



## Annual Meeting 8 July 2010 Notice of Meeting

### NOTICE

Notice is given that the Annual Meeting of Shareholders of DNZ will be held at the Guineas Room, Ellerslie Racecourse, 80-100 Ascot Avenue, Greenlane, Auckland on Thursday the 8<sup>th</sup> of July 2010 commencing at 10 am.

A number of terms used in this Notice of Meeting are defined in the Glossary on page 6.

### BUSINESS

At the Annual Meeting there will be a presentation detailing the performance of the Company for the year ended 31 March 2010. Shareholders will have an opportunity to question the Board on the Company's performance and to consider any other business that may be properly brought before the meeting. Shareholders will be asked to vote on two resolutions at the Annual Meeting, one to authorise the directors to fix the fees and expenses of the Company's auditors and one to approve a capital raise.

Resolutions 1 and 2 will be binding on the Board and Company if passed.

The Board recommends that you **vote in favour** of Resolutions 1 and 2.

Please ensure that you read and consider the following Resolutions together with the Explanatory Notes.

### RESOLUTIONS

#### Resolution 1 – Fees and expenses of auditor

***To be passed as an ordinary resolution of all Shareholders***

*That the Directors be authorised to fix the fees and expenses of the auditor of the Company.*

#### Resolution 2 – Capital Raising

***To be passed as an ordinary resolution of all Shareholders***

*That the Company be authorised to undertake the Offer, as more particularly described in the Explanatory Notes to the Notice of Meeting, including the pro-rata share issue, under which Shareholders in the Company will be offered the right to subscribe for shares in the Company having an aggregate value of up to \$35 million, and any additional shares offered at the discretion of the Board of up to \$10 million.*

### PROCEDURAL NOTES

**Procedural Note for Resolutions:** Each of Resolutions 1 and 2 will only be passed if approved by a majority of votes cast by Shareholders entitled to vote and voting.

By order of the Board of DNZ

Tim Storey  
Chairman

21 June 2010

# Explanatory Notes

## RESOLUTION 1: AUDITOR

Section 200 of the Companies Act 1993 provides that a company's auditor is automatically re-appointed unless there is a resolution or other reason for the auditor not to be re-appointed. The Company wishes Staples Rodway to continue as the Company's auditor, and Staples Rodway has indicated its willingness to do so.

Section 197(a) of the Companies Act 1993 provides that the fees and expenses of the auditor are to be fixed in such a manner as the Company determines at the Annual Meeting. The Board proposes that, consistent with commercial practice, the auditor's fees should be fixed by the Directors. Authority for the Directors to fix the fees and expenses of the auditor is a resolution at each Annual Meeting of Shareholders of the Company.

## RESOLUTION 2: CAPITAL RAISING

### BACKGROUND

Following the investor briefings and meetings with Shareholder representative groups, the Board has decided on the path forward that it considers to be in the best interests of the Company and its Shareholders.

**1. Internalisation of the Manager:** Internalisation including termination of the existing management contract and adoption of the constitution approved by Shareholders at last year's annual meeting and is expected to be completed on 1 July 2010.

**2. Listing on the NZSX:** application for listing will be made to NZX with listing (if approved) expected to occur by mid August 2010.

**3. Capital raising:** if approved, the offer is expected to be made immediately following the Annual Meeting.

As requested by Shareholders the capital raising is being presented to Shareholders for approval.

The amount of the capital raising is the minimum amount that the Board believes is required to provide an acceptable bank debt level for the Company and improve share price performance. The modest capital raising and the fact that it is being offered to Shareholders first will reduce dilution to Shareholders' interests arising from the capital raising.

The funds raised from the capital raising, along with an ongoing controlled asset sale programme, would be used to reduce the Company's debt levels to a more acceptable low to mid 40% range.

With the decision to internalise the Manager, adopt the new constitution and make application to list on the NZSX, your Board considers that the Company will have one of the most attractive governance structures amongst the listed property vehicles on the NZSX. The capital raising is expected to provide greater liquidity and an improvement in the share price with an increased dividend.

## KEY TERMS OF OFFER

### A. Entitlement to Shares

The Board is proposing a \$35 million offer of new ordinary Shares (the **Pro Rata Shares**) to existing Shareholders (the **Pro Rata Offer**). Existing Shareholders will be offered these new Shares on a pro rata basis (subject to the exception noted below). A pro rata offer is one that is based on the number of Shares each Shareholder holds. Shareholders will be able to take up all or part of their Pro Rata Shares.

Shareholders who do not accept the Pro Rata Offer will not be able to sell or otherwise transfer their entitlement.

