



DNZ PROPERTY FUND LIMITED ANNUAL RESULTS

FOR THE YEAR ENDED
31 MARCH 2011

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Property Fund

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23 MAY 2011

Agenda & Contents

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Appendix 1 - Valuation Summary



HIGHLIGHTS



Highlights

- 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

SHARE PRICE ↗ 28%

DISTRIBUTABLE PROFIT ↗ 14%

OCCUPANCY ↗ 98%

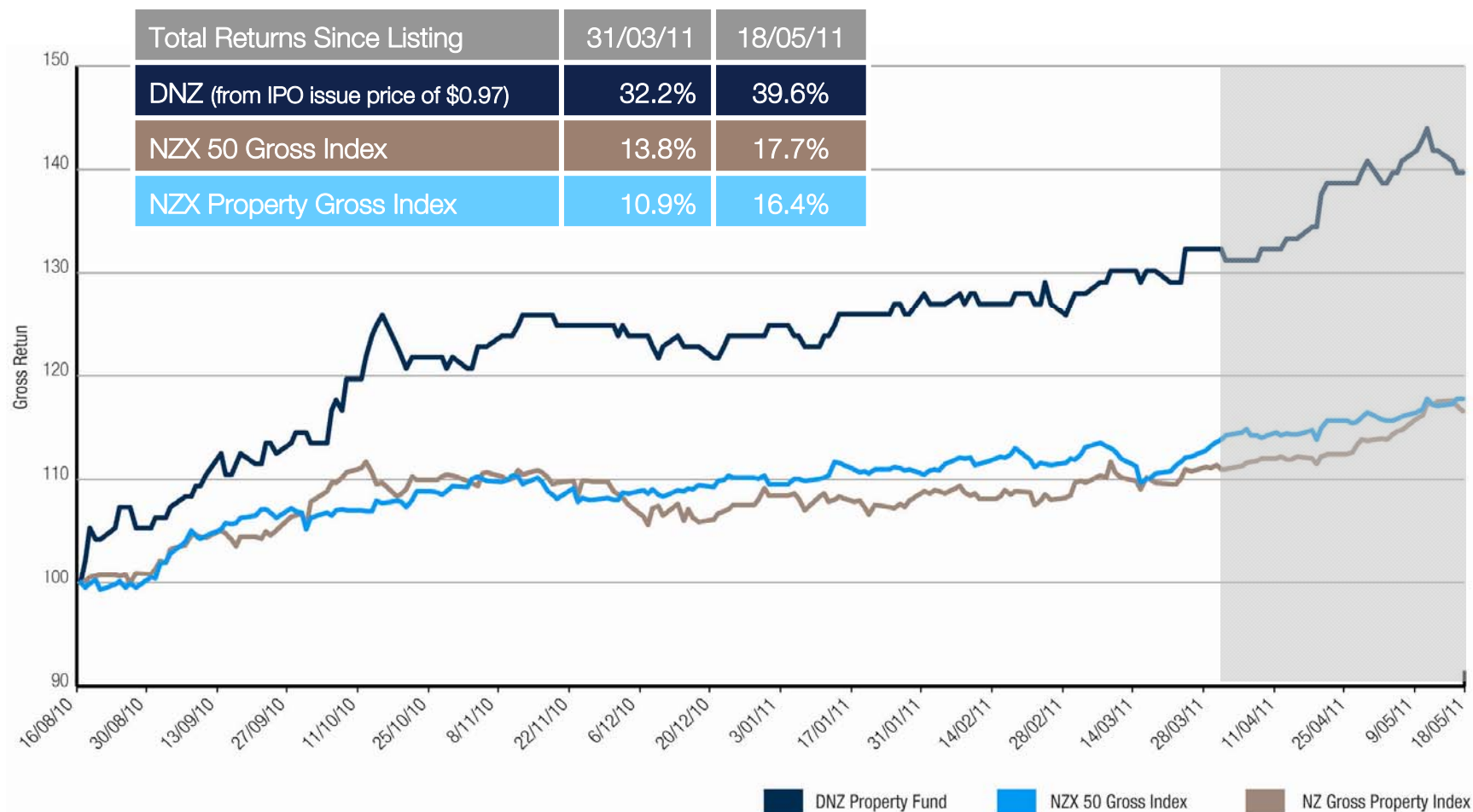
IRD BINDING TAX RULING ✓

MARCH QUARTER DIVIDEND ✓ \$0.02

LVR ↘ 40.4%

PORTFOLIO VALUATION ↘ 1.9%

Total Returns



Source: Goldman Sachs & Partners



FINANCIAL PERFORMANCE

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Financial Performance

- Distributable profit \$21.9m
 - 13.8% ahead of PFI driven primarily by lower finance expenses plus tax benefit following the recent IRD ruling
- Strong underlying performance from property operating activities
- Net profit before one off items and tax \$19.7m (PFI \$19.7m)
- Net loss after tax \$35.1m
 - Deferred tax expense of \$9.6m
 - Investment property devaluation adjustment of \$11.5m
 - One off payment for termination of management contract of \$31.8m
 - Corporate overheads in-line with PFI
- March quarter cash dividend confirmed at 2.0 cents per share with nil imputation credits
 - Record date 8 June 2011
 - To be paid 22 June 2011

