



PROPERTY FOR INDUSTRY

ANNUAL REPORT 2008

HIGHLIGHTS

- HIGHER DISTRIBUTABLE PROFIT, DISTRIBUTABLE EARNINGS PER SHARE AND DIVIDEND
- OCCUPANCY CONSISTENTLY HIGH AT 99.37% AS AT 31 DECEMBER 2008
- STEADY TENANT ENQUIRY ON EXISTING PROPERTIES AND PFI DEVELOPMENT PROJECTS
- BANKING FACILITIES EXTENDED UNTIL LATE 2011
- \$33.6 MILLION REALISED THROUGH SALES OF THREE PROPERTIES¹
- \$8.75 MILLION COMMITTED TO HIGHER-YIELDING DEVELOPMENT PROJECTS
- STRONGEST BALANCE SHEET IN NEW ZEALAND LISTED PROPERTY SECTOR – GEARING RATIO OF 28.9% (27.9% POST-BALANCE DATE) COMPARED WITH SECTOR WEIGHTED AVERAGE OF 33.2%
- POTENTIAL NEAR-TERM DEVELOPMENT PIPELINE OF UP TO \$29.5 MILLION
- ACTIVE INVESTMENT MARKET FOR PROPERTIES OF PFI'S SIZE AND TYPE

[1] Includes one property sold post-balance date.

Tenant
Clariant
New Zealand

Clariant was one of a number of tenants to commit to new leases well in advance of their existing expiry dates. Clariant's new lease term at 4 Rothwell Avenue, North Harbour, now extends until 2014.

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CHAIRMAN'S LETTER

TO SHAREHOLDERS

IN 2008, AN INVESTMENT IN PFI DELIVERED A GROSS DIVIDEND YIELD OF 8.03%¹ (THE EQUIVALENT OF 9.75%² UNDER THE PIE REGIME).



Reliable income yields and capital preservation: these defensive attributes are two of the key reasons for investing in industrial property.

In 2008, PFI has again reinforced its reputation as one of the best performers in the New Zealand listed property sector.

Distributable profit³, distributable earnings per share and net dividends were all the highest in the company's history.

Since the beginning of the decade, PFI's dividend growth rate has been amongst the strongest in the New Zealand listed property sector, on both a gross and a net basis.

Although the company's total return (income yield plus change in share price) for 2008 was dampened by a decline in share price, over the past eight years, PFI shareholders have enjoyed an average total annual return of 11.79%.

[1] Based on year-end share price.

[2] For a New Zealand resident shareholder on a tax rate of 33%.

[3] Excludes unrealised change in the value of properties, derivative financial instruments and deferred taxes.

“THE YEAR COULD BEST BE DESCRIBED AS CHALLENGING... IN LIGHT OF THE EVER-INCREASING ECONOMIC UNCERTAINTY, THE BOARD DIRECTED MANAGEMENT TO TAKE A CAUTIOUS APPROACH AND TO REDUCE RISKS FACING THE COMPANY WHEREVER POSSIBLE.” Extract from 1998 PFI annual report.

The comments above come from PFI’s annual report exactly 10 years ago and refer to what is now remembered as the Asian crisis. They highlight the fact that, although the current global economic conditions are undoubtedly more difficult, PFI has withstood testing times in the past.

As was the case 10 years ago, PFI’s board and management have identified the factors which offer the greatest opportunity to shape the company’s performance:

- Protecting cashflows through tenant retentions and leasing
- Security of banking facilities
- Strengthened balance sheet and generation of funds for enhanced investment through property sales.

The company’s success in each of these areas has been very pleasing and is covered in more detail in the following report from PFI general manager Ross Blackmore.

A further response from the board has been the decision to set aside part of the company’s year-end distributable profit as retained earnings. This does not signal a revision to PFI’s longstanding policy of paying out 100% of net cash operating earnings but is rather an exception to that policy, in view of what are clearly challenging circumstances.

Two other events are worthy of comment at this point:

- After seven consecutive years of rising portfolio values, 2008 has seen a fall in the value of PFI’s properties. It is important that shareholders are aware that this is an unrealised reduction which does not affect the company’s revenue streams or the profit available for distribution to shareholders.

All of New Zealand’s listed property entities will be going through a similar process of valuation write-downs. Notably, the valuations for small to mid-sized industrial property are, for a number of specific reasons, currently more accurate and reliable than those which are possible for other types of property.

- The performance incentive component of PFI’s management fee was not payable for all four quarters of 2008. This is no reflection on the dedication of the company’s manager; however, it does illustrate the benefits to shareholders of PFI’s management fee structure. The current arrangement has been in place for nearly 10 years and is outlined in the Company Structure section on page 13.

OUTLOOK

PFI has begun its 15th year since listing with its characteristic high occupancy, and in 2009, will be receiving additional rents from the rent reviews and development projects initiated in 2008.

While some tenants are known to be experiencing tough times, steady levels of tenant enquiry, leases secured since balance date and also the sales of three of the company’s properties at book values are solid evidence of positive activity in the industrial property market.

Tempering this, the board and management are ever-mindful of the stresses that the economic environment is placing on PFI’s tenants, along with businesses around the world.

Overall, the board is well satisfied with the way the company is being positioned to weather the conditions.

PFI’s current gearing is the lowest in the listed property sector and provides solid capacity for acquisitions and further development projects. Conversely, the company may continue to sell properties where the current investor interest in well-leased industrial property ensures that acceptable prices can be achieved.

Finally, the relatively short duration of PFI’s interest rate swaps gives the company the ability to take advantage of lower interest rates.

While history is not always an accurate indicator of what is to come, previous recessions have been followed by rapid growth in industrial rents. The cyclical nature of industrial property and its long-term growth, particularly given the quality and location of PFI’s portfolio, are a source of optimism for the future amid the uncertainty of the current situation.



Peter Masfen

Chairman

Tenants
Gunnerson
TMA Group
Various

Refurbishment, building additions and leasing
of Stage One of Peninsula Business Park in
Avondale (purchased in 2005) is now complete.

61-69 PATIKI ROAD AVONDALE



IN 2008, PFI CONTINUED TO PURSUE ITS INVESTMENT STRATEGY WHILE ADJUSTING ITS FOCUS TO MEET NOT ONLY THE CHALLENGES OF THE CURRENT MARKET CONDITIONS BUT ALSO THE LIKELY OPPORTUNITIES IN THE MONTHS AND YEARS AHEAD.

OVERVIEW

Significant achievements of the year included:

- Promptly addressing the vacancies that arose in the company's portfolio
- Renewing the company's \$120 million banking facility for a three-year term
- "Recycling" capital from the sale of two¹ properties – some of which has already been reinvested into better-quality and higher-yielding development projects, with the balance providing ample funding capacity for other opportunities.

This process has allowed PFI to effectively "trade" lower-yielding properties for new assets with longer lease terms. The properties sold were returning an average yield of 8.24% and the new developments announced during the year are providing an average return on cost of 10.1%, with other benefits.

Furthermore, the industrial property market has its own distinct set of drivers, and these shifted markedly at the end of 2008 as falling interest rates brought buyers back into the market for well-leased quality properties, in the form of private investors, family trusts, syndicators and promoters of proportional title schemes. This has a dual benefit for PFI – offering a solid market for any future asset sales as many of the company's properties are the ideal size for these buyers; and also providing reliable transactional evidence to support valuations.

While tenant enquiry levels were lower than in previous years, the interest in PFI's existing properties and development projects has been encouraging. New tenants continue to be attracted to the portfolio and current tenants have demonstrated the confidence to re-commit to their current premises well in advance of their lease expiries.

PFI ended 2008 with an occupancy rate of 99.37% and a weighted average lease term (WALT) of 4.67 years.

Although there were no new acquisitions during 2008, this does not rule out the prospect of attractive opportunities arising during the next two years.

In the year ahead, PFI will continue to fine-tune its assets and leases, not only to protect values and maintain reliability and consistency of rentals but also to regain maximum momentum when economic conditions improve.

FINANCIAL RESULTS

PFI's rentals for 2008 were 5.2% higher than in 2007 at \$32.470 million, largely due to the outcomes of rent reviews, previous acquisitions and completed development projects.

Conversely, two¹ properties were sold during the year (see Divestments section for more detail).

Interest costs for the year were 14.6% higher, reflecting higher borrowing costs. Management fees for the year dropped by almost \$1.3 million because the performance incentive fee was not payable during 2008.

The net operating profit after tax for distribution² rose 5.3% to \$15.699 million.

Shareholders have received a total net dividend for 2008 of 7.18 cents per share, 1.1% higher than in 2007.

Net earnings per share for the year, based on distributable profit², were 4.5% higher than the previous year, at 7.42 cents per share.



[1] A third property has been sold post-balance date.

[2] Excludes unrealised change in the value of properties, derivative financial instruments and deferred taxes.

MANAGER'S REPORT

The year-end result included a \$300,000 allowance for impairment, and the company retained distributable profits of \$500,000. Both figures are indicative of a cautious approach to the current year.

PFI's annual portfolio revaluation to 31 December 2008 (following an earlier valuation review as at 30 September) resulted in an unrealised net reduction in portfolio value of \$43.128 million or 10.2% over the 12 months.

The unrealised portfolio revaluation loss, along with other NZ IFRS non-cash adjustments such as unrealised losses in the fair value of interest rate swaps³ and deferred taxation, means that PFI recorded a full-year loss after tax and unrealised losses of \$31.912 million for 2008, compared with 2007's profit of \$44.450 million.

The portfolio write-down was not unexpected, in the face of global economic uncertainty and falling values for almost all asset classes. Nor is it unique to PFI – all of New Zealand's listed property entities will be required to undergo similar processes.

PORTFOLIO OPERATIONS

Rent reviews

The 2008 rent review programme was the largest in the company's history, with approximately 40% of the portfolio subject to review during the year, and added \$1.098 million to the company's rent roll. Thirty-four of the 37 scheduled reviews were completed prior to balance date, resulting in an average increase of 3.61% compounding annually over the 2.56-year weighted average review period.

Leasing, tenant retention and lease restructuring

PFI began 2008 with seven leases scheduled to expire during the year. One existing tenant was retained, new tenants were found for four properties and the remaining two tenancies are located within 8 Hugo Johnston Drive, Penrose (formerly 415 Church Street, pictured at right), which has been undergoing repositioning works. Since year-end, one of these tenancies has been leased and the other partially leased.

With 2008's expiries in hand, the focus shifted to leases expiring in 2009 and beyond. Of the 16 leases scheduled to come to an end during 2009, eight had been retained by the end of 2008 (the majority at increased rentals) and new tenants found for two further properties⁴, meaning approximately 50% of the income potentially subject to lease expiries in the current year has already been secured.

In addition, where tenant requirements change substantially and the lease expiry date is not imminent, PFI's response is lease restructuring, which can involve a range of actions. In 2008, the company agreed terms with three tenants to reduce their space or vacate properties after first finding replacement tenants.

These transactions are detailed in the table on the following page.

[3] NZ IFRS accounting standards require PFI's interest rate swaps to be "marked to market" at the end of each accounting period. When interest rates are falling, as has been the case recently, the current value of PFI's swaps is likely to be lower than their book value. This is required to be shown in PFI's financial statements as an unrealised loss.

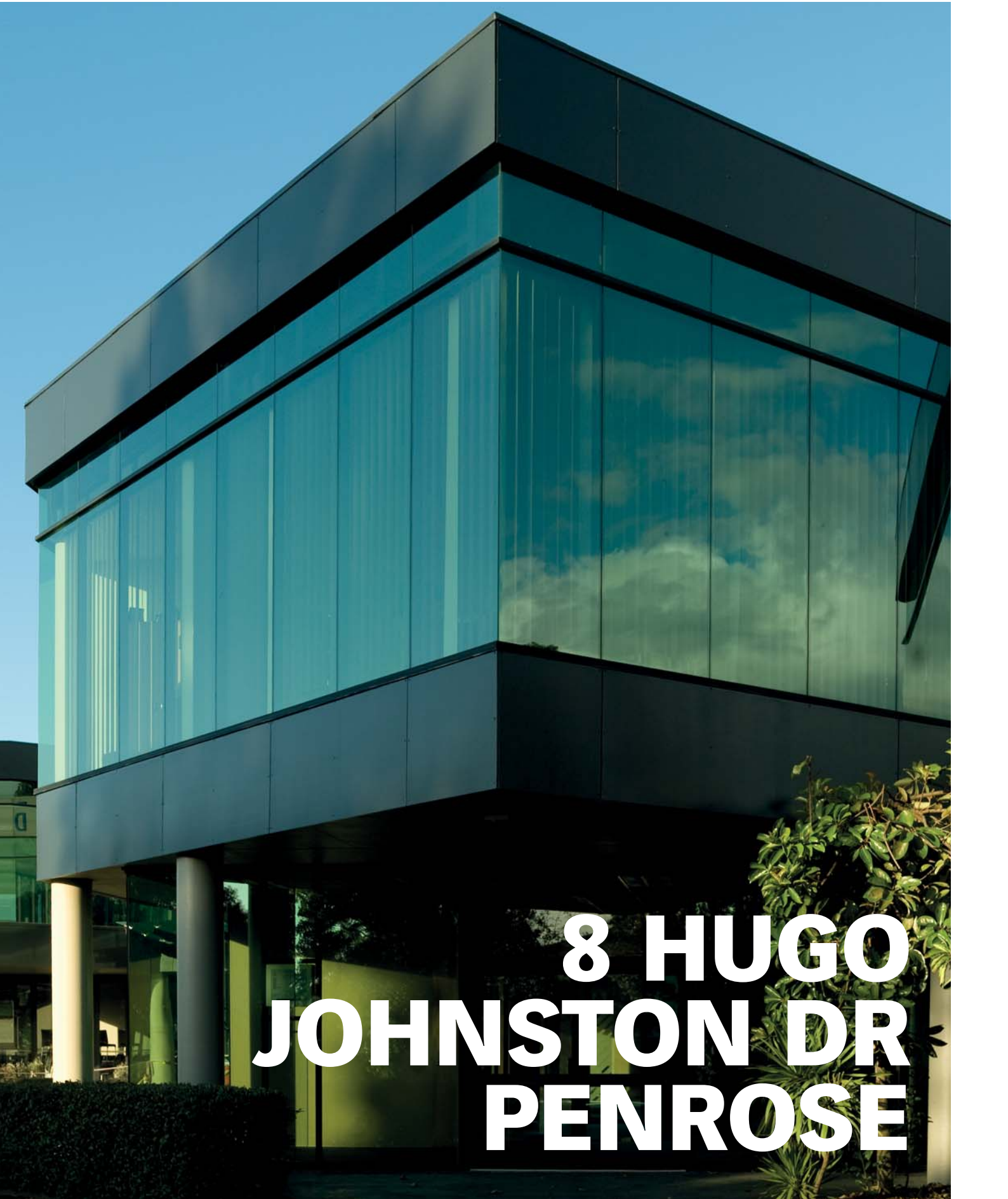
[4] One of these leases was secured post-balance date.



