



AMP NZ  
OFFICE  
TRUST





# Profile

# ANZO

**AMP NZ OFFICE TRUST (ANZO)** is New Zealand's largest listed investor in commercial office property with a comprehensive portfolio of New Zealand's most sought after Prime and A-Grade office properties.

The portfolio comprises 15 properties with a total gross value of \$1.3 billion – Auckland's PricewaterhouseCoopers Tower, ANZ Centre, AMP Centre, 151 Queen Street and 21 Queen Street; and Wellington's State Insurance Tower, No. 1 The Terrace, HP Tower, 125 The Terrace, Vodafone on the Quay, Pastoral House, Mayfair House, AXA Centre, Deloitte House and 29 Willis Street (Chews Lane).

The rent roll includes many of New Zealand's leading national and international organisations and Crown entities. ANZO's mission is to invest in a portfolio of quality office properties that will consistently deliver the highest possible return to ANZO's unit-holders within a moderate risk profile.

ANZO's vision is to attract high quality businesses to occupy its portfolio. This helps to deliver reliable sustainable returns to unit-holders by differentiating ANZO's portfolio from other offerings, and increasing recognition of the value that can be added by a professional well-resourced landlord.

ANZO is managed by AMP Hami Management Limited.

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# Highlights

# ANIZIO

**3.4% increase** in rental revenue

**2.5% increase** in distributable profit

**Solid balance sheet** with only 22.8% debt

Total return\* for the year of **9.4%, outperforming**  
the NZX50 Index

\* Income yield plus change in unit price

**New corporate structure** and governance  
model proposed

Five retail units in Wellington's **Chews Lane precinct**  
**sold** above book value

**New CEO** appointed



# Chairman's Report



The 2010 financial year has continued to be characterised by challenge and change for AMP NZ Office Trust (ANZO).

A solid full-year financial result has been due to a number of successes in 2010, among them, good outcomes from leasing/lease renewal and rent review activities, and exceptional occupancy in the Wellington portfolio.

These have been contrasted by factors such as declining occupancy in the overall Auckland portfolio (and notably, the acknowledged delays in leasing 21 Queen Street), a slower-than-expected economic recovery worldwide, and the New Zealand

Government's tax changes affecting property investment. The latter has influenced investor support across the listed property sector for most of the year. However, although depreciation will no longer be allowable on building structures for tax purposes, it appears likely that current practices will be permitted to continue in relation to fit-outs.

ANZO also recently appointed Scott Pritchard as chief executive after the departure of its long-serving chief executive Robert Lang. Scott is experienced and well-

regarded (see profile on page 6) and has a proven track record as a high-performing listed property fund manager.

The board of directors would like to record their thanks to Robert Lang for his contribution to the success of the Trust since listing in 1997.

For most of the year, a great deal of behind-the-scenes effort and activity has gone into developing a new management fee structure, and corporate and governance model, to further enhance the alignment between the Manager and investors. These are now ready to be presented to unit-holders. and an information pack will be mailed out soon.

The ongoing support of ANZO's investor base is appreciated by the board and management. In the context of the changes taking place, it is perhaps worth revisiting some of the reasons for investing in ANZO:

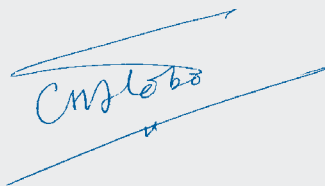
- ANZO is New Zealand's largest listed investor in commercial office property. The strategy of investing in high-quality office assets has been borne out over the past five years in factors such as growth in rentals, a high level of customer retention with a minimal number of defaults, and diversified long lease terms which secure cashflow.
- ANZO's rent roll is led by Crown entities, followed by organisations from sectors such as legal, banking, financial services, insurance, accounting and consultancy.
- ANZO has a strong balance sheet and is well-funded.
- ANZO has offered an attractive gross PIE yield for the 2010 financial year.
- Although the next few years will continue to be challenging, the manager will continue to focus on ensuring ANZO's business is in the best place to deliver long-term sustainable returns. The manager will also continue to review the strategy, configuration of portfolio assets, capital structure and the distribution policy of ANZO.

Before closing, I would like to thank ANZO's management team, who have competently fulfilled a range of additional requirements during the year.

The board has also recently confirmed that ANZO's management team (except the Wellington asset manager) will move to their Auckland premises and as a result of this, I am sad to say that CFO Amish Vallabh has elected not to relocate for personal reasons.

The Board is very grateful to Amish for his contribution over the past six years with ANZO.

Along with fellow directors, I look forward to meeting unit-holders to discuss our results and to present a carefully developed set of proposals that will take ANZO into the future.



CRAIG STOBO  
CHAIRMAN

AMP HAUMI MANAGEMENT LIMITED  
(Manager of AMP NZ Office Trust)

## Profile: SCOTT PRITCHARD

Scott Pritchard has been appointed as ANZO's new Chief Executive. He started in his role on 6 September, 2010



Scott Pritchard, the new chief executive of AMP NZ Office Trust (ANZO) trained, qualified and worked as both a teacher and as a firefighter before beginning his commercial property career more than a decade ago.

Mr Pritchard has been a competitive surf life-saver since his childhood, with the Red Beach Surf Club, north of Auckland (he remains the club's most successful competitor at national level). His initial career choices were designed to support his demanding training schedule.

However, a change in direction saw him complete a Masters in Business Management at Massey University before embarking on a series of property roles with NZX-listed Auckland International Airport, Urbus Properties, ING Property Trust and Macquarie Goodman Property Trust (now Goodman Property Trust).

His skills were quickly recognised at Goodman with promotion to the position of fund manager, setting strategy in conjunction with the chief executive, managing the property investment portfolio and liaising with investors, analysts and the board.

"I was there for the majority of Goodman's growth from a portfolio of \$300 million to \$1.5 billion, and leaving there was tough," Mr Pritchard says.

"However, ANZO represents a new challenge for me. The real estate is outstanding and I am looking forward to enhancing relationships with the businesses that occupy our buildings and the unit-holders that invest with us"

Mr Pritchard takes office as unit-holders are about to vote on proposals that will enhance the alignment between ANZO's manager and investors.

Among his strengths, he lists creating a team culture – "bringing a group of people together and watching them really take ownership."

Mr Pritchard is a director of the New Zealand Green Building Council and is also a member of the Property Council's investment committee.

He is married with two children.

CFO's Report

IANIZIO



## Overview

The effects of the global financial crisis continue to exert their influence on New Zealand's office markets, and will do for some time to come.

It is typical in economic environments such as this for businesses to remain *in situ*, often making it more difficult to grow occupancy where vacancy exists.

Portfolio occupancy at 30 June 2010 was 90.4%, up slightly from 89.9% at 31 December 2009. Most of the vacancy can be attributed to 21 Queen Street, completed in September 2009. Occupancy across ANZO's remaining 14 properties is 95.0% - in line with the 12-year long-run average.

The Wellington portfolio was 99.0% occupied at balance date, with Auckland (80.1%) showing the effect of a significant departure at 151 Queen Street.

Defaults have been very low over the past two years – there have been only two occupancy defaults to date across ANZO's rent roll of more than 200 occupants. This highlights the general strength in covenant over ANZO's high quality customer base.

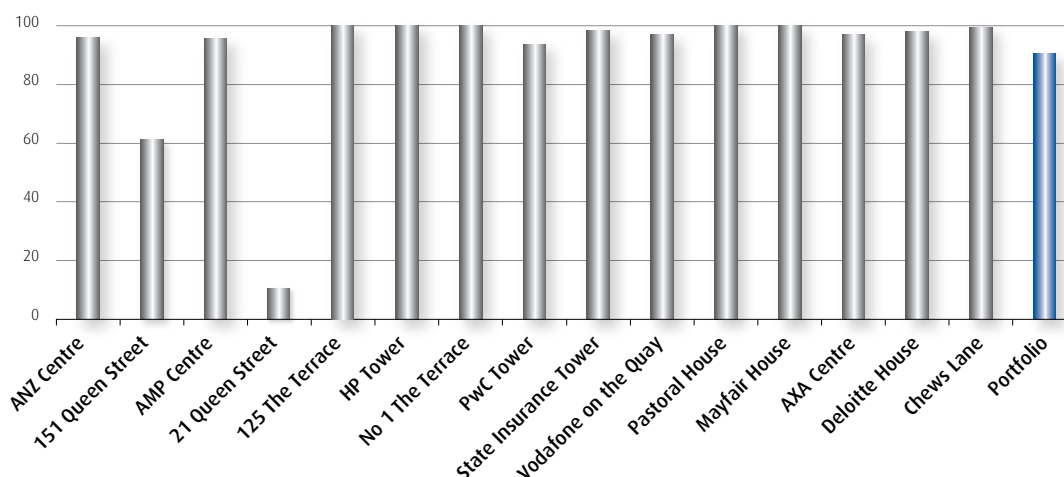
Although vacancy rates in both cities are forecast to rise, they are doing so from historical lows and are mainly attributable to B, C or D grade buildings. Encouragingly, market enquiry and leasing activity levels have shown improvement over the past six months.

This year has seen another decline in asset values. Although the worst of the declines are now believed to be behind ANZO, the road to a full market recovery is likely to be slow and reliant on improvements in investor confidence, property market and macro-economic conditions. There is still a risk that market rents will continue to soften, particularly in Auckland.

Looking forward, global macro-economic conditions are expected to improve, however, until such time as sustained improvement takes effect, market conditions will continue to be challenging.

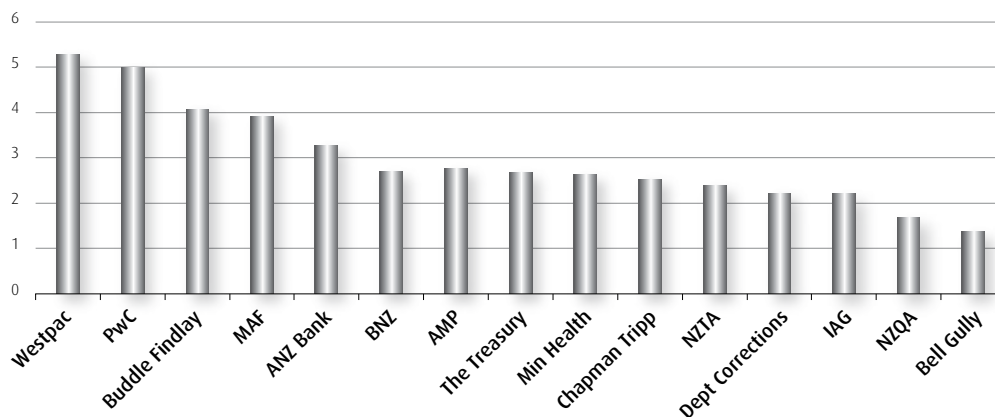
### Portfolio Occupancy Rate

% of total NLA



### Top Fifteen Customers

% of total rent



## Investor Returns

ANZO's total return (income yield and change in unit price) for the year was 9.4%, ranking fourth in the New Zealand listed property sector and outperforming the NZX50 index.

ANZO unit-holders have received total gross distributions for the year of 7.058 cents per unit, in line with the target minimum 2.0% annual increase in gross distributions. The net distribution for the year was 6.113 cents per unit.

The net distribution represents a net yield of 8.6% on the year-end unit price of \$0.71, or a gross yield of 12.8% for a unit-holder on a 33% tax rate under the PIE taxation regime.

The full-year distribution for the 2010 financial year reflects a payout ratio of 100.5% of distributable profit, which is within the 90-110% range stated in ANZO's current distribution policy.

A small portion of the distribution was funded from ANZO's distribution reserve account, which stood at \$15.2 million at balance date.

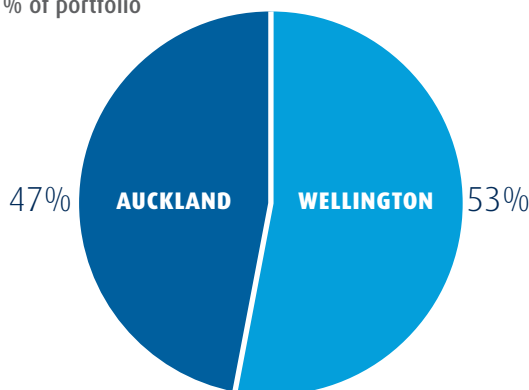
## Financial Results

ANZO has delivered a solid financial result for the full-year to June 2010.

Rental revenue for the year rose by \$4.5 million or 3.4% to \$137.9 million. Rent reviews continued to be the key drivers behind rental increases. A combination of 2009 financial year rent review settlements and income from the current year's reviews have had a positive bearing on rental revenue.

### Portfolio Composition and Geographic Weighting by Value

% of portfolio



The current occupancy of 21 Queen Street (which was still classified as a development project a year earlier) also contributed to the year-on-year increase. On a "same properties" basis (excluding 21 Queen Street) contract rentals grew by 2.8%.

Direct (property-related) expenses for the year were \$3.6 million or 10.7% higher (in line with expectations). These were driven partly by the costs associated with the significant amount of rent review activity which took place in the portfolio, and 21 Queen Street no longer classified as a development property during the year. On a "same properties" basis, the increase was 8.1%.

However, a larger reduction was achieved in indirect expenses which were \$6.1 million or 16.5% lower for the year. Last year's reduction in bank debt flowed through to a \$4.8 million or 18.6% decrease in interest costs, while asset management fees were down \$1.3 million or 13.0% due to lower portfolio values. It is important to note that management fees have been calculated on the basis of the current management fee regime. The outcome of the fee review, as determined by unit-holder vote in late

October, will be applied retrospectively for the period from 1 July 2009.

The operating profit before current taxation for the year was lifted by 10.9% to \$70.1 million, largely due to the decrease in indirect expenses.

ANZO's distributable profit (profit available for distribution to unit-holders) is the operating profit after current taxation for the year (for a full definition, see page 58, Note 22 to the Financial Statements).

Distributable profit for the 2010 financial year was up \$1.5 million or 2.5% to \$60.7 million. Earnings per unit, based on distributable profit, were 6.08 cents per unit, compared with 8.39 cents per unit for the previous year and reflecting an increased number of units on issue following last year's capital raising.

In accordance with NZ IAS 40, unrealised valuation gains or losses on investment properties are brought to account in reporting net profit. ANZO carried out two portfolio revaluations during the year, at 31 December 2009 and again at 30 June 2010, which showed a total decline in portfolio value of 7.8% or \$115.3 million<sup>1</sup>.



1. Allowing for capital expenditure

The changes to depreciation rules announced in the Government Budget in May 2010 mean ANZO is required to show a one off, unrealised increase in deferred tax on revaluation gains. Other non-cash items in the financial statements for the year include an unrealised loss on the fair value of ANZO's interest rate swaps and a realised gain on the sale of five Chews Lane retail units (see page 15 for more information). After taking these items into account, ANZO has recorded an unrealised net loss of \$152.1 million for the year, compared with an unrealised net loss of \$192.8 million the previous year. The non-cash items under NZ IFRS do not affect the profit available for distribution to investors. (More detail on page 12).

## Balance Sheet

ANZO's total gross assets at balance date reduced by 7.7% to \$1,299.3 million. This reflects the year's two portfolio revaluations and the sales of the Chews Lane retail units.

A comparison of the capitalisation rates adopted by valuers for the two revaluations indicates some stabilisation in asset rates. The weighted average market capitalisation across ANZO's portfolio for the second revaluation (as at 30 June 2010) was 8.14%, up only slightly from 8.08% six months earlier. However, the main drivers for the valuation declines – lower effective market rents, extended periods for re-leasing vacant space, and weaker rental growth expectations reflecting increased supply and subdued business confidence – can be expected to constrain CBD office property performance for the near future.

Following the portfolio revaluations, ANZO's portfolio is now over-rented for the first time since 2004, by 4.9%.

### KEY FINANCIAL STATISTICS

	2010 (\$ millions unless otherwise stated)	2009 (\$ millions unless otherwise stated)	Change
Rental revenue	\$ 137.92	\$ 133.38	3.4%
Total revenue	\$ 138.11	\$ 133.72	3.3%
Operating profit before indirect expenses	\$ 100.82	\$ 100.03	0.8%
Operating profit before taxation	\$ 70.06	\$ 63.19	10.9%
Operating profit after current taxation (ANZO's distributable profit)	\$ 60.67	\$ 59.19	2.5%
Net profit (Loss)	(\$ 152.12)	(\$ 192.84)	21.1%
Earnings per unit based on operating profit before taxation – weighted average	7.02 cents	8.96 cents	-21.7%
Earnings per unit based on operating profit after current taxation – weighted average	6.08 cents	8.39 cents	-27.5%
Gross distribution (cents per unit)	7.058	6.920	2.0%
Net distribution (cents per unit)	6.113	6.337	-3.5%
Distribution reserve	\$ 15.24	\$ 15.56	-2.0%
Total assets	\$ 1,299.33	\$ 1,408.38	-7.7%
Total liabilities	\$ 532.28	\$ 431.00	23.5%
Total equity	\$ 767.05	\$ 977.38	-21.5%
Units on issue (million units)	997.72	997.72	
NTA per unit (\$) - fully diluted and providing for final dividend	0.75	0.97	-22.7%
Adjusted NTA per unit (\$)¹ - fully diluted and providing for final dividend	0.92	1.02	-9.8%
Gearing ratio at balance date ²	22.8%	20.5%	

1 Adjusted NTA excludes deferred tax on property revaluation liability.

2 For loan covenant purposes Deferred Tax and Depreciation Tax Losses are not included in calculation of gearing ratio.

ANZO's balance sheet is strong and flexible – one of the healthiest in the New Zealand Listed Property sector. Total debt-to-total assets (gearing<sup>2</sup>) ratio for loan covenant purposes at balance date was 22.8% (2009: 20.5%), well below the self-imposed and bank limit of 40.0% and the Trust Deed threshold of 50.0%.

Total equity at balance date was \$767.1 million (2009: \$977.4 million), due to the combined effect of the portfolio revaluations and the one-off, unrealised increase in deferred tax on revaluation gains required by the tax changes on building depreciation.

Net tangible assets (NTA) at balance date under NZ IFRS was \$0.75 cents per unit, compared to \$0.97 the previous year, again as a result of the portfolio revaluations and the increase in deferred tax. The adjusted<sup>1</sup> NZ IFRS NTA (after reversing deferred tax on revaluation gains, which ANZO is not required to pay under current New Zealand tax law) is \$0.92 per unit (2009: \$1.02 per unit).

## Tax Changes

The Government Budget announcement in May 2010 confirmed that depreciation on building structure will no longer be allowed for tax purposes. Although this has not affected ANZO's distributions for the 2010 financial year, or the new financial year to 30 June 2011, it will have a negative impact of around 7-9% on distributable profit in the following financial year (beginning 1 July 2011).

It has also required ANZO – along with many other entities with substantial property holdings – to show a one-off, unrealised increase in deferred tax on revaluation gains, resulting in a reduction in net tangible assets per unit (NTA). This additional deferred tax has no impact on ANZO's adjusted NTA.

The Board, along with many fellow New Zealand directors facing the same issue, are of the view that the deferred tax changes will result in some confusion. Many investors will not understand that the deferred tax liabilities are merely accounting entries to comply with the rigid application of the international accounting standards that New Zealand companies are required to use.

The Government also announced a review of the ability to depreciate certain building fit-outs, which could have had a further negative impact on cash distributions. However, the approach being proposed by Inland Revenue and Treasury at the time of writing does not appear to have a significant impact.

It should also be noted that the removal of building depreciation allowances alters the economics of future new developments, potentially making it more of a challenge to bring new supply to the market at an acceptable return.

