



ANNUAL RESULT

FOR THE YEAR ENDED 31 MARCH 2012

One entity **One vision** 

Agenda & Contents

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This DNZ Property Fund Limited Annual Result presentation should be read in conjunction with the NZX announcement and financial statements released on 23 May 2012

HIGHLIGHTS

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Highlights

(31 March 2011 figures in brackets)

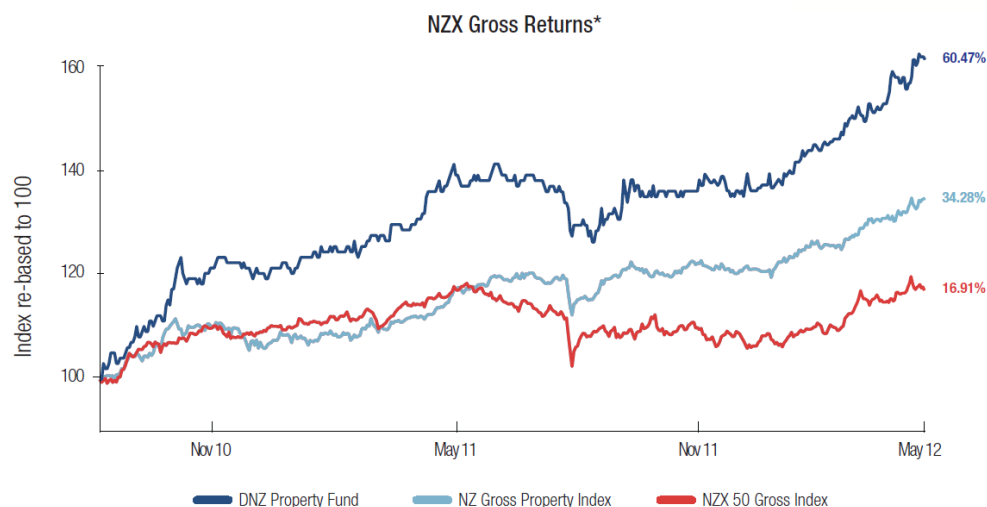
- Operating profit before tax of \$28.8m (\$21.8) up 32% on prior year
- Distributable profit of \$27.8m or 11.22 cents per share (\$21.9m or 9.60 cents per share)
- Net rental income of \$52.9m (\$52.0m)
- Loan to value ratio (LVR) 40.6% (40.4%)
- Implementation of a revised \$300m term debt bank facility with expected annual savings of approximately \$2.0m
- Increased cash dividend for full FY12 financial year:
 - 2.2 cent cash dividend for the fourth quarter (nil imputation credits)
 - 8.5 cent cash dividend for the full FY12 financial year
 - 9.0 cent cash dividend guidance for FY13 financial year

**OPERATING PROFIT
BEFORE TAX**
UP 32%

**ANNUAL FY12
DIVIDEND**
8.5 cents
PER SHARE

**TOTAL
SHAREHOLDER
RETURNS**
60.5%
SINCE LISTING

LVR
40.6%



Source: IRESS – 15 May 2012

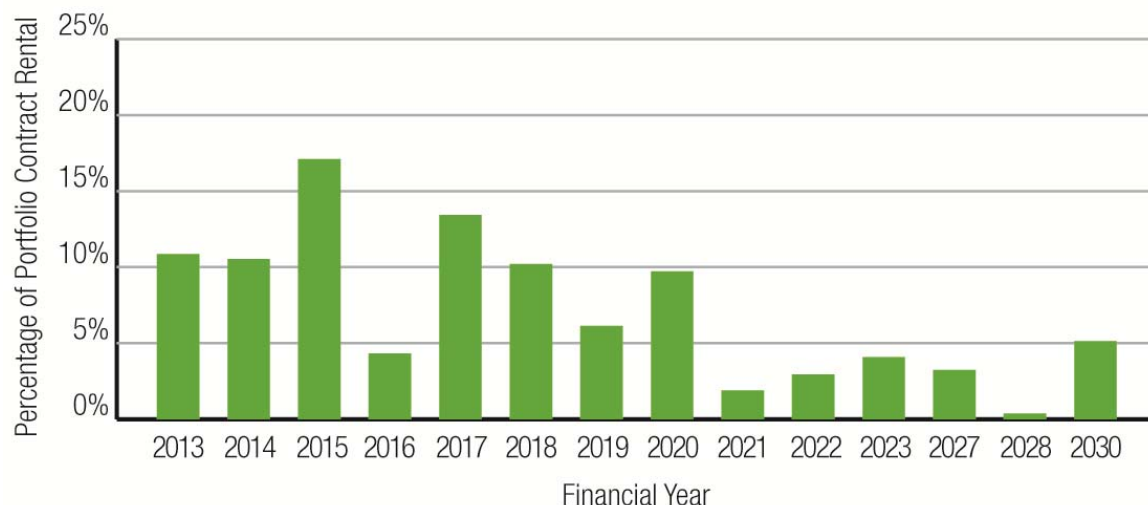
* Assumes the reinvestment of dividends (but not imputation credits) on the ex-date

Highlights

(31 March 2011 figures in brackets)

- Asset values stable as at 31 March 2012
- 189 lease transactions over 232,122m²
- Occupancy increased to 98.7% (97.9%)
- Weighted average lease term (WALT) extended to 5.4 years (4.3 years)
- Purchased three Foodstuffs supermarkets in Napier, New Plymouth and Wellington, and Bunnings in Mt Roskill, Auckland for a total of \$65.2m
- Further de-risking of the portfolio through the disposal of one Auckland and two Wellington office buildings for a total gross realisation of \$51.9m

Lease Expiry Profile
as at 31 March 2012



**PORTFOLIO
OCCUPANCY**
98.7%



**PORTFOLIO
WALT**
5.4 years



**PORTFOLIO
VALUATION**
\$658.3m



ACQUISITIONS
\$65.2m



FINANCIAL PERFORMANCE

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Financial Performance – Consolidated Group

	Actual 31 March 2012 (\$ millions)	Actual 31 March 2011 (\$ millions)	Variance (\$ millions)
Net rental income	52.9	52.0	0.9
Management fee income	1.3	1.0	0.3
Corporate expenses	(7.4)	(9.0)	1.6
Operating profit before net finance expenses and income tax	46.8	44.0	2.8
Net finance expenses	(18.0)	(22.2)	4.2
Operating profit before income tax (refer Appendix 2)	28.8	21.8	7.0
Non operating (expenses)/income	(3.0)	(47.3)	44.3
Net profit/(loss) before taxation	25.8	(25.5)	51.3
Income tax expense	(5.0)	(9.6)	4.6
Net profit/(loss) after tax attributable to shareholders	20.8	(35.1)	55.9

