

AMP NZ OFFICE TRUST  
Financial Statements

CONSOLIDATED INCOME STATEMENT  
FOR THE SIX MONTHS ENDED 31 DECEMBER 2008

ALL FIGURES \$'000	UNAUDITED SIX MONTHS ENDED 31 DECEMBER 2008	UNAUDITED SIX MONTHS ENDED 31 DECEMBER 2007	AUDITED YEAR ENDED 30 JUNE 2008
<b>Revenue</b>			
Gross rental income	65,243	58,658	120,271
Interest income	239	231	446
<b>Total Revenue</b>	<b>65,482</b>	<b>58,889</b>	<b>120,717</b>
<b>Total Direct Expenses</b>	<b>16,712</b>	<b>15,600</b>	<b>31,957</b>
<b>Operating Profit before Indirect Expenses</b>	<b>48,770</b>	<b>43,289</b>	<b>88,760</b>
Audit fees	55	59	111
Trustee fees	73	73	150
Asset management fees	5,099	4,463	9,194
Interest expense	13,249	9,907	20,915
Other expenses	220	292	892
<b>Total Indirect Expenses</b>	<b>18,696</b>	<b>14,794</b>	<b>31,262</b>
<b>Operating Profit Before Taxation</b>	<b>30,074</b>	<b>28,495</b>	<b>57,498</b>
Unrealised net change in value of investment properties	-	-	113,036
Unrealised interest rate swap gain (loss)	(39,678)	1,561	(7,617)
<b>Net Profit (Loss) Before Taxation</b>	<b>(9,604)</b>	<b>30,056</b>	<b>162,917</b>
Current tax expense	3	2,987	5,315
Deferred tax expense (revenue)	3	(7,620)	38,746
<b>Net Profit (Loss) After Taxation</b>	<b>4</b>	<b>(4,971)</b>	<b>22,108</b>
Basic and Diluted Earnings per Unit (cents per unit)	5	(1)	3

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY  
FOR THE SIX MONTHS ENDED 31 DECEMBER 2008

ALL FIGURES \$'000	UNAUDITED SIX MONTHS ENDED 31 DECEMBER 2008	UNAUDITED SIX MONTHS ENDED 31 DECEMBER 2007	AUDITED YEAR ENDED 30 JUNE 2008
<b>Equity at the Start of the Period</b>	<b>1,023,653</b>	<b>954,742</b>	<b>954,742</b>
Net profit (loss) for the period	(4,971)	22,108	118,856
<b>Total recognised revenues and expenses for the period</b>	<b>(4,971)</b>	<b>22,108</b>	<b>118,856</b>
<b>Other</b>			
Distributions to unit-holders	(26,725)	(23,929)	(49,945)
<b>Equity at the End of the Period</b>	<b>991,957</b>	<b>952,921</b>	<b>1,023,653</b>

CONSOLIDATED BALANCE SHEET  
AS AT 31 DECEMBER 2008

ALL FIGURES \$'000	UNAUDITED AS AT 31 DECEMBER 2008	UNAUDITED AS AT 31 DECEMBER 2007	AUDITED AS AT 30 JUNE 2008
<b>ASSETS</b>			
<b>Current Assets</b>			
Cash at bank	2,520	2	531
Trade debtors	310	1,023	189
Leasing fees	943	883	913
Other current assets	1,622	2,530	1,534
<b>Total Current Assets</b>	<b>5,395</b>	<b>4,438</b>	<b>3,167</b>
<b>Non Current Assets</b>			
Leasing fees	3,281	3,562	3,623
Deferred tax - fair value of swaps	10,562	(4,504)	(1,341)
Investment properties	1,570,386	1,373,487	1,568,950
Development properties	82,992	38,370	59,203
Deposit on unconditional investment property	8	3,821	-
<b>Total Non Current Assets</b>	<b>1,667,221</b>	<b>1,414,736</b>	<b>1,630,435</b>
<b>TOTAL ASSETS</b>	<b>1,672,616</b>	<b>1,419,174</b>	<b>1,633,602</b>
<b>LIABILITIES</b>			
<b>Current Liabilities</b>			
Short-term loan	6	242,500	-
Fair value of swaps	35,206	(13,649)	(4,471)
Other current liabilities	6,722	6,610	13,888
Provision for current tax	239	(68)	(176)
<b>Total Current Liabilities</b>	<b>284,667</b>	<b>(7,107)</b>	<b>9,241</b>
<b>Non Current Liabilities</b>			
Term loan	6	195,000	312,500
Deferred tax - depreciation	89,016	77,802	84,011
Deferred tax - property revaluations	111,976	83,058	112,697
<b>TOTAL LIABILITIES</b>	<b>680,659</b>	<b>466,253</b>	<b>609,949</b>
<b>EQUITY</b>			
Total Equity	7	991,957	952,921
<b>TOTAL LIABILITIES AND EQUITY</b>	<b>1,672,616</b>	<b>1,419,174</b>	<b>1,633,602</b>