## Capital and Treasury Management

ANZO's capital and treasury management strategy is to achieve the lowest possible capital cost while managing interest rate risk at an acceptable level.

After carrying out a capital raising to de-risk the Trust, repaying half of its bank facility and entering into a new three-year facility during the previous financial year, ANZO's gearing has remained one of the lowest in the New Zealand listed property sector and there has therefore been no requirement for significant capital management initiatives during the 2010 financial year.

As at 30 June 2010, 94.5% of ANZO's total bank debt was hedged through interest rate swaps for a weighted average duration of 4.7 years (compared with ANZO's benchmark of five years).

ANZO's weighted average interest rate at balance date (including margin and line fees) was 7.9% (2009: 8.2%).

With bank facilities extending until November 2011 and June 2012, ANZO does not have near-term bank financing risks but will look to refinance its bank facilities well ahead of the respective expiries.

A full review of ANZO's treasury strategy can be found on page 28.

<sup>1</sup> Adjusted NTA excludes deferred tax on property revaluation liability.

<sup>2</sup> For loan covenant purposes Deferred Tax and Depreciation Tax Losses are not included in calculation of gearing ratio.

## Portfolio Activity

Aside from the leasing challenges at 21 Queen Street, occupancy across the portfolio has remained strong, with 12 of ANZO's 15 buildings more than 95% occupied at balance date. ANZO's 10 Wellington buildings are close to "full" at 99% occupancy and enquiry from prospective customers remains steady.

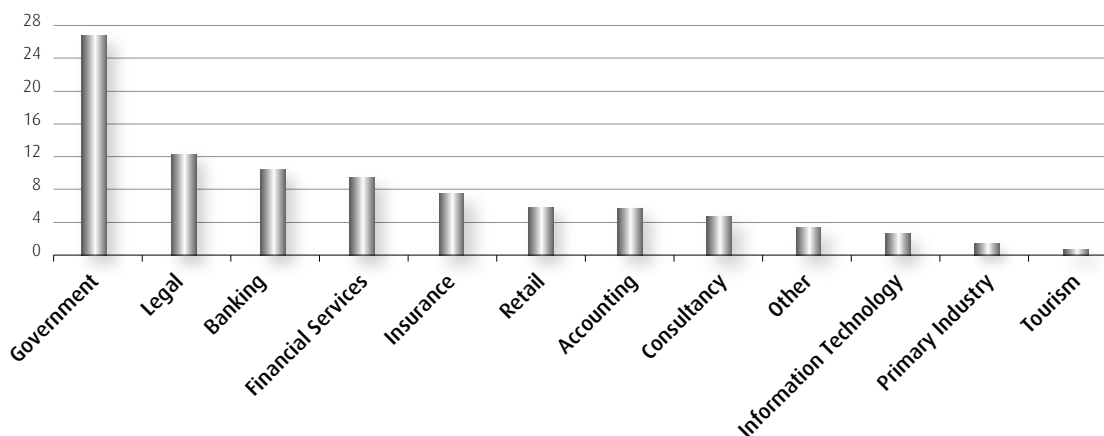
Twenty-three new leases (including five new customers to the portfolio) were secured during the financial year, covering 26,405 sqm of office and retail space. A further 14 lease renewals, representing 15,156 sqm, were also delivered. Consequently ANZO's year-end portfolio weighted average lease term (WALT) was maintained at its mid-year position of 4.5 years.

The interim report noted that ANZO had secured the second-largest lease transaction by floor area in its history – a new six-year lease to the Department of Corrections for the majority of the space (11,500 sqm) in Wellington's Mayfair House.

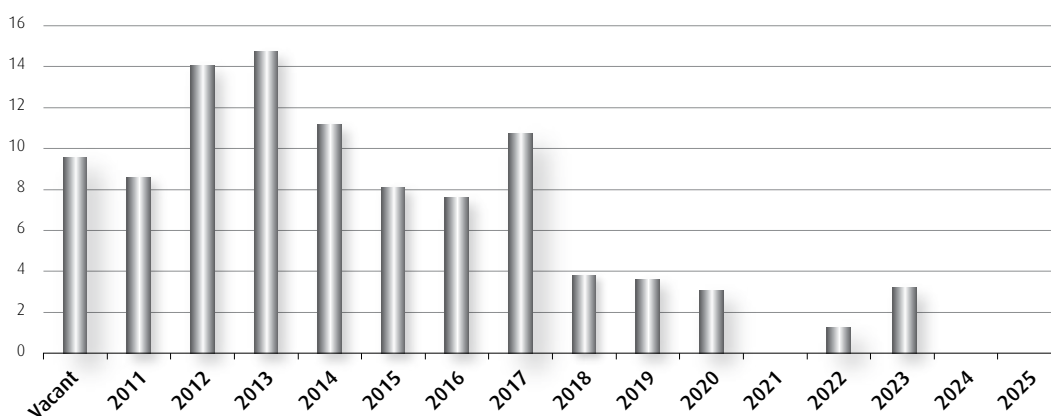
New leases also included:

- Intellectual property lawyers and patent attorneys AJ Park has taken a 12-year lease for 2,150 sqm in Wellington's State Insurance Tower. AJ Park is also an ANZO customer in Auckland;
- First NZ Capital has relocated to HP Tower in Wellington on a nine-year lease term;

### Industry Sector by % of Total Portfolio NLA



### Lease Expiry Profile by % of Total Portfolio NLA



- Rabobank will relocate its Wellington head office into 1,470 sqm in Vodafone on the Quay, on a nine-year lease term;
- Southern Cross Travel Insurance has committed to a 1,100 sqm floor in the AMP Centre in Auckland for at least a nine-year lease term;
- NZ Funds Management has committed to a further six years from December 2010 over two floors in the ANZ Centre.

ANZO continues to proactively engage with customers in advance of their lease expiry.

## 21 Queen Street

The redevelopment of this building was completed in September 2009. The first retail customer, Dick Smith Electronics, has been in occupancy throughout the year and was joined by the first office customer,

CB Richard Ellis, who commenced a nine-year lease from March 2010. Insurance brokerage company, Willis, will locate to 21 Queen Street early in the 2011 calendar year.

Notwithstanding the challenging Auckland CBD office market environment and 21 Queen Street's disappointing occupancy to date, this building has a number of enquiries from prospective customers.

With the recent commitment of Willis to 21 Queen Street, the building's occupancy now stands at 17%. ANZO is optimistic of further lease activity within the building in forthcoming months.

ANZO's 21 Queen Street design promise, to achieve a five-star Green Star rating, was endorsed by the New Zealand Green Building Council in July 2010. 21 Queen Street is the first refurbished office tower to achieve a 66 point 'built' five-star Green Star rating.



## Divestments

During the year, ANZO sold five individually-titled retail units in Wellington's Chews Lane precinct. The sale realised \$11.65 million before deducting disposal costs. The divestment demonstrated yields ranging from 6.1% to 7.7%, with the weighted average yield being 7.1%.

ANZO's decision to sell these units recognised favourable demand for this type of investment within the low to medium price band.

## Market Review

The contrast between the vacancy rates in ANZO's Wellington and Auckland properties is indicative of the premium and prime A grade office niche market conditions in the two cities.

The Wellington portfolio of predominantly prime and A-grade properties, continues to be fairly resilient with low vacancy (1%) and steady enquiry. Vacancy is expected to rise significantly across the sub-A grade office niche. ANZO's only exposure to sub-A grade

property is Mayfair House in the Wellington portfolio. However, the portfolio is hedged against vacancy risk given the substantial commitment by Department of Corrections to this building.

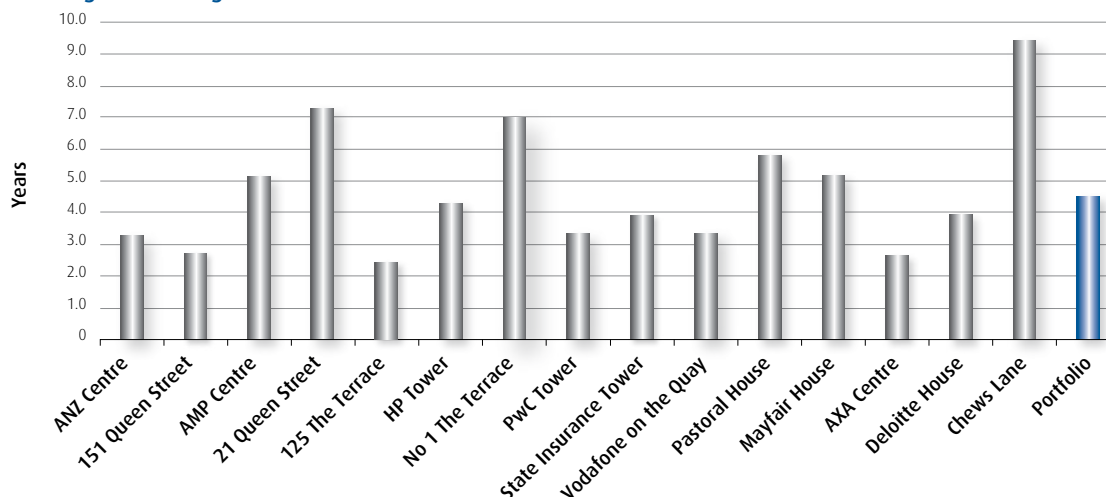
In Auckland all office grades are exposed to rent vacancy. Consequently leasing incentives are evident and rents are softening.

Amidst the challenging Auckland office leasing environment, evidence suggests that some customers are recognising the opportunity to secure higher quality premises on historically competitive terms.

Sustained further improvements in business confidence and economic outlook are required before there will be any significant improvement in market conditions.

Conversely, ANZO believes that with economic rents now 15-20% above market rents and depreciation changes anticipated to increase development hurdles, speculative supply is likely to be limited to existing proposals.

**Weighted Average Lease Term**



## Outlook

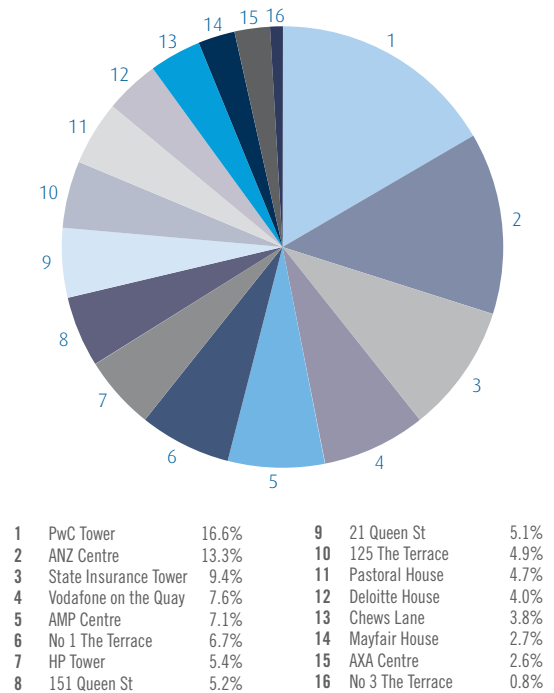
While activity in leasing since balance date has been encouraging, the general outlook for New Zealand CBD office markets is that it continues to face strong headwinds.

The outlook for ANZO's financial performance and distributions over the next few years is contingent on meeting leasing targets, improving occupancy within the Auckland market, the risk of market rents continuing to soften, and continued improvement in the New Zealand and global economic outlook.

As noted, the depreciation tax will have a negative impact on cash distributions from ANZO's financial year 2012.

The Manager will continue to focus on ensuring ANZO's business is in the best place to deliver long-term sustainable returns and will continue to review the strategy, portfolio configuration, capital structure and distribution policy of ANZO.

Portfolio Composition by % of Market Value



## Portfolio Summary

	Market Value 30-Jun-10 \$m	Market Value 30-Jun-09 \$m	Occupancy	WALT <sup>1</sup>	Initial Yield	Market Cap. Rate	IRR	Typical Office Floor	Total NLA	Car Parks
ANZ Centre	170.0	190.0	95.9%	3.3	8.3%	8.3%	9.6%	1,054	32,793	467
151 Queen St	66.8	82.5	61.4%	2.7	6.1%	8.9%	10.1%	762	17,651	289
AMP Centre	91.1	100.5	95.7%	5.1	8.6%	8.5%	9.7%	1,097	25,136	101
PwC Tower	212.0	243.0	93.8%	3.4	8.5%	7.8%	9.7%	1,350	31,311	358
21 Queen St	65.1	66.5 <sup>2</sup>	10.8%	7.3	0.2%	8.1%	10.2%	910	14,422	n/a
125 The Terrace	62.0	64.2	100.0%	2.4	8.8%	8.3%	9.6%	869	12,021	117
HP Tower	68.6	70.5	100.0%	4.3	8.2%	8.0%	9.8%	915	11,293	221
No 1 The Terrace	85.5	90.3	100.0%	7.0	8.1%	7.8%	9.5%	768	18,852	27
State Insurance Tower	120.6	122.5	98.5%	3.9	8.1%	8.0%	9.5%	1,050	26,800	177
Vodafone on the Quay	97.4	102.0	97.1%	3.4	7.7%	7.8%	9.3%	1,001	16,751	315
Pastoral House	60.5	64.0	100.0%	5.8	8.5%	8.3%	9.6%	827	15,564	34
No 3 The Terrace <sup>3</sup>	10.3	10.4	N/a	48.2	0.0%	0.0%	0.0%	N/a	N/a	N/a
Mayfair House	34.5	35.0	100.0%	5.2	9.4%	8.8%	9.7%	1,103	11,688	251
AXA Centre	33.5	38.2	97.2%	2.6	9.3%	9.3%	9.6%	778	10,566	139
Deloitte House	50.5	52.8	98.0%	4.0	8.4%	8.3%	9.5%	775	12,977	35
Chews Lane <sup>4</sup>	48.4	62.0	99.4%	9.4	8.2%	7.9%	9.6%	1,105	8,439	59
<b>Portfolio</b>	<b>1276.8</b>	<b>1394.4</b>	<b>90.4%</b>	<b>4.53</b>	<b>7.83%<sup>5</sup></b>	<b>8.14%<sup>5</sup></b>	<b>9.66%<sup>5</sup></b>	<b>N/a</b>	<b>266,264</b>	<b>2,590</b>

1 - Weighted by income

2 - Valued as at 25 Sept 2009 (building practical completion)

3 - No 3 The Terrace relates to the freehold title in respect to ANZO's leasehold interest

4 - Retail units divested in April 2010

5 - Weighted by market value



# Property Portfolio



## PwC Tower

Quay Street  
Auckland

PricewaterhouseCoopers Tower is one of New Zealand's most sought after office building addresses. Completed in 2002 using state-of-art building technology, the 29-level PwC Tower has a first-class location on Auckland's waterfront and incorporates some of the country's largest floor plates, 11 retail premises and 358 carparks, a hotel-style lobby, high-speed lifts and ultra-large column-free floors.

**OCCUPANCY** 93.8%  
**WALT** 3.4 years

**KEY CUSTOMERS**  
PRICEWATERHOUSECOOPERS  
WESTPAC BANKING  
BUDDLE FINDLAY

Colliers International valuation  
as at 30 June 2010 \$212.0 million  
Total net lettable area (NLA) 31,311 sqm  
Typical office floor plate 1,350 sqm



## ANZ Centre

Albert Street  
Auckland

Topped by a unique geodesic dome, the ANZ Centre is one of New Zealand's tallest and most recognisable buildings, occupying a key site on Auckland's Albert Street. It features a distinctive polished Spanish granite façade and full-height windows which provide generous natural light and expansive views of Auckland city and the Waitemata Harbour.

**OCCUPANCY** 95.9%  
**WALT** 3.3 years

**KEY CUSTOMERS**  
ANZ BANK  
CHAPMAN TRIPP  
NZ TRADE AND ENTERPRISE  
NZ FUNDS MANAGEMENT  
MIGHTY RIVER POWER

CB Richard Ellis valuation  
as at 30 June 2010 \$170.0 million  
Total net lettable area (NLA) 32,793 sqm  
Typical office floor plate 1,054 sqm



## 151 Queen Street

Queen Street  
Auckland

Located in the heart of Auckland's Queen Street, this prime office building comprises 21 levels of high-quality office accommodation, as well as two levels of retail, and a health club that includes a tennis court and swimming pool. 151 Queen Street was built in 1989 to a striking design, set off with Argentinean Red Dragon granite cladding and a copper-tinted glass façade. The building's rectangular shape, together with the positioning of the service core, provides a high level of flexibility of use and its distinctive architecture and overall look have made it an Auckland landmark.

**OCCUPANCY** 61.4%  
**WALT** 2.7 years

**KEY CUSTOMERS**  
MARSH  
COLLIERS INTERNATIONAL

CB Richard Ellis valuation  
as at 30 June 2010 \$66.8 million  
Total net lettable area (NLA) 17,651 sqm  
Typical office floor plate 762 sqm



## AMP Centre

Customs Street West  
Auckland

AMP Centre is a 25-level building with excellent views to Viaduct Harbour and the Hauraki Gulf. It occupies a prominent site in Auckland's fastest-growing commercial precinct, the waterfront. The property has large flexible floor plates, making it attractive to corporate customers requiring extensive areas of efficient working space.

**OCCUPANCY** 95.7%  
**WALT** 5.1 years

### KEY CUSTOMERS

AMP

AON

AJ PARK

QBE INSURANCE

SOUTHERN CROSS

GLAXOSMITHKLINE

CB Richard Ellis valuation  
as at 30 June 2010 \$91.1 million

Total net lettable area (NLA) 25,136 sqm

Typical office floor plate 1,097 sqm



## 21 Queen Street

Queen Street  
Auckland

21 Queen Street is this country's highest scoring 5-Star Green Star rated building. The project achieved this NZ Green Building Council award through the incorporation of highly innovative energy-efficient and environmentally friendly materials, while recycling some of the former building structure, and using sustainable business practices. The building features 15 levels of high quality office accommodation and a two-storey entrance gallery and lobby. The entire façade of 21 Queen Street has been covered with energy efficient glazing to maximise natural light.

**OCCUPANCY** 10.8%\*  
**WALT** 7.3 years

### KEY CUSTOMERS

CB RICHARD ELLIS

DICK SMITH ELECTRONICS

WILLIS

CB Richard Ellis valuation  
as at 30 June 2010 \$65.1 million

Total net lettable area (NLA) 14,422 sqm

Typical office floor plate 910 sqm

\*Post 30 June 2010 – 17%



## 125 The Terrace

The Terrace  
Wellington

125 The Terrace is in the heart of Wellington's central business and retail district and enjoys some of the region's highest measured pedestrian flows. The building comprises 13 levels of prime office accommodation, two levels of retail and four levels of carparks. The blue laminated reflective glass and distinctive blue granite exterior finishes merge to create an attractive landmark that provides some of Wellington's best-appointed office accommodation.

**OCCUPANCY** 100%  
**WALT** 2.4 years

### KEY CUSTOMERS

MINTER ELLISON RUDD WATTS

NEW ZEALAND QUALIFICATIONS

AUTHORITY

CANADIAN HIGH COMMISSION

CB Richard Ellis valuation  
as at 30 June 2010 \$62.0 million

Total net lettable area (NLA) 12,021 sqm

Typical office floor plate 869 sqm



## HP Tower

Featherston Street  
Wellington

HP Tower is the office tower component of a 26-level dual office/hotel complex occupying a key Wellington waterfront location, with uninterrupted views of the harbour. The office tower comprises the upper 13 levels, the three basement levels of car parks and part of the ground floor. The building features distinctive bronze-tinted glass cladding and strong vertical lines.