Distributable Profit – Consolidated Group

	Actual 31 March 2012 (\$ millions)	Actual 31 March 2011 (\$ millions)	Variance (\$ millions)
Net profit/(loss) before tax	25.8	(25.5)	51.3
NZ IFRS and other adjustments:			
- Net change in fair value of investment properties	(0.5)	11.5	(12.0)
- Net change in fair value of share subscription agreements	-	(1.6)	1.6
- Net change in fair value of other investments	(0.3)	-	(0.3)
- Chief Executive option scheme	-	1.2	(1.2)
- Termination payment for manager	-	31.8	(31.8)
- Amortisation and impairment of fixed life intangible	-	3.6	(3.6)
- Loss on disposal of investment properties	3.1	1.4	1.7
- Net rent free incentives	(0.8)	(0.1)	(0.7)
- Net lease contribution incentives	0.1	0.1	-
- Other adjustments	0.4	0.6	(0.2)
Less: current taxation paid	-	(1.1)	1.1
Distributable profit after tax	27.8	21.9	5.9
Basic distributable profit after tax per share - weighted	11.22 cents	9.60 cents	1.62 cents
Weighted average number of shares (millions)	247.4	227.8	

Financial Summary

	As at 31 March 2012 (\$ millions)	As at 31 March 2011 (\$ millions)
Property values ¹	658.3	637.7
Bank debt drawn	267.3	252.9
Bank loan to value ratio ²	40.6%	40.4%
Equity	381.0	382.3
Shares on issue ³	247.4	246.6
NTA per share ⁴	\$1.53	\$1.54
Adjusted NTA per share ⁵ (refer Appendix 2)	\$1.55	\$1.55

¹ Asset divestments and acquisitions were completed during the period.

² Includes fair value of interest rate hedges (\$5.0m loss) in FY11 only.

³ 213,000 shares were held as Treasury Stock as at 31 March 2012.

⁴ Excludes intangibles.

⁵ Excludes intangibles and the after tax fair value of interest rate derivatives.

CAPITAL MANAGEMENT

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Capital Management

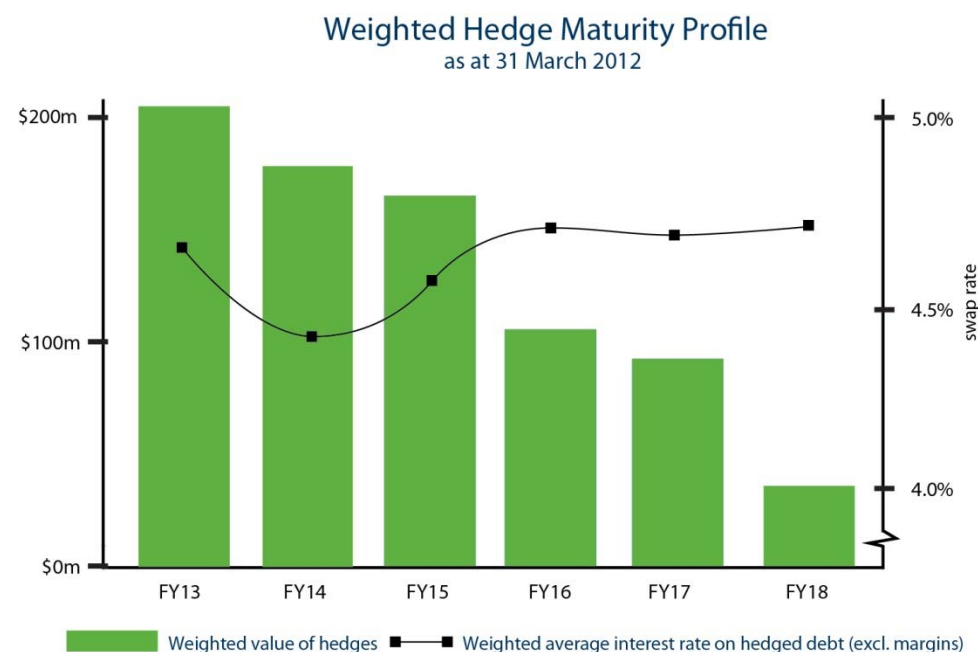
Covenant	Covenant	As at 31 March 2012
Loan to Value Ratio (Bank Debt / Property Values)	< 50%	40.6%
Interest Cover Ratio (EBIT / Interest and Financing Costs)	> 1.75 x	2.62
Fully Leased Unexpired Term ¹	> 3.0 years	5.18 years

- Gross realisation of \$51.9m from asset sales
- The use of free cash flows to fund on-going capital works programme
- \$105m of forward starting swaps entered into during the period with an additional \$40m of swaps entered into post balance date
- Reduction in the company's debt facility limit from \$350m to \$300m
- Implementation of a revised \$300m term debt bank facility effective from 31 October 2011
 - Two tranches of \$150m fixed for terms of 3 and 4 years with reduced line fees and margins
 - Expected annual savings of approximately \$2.0m
- Share buyback scheme in place 17 November 2011

¹ 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 2012	As at 31 March 2011
Facility limit (ANZ, BNZ, CBA)	\$300m	\$350m
Balance drawn	\$267m	\$253m
Balance undrawn	\$33m	\$97m
Weighted average cost of debt (incl. margins & line fees)	6.16%	7.34%
Weighted maturity of facility	3.1 years	2.5 years
Percentage of drawn debt hedged	79%	83%
Weighted average interest rate on hedged debt (excl. margins)	4.80% ¹	4.80%
Weighted average term to maturity of interest rate hedges (incl. forward starting swaps)	3.81 years	2.75 years



¹ No swaps began or expired during the year ended 31 March 2012.