Tenants

Argyle Schoolwear
Kings Transport

A substantial building refurbishment is nearing completion at this property, and two new tenants – Argyle Schoolwear and Kings Transport – have been secured on lease terms of 7 and 3.75 years respectively.



8 HUGO JOHNSTON DR PENROSE

MANAGER'S REPORT

PFI 2008 LEASING, TENANT RETENTION AND LEASE RESTRUCTURING

ADDRESS	TENANT	TRANSACTION TYPE	NEW LEASE TERM (YEARS)
Leases expiring 2008 or earlier			
9 Vestey Drive, Mount Wellington	Hiab NZ	New tenant	6
Level One, 322 Rosedale Road, North Harbour (part)	Sovereign Homes	New tenant	3
7-9 Fisher Crescent, Mount Wellington	TCL Marketing	New tenant	6
11-13 Fisher Crescent, Mount Wellington	Inex Metals	New tenant	6
1 Niall Burgess Road, Mount Wellington	Barewood Apparel	New tenant	3
8 Hugo Johnston Drive, Penrose	Kings Transport*	New tenant	3.75
11 Barnes Street, Wellington	Colgate Palmolive	Tenant retention	3
Leases expiring 2009			
174b Marua Road, Mount Wellington	Waste Management	Tenant retention	5
7a Carmont Place, Mount Wellington	Packsys	Tenant retention	3
19 Omega Street, North Harbour	NZ AA	Tenant retention	2
41 William Pickering Drive, North Harbour	Mayo Hardware	Tenant retention	2
127 Waterloo Road, Christchurch	DHL Exel	Tenant retention	3
50 Carbine Road, Mt Wellington	Atlas Copco	Tenant retention	6
5 Vestey Drive, Mount Wellington	PPG	Tenant retention	6
4 Rothwell Avenue, North Harbour	Clariant	Tenant retention	5
11 Dalgety Drive, Manukau (part)	Family Start	Lease restructure from Wesfarmers	3
8 Hugo Johnston Drive, Penrose	Argyle Schoolwear*	New tenant	7
12 Hugo Johnston Drive, Penrose (part)	Bowls NZ Inc*	New tenant	6
Leases expiring 2010 and beyond			
15a Vestey Drive, Mount Wellington	Skills 4 Work	Lease restructure from Visual Group	6
320 Rosebank Road, Avondale	Doyle Sails	Lease restructure from NCI	8

* Leased post-balance date.

DIVESTMENTS

PFI sold two properties during 2008 and a third after balance date, all in off-market transactions. Notably, prices at the relevant book values were achieved in all three sales. The buyers in two cases were the owners of neighbouring properties, with a private investor purchasing the third.

The three sales generated a total of \$33.6 million, reducing PFI's debt level and lifting its capacity to fund the in-house development pipeline of higher-yielding projects.

PROPERTY	SALE PRICE	YIELD ON SALE PRICE
373 Neilson Street, Penrose	\$10.15 million	7.77%
9 Ride Way, North Harbour	\$17.0 million	8.41%
7-13 Fisher Crescent, Mount Wellington*	\$6.502 million	8.5%

* Sold in February 2009.

DEVELOPMENTS

New developments deliver higher returns, longer lease terms and depreciation advantages, and further enhance PFI's quality portfolio. PFI's development pipeline sets the company apart from other listed New Zealand property entities, because it allows the company to undertake projects in a low-risk manner and to its own time schedule. In PFI's case, the majority of the properties in the development pipeline are already producing an income while the company works through the processes of planning, obtaining resource consents and marketing to potential tenants. Tenant commitment is a pre-requisite before construction begins.

During 2008, PFI completed two development projects which were announced the previous year – an automotive outlet at Seaview Business Park in Wellington for Bridgestone NZ, and continued refurbishments and additions for four tenants at stage one of Peninsula Business Park in Avondale. Three additional projects were announced in 2008, one of which has already been completed:

PFI DEVELOPMENT PROJECTS 2008

ADDRESS	TENANT	COST INCLUDING LAND	RETURN ON COST INCLUDING LAND	RETURN ON ADDITIONAL FUNDS INVESTED
Peninsula Business Park	USL (complete)	\$6.0 million	7.65%	9.2%
322 Rosedale Road, North Harbour	Brewcraft	\$2.4 million	8.42%	11.82%
Peninsula Business Park	Dorma NZ	\$3.05 million	8.0%	9.25%

PORTFOLIO REVALUATION

PFI's annual portfolio revaluation as at 31 December 2008 resulted in an unrealised net reduction in portfolio value of \$43.128 million or 10.2% over the 12 months.

As an unrealised reduction, this does not affect the company's revenue streams or the profit available for distribution to shareholders.

The revaluation was carried out by independent valuers DTZ, Jones Lang LaSalle and CB Richard Ellis. The capitalisation rate of PFI's portfolio rose from 7.79% to 8.65%, a movement of 86 basis points – pleasingly, less than the market norm (103 basis points for the wider industrial market, as indicated by CB Richard Ellis research).

The reduction in PFI's property values attributable to capitalisation rate expansion was offset to a limited extent by a slight amount of rental growth during the year, along with the company's development, lease restructuring and add-value activity.

Net tangible assets per share (NTA) reduced from the 31 December 2007 value of \$1.46 per share to \$1.24.

In the current economic environment, falling asset valuations are unfortunate but inevitable. PFI's portfolio has recorded seven years of valuation growth, including a sustained period which has seen uplifts totalling almost \$137 million or 46% over the past five years.

INTEREST RATE RISK MANAGEMENT

As at 31 December 2008, PFI had borrowings of \$112.0 million.

PFI has a self-imposed maximum debt-to-property assets ratio of 35% and at balance date, this ratio was 28.9% (2007: 28.6%). This reduced further to 27.9% following the sale of 7-13 Fisher Crescent, Mount Wellington, in February 2009.

In October 2008, PFI renewed its \$120 million banking facility with the Bank of New Zealand for a three-year term, extending until 30 September 2011.

Interest costs are PFI's single largest expense item and therefore interest rate risk is carefully managed. PFI employs a strategy designed to minimise interest rate costs within an acceptable level of exposure to the interest rate market by "fixing" or "hedging" the interest rate.

PFI's interest rates are managed within the following guidelines:

- 50-80% of all debt is hedged, depending on debt levels and interest rate outlook
- Interest rates are fixed using swaps and other risk management instruments, for periods of 12 months to seven years
- The target minimum average swap term is three-and-a-half years, with an even distribution of maturities between one and seven years.

In the current year, the company will benefit from lower interest rates where it makes sense to do so, bearing in mind its policy, existing swap profile and forecast future interest rate movements, as well as the current environment.

The interest rate risk management strategy is performing well and PFI is not materially exposed to an adverse movement in interest rates over the short to medium term.

INTEREST RATE HEDGING (INCLUDING FORWARD-DATED SWAPS)

	31 DECEMBER 2008	31 DECEMBER 2007
Average term of swaps	2.5 years	3.23 years
Percentage of debt fixed	83%	82%
Average PFI interest rate (including margin)	7.66%	7.46%
Benchmark (90-day rate)	5.11%	9.08%

DIVIDEND REINVESTMENT SCHEME

PFI's dividend reinvestment scheme was introduced in 1999 and gives shareholders the opportunity to reinvest their dividends in the company by purchasing additional shares, currently at a discount to market price of 2.5%.

As at PFI's most recent dividend payment in March 2009, 1,102 investors or approximately 21% of shareholders, holding 13.2% of shares on issue, were participating in the scheme.

Shareholders can join the dividend reinvestment scheme, or alter their participation, at any time. The relevant forms can be downloaded from the Investor Centre section of the PFI website, www.pfi.co.nz, or obtained from PFI's share registrar.

MARKET OVERVIEW

Investment market

Demand and pricing for most investment property classes worldwide fell in 2008; however, some sectors and locations fared better than others.

As outlined in the Overview section of this report, after reaching a low point around October/November 2008, the investment market for industrial properties experienced a renewal of interest, most noticeably for smaller, well-leased investments. Such properties are selling at yields between 8% and 9.25%, although only where lease term and strength of tenant provide a reliable long-term cashflow.

Leasing market

The industrial leasing market remained steady throughout 2008 and has continued to do so into 2009, as evidenced by PFI's recent leases at the newly-refurbished 8 Hugo Johnston Drive in Penrose to Kings Transport and Argyle Schoolwear in February and March 2009.

From a supply perspective, while overall market vacancy increased to 3.6%⁵, this is still relatively low by historical standards and vacancy is lower still in the prime sub-sector of the industrial market, at 2.9%⁵.

Supply of industrial property is traditionally closely aligned to demand, and even through the very buoyant 2004-2007 period, speculative development (construction without a pre-committed tenant) was not a significant feature of the industrial sector. This means that there is no major "overhang" of supply being taken into the market going forward.

In terms of demand, tenants continue to relocate as leases expire. Despite uncertain trading conditions in the near-term, prospective tenants are often coming from six to 10-year leases in premises (sometimes multiple sites) that have not offered business efficiencies for some time. A commitment to new and more suitable premises therefore presents itself as a logical business decision when compared with staying in space that has become unusable for a number of reasons.

PFI has always selected its properties based on "depth of demand" – top locations, popular sizes, generic layouts – which explains why the company's occupancy rate and leasing activity have remained solid.

However, industrial property will not be immune to wider economic conditions. Over 2008, market rental levels stabilised (compared with falls in other sectors such as retail and suburban office). PFI's board and management are acutely aware that strong customer relationships, in-depth market knowledge and continued innovation in the way PFI goes about its business will be required in the short to medium-term.

OUTLOOK

PFI has begun 2009 having already secured half of the potential lease expiries for the year (the second consecutive year that this has been the case, an indication of the desirability of its properties and its proactive leasing approach). The rent reviews scheduled for 2009 (22% of the portfolio) and the development projects currently under construction offer prospects for increased earnings. The focus on the small non-income producing component of the development pipeline will be heightened.

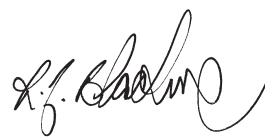
PFI's portfolio valuation is one of the most recent in the New Zealand listed property sector to be well-supported by transactional evidence, providing transparency and confidence in the published values. The company's lease restructuring expertise, coupled with the add-value and capital recycling programmes, will shield values to the greatest extent possible in 2009.

The company's gearing is the lowest in the sector and with PFI's low average swap term (2.5 years compared with a sector average of 4.0 years), PFI is well placed to benefit from falling interest rates.

While the past cannot always be regarded as a reliable indicator of the future, economic slowdowns and recessions must eventually come to an end, and the experience over the past 20 years has been that such periods have been followed by strong growth in industrial rentals. Industrial rents fell between 1988 and 1992 but grew by approximately

35% over the following six years and again by 27% between 2002 and 2007. This is due to the fact that industrial property traditionally remains close to a demand-supply equilibrium, and in times of economic recovery, there is a delay before new supply can be made available.

PFI's continuing objective is not only to maintain its track record of reliability through current conditions but also to position the company for growth when the economic climate improves.



Ross Blackmore

General Manager

[5] Source: CB Richard Ellis research.

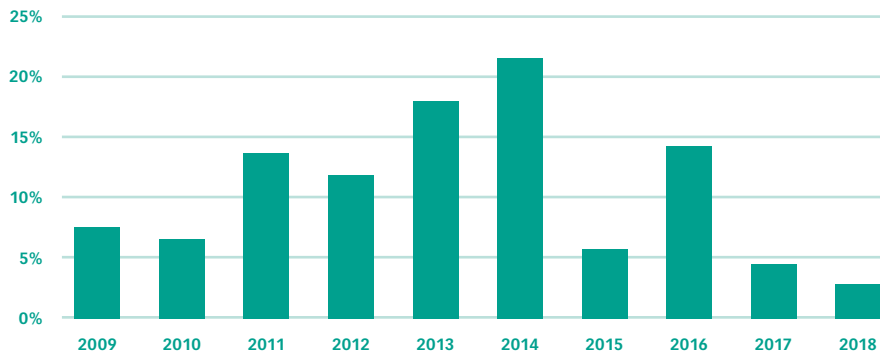
TOP TEN TENANCIES BY RENT ROLL

RANK	TENANT	RENT (\$)	% OF TOTAL
1	Wickliffe	1,770,765	5.43%
2	Paykel (Wesfarmers)	1,225,394	3.76%
3	Akzo Nobel	1,225,059	3.75%
4	Cardinal Freight	1,062,074	3.25%
5	Electrolux Home Products	1,015,125	3.11%
6	Pharmacy Retailing New Zealand	971,013	2.98%
7	NZ Window Shades	802,222	2.46%
8	Iron Mountain	734,162	2.25%
9	Brambles New Zealand Ltd	726,580	2.23%
10	Mondiale Freight Services	686,504	2.10%

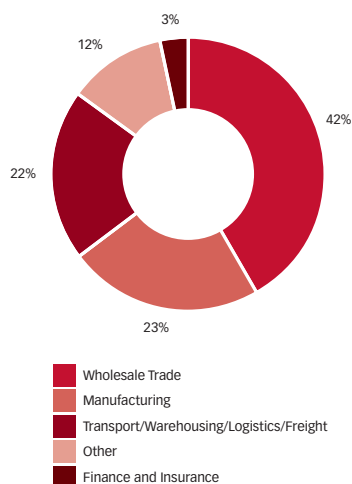
LIQUIDITY – BUILDING VALUE

VALUE RANGE	NO. OF PROPERTIES	% OF TOTAL
>\$10 million	12	41.88%
\$5-10 million	20	38.34%
\$2-5 million	22	18.48%
<\$2 million	3	1.30%
TOTAL	57	

