



Media release

17 December 2003

AMP NZ Office Trust announces major initiatives to enhance performance

AMP Capital Investors (New Zealand) Limited, manager of AMP NZ Office Trust (ANZO), today announced a series of major initiatives that are expected to increase unitholder value and enhance the overall performance of ANZO.

The initiatives are the result of a comprehensive review of ANZO by AMP Capital that identified a number of strategic, capital management and operational opportunities to add value. The initiatives include:

- a new management company partner;
- an intention to return surplus capital to investors by way of a buy-back;
- a plan to pursue a broader range of investment opportunities; and
- a revision of ANZO's distribution policy.

"We are confident the initiatives will enhance unitholder value while maintaining ANZO's quality earnings and low risk profile," said Catherine Savage, Managing Director, AMP Capital.

AMP Capital has also revised ANZO's distribution forecasts and expects to distribute \$0.07¹ per unit for the full financial year ending 30 June 2004. This represents a 4% increase compared with the previous year. AMP Capital believes the revised business plan will enable ANZO to deliver a sustainable 2.25% per annum distribution growth profile.

AMP Capital intends to transfer ANZO management to joint venture company

AMP Capital has made a strategic decision to transfer the management of ANZO to a wholly owned subsidiary. It then proposes to transfer 50% of that company to Ronin Property Group, subject to Ronin acquiring a cornerstone investment in ANZO.

Ronin is an Australian specialist property funds management group. Ronin Property Group has significant management experience in the premium office market and has strong capabilities in both property and funds management. Ronin manages the Ronin Property Trust, a specialist office Trust, listed on the ASX with a market capitalisation of approximately A\$1 billion.

Ronin Property Group intends, in turn, to become ANZO's largest unitholder by acquiring a 30% holding in ANZO at a unit price of \$0.87. It is proposed that the units will be

purchased from National Provident Fund (NPF), which currently has a 37% holding in ANZO. On completion of the proposed transaction, NPF would hold a 7% stake in ANZO.

“During the course of the review, NPF informed AMP Capital it wanted to diversify its property investments in the medium term and therefore was looking to reduce its holding in ANZO. This was factored into the review in order to enhance and protect value for all unitholders,” said Ms Savage.

Under the proposed arrangements, Ronin will commit to maintain a minimum holding of 19.9% of the units of ANZO for two years following the acquisition of units from NPF and 15% thereafter. It is also proposed that AMP Capital will have rights to acquire ANZO units from Ronin in the event Ronin wishes to sell more than 3% of ANZO’s units at any one time, in that initial two year period or wishes to sell its shares in the management company. AMP Capital has given today a ‘restricted transfer notice’ to NZX and ANZO in relation to its rights to acquire Ronin’s ANZO units, under the proposed arrangements.

“Ronin’s intention to make a cornerstone investment in ANZO demonstrates its long-term commitment to ANZO and AMP Capital welcomes the significant property experience that Ronin would bring to the management of ANZO,” said Ms Savage.

It is intended the name of the management company will be AMP Ronin Management Limited and that Rob Lang will continue in his current role as Executive Manager. Both AMP Capital and Ronin Property Group would be represented on the Board of the management company and AMP Capital would continue to provide local asset, administrative and support services to the manager.

Ronin intends to purchase up to 5% of ANZO’s units following this announcement but will not enter into joint venture arrangements with AMP Capital or acquire further units from NPF until after the 15 Business Day ‘notice and pause’ period required by NZX’s Listing Rules and ANZO’s trust deed.

Buy-back

As part of its capital management strategy and continued focus on returns to unitholders, ANZO also intends to return approximately \$62 million of capital to its investors through an off-market pro-rata unit buy-back in February 2004. The buy-back is subject to Trustee approval and confirmation from the IRD relating to the tax treatment of the buy-back proceeds. All unitholders will be invited to participate in the buy-back under which ANZO will offer to redeem one in seven units. The intended buy-back price is \$0.87 cents, although this will be finally determined closer to the time.

It is anticipated that the buy-back will result in ANZO’s gearing (Debt/Total Assets) moving from its present level of 20% to 31%. ANZO will also increase its self-imposed gearing threshold from 35% to 40%. This will provide ANZO with sufficient financial capacity and flexibility to execute its business plans, while remaining comfortably below the debt ceiling of 50% stated in ANZO’s trust deed.

Broader approach to New Zealand property market

To better position ANZO to maximise earnings growth, ANZO will pursue a broader range of investment opportunities within its existing commercial office investment policy.

