



AMP NZ Office Trust

www.anzo.co.nz

Stock ticker: APT.NZ

Full Year Result – FY10

3 August 2010

Craig Stobo, Chairman

Amish Vallabh, Acting Chief Executive Officer

Peter Walkinshaw – Portfolio Manager



Managed by AMP Haumi Management Limited



Agenda

- Key Messages
- Financial Review
- Corporate Governance and Management Fee Review
- Portfolio Activity
- Market Review
- Outlook





Key Messages

- Focus is on core strategy and improving portfolio performance
- Initiatives to create greater unit-holder alignment: better governance and management fee structures
- Strong and flexible capital structure
- Operating result: reasonable given tough market conditions
- 7.058cpu (+2%) FY10 full year gross distribution
- May 2010 budget negative to FY12 and beyond net earnings
- Valuation environment stabilising, but headwinds remain
- Outlook:
 - Expecting economic conditions to improve
 - Challenging property market conditions continue
 - But property activity is increasing and the rate of decline is slowing





Earnings Overview

- Total Revenue up 3.3% to \$138.1m
 - Like for like contract rent increased 2.8%
- Direct Expenses up 10.7% to \$37.3m
 - Like for like direct expenses increased 8.1%
- Indirect Expenses down 16.5% to \$30.8m
- Distributable profit (after tax)¹ up 2.5% to \$60.7m
 - EPU (distributable profit)¹ down 27.5% to 6.08cpu (additional units on issue due to capital raising in FY09)
- Net Loss: \$152.1m
 - Directly due to non-cash items: \$115.3m revaluation loss, \$93.1m deferred tax expense, and \$5.1m loss in fair value of swaps.

Consolidated NZIFRS Profit and Loss	FY10 (\$000's)	FY09 (\$000's)	% Change
Total Revenue	138,107	133,717	3.3%
Total Direct Expenses	37,285	33,684	10.7%
Operating Profit Before Direct Expenses	100,822	100,033	0.8%
Total Indirect Expenses	30,758	36,844	-16.5%
Operating Profit Before Tax	70,064	63,189	10.9%
Current Tax	9,390	4,004	134.5%
Operating Profit After Current Tax (Distributable Profit)	60,674	59,185	2.5%
Realised Gain (Loss) on Swap Cancellation	-	(9,907)	-100.0%
Unrealised Interest Rate SWAP Gain (Loss)	(5,091)	(19,718)	-74.2%
Unrealised Net Change in Value of Investment Properties	(115,349)	(248,301)	-53.5%
Impairment (Loss) on Development Properties	-	(34,446)	-100.0%
Realised Gain on Sale of Investment Properties	735	-	n/a
Deferred Tax Benefit (Expense)	(93,087)	60,344	-254.3%
Net Profit After Taxation	(152,118)	(192,843)	-21.1%
EPU - Distributable Profit (cpu) ¹	6.08	8.39	-27.5%



Balance Sheet (as at 30 June 2010)

- Strong and flexible balance sheet
- Total assets declined 7.7% to \$1.30bn
- Total liabilities up 23.5% to \$532.3m¹
- Debt to total assets: 22.8%²
- Equity declined 21.52% to \$767.1m
 - Asset devaluations \$115m
 - Deferred tax impact from tax changes \$113m
- NZ IFRS Adjusted NTA³ = \$0.92 per unit