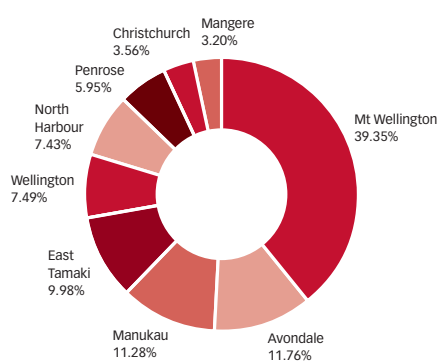
EXPIRY PROFILE BY RENT ROLL



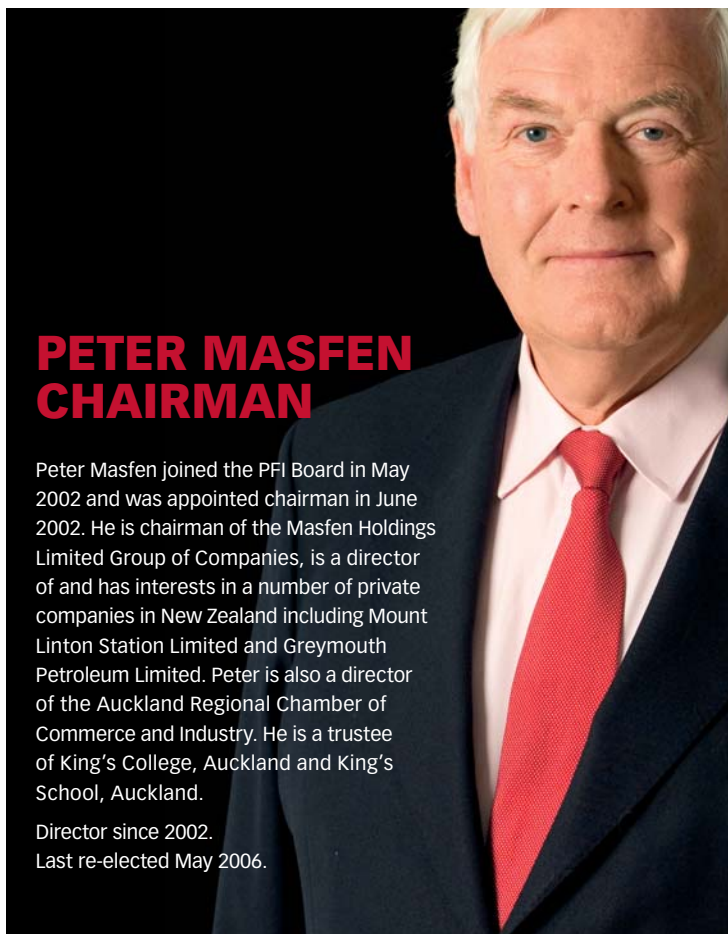
PORTFOLIO RENTAL BY INDUSTRY



PORTFOLIO VALUE BY LOCATION



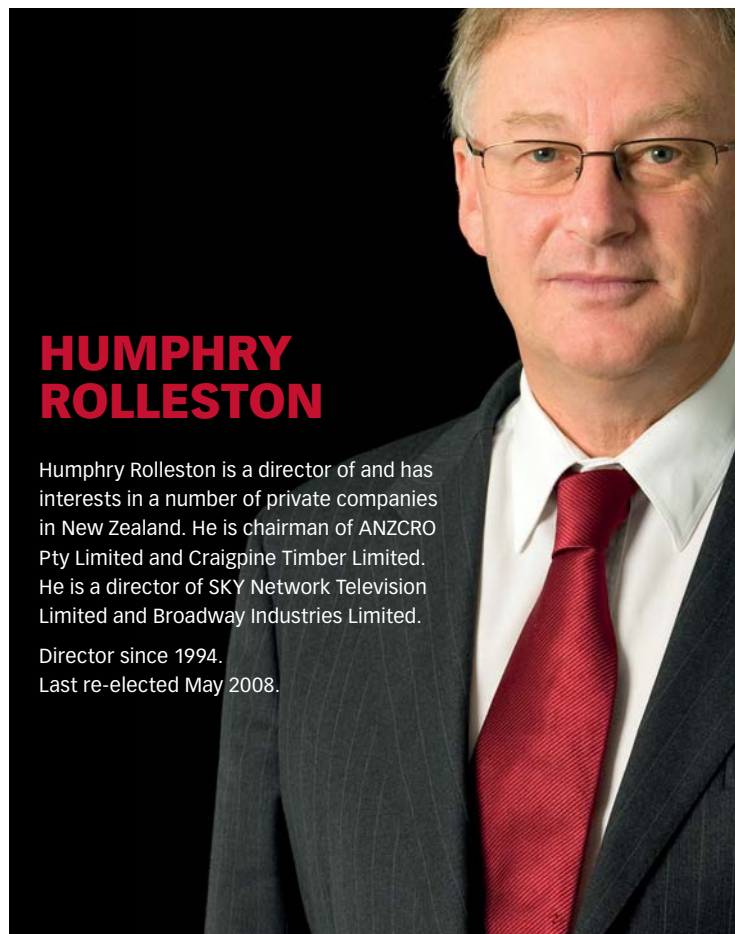
PFI DIRECTORS



PETER MASFEN CHAIRMAN

Peter Masfen joined the PFI Board in May 2002 and was appointed chairman in June 2002. He is chairman of the Masfen Holdings Limited Group of Companies, is a director of and has interests in a number of private companies in New Zealand including Mount Linton Station Limited and Greymouth Petroleum Limited. Peter is also a director of the Auckland Regional Chamber of Commerce and Industry. He is a trustee of King's College, Auckland and King's School, Auckland.

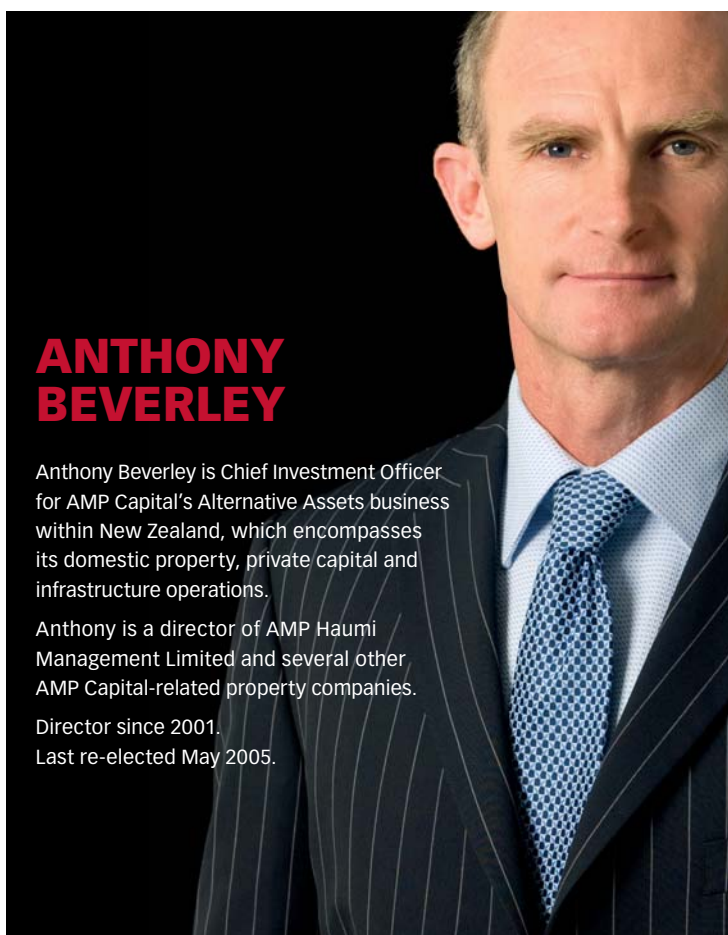
Director since 2002.
Last re-elected May 2006.



HUMPHRY ROLLESTON

Humphry Rolleston is a director of and has interests in a number of private companies in New Zealand. He is chairman of ANZCRO Pty Limited and Craigpine Timber Limited. He is a director of SKY Network Television Limited and Broadway Industries Limited.

Director since 1994.
Last re-elected May 2008.



ANTHONY BEVERLEY

Anthony Beverley is Chief Investment Officer for AMP Capital's Alternative Assets business within New Zealand, which encompasses its domestic property, private capital and infrastructure operations.

Anthony is a director of AMP Haumi Management Limited and several other AMP Capital-related property companies.

Director since 2001.
Last re-elected May 2005.



MICHAEL CASHIN

Michael Cashin joined the PFI board in July 2008. He has previously been chairman of Housing New Zealand Limited and At Work Insurance Limited, and a director of Allied Farmers Limited, Capital Properties Limited and Centreport Limited.

His current directorships include Cavotec MSL Limited, Wellington Waterfront Limited and Ryman Healthcare Limited.

Director since 2008.

PFI IS A PUBLICLY LISTED COMPANY ESTABLISHED IN 1994 AND MANAGED SINCE 1999 BY AMP CAPITAL INVESTORS (NEW ZEALAND) LIMITED. THE MANAGER REPORTS TO THE BOARD OF DIRECTORS AND IS RESPONSIBLE FOR ALL PROPERTY PORTFOLIO AND COMPANY MANAGEMENT FUNCTIONS. THE BOARD HAS FOUR DIRECTORS, THREE OF WHOM ARE INDEPENDENT AND ONE REPRESENTING THE MANAGER.

MANAGEMENT STRUCTURE

AMP Capital Investors manages approximately \$10 billion of investment funds for New Zealand investors. AMP Capital Investors' property division manages PFI, AMP NZ Office Trust, and the AMP Capital Property Portfolio, with total property assets of about \$3.5 billion.

PFI is managed by a group of property investment professionals led by general manager Ross Blackmore. The PFI management team has access to the skills of AMP Capital specialists in finance, compliance, treasury, development, research and valuation in New Zealand and overseas.

The current management fee structure was introduced in April 1999. It was designed to align the interests of the manager and shareholders and to reward the manager for outperformance in the growth of shareholder wealth over time. PFI pays a base management fee plus an incentive fee calculated on total shareholder returns. The base fee is calculated at 0.70% up to \$175 million of assets and thereafter at 0.35%. The incentive fee is calculated as 10% of the change in shareholder wealth above 10% and under 15%.

STRATEGY

Strategic Objective

PFI's strategic objective is to provide shareholders with a target minimum annual increase in shareholder wealth of 10% through a combination of income and capital growth by way of acquisition and management of industrial property assets.

Investment Strategy

To invest in quality New Zealand industrial property in the main urban centres.

To invest in multi-purpose rather than specialised properties that are occupied by a balanced spread of tenants.

To invest in properties that display above-average income and/or capital appreciation attributes.

Specifically these will include properties that exhibit one or more of the following:

- Located in land constrained areas
- Located close to important transport links
- Located on new or improving arterial routes
- Possess change of use potential.

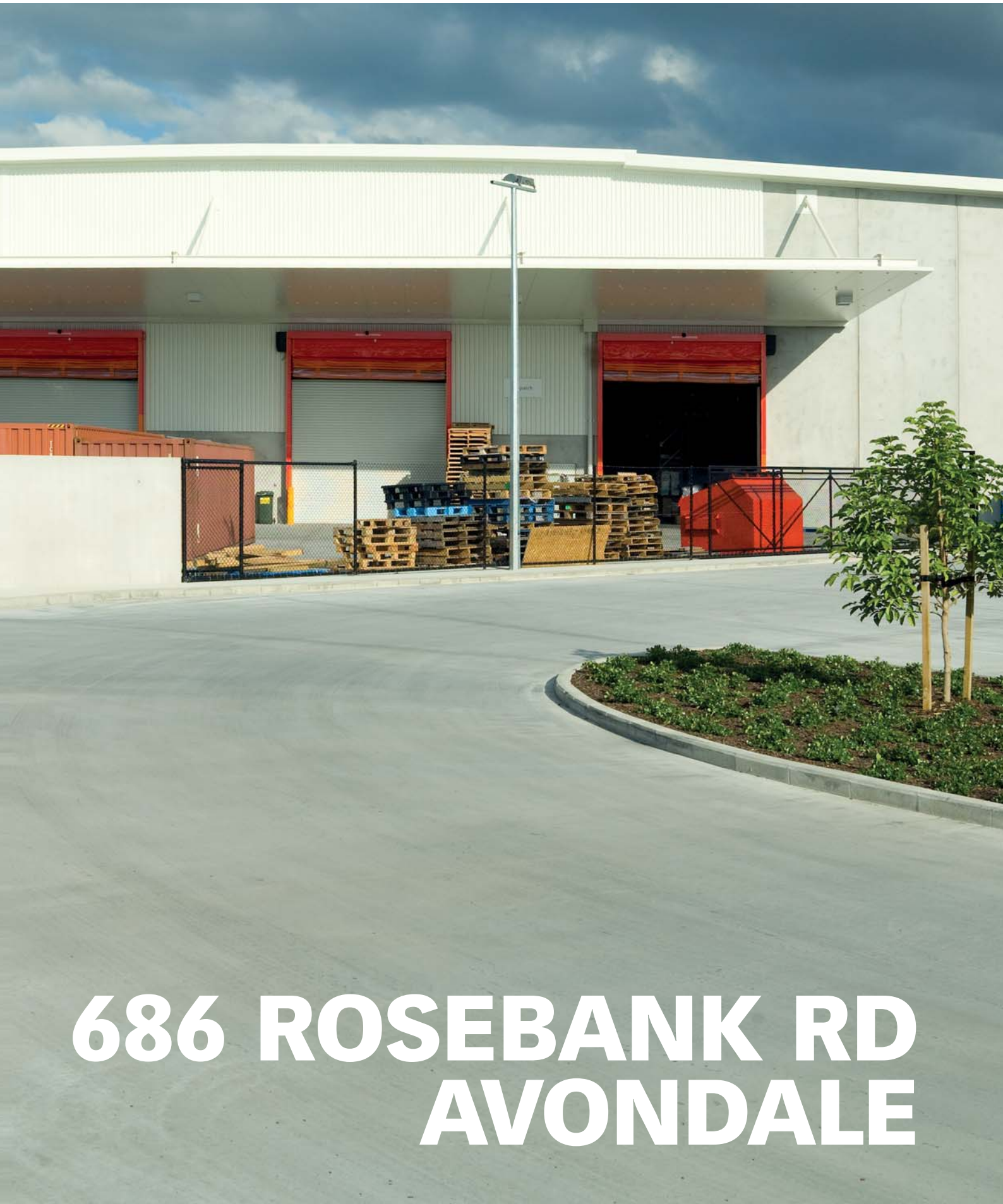
To take a financially disciplined approach, with debt currently limited to 35% of total tangible assets.

To provide a risk-averse approach to acquisition, asset management and capital management consistent with delivering the target increase in shareholder wealth and distributing 100% of net cash operating earnings as dividends.

Tenant
USL

A state-of-the-art warehouse facility for medical supplies specialist USL was completed during 2008. This project is delivering a return on additional funds invested of 9.2%.