PORTFOLIO OVERVIEW

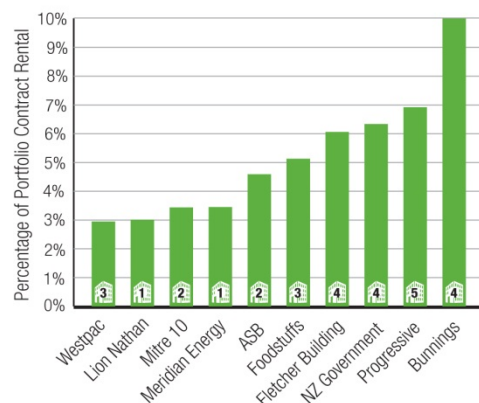
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Portfolio Summary

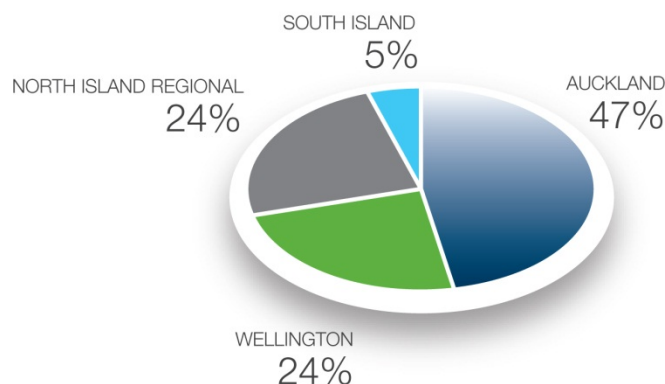
Overview	As at 31 March 2012	As at 31 March 2011
Properties	51	50
Tenants	252	283
Net Lettable Area (m ²)	379,965	371,481
WALT (years)	5.4	4.3
Occupancy Rate (by area)	98.7%	97.9%
Asset Valuation	\$658m	\$638m

- DNZ's top 10 tenants represent 52% of total contract rental

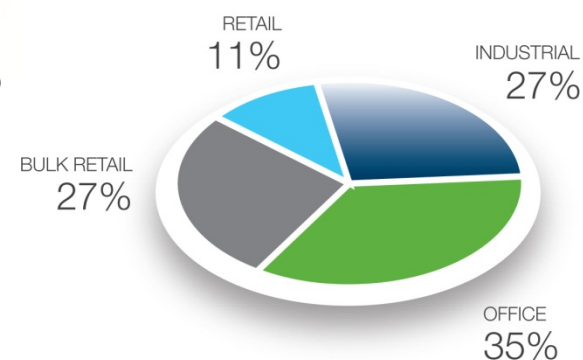
Top 10 Tenants by Contract Rental
as at 31 March 2012



Portfolio Contract Rental by Region
as at 31 March 2012



Portfolio Contract Rental by Sector
as at 31 March 2012



Major Lease Transactions Completed

Tenant	Commencement	Area (m ²)	Term (years)	Annual Contract Rental (\$)
Goodyear & Dunlop Tyres ¹	September 2015	9,727	5.5	938,521
DDB ²	June 2012	3,659	6	921,001
healthAlliance	April 2012	2,141	3	684,420
NZ Post	September 2011	6,027	6	549,634
Financial Markets Authority	July 2012	1,094	9	415,100
Inland Revenue Department	March 2012	1,494	6	370,356
Carter Holt Harvey	December 2012	3,340	6	363,121
Gibson Sheat	August 2012	789	9	346,124
IAG	May 2012	1,050	3	272,584
Armourguard	December 2011	1,182	3	250,132
PlaceMakers	February 2012	3,585	3	234,500
Serato	August 2011	1,068	6	227,555
Johnsonville City Fitness	August 2011	1,254	6	221,685
Electricity and Gas Complaints Commission	April 2012	518	6	170,610

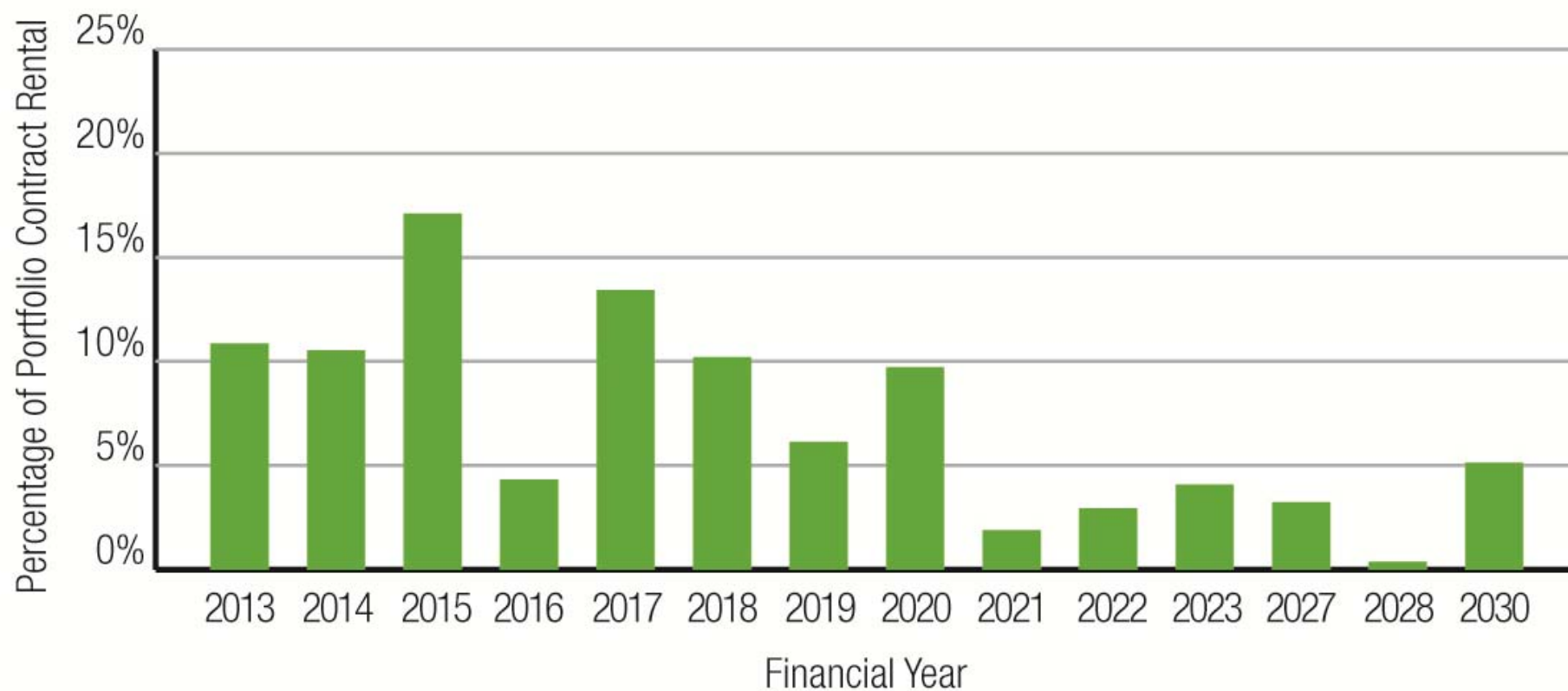
- 189 lease transactions over 232,122m²
 - 96 rent reviews over 159,460m² for a total annual rental of \$24.3m
 - 49 new lettings over 43,998m² for a total annual rental of \$7.9m
 - 44 lease renewals over 28,664m² for a total annual rental of \$6.4m

¹ Sublease from Chrisco Hampers from April 2011 to September 2015. Rental to be reviewed to market with base ratchet.