Summary Statement of Financial Position	FY10 (\$000's)	FY09 (\$000's)
Current Assets	9,597	7,794
Leasing fees	4,936	3,757
Deferred tax - fair value of interest rate swaps	6,101	4,573
Investment properties	1,276,775	1,327,850
Development properties	-	64,404
Other non-current assets	1,919	-
Total Non-Current Assets	1,289,731	1,400,584
TOTAL ASSETS	1,299,328	1,408,378
Fair value of swaps	343	688
Other current liabilities	13,046	7,476
Total Current Liabilities	13,389	8,164
Term loan	262,000	266,000
Fair value of swaps	19,994	14,558
Deferred tax - depreciation	71,363	85,903
Deferred tax - property revaluations / impairments	165,308	56,378
Deferred tax - other	223	-
Total Non-Current Liabilities	518,888	422,839
TOTAL LIABILITIES	532,277	431,003
EQUITY	767,051	977,375
TOTAL LIABILITIES AND EQUITY	1,299,328	1,408,378
Units on Issue	997,718,478	997,718,478
Weighted Average Units on Issue	997,718,478	705,049,380
Net Tangible Asset (\$) per unit	0.75	0.97
Adjusted Net Tangible Asset (\$) per unit	0.92	1.02

1. Liabilities include NZIFRS deferred tax liabilities of \$237m

2. Gearing for bank covenant purposes is calculated, on a group basis, as total liabilities (excluding deferred tax liability and MCN's but including any other contingent liabilities) to total assets.

3. Adjustment refers to the exclusion of the deferred tax on revaluation gains of \$165m, which is not payable in NZ as ANZO is on capital account for income tax purposes

Note: ANZO has 997,718,478 units on issue.



Balance Sheet (as at 30 June 2010)

- Total Assets down 7.7% to \$1.3bn
 - \$115.3m or 7.8% net annual revaluation decline (total decline from peak in June 2008 now 22.0%)
 - Cap rates stabilising at 8.14% (vs 8.03 June 2009), cap rates now at 2004 levels. 10 year portfolio average cap rate 7.75%
 - Portfolio over-renting 4.9%
 - Decline in asset values is earnings accretive (due to lower management fees)
 - Chews Lane retail units sold above 30 June 2009 book value
 - Outlook: stable cap rates, Auckland leasing and market rents continue to face headwinds

	Market Value 30-Jun-10 \$m	Market Value 30-Jun-09 \$m	Occupancy	WALT ²	Initial Yield ¹	Market Cap. Rate ¹	IRR ¹	Typical Office Floor	Total NLA	Car Parks	Valuer
ANZ Centre	170.0	190.0	95.9%	3.3	8.3%	8.3%	9.63%	1,054	32,793	467	CBRE
151 Queen St	66.8	82.5	61.4%	2.7	6.1%	8.9%	10.12%	762	17,651	289	CBRE
AMP Centre	91.1	100.5	95.7%	5.1	8.6%	8.5%	9.70%	1,097	25,136	101	CBRE
PwC Tower	212.0	243.0	93.8%	3.4	8.5%	7.8%	9.68%	1,350	31,311	358	Colliers
21 Queen St	65.1	66.5	10.8%	7.3	0.2%	8.1%	10.24%	910	14,422	n/a	Colliers
125 The Terrace	62.0	64.2	100.0%	2.4	8.8%	8.3%	9.63%	869	12,021	117	CBRE
HP Tower	68.6	70.5	100.0%	4.3	8.2%	8.0%	9.75%	915	11,293	221	Colliers
No 1 The Terrace	85.5	90.3	100.0%	7.0	8.1%	7.8%	9.51%	768	18,852	27	Colliers
State Insurance Tower	120.6	122.5	98.5%	3.9	8.1%	8.0%	9.54%	1,050	26,800	177	CBRE
Vodafone on the Quay	97.4	102.0	97.1%	3.4	7.7%	7.8%	9.29%	1,001	16,751	315	CBRE
Pastoral House	60.5	64.0	100.0%	5.8	8.5%	8.3%	9.61%	827	15,564	34	Colliers
No 3 The Terrace	10.3	10.4	N/a	48.2	0.0%	0.0%	0.00%	N/a	N/a	N/a	Colliers
Mayfair House	34.5	35.0	100.0%	5.2	9.4%	8.8%	9.68%	1,055	11,688	251	Colliers
AXA Centre	33.5	38.2	97.2%	2.6	9.3%	9.3%	9.58%	778	10,566	139	Colliers
Deloitte House	50.5	52.8	98.0%	4.0	8.4%	8.3%	9.46%	775	12,977	35	CBRE
29 Willis Street	48.4	62.0	99.4%	9.4	8.2%	7.9%	9.63%	1,105	8,439	59	CBRE
Portfolio	1276.8	1394.4	90.4%	4.5	7.83%	8.14%	9.66%	N/a	266,264	2,590	