Distributable Profit

	Actual 31 March 11 (\$ millions)	PFI 31 March 11 (\$ millions)	Variance (\$ millions)	Actual 31 March 10 (\$ millions)
Net loss before tax	(25.5)	(15.6)	(9.9)	(15.5)
NZ IFRS and other adjustments				
- Termination payment for manager	31.8	31.8	-	-
- Amortisation and impairment of fixed life intangible	3.6	3.6	-	0.4
- Net change in fair value of investment properties	11.5	-	11.5	34.1
- Net change in fair value of share subscription agreements	(1.6)	(0.3)	(1.3)	-
- Chief Executive option scheme	1.2	1.2	-	-
- Loss on disposal of investment properties	1.4	1.3	0.1	0.1
- Net rent free incentives	(0.1)	(1.6)	1.5	(0.1)
- Net lease contribution incentives	0.1	0.1	-	(0.2)
- Other adjustments	0.6	0.4	0.2	5.3
Less current taxation	(1.1)	(1.7)	0.6	-
Distributable profit after tax	21.9	19.2	2.7	24.1
Distributable profit per share - weighted	9.60 cents	8.66 cents	0.94 cents	12.80 cents
Weighted average number of shares (millions)	227.8	221.9	5.9	188.3*

* Weighted average number of shares for 31 March 2010 assumes the 2 for 5 share consolidation occurred 01/04/09

Financial Performance

	Actual 31 March 11 (\$ millions)	PFI 31 March 11 (\$ millions)	Variance (\$ millions)	Actual 31 March 10 (\$ millions)
Net rental income	52.0	52.8	(0.8)	54.8
Management fee income	1.0	1.2	(0.2)	-
Loss on disposal of investment properties	(1.4)	(1.3)	(0.1)	(0.1)
Corporate expenses (includes corporate overheads, CEO option scheme, IPO and restructure costs)	(9.7)	(9.7)	0.0	(14.5)
Net profit before net finance expenses, renegotiation payment, termination payment, changes in fair value and taxation	41.9	43.0	(1.1)	40.1
Net finance expenses	(22.2)	(23.4)	1.1	(21.1)
Net profit before renegotiation payment, termination payment, changes in fair value and taxation	19.7	19.7	0.0	19.0
Amortisation and impairment of renegotiation payment	(3.6)	(3.6)	0.0	(0.4)
Payment for termination of management contract	(31.8)	(31.8)	0.0	-
Change in fair value - share subscription agreements	1.6	-	1.6	-
Change in fair value - investment properties	(11.5)	-	(11.5)	(34.1)
Income tax expense	(9.6)	(90.4)	80.8	-
Net loss after tax	(35.1)	(106.0)	70.9	(15.5)

Note: Values in the table above are calculated to three decimal places and may not sum accurately due to rounding

Financial Summary

	As at 31 March 11 (\$ millions)	As at 31 March 10 (\$ millions)
Property values ¹	637.7	700.1
Bank loan	257.9	322.0
Bank loan to value ratio ²	40.4%	46.9%
Equity	382.3	378.4
Shares on issue	246.6	188.5
NTA per share ³	\$1.54	\$1.99
IFRS adjusted NTA per share ⁴	\$1.55	\$2.02

¹ The asset sale programme was completed during the year

² Includes fair value of interest rate hedges

³ Excludes intangibles.

⁴ Excludes intangibles and the after tax fair value of interest rate derivatives.



CAPITAL MANAGEMENT

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Capital Management

- \$45 million capital raise
- Renegotiated debt facilities to 30 September 2013
- \$150m of swaps entered into during the period
- Asset sales programme completed \$72.2m gross
 - 7-19 Croftfield Lane, Auckland (\$7.9m)
 - Cnr Cambridge Terrace & Hollands Crescent, Lower Hutt (\$8.4m)
 - 266 High Street, Lower Hutt (\$9.2m)
 - Tauriko Industrial Estate, Lots 71, 73-76, Tauranga (\$3.0m)
 - Airpark Business Centre, Lots 2 & 3, Auckland (\$2.9m)
 - Cnr First Ave & Cameron Road, Tauranga (\$5.5m)
 - 231 Bush Road, Auckland (\$7.0m)
 - 33-43 Jackson Street, Wellington (\$13.6m)
 - Cnr Tauroa & State Highway 1, Whangarei (\$13.5m)
 - Tauriko lots 105 & 107 (\$1.3m)
- Asset sales programme completed near book value

Note: Values above may not sum accurately due to rounding

- Banking partners ANZ, ASB and BNZ
- Loan to value ratio 40.4%
- Interest times cover ratio 2.14x
- \$150m of swaps entered into during the period
 - New swaps terms of 3-4 years
 - New swaps hedged at an average rate of 4.22% (excluding margin and line fee)
 - Drawn debt hedged at 83%
- Good liquidity with undrawn banking facility of \$97m
- DNZ well within banking covenants

Banking Covenants

Covenant	Covenant	As at 31 March 11
Gearing Ratio (Bank Debt / Property Values)	< 50%	40.4%
Interest Cover Ratio (EBIT / Interest and Financing Costs)	> 1.75 x	2.14x
Fully Leased Unexpired Term*	> 3.5 years	4.18 years

* The unexpired leased term in a property or portfolio, assuming the property or portfolio is fully leased. This is weighted by the income applicable to each lease and a current market rental with nil term for vacant space.

