

**DNZ PROPERTY FUND LIMITED
ANNUAL MEETING
8 JULY 2010
TIM STOREY- CHAIRMANS ADDRESS**



In the past financial year DNZ, in common with the New Zealand listed property sector, has faced a very challenging market backdrop. Despite those challenges, as Paul Duffy, our Chief Executive, will tell you shortly, the Company has achieved another commendable operational result.

Management has succeeded in maintaining strong rental income streams and high occupancy rates, while at the same time preserving the underlying value of the portfolio. Revaluations have seen the portfolio value decline 3.4% over the year to 31 March 2010, a revaluation that is relatively modest when compared to other listed property investment entities.

As well as continuing to focus on the performance of the Company's core business over the year, the Board also looked to address more fundamental and far reaching issues concerning the Company's governance and management structure.

Following extensive consultation with our shareholders, the Board determined that a move to terminate the existing external management structure and bring management "in-house" was in the long term in the best interests of the Company and DNZ shareholders.

As you are aware, DNZ terminated the management arrangements effective at the beginning of this month and DNZ now operates with an internal management structure – a structure which is unique among the listed New Zealand property entities.

The internalisation allows the Company to make immediate and significant cost savings and provides an incentive for management to continue to take steps to further reduce operating costs and improve distributable earnings. More importantly, it brought an end to the arrangement where DNZ operated with two classes of shares and gives all shareholders an equal say in the future direction of their company. This means that you, our shareholders, directly and through your directors, take responsibility for the future strategic direction of the Company and are able to implement steps to improve the Company's market value.

As part of this process, DNZ has been able to adopt a new constitution which enables the Company to make an application to list on the main board of the New Zealand Stock Exchange, a step we are now taking with a view to be listed prior to mid August – the timing being dependent in part on progress in relation to the proposed capital raise set out in the notice of meeting before us today.

An issue that has also been addressed by the Board is the appropriate debt level for the Company. Expectations around appropriate debt levels for listed property entities have varied over the past eighteen months or so. The Board has carefully considered this issue, and believes that steps should be taken to raise a modest amount of

additional equity in conjunction with asset sales to reduce the Company's debt level, following the termination of the external management arrangements, to the low to mid 40% range.

Before taking steps to raise the additional equity the Board has sought shareholder endorsement for the capital raising – in the form of the shareholder resolution to be put to this meeting shortly. If the resolution is passed, then the Board anticipates that an offer document will be available to shareholders within the next week or so, with a view to completing the offer (that is, raising the additional monies) in the following month, and listing the company's shares on the main board of the New Zealand Stock Exchange with effect from mid August. These dates will be finalised and set out in an offer document.

In the event that the resolution is not passed, then the proposed capital raise will not be undertaken, and the Board will look to have the company's shares listed as soon as is reasonably practicable.

The Board is well aware that the deliberations on strategic direction over the past 12 months or so has created uncertainty for all the Company's stakeholders, including shareholders, tenants and other parties interested in our business. However, the Board is confident that following our extensive shareholder engagement and external reviews that this transformation of the Company is very much in the best interests of the Company and its shareholders.

The Board is unanimously supportive of the capital raising, and following feedback received from shareholders to date, we are confident it will gain the requisite support. If the offer receives your support and is subsequently completed, the Company will be in a much stronger position.

A lot has been achieved over the last 12 months, and the Board and management can now dedicate their focus to improving the future performance of the Company and maximising the future returns and dividends to our shareholders.

I thank you for your attendance today, your engagement over the past 6 to 12 months, your patience through these deliberations on our strategic direction and your ongoing support for our company.

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