**OCCUPANCY** 100%  
**WALT** 4.3 years

### KEY CUSTOMERS

BELL GULLY  
FIRST NZ CAPITAL  
HP INVENT  
Colliers Wellington valuation as at 30 June 2010 \$68.6 million  
Total net lettable area (NLA) 11,293 sqm  
Typical office floor plate 915 sqm



## No. 1 The Terrace

The Terrace  
Wellington

No. 1 The Terrace occupies the prestigious corner location of The Terrace and Bowen Street in Wellington, adjacent to Parliament Buildings, the Beehive and the Reserve Bank. Its redevelopment was completed in 2006 and it is now an 18-level building with an adjoining low-rise annex featuring some of the largest CBD floor plates in New Zealand.

No. 1 The Terrace is currently undergoing a New Zealand Green Building Council Green Star rating for existing buildings.

**OCCUPANCY** 100%  
**WALT** 7.0 years

### KEY CUSTOMERS

TREASURY  
LAND INFORMATION NEW ZEALAND  
MINISTRY OF HEALTH  
Colliers Wellington valuation as at 30 June 2010 \$85.5 million  
Total net lettable area (NLA) 18,852 sqm  
Typical office floor plate (tower) 768 sqm  
2,080 sqm (podium floors)



## State Insurance Tower

Willis Street  
Wellington

One of New Zealand's best-known office buildings, located in the prime commercial office district of the Wellington CBD, State Insurance Tower was completed in 1984. State Insurance Tower is adjacent to Willis Street and Lambton Quay and is a short stroll from Frank Kitts Park and the Wellington Harbour waterfront. The office floors enjoy excellent harbour views and natural sunlight from all cardinal points. The property also offers one level of street-level retail, one and a-half levels of car parking and an enclosed subterranean retail level.

**OCCUPANCY** 98.5%  
**WALT** 3.9 years

### KEY CUSTOMERS

AIR NZ  
A J PARK  
STATE INSURANCE  
BANK OF NEW ZEALAND  
BUDDLE FINDLAY  
CB Richard Ellis valuation as at 30 June 2010 \$120.6 million  
Total net lettable area (NLA) 26,800 sqm  
Typical office floor plate 1,050 sqm



## Vodafone on the Quay

Lambton Quay  
Wellington

Vodafone on the Quay combines elegance and ease of function and is a landmark property in the heart of Wellington. The building has a distinctive presence on Lambton Quay with its integrated architectural styles and green-tinted glazing. Vodafone on the Quay is situated in the CBD and is close to the courts, Parliament and Treasury. The office floors have panoramic views of the harbour and inner city, and provide column-free office space and efficient floor layout.

**OCCUPANCY** 97.1%  
**WALT** 3.4 years

### KEY CUSTOMERS

VODAFONE  
WESTPAC BANKING  
RABOBANK  
RUSSELL MCVEAGH  
FORSYTH BARR  
TOURISM NEW ZEALAND  
FMG  
CB Richard Ellis valuation  
as at 30 June 2010 \$97.4 million  
Total net lettable area (NLA) 16,751 sqm  
Typical office floor plate 1,001 sqm



## Pastoral House

The Terrace  
Wellington

Pastoral House is an 18-level A-grade building comprising 17 levels of office accommodation and one ground floor retail level. It has wide dual frontages to The Terrace and Lambton Quay, and offers easy access to Crown departments, Parliament and transport hubs. The property has an excellent aspect with harbour views, and the Lambton Quay frontage enjoys good retail pedestrian exposure. A refurbishment of Pastoral House was completed in 2005.

**OCCUPANCY** 100%  
**WALT** 5.8 years

### KEY CUSTOMERS

MINISTRY OF AGRICULTURE AND FORESTRY  
BANK OF NEW ZEALAND  
Colliers Wellington valuation  
as at 30 June 2010 \$60.5 million  
Total net lettable area (NLA) 15,564 sqm  
Typical office floor plate 827 sqm



## Mayfair House

The Terrace  
Wellington

Mayfair House was constructed in 1986 and is clad in dark tint glazing. It is well-located, enjoying a favourable aspect at the northern end of The Terrace, just 200 metres from Parliament and close to key Crown departments. It comprises 13 office floors, each of 1,100 sqm – some of the largest and most efficient plate sizes within the government precinct. The property includes 251 car parks.

**OCCUPANCY** 100%  
**WALT** 5.2 years

### KEY CUSTOMERS

#### DEPARTMENT OF CORRECTIONS

Colliers Wellington valuation  
as at 30 June 2010 \$34.5 million  
Total net lettable area (NLA) 11,688 sqm  
Typical office floor plate 1,100 sqm



### AXA Centre

The Terrace  
Wellington

AXA Centre is located on The Terrace, conveniently positioned near Crown offices, car parks, bus and rail transport links, with nearby on and off-ramps to the urban motorway. The set-back frontage and motorway to the rear ensure good natural light to all levels and harbour views from the upper floors. Completed in 1987, the building comprises 14 levels of office accommodation on top of four levels (eight split levels) of carparks.

**OCCUPANCY 97.2%**  
**WALT 2.6 years**

**KEY CUSTOMERS**

- AXA
- NZ FIRE SERVICE
- GRANT THORNTON
- TRANSPORT ACCIDENT AND INVESTIGATION COMMISSION
- Colliers Wellington valuation as at 30 June 2010 \$33.5 million
- Total net lettable area (NLA) 10,566 sqm
- Typical office floor plate 778 sqm



### Deloitte House

Featherston Street  
Wellington

Deloitte House is located in the heart of the Wellington CBD and enjoys triple frontages to Brandon and Featherston Streets and Customhouse Quay. Originally built in 1983, the building was extended and refurbished in 2005/07 and now comprises 16 office floors, ground floor retail and a basement car parking level. There is good natural light for all levels and unobstructed harbour views from level five and above.

**OCCUPANCY 98%**  
**WALT 4.0 years**

**KEY CUSTOMERS**

- DELOITTE
- OMV
- MEDSAFE
- CB Richard Ellis valuation as at 30 June 2010 \$50.5 million
- Total net lettable area (NLA) 12,977 sqm
- Typical office floor plate 775 sqm



### Chews Lane

Willis Street  
Wellington

Chews Lane is a prime-grade, newly-built office complex in New Zealand's strongest office market and acquired in 2008. The building quality and large, efficient office floor plates of 1,100 sqm to 1,500 sqm, along with a 15-year lease to a Crown entity and opportunities for rental growth, make this a very compelling investment.

**OCCUPANCY 99.4%**  
**WALT 9.4 years**

**KEY CUSTOMER**

- NZ TRANSPORT AGENCY
- CB Richard Ellis valuation as at 30 June 2010 \$48.4 million
- Total net lettable area (NLA) 8,439 sqm
- Typical office floor plate 1,105 sqm



# Board of AMP Haumi Management Limited



**Craig Stobo**  
**Chairman (Non-executive director)**

Craig Stobo was educated at Otago University and Wharton Business School. He has worked as a diplomat, economist, investment banker, and as CEO of BT Funds Management Ltd. He has authored reports for the NZ Government on “The Taxation of Investment Income” and for the Taupo Group on “Creating Wealth for New Zealanders”; and chaired the Government’s International Financial Services Development Group in 2010. Craig is a professional director. He is currently Chairman OCG Consulting Limited, an executive recruitment company. Craig is also an entrepreneur. He is Chairman and shareholder of Saturn Portfolio Management Ltd, an independent investment advisory business; Chairman and shareholder of Elevation Capital Management Limited, the investment manager of the Multi Strategy Fund and Value Fund; and Chairman and shareholder of Appello Services Limited, a specialist unit registry provider. In addition Craig consults for domestic and global organisations assessing strategic industry opportunities and the execution of public and private sector business plans.



**Graeme Horsley**  
**Director (Non-executive)**

Graeme Horsley is an independent property consultant and professional director with 40 years’ property valuation and consultancy experience, including 14 years with Ernst & Young New Zealand where he was national director of the real estate group. Graeme is a Member of the New Zealand Order of Merit, a Life Fellow of the New Zealand Institute of Valuers (NZIV), now the Property Institute of New Zealand, an Eminent Fellow of the Royal Institution of Chartered Surveyors, a Counselor of Real Estate and an Accredited Fellow of the Institute of Directors. In 2006 he was appointed a panel member of the Local Government Rates Inquiry, a ministerial inquiry setup to investigate the cost drivers and funding of local authority rating. In 2007 he was appointed an additional member of the High Court. He is chair of Ngati Whatua o Orakei Corporation and an independent director of ING Medical Properties Trust (from 1 October 2010, Vital Healthcare Property Trust), Willis Bond Capital Limited and Trust Investments Management Limited.



**Andrew Bird**  
**Director**

Andrew Bird is the Director of AMP Capital Investors’ \$15 billion Australian property investment and management business. With over 30 years’ experience in the property industry in Australia, the UK and Asia Pacific, Andrew oversees the fund management of property assets for external clients, significant private client portfolios and opportunistic funds. In addition, he supervises AMP Capital’s substantial property investment services including asset management, retail, commercial and industrial property management, development, research and investment strategy, capital transactions, treasury management and finance.

Andrew is responsible for overseeing the Property Investment Committees which govern investment strategy and strategy implementation. He is also a member of the AMP Capital Investors leadership team.



**Anthony Beverley**  
**Director**

Anthony is the Head of Property for AMPCI, and has overall responsibility for the New Zealand domestic property operations. The New Zealand Property business includes approximately \$3.5 billion of property assets under management. Anthony is a director of listed company Property For Industry and several other AMPCI-related companies. In 2005, Anthony was presented with the Property Institute of New Zealand's premier award in recognition of his contribution to the property industry and the wider economy over the course of his career.



**Mohamed Ahmed Darwish Karam Al Qubaisi**  
**Director**

Mohamed Ahmed Darwish Karam Al Qubaisi joined Abu Dhabi Investment Authority (ADIA) Real Estate Department in 2007 and has been involved since then with the Real Estate profession on the Asia Pacific portfolio where he assists with the investment management, underwriting and hold/sell analysis of a large portfolio. He is actively involved in direct acquisitions and indirect investments, mostly focused in China, India, Japan, New Zealand and Australia. Mohamed is also a 2006 Graduate of Albers School of Business and Economics at Seattle University, Washington USA.



**Mark Verbiest**  
**Director (Non-executive)**

Mark Verbiest is a director of Freightways Limited, Transpower New Zealand Limited, Southern Cross Medical Care Society, a member of the Board of Trustees of the Southern Cross Healthcare Trust, Government Superannuation Fund Authority, Chairman of Willis Bond Capital Partners Limited and Aptimize Limited, and a member of the Securities Commission. He was a member of Telecom's senior executive team from late 2000 through to June 2008 and, prior to 2000, a senior partner in national law firm Simpson Grierson specialising in mergers and acquisitions and securities, competition and utilities-related law.

# Management Team



## **SCOTT PRITCHARD**

### **Chief Executive**

Scott Pritchard is the new chief executive of ANZO. He comes to the role from Goodman New Zealand where he has been for the last six years, firstly as an asset manager before being promoted to Fund Manager of the NZX listed Goodman Property Trust in 2006. In his capacity as Fund Manager of the \$1.5 billion of property assets, Scott was responsible for setting strategy in conjunction with the chief executive, managing the property investment portfolio and liaising with investors, analysts and the board. His experience in property portfolio management includes office, industrial, business parks and development land. Scott is a director of the New Zealand Green Building Council and is also a member of the Property Council's investment committee.



## **AMISH VALLABH**

### **Chief Financial Officer**

Amish Vallabh joined the Trust in 2004. As Chief Financial Officer he has overall responsibility for the financial and management reporting, capital management and taxation compliance functions for ANZO. Amish has over 10 years' experience in financial accounting, auditing and capital raising, both locally and internationally. He has a Bachelor of Commerce and Administration from Victoria University of Wellington and is a member of the New Zealand Institute of Chartered Accountants.



## **PETER WALKINSHAW**

### **Portfolio Manager - Commercial**

As Portfolio Manager, Peter has responsibility for the financial, operational and investment performance of ANZO's commercial office portfolio. Prior to joining ANZO in 2009, Peter was Manager Group Property Assets for British Airways – a position he held since 2004. As a member of British Airways' property leadership team, he was responsible for leading the negotiation and delivery of all substantial property transactions including the delivery of British Airways' Heathrow Terminal 5 commercial occupancy strategy. His experience also spans estates and asset management, valuation, funding and balance sheet treatment of British Airways' property, and compliance with accounting regulations, audit requirements and corporate legislation. Peter is a registered valuer with a Bachelor of Commerce (Valuation and Property Management) and a Post Graduate Diploma in Commerce Subjects from Lincoln University. He has over 15 years of professional experience, predominantly within a FTSE 100 company.



## **PAUL BROUGHTON**

### **Asset Manager – Wellington**

Prior to joining ANZO in 2000, Paul held various property related roles within AMP Capital Investors, including facilities, property and contract management. Since 2000, Paul has been instrumental in growing the Wellington portfolio from 35,000 sqm to 160,000 sqm through the ups and downs of the property cycle over the last decade via both development and acquisition during that period. Paul is responsible for overseeing the financial and physical performance of ANZO's assets in Wellington.



### **GRAHAM KRISTIFFOR**

#### **Asset Manager – Auckland**

Graham has over 15 years' property experience across a range of publically listed companies and private businesses in New Zealand and the UK. Immediately before joining ANZO Graham held the position of Commercial Director at APN Outdoor. Prior to that he worked at Kiwi Income Property Trust for five years where his responsibilities included asset management of the Vero Centre and Majestic Centre. He was involved in a number of acquisitions and disposals in both Auckland and Wellington. Graham is responsible for the financial and physical performance of the Auckland assets.



### **DAVE LUXTON**

#### **National Investment Analyst**

Working closely with the Chief Executive and Chief Financial Officer, Dave is responsible for providing analytical information on property transactions, business planning, valuation management and corporate advisory services. Dave completed a Bachelor of Business Studies majoring in Valuation and Property Management at Massey University, prior to working within the CBRE valuation team in Wellington. More recently Dave has been working with AMPCI (NZ) Ltd providing analytical support to the AMPCI managed listed fund, Property for Industry. Dave joined the ANZO team in August 2010.



### **GLENN ROBINSON**

#### **Accountant**

Glenn joined ANZO in 2010 and is responsible for financial reporting, statutory and taxation compliance. Glenn has completed a Bachelor of Commerce (BCA) in Accounting and also a Post Graduate Diploma in Professional Accounting from Victoria University in Wellington. Prior to joining ANZO, Glenn gained accounting experience in the Chartered Accounting arena as well as in the New Zealand Public and Private Sectors.



### **ANDREW PENN**

#### **Company Secretary**

Andrew Penn oversees the regulatory and statutory compliance and corporate governance for ANZO. Andrew has extensive experience in commercial property law, most recently with Buddle Findlay and he has overall responsibility for the legal division of AMP Capital Investors.

# Treasury Strategy



ANZO's treasury strategy is to achieve the lowest possible costs while managing interest rate risk at an acceptable level.

During the 2010 financial year, ANZO has continued to implement a structured approach to debt management. ANZO's treasury strategy is based on a three-point plan:

1. minimise physical debt levels;
2. create the appropriate level of interest cover; and
3. ensure that this interest cover matures in such a way that limits exposure to short-term interest rate fluctuations.

The following treasury strategy guidelines have been set by ANZO for this purpose:

- Weighted average term of swap arrangements above five years.
- Weighted average fixed debt cover above 60%.
- No greater than 25% of debt to mature within any 12-month period for the next four years.

ANZO's weighted average interest rate (including bank margin and fees) at 30 June 2010 was 7.9%.

## Gearing and Financial Covenants

ANZO's treasury management helps ensure its gearing and financial covenants are met under the Trust Deed and loan facilities.

ANZO's level of bank debt marginally decreased in 2010 on the back of the divestment of Chews Lane retail units in June 2010. The level of bank debt is forecast to increase over the next 12 months as a result of portfolio capital expenditure.

Total liabilities (excluding deferred tax liability) to assets ratio for loan covenants purposes at 30 June 2010 was 22.8%, well below the trust deed limit of 50.0% and the self imposed and bank covenant ceiling of 40.0%.

ANZO's other key financial loan covenant is that its interest rate cover requires earning before interest and tax to be no less than two times total interest. ANZO's interest cover for the year ending 30 June 2010 was a healthy 4.1 times, well above covenant of 2.0 times.

The current loan facility is \$342.5 million with Bank of New Zealand and Westpac. Tranche 1 (\$242.5 million) will become a current liability in November 2010.

Management remains focused on rollover risk reduction.

ANZO's loan facility expiry profile is tabled below:

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

## Debt Cover

During 2010, ANZO actively managed its interest rate swap portfolio to minimise its exposure to short-term interest rate fluctuations.

At 30 June 2010 ANZO's total bank debt was 94.5% fixed compared to the previous year of 100.0%.

## Maturity Profile

At 30 June 2010 ANZO's weighted average term of swap arrangements was 4.7 years; slightly below the five-year benchmark. ANZO will continue to actively manage the duration over 2011 which will result in the weighted duration increasing to the benchmark of five years.

### Maturity Ladder

Year	As at 30 June 2010		As at 30 June 2009	
	Maturing \$ Millions	Covered \$ Millions	Maturing \$ Millions	Covered \$ Millions
2010	-	248	20	248
2011	13	235	23	225
2012	16	219	36	189
2013	20	199	20	169
2014	30	169	30	139
2015	50	119	50	89
2016	89	30	89	-
2017	-	30	-	-
2018	20	10	-	-
2019	10	-	-	-

# Corporate Governance

A proposed new corporate and governance model has been developed and will be presented to unit-holders for their vote in late October. Until then the current corporate and governance structure remains relevant.

## AMP NZ OFFICE TRUST STRUCTURE

AMP NZ Office Trust (ANZO) is a unit trust created by a Trust Deed, executed 13 November 1997, between Perpetual Trust Limited and AMP Investments (N.Z.) Limited – now known as AMP Capital Investors (New Zealand) Limited (AMP Capital) – as amended by supplemental deeds dated 6 October 2000, 2 March 2001, 9 February 2004, 31 May 2004, 13 December 2004 and amended and consolidated on 24 July 2006.