Debt Facility Summary

Bank Facility	As at 31 March 11	As at 31 March 10
Facility limit (ANZ, ASB, BNZ)	\$350m	\$500m
Balance drawn	\$253m	\$322m
Balance undrawn	\$97m	\$178m
Weighted average cost of debt (incl. margins & fees)	7.34%	6.23%
Maturity of facility	2.5 years	1.5 years
Percentage of drawn debt hedged	83%	64%
Weighted average interest rate on hedged debt (incl. margins)	6.02%	7.07%
Weighted average term to maturity of interest rate hedges	2.75 years	1.25 years

Valuation Summary

Portfolio	31 March 2011 Valuation \$	Gain/(Loss) in Value ¹		Capitalisation Rate		
		\$	%	Market Cap Rate 2010	Market Cap Rate 2011	+ / - bps
OFFICE TOTAL	253,950,000	(11,683,708)	(4.43%)	8.80%	8.88%	-8
INDUSTRIAL TOTAL	173,790,000	1,738,117	1.15%	8.82%	8.65%	17
RETAIL TOTAL	74,900,000	(868,886)	(1.14%)	8.48%	8.76%	-28
BULK RETAIL TOTAL	132,800,000	(876,786)	(0.66%)	8.51%	8.61%	-10
INVESTMENT PROPERTIES	635,440,000	(11,691,263)	(1.87%)	8.70%	8.75%	-5
Lots 82 - 85, Tauriko Industrial Estate	2,265,000	(115,000)	(4.83%)	N/A	N/A	N/A
TOTAL ALL PROPERTIES	637,705,000	(11,806,263)²	(1.88%)			

¹ Gain/(loss) in value includes capital expenditure

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.



PROPERTY PORTFOLIO

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Portfolio Summary

Overview	31 March 2011	PFI 31 May 2010	31 March 2010
Properties	50	55	58
Tenants	283	265	272
Net Lettable Area (m ²)	371,481	379,779	397,696
WALT (years)	4.3	4.5	4.7
Occupancy Rate (by area)	97.9%	95.4%	95.6%
Asset Valuation	\$638m	\$671m	\$700m

Portfolio Overview

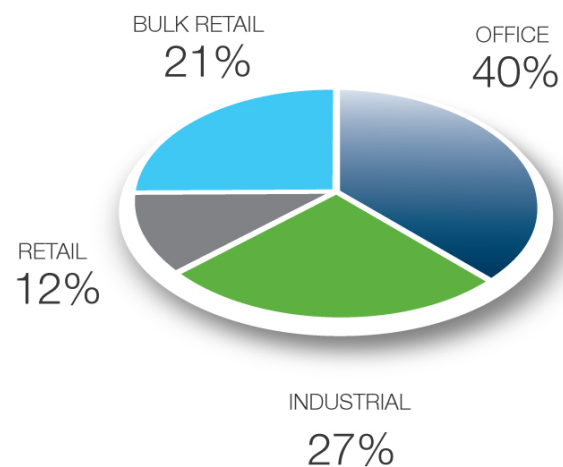
- Portfolio occupancy 97.9%
- Portfolio underpinned by WALT of 4.3 years
 - 188 Lease transactions completed over 218,205m² of net lettable area
 - Annualised rental growth of 3.8% pa across all rent reviews
- The 188 lease transactions management completed during the period include:
 - 100 rent reviews over 138,766m² for a total rental of \$25.8 million
 - 32 lease renewals completed over 32,234m² for a total rental of \$4.4 million
 - 56 new lettings completed over 47,205m² for a total rental of \$8.0 million
- Completion of Fletcher Building Laminex Group Design Build at O'Rorke Road, Penrose
 - The new 12,000m² warehouse and 1,800m² 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
 - Office/warehouse design/build opportunities for the residual 2.28 hectares of the site