CONSOLIDATED CASH FLOW STATEMENT  
FOR THE SIX MONTHS ENDED 31 DECEMBER 2008

ALL FIGURES \$'000	UNAUDITED SIX MONTHS ENDED 31 DECEMBER 2008	UNAUDITED SIX MONTHS ENDED 31 DECEMBER 2007	AUDITED YEAR ENDED 30 JUNE 2008
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
<b>Cash was provided from:</b>			
Gross rental income	65,636	59,545	120,589
Interest income	239	231	446
<b>Cash was applied to:</b>			
Office property and other expenses	(20,103)	(18,030)	(30,591)
Other trust expenses	(4,996)	(5,222)	(10,471)
Interest expense	(12,315)	(10,507)	(20,993)
Income tax	(2,572)	(1,957)	(5,491)
<b>Net Cash Inflow (Outflow) from Operating Activities</b>	<b>2</b>	<b>25,889</b>	<b>24,060</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
<b>Cash was applied to:</b>			
Development properties	(21,190)	(3,192)	(22,166)
Investment properties	(6,886)	(4,222)	(81,595)
Deposit on unconditional investment property	-	(3,821)	-
Capitalised interest on development properties	(2,599)	(1,339)	(3,197)
<b>Net Cash Inflow (Outflow) from Investing Activities</b>	<b>(30,675)</b>	<b>(12,574)</b>	<b>(106,958)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
<b>Cash was provided from:</b>			
Loan facility drawdowns	33,500	11,000	102,500
<b>Cash was applied to:</b>			
Distributions to unit-holders	(26,725)	(23,929)	(49,945)
<b>Net Cash Inflow (Outflow) from Financing Activities</b>	<b>6,775</b>	<b>(12,929)</b>	<b>52,555</b>
<b>Net Increase (Decrease) in Cash Held</b>	<b>1,989</b>	<b>(1,443)</b>	<b>(914)</b>
Cash at the beginning of the period	531	1,445	1,445
<b>CASH AT THE END OF THE PERIOD</b>	<b>2,520</b>	<b>2</b>	<b>531</b>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE SIX MONTHS ENDED 31 DECEMBER 2008

1. STATEMENT OF ACCOUNTING POLICIES

Reporting Entity

The unaudited interim financial statements presented are those of AMP NZ Office Trust and its subsidiaries (ANZO). ANZO is a unit trust created by a Trust Deed executed 13 November 1997 by AMP Capital Investors (New Zealand) Limited and the Trustee, Perpetual Trust Limited. ANZO is an issuer for the purposes of the Financial Reporting Act 1993.

ANZO's principal activity is investment in predominantly prime CBD office properties in New Zealand. ANZO is managed by AMP Haumi Management Limited.

Basis of Preparation

The unaudited interim financial statements have been prepared in accordance with NZ IAS 34 Interim Financial Reporting. The unaudited interim financial statements have been prepared using New Zealand Dollar functional and reporting currency and have been rounded to the nearest thousand dollars (\$'000).