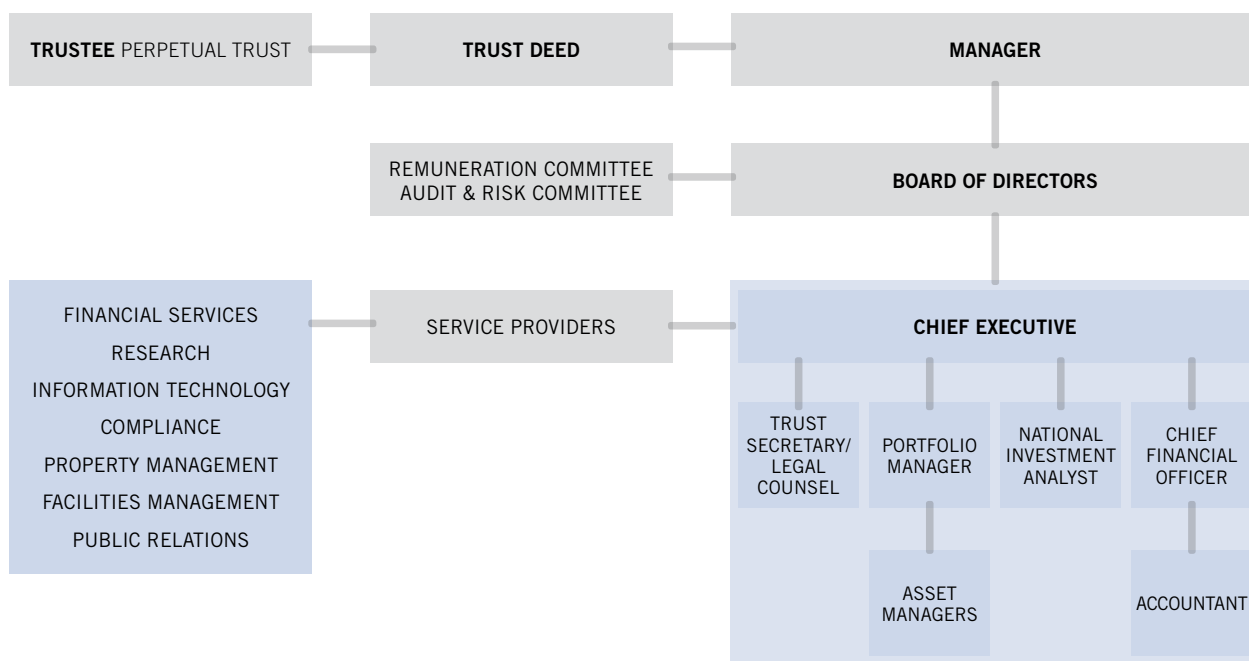
The manager is AMP Haumi Management Limited (Manager), a joint venture company that combines the extensive property and fund management capabilities of AMP Capital and Haumi, a New Zealand subsidiary of a major international institutional investor. In January 2008, AMP Capital exercised its right to acquire and sell the shares in ANZO's management company, and units in ANZO, held by the Multiplex Group (Multiplex) to its new joint venture partner, Haumi.

ANZO's corporate governance structure is shown below:

## ROLE OF THE TRUSTEE

Under and subject to the Trust Deed, and subject to the Unit Trusts Act 1960, the Trustee has rights and powers as if it were the absolute and beneficial owner of ANZO's assets. The powers and functions of the Trustee under the Trust Deed include the following:

- i. To hold Trust assets on behalf of unit-holders;
- ii. To monitor the Manager's compliance with the requirements of the Trust Deed and, if necessary, to have the Manager removed;
- iii. To borrow or raise money for the purposes of ANZO up to 50% of the value of the assets of ANZO;
- iv. To settle and complete transactions in respect of ANZO;
- v. To obtain from the Manager any information that the Trustee reasonably requires in relation to ANZO;
- vi. To appoint any valuer, barrister, solicitor, accountant, stockbroker or other person to



assist it in exercising its powers and performing its obligations under the Trust Deed, subject to prior consultation with the Manager, and to pay reasonable fees to such persons out of ANZO; and

vii. To bring legal proceedings on behalf of ANZO.

### **Trustee's Covenants**

The Trustee covenants to use all reasonable endeavours to keep ANZO's assets safely and to hold them as trustee for unit-holders upon the terms of the Trust Deed. The Trustee also covenants not to dispose of or charge any of the assets of ANZO, except where directed by the Manager.

### **ROLE OF THE MANAGER**

The Trust Deed obliges the Manager to manage and administer ANZO, for the benefit of unit-holders and note-holders, with full and complete power of management. The Manager has the power to issue further units or mandatory convertible notes subject to the restrictions in the Trust Deed and the New Zealand Stock Market (NZSX) Listing Rules.

### **Manager's covenants**

In the Trust Deed, the Manager has given certain covenants in favour of unit-holders and note-holders, including that it will:

- i. Use reasonable endeavours to ensure that ANZO is managed in a proper and efficient manner;
- ii. Make available to the Trustee any books kept in respect of ANZO, copies of the financial statements and any other information that the Trustee reasonably requires;
- iii. Convene meetings of unit-holders and/or note-holders when required by the Trustee or when requisitioned by 10% in number or value of unit-holders and/or note-holders;
- iv. Pay all trust money it receives into ANZO's bank account;
- v. Provide the Trustee with any reports, records and certificates that are agreed upon in writing between the Trustee and the Manager; and
- vi. Not commit ANZO to any transaction involving, or valued at, more than 5% of the value of ANZO's assets without the Trustee's written approval.

The Manager also covenants for the benefit of note-holders that, while any interest on a note is due but unpaid or its payment is suspended, no distribution shall be made in respect of units.

As part of its ongoing management and review of ANZO's corporate governance, the Board of the Manager has developed a corporate governance manual that forms ANZO's corporate governance framework. The manual includes a code of ethics, describes the Board's role and responsibilities and regulates Board procedures.

It incorporates the NZSX Listing Rules relating to corporate governance, the New Zealand Exchange (NZX) Corporate Governance Best Practice Code recommendations and the New Zealand Securities Commission Governance Principles and Guidelines, in each case taking into account ANZO's legal status as a unit trust. A copy of the manual, together with a statement of how the corporate governance principles adopted or followed by ANZO materially differ from the NZX Corporate Governance Best Practice Code, is available on the website at [www.anzo.co.nz/~anzo/management/governance.shtml](http://www.anzo.co.nz/~anzo/management/governance.shtml)





The corporate governance manual includes:

1. Code of Ethics;
2. Board Charter;
3. Audit and Risk Committee Charter;
4. Nomination Policy;
5. Remuneration Policy;
6. Security Trading Policy; and
7. Policy on Audit Independence.

### **Related person transactions**

No transactions involving the assets of ANZO will be entered into with the Manager or any related person of the Manager unless the Trustee is satisfied that the transaction is on terms which are no worse for ANZO than normal commercial terms (between unrelated parties) and is in accordance with the investment policies of ANZO.

### **Remuneration**

The remuneration of the Manager for its management function, including the remuneration of the Chief Executive and management team, is in accordance with the Trust Deed. The Manager may also be entitled to be indemnified out of the assets of ANZO where it is acting on behalf of ANZO except where it is in breach of trust or fails to show the requisite degree of care and skill. The Manager is also entitled to be reimbursed out of ANZO for certain items of expenditure in relation to ANZO (subject to the terms of the Trust Deed).

### **Directors' remuneration**

No remuneration is paid from ANZO to the directors of the Manager. The two non-executive directors each receive director's fees from the Manager, as set by the Remuneration Committee and the Chairman receives additional fees to reflect the responsibilities of that position. The non-executive directors also receive fees for participation in the committees.

### **Board of the Manager**

The Board of the Manager currently comprises two representatives of each of AMP Capital and Haumi, and two directors who are not associated with the Manager's shareholders.

Brief profiles of the directors are set out on page 24.

## **BOARD MEETINGS/DIRECTOR TRANSACTIONS DURING THE YEAR**

The Board of the Manager convened over ANZO's business on eight occasions during the year.

A register of any transactions in ANZO units by directors of the Manager is maintained. As at 31 July 2010 Graeme Horsley was the only director of the Manager with a relevant interest in ANZO units (310,000 units).

### **Audit and Risk Committee of the Board**

An Audit and Risk Committee meets at least twice a year with ANZO's auditors and the ANZO management team to discuss the outcomes of the annual and interim audits (where required). Minutes of this meeting, together with the audit report and any audit recommendations, are provided to the Board prior to the approval of the financial statements and distributions. All Board members also have a standing invitation to attend any meetings of the Committee.

The Audit and Risk Committee is guided by a charter included within the corporate governance manual. The committee must have a minimum of three directors and a majority of those directors must be independent directors. The members of the Audit and Risk Committee are Graeme Horsley (Chairman), Craig Stobo and Mark Verbiest.

### **Risk management**

The Manager and ANZO have business plans, business continuity plans and asset plans in place. ANZO also encourages service providers to implement their own business continuity plans. ANZO undertakes an annual review of insurance cover and risk exposure. As a precaution, ANZO normally requires all service providers to hold a minimum of \$10 million in public liability insurance.

### **Remuneration Committee of the Board**

The Remuneration Committee reviews the remuneration of the independent directors and the Chief Executive and management team.

The members are Craig Stobo (Chairman), Graeme Horsley, Mark Verbiest and Anthony Beverley.





## **NZSX LISTING RULES**

ANZO continues to comply with the NZSX Listing Rules, within the structure of a unit trust.

### **Continuous disclosure**

All listed entities, including ANZO, have continuous disclosure obligations under the NZSX Listing Rules. These provisions were introduced to ensure that the market is kept informed of events and developments as they occur, assisting investors to make informed investment decisions and encouraging confidence in the integrity of the market.

The Manager has implemented procedures to ensure timely and full disclosure of all information required under the continuous disclosure regime.

### **Investor communications**

In addition to the information provided in ANZO's annual and interim reports and investor update newsletters, investors can view market announcements, along with general information on ANZO and its properties, on the website [www.anzo.co.nz](http://www.anzo.co.nz)

ANZO's annual results are presented to a meeting of investors each year.

## **ENVIRONMENTAL POLICY**

ANZO, and the Manager (as a leading property investment manager), believe that environmental management is integral to effective property management. The environmental policy adopted takes an active approach to managing the environmental impact of all property investments, including:

- Meeting compliance requirements;
- Supporting sound environmental initiatives; and
- Encouraging management and service providers to consider innovative environmental solutions.

The practical implementation of this policy encompasses assets where the Manager and ANZO have operational control and can influence matters such as greenhouse gas emissions, waste disposal, recycling, water consumption and energy management.

ANZO is a member of the New Zealand Green Building Council and Scott Pritchard is on its board.

## LISTING RULE WAIVERS

Waivers from the following NZSX Listing Rules were either granted and published by NZX within, or relied upon by ANZO during, the 12-month period preceding the date two months before the publication of this annual report:

- Listing Rules 3.1.1(a), 3.3, 3.4 and 3.5 (granted at the time of the original listing of ANZO in December 1997).
- Listing Rule 4.5.10 (in connection with certain preemptive rights arrangements over units in ANZO).
- Listing Rule 4 (in connection with the acquisition of ANZO units by the AMP Investments' Tracker Fund and AMP Superannuation Tracker Fund).
- Listing Rule 9.2.1 (in connection with the \$201.3 million Rights Issue undertaken by ANZO in June 2009).

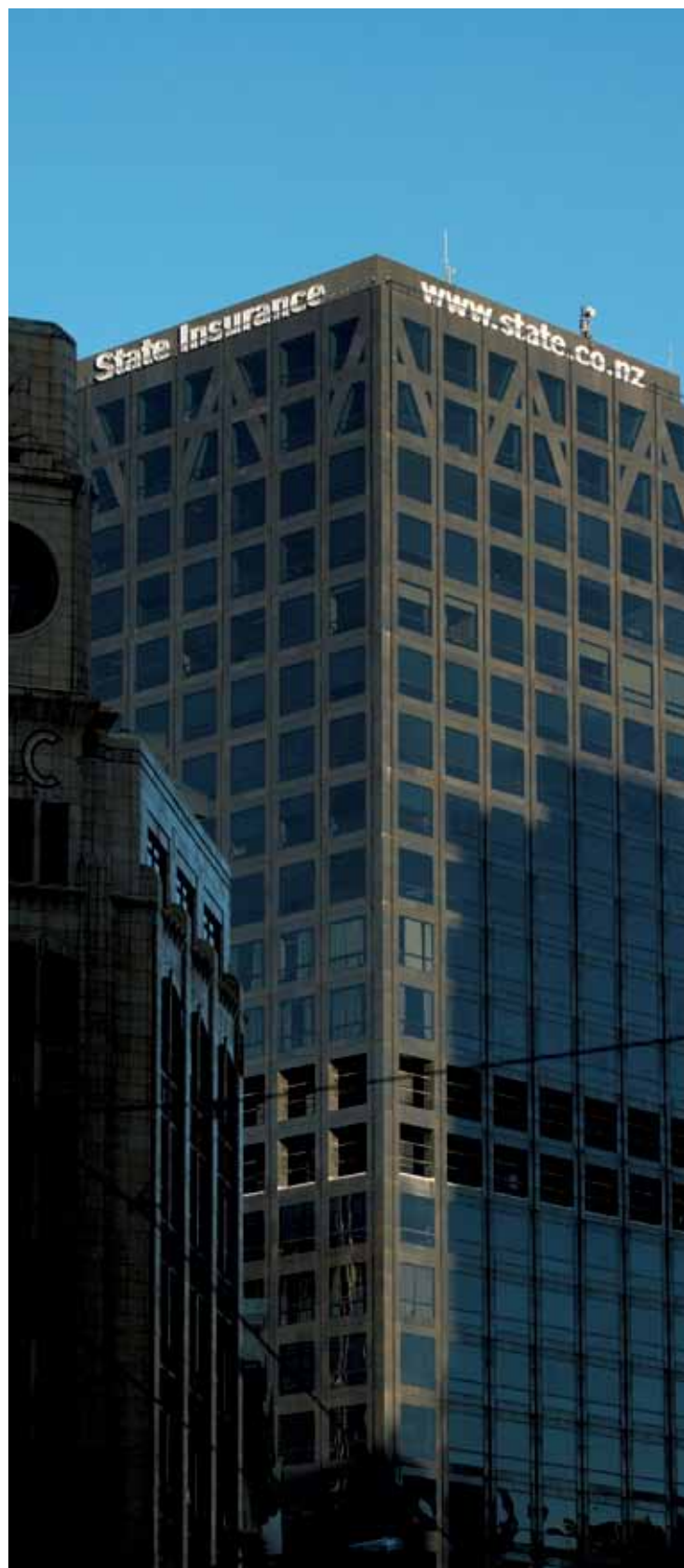
A full description of each of the above waivers is available on ANZO's website, [www.anzo.co.nz](http://www.anzo.co.nz)

## TRANSFER OF OFFICE OF MANAGER AND JOINT VENTURE

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" (a special partnership which had not then been formed) (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" (a special partnership which had not then been formed) (HDAL) acquired 50% of the shares in AMP Multiplex Management Limited (now called AMP Haumi Management Limited), the Manager of ANZO. The other 50% of the shares in the Manager are held by AMP Capital.



AMP Capital and HDAL also entered into a joint venture agreement in relation to the operation and management of the Manager and ANZO. In addition, AMP Capital, HCL and HDAL 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 special partnerships contemplated above were ultimately not formed, and ANZO understands that deeds of novation have been entered into under which HCL's and HDAL's rights and obligations are now held in their capacity as general partner on behalf of the Haumi (NZ) Limited Partnership and the Haumi Development Limited Partnership (respectively).

The number of units which is the subject of the pre-emptive rights is 198,524,814, being HCL's unit-holding as at 20 August 2010.

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

- (a) 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
- (b) a waiver from the requirement under Listing Rule 4.5.10 to provide Restricted Transfer status reports on the condition that ANZO discloses a summary of the joint venture arrangements between AMP Capital, HDAL and HCL regarding HCL's ANZO unit-holding 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)



**AMP NZ OFFICE TRUST**

# Financial Statements

For the year ended 30 June 2010

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AMP NZ OFFICE TRUST

# Statement of Comprehensive Income

For the year ended 30 June 2010

	Notes	Consolidated		The Trust	
		12 months 2010 \$000	12 months 2009 \$000	12 months 2010 \$000	12 months 2009 \$000
<b>Revenue</b>					
Gross rental income		137,916	133,377	-	-
Interest income		191	340	59,104	64,801
<b>Total revenue</b>		<b>138,107</b>	<b>133,717</b>	<b>59,104</b>	<b>64,801</b>
<b>Direct expenses</b>					
Office property and other expenses		37,285	33,684	-	-
<b>Total direct expenses</b>		<b>37,285</b>	<b>33,684</b>	<b>-</b>	<b>-</b>
<b>Operating profit before indirect expenses</b>		<b>100,822</b>	<b>100,033</b>	<b>59,104</b>	<b>64,801</b>
Audit fees		79	105	79	105
Trustee fees		160	144	160	144
Other expenses	6	862	830	862	832
Asset management fees	7	8,535	9,809	8,535	9,809
Interest expense		21,122	25,956	21,122	25,956
<b>Total indirect expenses</b>		<b>30,758</b>	<b>36,844</b>	<b>30,758</b>	<b>36,846</b>
<b>Operating profit (loss) before taxation</b>		<b>70,064</b>	<b>63,189</b>	<b>28,346</b>	<b>27,955</b>
Realised gain (loss) on swap cancellation		-	(9,907)	-	(9,907)
Unrealised net change in value of investment properties	8	(115,349)	(248,301)	-	-
Impairment (loss) on development properties		-	(34,446)	-	-
Realised gain (loss) on sale of investment properties	8	735	-	-	-
Unrealised interest rate swap gain (loss)		(5,091)	(19,718)	(5,091)	(19,718)
<b>Net profit (loss) before taxation</b>		<b>(49,641)</b>	<b>(249,183)</b>	<b>23,255</b>	<b>(1,670)</b>
Current tax expense	18	9,390	4,004	8,505	4,004
Deferred tax expense (benefit)	18	93,087	(60,344)	(1,527)	(5,915)
<b>Total taxation expense</b>		<b>102,477</b>	<b>(56,340)</b>	<b>6,978</b>	<b>(1,911)</b>
<b>Net profit (loss) after taxation</b>		<b>(152,118)</b>	<b>(192,843)</b>	<b>16,277</b>	<b>241</b>
Other comprehensive income	-	-	-	-	-
<b>Total comprehensive income (loss) after income tax attributable to unit-holders</b>	<b>12 &amp; 22</b>	<b>(152,118)</b>	<b>(192,843)</b>	<b>16,277</b>	<b>241</b>
<b>Earnings per unit (cents per unit)</b>					
Basic and diluted earnings per unit	20	(15)	(27)		

The accompanying notes on pages 42 to 59 form part of these Financial Statements

AMP NZ OFFICE TRUST

## Statement of Changes In Equity

For the year ended 30 June 2010

	Notes	Consolidated		The Trust	
		12 months 2010 \$000	12 months 2009 \$000	12 months 2010 \$000	12 months 2009 \$000
<b>Equity at the start of the year</b>		977,375	1,023,653	651,399	504,593
Net profit (loss) for the year after income tax		(152,118)	(192,843)	16,277	241
<b>Total comprehensive income for the period</b>		<b>(152,118)</b>	<b>(192,843)</b>	<b>16,277</b>	<b>241</b>
<b>Other movements</b>					
Units issued	24	-	201,263	-	201,263
Units issue costs	24	(39)	(6,195)	(39)	(6,195)
Distributions to unit-holders	21	(58,167)	(48,503)	(58,167)	(48,503)
<b>Equity at the end of the year</b>		<b>767,051</b>	<b>977,375</b>	<b>609,470</b>	<b>651,399</b>