Portfolio Occupancy

Property	Occupancy (%) 2010	Occupancy (%) 2011	Vacancy (sqm) 2011	Net Lettable Area (sqm) 2011
129 Hurstmere Road, Takapuna	85%	100%	-	7,246
8 Rockridge Avenue, Penrose	51%	74%	811	3,112
650 Great South Road, Greenlane	93%	93%	601	8,390
80 Greys Avenue	100%	87%	731	5,500
7 - 9 Fanshawe Street	54%	69%	1470	4,818
21 - 25 Teed Street, Newmarket	14%	59%	1637	4,012
99 - 105 Customhouse Quay	87%	81%	830	4,294
3 - 11 Hunter Street	94%	94%	482	8,331
Other	100%	100%	-	42,974
OFFICE TOTAL	89.3%	92.6%	6,563	88,676
INDUSTRIAL TOTAL	96.3%	100.0%	-	163,044
Cnr Mt Wellington Highway & Penrose Road	97%	100%	-	8,889
Cnr Ward, Bryce and Tristram Streets	94%	92%	632	8,119
Johnsonville Retail	95%	96%	298	6,986
RETAIL TOTAL	95.6%	96.1%	930	23,995
65 Chapel Street	97%	99%	238	16,367
Other	100%	100%	-	79,399
BULK RETAIL TOTAL	99.6%	99.8%	238	95,766
INVESTMENT PROPERTIES TOTAL	95.6%	97.9%	7,731	371,481