² Lease commences on completion of landlord works.

Lease Expiry Profile

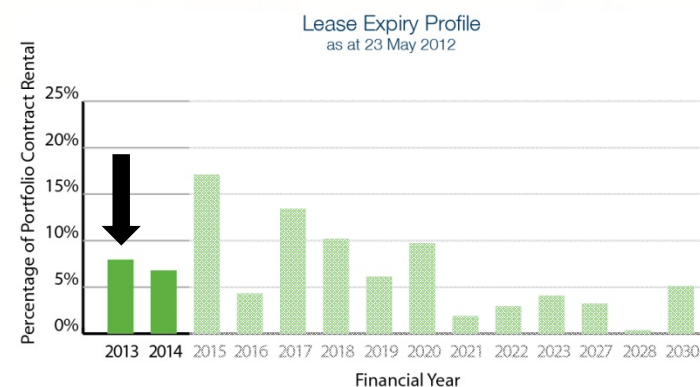
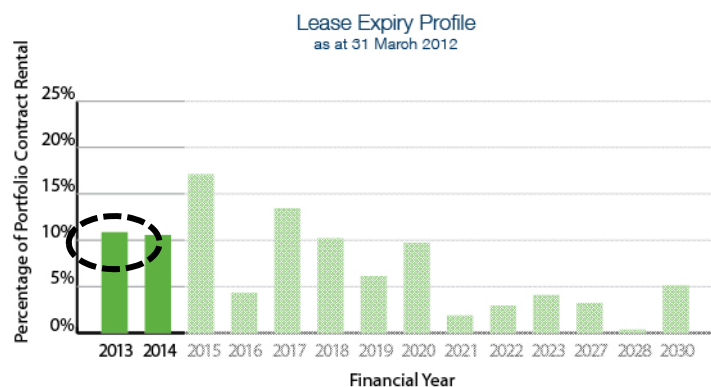
As at 31 March 2012



Major Lease Expiries FY13

Property	Tenant	NLA (m ²)	% of Contract Rental	Post Balance Date
Johnsonville Retail, Wellington	Various	5,817	2.39	
62 Columbia Avenue, Christchurch	Progressive Enterprises	12,665	1.75	
20 Rockridge Avenue, Penrose, Auckland	CEVA	10,239	1.55	Leased – NZ Merchants
35 MacLaggan Street, Dunedin	The Warehouse	6,432	1.36	Renewed
1 Grey Street, Wellington	Ministry of Foreign Affairs and Trade	1,590	0.96	
8 Rockridge Avenue, Penrose, Auckland	United Group	1,417	0.60	
15 Rockridge Avenue, Penrose, Auckland	Premier Autos	2,216	0.36	
7-9 Fanshawe Street, Auckland	Landmark Education	687	0.35	
Balance			1.54	
FY13 TOTAL			10.86	

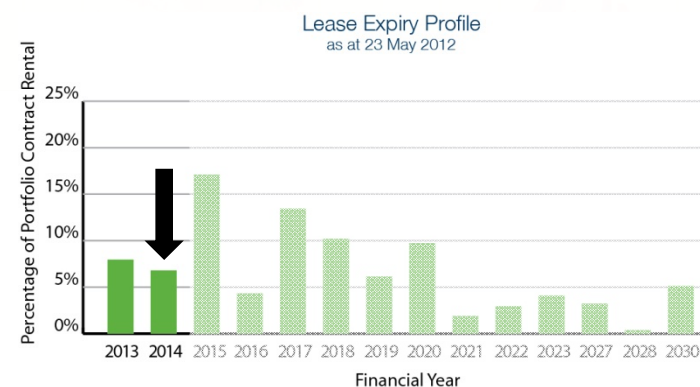
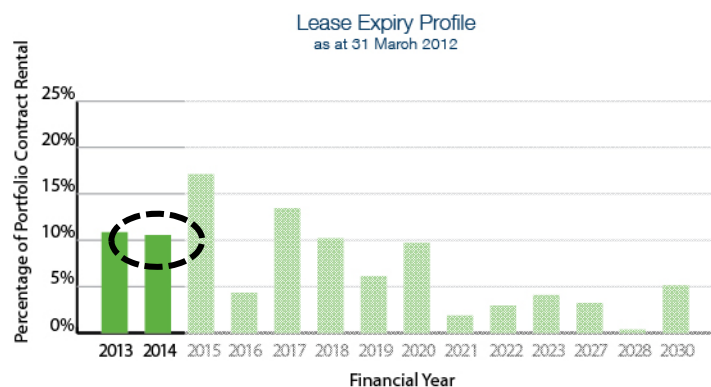
■ 7.95% of contract rental expiries remain in FY13



Major Lease Expiries FY14

Property	Tenant	NLA (m ²)	% of Contract Rental	Post Balance Date
1 Grey Street, Wellington	Westpac	4,266	2.84	
132 Vincent Street, Auckland	Beca	5,938	2.19	Sale Settles Aug 2012
230 Fenton Street, Rotorua	Progressive Enterprises	5,172	1.58	Extended
33 Customhouse Quay, Wellington	Meridian	1,325	0.95	
33 Customhouse Quay, Wellington	Wellington Waterfront	827	0.76	
Johnsonville Retail, Wellington	Various	1,176	0.34	
Balance			1.88	
FY14 TOTAL			10.54	