686 ROSEBANK RD AVONDALE

ADDRESS	TENANT	TOTAL CONTRACT RENT	2008 VALUATION \$000	CURRENT YIELD ON VALUATION	VALUE PER SQM (EX CANOPY)
Avondale					
686 Rosebank Road	Akzo Nobel/Roadshow Entertainment/USL	\$2,053,963	\$20,650	9.95%	\$1,294
320 & 326 Rosebank Road	Doyle Sails NZ	\$585,000	\$7,410	7.89%	\$1,179
15 Copsey Place	Postie Plus	\$540,000	\$7,000	7.71%	\$909
61-69 Patiki Road	Gunnensen/TMA Group/Various	\$883,595	\$9,800	9.02%	\$1,248
North Harbour					
322 Rosedale Road	Parkland Products/Caprice Curtains/Various	\$646,000	\$8,800	7.34%	\$1,507
4 Rothwell Avenue	Clariant New Zealand	\$400,000	\$4,600	8.70%	\$1,283
41 William Pickering Drive	Meridian/Various	\$413,000	\$4,900	8.43%	\$1,621
19 Omega Street	NZAA/Vero/Just Switchboards	\$229,000	\$2,550	8.98%	\$2,003
29 Omega Street	Club Physical	\$278,085	\$3,235	8.60%	\$2,157
26 William Pickering Drive	Brewcraft	\$138,063	\$1,600	8.63%	\$1,272
47 Arrenway Drive	Onyx Group	\$219,800	\$2,660	8.26%	\$2,287
Penrose					
8 Hugo Johnston Drive	Iron Mountain/Various	\$445,691	\$5,800	7.68%	\$1,461
12 Hugo Johnston Drive	Deltarg	\$266,491	\$2,990	8.91%	\$1,204
417a Church Street	Modempak/Bosch Security	\$282,926	\$3,310	8.55%	\$1,264
956 Great South Road	Eureka Tiles/Austral Bricks/Various	\$262,800	\$3,550	7.40%	\$1,788
956a Great South Road	Constant Couriers	\$230,000	\$2,700	8.52%	\$994
102 Mays Road	Carter Holt Harvey	\$393,250	\$4,350	9.04%	\$1,064
Mount Wellington					
54 Carbine & 6a Donnor Place	Pharmacy Retailing NZ/Mondiale Freight Services	\$1,198,504	\$15,450	7.76%	\$1,170
50 Carbine Road	Atlas Copco	\$190,000	\$2,230	8.52%	\$2,500
7-13 Fisher Crescent	TCL Marketing/Inex	\$559,151	\$5,475	10.21%	\$1,133
16-18 Fisher Crescent	Daniel Silva	\$373,000	\$3,950	9.44%	\$1,274
7 Carmont Place	Packsys/CMI Springs	\$528,000	\$6,870	7.69%	\$1,343
509 Mt Wellington Highway	Fletchers/Tileco/Various	\$964,818	\$11,700	8.25%	\$2,266
6 Donnor Place	Wickliffe	\$1,770,765	\$16,250	10.90%	\$1,346
4-6 Mt Richmond Road	Brambles New Zealand	\$726,580	\$10,600	6.85%	\$1,381
5 Vestey Drive	PPG	\$194,220	\$2,330	8.34%	\$1,836
9 Vestey Drive	Hiab	\$193,813	\$2,420	8.01%	\$1,515
11 Vestey Drive	ASB Bank	\$450,000	\$5,045	8.92%	\$1,416
15a Vestey Drive	Eastern Hi Fi Group/Skills 4 Work	\$477,396	\$5,900	8.09%	\$1,836
1 Niall Burgess Road	Barewood Apparel	\$195,000	\$2,500	7.80%	\$1,562
3-5 Niall Burgess Road	Electrolux Home Products	\$1,015,125	\$12,800	7.93%	\$1,459
10 Niall Burgess Road	On Site Broadcasting	\$230,500	\$2,630	8.76%	\$1,561
523 Mt Wellington Highway	Steel & Tube	\$213,740	\$2,600	8.22%	\$1,551
7 Vestey Drive	Wickliffe	\$530,588	\$6,315	8.40%	\$1,430
2-6 Niall Burgess Road	NZ Window Shades	\$802,222	\$9,400	8.53%	\$1,417
511 Mt Wellington Highway	Vero Insurance	\$473,500	\$5,610	8.44%	\$1,768
80 Lunn Avenue	Farro Fresh/Ideal Electrical/Various	\$762,910	\$9,440	8.08%	\$3,149
515 Mt Wellington Highway	Stryker	\$253,490	\$3,080	8.23%	\$1,803
174b Marua Road	Waste Management	\$124,440	\$1,650	7.54%	\$1,760
76 Carbine Road	Bunnings	\$355,025	\$4,150	8.55%	\$1,637
36 Vestey Drive	Fox Air	\$147,336	\$1,700	8.67%	\$1,534

PORTFOLIO SUMMARY

2008 COST PLUS ADDITIONS \$000	2008 YIELD ON COST	AREAS (SQM)						SITE AREA	SITE COVERAGE
		WAREHOUSE	OFFICE	OTHER	CANOPY	RENTABLE YARD	RENTABLE BUILDING AREA (EX CANOPY)		
\$18,486	11.60%	12,118	3,707	139	1,757		15,964	39,473	40%
\$5,061	11.56%	5,524	733	29	340		6,286	11,146	56%
\$5,082	10.63%	5,571	2,116	13	12		7,700	10,462	74%
\$10,482	7.57%	6,516	1,168	170	229		7,854	19,595	40%
\$6,795	9.51%	4,692	1,149		264	79	5,841	13,700	43%
\$2,891	13.84%	2,320	1,208	57			3,585	6,114	59%
\$3,208	12.88%	2,324	699		9		3,023	5,923	51%
\$1,880	12.18%	755	518				1,273	2,764	46%
\$3,818	7.28%	500	1,000			2,499	1,500	4,687	32%
\$1,297	10.64%	957	301				1,258	1,448	87%
\$3,161	6.95%	651	512		82		1,163	1,801	65%
\$5,142	8.67%	2,187	1,782			47	3,969	7,517	53%
\$2,604	10.23%	1,695	788				2,483	3,899	64%
\$2,233	12.67%	1,794	825				2,620	3,866	68%
\$3,406	7.72%	1,256		729			1,985	4,860	41%
\$1,825	12.60%	2,453	264		32		2,717	6,119	44%
\$3,936	9.99%	3,648	440			3,500	4,089	11,375	36%
\$10,706	11.19%	11,407	1,797		1,034		13,203	29,853	44%
\$1,334	14.24%	508	317	67		1,700	892	3,435	26%
\$4,213	13.27%	3,857	816	158	419		4,830	8,823	55%
\$2,945	12.67%	2,530	570		310		3,100	4,000	78%
\$4,721	11.18%	4,261	855		292		5,115	15,344	33%
\$6,524	14.79%	4,099	49	1,016	200	2,378	5,164	14,548	36%
\$12,481	14.19%	9,421	1,979	675	1,005	3,000	12,074	27,159	45%
\$7,198	10.09%	6,541	748	385	273		7,673	14,761	52%
\$1,669	11.63%	705	564				1,269	2,357	54%
\$1,685	11.50%	1,193	404				1,598	2,730	59%
\$3,636	12.38%	2,815	379	371	61		3,564	5,760	62%
\$4,024	11.86%	1,488	1,726		35		3,214	6,270	51%
\$1,879	10.38%	1,212	388				1,600	3,938	41%
\$8,585	11.83%	7,058	1,718		597	386	8,776	18,679	47%
\$1,908	12.08%	1,275	410		40		1,685	3,254	52%
\$1,793	11.92%	1,365	311				1,677	4,000	42%
\$4,010	13.23%	3,718	699		181		4,417	7,704	57%
\$6,086	13.18%	5,577	993	65	212		6,634	10,537	63%
\$4,085	11.59%	1,240	1,042	891	179		3,173	4,762	67%
\$8,016	9.52%			2,998			2,998	7,715	39%
\$3,023	8.38%	1,052	656				1,708	3,709	46%
\$2,364	5.26%	938				2,807	938	4,753	20%
\$4,686	7.58%	1,869	666		60	2,300	2,535	6,801	37%
\$2,028	7.27%	773	297	39	12		1,108	2,356	47%

ADDRESS	TENANT	TOTAL CONTRACT RENT	2008 VALUATION \$000	CURRENT YIELD ON VALUATION	VALUE PER SQM (EX CANOPY)
Manukau					
8 Cavendish Drive	Big Save/Various	\$769,387	\$9,500	8.01%	\$2,441
11 Dalgety Drive	Blackwoods Paykels (Wesfarmers)/Family Start	\$1,403,261	\$11,110	12.63%	\$789
49 Nesdale Avenue	Cardmember/JD Lyons	\$1,208,624	\$15,175	7.96%	\$1,204
55 Nesdale Avenue	Chep	\$605,000	\$7,230	8.37%	\$2,727
Mangere					
58 Richard Pearse Drive	Pharmacy Retailing NZ	\$971,013	\$12,200	7.96%	\$1,297
East Tamaki					
18 Cryers Road	Hurricane Wire	\$676,000	\$8,100	8.35%	\$1,096
8 Stonedon Avenue	Hurricane Wire	\$231,150	\$2,700	8.56%	\$930
1 Ron Driver Place	LFA	\$346,220	\$3,890	8.90%	\$1,059
62 Neales Road	Cardinal Freight	\$1,062,074	\$12,850	8.27%	\$1,185
17 Allens Road	Caroma/W & R Jack/Various	\$987,147	\$10,540	9.37%	\$1,107
Wellington					
11 Barnes Street	Colgate Palmolive	\$658,000	\$8,280	7.95%	\$1,407
48 Seaview Road	Goughs/Bridgestone/Various	\$374,341	\$5,270	7.10%	\$3,056
8 McCormack Place	Iron Mountain	\$734,162	\$9,750	7.53%	\$1,778
50 Parkside Road	All Brite/Various	\$476,962	\$5,250	9.08%	\$1,072
Christchurch					
127 Waterloo Road	Exel	\$270,000	\$3,150	8.57%	\$1,057
44 Mandeville Street	PlaceMakers/ Windflow Technology/Various	\$913,371	\$10,425	8.76%	\$1,201
TOTAL		\$32,684,498	\$381,420	8.57%	\$1,368

NOTE: The 2008 valuation amount may differ from that shown in the Financial Statements by the amount of capitalised leasing costs as detailed in note 1(d) of the Financial Statements.

PORTFOLIO SUMMARY

2008 COST PLUS ADDITIONS \$000	2008 YIELD ON COST	AREAS (SQM)						RENTABLE BUILDING AREA (EX CANOPY)	SITE AREA	SITE COVERAGE
		WAREHOUSE	OFFICE	OTHER	CANOPY	RENTABLE YARD				
\$7,036	10.93%	303	154	3,436	516	580	3,893	11,550	34%	
\$10,175	13.79%	11,393	2,696		274	10,000	14,089	39,189	36%	
\$8,132	14.86%	12,121	438	43	1,098	1,820	12,602	41,850	30%	
\$4,705	12.86%	1,650	1,001		295	11,236	2,651	16,878	16%	
\$8,769	11.07%	8,505	899		1,154		9,404	17,645	53%	
\$5,109	13.23%	6,016	1,374		489	2,831	7,389	15,110	49%	
\$1,652	13.99%	2,902			1,000		2,902	6,727	43%	
\$2,443	14.17%	2,746	611	316	181		3,673	6,896	53%	
\$8,925	11.90%	10,243	591	9	1,703		10,842	19,702	55%	
\$8,299	11.89%	8,113	1,255	155	388	38	9,523	21,486	44%	
\$3,534	18.62%	5,596	291		2,678	4,000	5,887	24,339	24%	
\$5,144	7.28%	1,176	474	74	294	5,368	1,724	14,259	12%	
\$7,952	9.23%	5,073	412		200	688	5,485	8,338	66%	
\$4,863	9.81%	4,481	319	99	72	4,568	4,899	10,540	47%	
\$1,860	14.51%	2,746	235			537	2,982	6,500	46%	
\$8,499	10.75%	6,640	1,318	725	476		8,683	22,357	39%	
287,999	-	219,564	46,662	12,657	18,453	60,362	278,883	651,362	42.82%	

FIVE YEAR PERFORMANCE SUMMARY

	NZ IFRS 2008	NZ IFRS 2007	PREVIOUS NZ GAAP 2006	PREVIOUS NZ GAAP 2005	PREVIOUS NZ GAAP 2004
ALL IN \$000					
Rental income	32,470	30,859	29,142	26,360	23,906
Profit after tax before unrealised valuations ^(a)	20,571	15,246	13,251	13,516	12,639
Unrealised revaluations	(52,483)	29,204	34,219	39,933	29,972
Adjusted net surplus ^(b)	(31,912)	44,200	47,379	53,449	42,611
Net debt	111,467	127,300	108,000	94,465	74,192
Investment property	379,508	436,675	390,646	333,363	271,002
Shareholders' funds (diluted) ^(c)	257,344	302,202	269,959	235,722	192,357
Gross debt to total property	28.91%	28.72%	27.99%	28.50%	27.49%
Gross interest cover	3.20X	3.39X	3.58X	4.00X	4.05X
Management expense ratio (MER)	0.69%	0.84%	0.81%	0.85%	0.77%
Pre tax return on shareholders' funds after valuations ^(d)	(8.31%)	15.45%	20.15%	26.16%	25.49%
Weighted average cost of capital ^(e)	8.21%	7.77%	7.13%	7.55%	-
Shareholder total gross returns	(16.55%)	6.41%	30.34%	21.11%	22.33%
Annual gross dividend yield on average share price	7.44%	6.09%	6.72%	7.65%	8.19%
Gross dividend per share	8.83	8.82	8.77	8.37	7.87
Net dividend per share	7.18	7.10	6.76	6.56	6.24
Net tangible assets cents per share (diluted) ^(c)	121.15	143.56	129.44	114.02	94.55
Net tangible assets cents per share (undiluted)	123.57	146.00	131.60	116.18	96.54
Basic earnings per share before revaluations ^{(a) (b) (f) (g)}	9.73	7.16	6.34	6.59	6.21
Basic earnings per share after revaluations ^{(a) (b) (f) (g)}	(15.09)	21.09	22.82	26.05	21.09
Number of properties owned	57	59	57	54	51
Portfolio income yield on valuation	8.6%	7.6%	7.8%	8.3%	9.5%
Average unexpired lease term (years)	4.7	5.2	5.4	5.3	5.7
Portfolio occupancy	99%	100%	100%	98%	99%
Closing shares on issue	212,434,449	210,508,187	208,567,101	206,731,464	203,473,905
Average shares	211,467,583	209,575,156	207,608,441	205,205,182	202,077,834
Number of shareholders	5,247	5,521	5,811	5,982	5,888
Gross shareholder returns since listing (annualised)	8.42%	10.88%	12.94%	10.67%	10.04%

(a) Unrealised valuations includes changes in values of properties and derivative financial instruments

(b) Excludes gain on sale

(c) Diluted for final dividend

(d) After unrealised changes in value of properties

(e) First reported in 2005

(f) Calculated on weighted average shares for the year

(g) Includes taxes

FINANCIALS

CALENDAR

February 2009	2008 Full-year financial result announced
March 2009	2008 Final dividend payment 2008 Annual report released
April 2009	2009 First-quarter result announced
May 2009	2009 First-quarter dividend paid Annual General Meeting
July 2009	2009 Half-year result announced
August 2009	2009 Half-year dividend paid
September 2009	2009 Interim report released
October 2009	2009 Third-quarter result announced
November 2009	2009 Third-quarter dividend paid
February 2010	2009 Full-year financial result announced