The accompanying notes on pages 42 to 59 form part of these Financial Statements

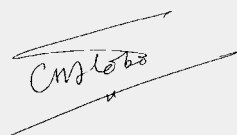
## AMP NZ OFFICE TRUST

## Statement of Financial Position

as at 30 June 2010

	Notes	Consolidated		The Trust	
		2010 \$000	2009 \$000	2010 \$000	2009 \$000
<b>ASSETS</b>					
<b>Current assets</b>					
Cash at bank		2,744	1,519	2,744	1,519
Trade debtors	5	2,206	626	1,719	-
Leasing fees		1,326	938	-	-
Provision for tax	18	-	1,433	-	1,433
Prepayments and other current assets		3,321	3,278	1,050	860
<b>Total current assets</b>		<b>9,597</b>	<b>7,794</b>	<b>5,513</b>	<b>3,812</b>
<b>Non-current assets</b>					
Leasing fees		4,936	3,757	-	-
Deferred tax - fair value of interest rate swaps	18	6,101	4,573	6,101	4,573
Investment properties	8	1,276,775	1,327,850	-	-
Development properties	9	-	64,404	-	-
Investments in subsidiaries	10	-	-	884,802	928,831
Other non-current assets		1,919	-	-	-
<b>Total non-current assets</b>		<b>1,289,731</b>	<b>1,400,584</b>	<b>890,903</b>	<b>933,404</b>
<b>TOTAL ASSETS</b>		<b>1,299,328</b>	<b>1,408,378</b>	<b>896,416</b>	<b>937,216</b>
<b>LIABILITIES</b>					
<b>Current liabilities</b>					
Fair value of swaps		343	688	343	688
Provision for tax	18	909	-	24	-
Other current liabilities	14	12,137	7,476	4,585	4,571
<b>Total current liabilities</b>		<b>13,389</b>	<b>8,164</b>	<b>4,952</b>	<b>5,259</b>
<b>Non-current liabilities</b>					
Term loan	16	262,000	266,000	262,000	266,000
Fair value of swaps		19,994	14,558	19,994	14,558
Deferred tax - depreciation	18	71,363	85,903	-	-
Deferred tax - property revaluations/impairments	18	165,308	56,378	-	-
Deferred tax - other	18	223	-	-	-
<b>Total non-current liabilities</b>		<b>518,888</b>	<b>422,839</b>	<b>281,994</b>	<b>280,558</b>
<b>TOTAL LIABILITIES</b>		<b>532,277</b>	<b>431,003</b>	<b>286,946</b>	<b>285,817</b>
<b>EQUITY</b>					
Total equity	22, 23 & 24	767,051	977,375	609,470	651,399
<b>TOTAL LIABILITIES AND EQUITY</b>		<b>1,299,328</b>	<b>1,408,378</b>	<b>896,416</b>	<b>937,216</b>

Signed on behalf of AMP Haumi Management Limited, who authorised the issue of these financial statements on 2 August 2010



Director



Director

The accompanying notes on pages 42 to 59 form part of these Financial Statements

AMP NZ OFFICE TRUST

# Cash Flow Statement

For the year ended 30 June 2010

	Notes	Consolidated		The Trust	
		12 months 2010 \$000	12 months 2009 \$000	12 months 2010 \$000	12 months 2009 \$000
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>					
<b>Cash was provided from:</b>					
Gross rental income		136,614	133,666	-	-
Interest income		191	340	59,104	64,801
<b>Cash was applied to:</b>					
Office property and other expenses		(34,738)	(39,210)	-	-
Other trust expenses		(10,061)	(10,539)	(10,894)	(13,387)
Loss on swap cancellation		-	(9,907)	-	(9,907)
Other interest expense		(22,033)	(25,022)	(21,122)	(25,956)
Income Tax		(7,048)	(5,261)	(7,048)	(5,261)
<b>Net cash inflow from operating activities</b>	<b>12</b>	<b>62,925</b>	<b>44,067</b>	<b>20,040</b>	<b>10,290</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>					
<b>Cash was provided from:</b>					
Proceeds from sale of Investment properties		11,213	-	-	-
Subsidiary loan advancement		-	-	44,029	-
<b>Cash was applied to:</b>					
Subsidiary loan advancement		-	-	-	(17,980)
Development properties		(1,909)	(34,243)	-	-
Investment properties		(6,885)	(12,111)	-	-
Capitalised interest on development properties		(1,275)	(5,403)	-	-
<b>Net cash inflow (outflow) from investing activities</b>		<b>1,144</b>	<b>(51,757)</b>	<b>44,029</b>	<b>(17,980)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>					
<b>Cash was provided from:</b>					
Issue of units		-	201,263	-	201,263
<b>Cash was applied to:</b>					
Loan facility repayments		(4,000)	(138,000)	(4,000)	(138,000)
Distributions to unit-holders		(58,167)	(48,503)	(58,167)	(48,503)
Corporatisation costs		(525)	-	(525)	-
Offering costs		(152)	(6,082)	(152)	(6,082)
<b>Net cash inflow (outflow) from financing activities</b>		<b>(62,844)</b>	<b>8,678</b>	<b>(62,844)</b>	<b>8,678</b>
<b>Net increase (decrease) in cash held</b>		<b>1,225</b>	<b>988</b>	<b>1,225</b>	<b>988</b>
Cash at the beginning of the year		1,519	531	1,519	531
<b>CASH AT THE END OF THE YEAR</b>		<b>2,744</b>	<b>1,519</b>	<b>2,744</b>	<b>1,519</b>

The accompanying notes on pages 42 to 59 form part of these Financial Statements

# Notes to the Financial Statements

For the year ended 30 June 2010

## 1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

### The reporting entity

The AMP NZ Office Trust (ANZO) is a unit trust established in New Zealand under the Unit Trusts Act 1960 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. The consolidated financial statements are those of ANZO and its 100% owned subsidiaries: AMP NZ Office Albert Street Limited, AMP NZ Office 151 Queen Limited, AMP NZ Office Featherston Street Limited, AMP NZ Office 1 The Terrace Limited, AMP NZ Office Quay Tower Limited, AMP NZ Office Lambton Quay Limited, AMP NZ Office Waterfront Tower Limited, AMP NZ Office Pastoral Limited, AMP NZ Office The Park Limited, AMP NZ Office Willis Street Limited, AMP NZ Office Mayfair Limited, AMP NZ 80 The Terrace Limited, AMP NZ Office Brandon Street Limited, AMP NZ Office 21 Queen Street Limited, AMP NZ Office Queen Freehold Limited, AMP NZ Office Chews Lane Limited and AMP NZ Office Limited. The consolidated financial statements are prepared in accordance with 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. ANZO is a profit-oriented entity.

### a) Measurement base

The financial statements have been prepared on the historical cost basis except for the following:

- Financial instruments at fair value through profit or loss are measured at fair value
- Investment property is measured at fair value

### b) Statement of compliance

The financial statements have been prepared in accordance with NZ GAAP. They comply with New Zealand equivalents to International Financial Reporting Standards ('NZ IFRS') and other applicable Financial Reporting Standards, as appropriate for profit-oriented entities. The financial statements comply with International Financial Reporting Standards ('IFRS'). Financial statements have been prepared using the New Zealand Dollar functional and reporting currency. Financial statements have been rounded to the nearest thousand dollars (\$000).

#### The following new standards and amendments have been adopted from 1 July 2009:

NZ IFRS 8 - Operating segments. The standard requires a 'management approach' under which segment information is presented on a similar basis to that used for internal reporting purposes. The standard has been adopted by ANZO and has had a minimal impact on disclosures made.

NZ IAS 1 (Amendment) - Presentation of Financial Statements. This standard requires an entity to present all owner changes in equity, separately from non-owner changes in equity, in a statement of changes in equity. All non-owner changes in equity (i.e. comprehensive income) are required to be presented in one statement of comprehensive income or in two statements (an income statement and a statement of comprehensive income). Components of comprehensive income are not permitted to be presented in the statement of changes in equity. ANZO has elected to present one Statement of Comprehensive Income. The adoption of this standard has impacted the presentation of the financial statements and has had no impact on the profit or earnings per share.

NZ IAS 40 (Amendment) - Investment property. This standard requires any property acquired for the purpose of development to be classified as investment property at the date of acquisition rather than on completion of the development. Changes in fair value of the properties are recognised in the profit and loss. The adoption of this standard has had no impact on profit or earnings per share.

NZ IFRS 7 (Revised) - Financial instruments: disclosures. The revised standard requires further disclosures relating to fair value measurements and liquidity risk. The adoption of this standard has had no impact on profit or earnings per share.

NZ IAS 23 (Amendment) - Borrowing costs. This standard requires borrowing costs for all qualifying assets to be capitalised. This is consistent with ANZO accounting policies and has had no material impact.

NZ IAS 27 (Revised) - Consolidated and Separate Financial Statements. This standard requires changes in ownership interest of a subsidiary, that does not result in loss of control, will be accounted for as an equity transaction. The adoption of this standard has had no impact on profit or earnings per share.

NZ IFRS 3 (Revised) - Business Combinations. This standard requires transaction costs to be expensed and introduces a choice to measure a non-controlling interest in the acquiree either at its fair value or at its proportionate interest in the acquiree's net assets. This effectively results in recognising goodwill relating to 100% of the business (applying the fair value option) or recognising goodwill relating to the percentage interest acquired. The adoption of this standard has had no impact on profit or earnings per share.

#### Certain new standards, amendments and interpretations to existing standards have been published. ANZO has elected not to early-adopt the following:

NZ IAS 7 (Amendment) Statement of Cash Flows (effective for annual periods beginning on or after 1 January 2010). This standard requires that only expenditure that results in a recognised asset in the statement of financial position can be classified as an investing activity in the statement of cash flows.

NZ IAS 17 (Amendment) - Leases (effective for annual periods beginning on or after 1 January 2010). This amendment requires leases that include both land and buildings elements to be separately classified as finance or operating leases.

NZ IFRS 9 - Financial Instruments: Classification and measurement. The standard requires financial assets to be classified on the basis of the business model for managing the financial assets and the contractual cash flow characteristics of the financial assets. Financial assets are measured at either amortised cost or fair value.

## 1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

NZ IAS 24 (Revised) - Related Party Disclosures (effective for annual periods beginning on or after 1 January 2011). This standard makes amendments to New Zealand Accounting Standard NZ IAS 24 Related Party Disclosures. The amendments simplify the definition of a related party.

### c) Basis of consolidation

The consolidated financial statements include ANZO and its subsidiary companies. The acquisition of subsidiaries is accounted for using the purchase method.

Subsidiaries are fully consolidated from the date on which control is obtained by ANZO. All significant intergroup transactions are eliminated on consolidation. Subsidiary companies are recorded in ANZO's financial statements at cost including loan advances.

### d) Investment properties

Initially, investment properties are measured at cost including transaction costs. Subsequent to initial recognition investment properties are stated at fair value. Gains or losses arising from changes in the fair values of investment properties are included in the profit and loss in the year in which they arise.

An external, independent valuation company, having appropriate recognised professional qualifications and recent experience in the location and category of property being valued, values ANZO's investment property portfolio at least every 12 months. The fair values are based on market values, being the estimated amount for which a property could be exchanged on the date of the valuation between a willing buyer and a willing seller in an arm's length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion.

In the absence of current prices in an active market, the valuations are prepared by considering the aggregate of the estimated cash flows expected to be received from renting out the property. A yield that reflects the specific risks inherent in the net cash flows is then applied to the net annual cash flows to arrive at the property valuation.

Valuations reflect, where appropriate: the type of customers actually in occupation or responsible for meeting lease commitments or likely to be in occupation after letting vacant accommodation, and the market's general perception of their creditworthiness; the allocation of maintenance and insurance responsibilities between ANZO and the lessee; and the remaining economic life of the property. When rent reviews or lease renewals are pending with anticipated reversionary increases, it is assumed that all notices and where appropriate counter-notices have been served validly and within the appropriate time.

Investment properties are derecognised when they have either been disposed of or when the investment property is permanently withdrawn from use and no future benefit is expected from its disposal. Any gains or losses on the derecognition of an investment property are recognised in the profit and loss in the year of derecognition.

### e) Development properties

Properties that are being constructed or developed for future use are classified as investment properties. All costs directly associated with the purchase and construction of a property, and all subsequent capital expenditure is capitalised. After initial recognition, development properties are stated at fair value.

### f) Revenue recognition

Rental income from investment property is recognised in the profit and loss on a straight-line basis over the term of the lease. Lease incentives granted are recognised as an integral part of the total rental income, over the term of the lease.

Interest income is recognised as interest accrues using the effective interest rate method. This is a method of calculating the amortised cost of a financial asset and allocating the interest income over the relevant period using the effective interest rate, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to the net carrying amount of the financial asset.

The asset management fee is recognised and measured based on a historical basis of past performance.

### g) Taxation

Income tax expense comprises current and deferred tax. Income tax expense is recognised in the profit and loss except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax is recognised using the balance sheet method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for the following temporary differences: the initial recognition of goodwill, the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit, and differences relating to investments in subsidiaries and jointly controlled entities to the extent that they probably will not reverse in the foreseeable future. Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date.

A deferred tax asset is recognised to the extent that it is probable that future taxable profits will be available against which temporary differences can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Additional income taxes that arise from the distribution of dividends are recognised at the same time as the liability to pay the related dividend is recognised.

# Notes to the Financial Statements (continued)

For the year ended 30 June 2010

## 1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### h) Goods and services tax

The financial statements have been prepared on a GST exclusive basis, except for receivables and payables that are stated inclusive of GST.

### i) Receivables

Receivables are recognised and carried initially at fair value and subsequently measured at amortised cost using the effective interest rate method, less an allowance for any uncollectible amounts. An estimate for doubtful debts is made when collection of the full amount is no longer probable. Bad debts are written off when identified.

### j) Leasing fees

ANZO records all significant leasing fees as a prepayment in the Statement of Financial Position and amortises them on a straight-line basis over the life of the lease.

### k) Payables

Payables are carried at amortised cost. They represent liabilities for goods and services provided to ANZO prior to the end of the financial period and which are unpaid. The amounts are unsecured and are usually paid within 30 days of recognition.

### l) Interest bearing liabilities

Interest bearing liabilities are recognised initially at fair value less any attributable transaction costs. Subsequent to initial recognition, interest bearing liabilities are stated at amortised cost with any difference between cost and redemption value being recognised in the profit and loss over the period of the liability on an effective interest basis.

Borrowing costs are recognised as an expense when incurred, except where they are included in the cost of properties under development. Where borrowing costs are specific to a particular property under development, the rate at which borrowing costs are capitalised is determined by reference to the actual borrowing costs incurred.

### m) Derivative financial instruments

ANZO uses derivative financial instruments to manage its exposure to interest rate risks arising from operational, financing and investment activities.

Derivative financial instruments are recognised initially at fair value and transaction costs are expensed immediately. Subsequent to initial recognition, derivative financial instruments are re-measured at fair value. The gain or loss on re-measurement to fair value is recognised immediately in the profit and loss as the financial instrument meets the criteria of a derivative.

The fair value of interest rate swaps is the estimated amount that ANZO would receive or pay to terminate the swap at the balance date, taking into account current interest rates and creditworthiness of the swap counterparties.

### n) Investments in subsidiaries

Investments in subsidiaries are carried at the lower of cost and estimated recoverable amount.

### o) Derecognition of derivative financial instruments

The derecognition of derivative financial instruments takes place when ANZO no longer controls the contractual rights that comprise the financial instrument, which is normally the case when the instrument is sold, or all cash flows attributable to the instrument are passed through to an independent third party.

### p) Cash and cash equivalents

For purposes of the Cash Flow Statement, cash includes coins, notes, demand deposits and other highly liquid investments in which the group has invested as part of its day to day cash management. Cash includes current liabilities such as negative cash balances in the form of overnight bank overdrafts

### q) Operating segments

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Board of Directors. ANZO is internally reported as a single operating segment to the chief operating decision-maker hence no further segments have been reported.

### r) Lease incentives

Lease incentives are recognised as a separate asset and are amortised to the profit and loss on a straight line basis over the period of the lease.

### s) Operating and finance leases

Leases under which the Group retains substantially all the risks and rewards of ownership are classified as operating leases. All other leases are classified as finance leases.

### t) Changes in accounting policies

There have been no changes in accounting policies from those applied in the previous year.

## 2) SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

In applying ANZO's accounting policies, 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. All judgements, estimates and assumptions made are believed to be reasonable based on the most current set of circumstances available to management. Actual results may differ from the judgements, estimates and assumptions made by management. The significant adjustments made in the preparation of these financial statements are outlined below:

### (i) Operating lease commitments

ANZO has entered into commercial property leases on its investment properties. ANZO has determined that it retains all significant risks and rewards of ownership of these properties and has thus classified the leases as operating leases.

### (ii) Investment and development properties

Independent valuations are used to determine the fair value of investment and development properties. The most common and accepted methods for assessing the current market value of a property are the Capitalisation and Discounted Cash Flow approaches. Each approach derives a value based on contract rentals, expected future market rentals, income void assumptions, maintenance requirements and appropriate discount rates.

The Capitalisation approach is considered a 'snapshot' view of the property's value, based on current contract and market income and an appropriate market yield or return for the particular property. Capital adjustments are then made to the value to reflect under- or over-renting, pending capital expenditure, upcoming expiries and associated lease-up costs.

Taking a more long-term investment view, the Discounted Cash Flow analysis adopts a 10-year investment horizon and makes appropriate allowances for rental income growth, leasing up on expiries, along with a terminal value at the end of the investment period. The resultant Net Present Value being a reflection of market based income and expenditure projections over the 10-year period.

In deriving a market value under each approach, all assumptions are compared, where possible, to market based evidence and transactions for properties with similar locations, condition and quality of accommodation. The adopted market value is a weighted combination of both the capitalisation and discounted cash flow approaches.

### (iii) Deferred tax assets

As at 30 June 2010, ANZO had recognised deferred tax assets relating to the fair value of interest rate swaps. The deferred tax asset is the amount of income taxes recoverable in future periods in respect of the deductible temporary differences. In recognising this asset, management have considered the extent that it is probable that taxable profit will be available against which the deductible temporary difference can be utilised.

## Notes to the Financial Statements (continued)

For the year ended 30 June 2010

**3) FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICES**

ANZO's principal financial instruments, other than derivatives, comprise of bank loans. The main purpose of these financial instruments is to raise finance for ANZO.

ANZO has various other financial assets and liabilities such as trade receivables and trade payables, which arise directly from its operations.

ANZO also enters into derivative transactions, principally interest rate swaps. The purpose is to manage the interest rate risk arising from ANZO's operations and its sources of finance.

The main risks arising from ANZO's financial instruments are cash flow interest rate risk, credit risk and liquidity risk. The board reviews and agrees policies for managing each of these risks as summarised below.

Details of the significant accounting policies and methods adopted, including the criteria for recognition, the basis of measurement and the basis on which income and expenses are recognised, in respect of each class of financial asset, financial liability and equity instrument are disclosed in note 1 to the financial statements.

**Summary of financial instruments**

	Consolidated		The Trust	
	12 months 2010 \$000	12 months 2009 \$000	12 months 2010 \$000	12 months 2009 \$000
<b>Non-derivative financial assets</b>				
<b>Classified as loans and receivables</b>				
Cash and cash equivalents	2,744	1,519	2,744	1,519
Trade receivables	2,206	626	1,719	-
Advances to subsidiaries	-	-	884,802	928,831
Total non-derivative financial assets at amortised cost	4,950	2,145	889,265	930,350
<b>Non-derivative financial liabilities</b>				
<b>At amortised cost</b>				
Trade payables	12,137	7,476	4,585	4,571
Secured bank loans	262,000	266,000	262,000	266,000
Total non-derivative financial liabilities at amortised cost	274,137	273,476	266,585	270,571
<b>Derivative financial instruments</b>				
<b>At fair value through profit and loss - held for trading</b>				
Derivative assets	-	-	-	-
Derivative liabilities	20,337	15,246	20,337	15,246
Total derivative financial instruments at fair value through profit and loss	20,337	15,246	20,337	15,246

Due to the short-term nature of trade receivables and payables, variable interest rates charged on advances to subsidiaries and 90 day interest rate resets on bank loans, the carrying value of these instruments are considered to reflect their fair value at balance date.

**Fair value estimation**

Effective 1 July 2009, ANZO adopted the amendment to NZ IFRS 7 for financial instruments that are measured in the Statement of financial position at fair value. This requires disclosure of fair value measurements by level of the following fair value measurement hierarchy.

Level 1 - Quoted prices (unadjusted) in active market for identical assets or liabilities

Level 2 - Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (by price) or indirectly (derived from prices).