■ 6.8% of contract rental expiries remain in FY14



Portfolio Occupancy – 98.7%

Property	Occupancy (%) 31 March 2012	Vacancy (m ²) 31 March 2012	Total Area (m ²) 31 March 2012	Occupancy (%) 31 March 2011
80 Greys Avenue, Auckland	94.9	279	5,456	86.7
8 Rockridge Avenue, Penrose, Auckland	73.9	811	3,112	73.9
7-9 Fanshawe Street, Auckland	94.8	250	4,819	69.5
650 Great South Road, Auckland	92.8	601	8,390	92.8
25 Teed Street, Auckland	96.4	145	4,071	59.2
22 The Terrace, Wellington	91.1	425	4,780	100.0
Other	100.0	-	38,204	100.0
OFFICE TOTAL	96.4	2,511	68,832	92.6
INDUSTRIAL TOTAL	100.0	-	163,814	100.0
Cnr Mt Wellington Highway & Penrose Road, Auckland	100.0	-	8,890	100.0
Cnr Ward, Bryce & Tristram Streets, Hamilton	92.2	634	8,119	92.2
Johnsonville Retail, Wellington	92.9	490	6,868	95.7
RETAIL TOTAL	95.3	1,124	23,877	96.1
65 Chapel Street, Tauranga	92.6	1,207	16,373	98.5
Other	100.0	-	107,069	100.0
BULK RETAIL TOTAL	99.0	1,207	123,442	99.8
INVESTMENT PROPERTIES TOTAL	98.7	4,842	379,965	97.9

Acquisitions

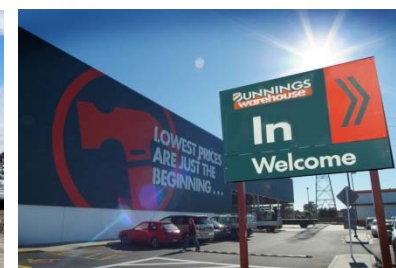
■ Foodstuffs Portfolio

- Three supermarkets in Napier, New Plymouth and Wellington
- Settled 4 October 2011
- \$40.7m
- 18 year leases to Foodstuffs (Wellington) Co-op Limited
- Foodstuffs DNZ's 5th largest tenant by contract rental
- Annual rent review mechanism



■ Bunnings, Mt Roskill, Auckland

- Settled 6 March 2012
- \$24.5m
- 15 year lease to Bunnings NZ Limited (Wesfarmers)
- Bunnings elevated to DNZ's largest tenant by contract rental
- Annual rent review mechanism



Seismic Review

- DNZ is well advanced on completing seismic reviews of all its properties, with the safety of tenants and their customers' being paramount in this process. Initial Evaluation Procedure (IEP) reports are being completed on all properties within the portfolio that were built prior to 2000, with all office properties undergoing Detailed Engineering Evaluations (DEE). As a further step, the Winston Avenue office property in Christchurch is undergoing intrusive structural investigation to provide as much engineering integrity detail as possible.
- The DEE review of DNZ's two Wellington office properties that were built prior to 2000, have received Grade "A" ratings under the NZ Society for Earthquake Engineering system, meaning these properties are "Low Risk" properties. The Meridian Energy building on Customhouse Quay, Wellington, has also been confirmed by the Design Engineer for the building as having a Grade "A" rating.
- Although DNZ has 51 properties located throughout New Zealand, the seismic reporting process for the DNZ portfolio is expected to be completed by the third quarter of the current financial year.

DNZ Target > 67% ("Low Risk")

%NBS	0%	10%	20%	30%	40%	50%	60%	70%	80%	90%	100%
Seismic Grade	E		D	C				B	A		A+
Relative Risk	> 25 times		10-25 times		5-10 times			2-5 times	1-2 times		< 1 times
Designation as per Building Act 2004	Earthquake Prone Building (%NBS <= 33)				Earthquake Risk Building (%NBS < 67)			Low Potential Earthquake Risk (%NBS >= 67)			

Source: BECA

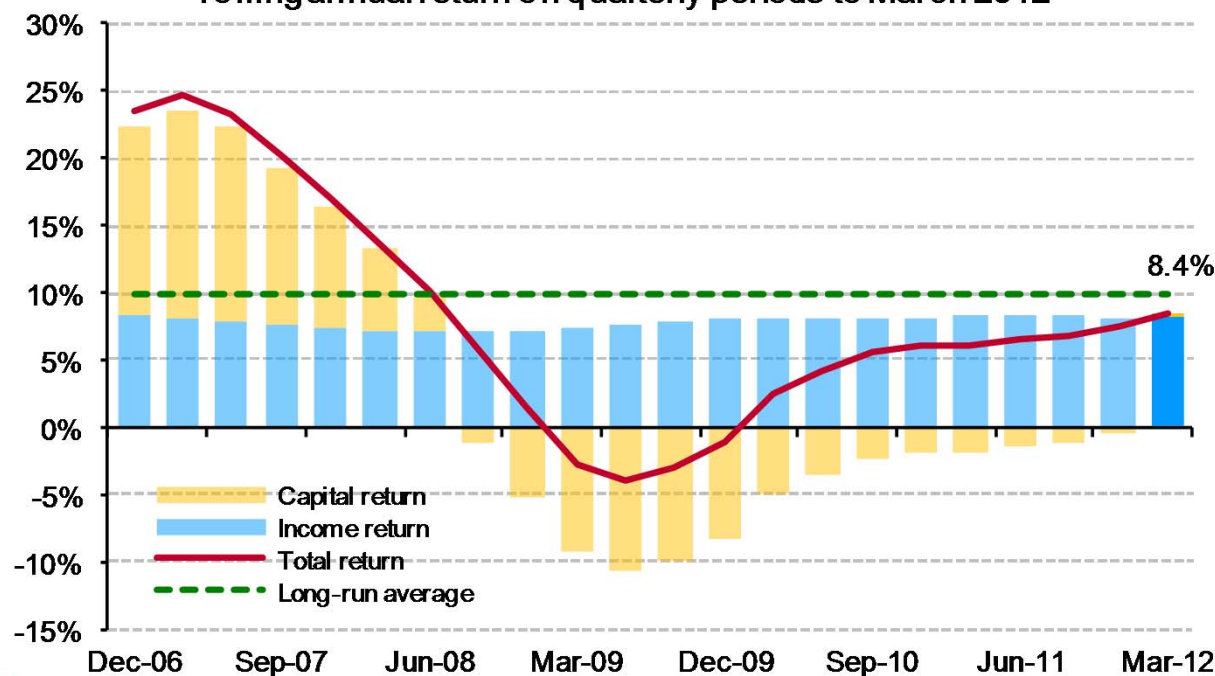
MARKET OVERVIEW

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Total Returns

- IPD/PCNZ total return index has increased from 7.6% for March 2011 to 8.4% for March 2012
- Income levels have held up over the current cycle while capital values have now flattened
- DNZ asset values remain stable as at 31 March 2012

Total return for direct commercial property NZ
rolling annual return on quarterly periods to March 2012



Note: direct property returns based on PCNZ/IPD Index.