INCOME STATEMENT

for the year ended 31 December 2008

ALL IN \$000	NOTE	GROUP		PARENT	
		2008	2007	2008	2007
Revenue					
Gross rental income	4	32,470	30,859	–	–
Management fee income	5	–	–	2,268	3,548
Other income (gain on disposal of investment property)		–	250	–	–
Interest income		101	119	101	119
Total revenue		32,571	31,228	2,369	3,667
Operating expenses					
Property operating expenditure	4	1,147	624	467	342
Interest and finance charges		8,786	7,699	8,504	8,156
Management fees – base fee		2,268	2,017	2,268	2,017
Management fees – incentive fee		–	1,531	–	1,531
Other	5,6	925	618	786	557
Total operating expenses		13,126	12,489	12,025	12,603
Operating profit/(loss) before taxation		19,445	18,739	(9,656)	(8,936)
Non operating income and expenses					
Unrealised net change in value of investment properties	7	(43,128)	26,463	–	–
Unrealised fair value change in derivative financial instruments		(9,355)	2,741	(9,355)	2,741
Total non operating income and expenses		(52,483)	29,204	(9,355)	2,741
Profit/(loss) before income tax		(33,038)	47,943	(19,011)	(6,195)
Income tax benefit/(expense)					
Current taxation		(3,746)	(3,584)	2,897	2,949
Deferred taxation		4,872	91	2,850	(776)
Total income tax benefit/(expense)	8	1,126	(3,493)	5,747	2,173
Profit/(loss) after income tax		(31,912)	44,450	(13,264)	(4,022)
Basic and diluted (loss)/earnings per share	9	(15.09)	21.21		

The accompanying notes form part of these financial statements

STATEMENT OF CHANGES IN EQUITY

for the year ended 31 December 2008

ALL IN \$000	NOTE	GROUP		PARENT	
		2008	2007	2008	2007
Profit/(loss) for the year attributable to the ordinary equity holders of the Company		(31,912)	44,450	(13,264)	(4,022)
Total recognised income and expense for the year		(31,912)	44,450	(13,264)	(4,022)
Add: Contributions from owners, dividend reinvestments		2,217	2,729	2,217	2,729
Less: Dividends to owners	10	(15,148)	(14,311)	(15,148)	(14,311)
		(44,843)	32,868	(26,195)	(15,604)
Equity at the beginning of the year		307,338	274,470	28,777	44,381
Equity at 31 December	19, 20	262,495	307,338	2,582	28,777

The accompanying notes form part of these financial statements

BALANCE SHEET

as at year ended 31 December 2008

ALL IN \$000	NOTE	GROUP		PARENT	
		2008	2007	2008	2007
Current assets					
Cash and cash equivalents	12	533	–	533	–
Accounts receivable	13	377	1,612	131	638
Prepaid leasing costs and tenancy incentives	14	2,122	798	395	80
Investment properties held for resale	7	21,862	12,051	–	–
Derivative financial instruments	16	–	4,230	–	4,230
Loans to subsidiaries	15	–	–	118,674	152,546
Taxation recoverable		–	803	–	803
Total current assets		24,894	19,494	119,733	158,297
Non current assets					
Investment properties	7	361,172	426,705	–	–
Shares in subsidiaries	15	–	–	1,750	1,750
Total non current assets		361,172	426,705	1,750	1,750
Total assets		386,066	446,119	121,483	160,047
Current liabilities					
Bank overdraft	12	–	1,300	–	1,300
Accounts payable and accruals	16	2,967	3,638	3,276	2,664
Taxation payable		384	–	–	–
Goods and services tax		83	38	83	38
Derivative financial instruments	17	5,124	–	5,124	–
Borrowings	18	–	6,000	–	6,000
Total current liabilities		8,558	10,976	8,483	10,002
Non current liabilities					
Deferred taxation	8	3,013	7,885	(1,582)	1,268
Borrowings	18	112,000	120,000	112,000	120,000
Total non current liabilities		115,013	127,885	110,418	121,268
Owners' equity					
Capital issued	19	162,526	160,309	162,526	160,309
Retained earnings	20	99,969	147,029	(159,944)	(131,532)
Total equity		262,495	307,338	2,582	28,777
Total liabilities and equity		386,066	446,199	121,483	160,047

The accompanying notes form part of these financial statements

On behalf of the Board



Peter Masfen
Director
20 March 2009



Anthony Beverley
Director
20 March 2009

STATEMENT OF CASH FLOWS

for the year ended 31 December 2008

ALL IN \$000	NOTE	GROUP		PARENT	
		2008	2007	2008	2007
Cash flows from operating activities					
Cash receipts from customers		33,555	30,545	4,064	3,666
Cash paid to suppliers		(5,965)	(4,992)	(2,908)	(5,448)
Interest received		101	119	101	119
Interest on loans paid		(8,786)	(7,699)	(8,504)	(8,156)
Income tax paid		(2,780)	(3,710)	2,094	3,075
Goods and services tax paid/(received)		45	(608)	45	(608)
Net cash from/(used in) operating activities	21	16,170	13,655	(5,108)	(7,352)
Cash flows from investing activities					
Cash was provided from:					
Sale of investment properties		27,150	5,550	-	-
		27,150	5,550	-	-
Cash was applied to:					
Purchase and development of investment properties		14,144	26,632	-	-
Loans to subsidiaries		-	-	33,872	366
Capitalisation of interest for development properties		412	291	-	-
		14,556	26,923	33,872	366
Net cash inflows/(outflows) from investing activities		12,594	(21,373)	33,872	(366)
Cash flows from financing activities					
Cash was provided from:					
Contributions from shareholders		2,217	2,729	2,217	2,729
Draw down of term loans		-	16,500	-	16,500
		2,217	19,229	2,217	19,229
Cash was applied to:					
Dividends paid		(15,148)	(14,311)	(15,148)	(14,311)
Repayment of term loans		(14,000)	-	(14,000)	-
		(29,148)	(14,311)	(29,148)	(14,311)
Net cash inflows/(outflows) from financing activities		(26,931)	4,918	(26,931)	4,918
Net increase/(decrease) in cash held		1,833	(2,800)	1,833	(2,800)
Opening cash brought forward		(1,300)	1,500	(1,300)	1,500
Cash at the end of the year		533	(1,300)	533	(1,300)
Cash balances in balance sheet					
Cash balances comprise the following:					
Cash at bank	12	533	-	533	-
Bank overdraft	12	-	(1,300)	-	(1,300)
Total cash at bank and bank overdrafts		533	(1,300)	533	(1,300)

The accompanying notes form part of these financial statements

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

for the year ended 31 December 2008

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Reporting Entity

The financial statements are those of Property For Industry Limited (the 'Company').

The Company is incorporated in New Zealand and is registered under the New Zealand Companies Act 1993.

The registered office of the Company is Level 14, HP Tower, 171 Featherston Street, Wellington.

The Company is listed on the New Zealand Stock Exchange.

The Company is an issuer for the purposes of the Financial Reporting Act 1993. The financial statements are prepared in accordance with the Financial Reporting Act 1993.

The Company's principal activity is property investment and management. The Company is a profit-oriented entity.

The Group financial statements are those of the Company and its subsidiaries as at and for the year ended 31 December 2008. The subsidiaries apply the same accounting policies as the Group.

(a) Measurement basis

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

- Investment property is measured at fair value.
- Certain Financial Instruments are measured at fair value. Loans and receivables are measured on amortised cost.

(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. Compliance with NZ IFRS ensures that 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 new standards, amendments to published standards and interpretations that are mandatory for the Group's financial periods beginning on or after 1 January 2009 or later periods, but which the Group has not early adopted, are as follows:

1. NZ IAS 1 Presentation of Financial Statements (effective for accounting periods beginning on or after 1 January 2009);
2. NZ IAS 23(r2007).29-IAS 23 (Revised) Borrowing Costs (effective for accounting periods beginning on or after 1 January 2009);
3. NZ IAS 27 Consolidated and Separate Financial Statements (revised standard)(effective for accounting periods beginning on or after 1 July 2009);
4. NZ IAS 32 Amendments to IAS 32 Financial Instruments: Presentation and IAS 1 Presentation of Financial Statements - Puttable Financial Instruments and Obligations Arising on Liquidation (effective for accounting periods beginning on or after 1 January 2009);
5. NZ IAS 39 Amendments to IAS 39 Financial Instruments and IFRS 4 Financial Guarantee Contracts and Credit Insurance (effective for accounting periods beginning on or after 1 July 2009)
6. NZ IAS 39 Amendments to IAS 39 Financial Instruments: Recognition and Measurement - Eligible Hedge Items (effective for accounting periods beginning on or after 1 July 2008)
7. NZ IFRS 2 Share-based Payment - Amendments re Vesting Conditions and Cancellations (effective for accounting periods beginning on or after 1 January 2009);
8. NZ IFRS 4 Insurance Contracts - Amendment to Scope of Insurance Activities and Differential Reporting Concessions (effective for accounting periods beginning on or after 1 January 2009);
9. NZ IFRS 3 Business Combinations (effective for accounting periods beginning on or after 1 July 2009);
10. NZ IFRS 8 Operating Segments (effective for accounting periods beginning on or after 1 January 2009);
11. NZ IFRIC 11 Group and Treasury Share Transactions (effective for accounting periods beginning on or after 1 March 2007);
12. NZ IFRIC 12 Service Concession Arrangements (effective for accounting periods beginning on or after 1 January 2008);
13. NZ IFRIC 13 Customer Loyalty Programmes (effective for accounting periods beginning on or after 1 July 2008);
14. NZ IFRIC 14 The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction (effective for accounting periods beginning on or after 1 July 2008);
15. NZ IFRIC 15 Agreements for the Construction of Real Estate (effective for accounting periods beginning on or after 1 January 2009);
16. NZ IFRIC 16 Hedges of a Net Investment in a Foreign Operation (effective for accounting periods beginning on or after 1 October 2008); and
17. NZ IFRIC 17 Distribution of Non-cash Assets to Owners (effective for accounting periods beginning on or after 1 July 2009).

These new standards will have no material impact on the Group's financial statements with the exception of:

1. NZ IAS 1 whereby the Group may elect to present all non owner changes in equity in a single statement of comprehensive income and owner changes in equity in the statement of changes in equity.
2. NZ IFRS 8 whereby the Group will need to consider disclosure requirements on segmental reporting; and
3. NZ IFRIC 17 whereby the Group will need to consider the measurement and recognition impacts of distribution of non-cash assets on its Dividend Reinvestment Scheme.

(c) Basis of consolidation

Subsidiaries are entities controlled by the Group. Control exists when the Group has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights that are currently exercisable are taken into account. If subsidiaries are acquired during the year, their results are included in the consolidated financial statements from the date of acquisition. If subsidiaries are disposed of, they are accounted for up to disposal date. Inter-company accounts and transactions are eliminated on consolidation.

Investments in subsidiaries in the Company's separate financial statements are carried at cost, less impairment losses.

The Group financial statements include the financial statements of the Company and its wholly owned subsidiaries, P.F.I. Property No. 1 Limited, P.F.I. Property No. 2 Limited, P.F.I. Property No. 3 Limited, P.F.I. Property No. 4 Limited, P.F.I. Property No. 5 Limited and PFI Property No. 6 Limited. The purchase method of consolidation has been adopted.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

for the year ended 31 December 2008

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(d) Investment properties

Investment property is property held to earn rental income now or in the future, but not for sale in the ordinary course of business or for use in the production or supply of goods and services, or for administrative purposes. Initially, investment properties are valued 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 Income Statement in the year in which they arise.

Investment properties are revalued annually on the basis of the current market valuation made by independent registered public valuers. The value of capitalised leasing costs is deducted from the valuation to ensure that investment properties and associated leasing costs are recorded at fair value. Where the Directors consider that the independent valuation does not give a true and fair view then adjustments will be made and fully disclosed.

For the years ended 31 December 2008 and 2007 no material adjustments were made.

No depreciation or amortisation is provided for on investment properties. For tax purposes depreciation is claimed and a deferred tax liability is recognised.

(e) Capital work in progress

Capital work in progress consists of development projects which are being constructed for future use as investment properties. Capital work in progress is stated at cost less impairment losses until completion. The carrying value of capital work in progress is reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable. Impairment losses are recognised in the Income Statement. Upon completion capital work in progress is restated to fair value and reclassified as investment property. Any gains or losses arising from restatement are recognised in the Income Statement.

(f) Leasing costs

Leasing costs in relation to letting of property, where material, are recognised as prepaid expenses and amortised over the lease years to which they relate.

(g) Revenue recognition

Rental income from investment property is recognised in the Income Statement 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.

(h) Management fee income

Management fee income is recognised in the Income Statement when it becomes due and receivable.

(i) Taxation

Income tax expense comprises current and deferred tax. Income tax expense is recognised in the Income Statement, 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 recognised for the following temporary differences:

- The tax liability arising from the depreciation claimed on investment properties.
- The tax asset/liability arising from the revaluation of investment properties.
- The tax asset/liability arising from the unrealised gains/losses on the revaluation of interest rate swaps.

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.

Deferred tax is not recognised for the following temporary differences: the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss, and differences relating to investments in subsidiaries and jointly controlled entities to the extent that it is probable that they will not reverse in the foreseeable future.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different entities, but they intend to settle current tax assets and liabilities on a net basis.

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.

(j) Goods and services tax

The financial statements have been prepared on a goods and services tax exclusive basis except for accounts payable and receivable which are stated inclusive of GST where invoiced.

(k) Accounts receivable

Receivables are recognised and carried initially at fair value plus directly attributable transaction costs and subsequently measured at amortised cost using the effective interest rate method, less an allowance for any impairment losses. An impairment loss is made when collection of the full amount is no longer probable. Bad debts are written off when identified.

(l) Cash and cash equivalents

Cash and cash equivalents include cash at bank and short term money market investments which are readily convertible to cash. Only items that have an original maturity of three months or less are classified as cash.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

for the year ended 31 December 2008

(m) Financial Instruments

i) Non-derivative financial instruments

Non-derivative financial instruments comprise cash and cash equivalents, trade and other receivables, trade and other payables and secured bank loans. Non-derivative financial assets are classified as loans and receivables. Non-derivative financial liabilities are classified as other financial liabilities. These financial instruments are initially measured at fair value, less directly attributable transaction costs, and subsequently measured at amortised cost using the effective interest rate method. Under this method, fees, costs, discounts and premiums are spread over the expected life of the instrument.

Financial assets are recognised net of impairment losses, which are recognised immediately in profit or loss. The Group assesses at each balance date whether there is objective evidence that a financial asset or a group of financial assets are impaired. Financial assets with objective evidence of impairment are tested for impairment by comparing the carrying value to the recoverable amount. The recoverable amount is calculated as the present value of the estimated future cash flows, discounted at the original effective interest rate.

ii) Derivative financial instruments

The Group is exposed to changes in interest rates and uses interest rate derivatives to mitigate these risks. Such derivative instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently re-measured to fair value each balance date. Transaction costs are expensed on initial recognition and recognised in profit or loss. Derivatives are carried as assets when their fair value is positive and as liabilities when their fair value is negative. The fair value of derivative financial instruments was based on valuations prepared by the counterparty, based on prevailing interest rates.