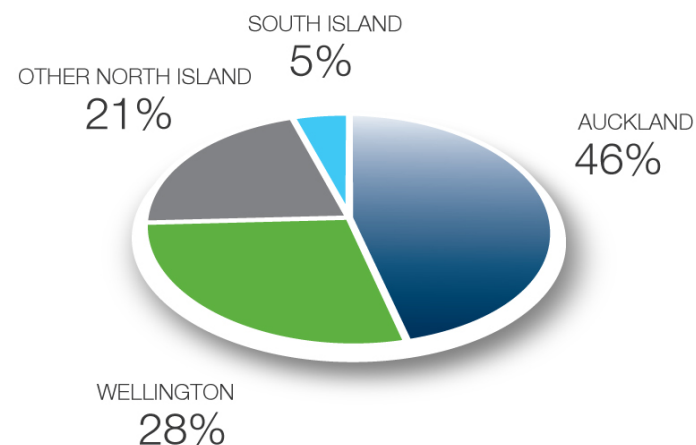
Diversified Portfolio

Portfolio Value by Sector*



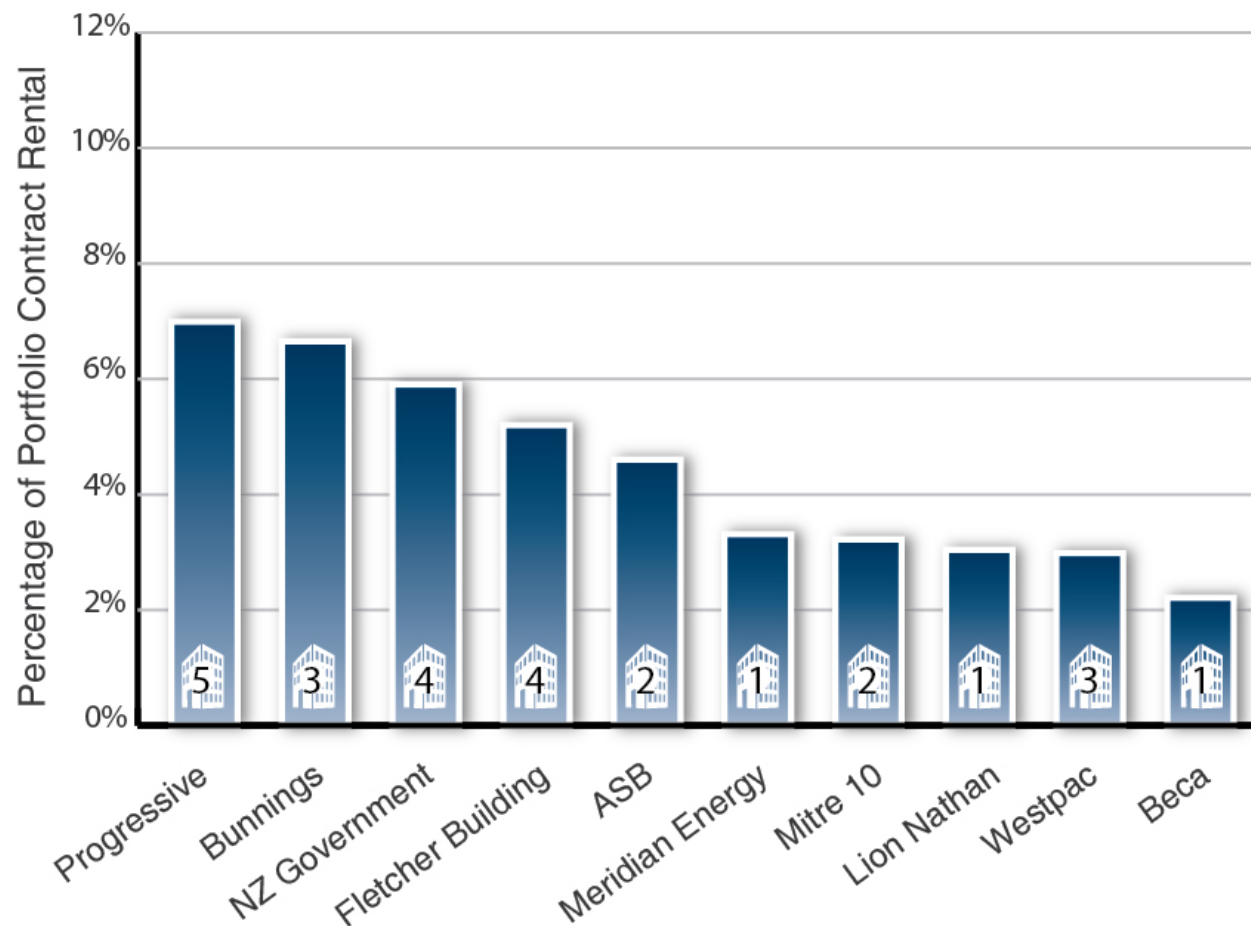
* As at 31 March 2011

Portfolio Value by Region*



* As at 31 March 2011

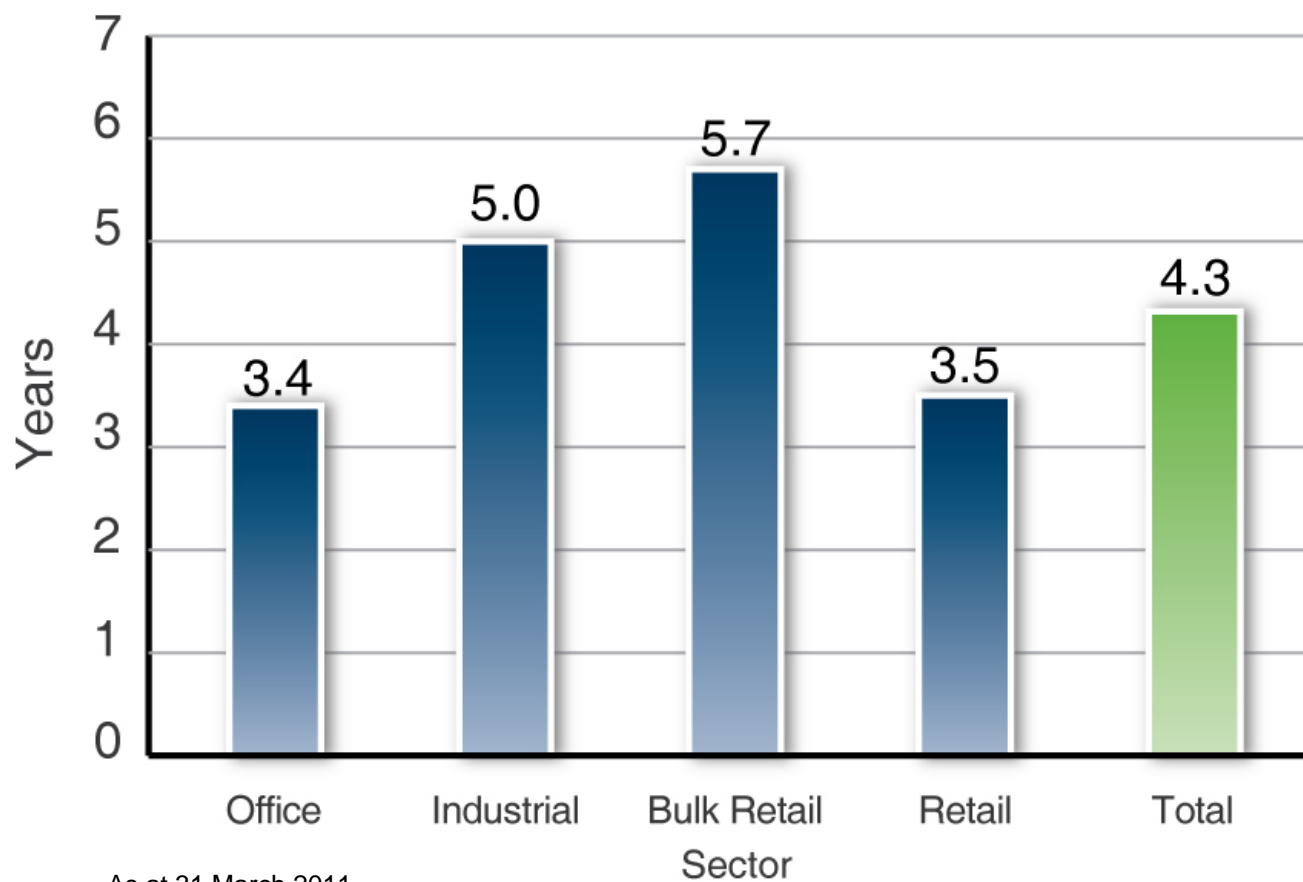
Top 10 Tenants



Top 10 tenants
comprise 44%
by contract rental
for the total portfolio

As at 31 March 2011

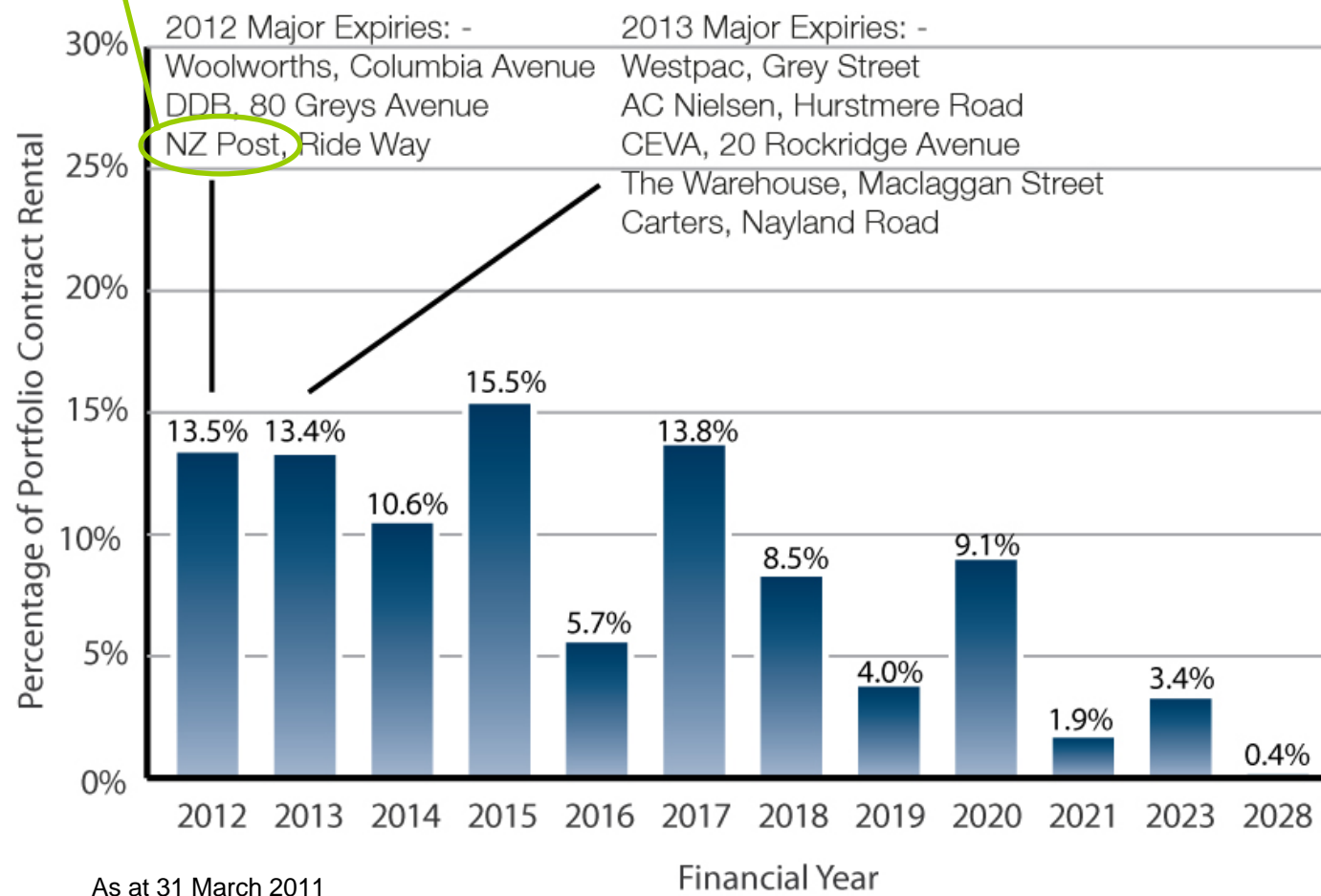
WALT at 4.3 years



As at 31 March 2011

Lease Expiry Profile

Renewed for 6 years. Represents 0.94% of the expiry profile for 2012 (reduces to 12.6%)



Major Lease Expiries

FY	Property	Tenant	NLA
2012*	Columbia Avenue, Christchurch	Woolworths Distribution Centre*	12,665
2012	15 Ride Way, Albany	NZ Post	6,027
2012	Johnsonville Shopping Centre & Adjoining Properties, Wellington	Various Tenancies	4,233
2012	80 Greys Avenue, Auckland	DDB New Zealand Limited	3,309
2012	650 Great South Road, Auckland	Health Alliance	2,141
2012*	650 Great South Road, Auckland	Vialactia*	1,494
2012	1 Grey Street, Wellington	Optimation	1,094
2012*	1 Grey Street, Wellington	MFAT*	793

* Tenant has already notified that they do not intend to renew.