¹ - Weighted by market value

² - Weighted by income



Balance Sheet (as at 30 June 2010)

- Total Liabilities up 23.5% to \$532.3m
 - Deferred tax liabilities \$237m (Non-cash item)
 - Government Budget changes to building depreciation – additional \$112.7m deferred tax liability
- Bank Facility
 - Bank facility unchanged at \$342.5m
 - Facility size materially maintains new facility covenants
 - Undrawn debt facilities = \$80.5m

Bank Facility Tranche	Value	Bank	Term	Expiry Date	Gearing Covenant ⁽¹⁾	Interest Cover Covenant ⁽²⁾	Minimum WALT ⁽³⁾
Tranche 1	\$242.5m	BNZ / Westpac	3 years	November 2011	40%	2.0x	3.0 years
Tranche 2	\$100.0m	BNZ / Westpac	3 years	June 2012	40%	2.0x	3.0 years

- Debt to total assets: 22.8%¹
 - Management imposed / bank limit 40%, Trust Deed limit 50%
 - Gearing lowest in New Zealand Listed Property Sector
 - Interest Cover 4.1 times versus covenant of 2.0 times

(1) Gearing for bank covenant purposes is calculated, on a group basis, as total liabilities (excluding deferred tax liability and MCN's but including any other contingent liabilities) to total assets.

(2) Interest cover is based on Earnings Before Interest and Tax (EBIT). EBIT for bank covenant purposes is, on a group basis, net operating earnings before charging interest and taxes but excluding any gains or losses on asset sales, unrealised revaluations on investment properties, revaluations of derivative financial instruments, amortisation of landlord owned incentives, fixed rental smoothing and deferred tax.

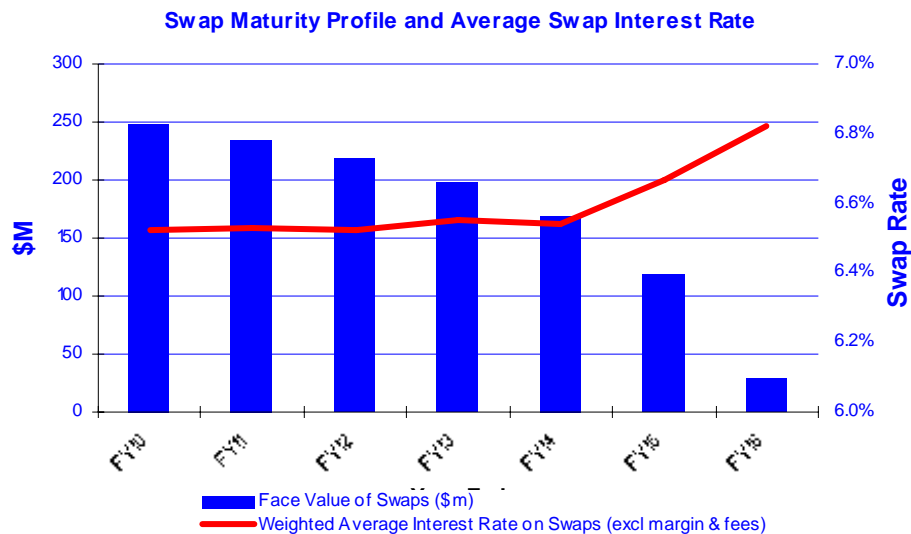
(3) Weighted average lease term – the unexpired lease term in a property portfolio.