(n) Interest bearing liabilities

Interest bearing liabilities are recognised initially at fair value plus any directly 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 Income Statement over the period of the liability on an effective interest basis.

Borrowing costs are recognised as an expense when incurred, except where they are in relation to qualifying assets as defined in NZ IAS 23 and then 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. Borrowing costs capitalised this year were \$412,000 at a rate of 7.63% (2007: \$291,000).

(o) Derivative and other Financial Instruments

Bank balances, prepayments, tax related receivables and accounts payable are stated at transaction value. The Company uses derivative financial instruments (interest rate swaps) to economically hedge 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 Income Statement. The fair value of interest rate swaps is the estimated amount that the Company would receive or pay to terminate the swap at balance date, taking into account current interest rates and creditworthiness of the swap counterparties.

(p) Derecognition of Financial Instruments

The Group derecognises a financial asset only when the contractual rights to the cash flows from the assets expire or it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or they expire.

(q) Impairment – Financial Assets

Assets other than investment properties and deferred tax assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount exceeds its recoverable amount. Recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows that are largely independent of the cash inflows from other assets or groups of assets (cash-generating units).

(r) Impairment – Non Financial Assets

A financial asset is assessed at each reporting date to determine whether there is any objective evidence that it is impaired. A financial asset is considered to be impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows of that asset.

An impairment loss in respect of a financial asset measure at amortised cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the original effective interest rate. An impairment loss in respect of an available-for-sale financial asset is calculated by reference to its fair value.

All impairment losses are recognised in the income statement. An impairment loss is reversed if the reversal can be related objectively to an event occurring after the impairment loss was recognised. This reversal is recognised in the Income Statement.

(s) Statement of Cash Flows

The following is the definition of terms used in the Statement of Cash Flows.

- i) Cash means coins, notes, demand deposits and other highly liquid investments in which the Company 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. Cash does not include receivables or payables or any borrowing that forms part of a term facility.
- ii) Investing activities include those relating to the addition, acquisition and disposal of investment properties and any addition or reduction of subsidiary investments and loans.
- iii) Financing activities are those activities that result in changes in the size and composition of the capital structure of the Company. Dividends paid in relation to the capital structure are included in financing activities.
- iv) Operating activities include all transactions and other events that are neither investing or financing activities.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

for the year ended 31 December 2008

2. SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

In applying the Group'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 the Group. 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 judgements, estimates and assumptions made in the preparation of these financial statements are outlined below:

Investment properties (also refer note 7)

Independent valuations are used to determine the fair value of investment properties. The most common and accepted methods for assessing the current market value of an investment 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 'snap shot' 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.

Deferred taxes

Deferred tax on changes in fair value of property investments: Deferred tax is provided on the building component of the fair value change to property investments, being the taxable temporary difference. Investment properties are valued each year by independent valuers (as outlined in Note 7). These values include an allocation of the valuation between the land and building components. The calculation of deferred tax on the building component places reliance on the split provided by the valuers.

Deferred tax on depreciation: Deferred tax is provided in respect of depreciation claimed.

Derivative financial instruments

Derivative financial instruments are represented at valuation prepared by the counterparty, based on the prevailing interest rate.

3. FINANCIAL RISK MANAGEMENT

Strategy in using financial instruments

The Group's activities expose it to a variety of financial risks: market risk (such as interest rate risk) and credit risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance. The Group uses derivative financial instruments to moderate certain risk exposures.

The Group's principal financial instruments comprise bank loans.

The main purpose of these financial instruments is to raise finance for the Group.

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

The Group has various other financial assets and liabilities such as Accounts Receivable and Accounts Payable, which arise directly from its operations.

The main risks arising from the Group's financial instruments are 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.

Interest risk

Interest risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices.

The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's long-term debt obligations with a floating interest rate.

The Group's policy is to manage its interest cost using a mix of fixed and variable rate debt. The Group enters into interest rate swaps in which the Group 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.

As the Group holds interest rate swaps there is a risk that their economic value will fluctuate because of changes in market interest rates. The value of interest rate swaps is disclosed in note 17 and it is acknowledged that this risk is a by-product of the Group's attempt to manage its cash flow interest rate risk.

The sensitivity analysis following has been determined based on the exposure to interest rates for both derivative and non-derivative instruments at the Balance Sheet date. For floating rate liabilities, the analysis is prepared assuming the amount of liability outstanding at the balance date was outstanding for the whole year. A 50 basis point increase or decrease is used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

for the year ended 31 December 2008

3. FINANCIAL RISK MANAGEMENT (CONTINUED)

Group and Parent	12 MONTHS 2008 \$000	GAIN/(LOSS) ON INCREASE OF +0.5%	GAIN/(LOSS) ON DECREASE OF -0.5%	12 MONTHS 2007 \$000	GAIN/(LOSS) ON INCREASE OF +0.5%	GAIN/(LOSS) ON DECREASE OF -0.5%
Financial Assets						
Cash and cash equivalents	533	–	–	(1,300)	–	–
Accounts Receivable	377	–	–	1,612	–	–
Total	910	–	–	312	–	–
Financial Liabilities						
Financial liability at fair value through profit and (loss)	5,124	921	(921)	(4,230)	1,142	(1,142)
Accounts payable and accruals	2,967	–	–	3,638	–	–
Term loans	112,000	(560)	560	126,000	(936)	936
Total	120,091	361	(361)	125,408	206	(206)

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 potentially subject the Group to credit risk principally consist of bank balances, Accounts Receivable, loans to subsidiaries, call accounts and interest rate swap agreements. There is limited credit risk for the Group because most of the Group's cash and investments are deposits with Bank of New Zealand which is a registered bank in New Zealand and is rated by Standard & Poors AA/Stable/A-1+.

With respect to credit risk arising from the financial assets of the Group, its exposure to credit risk arises from default of the counterparty, with the current exposure equal to the fair value of these instruments as disclosed in the table below.

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

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

As the Group has a wide spread of tenants over many industry sectors it is not exposed to any significant concentration of credit risk.

Amounts which are past due are not considered impaired as the majority are due from tenants with strong credit ratings.

Sensitivity analysis of credit risk is based on the possibility that if 10% of total accounts receivable were impaired, it would have an adverse impact on current year earnings by approximately \$38,000 (2007: \$161,000). Management do not consider this exposure to have a material impact on the financial position of the Group.

A credit risk also arises in the Parent company from loans to subsidiaries. These amounts are not interest bearing, and have no fixed repayment terms.

ALL IN \$000	GROUP 31/12/2008	PARENT 31/12/2008	GROUP 31/12/2007	PARENT 31/12/2007
Accounts Receivable				
Carrying amount	377	131	1,612	638
Not impaired on the reporting date and past due:				
less than 30 days	272	26	986	12
between 31 days and 60 days	6	6	113	113
between 61 days and 90 days	51	51	189	189
between 91 days and 360 days	42	42	180	180
over 360 days	6	6	144	144

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

for the year ended 31 December 2008

3. FINANCIAL RISK MANAGEMENT (CONTINUED)

Liquidity Risk

Liquidity risk is the risk that the Group will experience difficulty in either realising assets or otherwise raising sufficient funds to satisfy commitments associated with financial instruments.

The table below analyses the Group's financial liabilities into relevant maturity groupings based on the remaining period as at 31 December 2008:

ALL IN \$000	GROUP		PARENT	
	31/12/2008	31/12/2008	31/12/2007	31/12/2007
Accounts Payable				
Due or due not later than one month	2,829	3,138	3,015	2,041
Due later than one month but not later than three months	138	138	623	623
Due later than three months but not later than one year	-	-	-	-
Due later than one year but not later than five years	-	-	-	-
Total	2,967	3,276	3,638	2,664
Term Loans				
Due or due not later than one month	-	-	-	-
Due later than one month but not later than three months	-	-	-	-
Due later than three months but not later than one year	-	-	6,000	6,000
Due later than one year but not later than five years	112,000	112,000	120,000	120,000
Total	112,000	112,000	126,000	126,000

Sensitivity analysis of liquidity risk is based on the Group's ability to adhere to banking covenants and negative pledge. The Group has \$8,000,000 in unutilised funding facilities as at 31 December 2008. Management has frameworks in place to monitor the Group's liquidity and ensure that banking covenants are complied with.

4 . PROPERTY INCOME AND EXPENDITURE

These expenses include building maintenance and operating expenses not recoverable from tenants, property valuation fees and property leasing and investigation costs.

ALL IN \$000	GROUP	
	2008	2007
Gross rental income		
Property income from investment property	32,470	30,859
	32,470	30,859
Property operating expenditure		
Direct operating expenses arising from property that generated rental income during the year	1,147	624
Direct operating expenses arising from property that did not generate rental income during the year	-	-
Total	1,147	624

5. DIRECTORS' FEES AND RELATED PARTY TRANSACTIONS

Directors' fees were as follows:

ALL IN \$000	GROUP	
	2008	2007
Peter Masfen	80	45
Gareth Morgan	111	35
Humphry Rolleston	50	35
Michael Cashin	24	-
Anthony Beverley	-	-
	265	115

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

for the year ended 31 December 2008

5. DIRECTORS' FEES AND RELATED PARTY TRANSACTIONS (CONTINUED)

No other benefits have been provided by the Company and Group to a Director for services as a Director or in any other capacity. No loans have been made by the Company and Group to a Director nor has the Company or subsidiaries guaranteed any debts incurred by a Director. The Company has Directors' and Officers' liability insurance cover for \$10,000,000 with Wilkinson Insurance Brokers.

The parent company pays a management fee to AMP Capital Investors who provide all management and administrative services.

Management fee income is recognised in the Income Statement of the Parent company based on amounts invoiced for services received.

Management fees were oncharged as follows:

ALL IN \$000	PARENT	
	2008	2007
P.F.I. Property No. 1 Limited	1,236	1,844
P.F.I. Property No. 2 Limited	105	184
P.F.I. Property No. 3 Limited	158	193
P.F.I. Property No. 4 Limited	449	828
P.F.I. Property No. 5 Limited	311	485
PFI Property No. 6 Limited	9	14
Total	2,268	3,548

Material transactions between the Company and its subsidiaries are shares and loans as disclosed in the Balance Sheet and in note 15.

The loans are repayable on demand and are interest free.

No related party debts have been written off or forgiven during the year (2007: nil).

6. OTHER EXPENDITURE

ALL IN \$000	GROUP		PARENT	
	2008	2007	2008	2007
Audit fees	69	28	69	28
Fees paid to auditors for other assurance services	24	25	24	25
Directors' fees	265	115	265	115
Compliance costs	184	156	45	95
Shareholder registry and reporting costs	238	219	238	219
Other	145	75	145	75
	925	618	786	557

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

for the year ended 31 December 2008

7. INVESTMENT PROPERTY

ALL IN \$000		2008	2008	2008	2007
INVESTMENT PROPERTY	VALUER	FAIR VALUE	UNREALISED REVALUATION	ADDITIONS/ (DISPOSALS)	CARRYING VALUE
6 Donner Place	DTZ New Zealand Ltd	16,246	2,879	26	19,099
686 Rosebank Road	DTZ New Zealand Ltd	20,488	3,794	5,582	18,700
49 Nesdale Avenue	CB Richard Ellis	15,165	1,450	15	16,600
54 Carbine Road	DTZ New Zealand Ltd	15,449	974	124	16,299
58 Richard Pearse Drive	DTZ New Zealand Ltd	12,200	1,803	3	14,000
62 Neales Road	DTZ New Zealand Ltd	12,850	850	-	13,700
509 Mt Wellington Highway	DTZ New Zealand Ltd	11,639	1,921	22	13,538
3-5 Niall Burgess Road	DTZ New Zealand Ltd	12,800	641	291	13,150
17 Allens Road	CB Richard Ellis	10,540	1,491	32	11,999
44 Mandeville Street	DTZ New Zealand Ltd	10,330	1,455	171	11,614
4-6 Mt Richmond Drive	DTZ New Zealand Ltd	10,600	104	29	10,675
8-10 Cavendish Drive	DTZ New Zealand Ltd	9,370	1,727	743	10,354
2-6 Niall Burgess Road	Jones Lang LaSalle	9,400	950	-	10,350
80 Lunn Avenue	CB Richard Ellis	9,432	928	12	10,348
8 McCormack Place	DTZ New Zealand Ltd	9,750	266	16	10,000
322 Rosedale Road	DTZ New Zealand Ltd	8,560	398	81	8,877
61-69 Patiki Road	DTZ New Zealand Ltd	9,586	1,557	2,650	8,493
18 Cryers Road	DTZ New Zealand Ltd	8,100	356	81	8,375
11 Barnes Street	CB Richard Ellis	8,279	(173)	6	8,100
15 Copsey Place	DTZ New Zealand Ltd	7,000	739	14	7,725
320 Rosebank Road	Jones Lang LaSalle	7,403	99	108	7,395
7 Carmont Place	Jones Lang LaSalle	6,867	418	15	7,270
55-59 Nesdale Avenue	DTZ New Zealand Ltd	7,228	(5)	23	7,200
7 Vestey Drive	Jones Lang LaSalle	6,315	335	-	6,650
415 Church Street	DTZ New Zealand Ltd	5,757	898	26	6,629
15a Vestey Drive	DTZ New Zealand Ltd	5,795	825	32	6,588
511 Mt Wellington Highway	Jones Lang LaSalle	5,610	797	107	6,300
50 Parkside Road	DTZ New Zealand Ltd	5,250	654	7	5,897
11 Vestey Drive	CB Richard Ellis	4,989	819	-	5,808
41 William Pickering Drive	DTZ New Zealand Ltd	4,876	203	3	5,076
4 Rothwell Avenue	Jones Lang LaSalle	4,567	507	13	5,060
102 Mays Road	Jones Lang LaSalle	4,348	656	4	5,000
1 Ron Driver Place	CB Richard Ellis	3,890	880	-	4,770
76 Carbine Road	DTZ New Zealand Ltd	4,150	493	3	4,640
48 Seaview Road	CB Richard Ellis	5,185	1,363	2,048	4,499
29 Omega Street	CB Richard Ellis	3,232	824	6	4,050
956 Great South Road	DTZ New Zealand Ltd	2,669	418	87	3,000
417a Church Street	Jones Lang LaSalle	3,308	539	37	3,810
127 Waterloo Road	DTZ New Zealand Ltd	3,148	507	5	3,650
515 Mt Wellington Highway	Jones Lang LaSalle	2,942	559	213	3,288
417 Church Street	CB Richard Ellis	2,982	240	22	3,200
47 Arrenway Drive	CB Richard Ellis	2,646	461	5	3,102
956a Great South Road	DTZ New Zealand Ltd	3,529	451	119	3,861
10 Niall Burgess Road	CB Richard Ellis	2,591	397	3	2,985
8 Stonedon Drive	DTZ New Zealand Ltd	2,700	160	-	2,860
523 Mt Wellington Highway	Jones Lang LaSalle	2,600	241	1	2,840
19 Omega Street	CB Richard Ellis	2,550	290	-	2,840
1 Niall Burgess Road	Jones Lang LaSalle	2,490	318	58	2,750

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

for the year ended 31 December 2008

7. INVESTMENT PROPERTY (CONTINUED)

ALL IN \$000		2008	2008	2008	2007
INVESTMENT PROPERTY	VALUER	FAIR VALUE	UNREALISED REVALUATION	ADDITIONS/ (DISPOSALS)	CARRYING VALUE
5 Vestey Drive	CB Richard Ellis	2,328	234	1	2,560
50 Carbine Road	CB Richard Ellis	2,229	278	7	2,500
9 Vestey Drive	DTZ New Zealand Ltd	2,345	179	74	2,450
174b Marua Road	CB Richard Ellis	1,650	501	1	2,150
36 Vestey Drive	DTZ New Zealand Ltd	1,695	333	9	2,020
Investment properties held long term total		357,646	39,980	12,932	384,694
▲ 7-13 Fisher Crescent	CB Richard Ellis	5,312	1,079	21	6,370
◆ 16-18 Fisher Crescent	Jones Lang LaSalle	3,945	455	-	4,400
◆ 26f William Pickering Drive	CB Richard Ellis	1,594	421	5	2,010
◆ 11 Dalgety Drive	DTZ New Zealand Ltd	11,011	1,193	154	12,051
Investment properties held for resale total		21,862	3,148	180	24,831
373 Neilson Street	Jones Lang LaSalle	-	-	(10,150)	10,150
9 Ride Way	CB Richard Ellis	-	-	(17,000)	17,000
Investment properties sold total		-	-	(27,150)	27,150
Investment properties (excluding capital work in progress)		379,508	43,128	(14,039)	436,675
Capital work in progress		3,526			2,081
Investment properties total		383,034			438,756

There were no property acquisitions during the year (2007 total \$13.7 million). All additions in the current year related to expenditure on the existing portfolio of investment properties.