FY	Property	Tenant	NLA
2013	20 Rockridge Ave, Auckland	CEVA	10,239
2013	35 Maclaggan Street, Dunedin	The Warehouse	6,433
2013	129 Hurstmere Road, Takapuna	AC Nielsen	4,439
2013	1 Grey Street, Wellington	Westpac	4,266
2013	1 Grey Street, Wellington	MFAT	1,586
2013	Johnsonville Shopping Centre & Adjoining Properties, Wellington	Various Tenancies	698

Major Lease Transactions Completed

Tenant	Commencement	Area m ²	Term	Contract Rental \$
Laminex Group (Fletcher Building)	22 November 2010	18,836	12 years	2,011,517
Lion Nathan Wines & Spirits	1 October 2011	21,349	3 years	1,786,150
Beca	1 April 2010	5,938	3 years	1,300,000
Pacific Coilcoaters (Fletcher Building)	1 April 2011	5,978	9 years	483,475
RPS Switchgear	18 February 2011	3,978	6 years	440,316
Briscoes	1 May 2011	2,588	6 years	334,278
Colorite Group	18 August 2010	2,271	6 years	320,000
Rebel Sport	1 May 2011	2,128	6 years	284,909
Beam Global	1 August 2010	904	6 years	276,009
AFT Pharmaceuticals	12 April 2011	1,121	4 years	271,937
MYOB	1 April 2011	817	3 years	241,813
Matrix Security	18 August 2010	710	6 years	171,497

Development Update

- Development activity is only undertaken with appropriate levels of risk mitigation
 - Tenant pre-commitment
 - Appropriate investment returns
- Less than 2% of the total portfolio value is represented by development land
- Office/warehouse design/build opportunities for the residual 2.28 hectares at Penrose



Fletcher Building Laminex Group

- The new 12,000m² warehouse and 1,800m² office building completed at O'Rorke Rd in Penrose consolidating Laminex Group's operations
- Practical completion 19 November 2010
 - New 12 year lease commenced on 22 November 2010
- Built by Fletcher Construction



Property Market Overview

- The office market remains the most challenging of the property sectors
 - Auckland - reduced new supply risk with ANZ being retained at ANZ Centre
 - Wellington – further focus on office space utilisation by Government sector tenants in short/medium term
- Despite the challenging retail climate proactive leasing strategies are maintaining both income and occupancy levels within DNZ's retail portfolio
 - Retailers remain cautious regarding expansion
- Bulk retail and industrial occupancy has been the most robust through this real estate cycle and these sectors leading the way with early signs of recovery
- Greater tenant interest regarding seismic ratings of buildings
- DNZ portfolio is however well positioned with properties across the sectors and diversified by location create a defensive platform to deliver sustainable earnings



MITRE 10

MEGA
Home Improvement Warehouse

BEST RANGE. LOWEST PRICES.
END OF STOCK!

OUTLOOK

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- Active Portfolio Management
 - Maintain high occupancy levels with focus on FY12 & FY13 expiries
 - Tenant relationships paramount
- Prudent Capital Management
 - Bank loan facilities renegotiated to 30 September 2013
 - Consideration of securing longer term facility
 - \$150m of swaps entered – next expiry November 2012
 - Manage capital expenditure
- Continuous review of asset mix and portfolio strength
- Value add opportunities
 - Identify low risk design/build opportunities within portfolio
 - Johnsonville redevelopment (50% owned by the fund)
 - Feasibility review
 - Diversified NZ Property Fund partner
 - Diversified NZ Property Fund update
 - Argosy merger
- Sustainable distribution policy
 - Forecast 8 cent dividend FY12 under revised dividend policy