These unaudited interim financial statements should be read in conjunction with the financial statements and related notes included in ANZO's Annual Report for the year ended 30 June 2008. There has been no change in accounting policies and all policies have been applied on a consistent basis with those used in the financial statements for the year ended 30 June 2008.

Significant Accounting Judgements, Estimates and Assumptions

In preparing the unaudited interim financial statements, management continually evaluates judgements, estimates and assumptions based on experience and other factors, including expectations of future events that may have an impact on ANZO when applying the accounting policies. Actual results may differ from the judgements, estimates and assumptions made by management.

ANZO's critical accounting policies and estimates in these unaudited interim financial statements are as follows.

- Operating lease commitments
- Investment properties
- Financial instruments

2. RECONCILIATION OF NET PROFIT AFTER TAXATION WITH CASH INFLOW (OUTFLOW) FROM OPERATING ACTIVITIES

ALL FIGURES \$'000	UNAUDITED SIX MONTHS ENDED 31 DECEMBER 2008	UNAUDITED SIX MONTHS ENDED 31 DECEMBER 2007	AUDITED YEAR ENDED 30 JUNE 2008
<b>Net Profit (Loss) for the Period</b>	<b>(4,971)</b>	<b>22,108</b>	<b>118,856</b>
<b>Add (less) non-cash items and non operating items</b>			
Unrealised net change in value of investment property	-	-	(113,036)
Unrealised interest rate swap loss (gain)	39,678	(1,561)	7,617
Deferred tax	(7,620)	6,059	38,746
<b>Movement in working capital</b>			
Increase (decrease) in creditors	(1,300)	(1,464)	651
(Increase) decrease in debtors	102	(1,082)	655
<b>Net Cash Inflow (Outflow) from Operating Activities</b>	<b>25,889</b>	<b>24,060</b>	<b>53,489</b>

3. TAXATION

Major components of income tax expense are:

ALL FIGURES \$'000	UNAUDITED SIX MONTHS ENDED 31 DECEMBER 2008	UNAUDITED SIX MONTHS ENDED 31 DECEMBER 2007	AUDITED YEAR ENDED 30 JUNE 2008
<b>Current Tax</b>	<b>2,987</b>	<b>1,889</b>	<b>5,315</b>
<b>Deferred Tax</b>			
Unrealised gain (loss) on revaluations - current period	(722)	(998)	28,641
Unrealised gain (loss) on swap revaluations	(11,903)	515	(2,285)
Unrealised gain (loss) on swap revaluations - tax rate change 2007	-	-	(363)
Depreciation - current period	5,005	4,894	11,105
Tax losses utilised	-	1,648	1,648
<b>Total Deferred Tax</b>	<b>(7,620)</b>	<b>6,059</b>	<b>38,746</b>

4. RECONCILIATION OF DISTRIBUTABLE SURPLUS

ANZO's current distribution policy is to distribute 90%-110% of its distributable profit. Distributable profit is net profit after tax before revaluations on investment properties, revaluations of derivative financial instruments, amortisation of landlord-owned incentives, fixed rental smoothing, deferred tax and other non-cash NZ IFRS adjustments.

ALL FIGURES \$'000	UNAUDITED SIX MONTHS ENDED 31 DECEMBER 2008	UNAUDITED SIX MONTHS ENDED 31 DECEMBER 2007	AUDITED YEAR ENDED 30 JUNE 2008
<b>Net Profit (Loss) After Taxation</b>	<b>(4,971)</b>	<b>22,108</b>	<b>118,856</b>
Unrealised net change in value of investment properties	-	-	(113,036)
Unrealised interest rate swap (gain) loss	39,678	(1,561)	7,617
Deferred tax expense (revenue)	(7,620)	6,059	38,746
<b>Distributable Profit</b>	<b>27,087</b>	<b>26,606</b>	<b>52,183</b>

5. EARNINGS PER UNIT

The earnings and weighted average number of ordinary shares used in the calculation of basic and diluted earnings per share are as follows:

ALL FIGURES \$'000	UNAUDITED SIX MONTHS ENDED 31 DECEMBER 2008	UNAUDITED SIX MONTHS ENDED 31 DECEMBER 2007	AUDITED YEAR ENDED 30 JUNE 2008
Net profit (loss) after taxation basic and diluted	(4,971)	22,108	118,856
Weighted average number of units for basic and diluted earnings per unit	688,083	688,083	688,083

6. TERM LOAN

ANZO has a cash advance facility with Bank of New Zealand (BNZ) and Westpac Banking Corporation (Westpac) for \$485,000,000 (31 December 2007: \$325,000,000). In November 2008 ANZO refinanced half of the \$485,000,000 with both BNZ and Westpac. The maturity profile for the facility is as follows:

ALL FIGURES \$'000	UNAUDITED SIX MONTHS ENDED 31 DECEMBER 2008	UNAUDITED SIX MONTHS ENDED 31 DECEMBER 2007	AUDITED YEAR ENDED 30 JUNE 2008
<b>BANK FACILITY LIMIT</b>			
Bank of New Zealand	5 Oct 09	121,250	195,000
Westpac Banking Corporation	5 Oct 09	121,250	130,000
Bank of New Zealand	5 Nov 11	121,250	-
Westpac Banking Corporation	5 Nov 11	121,250	-
<b>Total Debt Facility Limit</b>	<b>485,000</b>	<b>325,000</b>	<b>485,000</b>
<b>BANK FACILITY DRAWN</b>			
Bank of New Zealand	5 Oct 09	121,250	187,500
Westpac Banking Corporation	5 Oct 09	121,250	125,000
Bank of New Zealand	5 Nov 11	97,500	-
Westpac Banking Corporation	5 Nov 11	97,500	-
<b>Total Debt Facility Drawn</b>	<b>437,500</b>	<b>312,500</b>	<b>404,000</b>

The entire facility is interest only. The loan facility contains a negative pledge obligation on ANZO and its subsidiary companies.

As at 31 December 2007 the entire facility was classified as a current liability. During 2008 ANZO reconsidered this classification against the requirements of NZ IAS 1, and has determined that the facility meets the requirements to be classified as a term liability.

7. EQUITY

The total number of units outstanding as at 31 December 2008 is 688,083,056 (Dec 2007: 688,083,056)

8. CAPITAL COMMITMENTS

As at 31 December 2008 ANZO has outstanding capital commitments of \$16.0m in relation to the 21 Queen Street Development (Dec 2007: \$72.0m).

On 19 December 2007, ANZO entered into an unconditional contract to purchase 29 Willis Street for \$77.0m. A deposit of \$3.8m was paid on 19 December 2007, with the balance paid in May 2008.

9. EVENTS AFTER BALANCE DATE

On 4 February 2009 the Board approved the payment of a net cash distribution of 1.824 cents per unit (\$12.5m in total) to be paid on 27 February 2009.

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Dana Borkin  
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Services Limited

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Takapuna

Performance highlights

4.3% increase in year-to-date gross unit-holder distributions

Stronger five year growth in gross distributions than any other New Zealand listed property entity

Rentals up 11.2% to \$65.2 million

Portfolio occupancy and WALT consistently high (98.2% and 4.9 years respectively)

Conservative gearing, well-funded business with sound and secure balance sheet

Average 25.5% increase in contract rents from rent reviews to date, with three-quarters of the year's rent reviews remaining

Lease expiries in the current financial year now down to 1%



AMP NZ  
OFFICE  
TRUST

Interim Report 2009  
six months to December 2008

AMP NZ OFFICE TRUST

www.anzo.co.nz

## OVERVIEW

Investors in AMP NZ Office Trust (ANZO) will be familiar with the Trust's track record of increasing gross distributions, frequently at a faster rate than its minimum targets, and pleasingly, this will continue in the current financial year.

Over the past five years, ANZO's gross distributions to unit-holders have grown at a compounding annual rate of 4.5%, a growth rate unmatched by any other New Zealand listed property entity.

