non-recurring and/or non- cash items and current taxation.
[2] Differs from the financial statements due to reclassification of investment property to property, plant and equipment plus gain/loss in fair value previously booked on investment property disposed of during the year.

Financial Performance	2011	PFI	2010
Net rental income	$52.0m	$52.8m	$54.8m
Net profit before tax and other one-off items	$19.7m	$19.7m	$19.0m
Tax expense	($9.6m)	($90.4m)	$-
Distributable profit	$21.9m	$19.2m	$24.1m
Property revaluations (fair value change)	($11.5m)	$0.0m	($34.1m)
Net loss after tax	($35.1m)	($106.0m)	($15.5m)
Distributable profit per share	9.60 cents	8.66 cents	12.80 cents
Financial Summary			
Property assets	$637.7m	$665.5m	$700.1m
Bank debt	$252.9m	$280.0m	$322.0m
LVR ratio (includes fair value of interest rate hedges)	40.4%	42.4%	46.9%
Adjusted NTA per share	$1.55	n/a	$2.02

Capital Management

DNZ has maintained a strong financial position over the past 12 months through a series of prudent capital management initiatives including:

- A $45 million capital raising
- Negotiating the renewal of debt facilities to 30 September 2013
- $150m of interest rate swaps entered into during the period
- Completion of the asset sales programme
- Prudent management of capital expenditure

The asset sales programme realised $72.2 million (gross) during the period, with the sales at or close to valuations, despite the difficult market conditions. The net proceeds from the sales were used to repay bank debt.

Portfolio Performance

DNZ's financial result has been underpinned by the performance of the property portfolio, in particular the conclusion of 188 lease transactions and the resulting high occupancy rate.

DNZ CEO, Paul Duffy, said the occupancy rate was a very solid 98%, a particularly satisfying result considering the current economic climate. He said the management team's ongoing focus on tenant retention was clearly evident in achieving those results.

Portfolio Highlights

- 188 lease transactions completed over 218,205m^2 of net lettable area
- Annualised rental growth of 3.8% p.a. from rent reviews
- Achieving an occupancy rate of 98% with a weighted average lease term of 4.3 years

Lease Transactions

Key components of achieving rental income growth in the portfolio are lease renewals and rental reviews. DNZ currently has a target of having 25% of the portfolio's rental reviews being fixed or having a stepped increase at a review date, or being linked to an increase in inflation based on movements in CPI.

The 188 lease transactions management completed during the period included:

- 100 rent reviews over 138,766m^2 for a total rental of $25.8 million
- 32 lease renewals completed over 32,234m^2 for a total rental of $4.4 million
- 56 new lettings completed over 47,205m^2 for a total rental of $8.0 million

Completion of Fletcher Building Laminex Group Design Build at O'Rorke Road, Penrose

The 12,000m^2 warehouse and 1,800m^2 office building over 2.89 hectares was completed on 19 November 2010, with a new 12 year lease. The project was completed on time and under budget, and was accretive in value to the portfolio. The management team is currently looking to negotiate terms for an office/warehouse design/build facility for the residual 2.28 hectares of the site.

Asset Valuations

DNZ's geographically and sector diverse property portfolio has minimised the impact of the Christchurch earthquake and a soft Wellington office market on the Company's overall asset value.

The annual independent market valuation of DNZ's property portfolio has resulted in a minimal reduction in the portfolio value for the year of 1.9%, or $11.8 million, to $637.7 million on a "like for like" basis (i.e excluding the effect on the portfolio value of acquisitions and divestments during the period).

The value of DNZ's office portfolio decreased by 4.4%, or $11.7 million, with the Wellington office portfolio contributing 69% to the downward movement through a 6.3%, or $8.1 million, decrease in value. The office sector makes up 39.8% (by value) of DNZ's total portfolio, with just under half of the office properties in Wellington. The retail sector decreased by 1.1%, bulk retail decreased by 0.7% and industrial increased by 1.2%.

"The value of DNZ's portfolio has remained firm, with the weighted average capitalisation rate across the portfolio remaining stable at 8.75%." said DNZ CEO, Paul Duffy.

DNZ's two Christchurch properties are less than 3% of DNZ's total portfolio and were relatively undamaged in the recent earthquakes. However, both experienced a minor valuation decrease of 1.6%. The DNZ portfolio is insured for earthquake damage, including business interruption insurance for loss of rent.

Mr Duffy reiterated that a strategy of maintaining a diversified property portfolio by sector and location softened the impact of any location specific events such as the Christchurch earthquake, or any sector specific valuation movements.

Outlook and Guidance

Following on from the company's satisfying result, Mr Storey said DNZ would continue to look for opportunities to further enhance shareholder value.

"Although the last 12 months provided a challenging business environment, DNZ has performed well and is also well placed to take advantage of new opportunities, such as the recent Argosy proposal, to add further value for DNZ shareholders." said Mr Storey.

"The primary focus of the management team will continue to be maintaining the Company's occupancy levels and rental streams. We'll continue to engage with, manage and retain tenants through a proactive management focus that will continue to deliver strong and sustainable returns to shareholders."

Mr Storey also commented on the post balance date positive binding tax ruling on the deductibility of the $31.8 million cost of internalising the Company's management contract.

He said discussions on how best to use the tax benefit had resulted in a Board decision to retain the excess funds and use them to enhance longer-term earnings.

"In reaching this decision the Board gave careful consideration to making sure we had the right balance between investors' desire for income and maintaining the company's sound financial position."

He said in light of the positive operating performance of the Company and the positive impact of the ruling, the Board has amended the Company's distribution policy to distribute between 75 – 85% of distributable profit. The policy takes effect from the first quarter dividend payment for the 2012 financial year, scheduled for payment in September 2011. The amendment to the distribution policy is to ensure sufficient funds are retained for reinvestment to enhance long term earnings of the Company and dividend sustainability for investors.

Mr Storey said the Board was expecting to pay a minimum dividend of 8 cents per share for the year ending 31 March 2012, subject to economic conditions and trading performance.

The Company looks forward to continuing its strong performance in the next financial year.

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Attachments provided to NZX:

1. NZX Appendix 1
2. NZX Appendix 7
3. DNZ Financial Statements for the year ended 31 March 2011
4. DNZ FY11 Results Presentation

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DNZ Property Fund Overview

DNZ Property Fund Limited owns one of New Zealand's largest diversified investment property portfolios with commercial office, retail and industrial properties located in Whangarei, Auckland, Tauranga, Hamilton, Rotorua, Palmerston North, Napier, Wellington, Nelson, Christchurch and Dunedin.

As at 31 March 2011, DNZ Property Fund owned 50 properties with 283 tenants, a weighted average lease term (WALT) of 4.3 years, an occupancy rate of 97.9% over a net lettable area of 371,481m^2, and a portfolio value of $637.7m.

DNZ Property Fund Limited is a Portfolio Investment Entity in which investors hold shares and is managed by its own internalised management team. DNZ Property Fund Limited also manages the property portfolio of Diversified NZ Property Fund Limited, which is owned by Australian institutional investors.