Existing Shareholders who desire to subscribe for more than their entitlement of Pro Rata Shares will receive a priority entitlement to apply for additional Shares equalling up to 50% of their Pro Rata Shares

(the **Excess Subscription Offer**) (subject to scaling). Shares available under the Excess Subscription Offer will consist of Pro Rata Shares not taken up under the Pro Rata Offer and any additional Shares (up to \$10 million) (**Discretionary Shares**) made available at the discretion of the Board. Note that the entitlement is for a dollar amount of Shares and the actual number of Shares to be issued will depend on the issue price of the Shares as determined following the book build at the end of the Offer.

*For example:*

*For an existing Shareholder holding 10,000 Shares:*

- *under the \$35 million Pro Rata Offer, the Pro Rata Shares entitlement would be approximately \$1,763*
- *the maximum entitlement under the Excess Subscription Offer would be approximately \$882*
- *Total entitlement \$2,645*

The procedure for subscription will involve Shareholders filling out an application form and a cheque for a dollar amount, which can be for all or just part of their total entitlement. The amount that can be applied for will be detailed on a personalised application form. The number of Shares to be issued to the Shareholder will be the dollar amount applied for divided by the issue price of the Shares.

## **B. Shares not taken up**

Pro Rata Shares and any Discretionary Shares not taken up by Shareholders under the Pro Rata Offer and the Excess Subscription Offer will be offered to institutions, Company employees and other applicants (the **General Offer**).

## **C. Allocation procedure**

The Pro Rata Offer, Excess Subscription Offer and General Offer together make up the Offer.

The process for allocating Shares under the Offer is:

1. First, Shares will be allocated to Shareholders who have applied under the Pro Rata Offer
2. To the extent available, Shares will then be allocated to Shareholders who have applied under the Excess Subscription Offer
3. Any remaining Shares will be allocated to applicants under the General Offer

## **D. Share Price and Book Build**

The issue price for the Shares paid by all applicants in the Offer (both existing Shareholders and new investors) will be the same. The issue price will not be set prior to the Offer being made but will be determined following the book build process at the end of the Offer.

The book build will operate through invited investors submitting bids for Shares at various prices within an indicative range. A possible issue price for the Offer may then be determined based on the demand at various prices from such investors which would enable the Company to raise at least the minimum sought under the Offer. This process is designed to create competitive tension between the new investors and provide the best price for the new Shares. Ultimately, the issue price will be set at the discretion of the Board.

## **E. Overseas Shareholders**

Having regard to the small number of overseas Shareholders and the cost of complying with the legal and regulatory requirements of overseas jurisdictions, the Pro Rata and Excess Subscription Offers will not be extended to Shareholders resident outside of New Zealand, other than those Australian Shareholders who may participate in the Offer without first having to receive a disclosure document complying with Australian law.

## **F. Status of Shares**

All Shares issued under the Offer will be issued as ordinary Shares under the new constitution of the Company to be adopted as part of the internalisation of the Manager. On adoption of the new constitution, all existing Shares of the Company will become ordinary Shares. Accordingly, all Shares issued under the Offer will on issue rank equally in all respects, including as to dividends (other than the dividend intended to be paid on 12 August 2010) and voting, with all other ordinary Shares of the Company that will exist following adoption of the new constitution.

## **G. Indicative timetable for the Offer**

Suspension of Trading on Unlisted: *from 30 June 2010*

Record date: *following the Annual Meeting*

Offer document mailed to Shareholders: *mid July*

Opening date of Offer: *mid July*

Closing Date of Offer: *early August*

Issue price set: *mid August*

Allotment date: *mid August*

These dates are indicative only, and may change.

## **CONSEQUENCES OF THE VOTE**

If the Resolution is approved, the Company will proceed to finalise and register an offer document for the Offer as soon as possible. It is intended that the record date for the Offer will follow the Annual Meeting. Following its registration, the offer document will be provided to Shareholders together with a personalised application form for the Offer setting out your pro-rata entitlement.

If the Resolution is not approved, the Offer will not proceed. In that situation, the Board will consider other options (considered by the Board to be less favourable) for reducing debt and achieving liquidity in the Shares. This may include further significant asset sales which the Board considers will impact negatively on the earnings of the Company and, therefore, on the sustainability of future dividend payments. The Board will not be prevented from undertaking an alternative share issue or capital raising without Shareholder approval, subject to compliance with the new constitution and, if applicable, the NZX listing rules.

Irrespective of the outcome of the Shareholder vote, internalisation of the Manager is expected to complete on 1 July 2010 and the Board's current intention is then to make application to list the Company on the NZSX, although the Board would expect that if the capital raising is not approved, the higher debt level (expected to be initially in the mid to high 40% range), reduced earnings and greater dividend uncertainty would most likely result in a less favourable share price.