Balance Sheet (as at 30 June 2010)

► Treasury management

- Immunised against gearing and interest cover covenant pressure
- Current average interest rate (including margin and line fees) is 7.90%
- 94.5% of total bank debt fixed via interest rate swaps as at 30 June 2010
- Weighted average duration of hedged debt is 4.7 years (benchmark = 5 yrs)
- Management will continue to actively manage its swaps portfolio and duration





Distributions to Investors

- **FY10 Gross Distribution 7.058 cents per unit**
 - Full year gross DPU 7.058 cpu gross , +2.0% yoy
 - 4th qtr net DPU 1.616cpu plus 0.150cpu imputation credits
 - Payout ratio 100.5%, funded from operational earnings
- **FY10 Net (Cash) Distribution 6.113 cents per unit**
 - Full year net DPU 6.113cpu plus 0.945cpu imputation credits
- **Outlook and Policy**
 - Distribution reserve \$15.2m, underpin FY11 distribution
 - Gross distribution growth contingent on leasing and improved occupancy
 - Recent tax depreciation changes negative on cash distributions from 1 July 2011 by 7%-9%
 - Government currently reviewing building fit-out depreciation which may have negative impact on cash distributions

Distribution Reconciliation Statement	FY10 (\$000's)	Cents per Unit		
Net Profit (Loss) After Tax	(152,118)			
Less Realised Gain on Sale of Investment Property	(735)			
Add Unrealised Net Change in Value of Investment Properties	115,349			
Add Unrealised Interest Rate Swap	5,091			
Add Deferred Tax Expense	93,087			
Net Profit (Loss) After Tax (Distributable Profit)	60,674			
Gross Distribution	70,419	7.058		
Net Distribution	60,990	6.113		
Payout Ratio	100.5%			
Distribution Reserve Balance	15,242			
	Q1	Q2	Q3	Q4
Cash Distribution Payments (net cpu)	1.499	1.523	1.475	1.616



Tax Changes – Budget 2010

- Key Budget announcements affecting property
 - Remove building depreciation allowances from 1 July 2011
 - Reduction on PIE tax rate to 28% from 1 July 2011
- Impact of removing building depreciation allowances
 - FY12 Distributable profit (after tax) declines 7-9%
 - No impact on FY10 and FY11 distributable profit
 - Potentially Increases hurdles for developments, suppressing future supply risks
 - Negative for current development proposals
- Government currently reviewing depreciation on certain building fit-out
 - Any changes not likely to be effective until 1 July 2011





Corporate Governance Review

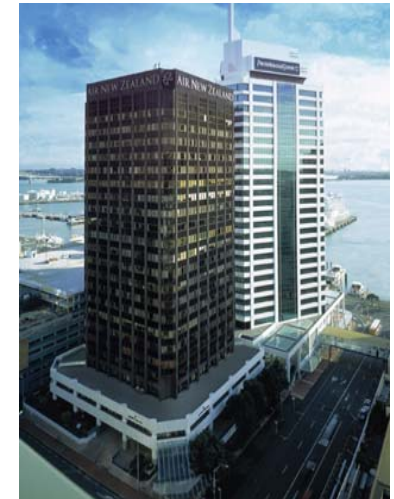
- Change from Unit Trust to Company
- Provides clear separation between interests of ANZO and Manager
- Board of Directors to include majority of independent Directors
 - Nominated and elected by shareholders
- Strategy and business plan determined/approved by the Board
- Subject to unit holder approval





Management Fee Review

- Proposed new fee structure to improve alignment between Manager and Investors
- New fee (subject to unit-holder approval) back dated to 1 July 2009
- Tiered Base Asset Management Fee
 - 0.55% for first \$1b of investment properties
 - 0.45% of investment properties above \$1b
 - Fee paid in cash, monthly in arrears
- Performance Fee based relative outperformance over other NZX listed property vehicles
 - $\text{Outperformance} = \text{APT Total Gross Return} - \text{NZX Gross Property Index (ex APT)}$
 - $\text{Fee} = 10\% \text{ of outperformance} * \text{opening unit price} * \text{weighted average units}$
 - Outperformance capped quarterly at 1.25%
 - Carry forward excess quarterly outperformance/underperformance on rolling 2 year basis
 - No performance fee if absolute APT total return is negative for quarter
 - Quarterly performance fee, where payable, will be in cash