While ANZO's tenants – in common with organisations worldwide – are feeling the pressure, their resilience and continued performance has meant that to date, the effect on ANZO's portfolio and revenues has been minimal. Tenants considering reducing employee numbers may not necessarily require less space, and in such instances, ANZO's position is protected to a large extent by contractual provisions in lease agreements.

Nevertheless, management continues to monitor tenant demand and employment trends, and implement appropriate strategies to ensure occupancy rates are maximised and cash flow risks are minimised.

It is also worthy of note that three new tenants entered ANZO's portfolio during the six-month interim period. At balance date, six of ANZO's properties were 100% occupied.

A key driver of ANZO's current and future revenue growth is rent reviews. The reviews completed in the current financial year have delivered an average increase over the previous contract rentals of 25.5% – in line with expectations – and under-renting remains in the portfolio. A total of 52% of ANZO's portfolio area is subject to reviews during the 2009 and 2010 financial years.

ANZO's business remains well funded, with 50% of its total bank debt facility of \$485 million proactively renewed in November 2008 for an attractive three-year term, achieving favourable interest rate margins. Discussions on the remainder are underway with ANZO's incumbent banks and others interested in joining its facility group.

ANZO investors should be reassured that high-quality office investments have historically outperformed lower-quality during market downturns. In addition, supply-and-demand dynamics of today's New Zealand CBD office markets are better balanced than the circumstances prevailing during previous downturns.

## FINANCIAL HIGHLIGHTS

Key Financial Statistics	31 DEC 2008	31 DEC 2007	% CHANGE
	(\$ MILLION UNLESS OTHERWISE STATED)	(\$ MILLION UNLESS OTHERWISE STATED)	
Rental revenue	65.24	58.66	11.2%
Total revenue	65.48	58.89	11.2%
Operating profit before indirect expenses	48.77	43.29	12.7%
Operating profit before taxation	30.07	28.50	5.5%
Net operating profit after current taxation – ANZO's distributable profit	27.09	26.61	1.8%
Net profit/(loss)	(4.97)	22.11	(122.5)%
Earnings per unit based on operating profit before current taxation (cents per unit)	4.37	4.14	5.6%
Earnings per unit based on net operating profit after current taxation (ANZO's distributable profit)	3.94	3.87	1.8%
Total gross distribution for interim period (cents per unit)	4.192	4.018	4.3%
Total net distribution for interim period (cents per unit)	3.663	3.611	1.4%
Adjusted NTA <sup>1</sup>	\$1.59	\$1.49	
Gearing ratio at balance date	28.7%	22.2%	

<sup>1</sup> Adjustment refers to the exclusion of deferred tax on revaluation gains, which is not payable in New Zealand as ANZO is on capital account for income tax purposes.



### Commentary:

The 11.2% lift in ANZO's rentals reflects growth following rent reviews, along with a full period's contribution from 29 Willis St in Wellington (Chews Lane), which joined the ANZO portfolio in May 2008. On a "same properties" basis, contract rental revenue rose 7.1%.

ANZO's operating profit after current tax – the distributable profit – was up 1.8%. In ANZO's view (along with that of virtually all of New Zealand's listed property entities), this is the most relevant indicator of profit. NZ IFRS accounting standards require that net profit after tax (NPAT) must now include a number of non-cash adjustments, some of which will never crystallise.

The net loss of \$4.97 million is directly due to an unrealised \$39.68 million loss in the fair value of ANZO's interest rate swaps as at the end of the interim period. It is important that investors realise this does not affect the profit available for distribution. The loss is unrealised and given the significant fall in the Official Cash Rate (OCR) was not unexpected. It is effectively a measure of ANZO's liability should it reverse its swaps on balance date. In reality, with an average swap duration of five years, ANZO has no such intention or obligation. Interest rate swaps are an essential element of ANZO's capital management policy (see section below). On a number of occasions since ANZO's adoption of NZ IFRS in July 2006, its financial statements have shown gains in the fair value of swaps – also unrealised and also having no effect on distributable profit.