Appendix 1 – Valuation Summary

Address	March 2011 Valuation \$	Gain/(Loss) ¹ Value \$	Gain/(Loss) ¹ Value %	Market Cap Rate 2011	Market Cap Rate 2010	Address	March 2011 Valuation \$	Gain/(Loss) ¹ Value \$	Gain/(Loss) ¹ Value %	Market Cap Rate 2011	Market Cap Rate 2010
129 Hurstmere Road, Takapuna	18,000,000	(750,999)	(4.02%)	9.50%	9.50%	Cnr Mt Wellington Highway & Penrose Road	24,200,000	760,251	3.25%	9.00%	8.85%
33 Corinthian Drive, Albany	31,700,000	(312,443)	(0.98%)	8.50%	8.50%	Cnr Bryce and Tristram Street	13,700,000	(600,000)	(4.20%)	9.63%	9.88%
8 Rockridge Avenue, Penrose	6,400,000	(301,936)	(4.87%)	9.38%	10.50%	Johnsonville Retail	37,000,000	(1,029,138)	(2.70%)	8.29%	7.73%
650 Great South Road, Greenlane	22,000,000	(1,374,249)	(5.90%)	9.50%	9.50%	RETAIL TOTAL	74,900,000	(868,886)	(1.14%)	8.76%	8.48%
132 Vincent Street	9,000,000	(8,938)	(0.10%)	10.50%	10.50%	Cnr Kamo Road & Manse Street	6,250,000	0	0.00%	8.50%	8.50%
80 Greys Avenue	11,150,000	(630,620)	(5.37%)	9.75%	10.00%	446 Te Rapa Road	16,400,000	0	0.00%	8.38%	8.25%
7 - 9 Fanshawe Street	12,100,000	(988,079)	(7.78%)	10.50%	10.00%	Cnr Anglesea and Liverpool Streets	8,200,000	(200,000)	(2.38%)	9.00%	9.75%
21 - 25 Teed Street, Newmarket	12,300,000	585,973	4.97%	9.25%	9.50%	Cnr Chapel and Marsh Streets	31,500,000	404,057	1.30%	8.63%	8.50%
22 The Terrace	13,500,000	(1,505,974)	(10.04%)	8.75%	8.75%	230 - 240 Fenton Street	10,900,000	(205,843)	(1.85%)	8.63%	8.50%
99 - 105 Customhouse Quay	13,400,000	(895,494)	(6.40%)	9.00%	8.88%	26 - 48 Old Taupo Road	15,400,000	(400,000)	(2.53%)	8.50%	8.25%
13 Jarden Mile, Ngauranga Gorge	2,500,000	0	0.00%	8.00%	8.00%	170 - 180 Taradale Road	4,250,000	0	0.00%	9.25%	9.25%
33 Customhouse Quay	30,000,000	(1,200,000)	(3.85%)	7.25%	7.25%	Cnr Tremaine Avenue and Railway Road	15,500,000	(100,000)	(0.64%)	8.25%	8.25%
1 Grey Street	41,500,000	(3,330,924)	(7.45%)	8.25%	7.90%	Cnr Te Irirangi Drive & Bishop Dunn Place, East Tamaki	16,400,000	(100,000)	(0.61%)	8.50%	8.25%
3 - 11 Hunter Street	21,100,000	(1,168,624)	(5.31%)	9.00%	9.00%	35 MacLaggan Street	8,000,000	(275,000)	(3.32%)	9.50%	9.00%
7 Winston Avenue, Papanui	9,300,000	198,599	2.18%	10.00%	9.00%	BULK RETAIL TOTAL	132,800,000	(876,786)	(0.66%)	8.61%	8.51%
OFFICE TOTAL	253,950,000	(11,683,708)	(4.43%)	8.88%	8.80%						
15 Ride Way, Albany	6,260,000	(40,000)	(0.63%)	8.25%	8.25%	INVESTMENT PROPERTIES	635,440,000	(11,691,263)	(1.87%)	8.75%	8.70%
20 - 22 Pollen Street, Grey Lynn	4,200,000	(258,738)	(6.45%)	9.00%	9.25%						
968 Great South Road, Penrose	6,100,000	206,573	4.13%	8.25%	8.75%	PROPERTIES UNDER OR HELD FOR DEVELOPMENT TOTAL	2,265,000	(115,000)	(4.83%)		
15 Rockridge Avenue, Penrose	1,560,000	14,455	0.94%	9.25%	9.50%						
20 Rockridge Avenue, Penrose	10,500,000	(300,000)	(2.78%)	8.50%	8.60%	TOTAL ALL PROPERTIES	637,705,000	(\$11,806,263)²	(1.88%)		
9 Springs Road, East Tamaki	17,800,000	391,926	2.25%	9.35%	9.25%						
8 Reg Savory Place, East Tamaki	5,350,000	(27,228)	(0.51%)	8.15%	8.00%						
415 East Tamaki Road, East Tamaki	11,000,000	70,000	0.64%	8.65%	8.50%						
22 - 30 Airpark Drive, Mangere	14,850,000	(150,000)	(1.00%)	8.75%	8.63%						
22 Ha Crescent, Wiri	8,200,000	(100,000)	(1.20%)	8.85%	8.85%						
460 Rosebank Road, Avondale	9,350,000	463,982	5.24%	9.00%	9.00%						
Airpark Business Centre - Lot 10, Mangere	3,000,000	70,000	2.39%	8.25%	8.25%						
25 O'Rorke Road, Penrose	32,510,000	964,962	7.48%	7.88%							
8 Burnham Street, Petone	8,500,000	428,010	6.03%	8.50%	8.75%						
19 - 21 Bouverie Street, Lower Hutt	810,000	92,755	12.97%	8.00%	8.25%						
7 - 17 Bouverie Street, Lower Hutt	3,100,000	334,200	12.11%	8.25%	8.50%						
12 Tyers Road, Ngauranga Gorge	2,350,000	(6,544)	(0.28%)	8.00%	8.00%						
14 Tyers Road, Ngauranga Gorge	4,300,000	165,055	3.98%	7.75%	7.75%						
70 Nayland Road	3,750,000	(50,000)	(1.32%)	8.75%	8.25%						
62 Columbia Avenue, Hornby	9,200,000	(503,800)	(5.19%)	9.50%	9.25%						
709 Te Rapa Road	11,100,000	(27,491)	(0.25)	10.00%	10.00%						
INDUSTRIAL TOTAL	173,790,000	1,738,117	1.15%	8.65%	8.82%						

¹ Gain/(Loss) in value includes capital expenditure

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.



THANK YOU



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