Level 3 - Inputs for the asset or liability that are not based on observable market data

### 3) FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICES (Continued)

The following table presents the financial instruments that are measured at fair value at 30 June 2010.

	Consolidated		The Trust	
	12 months 2010 \$000	12 months 2009 \$000	12 months 2010 \$000	12 months 2009 \$000
<b>Liabilities</b>				
Level 1	-	-	-	-
Level 2				
Interest Rate Swaps (current)	343	688	343	688
Interest Rate Swaps (non current)	19,994	14,558	19,994	14,558
Level 3	-	-	-	-

#### Credit risk

Credit risk represents the risk that the counterparty to the financial instrument will fail to discharge an obligation and cause the group to incur a financial loss. Financial instruments which subject ANZO to credit risk principally consist of cash and cash equivalents and receivables. ANZO's exposure to credit risk is equal to the fair value of the instruments.

ANZO only enters into lease agreements with recognised, creditworthy third parties. It is ANZO's policy that all customers are subject to credit verification procedures.

In addition, receivable balances are monitored on an ongoing basis with the result that ANZO's exposure to bad debts is not significant.

With the exception of ANZO's loans to its subsidiary companies and counterparties to the interest rate swaps there is no significant concentration of credit risk and financial instruments are spread amongst a number of financial institutions. The maximum exposure to credit risk is disclosed in the previous table. ANZO have not issued guarantees that have not been recognised on the Statement of Financial Position.

The table below analyses ANZO's financial assets into relevant maturity groupings as at 30 June 2010 and 30 June 2009.

#### Interest rate risk

ANZO's exposure to the risk of changes in market interest rates relates primarily to ANZO's long-term debt obligations with a floating interest rate. At balance date ANZO had the following mix of financial assets and liabilities exposed to New Zealand variable interest rate risk:

	2010			
	Consolidated		The Trust	
	Loans & receivables \$000	Derivative financial assets \$000	Loans & receivables \$000	Derivative financial assets \$000
<b>Financial assets</b>				
Cash and cash equivalents	2,744	-	2,744	-
Advances to subsidiaries	-	-	884,802	-
Total	2,744	-	887,546	-
	Other financial liabilities	Derivative financial liabilities	Other financial liabilities	Derivative financial liabilities
<b>Financial liabilities</b>				
Secured bank loan	262,000	-	262,000	-
Fair value of interest rate swaps	-	20,337	-	20,337
Total	262,000	20,337	262,000	20,337

## Notes to the Financial Statements (continued)

For the year ended 30 June 2010

## 3) FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICES (Continued)

	2009			
	Consolidated		The Trust	
	Loans & receivables \$000	Derivative financial assets \$000	Loans & receivables \$000	Derivative financial assets \$000
<b>Financial assets</b>				
Cash and cash equivalents	1,519	-	1,519	-
Advances to subsidiaries	-	-	928,831	-
Total	1,519	-	930,350	-
	Other financial liabilities	Derivative financial liabilities	Other financial liabilities	Derivative financial liabilities
<b>Financial liabilities</b>				
Secured bank loan	266,000	-	266,000	-
Fair value of interest rate swaps	-	15,246	-	15,246
Total	266,000	15,246	266,000	15,246

ANZO's policy is to manage its interest cost using a mix of fixed and variable rate debt. ANZO's policy is to keep at least 60% of its bank borrowings at fixed rates of interest. To manage this mix in a cost-efficient manner, ANZO enters into interest rate swaps, in which ANZO agrees to exchange, at specified intervals, the difference between fixed and variable rate interest amounts calculated by reference to an agreed-upon notional principal amount. These swaps are designated to economically hedge underlying debt obligations. At 30 June 2010, after taking into account the effect of interest rate swaps, approximately 100% of ANZO's bank loan is at a fixed rate of interest (2009: 100%).

As ANZO holds fixed rate debt there is a risk that the economic value of a financial instrument will fluctuate because of changes in market interest rates. The level of fixed debt is disclosed in note 16 and it is acknowledged that this risk is a by-product of ANZO's attempt to manage its cash flow interest rate risk.

The following sensitivity analysis is based on the interest rate risk exposures in existence at 30 June 2010. A 0.25% change in interest rates would have increased or decreased profit and equity in respect of these items by the amounts shown below. This analysis assumes all other variables remain constant:

	Carrying amount	2010 Interest rate risk				
		Consolidated		Carrying amount	The Trust	
		-0.25% \$000	+0.25% \$000		-0.25% \$000	+0.25% \$000
<b>Financial assets</b>						
Cash & cash equivalents	2,744	(7)	7	2,744	(7)	7
Advances to subsidiaries	-	-	-	884,802	-	-
<b>Financial liabilities</b>						
Secured bank loan	262,000	(26)	52	262,000	(26)	52
Interest rate swaps	20,337	(2,637)	2,637	20,337	(2,637)	2,637
Total increase (decrease)		(2,670)	2,696		(2,670)	2,696

### 3) FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICES (Continued)

	2009					
	Interest rate risk					
	Carrying amount	Consolidated		Carrying amount	The Trust	
	-0.25%	+0.25%		-0.25%	+0.25%	
	\$'000	\$'000		\$'000	\$'000	
<b>Financial assets</b>						
Cash & cash equivalents	1,519	(4)	4	1,519	(4)	4
Advances to subsidiaries	-	-	-	928,831	(2,322)	2,322
<b>Financial liabilities</b>						
Secured bank loan	266,000	(4)	4	266,000	(4)	4
Interest rate swaps	15,246	(2,887)	2,840	15,246	(2,887)	2,840
Total increase (decrease)		(2,895)	2,848		(5,217)	5,170

2010							
	Carrying amount	0-6 mths \$'000	6 mths-1 yr \$'000	1-2 yrs \$'000	2-5 yrs \$'000	> 5 yrs \$'000	Effective interest rate
<b>Financial assets</b>							
Consolidated Trade receivables	2,206	2,206	-	-	-	-	
The Trust Advances to subsidiaries	884,802	-	-	-	884,802	-	8.00%

2009							
	Carrying amount	0-6 mths \$'000	6 mths-1 yr \$'000	1-2 yrs \$'000	2-5 yrs \$'000	> 5 yrs \$'000	Effective interest rate
<b>Financial assets</b>							
Consolidated Trade receivables	626	626	-	-	-	-	
The Trust Advances to subsidiaries	928,831	-	-	-	928,831	-	8.00%

#### Liquidity risk

Liquidity risk is the risk that ANZO will experience difficulty in either realising assets or otherwise raising sufficient funds to satisfy commitments associated with financial instruments. The Trust generates sufficient cash flows from its operating activities to meet its obligations arising from its financial liabilities and has bank facilities available to cover any potential shortfalls.

The table below analyses ANZO's financial liabilities (principle and interest) into relevant contracted maturity groupings based on the remaining period as at 30 June 2010 and 30 June 2009.

2010									
		Carrying amount	0-6 mths \$'000	6 mths-1 yr \$'000	1-2 yrs \$'000	2-5 yrs \$'000	> 5 yrs \$'000	Total contractual cashflows	Effective interest rate
<b>Financial liabilities</b>									
Consolidated	Secured bank loans <sup>1</sup>	262,000	9,607	9,581	274,967	20,799	4,604	319,559	7.16%
	Trade payables	12,137	12,137	-	-	-	-	12,137	
The Trust	Secured bank loans <sup>1</sup>	262,000	9,607	9,581	274,967	20,799	4,604	319,559	7.16%
	Trade payables	4,585	4,585	-	-	-	-	4,585	

## AMP NZ OFFICE TRUST

# Notes to the Financial Statements (continued)

For the year ended 30 June 2010

### 3) FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICES (Continued)

		2009							
		Carrying amount	0-6 mths \$000	6 mths-1 yr \$000	1-2 yrs \$000	2-5 yrs \$000	> 5 yrs \$000	Total contractual cashflows	Effective interest rate
<b>Financial liabilities</b>									
Consolidated	Secured bank loans <sup>1</sup>	266,000	10,015	10,015	19,414	290,463	5,972	335,879	7.44%
	Trade payables	7,476	7,476	-	-	-	-	7,476	
The Trust	Secured bank loans <sup>1</sup>	266,000	10,015	10,015	19,414	290,463	5,972	335,879	7.44%
	Trade payables	4,571	4,571	-	-	-	-	4,571	

<sup>1</sup> Includes cash flows relating to interest rate swaps

### 4) CAPITAL MANAGEMENT

When managing capital, management's objective is to ensure ANZO continues as a going concern as well as to maintain optimal returns to unit-holders and benefits for other creditors. Management also aims to maintain a capital structure that ensures the lowest cost of capital available to ANZO.

ANZO meets its objectives for managing capital through its investment decisions on the acquisition and disposal of assets, distribution policy, unit buy backs and issuance of new units.

ANZO is subject to imposed capital requirements arising from the Trust Deed, which requires the total borrowings to not exceed 50% of the value of the assets of the trust.

ANZO has complied with this requirement during this year and the previous year.

ANZO's banking covenants require total liabilities (excluding deferred tax liability) to not exceed 40% of total assets. ANZO has complied with this requirement during this year and the previous year.

ANZO's policy in respect of capital management is reviewed regularly by management.

### 5) TRADE DEBTORS

	Consolidated		The Trust	
	12 months 2010 \$000	12 months 2009 \$000	12 months 2010 \$000	12 months 2009 \$000
Trade debtors	2,683	626	1,719	-
Provision for doubtful debts	(477)	-	-	-
Total trade debtors	2,206	626	1,719	-

Debtors are reviewed for impairment on an on-going basis. A trade debtor is considered past due when the counterparty has failed to make payment when contractually due.

A debtor is considered to be impaired when all amounts due according to the original terms of receivables may not be able to be collected. Doubtful debts are provided for when the debt is considered to be impaired. The amount of the provision is the difference between the asset's carrying amount and the present value of the estimated future cash flows relating to the debt. The provision for doubtful debts as at 30 June 2010 relates to one trade debtor that has been outstanding for less than a year (2009, \$nil).

## 6) OTHER EXPENSES

	Consolidated		The Trust	
	12 months 2010 \$000	12 months 2009 \$000	12 months 2010 \$000	12 months 2009 \$000
Ernst & Young - other assurance services <sup>1</sup>	3	-	-	-
External valuation fees	354	275	354	275
NZX listing and registry costs	214	197	214	197
Unit-holder communication, legal and consultancy costs	291	358	295	360
<b>Total other expenses</b>	<b>862</b>	<b>830</b>	<b>862</b>	<b>832</b>

<sup>1</sup> No further assurance fees were capitalised as part of the rights issue offering costs for the 2010 year (2009, \$58,518).

## 7) ASSET MANAGEMENT FEES

	Consolidated		The Trust	
	12 months 2010 \$000	12 months 2009 \$000	12 months 2010 \$000	12 months 2009 \$000
Total asset management fee	8,535	9,809	8,535	9,809

Under the Trust Deed, AMP Haumi Management Limited may charge a maximum management fee of 0.65% of gross investment assets, as shown in the audited financial statements. This fee is payable in arrears on a quarterly basis. At 30 June 2010, the 30 June 2009 fee review was still subject to unit-holder approval. The fee charged for the 12 months to 30 June 2010 has been calculated on an interim basis at 0.65% of Gross Investment Assets. The outcome of the fee review from the unit-holder vote will be retrospectively applied to 1 July 2009.

## 8) INVESTMENT PROPERTIES

### Consolidated – 30 June 2010

Valuer	Initial yield <sup>2</sup> %	Capitalisation rate <sup>2</sup> %	Occupancy %	WALT <sup>3</sup> years	Valuation 30 June 2010 \$000	Revaluation 30 June 2010 \$000	Additions/ disposals \$000	Valuation 30 June 2009 \$000
ANZ Centre	8.3%	8.3%	95.9%	3.3	170,000	(20,738)	738	190,000
151 Queen Street	6.1%	8.9%	61.4%	2.7	66,800	(16,151)	451	82,500
AMP Centre	8.6%	8.5%	95.7%	5.1	91,100	(10,425)	1,025	100,500
125 The Terrace	8.8%	8.3%	100.0%	2.4	62,000	(2,474)	274	64,200
HP Tower	8.2%	8.0%	100.0%	4.3	68,600	(2,359)	459	70,500
No.1 and 3 The Terrace	8.1%	7.8%	100.0%	7.0	85,500	(4,770)	20	90,250
No. 3 The Terrace <sup>1</sup>	N/a	N/a	N/a	48.2	10,275	(125)	-	10,400
PricewaterhouseCoopers Tower	8.5%	7.8%	93.8%	3.4	212,000	(31,336)	336	243,000
Pastoral House	8.5%	8.3%	100.0%	5.8	60,500	(3,530)	30	64,000
Vodafone on the Quay	7.7%	7.8%	97.1%	3.4	97,400	(4,829)	229	102,000
State Insurance Tower	8.1%	8.0%	98.5%	3.9	120,600	(5,111)	3,211	122,500
Mayfair House	9.4%	8.8%	100.0%	5.2	34,500	(521)	21	35,000
AXA Centre	9.3%	9.3%	97.2%	2.6	33,500	(4,983)	283	38,200
Deloitte House	8.4%	8.3%	98.0%	4.0	50,500	(2,377)	77	52,800
Chews Lane <sup>4</sup>	8.2%	7.9%	99.4%	9.4	48,400	(2,398)	(11,202)	62,000
21 Queen Street <sup>5</sup>	0.2%	8.1%	10.8%	7.3	65,100	(2,488)	67,589	-
Market value (fair value) of properties	7.83%	8.14%	90.4%	4.5	1,276,775	(114,614)	63,539	1,327,850

<sup>1</sup> No.3 The Terrace relates to the freehold title in respect to ANZO's leasehold interest.

<sup>2</sup> Total weighted average by market value

<sup>3</sup> Total weighted average by income

<sup>4</sup> Five units of 60 Victoria Street were sold on 1 June 2010 resulting in a realised gain on sale of \$734,540.

<sup>5</sup> At 26 September 2009, 21 Queen Street reached practical completion and was transferred from development properties into investment properties in accordance with NZ IAS 40.

## Notes to the Financial Statements (continued)

For the year ended 30 June 2010

## 8) INVESTMENT PROPERTIES (Continued)

Consolidated – 30 June 2009

	Valuer	Initial yield <sup>2</sup> %	Capitalisation rate <sup>2</sup> %	Occupancy %	WALT <sup>3</sup> years	Valuation 30 June 2009 \$000	Revaluation 30 June 2009 \$000	Additions/ disposals \$000	Valuation 30 June 2008 \$000
ANZ Centre	CB Richard Ellis	7.2%	8.3%	94.5%	3.8	190,000	(34,864)	864	224,000
151 Queen Street	CB Richard Ellis	8.4%	8.5%	95.2%	2.2	82,500	(25,840)	1,840	106,500
AMP Centre	CB Richard Ellis	7.4%	8.5%	91.6%	4.9	100,500	(20,991)	491	121,000
125 The Terrace	CB Richard Ellis	8.3%	8.3%	99.1%	3.2	64,200	(11,506)	206	75,500
HP Tower	Colliers International	7.1%	7.8%	99.4%	4.0	70,500	(11,804)	304	82,000
No.1 and 3 The Terrace	Colliers International	7.5%	7.5%	100.0%	8.0	90,250	(7,307)	57	97,500
No. 3 The Terrace <sup>1</sup>	Colliers International	N/a	N/a	100.0%	49.2	10,400	(400)	-	10,800
PricewaterhouseCoopers Tower	Colliers International	8.0%	7.6%	97.5%	4.2	243,000	(57,058)	58	300,000
Pastoral House	Colliers International	8.0%	8.0%	100.0%	6.8	64,000	(3,544)	144	67,400
Vodafone on the Quay	CB Richard Ellis	7.4%	7.7%	93.8%	3.5	102,000	(20,032)	32	122,000
State Insurance Tower	CB Richard Ellis	7.8%	8.0%	99.8%	3.3	122,500	(21,892)	2,392	142,000
Mayfair House	Colliers International	9.2%	9.0%	100.0%	1.4	35,000	(4,800)	-	39,800
AXA Centre	Colliers International	7.3%	8.8%	97.2%	3.4	38,200	(2,816)	316	40,700
Deloitte House	CB Richard Ellis	7.9%	8.2%	100.0%	4.8	52,800	(9,676)	476	62,000
Chews Lane	CB Richard Ellis	8.1%	7.9%	100.0%	9.6	62,000	(15,772)	22	77,750
<b>Market value (fair value) of properties</b>		<b>7.80%</b>	<b>8.03%</b>	<b>97.20%</b>	<b>4.79</b>	<b>1,327,850</b>	<b>(248,302)</b>	<b>7,202</b>	<b>1,568,950</b>

1 No.3 The Terrace relates to the freehold title in respect to ANZO's leasehold interest.

2 Total weighted average by market value.

3 Total weighted average by income.

ANZO's properties were valued as at 30 June 2010 by independent registered valuers Colliers International and CB Richard Ellis. The valuations are on the basis of current fair value.

## 9) DEVELOPMENT PROPERTIES

	Consolidated				
	Book value 30 June 2010 \$000	Impairment 30 June 2010 \$000	Transfer to investment properties \$000	Additions/ disposals \$000	Book value at 30 June 2009 \$000
21 Queen Street <sup>1</sup>	-	-	(67,693)	3,289	64,404

	Consolidated				
	Book value 30 June 2009 \$000	Impairment 30 June 2009 \$000	Transfer to investment properties \$000	Additions/ disposals \$000	Book value at 30 June 2008 \$000
21 Queen Street	64,404	(34,446)	-	39,646	59,203

1 At 26 September 2009, 21 Queen Street reached practical completion and was transferred from development properties into investment properties in accordance with NZ IAS 40.

During the year, interest and finance charges of \$1,274,910 (2009: \$5,403,057) were capitalised to development properties. ANZO had fixed the interest rate on \$34,000,000 of the development costs with interest rate swaps at 6.53% plus margin and line fee. On the balance of the development costs the effective interest rate applied on a monthly basis varies depending on the prevailing market rate each month plus margin and line fee.

## 10) INVESTMENTS IN SUBSIDIARIES

### Shares in unlisted property companies

ANZO owns 100 shares in each of its seventeen subsidiary companies and each parcel of 100 subsidiary shares was purchased for \$1.

### Loans to subsidiary companies

	Incorporation date of company	Subsidiary loans		Percentage of Trust ownership	Balance date of company
		2010 \$'000	2009 \$'000		
AMP NZ Office Albert Street Limited	2-Oct-97	113,295	118,245	100%	30 June
AMP NZ Office 151 Queen Limited	28-Aug-97	56,943	57,078	100%	30 June
AMP NZ Office Featherston Street Limited	8-Oct-97	10,676	14,467	100%	30 June
AMP NZ Office 1 The Terrace Limited	2-Oct-97	35,727	40,840	100%	30 June
AMP NZ Office Quay Tower Limited	8-Oct-97	64,961	67,697	100%	30 June
AMP NZ Office Lambton Quay Limited	8-Oct-97	21,218	24,886	100%	30 June
AMP NZ Office Waterfront Tower Limited	17-Mar-00	120,614	129,490	100%	30 June
AMP NZ Office Pastoral House Limited	16-Jan-04	31,727	34,328	100%	30 June
AMP NZ Office The Park Limited	20-May-04	65,732	67,404	100%	30 June
AMP NZ Office Willis Street Limited	20-May-04	74,558	75,646	100%	30 June
AMP NZ Office Mayfair Limited	19-Sep-05	27,119	27,528	100%	30 June
AMP NZ Office 80 The Terrace Limited	6-Dec-06	39,435	39,662	100%	30 June
AMP NZ Office Brandon Street Limited	16-Mar-07	56,201	56,942	100%	30 June
AMP NZ Office 21 Queen Street Limited	16-Mar-07	85,156	81,257	100%	30 June
AMP NZ Office 21 Queen Freehold Limited	16-Mar-07	17,746	17,409	100%	30 June
AMP NZ Office Chews Lane Limited	18-Feb-08	63,694	75,952	100%	30 June
AMP NZ Office Limited	4-May-10	-	-	100%	30 June
<b>Total loans to subsidiary companies</b>		<b>884,802</b>	<b>928,831</b>		

There were no changes in the percentage of ANZO ownership and in the balance date of the subsidiary companies. All subsidiaries are incorporated in New Zealand.