Portfolio Review

Pricewaterhouse Coopers Tower



IAG House



AMP Centre



ANZ Centre



State Insurance Tower



HP Tower



AXA Centre



Mayfair House



Vodafone on the Quay



No.1 The Terrace



125 The Terrace



Pastoral House



Deloitte House

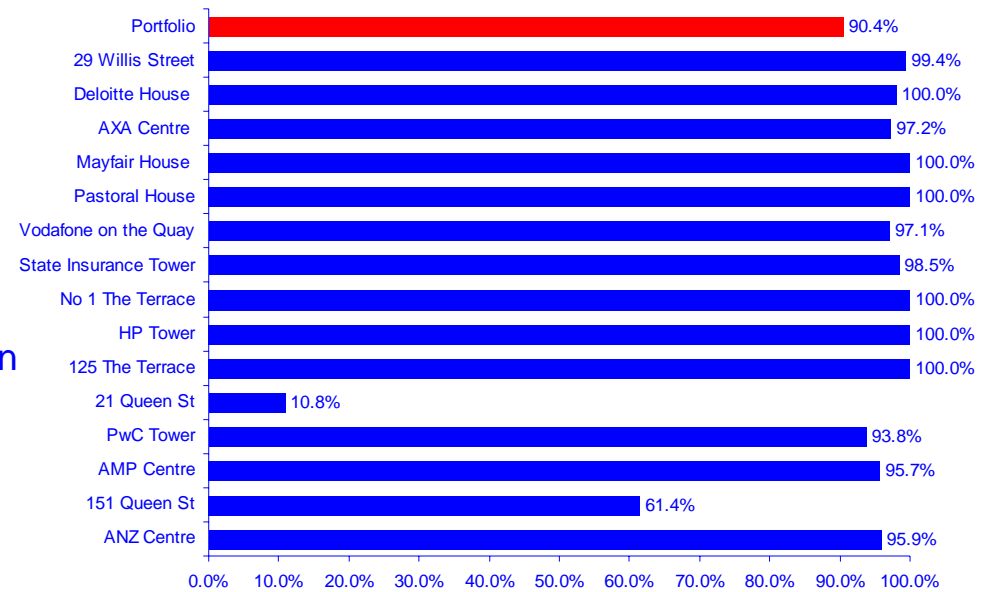


21 Queen Street



Portfolio Occupancy 90.4%

- Portfolio occupancy affected by completion of development
 - 90.4%
 - 95% 12 year long-run average
- Portfolio leasing activity
 - 23 new leases over 26,405sqm
 - 14 leases renewed over 15,156sqm
 - Renewal activity high across market
 - Market activity/tenant enquiry increasing
- Subletting risk to date less than market expectation
- Tenant defaults low
- Market incentives varying
- Lease-up periods extending to historic highs



Note: 21 Queen Street is a development that reached practical completion on 25th September 2009