## UNIT-HOLDER RETURNS

ANZO investors have received a net second-quarter distribution of 1.824 cents per unit plus imputation credits of 0.273 cents per unit. Total gross distributions for the six months were 4.192 cents per unit, an increase of 4.3% over the previous interim period.

ANZO's total return (income yield and change in unit price) continues to measure up well against all relevant benchmarks. While ANZO's total return for the interim period was -11.3%, ANZO is ranked in the top two New Zealand listed property entities over the six months and also over one, three and five year time frames. ANZO's total return also exceeds the NZX 50 Gross Index and the NZX Property Index for all of the above periods. ANZO's unit price retreated during the interim period, along with the wider sharemarket, but was one of the better performers amongst its listed property peers.

In a global context, New Zealand's listed property entities – and particularly ANZO – are weathering the economic downturn considerably better than major overseas markets.

## ECONOMIC CLIMATE OPPORTUNITIES AMONG THE CHALLENGES

These are undoubtedly testing times for businesses across the globe. In reporting ANZO's interim results and considering future prospects, ANZO's board and management are well aware of a number of risks. However, there are also opportunities which have not been widely recognised. Among these are:

- Fewer occupancy "voids" when existing tenants choose to relocate. Economic uncertainty, coupled with directives from offshore parent companies in some cases, has motivated a number of tenants to choose to remain in their premises at the end of their lease term. This provides ANZO with improved continuity of earnings. Of the 19 ANZO tenants with leases due to expire in the current financial year, six renewed their leases before 31 December 2008. Since balance date another eight lease renewals have been completed for the 2009 financial year. And ANZO's asset managers are already involved in negotiations with the majority of tenants whose leases are due to expire in the coming year.
- Lower interest rates. Since balance date, ANZO's management has taken advantage of historically-low swap rates to reduce the cost of the Trust's existing swap profile, which will have the effect of improving future operating earnings before tax. It is likely that further savings will be achieved over the foreseeable future.

## CAPITAL MANAGEMENT

ANZO's active approach to capital management continues to deliver its desired results: providing funding certainty to ANZO's business operations, providing an attractive risk-adjusted cost of funding and ensuring diversification of interest rate and swap expiries.

The proactive refinancing of half of ANZO's existing bank facility for three years was an important achievement which, along with the current negotiations to extend the balance of ANZO's bank facility, will substantially reduce the Trust's funding risks. In addition, active interest rate management is delivering material gains to ANZO's operating profit before tax, with further gains from this expected during the balance of the current financial year.

ANZO's balance sheet remains well-funded and secure. At balance date gearing for loan covenants purposes remained a conservative 28.7%<sup>2</sup>, well below its 40% self-imposed maximum. In addition, ANZO's interest rate cover ratio of 2.9 times remains well above the 2.0 times covenant. All committed capital expenditure can be funded with ANZO's existing bank facility.

## REDEVELOPMENT PROJECT

ANZO's redevelopment of 21 Queen Street in Auckland remains on track for completion at the end of September 2009, and was recently awarded a green star rating of five for environmental sustainability – the highest attainable under the New Zealand Green Star system.

Leading Australian and New Zealand retailer Dick Smith Electronics has leased the majority of the ground-floor retail space.

While enquiry levels from office tenants have inevitably been affected by the global downturn, tenants remain in the market – ANZO is in active negotiations with organisations requiring up to 6,000 sqm of office space, equating to more than 40% of the building's net lettable area.

21 Queen Street remains the only core CBD building to be delivered to the Auckland market with space available over the next two years.

Recent economic news – including a rapidly-falling OCR and the announcement of the Government's fiscal stimulus package – is providing businesses and consumers with a better sense of clarity and certainty, and while the immediate economic environment remains challenging, these events represent the beginnings of renewed confidence that can be expected to flow into positive decisions by tenants.

## PORTFOLIO OPERATIONS

During the interim period, ANZO's asset managers completed 39 rent reviews, eight lease renewals and four new leases, taking the area of ANZO's portfolio subject to lease expiries from 6.5% at June 2008 to 2.9%.