All subsidiary loans are subject to an individual loan facility agreement between ANZO and each subsidiary. The interest rate of these loans is variable and is set by ANZO. The term of the loans is defined by the borrower and the borrower may at any time repay a portion or all of the outstanding amount after giving 30 business days' notice. The current effective interest rate is 8% (2009: 8%).

## 11) RELATED PARTY TRANSACTIONS

For the year ended 30 June 2010 the following arm's length related party transactions occurred:

- Perpetual Trust Limited, as Trustee of AMP NZ Office Trust has a fee payable set at \$135,000 (2009: \$135,000) per annum, and is payable six-monthly in arrears. Supplemental fees of \$25,299 were paid during the year (2009: \$18,626). Additional fees relating to the corporatisation project amounted to \$21,312. An outstanding amount for ANZO and the Trust of \$67,500 (2009: \$77,500) is payable to Perpetual Trust Limited at 30 June 2010.
- Perpetual Trust Limited leases premises in AMP Centre. Total rent paid to ANZO during the year was \$186,090 (2009: \$167,258). ANZO had an amount receivable to Perpetual Trust Limited of \$nil at 30 June 2010 (2009: \$nil).
- ANZO does not employ personnel in its own right. Under the terms of the Trust deed, AMP Haumi Management Limited (the Manager) is appointed to manage and administer ANZO. The Manager is responsible for the remuneration of ANZO's directors and personnel. Key management compensation paid by the Manager comprises:

	2010 \$'000	2009 \$'000
Directors fees	188	177
Salaries, short and long term incentives	2,548	1,451

- ANZO and the Trust pay AMP Haumi Management Limited an asset management fee. The amount paid for the year was \$8,535,121 (30 June 2009: \$9,809,638). An outstanding amount for ANZO of \$2,041,124 (2009: \$2,161,006) is payable to AMP Haumi Management Limited. As at 30 June 2010, the 30 June 2009 fee review was still subject to unit-holder approval. The fees charged for the 12 months to 30 June 2010 have been calculated on an interim basis at 0.65% of Gross Investment Assets. The outcome of the fee review from the unit-holder vote will be retrospectively applied to 1 July 2009.
- ANZO pay AMP Haumi Management Limited a leasing fee where AMP Haumi Management Limited has negotiated leases instead of a real estate agent. The amount paid for the year was \$3,204,277 (2009: \$1,156,756). An outstanding amount of \$620,634 (2009: nil) is payable to AMP Haumi Management Limited.

## AMP NZ OFFICE TRUST

# Notes to the Financial Statements (continued)

For the year ended 30 June 2010

### 11) RELATED PARTY TRANSACTIONS (Continued)

- f) ANZO did not pay any acquisition or divestment fees to AMP Haumi Management Ltd during the year to 30 June 2010 (30 June 2009: \$nil). No balance was outstanding at 30 June 2010 (2009: \$nil)
- g) ANZO paid AMP Haumi Management Limited as development manager total fees for the year of \$47,500 (2009: \$675,000). No balance was outstanding at 30 June 2010 (2009: \$168,750).
- h) Craig Stobo and Graeme Horsley as non-executive directors of AMP Haumi Management Limited were paid \$20,000 each by ANZO for services in relation to the corporate governance review (2009, \$nil). No balance was outstanding at 30 June 2010 (2009: \$nil).
- i) ANZO received rental income from AMP Capital investors (New Zealand) Limited and AMP Financial Services Limited for premises leased in AMP Centre and HP Tower. Total rent received by ANZO during the year was \$4,795,791 (2009: \$4,222,768). As at 30 June 2010 an amount of \$9,626 was owing to ANZO from AMP Capital Investors (New Zealand) Limited and AMP Financial Services Limited (2009: owing to AMP Capital \$12,446).
- j) ANZO has seventeen subsidiary loans which are all subject to individual loan facility agreements with variable interest rates as set by ANZO. See note 9. The total loans to subsidiary companies at 30 June 2010 was \$884,802 (2009: \$928,831).
- No related party debts for ANZO and the Trust have been written off or forgiven during year (2009: \$nil).

### 12) RECONCILIATION OF NET PROFIT (LOSS) WITH CASH INFLOW (OUTFLOW) FROM OPERATING ACTIVITIES

	Consolidated		The Trust	
	12 months 2010 \$000	12 months 2009 \$000	12 months 2010 \$000	12 months 2009 \$000
Net profit (loss) after taxation	(152,118)	(192,843)	16,277	241
Add (less) non-cash items and non operating items				
Unrealised net change in value of investment properties	115,349	248,301	-	-
Realised gain on sale of investment properties	(735)	-	-	-
Unrealised net change in value of development properties	-	34,446	-	-
Unrealised interest rate swap gain (loss)	5,091	19,718	5,091	19,718
Deferred tax	93,087	(60,344)	(1,527)	(5,915)
Amortisation	584	-	-	-
Movement in working capital				
Increase (decrease) in creditors	6,837	(2,873)	1,583	(3,013)
(Increase) decrease in debtors	(5,170)	(2,338)	(1,384)	(740)
<b>Net cash inflow from operating activities</b>	<b>62,925</b>	<b>44,067</b>	<b>20,040</b>	<b>10,290</b>

### 13) SEGMENT INFORMATION

During the current and previous financial year ANZO operated solely in the CBD Office Property investment market in New Zealand.

### 14) OTHER CURRENT LIABILITIES

	Consolidated		The Trust	
	30 June 2010 \$000	30 June 2009 \$000	30 June 2010 \$000	30 June 2009 \$000
Trade creditors	3,815	1,760	-	-
Other liabilities	6,784	4,457	4,585	4,571
Property capital creditors	1,538	1,259	-	-
<b>Total other current liabilities</b>	<b>12,137</b>	<b>7,476</b>	<b>4,585</b>	<b>4,571</b>

## 15) CONTINGENT LIABILITIES

There are no contingent liabilities for the year ended 30 June 2010 (2009: \$nil).

## 16) LOAN FACILITY

ANZO has a cash advance facility with Bank of New Zealand (BNZ) and Westpac Banking Corporation (Westpac) for \$342,500,000 (2009:\$342,500,000). The maturity profile for the facility is as follows:

		Consolidated		The Trust	
		12 months 2010 \$000	12 months 2009 \$000	12 months 2010 \$000	12 months 2009 \$000
<b>Bank facility limit</b>	<b>Maturity Date</b>				
Bank of New Zealand	Nov-11	121,250	121,250	121,250	121,250
Westpac Banking Corporation	Nov-11	121,250	121,250	121,250	121,250
Bank of New Zealand	Jun-12	50,000	50,000	50,000	50,000
Westpac Banking Corporation	Jun-12	50,000	50,000	50,000	50,000
Total debt facility limit		342,500	342,500	342,500	342,500
<b>Bank facility drawn</b>	<b>Maturity Date</b>				
Bank of New Zealand	Nov-11	121,250	116,000	121,250	116,000
Westpac Banking Corporation	Nov-11	121,250	116,000	121,250	116,000
Bank of New Zealand	Jun-12	9,750	17,000	9,750	17,000
Westpac Banking Corporation	Jun-12	9,750	17,000	9,750	17,000
Total debt facility drawn		262,000	266,000	262,000	266,000

The loan facility contains a negative pledge obligation on ANZO and its subsidiary companies. ANZO's covenants require total liabilities (excluding deferred tax and MCNs) to not exceed 40% of total assets.

Interest rates charged on the facility are at the 90-day benchmark borrowing rate (BKBM rate plus a margin). As at 30 June 2010 the weighted average interest rate applying to these funds was 3.76% (includes margin) (2009: 3.89%). Through the use of interest rate swaps ANZO has as of 30 June 2010 effectively fixed the interest rate on \$247,500,000 being 94.5% (2009: \$267,500,000, 100.6%) of its total debt at a weighted average interest rate of 7.37% (includes margin) (2009: 7.41%). The weighted average term of the swaps is 4.7 years (2009: 4.6 years).

ANZO also pays a fee for the facility which is payable quarterly to BNZ and Westpac. ANZO also pays a facility agent fee to BNZ.

## 17) COMMITMENTS

ANZO has no outstanding capital commitments as of 30 June 2010 (2009: \$4,572,000 relating to the 21 Queen Street development).

### Operating lease commitments as lessor

ANZO has entered into commercial property leases on its investment property portfolio. These non-cancellable leases have remaining non-cancellable lease terms of between one and 48 years.

Future minimum rentals receivable under non-cancellable operating leases as at 30 June are as follows:

	Consolidated		The Trust	
	12 months 2010 \$000	12 months 2009 \$000	12 months 2010 \$000	12 months 2009 \$000
Within one year	107,111	103,645	-	-
After one year but not more than five years	272,832	274,032	-	-
More than five years	175,581	176,117	-	-

Note: The above rental numbers are based on contract rates as at 30 June 2010 and 30 June 2009. Actual rental amounts in future will differ due to rent review provisions within the lease agreements. The commitments are calculated using the expiry dates of lease contracts and do not include break options.

## Notes to the Financial Statements (continued)

For the year ended 30 June 2010

## 18) TAXATION

## Statement of Comprehensive Income

Major components of income tax expense for the years ended 30 June 2010 and 2009 are:

	Consolidated		The Trust	
	12 months 2010 \$000	12 months 2009 \$000	12 months 2010 \$000	12 months 2009 \$000
<b>Current tax</b>	9,390	4,004	8,505	4,004
<b>Deferred tax</b>				
Unrealised gain (loss) on revaluations - current year	112,689	(56,320)	-	-
Unrealised gain on revaluations - Tax rate change 2010	(3,759)	-	-	-
Unrealised gain (loss) on swap revaluations	(1,527)	(5,915)	(1,527)	(5,915)
Depreciation - current year	(8,812)	1,891	-	-
Depreciation - Tax rate change 2010	(5,727)	-	-	-
Other	223	-	-	-
<b>Total deferred tax</b>	<b>93,087</b>	<b>(60,344)</b>	<b>(1,527)</b>	<b>(5,915)</b>

A reconciliation of income tax expense applicable to accounting profit before income tax at statutory income tax rate to income tax expense at ANZO's effective tax rate for the years ended 30 June 2010 and 2009 is as follows:

<b>Net profit (loss) before taxation</b>	(49,641)	(249,183)	23,255	(1,670)
<b>At the statutory income tax rate of 30.0% (2009:30.0%)</b>	(14,892)	(74,755)	6,976	(501)
Non-assessable gain (loss) on revaluations/impairments	144,986	28,503	-	-
Non-deductible expenditure	3,764	(1,617)	2	-
Other adjustments	223	-	-	-
Recognition of previously unrecognised tax losses	-	-	-	(1,410)
Depreciation	(19,811)	(8,472)	-	-
Effect of change in corporate tax rate to 28%	(11,792)	-	-	-
<b>At the effective income tax rate of 206.4% (2009: 21.4%)</b>	<b>102,477</b>	<b>(56,340)</b>	<b>6,978</b>	<b>(1,911)</b>
<b>The taxation charge is represented by</b>				
Current taxation	9,390	4,004	8,505	4,004
Deferred taxation	93,087	(60,344)	(1,527)	(5,915)
	102,477	(56,340)	6,978	(1,911)

## Statement of Financial Position

	Consolidated		The Trust	
	12 months 2010 \$000	12 months 2009 \$000	12 months 2010 \$000	12 months 2009 \$000
<b>Deferred income tax asset at 30 June relates to the following:</b>				
Revaluation of interest rate swaps to fair value	6,101	4,573	6,101	4,573
<b>Deferred income tax liability at 30 June relates to the following:</b>				
Revaluation of investment properties to fair value	165,308	56,378	-	-
Depreciation clawback	71,363	85,903	-	-
Revaluation of interest rate swaps to fair value	-	-	-	-
Other	223	-	-	-
<b>Total deferred tax liability</b>	<b>230,793</b>	<b>137,708</b>	<b>(6,101)</b>	<b>(4,573)</b>

ANZO has no New Zealand tax losses available to carry forward as at 30 June 2010 (2009: \$nil)

As at 30 June 2010, ANZO holds its properties on capital account for income tax purposes. The deferred tax liability on the revaluations shown above is unlikely to crystallise.

The utilisation of the deferred tax assets is dependent on future taxable profits in excess of the profits arising from the reversal of existing taxable temporary differences. The recognition is evidenced by forecasts of taxable income arising in the next ten years.

## 19) IMPUTATION CREDIT ACCOUNT

	Consolidated		The Trust	
	12 months 2010 \$000	12 months 2009 \$000	30 June 2010 \$000	30 June 2009 \$000
Opening credit balance	1,738	1,009	1,738	1,009
Prior period	-	-	-	-
Taxation paid	6,300	4,750	6,300	4,750
Imputation credits attached to distributions	(7,487)	(4,021)	(7,487)	(4,021)
Closing credit balance	551	1,738	551	1,738

## 20) EARNINGS PER UNIT

Basic earnings per unit amounts are calculated by dividing net profit/change in net assets for the year attributable to ordinary unit-holders - excluding distributions to unit-holders of the parent by the weighted average number of units outstanding during the year.

Diluted earnings per unit amounts are calculated by dividing the net profit/change in net assets attributable to unit-holders - excluding distributions to unit-holders by the weighted average number of units outstanding during the year.

The following reflects the income and unit data used in the total operations basic and diluted earnings per unit computations:

	Consolidated	
	12 months 2010 \$000	12 months 2009 \$000
Net profit (loss) after tax for basic and diluted earnings per unit	(152,118)	(192,843)
Weighted average number of units for basic and diluted earnings per unit	997,718	705,049

There have been no new securities issued subsequent to balance date that would affect the above calculations.

## 21) DISTRIBUTIONS PAID AND PROPOSED

The following distributions were declared and paid during the year

	Consolidated		The Trust	
	12 months 2010 \$000	12 months 2009 \$000	12 months 2010 \$000	12 months 2009 \$000
Q4 2009 final distribution: 1.333 cents (Q4 2008 2.045 cents)	13,300	14,071	13,300	14,071
Q1 2010 interim distribution: 1.499 cents (Q1 2009: 1.839 cents)	14,956	12,654	14,956	12,654
Q2 2010 interim distribution: 1.523 cents (Q2 2009 1.824 cents)	15,195	12,550	15,195	12,550
Q3 2010 interim distribution 1.475 cents (Q3 2009 1.341 cents)	14,716	9,228	14,716	9,228
Total distributions paid	58,167	48,503	58,167	48,503
Distribution approved subsequent to balance date				
Q4 2010 final distribution 1.616 cents (Q4 2009: 1.333 cents)	16,123	13,300	16,123	13,300

## AMP NZ OFFICE TRUST

# Notes to the Financial Statements (continued)

For the year ended 30 June 2010

### 22) RECONCILIATION OF DISTRIBUTABLE SURPLUS AND DISTRIBUTION RESERVE

ANZO's current distribution policy is to distribute 90%-110% of its distributable profit. Distributable profit is net profit after tax/change in net assets, 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.

	Consolidated	
	12 months 2010 \$000	12 months 2009 \$000
Net profit (loss) after taxation	(152,118)	(192,843)
Realised loss on cancellation of swaps	-	9,907
Unrealised net change in value of investment properties	115,349	248,301
Realised gain on sale of investment properties	(735)	-
Impairment loss on development properties	-	34,446
Unrealised interest rate swap gain (loss)	5,091	19,718
Deferred tax expense (benefit)	93,087	(60,344)
Distributable profit	60,674	59,185
Distribution reserve opening balance	15,558	4,105
Distributable profit for the year	60,674	59,185
Q1 2010 interim distribution: 1.499 cents (Q1 2009: 1.839 cents)	(14,956)	(12,654)
Q2 2010 interim distribution: 1.523 cents (Q2 2009 1.824 cents)	(15,195)	(12,550)
Q3 2010 interim distribution 1.475 cents (Q3 2009 1.341 cents)	(14,716)	(9,228)
Q4 2010 final distribution 1.616 cents (Q4 2009: 1.333 cents)	(16,123)	(13,300)
Distribution reserve closing balance	15,242	15,558

### 23) RETAINED EARNINGS

	Consolidated		The Trust	
	12 months 2010 \$000	12 months 2009 \$000	12 months 2010 \$000	12 months 2009 \$000
Opening balance	144,659	397,458	(165,759)	(117,497)
Net profit (loss) after taxation	(152,118)	(192,843)	16,277	241
Distributions	(58,167)	(48,503)	(58,167)	(48,503)
Transfer to distribution reserve	316	(11,452)	-	-
Closing balance	(65,310)	144,659	(207,649)	(165,759)

## 24) UNITS ON ISSUE

	Consolidated		The Trust	
	12 months 2010 Units (000s)	12 months 2009 Units (000s)	12 months 2010 Units (000s)	12 months 2009 Units (000s)
Units issued	997,718	997,718	997,718	997,718

	Consolidated		The Trust	
	Units (000s)	\$000	Units (000s)	\$000
Movement in units on issue				
<b>At 1 July 2008</b>	688,083	622,090	688,083	622,090
Units issued	309,635	201,263	309,635	201,263
Issue costs	-	(6,195)	-	(6,195)
<b>At 1 July 2009</b>	997,718	817,158	997,718	817,158
Units issued	-	-	-	-
Issue costs	-	(39)	-	(39)
<b>At 30 June 2010</b>	997,718	817,119	997,718	817,119

The total number of units outstanding as at 30 June 2010 are 997,718,478 (2009: 997,718,478). The units carry full voting rights, no redemption rights and are subject to the terms of the Trust Deed. No further units were issued in the financial year ended 30 June 2010. On 11 June 2009 ANZO issued 309,635,422 units at \$0.65 per unit. Issue costs of \$6,195,516 were netted off from the issue proceeds.

## 25) EVENTS AFTER BALANCE DATE

### a) Payment of final dividend

On 2 August 2010 the Board approved the financial report for issue and approved the payment of a dividend of \$16,123,131 (1.616 cents per unit) to be paid on 24 August 2010.

- b) In October 2009, the Manager of ANZO, AMP Haumi Management Limited, announced a strategic review of the corporate governance and asset management fee models for ANZO. The Manager is intending to seek unit-holder approval for the following changes being proposed:

#### Corporatisation Proposal

ANZO is to be converted from a listed Unit Trust into a Listed Company. Effectively the units held in AMP NZ Office Trust will be exchanged for shares in the subsidiary AMP NZ Office Limited. There will be no change to the underlying assets the ANZO group.

#### Asset Management Fee Proposal

Under the Trust Deed, the Manager and the Trustee are required to review the Managers fee every two years. As part of the 2009 fee review the Manager is proposing to introduce a new management fee structure. The current Asset Management Fee is 0.65% of Gross Investment Assets. The Manager proposes that this fee be replaced by a more sophisticated fee structure that better reflects current best practice, under which the Manager is entitled to:

- (i) A tiered base fee equal to 0.55% of the Value of the Investment Properties of the Trust up to \$1b and 0.45% to the extent the Value of the Investment Properties of the Trust exceed \$1b.
- (ii) A performance fee depending upon the market return performance of Units in the Trust relative to other property vehicles listed on NZSX.