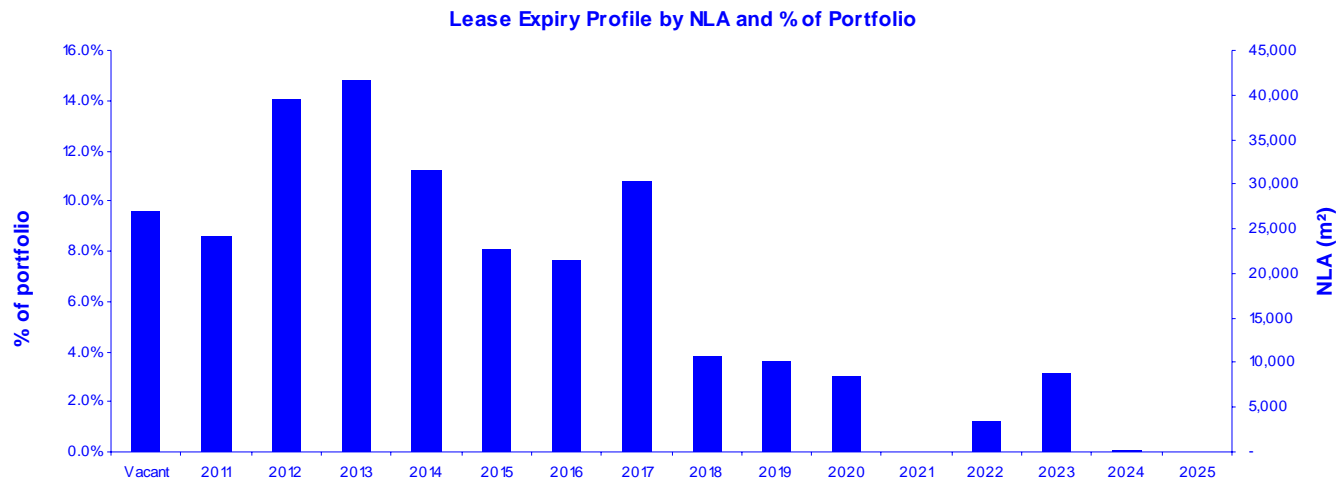


Forward Lease Expiry

- Sustained high tenant retention
 - Market environment supports high retention rates
 - 64% tenant retention. A further 24% of FY10 expiries already re-leased
 - > 90% average annual tenant retention rate over last 6 years

- Solid progress being made on renewals and forward expiries
 - FY11 expiries reduced from 11% to c.8% of portfolio NLA
 - Actively negotiating new leases and renewals with all tenants expiring in FY11 (22,918sqm)

- 4.5 year portfolio weighted average lease term





Rent Reviews

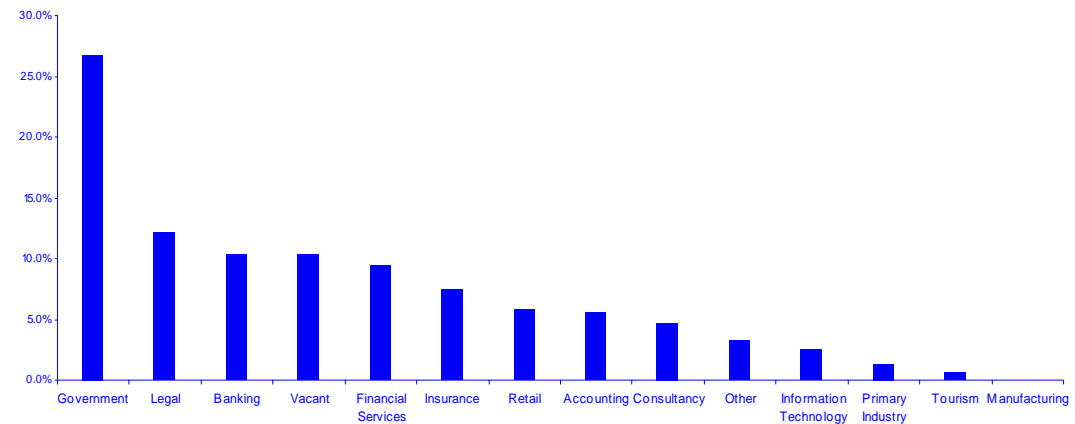
- Portfolio rent reviews continued to under-pin FY10 revenue growth through tough market environment
- During FY10 period 78 rent reviews (81,277sqm) completed with average upward reversion of 22.7%
 - Rent reviews settled in line with expectations
 - Full year impact will flow through in FY11
- Portfolio is 4.9% over-rented
- 24 rent reviews (34,980sqm) outstanding from FY10 – estimated 8.5% under-rented
- 44,997sqm (17%) of portfolio NLA subject to market reversion during FY11