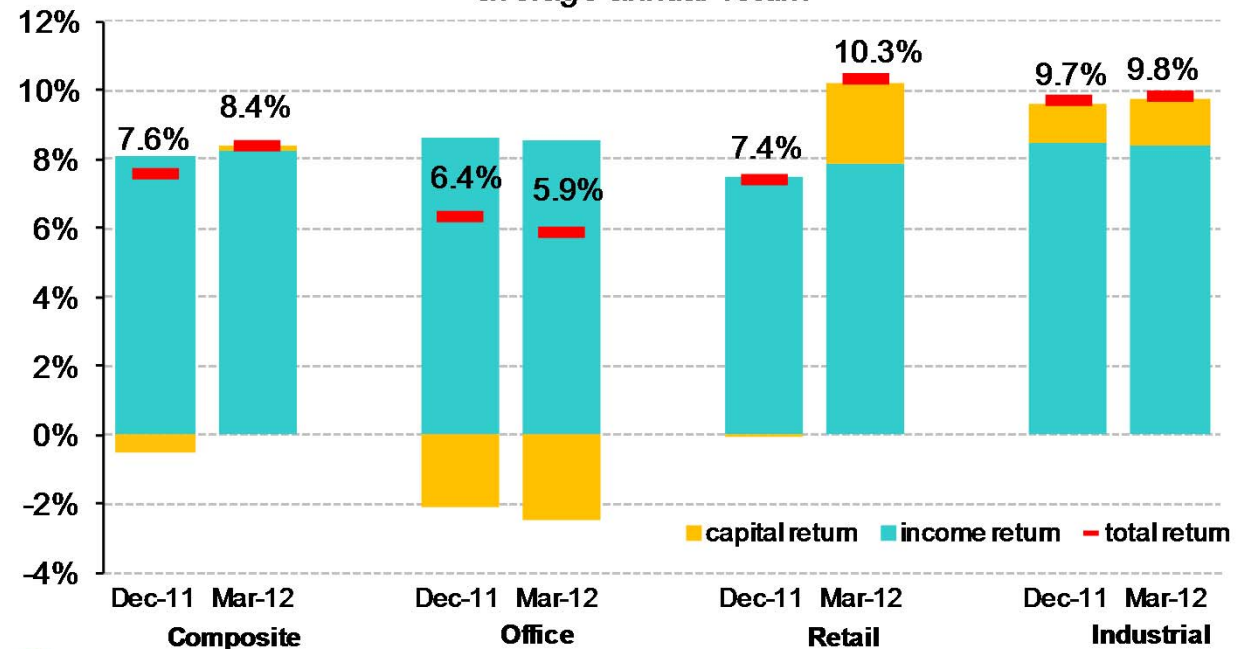
Source: IPD Research.

Sector Returns

- Overall total property returns reduced due to the office sector capital movement
- This negative valuation movement is Wellington centric
- Wellington yields have softened, with earthquake risk becoming more paramount
- Longer term outlook is positive for well positioned office assets in Wellington with high seismic ratings
- Auckland yields have stabilised during the year and are expected to improve as confidence returns and vacancy is absorbed

Performance across core property sectors

average annual return



Note: direct property returns based on PCNZ/IPD Index.

Source: IPD Research.



OUTLOOK

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Outlook

Capital Management

- Continue to actively manage DNZ's hedging profile
- On market share buyback still in 12 month window
- Bank debt in low 40% range

Strategy

- Increasing ownership in the Auckland region
- Pre-development planning for Johnsonville Shopping Centre
- Continue with portfolio review of obtaining seismic ratings for the portfolio
- Pro-active management with tenant relationships paramount

Outlook

- Low vacancy levels across industrial, retail and office sectors
- Valuation levels are stable
- Continue to manage the \$100m property portfolio of Diversified NZ Property Fund Limited for Australian institutional investors
- Low expiry risk within the portfolio for FY13 & FY14
- Expectation that DNZ is in a tax payable position in FY13

Summary

- Portfolio well positioned in what continues to be a challenging business environment
- Maximise Shareholder returns
 - Cash dividend of 2.2 cents for Q4 FY12 - 8.5 cent cash dividend for full year FY12
 - Cash dividend guidance 9.0 cents per share FY13
- Continue to look for new opportunities, and other initiatives, to add value and further enhance the quality of our portfolio