“ANZO will build on its existing activities and broaden its approach to New Zealand’s office property market. On a selective basis, we will take advantage of other office market investment opportunities in addition to continuing to pursue growth in the premium sector of the office property market,” said Rob Lang, Executive Manager, ANZO.

Current activity includes the \$27 million refurbishment and development of No 1 The Terrace. In addition, ANZO has submitted a tender to purchase Pastoral House, a B grade office property situated close to Wellington’s central government precinct. If successful, ANZO intends to refurbish the property to an A grade standard.

As part of the review process, all ANZO properties have been re-valued, resulting in an increase in the net asset backing per unit by approximately 0.2 cents to 90.0 cents.

Distribution and other initiatives

Other initiatives to be introduced as a result of the review, which as a package are intended to improve the overall of performance of ANZO include:

- changing the distribution payment frequency from six-monthly to quarterly;
- the establishment of a distribution reserve account, to provide greater consistency of distributions to investors;
- the payment of management fees quarterly, subject to Trustee approval; and
- to align the Trust with standard market practice and subject to Trustee approval, property management fees will in future be paid directly by ANZO, rather than by the Manager, and the Trust management fee will be reduced 10 basis points to 65 basis points, to reflect this change.

“AMP Capital is confident this package of initiatives, together with the continued strong tenant base and high level of occupancy, will provide benefits for all unitholders and will see ANZO extremely well positioned for the future,” said Ms Savage.

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ⁱ It is intended that a 3.5 cent per unit distribution, be paid for the period to 31 December 2003 with the balance to be paid in quarterly distributions for the periods to March and June 2004.

Backgrounder to AMP NZ Office Trust (ANZO, NZX ticker APT)

- AMP NZ Office Trust (ANZO) is New Zealand's second-largest listed property fund. It has been listed on the New Zealand Exchange (NZX) since 1997 and has 4100 investors.
- ANZO is New Zealand's premium office property investment vehicle owning seven of the country's prime office buildings, including the recently completed, award-winning PricewaterhouseCoopers Tower on the Auckland CBD waterfront. The portfolio also comprises, ANZ Centre, IAG House and Quay Tower, and Wellington's HP Tower, 125 The Terrace, No. 1 The Terrace.
- The quality of the Portfolio commands very strong occupancy levels and rentals, with many of New Zealand's leading national and international organisations and government departments leasing space from ANZO.
- The total value of its portfolio is more than NZ\$577 million.
- The Portfolio is geographically diversified between Auckland (72.6% by value) and Wellington (27.4% by value).
- Significant development projects include PricewaterhouseCoopers Tower, which was completed in 2002, and the \$27 million refurbishment and new construction project at No. 1 The Terrace, which was announced in September 2003.
- Rob Lang, Executive Manager has been with ANZO since 1997 and in his current role since 2002. Rob leads a team of three property professionals and also draws on the experience of the broader AMP Capital property team.
- ANZO's distributions have been stable and consistent since listing, providing investors with a steady income stream.
- ANZO has leased 50,000 square metres this year.
- ANZO has a Weighted Average Lease Term of 7.11 years providing enhanced earnings certainty.

Backgrounder to AMP Capital Investors

- AMP Capital Investors is New Zealand's leading funds management company with over \$10 billion of funds under management and 25% market share.
- AMP Capital Investors is the investment management arm of AMP Limited and was established as a separate company in 1990.
- AMP Capital Investors has been managing funds for over 80 years on behalf of clients. During this time it has evolved from a traditional funds management organisation to being a broad based investment management company providing services to all sectors of the New Zealand financial services industry
- In New Zealand AMP Capital Investors manage \$1.4 billion of property assets through listed property companies and private investment vehicles.
- AMP Capital Investors offers its clients New Zealand's broadest range of investment opportunities including fixed income, domestic and global equities, private capital and property.

Backgrounder to Ronin Property Group (RPH)

Ronin Property Group was created in 2003 from Australia's AMP Office Trust. Ronin is an Australian Stock Exchange (ASX)-listed property funds management business specialising in the ownership and management of prime real estate investments. Its objective is to achieve superior earnings growth relative to its peers through the development of sustainable corporate income streams while maintaining AMP Office Trust's moderate risk profile and its high-quality investment portfolio.

Ronin has assets of AUD\$1.5 billion and interests in 12 premium and A-grade office buildings in Sydney, Melbourne, Brisbane and Perth. These include Darling Park and Goldfields House in Sydney, BankWest Tower in Perth and Bourke Place in Melbourne. For the most recent financial year (ended 30 June 2003), Ronin's predecessor, the AMP Office Trust, recorded a net operating profit of \$79.7 million.