Notable among the leasing successes were new commitments by longstanding tenant Buddle Findlay in both Wellington (State Insurance Tower) where they made a new commitment of nine to ten years for 3,500 sqm over three floors, and Auckland (PricewaterhouseCoopers Tower) where its 4,100 sqm lease was extended by six years to the year 2020.

The State Insurance Tower's retail centre is now 100% leased with the arrival of Australian listed retailer JB Hi-Fi, which has leased a total of 1,080 sqm for six years.

<sup>2</sup> Includes adjustment for swap liability at balance date

## POST-BALANCE DATE EVENT - PORTFOLIO REVALUATION

ANZO normally revalues its portfolio annually at the end of its financial year on 30 June. However, this year the board and management have elected to bring forward the investment property portfolio revaluation date to 31 March 2009. This is considered a prudent step in the context of the credit crisis and its subsequent effects, which has resulted in a rapid deterioration in the value of most asset classes around the world. Most other New Zealand listed property trusts have taken a similar view.

The valuations, undertaken by ANZO's independent valuation firms, Colliers International and CB Richard Ellis, aim to provide unit-holders with transparency and clarity around the expected market value if its assets were to be realised on the open market "today". In this context the valuation outcomes capture and reflect the uncertain market conditions, the scarcity and high cost of finance, distressed capital market conditions and general concern around the health of the broader economy.

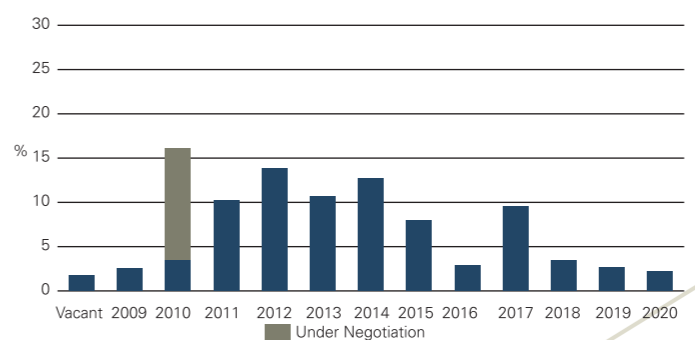
As a result of this unusual operating environment, and its effect on valuation fundamentals, the value of ANZO's investment property portfolio has declined by \$166.9<sup>1</sup> million or by 10.6% to \$1.4 billion. This is broadly consistent with the actual and predicted experience of other listed entities with significant property holdings, however we would expect lower quality portfolios to decline in value more aggressively.

<sup>1</sup> Before deducting an estimated \$3 million portfolio capital expenditure over nine months to 31 March 2009.

Subsequent to balance date, leases totalling a further 10,750 sqm across the portfolio have been renewed, including State Insurance (3,200 sqm), AIG (1,750 sqm), Buddle Findlay (4,100 sqm) and DTZ (1,050 sqm).

ANZO's active approach to tenant retention and maintaining a low forward expiry profile continues to deliver success, with significant headway being made on the leases due to expire in the next financial year.

### ANZO Lease Expiry Profile (% of Portfolio)



## OUTLOOK

In the current environment, the response from ANZO's board and management is twofold:

- Firstly, continuing to focus on core activities and areas where ANZO has a competitive advantage. This entails optimising rent review outcomes, managing building occupancy rates and scheduled lease expiries, aggressively controlling expenses and capital expenditure.
- Secondly, managing the portfolio so that it is capable of reducing and absorbing risk and as a result, strictly adhering to ANZO's strategic objective of delivering low-risk, sustainable returns.

The six-month interim performance has demonstrated that valuable gains in earnings can be generated through hard work. This success has also been reflected in the relative total returns which are among the very best received by any investor in securitised real estate in the world (UBS research).

ANZO's core business continues to be the maintenance and improvement of income from leasing, lease renewals, and rent reviews. The board and management remain confident that the well-located and high physical quality of the buildings in the portfolio, strong tenant covenants and high occupancy rates will ensure relative out-performance over the short and long-term investment horizon when compared to other New Zealand property sectors.