APPENDICES



Appendix 1 – Valuation Summary

Address	March 2012 Valuation \$	Revaluation Movement ¹ \$	Revaluation Movement ¹ %	Market Cap Rate 2012 %	Market Cap Rate 2011 %
33 Corinthian Drive, Albany, Auckland	31,300,000	(425,624)	(1.34)	8.65	8.50
8 Rockridge Avenue, Penrose, Auckland	6,250,000	(234,532)	(3.66)	9.38	9.38
650 Great South Road, Greenlane, Auckland	22,100,000	(705,721)	(3.21)	9.75	9.50
80 Greys Avenue, Auckland	12,350,000	(122,883)	(1.10)	9.50	9.75
7 - 9 Fanshawe Street, Auckland	11,300,000	(1,030,821)	(8.52)	10.50	10.50
21 - 25 Teed Street, Newmarket, Auckland	13,100,000	55,331	0.45	8.75	9.25
22 The Terrace, Wellington	13,450,000	(690,639)	(5.12)	9.00	8.75
13 Jarden Mile, Ngauranga Gorge, Wellington	2,600,000	81,657	3.27	7.75	8.00
33 Customhouse Quay, Wellington	30,850,000	850,000	2.83	7.50	7.25
1 Grey Street, Wellington	40,500,000	(1,412,406)	(3.40)	8.50	8.25
7 Winston Avenue, Papanui, Christchurch	10,510,000	977,733	10.51	9.50	10.00
OFFICE TOTAL	194,310,000	(2,657,905)	(1.40)	8.81	8.88
15 Ride Way, Albany, Auckland	6,750,000	421,826	6.74	8.00	8.25
20 - 22 Pollen Street, Grey Lynn, Auckland	4,000,000	(209,731)	(4.99)	9.00	9.00
968 Great South Road, Penrose, Auckland	6,000,000	(86,094)	(1.41)	8.50	8.25
15 Rockridge Avenue, Penrose, Auckland	1,500,000	(60,000)	(3.85)	9.50	9.25
20 Rockridge Avenue, Penrose, Auckland	9,700,000	(805,115)	(7.67)	8.00	8.50
9 Springs Road, East Tamaki, Auckland	18,200,000	308,427	1.73	9.25	9.35
8 Reg Savory Place, East Tamaki, Auckland	5,500,000	150,000	2.80	8.00	8.15
415 East Tamaki Road, East Tamaki, Auckland	12,400,000	698,021	6.35	8.13	8.65
22 - 30 Airpark Drive, Mangere, Auckland	14,400,000	(543,477)	(3.66)	8.75	8.75
22 Ha Crescent, Wiri, Auckland	8,250,000	44,488	0.54	8.75	8.85
460 Rosebank Road, Avondale, Auckland	9,350,000	(31,979)	(0.34)	9.00	9.00
34 Airpark Drive, Mangere, Auckland	3,000,000	-	-	8.25	8.25
25 O'Rorke Road, Penrose, Auckland	32,900,000	329,188	1.01	7.75	7.88
8 Burnham Street, Petone, Wellington	8,900,000	364,999	4.29	8.50	8.50
19 - 21 Bouverie Street, Lower Hutt, Wellington	800,000	(26,456)	(3.27)	8.00	8.00
7 - 17 Bouverie Street, Lower Hutt, Wellington	3,200,000	(146,838)	(4.74)	8.75	8.25
12 Tyers Road, Ngauranga Gorge, Wellington	2,485,000	135,000	5.74	8.25	8.00
14 Tyers Road, Ngauranga Gorge, Wellington	4,300,000	(117,767)	(2.74)	8.00	7.75
70 Nayland Road, Nelson	4,250,000	359,256	9.58	8.50	8.75
62 Columbia Avenue, Hornby, Christchurch	9,200,000	-	-	9.50	9.50
709 Te Rapa Road, Hamilton	11,100,000	(12,825)	(0.12)	10.00	10.00
INDUSTRIAL TOTAL	176,185,000	770,923	0.44	8.56	8.65

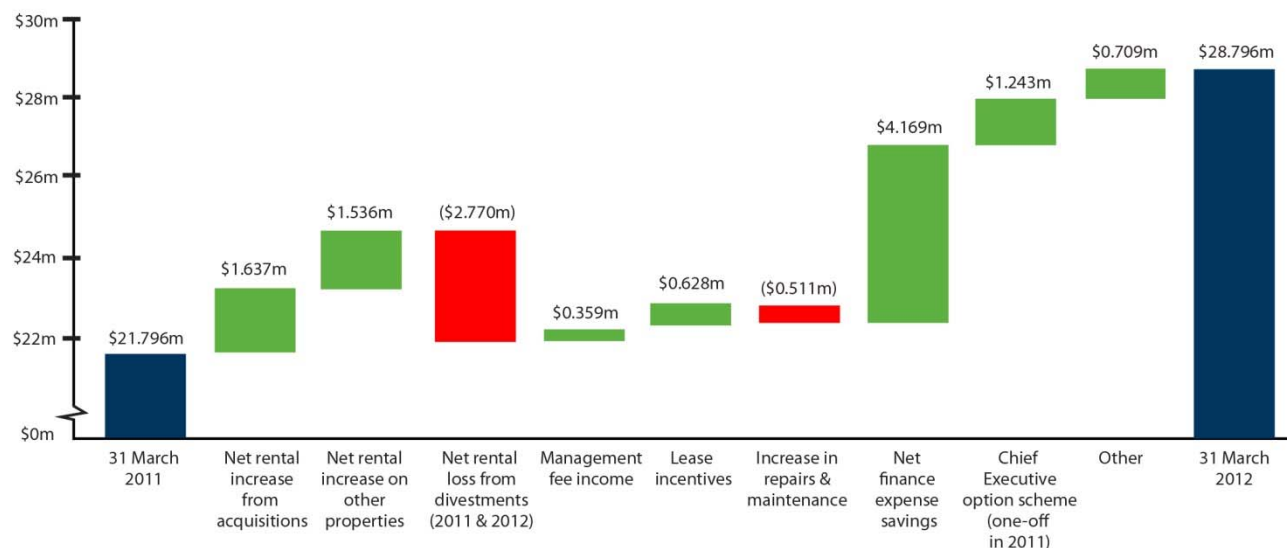
Address	March 2012 Valuation \$	Revaluation Movement ¹ \$	Revaluation Movement ¹ %	Market Cap Rate 2012 %	Market Cap Rate 2011 %
Cnr Mt Wellington Highway & Penrose Road, Auckland	27,000,000	2,647,188	10.94	8.75	9.00
Cnr Bryce & Tristram Street, Hamilton	12,500,000	(1,239,775)	(9.05)	10.25	9.63
Johnsonville Retail, Wellington	36,625,000	(537,920)	(1.45)	8.40	8.29
RETAIL TOTAL	76,125,000	869,493	1.16	8.83	8.76
Cnr Kamo Road & Manse Street, Whangarei	5,950,000	(300,000)	(4.80)	9.00	8.50
446 Te Rapa Road, Hamilton	16,400,000	-	-	8.50	8.38
Cnr Anglesea and Liverpool Streets, Hamilton	8,500,000	300,000	3.66	9.50	9.00
Cnr Chapel and Marsh Streets, Tauranga	31,800,000	(83,137)	(0.26)	8.63	8.63
230 - 240 Fenton Street, Rotorua	11,300,000	400,000	3.67	8.75	8.63
26 - 48 Old Taupo Road, Rotorua	15,700,000	274,003	1.78	8.50	8.50
78 Courtenay Street, New Plymouth	20,150,000	335,106	1.69	7.50	-
9 Gloucester Street, Napier	11,500,000	55,088	0.48	7.25	-
2 Carr Road, Mt Roskill, Auckland	24,600,000	63,946	0.26	7.75	-
48 Miramar Avenue, Wellington	9,650,000	135,160	1.42	7.25	-
170 - 180 Taradale Road, Napier	4,350,000	96,900	2.28	9.00	9.25
Cnr Tremaine Avenue & Railway Road, Palmerston North	15,650,000	144,259	0.93	8.25	8.25
Cnr Te Irirangi Drive & Bishop Dunn Place, Auckland	16,750,000	350,000	2.13	8.50	8.50
35 MacLaggan Street, Dunedin	8,770,000	765,800	9.57	9.25	9.50
BULK RETAIL TOTAL	201,070,000	2,537,125	1.28	8.29	8.61
INVESTMENT PROPERTIES	656,690,000	1,395,286	0.22	8.58	8.75
PROPERTIES HELD FOR SALE	10,650,000	(739,350)	(6.56)		
TOTAL ALL PROPERTIES	658,340,000	780,286²	0.12		