The revised fee arrangements are intended to apply to the financial year commencing 1 July 2010 and each financial year thereafter (and it is also intended to effectively backdate the new fee regime to the financial year ended 30 June 2010). If the Management Fee Proposal is approved by unit-holders, the Manager will be refunding ANZO \$741,756 for Asset Management Fee's charged for the year ended 30 June 2010.

# Auditor's report



Chartered Accountants

## To the unit holders of AMP NZ Office Trust

### Report on the Financial Statements

We have audited the financial statements of AMP NZ Office Trust and group on pages 38 to 59, which comprise the statement of financial position of AMP NZ Office Trust and group as at 30 June 2010, the statement of comprehensive income, statement of changes in equity and cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory information.

This report is made solely to the Trust's unit holders, as a body, in accordance with the Financial Reporting Act 1993. Our audit has been undertaken so that we might state to the Trust's unit holders those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Trust and the Trust's unit holders as a body, for our audit work, for this report, or for the opinions we have formed.

### Manager's Responsibility for the Financial Statements

The Manager is responsible for the preparation of the financial statements, in accordance with generally accepted accounting practice in New Zealand and that give a true and fair view of the matters to which they relate, and for such internal control as the Manager determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

### Auditor's Responsibility

Our responsibility is to express an opinion on the financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing (New Zealand). These auditing standards require that we comply with relevant ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected, depend on our judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we have considered the internal control relevant to the entity's preparation of the financial statements that give a true and fair view of the matters to which they relate in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates, as well as evaluating the overall presentation of the financial statements.

We believe we have obtained sufficient and appropriate audit evidence to provide a basis for our audit opinion.

Other than in our capacity as auditor we have no relationship with, or interest in AMP NZ Office Trust or any of its subsidiaries.

### Opinion

In our opinion, the financial statements on pages 38 to 59:

- comply with generally accepted accounting practice in New Zealand;
- comply with International Financial Reporting Standards; and
- give a true and fair view of the financial position of AMP NZ Office Trust and group as at 30 June 2010 and their financial performance and cash flows for the year then ended.

### Report on Other Legal and Regulatory Requirements

We have obtained all the information and explanations we have required.

In our opinion proper accounting records have been kept by AMP NZ Office Trust and group as far as appears from our examination of those records.

*Ernst & Young*

2 August 2010

Wellington

# Unit-holdings

20 August 2010

AMP NZ Office Trust during the year had only one class of units on issue being APT Units

TOP 20 UNIT-HOLDERS – APT	UNITS	% HOLDING
HAUMI COMPANY LIMITED	198,524,814	19.90%
ACCIDENT COMPENSATION CORPORATION - NZCSD ACCI40	87,714,427	8.79%
HSBC NOMINEES (NEW ZEALAND) LIMITED A/C STATE STREET -NZCSD HKBN45	49,208,056	4.93%
PREMIER NOMINEES LIMITED ARMSTRONG JONES PROPERTY SECURITIES FUND - NZCSD	37,417,034	3.75%
INVESTMENT CUSTODIAL SERVICES LIMITED A/C C	36,472,378	3.66%
FNZ CUSTODIANS LIMITED	32,357,506	3.24%
CUSTODIAL SERVICES LIMITED A/C 3	31,648,916	3.17%
HSBC NOMINEES (NEW ZEALAND) LIMITED - NZCSD HKBN90	30,740,278	3.08%
BT NZ UNIT TRUST NOMINEES LIMITED - NZCSD BTUT90	25,177,157	2.52%
PRIVATE NOMINEES LIMITED RESIDENTS A/C	21,834,442	2.19%
NEW ZEALAND SUPERANNUATION FUND NOMINEES LIMITED -NZCSD SUPR40	14,814,872	1.49%
MFL MUTUAL FUND LIMITED - NZCSD	13,172,796	1.32%
CITIBANK NOMINEES (NEW ZEALAND) LIMITED - NZCSD CNOM90	13,138,169	1.32%
NATIONAL NOMINEES NEW ZEALAND LIMITED - NZCSD NNLZ90	10,283,807	1.03%
CUSTODIAL SERVICES LIMITED A/C 2	9,322,346	0.93%
ASB NOMINEES LIMITED 677680 A/C	7,963,606	0.80%
FORSYTH BARR CUSTODIANS LIMITED ACCOUNT 1 M	6,992,765	0.70%
CUSTODIAL SERVICES LIMITED A/C 1	6,681,681	0.67%
AMP INVESTMENTS STRATEGIC EQUITY GROWTH FUND - A/C NZCSD	6,274,195	0.63%
MINT NOMINEES LIMITED - NZCSD	5,986,380	0.60%
	<b>645,725,625</b>	<b>64.72%</b>

LOCATION ANALYSIS – UNIT-HOLDERS – APT	UNITS
New Zealand	981,595,245
Australia	14,413,007
United Kingdom	569,244
USA	381,624
Singapore	184,820
Canada	165,166
Switzerland	160,214
Hong Kong	64,644
France	40,200
United Arab Emirates	38,280
China	25,870
Japan	18,895
Papua New Guinea	13,300
Chile	8,000
Bahrain	7,609
Germany	6,550
French Polynesia	6,500
Spain	6,500
Andorra	6,250
Qatar	4,300
Thailand	2,260
	<b>997,718,478</b>

UNIT HOLDING ANALYSIS – UNIT-HOLDERS – APT	HOLDERS	QUANTITY
1 - 999	81	49,590
1,000 - 1,999	190	265,247
2,000 - 4,999	645	2,189,385
5,000 - 9,999	1,262	8,921,202
10,000 - 49,999	4,410	102,199,587
50,000 - 99,999	853	57,011,976
100,000 - 499,999	432	77,061,052
500,000 - 999,999	26	18,916,025
1,000,000 - 999,999,999	52	731,104,414
	<b>7,951</b>	<b>997,718,478</b>

SUBSTANTIAL SECURITY HOLDERS	AUGUST 20, 2010	
	UNITS	% HOLDING
ISSUER OF NOTICE		
AMP Capital Investors (New Zealand) Limited <sup>1</sup>	212,825,632	21.33%
Haumi Company Limited <sup>2</sup>	212,825,632	21.33%
Blair Cooper <sup>3</sup>	87,749,427	8.80%
Accident Compensation Corporation <sup>3</sup>	87,714,427	8.79%
ING (NZ) Limited	69,457,242	6.96%

1 AMP Capital Investors (New Zealand) Limited Substantial Security Holder Notice filed on 29 January 2010 includes Haumi Company Limited units of 198,524,814.

2 Haumi Company Limited's notice given on 1 February 2010 reflects a beneficial relevant interest of 19.90% (198,524,814 units), and a non-beneficial relevant interest of 1.43% (the latter representing 14,300,818 units held by AMP Capital Investors (New Zealand) Limited managed funds, in which Haumi Company Limited has a non-beneficial relevant interest by virtue of a Specified Rights Deed with AMP Capital entered into on 19 February 2008 (further details of which are set out on page 35).

3 Blair Cooper provided notice on 5 August 2010 reflecting Accident Compensation Corporation's units of 87,714,427 and Blair Cooper's beneficial ownership of 35,000 units.

The preceding information is given pursuant to Section 26(1) of the Securities Market Act 1988. The preceding investing entities are registered by the Trust as at 20 August 2010 as Substantial Security Holders in the Trust, having declared relevant interests in the Trust's voting securities in terms of Section 25 of the Securities Markets Act 1988.

#### DIRECTOR'S RELEVANT INTERESTS

As at 20 August 2010, Graeme Horsley had a relevant interest in 310,000 ANZO units

# Glossary

**ACCRETIVE** Adding to. A term often used by sharemarket analysts. New initiatives by ANZO are usually planned to be accretive to earnings.

**ACQUISITION** Purchase (of an asset).

**ADJUSTED NET TANGIBLE ASSET BACKING** NTA excluding deferred tax liability on revaluation gains.

**AMP CAPITAL** AMP Capital Investors (New Zealand) Limited. A joint venture partner in ANZO's management company.

**ANZO** The preferred abbreviation for AMP NZ Office Trust.

**APT** The New Zealand Stock Market code for ANZO units.

**ASSET MANAGEMENT** The business of combining physical property management and strategic management to maximise the total return to investors.

**CAPITAL EXPENDITURE** Expenditure such as refurbishment works, which improves the long-term value of an asset and is not categorised as operating expenses.

**CBD** Central Business District.

**CONTIGUOUS (FLOOR PLATES)** The uninterrupted flow of floors in an office building. Customers occupying multiple floors generally prefer contiguous levels to minimise staff time spent travelling between floors.

**COUPON RATE/PAYMENT** Interest payable on convertible notes (see MCNs for more detail).

**DISTRIBUTABLE PROFIT** 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.

**DISTRIBUTION RESERVE ACCOUNT** A retained earnings account into which funds are set aside to allow unit-holder returns to be maintained through any unforeseen short-term dips in cashflow.

**DIVESTMENT** Sale (of an asset).

**DPU** Distribution per unit, the income return paid to ANZO unit-holders.

**FLOOR PLATES** The size and shape of floors in an office building, measured in square metres. Larger floor plates, with a minimum of supporting columns, are desirable because they allow customers to achieve effective and efficient use of space.

**HAUMI** A New Zealand subsidiary of a major international investor.

**HEAD LEASE** A lease which allows the incumbent occupier to sub-lease space to others. Head leases were in place on some of ANZO's properties when they were acquired. These have gradually expired and ANZO has set out to establish direct relationships with the sub-lessors.

**GREEN STAR** Adapted from the Australian Green Star rating system, the industry standard in Australia, Green Star NZ is a suite of rating tools designed to establish a common language and standard of measurement for green building, raise awareness of green building benefits, promote integrated whole-building design, recognise environmental leadership and reduce the environmental impact of development.

**INDEPENDENT VALUATION** Property valuation undertaken by independent valuers to determine the market value of a property at a specified date (usually balance date).

**INITIAL YIELD (INCOME YIELD)** The current net rental for a property, expressed as a percentage of the current capital value. This differs from capital yield, which is the return derived from changes in the value of an investment property.

**INTERNAL RATE OF RETURN (IRR)** The total (income and capital) average annual return on an investment property over a 10-year term.

**LEASE RESTRUCTURING** Re-negotiation (and possibly re-configuration) of a customer's existing lease agreement.

**MANAGER** AMP Haumi Management Limited.

**MCNs** Mandatory convertible notes.

**NET AND GROSS LEASES** A net lease agreement is one in which the specified rental does not include building operating expenses such as rates, insurance, maintenance and common area electricity. These costs are additional to the rental and are recovered by the landlord from the occupier. A gross lease is one in which the specified rental includes operating expenses.

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**NET LETTABLE AREA** The area of a building which can be leased. It excludes common areas such as foyers, and also service cores which contain lifts and other building services.

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**NET PROFIT** ANZO's net profit is arrived at by deducting direct and indirect operating expenses and taxation from revenues, then taking into account any unrealised gains or losses arising from property revaluations and interest rate swaps.

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**NET TANGIBLE ASSET BACKING** The value of gross assets, less all debt and other liabilities, usually divided by the number of units on issue and expressed as cents per unit.

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**NOTES** See MCNs.

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**NZ IFRS** New Zealand equivalents to International Financial Reporting Standards. ANZO adopted these accounting standards from 1 July 2006.

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**NZSX** New Zealand Stock Market, a securities market operated by NZX.

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**NZX** New Zealand Exchange Limited, formerly known as the New Zealand Stock Exchange.

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**OCCUPANCY RATE** A measure of the space within an individual property or property portfolio which has been leased, expressed as a percentage of the net lettable area.

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**OPERATING EXPENSES** Costs directly associated with the running of a property, such as rates, insurance, maintenance and cleaning of common areas.

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**PIE (Portfolio Investment Entity) REGIME** The investment taxation changes which provide a level playing field for the taxation of property investments taken directly by individuals and investment vehicles like ANZO.

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**PRE-COMMITMENT** The level of leasing achieved in a property project prior to its completion.

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**PREMIUM OR PRIME OFFICE PROPERTY** Well-located, well-appointed CBD office buildings of architectural merit and generous proportions, finished to a very high standard. Prime office properties feature flexible space, large floor plates, superior buildings services, appropriate car parking and programmed maintenance.

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**PRIME SECTOR** The portion of the overall office market which comprises prime office properties.

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**RATCHET CLAUSE** A mechanism in a lease agreement which prevents the rental from decreasing. Ratchet clauses favour the landlord and mean that rents either increase, or remain at their present levels, at the time of a rent review.

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**RENT REVIEW** A future date included in a lease agreement, at which the customer and landlord will review the rental contract.

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**SURRENDER (A LEASE)** Customers who no longer require the space they have leased may surrender, or give back, all or part of their premises. Under the lease agreement, a surrender payment may be owed to the landlord.

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**SWAP** An agreement to exchange a series of payments based on floating interest rates, for a series of payments based on fixed rates (or vice versa).

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**TOTAL OCCUPANCY COSTS** A customer's all-up expenditure on its premises. It can be a wise commercial decision for a customer to pay a higher rental per square metre if the in-built efficiencies of a property (e.g. larger floor plates) allow them to occupy less space, reducing overall costs.

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**TOTAL RETURN** The return to investors comprising income (dividend distribution) returns and capital value (changes in unit price).

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**TRUST DEED** The Trust Deed under which ANZO was formed.

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**TRUSTEE** Perpetual Trust Limited. See Corporate Governance section for more information.

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**UNDER-RENTING** Where rent payable under a lease is less than market rents.

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**UNIT** A unit in ANZO, a unit trust listed on the New Zealand Exchange.

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**VACANCY** Lettable space in a property or portfolio which is not currently leased.

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**WEIGHTED AVERAGE LEASE TERM (WALT)** The unexpired lease term in a property or portfolio, weighted by the net lettable area or the income applicable to each lease.

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**YIELD (INCOME)** The annual income derived from an asset, expressed as a percentage of value, cost or purchase price.

# DIRECTORY

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Chairman

**Graeme Horsley**

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**Andrew Bird** B. Bus. (Land Economy), FINSIA, ASIA

**Anthony Beverley**

MCom (VPM) (Hons) First Class, FNZIV, FPINZ, FINSIA

**Mohamed Ahmed Darwish Karam Al Qubaisi**, BA Bus.

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**Andrew Penn** LLB

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## DIRECTORS OF THE TRUSTEE

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**John Duncan**

**Patrick Middleton**



## TRUST

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Portfolio Manager - Commercial

**Paul Broughton**  
Asset Manager - Wellington

**Graham Kristiffor**, BProp  
Asset Manager - Auckland

**Glenn Robinson**, BCA  
Accountant

**Dave Luxton**, BBS (VPM)  
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## MANAGING YOUR UNIT-HOLDING ONLINE

To change your address, update your payment instructions and to view your investment portfolio including transactions, please visit:  
[www.computershare.co.nz/investorcentre](http://www.computershare.co.nz/investorcentre)

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Telephone +64 9 488 8777 Facsimile +64 9 488 8787  
Please assist our registrar by quoting your CSN or unitholder number.



### PRICEWATERHOUSECOOPERS TOWER



Completed in 2002 using state-of-art building technology, the 29-level PwC Tower on Auckland's waterfront incorporates some of the country's largest floor plates (over 1,350 sqm), 11 retail premises and 358 carparks. The tower remains one of Auckland's iconic landmarks.

### ANZ CENTRE



Topped by a unique geodesic dome, the ANZ Centre is one of New Zealand's tallest and most recognisable buildings, occupying a key site on Auckland's Albert Street. With its distinctive polished Spanish granite façade and full-height windows, it provides generous natural light and expansive views of Auckland city and the Waitemata Harbour.

### 151 QUEEN STREET



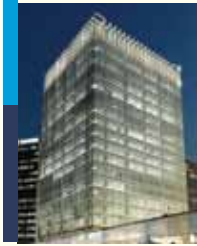
151 Queen Street comprises 21 levels of high-quality office accommodation, two levels of retail and a health club including tennis court and swimming pool. Built in 1989, the prime office building's distinctive architecture is set off with Argentinean Red Dragon granite cladding and a copper-tinted glass façade.

### AMP CENTRE



AMP Centre is a 25-level building with excellent views to Viaduct Harbour and across to the Hauraki Gulf. It occupies a prominent site in what remains one of Auckland's fastest-growing commercial precincts, the waterfront. The property has large flexible floor plates making it attractive to corporate customers requiring spacious and efficient work areas.

### 21 QUEEN STREET



21 Queen Street comprises 15 storeys of high-quality office accommodation. This newly redeveloped 5 star green star rated building features a two-storey entrance gallery and lobby. At the heart of the waterfront precinct, the building meets the most advanced building services standards available in New Zealand.

### 125 THE TERRACE



125 The Terrace comprises 13 levels of superior office accommodation, two levels of retail and four of carparks. The blue glass and granite exterior finishes merge to create an attractive landmark that provides some of Wellington's best-appointed office accommodation.

### HP TOWER



HP Tower is the office tower component of a 26-level dual office/hotel complex occupying a key Wellington waterfront location with uninterrupted views of the harbour and featuring distinctive bronze-tinted glass cladding and strong vertical lines. The building comprises the upper 13 levels, three basement levels of car parks and part of the ground floor.

### STATE INSURANCE TOWER



Located in Wellington's CBD, State Insurance Tower is one of New Zealand's best known office buildings. Its 22 office floors enjoy excellent harbour views and natural sunlight from all cardinal points. The building also enjoys golden-mile retail street front exposure one-and-a-half levels of car parking and an enclosed subterranean retail level.

### VODAFONE ON THE QUAY



This building has a distinctive presence on Lambton Quay and is at the very centre of Wellington's dynamic business environment, close to the major banks and institutions as well as the courts, Parliament and Treasury. The office floors have panoramic views of the harbour and inner city, and provide column free office space and efficient floor layout.

### PASTORAL HOUSE



An 18-level A-grade building comprising 17 levels of office accommodation and one ground floor retail level. It has wide dual frontages to The Terrace and Lambton Quay, and offers easy access to Crown departments, Parliament and transport hubs. The property's refurbishment was completed in 2005.

### MAYFAIR HOUSE



Constructed in 1986, this building enjoys a favourable aspect at the northern end of The Terrace, just 200 metres from Parliament and close to key Crown departments. It comprises 13 office floors, each of 1,055 sqm – some of the largest and most efficient plate sizes within the Crown precinct – and includes 251 car parks.

### NO. 1 THE TERRACE



No. 1 The Terrace occupies the prestigious corner location of The Terrace and Bowen Street in Wellington, adjacent to Parliament Buildings, the Beehive and the Reserve Bank. Its redevelopment was completed in 2006 and it is now an 18-level building with an adjoining low-rise annex featuring some of the largest CBD floor plates in New Zealand.

### AXA CENTRE



Near Crown offices, car parks, bus and rail transport links, with nearby on and off ramps to the urban motorway, the AXA Centre comprises 14 levels of A-grade office accommodation on top of four levels (eight split levels) of carparks.

### CHEWS LANE



Chews Lane is a premium-grade, recently completed office complex acquired in 2007. The building quality and large efficient floor plates along with a 15-year lease to a Crown entity make this a very compelling investment.

### DELOITTE HOUSE



In the heart of the Wellington CBD Deloitte House enjoys triple frontages to Brandon and Featherston Streets and Customhouse Quay. Built in 1983, the building's extension and refurbishment was completed in 2007 and now comprises 16 office floors, ground floor retail and a basement car parking level.