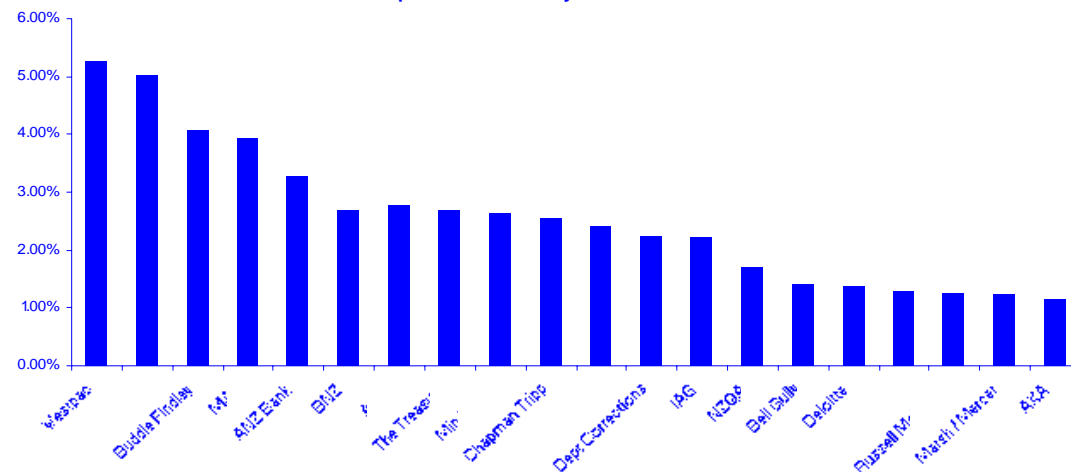
Sustainable and High Covenant Revenue Base

- High quality and diversified tenant base
- Government is largest customer occupying 27% of total portfolio NLA
- Government occupies 44.1% of Wellington portfolio NLA
- Largest tenant <5.4% of net rent
- Top 5 tenants = 21.6% of net rent
- Top 20 tenants = 51.2% of portfolio net income

Industry Sector by NLA (% of Portfolio)



Top 20 Customers by % of Net Income





Market Environment

- Property market fundamentals remain challenging
 - Weaker conditions likely to persist for at least a further 12-18 months
 - Vacancy rising from a low base through to end of 2011
 - Sublease risks appear more latent having not impacted to date
 - Occupational demand softer and cautious ...taking longer to convert initial interest to secure transactions
 - Incentives emerging across most grades of office space, but considerable variation in amount / structure and between cities
 - Wellington CBD prime grade office sector resilient whilst Auckland remains more volatile
 - Tenants are capturing opportunities to secure improved office product / location on favourable commercial terms
 - Key catalyst: improving macro-economic outlook

- Supply outlook
 - Most consented and speculative supply unlikely to materialise
 - Economic rents 15-20% above market rents
 - Tax depreciation changes likely to increase development hurdles (constraining supply)
 - Existing market proposals are key catalysts for supply outlook – especially Auckland (three year lag before delivery)

- Investment Activity
 - Investment activity has increased
 - Stabilising cap rates key to activity: extent of negative impact of tax depreciation changes unknown
 - Banking lending conditions improving