Notes:

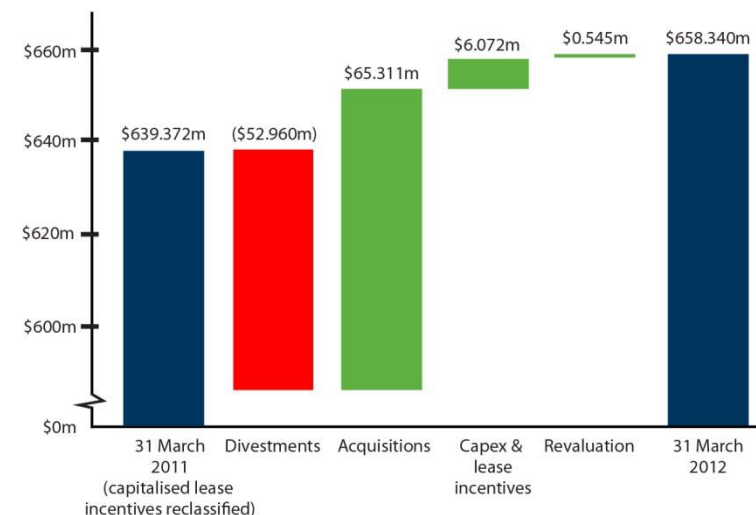
- ¹ Revaluation movement includes capital expenditure and capitalised lease incentives.
- ² Differs from the financial statements due to reclassification of gain/(loss) in fair value previously booked on investment property disposed of during the year.

Appendix 2

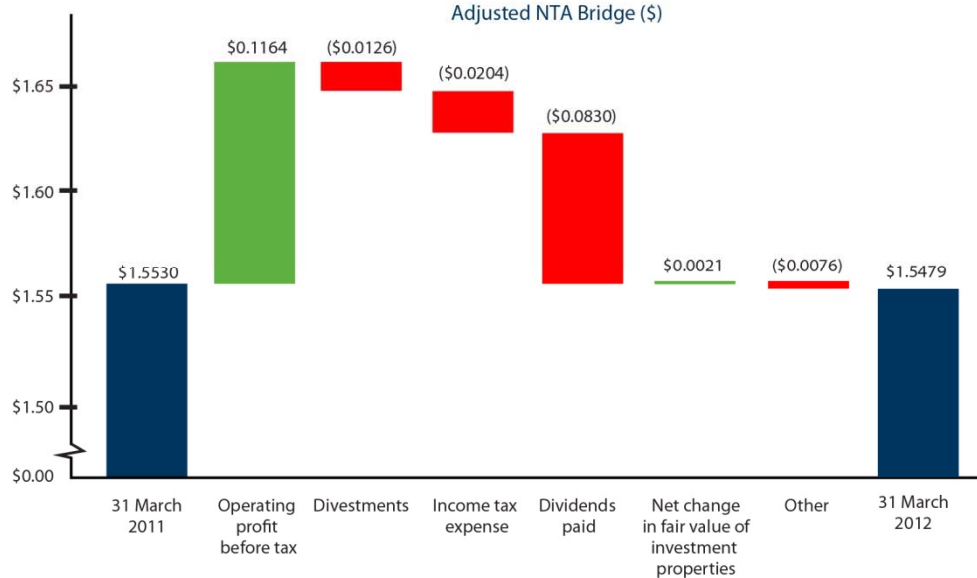
Operating Profit Before Tax (\$m)



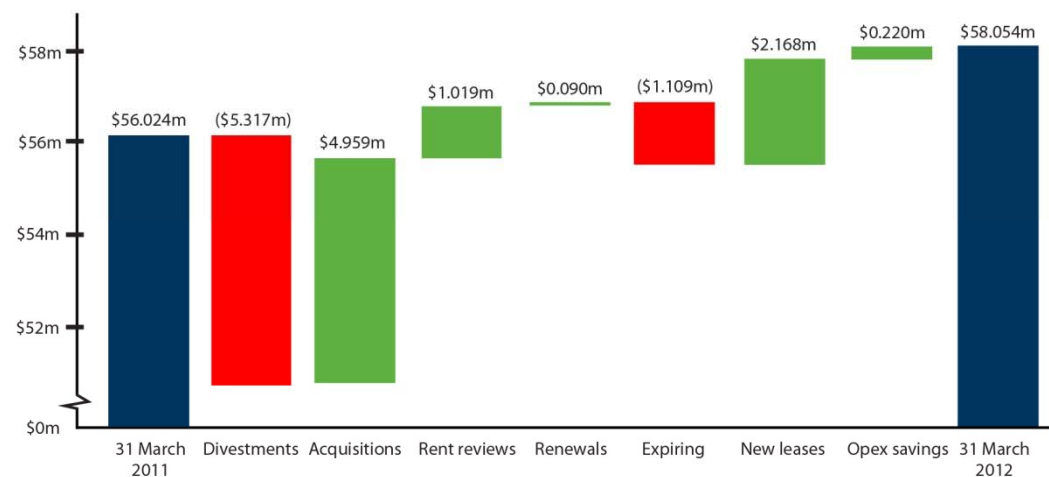
Investment Properties (\$m)



Adjusted NTA Bridge (\$)



Net Contract Rental (\$m)



THANK YOU

Important Notice: Certain statements in this presentation constitute forward-looking statements. Such forward-looking statements involve known and unknown risks, uncertainties, assumptions and other factors (many of which are beyond the control of DNZ) which may cause the actual results, performance or achievements of DNZ, or industry results, to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements.

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