ROBERT LANG  
Chief Executive

The reduction in the portfolio value compares to an increase in ANZO's portfolio value of \$118 million over the previous financial year alone, or \$540 million over the previous five years – a compounding annual gain of more than 14%.

ANZO's adjusted net tangible backing per unit moves to approximately \$1.34 (\$1.63 as at 30 June 2008). Gearing for loan covenant purposes increases to approximately 33.2%, still below the 40% ceiling.

In common with ANZO's positive revaluations, this revaluation decline is unrealised and has no impact on earnings or the distributions to ANZO's unit-holders.

The main driver for the valuation decline is a softening in market capitalisation rates, which on a portfolio value-weighted basis, have moved out by 79 basis points to 7.84% (7.05% as at 30 June 2008). There is also evidence of a two-tiered market developing, with sales and leaseings in some circumstances characterised as distressed events, and therefore not representing market-based transactions. Investors and valuation practitioners increasingly have to be careful how they interpret this information when assessing market values and rents. Valuers have also reduced the prospects for portfolio market rental growth, while noting however that rentals have not fallen thanks to historically-low market vacancy rates, low supply outlook and the consensus view that economic conditions are expected to improve beyond 2010. This resilient rental performance is a strong reflection of the quality of ANZO's portfolio and the scarcity of premium accommodation in New Zealand.

The portfolio valuations will be reviewed and updated as part of ANZO's 30 June financial year-end reporting. A further drop in portfolio value may be recorded if asset markets deteriorate over this time.

## NEW DIRECTOR



### ERIC GEROW MBA, MSC, BA

Jonathan Hannam has resigned from AMP NZ Office Trust's management company and has been replaced by Eric Gerow (pictured). Eric Gerow represents Haumi Company Limited where he is responsible for both direct and indirect acquisitions across all asset classes. He has more than 10 years of international investment experience across multiple asset classes.

## STATEMENT REQUIRED BY NZX LISTING RULES

New Zealand Exchange Limited (NZX) requires the following information to be included in this report.

### Unit-holder transactions

On 19 February 2008 Haumi Company Limited in its capacity on behalf of the general partner of "Haumi Company Limited and Company" (HCL) acquired 19.9% of the units in ANZO. In addition, on that date Haumi Development Auckland Limited in its capacity on behalf of the general partner of "Haumi Development Auckland Limited and Company" (HDAL) acquired 50% of the shares in the then manager of ANZO (Manager). The other 50% of the shares in the Manager are held by AMP Capital Investors (New Zealand) Limited (AMP Capital).

AMP Capital and HDAL have entered into a joint venture agreement in relation to the operation and management of the Manager and ANZO. AMP Capital, HCL and HDAL have also entered into a specified rights deed which sets out the pre-emptive rights granted by HCL to AMP Capital in respect of units in ANZO held or controlled by HCL. The number of units which are the subject of the pre-emptive rights is 136,913,665, being HCL's unitholding as of 16 March 2009.

NZX granted the following waivers to AMP Capital in respect of the pre-emptive rights granted by HCL:

- a waiver from certain content requirements in Listing Rule 4.5.2 in respect of the Restricted Transfer Notice given by AMP Capital in relation to the pre-emptive rights; and
- a waiver from the requirement under Listing Rule 4.5.10 to provide Restricted Transfer status reports,

on the condition that ANZO disclose a summary of the joint venture arrangements between AMP Capital, HDAL and HCL regarding HCL's ANZO unitholding in each yearly and half yearly report of ANZO as disclosed in the Restricted Transfer notice as given by AMP Capital.

This summary can be viewed at [www.anzo.co.nz](http://www.anzo.co.nz)

### Placement

NZX granted ANZO a waiver from Listing Rules 7.3.5(a) and 9.2 on 19 April 2007 to allow ANZO to issue units to certain funds managed by AMP Capital (or its related companies) under a private placement of units undertaken in April 2007. A summary of this waiver can be viewed at [www.anzo.co.nz](http://www.anzo.co.nz)