Key

- ◆ The Company has listed 16-18 Fisher Crescent, 26f William Pickering Drive and 11 Dalgety Drive for sale.
 - ▲ The Company sold 7-13 Fisher Crescent on 19 February 2009.
- The properties have been valued as at 31 December 2008. These firms are independent registered valuers who are members of the ANZIV. The total net current value of properties by valuer, are as follows:

ALL IN \$000	GROUP	
	2008	2007
CB Richard Ellis	84,593	175,427
Jones Lang LaSalle	59,795	97,577
DTZ New Zealand Ltd	235,120	163,671
Total (excluding capital work in progress)	379,508	436,675

All valuations were dated 31 December 2008.

The valuations undertaken were based on an open market value, supported by market evidence. The fair value represents the amount at which the assets could be exchanged between a knowledgeable willing buyer and knowledgeable willing seller in an arm's length transaction at the date of valuation, in accordance with New Zealand Valuation Standards. In determining fair value, the expected net cash flows applicable to each property have been discounted to their present value using a market determined, discount risk adjusted rate applicable to the respective asset. The basis of the valuation includes discounted cash flow analysis and comparable sales evidence. The valuations are based on assumptions of internal rates of return, rental growth, potential capital expenditure, expected sale price at the end of the investment horizon, costs associated with the initial purchase of the property and yield. The estimate of fair value is a judgement which has been based on circumstances which apply at balance date.

Capital work in progress	GROUP	
	2008	2007
ALL IN \$000		
Balance at the beginning of the year	2,081	572
Additions (capitalised costs, including capitalised interest and finance charges)	14,557	12,955
Transfer to investment property	(13,112)	(11,446)
Balance at the end of the year	3,526	2,081

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

for the year ended 31 December 2008

8. TAXATION

Major components of income tax expense are:

ALL IN \$000	GROUP		PARENT	
	2008	2007	2008	2007
Current tax	(3,746)	(3,584)	2,897	2,949
Deferred tax	4,872	91	(208)	(776)
Total Taxation	1,126	(3,493)	2,689	2,173

A reconciliation of income tax expense applicable to accounting profit before income tax at statutory income tax rates and to the company's effective tax rate is as follows:

Profit/(loss) before income tax	(33,038)	47,943	(19,011)	(6,195)
At the statutory rate of 33% (2007: 33%)	(9,911)	15,821	(5,703)	(2,044)
Non deductible/(assessable) losses/(gains) on property devaluations/(revaluations)	8,442	(10,888)	-	-
Effect of change in tax rates	-	(788)	-	-
Non deductible items	-	53	-	-
Prior year adjustments	343	(622)	(44)	(129)
Non taxable gain on sale	-	(83)	-	-
Tax expense for the year	(1,126)	3,493	(5,747)	(2,173)
Effective tax rate	3.4%	7.3%		

Balance Sheet

Deferred taxes

ALL IN \$000	GROUP		PARENT	
	2008	2007	2008	2007
Derivative financial instruments	(1,537)	1,268	(1,537)	1,268
Investment properties	4,595	6,617	-	-
Allowance for impairment	(45)	-	(45)	-
	3,013	7,885	(1,582)	1,268

Deferred tax movement

	BALANCE 1 JANUARY 2008	RECOGNISED IN INCOME	BALANCE 31 DECEMBER 2008
Deferred tax movements are attributable to the following:			
Change in value of property investments	6,617	(2,022)	4,595
Derivative financial instruments	1,268	(2,805)	(1,537)
Other temporary differences	-	45	45
	7,885	(4,782)	3,103
	BALANCE 1 JANUARY 2007	RECOGNISED IN INCOME	BALANCE 31 DECEMBER 2007
Change in value of property investments	7,485	(868)	6,617
Derivative financial instruments	491	777	1,268
	7,976	(91)	7,885

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

for the year ended 31 December 2008

9. BASIC AND DILUTED (LOSS)/EARNINGS PER SHARE

Basic and diluted earnings per share

ALL IN \$000	2008	2007
Profit/(loss) attributable to ordinary shareholders	(31,912)	44,450
Weighted average number of ordinary shares at 31 December	211,467,583	209,575,156
Basic (loss)/earnings per share	(15.09)	21.21

There are no instruments that could potentially dilute basic earnings per share in the future.

The calculation of basic (loss)/earnings per share at 31 December 2008 was based on the distributable profit attributable to ordinary shareholders of \$15,699,000 (2007: \$14,905,000) and a weighted average number of shares outstanding of 211,467,583 (2007: 209,575,156) calculated as follows:

Distributable earnings per share

ALL IN \$000	2008	2007
Profit/(loss) attributable to ordinary shareholders	(31,912)	44,450
add back deferred tax	(4,872)	(91)
add: unrealised devaluation/(revaluation) losses/(gains)	52,483	(29,204)
less: gain on disposal of investment property	–	(250)
Net distributable profit attributable to shareholders	15,699	14,905
Weighted average number of ordinary shares at 31 December	211,467,583	209,575,156
Distributable earnings per share	7.42	7.11
Weighted average number of ordinary shares		
Issued ordinary shares at 1 January	210,508,187	208,567,101
Dividend reinvestments	1,926,262	1,941,086
Issued ordinary shares at 31 December	212,434,449	210,508,187

10. DIVIDEND PAID DURING THE YEAR

	2008 \$000	2008 DATE PAID	2007 \$000	2007 DATE PAID
Q4 prior year net dividend of 2.425 cps	5,106	18/03/2008	4,511	9/03/2007
Q1 net dividend of 1.55 cps	3,271	13/05/2008	3,188	17/05/2007
Q2 net dividend of 1.55 cps	3,276	19/08/2008	3,198	2/08/2007
Q3 net dividend of 1.65 cps	3,495	26/11/2008	3,414	19/11/2007
Total paid during year	15,148		14,311	

11. SUBSEQUENT EVENTS: PROPOSED DIVIDEND

On 20th February 2009, the Directors of the Company approved the financial statements and the payment of a dividend of \$5,151,535 (2.77 cents per share) to be paid on 18th March 2009. This dividend carries Imputation credits of 0.345 cps, leaving a net dividend of 2.425 cps.

The payment of this dividend will not have any tax consequences for the Group.

No such liability has been recognised in the Balance Sheet for 31 December 2008.

12. CASH AND CASH EQUIVALENTS

ALL IN \$000	GROUP		PARENT	
	2008	2007	2008	2007
Cash at bank and in hand	533	–	533	–
Bank overdraft	–	(1,300)	–	(1,300)
	533	(1,300)	533	(1,300)

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

for the year ended 31 December 2008

13. ACCOUNTS RECEIVABLE

ALL IN \$000	GROUP		PARENT	
	2008	2007	2008	2007
Accounts receivable	677	1,612	181	638
Allowance for impairment	(300)	–	(50)	–
Total	377	1,612	131	638

The average credit term on invoiced amounts is 30 days, and is interest free.

14. PREPAID LEASING COSTS AND TENANCY INCENTIVES

ALL IN \$000	GROUP		PARENT	
	2008	2007	2008	2007
Prepaid lease costs	1,664	798	–	–
Tenancy incentives and other prepayments	458	–	395	80
Total	2,122	798	395	80

15. GROUP COMPANIES

Group Companies are all 100% owned with balance dates of 31 December. All six subsidiary companies participate in the property investment industry. All subsidiaries are incorporated in New Zealand.

These comprise:

ALL IN \$000	INVESTMENT IN SUBSIDIARY	SUBSIDIARY LOANS	SUBSIDIARY LOANS	PERCENTAGE OWNERSHIP	BALANCE DATE OF COMPANY
	2008	2008	2007		
P.F.I Property No. 1 Limited	–	60,166	63,212	100%	31 December
P.F.I Property No. 2 Limited	1,750	168	10,531	100%	31 December
P.F.I Property No. 3 Limited	–	13,876	11,587	100%	31 December
P.F.I Property No. 4 Limited	–	20,928	41,419	100%	31 December
P.F.I Property No. 5 Limited	–	21,151	23,358	100%	31 December
PFI Property No. 6 Limited	–	2,385	2,439	100%	31 December
Total	1,750	118,674	152,546		

16. ACCOUNTS PAYABLE AND ACCRUALS

ALL IN \$000	GROUP		PARENT	
	2008	2007	2008	2007
Accounts payable and accruals	2,507	3,638	3,276	2,664
Property capital expenditure accruals	460	–	–	–
Total	2,967	3,638	3,276	2,664

The average credit period on purchases of goods and services is 30 days. No interest is charged on the Accounts Payable. The Group has financial risk management policies in place to ensure that all payables are paid within the credit timeframe.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

for the year ended 31 December 2008

17. DERIVATIVE FINANCIAL INSTRUMENTS

ALL IN \$000	GROUP	
	2008	2007
Current assets		
Interest rate swaps	–	4,230
	–	4,230
Current liabilities		
Interest rate swaps	5,124	–
Net interest rate swaps	(5,124)	4,230

18. BORROWINGS

Property For Industry's debt facilities total \$120,000,000 (undrawn \$8,000,000) and are provided by the Bank of New Zealand.

All borrowings are interest only and are secured by a negative pledge such that, subject to defined permitted security interest, the guaranteeing group (The Company, P.F.I. Property No. 1 Limited, P.F.I. Property No. 2 Limited, P.F.I. Property No. 3 Limited, P.F.I. Property No. 4 Limited, P.F.I. Property No. 5 Limited, PFI Property No. 6 Limited) will not create any security over the whole or part of the guaranteeing group's assets. The Group is also required to comply with bank covenants pursuant to the BNZ Facility Agreement. The Group complied with all bank covenants during the financial year ended 31 December 2008.

ALL IN \$000	GROUP		PARENT	
	2008	2007	2008	2007
Facilities maturing				
BNZ Committed Cash Facility – 30 September 2011	112,000	120,000	112,000	120,000
BNZ Committed Cash Facility – 31 October 2008	–	6,000	–	6,000
Total Borrowings	112,000	126,000	112,000	126,000
Undrawn facilities available				
BNZ Committed Cash Facility – 30 September 2011	8,000	–	8,000	–
BNZ Committed Cash Facility – 31 October 2008	–	24,000	–	24,000
Total facilities	120,000	150,000	120,000	150,000

Interest rates charged are at the NZ interbank settlement 90 day benchmark borrowing rate plus a bank margin.

As at 31 December 2008, the interest rate applied to these funds was 5.97% (2007: 9.08%).

Through the use of interest rate swap agreements, the Company has as of 31 December 2008 effectively fixed the interest rate on \$93,000,000 (2007: \$103,000,000), or 83% (2007: 82%) of its term debt, for a weighted average term of 2.5 years (2007: 3.2 years) and weighted average interest rate excluding margin of 6.99% (2007: 6.90%).

Schedule of swap and fixed maturities	GROUP		GROUP	
	2008 \$000	2007 \$000	2008 %	2007 %
Interest rate cover < 1yr	15,000	5,000	8.62	5.55
Interest rate cover 1 – 2yr	13,000	15,000	6.49	8.62
Interest rate cover 2 – 5yr	65,000	18,000	6.71	6.51
Interest rate cover > 5yr	–	65,000	–	6.71
	93,000	103,000	6.99	6.90

19. SHARE CAPITAL – FULLY PAID

Fully paid ordinary shares carry equal voting rights and share equally in dividends and any surplus on wind up.

ALL IN \$000	GROUP		PARENT	
	2008	2007	2008	2007
Shareholder Capital at the beginning of the year				
210,508,187 ordinary shares at 1 January	160,309	157,580	160,309	157,580
Dividend reinvestments 1,941,086 ordinary shares	2,217	2,729	2,217	2,729
Shareholder Capital at the end of the year				
212,434,449 ordinary shares at 31 December	162,526	160,309	162,526	160,309

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

for the year ended 31 December 2008

20. MOVEMENT IN RESERVES

ALL IN \$000	GROUP		PARENT	
	2008	2007	2008	2007
(i) Retained earnings				
Balance at the beginning of the year	147,029	116,890	(131,532)	(113,199)
Net profit attributable to ordinary equity holders of the Company	(31,912)	44,450	(13,264)	(4,022)
Dividends distributed	(15,148)	(14,311)	(15,148)	(14,311)
Balance at the end of the year	99,969	147,029	(159,944)	(131,532)
(ii) Ordinary share capital				
Balance at the beginning of the year	160,309	157,580	160,309	157,580
Dividends reinvested	2,217	2,729	2,217	2,729
Balance at the end of the year	162,526	160,309	162,526	160,309
Total reserves at the beginning of the year	307,338	274,470	28,777	44,381
Total reserves at the end of the year	262,495	307,338	2,582	28,777

Ordinary share capital

Ordinary share capital comprises issued shares that are fully paid. The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company.