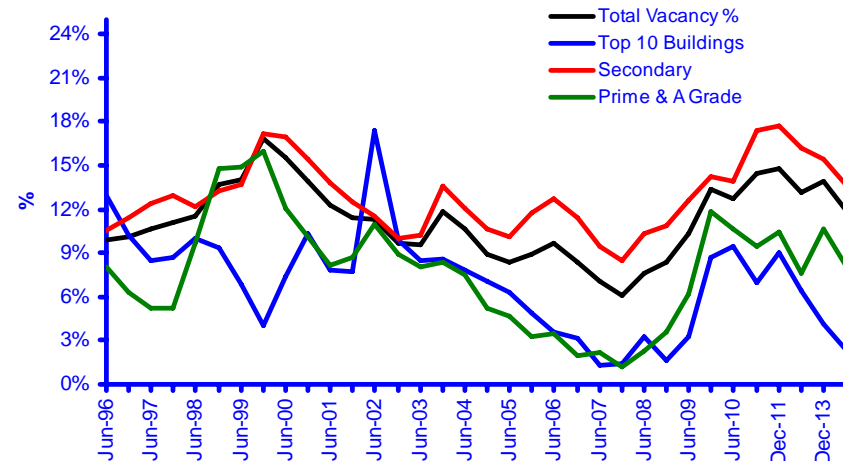
Office Markets

- Auckland vacancy at historical lows and now rising
 - Current (Prime: top 10): 22,734sqm or 9.41%
 - Dec'13 forecast (Prime: top 10): 9,957sqm or 4.17%
 - Current total market: 157,975sqm or 12.7%
 - Dec'13 total market: 195,972sqm or 13.9%
 - Supply risk largely rests in existing stock following relocations
 - Net effective rents experiencing contraction
 - Market activity and tenant enquiry increasing

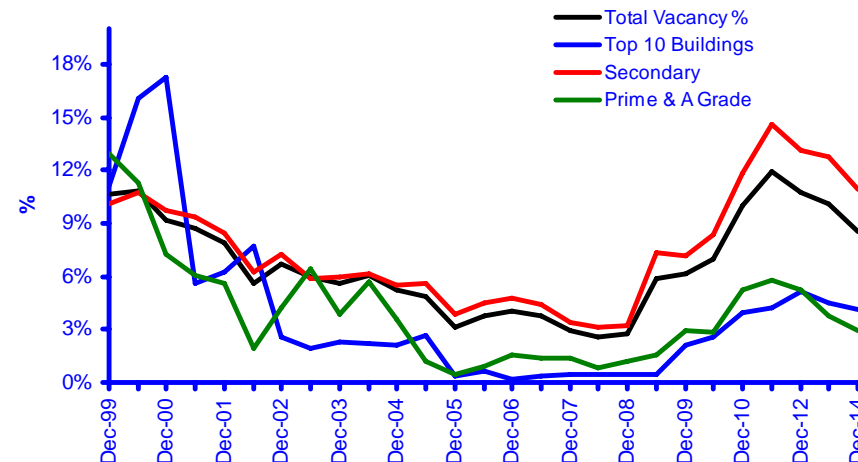
- Wellington vacancy at historical lows and now rising
 - Current (Prime: top 10): 4,095sqm or 2.59%
 - Dec'13 forecast (Prime: top 10): 6,576sqm or 4.50%
 - Current total market: 91,414sqm or 7.0%
 - Dec'13 total market: 139,335sqm or 10.1%
 - Market is active with high quality deals being achieved
 - New build supply risk not as material as some suggest
 - Rental in prime is resilient, but low level of incentives have appeared

▪ Markets: Wellington stronger than Auckland

Historic and Projected Office Vacancy Rates - Auckland CBD



Historic and Projected Office Vacancy Rates - Wellington CBD





Summary and Outlook

- Governance structure and management fee review will improve unit-holder alignment
- Balance sheet is strong with desired liquidity and ample covenant headroom
 - Scope to leverage balance sheet to improve returns
 - Maintain disciplined assessment of growth opportunities – in line with strategy and value accretive
 - In the absence of viable investments alternative capital management considerations could prevail
- FY11 earnings and distribution contingent on leasing progress and further government tax policy amendments
- Challenging property market environment continues
 - Subdued office market fundamentals continuing into FY11
 - Valuation headwinds to continue, but beginning to stabilise
 - Credit environment improving for high quality covenants
 - Macro-economic conditions improving
- Maintain focus on active asset management: occupancy, rent reviews, capex, costs
 - Core business – to sustain and improve income through leasing, renewals and rent reviews.
- Strong focus on improving unit holder value (through higher returns and improved alignment)



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