## **UNLISTED MARKET**

In preparation for the Annual Meeting the Board will suspend trading on the Unlisted Market on 30 June 2010. It is not expected that trading of Shares will recommence until after application has been made to list the Shares on the NZSX.

# ATTENDANCE AND VOTING RIGHTS

Every Shareholder or that Shareholder's proxy, attorney or representative, is entitled to attend the Annual Meeting and vote. On a show of hands, each Shareholder has one vote, and on a poll, each Shareholder has one vote per Share. Shareholders for the purposes of voting at the Annual Meeting will be determined from the Company's register at the close of business on the day prior to meeting date.

## NEW CONSTITUTION

At the 2009 annual meeting of Shareholders of DNZ, the Group A Shareholders of the Company approved the adoption of a new constitution, with effect from a date to be determined by the Board. As part of the internalisation of the Manager, it is expected that the Board will resolve to adopt the new constitution immediately prior to completion of management internalisation on 1 July 2010.

On adoption of the new constitution, all Group A shares and all Group B shares will become ordinary shares in the Company. If this occurs, there will be only one class of Share on issue and eligible to vote at the Annual Meeting. The change in classification of Shares will not change the number of Shares that Shareholders hold.

If the new constitution has not been adopted by the time of the Annual Meeting, there will have been no change to the Company's Group A shares and Group B shares.

Accordingly, if the new constitution has been adopted by the time of the Annual Meeting, each of Resolutions 1 and 2 will be passed if approved by a majority of votes cast by Shareholders entitled to vote and voting on the resolution.

If the new constitution has not been adopted by the time of the Annual Meeting, each of Resolutions 1 and 2 will only be passed if approved by (i) a majority of votes cast by the holders of Group A shares entitled to vote and voting on the resolution and (ii) a majority of votes cast by the holders of Group B shares entitled to vote and voting on the resolution.

## VOTING AND PROXIES

A Shareholder entitled to vote at the Annual Meeting but who cannot attend may:

- appoint a proxy to attend the Annual Meeting and vote on his or her behalf using the proxy form and reply paid envelope enclosed; or
- vote by postal vote using a postal vote form (postal vote forms are available on request from the Company).

A proxy need not be a Shareholder. The Chairman of the meeting is willing to act as proxy for any Shareholder who may wish to appoint him for that purpose. Unless directed otherwise, the Chairman will vote in favour of the Resolutions. A body corporate Shareholder may appoint a representative to attend the Annual Meeting on its behalf in the same manner as that in which it could appoint a proxy.

## TIMING

For the appointment of a proxy to be effective, under the new constitution, you must ensure that your proxy form is received by the Company by 10 am on 6 July 2010 by delivering, posting in the enclosed reply paid envelope or faxing it to DNZ c/- Computershare Investor Services Limited, Level 2, 159 Hurstmere Road, Auckland (Private Bag 92119, Victoria Street West, Auckland 1142) (Facsimile: +64 9 488 8787).

Tim Storey (the Chairman) is authorised by the Board to receive and count postal votes at the Annual Meeting. Postal votes must be received by 10 am on 6 July 2010 and may be delivered, posted or faxed for the attention of Tim Storey to the same address and by the same method as described above for proxy forms.

The Company is entitled to disregard any proxy form and postal votes received after the above deadlines.

## ADDITIONAL INFORMATION

If you have any questions, please contact DNZ Investor Services on 0800 436 977, Monday to Friday between 9 am and 5 pm.

# Glossary

<b>Annual Meeting</b>	the annual meeting of Shareholders to be held on 8 July 2010
<b>Board</b>	the board of directors of DNZ
<b>Companies Act</b>	the Companies Act 1993
<b>Company</b>	DNZ Property Fund Limited
<b>Director</b>	a director from time to time of DNZ
<b>Directors</b>	the directors of DNZ
<b>DNZ</b>	DNZ Property Fund Limited
<b>Group A shares</b>	fully paid group A shares in DNZ
<b>Group B shares</b>	fully paid group B shares in DNZ
<b>Manager</b>	DNZ Management Limited
<b>Notice of Meeting</b>	this notice of meeting
<b>Offer</b>	the offer of Shares as detailed in the Explanatory Notes to this Notice of Meeting
<b>Pro Rata Shares</b>	the Shares offered under the Pro Rata Offer
<b>Shareholders</b>	holders of Shares
<b>Shares</b>	as appropriate, the Group A shares and the Group B shares, which, on adoption of the new constitution, will become ordinary shares in DNZ

# Directory

## **DNZ Property Fund Limited**

Level 4, 80 Greys Avenue

Auckland 1010

PO Box 6320 Wellesley Street

Auckland 1141

New Zealand

Telephone +64 9 912 2690 or 0800 436 977

Facsimile +64 9 912 2693