Retained earnings

Retained earnings comprises accumulated profits of the Group and Company.

21. RECONCILIATION OF PROFIT AFTER TAX WITH NET CASH FROM OPERATING ACTIVITIES

ALL IN \$000	GROUP		PARENT	
	2008	2007	2008	2007
Profit/(loss) after income tax	(31,912)	44,450	(13,264)	(4,022)
Add/(less) non-cash items and non-operating items				
Unrealised loss/(gain) on investment property	43,128	(26,463)	–	–
Unrealised loss/(gain) on swaps	9,355	(2,741)	9,355	(2,741)
Gain on disposal of investment property	–	(250)	–	–
Deferred Taxation	(4,872)	(91)	(2,850)	776
Add/(less) movements in working capital items				
(Increase)/decrease in Accounts Receivable	261	103	507	103
Increase/(decrease) in Accounts Payable	303	(749)	612	(749)
Increase/(decrease) in tax payable	1,187	(126)	803	(126)
Increase/(decrease) in GST payable	45	(608)	45	(608)
Other working capital movements	(1,325)	130	(316)	15
Net cash inflows/(outflows) from operating activities	16,170	13,655	(5,107)	(7,352)

22. CAPITAL COMMITMENTS

The Company's capital commitments were \$3.70 million as at 31 December 2008 (2007: \$3.62 million). These comprise development works being undertaken in respect of existing properties.

The Company had no unconditional purchase contracts at 31 December 2008 (2007: nil).

The Parent had no capital commitments at 31 December 2008 (2007: nil).

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

for the year ended 31 December 2008

22. CAPITAL COMMITMENTS (CONTINUED)

Operating Lease Commitments as Lessor

The Company has entered into commercial property leases on its investment portfolio. These non-cancellable leases have remaining non-cancellable lease terms of between 1 and 11 years.

Future minimum rentals receivable under non-cancellable operating leases as at 31 December are as follows:

ALL IN \$000	GROUP	
	2008	2007
Within one year	32,079	32,038
After one year but not more than five years	98,331	99,151
More than five years	24,276	38,708

Note: The above rental numbers are based on contract rates as at 31 December 2008. Actual rental amounts in future will differ due to rent review provisions within the lease agreements.

23. CONTINGENT LIABILITIES

There are no contingent liabilities at 31 December 2008 (2007: nil).

24. NATURE OF BUSINESS AND SEGMENTAL REPORTING

The Company and its subsidiary companies are engaged in industrial property investment.

The Companies operate within one industry, property investment, and one geographical segment, New Zealand, therefore segmental revenue, results, assets and liabilities are the same as has been reported in the Income Statement and Balance Sheet.

25. IMPUTATION CREDIT ACCOUNT

ALL IN \$000	PARENT	
	2008	2007
Opening credit balance	119	2,285
Taxation paid	2,825	3,725
Refunds	(275)	(775)
Imputation credits attached to dividends paid	(3,191)	(5,116)
Prior year adjustments	705	–
Closing credit balance available to shareholders	183	119

26. CAPITAL RISK MANAGEMENT

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to stakeholders through the optimisation of the debt and equity balance. The capital structure of the Group consists of debt, which includes the borrowings disclosed in note 18, cash and cash equivalents and equity attributable to equity holders of the parent, comprising issued capital, reserves and retained earnings as disclosed in notes 12, 19 and 20 respectively.

The Group has a self imposed maximum bank debt to property assets ratio of 35% and at balance date this ratio was 28.9% (2007: 28.6%).

Debt to Equity ratio

The Group's management reviews the capital structure on a monthly basis. As part of this review, the committee considers the cost of capital and the risks associated with each class of capital.

The Debt to Equity ratio at the year end was as follows:

ALL IN \$000	GROUP	
	2008	2007
Debt ⁽ⁱ⁾	112,000	126,000
Cash and cash equivalents	(533)	1,300
Equity ⁽ⁱⁱ⁾	262,495	307,338
Net debt to equity ratio	43%	41%

(i) Debt is defined as long and short term borrowings as disclosed in note 18.

(ii) Equity includes all capital and reserves of the Group.

The borrowings are subject to a negative pledge from the Group to the bank, as well as compliance with bank covenants (refer note 18).

27. RECLASSIFICATION OF COMPARATIVE FINANCIAL INFORMATION

Certain comparative financial information has been reclassified in the balance sheet to conform to current financial year presentation requirements.

TO THE SHAREHOLDERS OF PROPERTY FOR INDUSTRY LIMITED

We have audited the financial statements on pages 22 to 39. The financial statements provide information about the past financial performance and financial position of the Company and Group as at 31 December 2008. This information is stated in accordance with the accounting policies described in Note 1 to the financial statements.

Board of Directors' Responsibilities

The Board of Directors is responsible for the preparation of the financial statements which give a true and fair view of the financial position of the Company and Group as at 31 December 2008 and the results of operations and cash flows for the year ended on that date.

Auditor's Responsibilities

It is our responsibility to express an independent opinion on the financial statements presented by the Board of Directors.

Basis of Opinion

An audit includes examining, on a test basis, evidence relevant to the amounts and disclosures in the financial statements. It also includes assessing:

- the significant estimates and judgements made by the Board of Directors in the preparation of the financial statements, and
- whether the accounting policies are appropriate to the Company and Group circumstances, consistently applied and adequately disclosed.

We conducted our audit in accordance with New Zealand Auditing Standards. We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to obtain reasonable assurance that the financial statements are free from material misstatements, whether caused by fraud or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Other than in our capacity as auditor we have no relationship with, or interests in, the company or any of its subsidiaries.

Unqualified Opinion

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

In our opinion:

- proper accounting records have been kept by the Company as far as appears from our examination of those records; and
- the financial statements on pages 22 to 39;
 - comply with generally accepted accounting practice in New Zealand; and
 - give a true and fair view of the financial position of the Company and Group as at 31 December 2008 and the results of operations and cash flows for the year ended on that date.

Our audit was completed on 20 February 2009 and our unqualified opinion is expressed as at that date.

BDO Spicers Auckland

BDO Spicers

Auckland

CORPORATE GOVERNANCE AND STATUTORY DISCLOSURE

PRINCIPAL ACTIVITY

Property For Industry Limited (and subsidiaries) is a listed industrial property investment company. It currently invests solely in New Zealand. There has not been any change in the nature of the company's business in the year ended 31 December 2008, nor in the classes of business in which the company has an interest.

GOVERNANCE

The Board of PFI is committed to the highest standards of business behaviour and accountability. The Board regularly reviews and assesses PFI's governance structures and processes to ensure they are consistent with best practice standards. As part of the Board's ongoing monitoring and review of PFI's governance framework, the Board has developed a Corporate Governance Manual that forms PFI'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 New Zealand Exchange Limited (NZX) listing rules relating to corporate governance, the NZX Corporate Governance Best Practice Code recommendations and the New Zealand Securities Commission Governance Principles and Guidelines. A copy of the Manual is available on the website at www.pfi.co.nz

The Corporate Governance Manual includes:

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

COMPLIANCE WITH NZX REQUIREMENTS

The NZX Corporate Governance Best Practice Code requires that companies such as PFI disclose the ways in which their corporate governance processes materially differ from the processes prescribed by the Code. PFI complies with the NZX Corporate Governance Best Practice Code except as stated below.

CODE OF ETHICS

The Board has developed a code of ethics that forms part of the Corporate Governance Manual. The code of ethics is intended to provide a framework for PFI's directors, managers, representatives and subsidiaries by which they are expected to conduct their duties by facilitating behaviour that is consistent with PFI's business standards. The code is available on the website at www.pfi.co.nz

BOARD COMPOSITION, APPOINTMENTS, INDEPENDENCE AND OPERATION

The constitution provides for the appropriate number of directors to be between three and eight. As at 31 December 2008 there were four directors: one representative of the manager and three independent directors. It is company policy that there should always be a majority of independent directors.

The company's directors as at 31 December 2008 were:

- Peter H Masfen (Chairman)
- Michael J Cashin
- Humphry J D Rolleston
- Anthony M Beverley

Gareth H T Morgan resigned as a director on 27 March 2008. As at balance date, Peter Masfen, Humphry Rolleston and Michael Cashin were independent directors. Anthony Beverley was not an independent director.

The constitution provides that one third (or the nearest whole number to the third) of the directors must offer themselves for re-election at a meeting of shareholders each year.

BOARD COMMITTEES

The Board has established an audit committee in accordance with the NZX Corporate Governance Best Practice Code. The Audit Committee has developed a written charter that outlines the Audit Committee's authority, duties, responsibilities and relationship with the Board. The Board is required to regularly review the performance of the Audit Committee. In addition to the Audit Committee Charter the Board has developed a policy on audit independence.

Members of the Audit Committee are Humphry Rolleston, Peter Masfen and Michael Cashin.

The Board has not established a nomination committee or a remuneration committee. This differs from the NZX Corporate Governance Best Practice Code recommendation that the Board establishes these committees to recommend director appointments to the Board and recommend remuneration packages for directors to the shareholders. The Board considers that size constraints prevents it from establishing such committees, however, the Board has developed nomination and remuneration policies which form part of the Corporate Governance Manual and are intended to guide the directors in making nominations and developing remuneration packages. The Board considers that the policies are consistent with best practice governance standards and this approach is appropriate given the size constraints of the Board.

CORPORATE GOVERNANCE AND STATUTORY DISCLOSURE

BOARD CHARTER

The Board has developed a charter that sets out its authority, duties and responsibilities. The Board has adopted the following governance objectives:

- to establish a clear framework for oversight and management of the Company's operations and for defining the respective roles and responsibilities of the Board and management;
- to structure itself to be effective in discharging its responsibilities and duties;
- to set standards of behaviour expected of the Company's managers and representatives;
- to safeguard the integrity of the Company's financial reporting;
- to ensure timely and balanced disclosure;
- to respect and facilitate the rights of shareholders;
- to recognise and manage risk;
- to encourage Board and management effectiveness;
- to remunerate fairly and responsibly;
- to recognise the legitimate interests of all stakeholders.

The Board also has statutory responsibility for the affairs and activities of the Company. It is responsible for producing annual financial statements that comply with generally accepted accounting practice and provide a true and fair view of the Company's financial position.

The Board has an obligation to protect and enhance the value of the assets of the Company for the benefit of shareholders. It achieves this through approval of appropriate corporate strategies, with particular attention to capital structure, acquisition and divestment proposals, capital expenditure, and the review of the performance of the manager on a monthly basis.

The Board delegates implementation of the adopted corporate strategies to the manager.

The manager is contractually bound to manage the Company for which it receives a management fee. The manager's duties are defined as:

- investment management duties.
- property management duties.
- administrative management duties.

The manager is responsible for attending to the financial and reporting needs of the Company. The Company's auditor conducts a compliance review every quarter at the manager's cost. This review ensures that adequate controls are in place, cash funds are promptly invested, and payments are made when and where appropriate and correctly accounted for.

The Audit Committee, comprising all independent directors, meets once a year (or more frequently if required) with the auditor to review the outcome of the annual audit and to recommend the annual audit and the annual financial statements for adoption by the full Board.

The Board adopts a financial budget prior to the commencement of each financial year.

ATTENDANCES OF DIRECTORS AT THE 2008 FORMAL MEETINGS OF THE BOARD AND AUDIT COMMITTEE

	BOARD OF DIRECTORS		AUDIT COMMITTEE	
	MEETINGS HELD	MEETINGS ATTENDED	MEETINGS HELD	MEETINGS ATTENDED
Peter Masfen	8	8	2	2
Gareth Morgan*	1	–	1	–
Humphry Rolleston	8	8	2	2
Anthony Beverley**	8	7	–	–
Michael Cashin***	3	3	1	1

* Gareth Morgan resigned on 27 March 2008

** Anthony Beverley is not a member of the Audit Committee

*** Michael Cashin was appointed on 9 July 2008

DIRECTORS' INTERESTS REGISTER

There were no entries made in the interests register as required by the Companies Act 1993. None of the directors has given notice to the company of an interest in any transaction with the company. None of the directors has sought authorisation to use company information.

CORPORATE GOVERNANCE AND STATUTORY DISCLOSURE

DIRECTORS' REMUNERATION

As noted previously, the Board, in setting the directors' remuneration, is to be guided by the remuneration policy that forms part of the Corporate Governance Manual. The increase in directors' remuneration, effective 1 January 2008, was approved by shareholders at the May 2008 Annual General Meeting.

	2008	2007
Peter Masfen	80	45
Gareth Morgan	111	35
Humphry Rolleston	50	35
Michael Cashin	24	-
Anthony Beverley	-	-
Total	265	115

DEALING IN COMPANY SECURITIES DURING 2008

The Board has developed a policy that deals with directors, managers and representatives trading in PFI's securities and the disclosure requirements. This policy forms part of the Corporate Governance Manual and is available on the website at www.pfi.co.nz

	NO. OF SHARES	PRICE	DATE
Peter Masfen	-	-	-
Gareth Morgan	-	-	-
Humphry Rolleston	1,907	\$1.23	18-Mar-08
	1,231	\$1.24	13-May-08
	1,364	\$1.30	19-Aug-08
	1,695	\$0.98	26-Nov-08
Anthony Beverley	-	-	-
Michael Cashin	-	-	-
Ross Blackmore	-	-	-

Neither the company nor its subsidiaries have provided any other benefits to a director for services as a director or in any other capacity.

Neither the company nor its subsidiaries have made loans to a director, nor has the company or subsidiaries guaranteed any debts incurred by a director.

DIRECTORS' AND MANAGER'S SHAREHOLDINGS AS AT 31 DECEMBER 2008

		2008	2007
Peter Masfen	Beneficial	4,000,905	4,000,905
	Non-beneficial	250,000	250,000
Gareth Morgan	Beneficial	58,545	58,545
Humphry Rolleston	Beneficial	117,524	111,327
Anthony Beverley	Non-beneficial	188,783*	1,161,293*
Ross Blackmore	Beneficial	6,500	6,500

* AMP Capital Investors Managed Funds as at 2 March 2009

All the above are also directors for P.F.I. Property No. 1 Limited, P.F.I. Property No. 2 Limited, P.F.I. Property No. 3 Limited, P.F.I. Property No. 4 Limited, P.F.I. Property No. 5 Limited and PFI Property No. 6 Limited.

DONATIONS

Neither the Company nor its subsidiaries made any donations during the year.

AUDITOR'S FEES

BDO Spicers	Audit fees	\$69,000
	Other assurance services	\$24,000

SHAREHOLDERS STATISTICS

SUBSTANTIAL SHAREHOLDER NOTICES AS AT 4 MARCH 2009

HOLDER	ORDINARY SHARES	% ORDINARY SHARES IN TOTAL
1 ING (NZ) Limited	18,833,559 (previously 20,917,187)	8.87% (filed on 20 January 2009) (previously 9.87%)
CONSOLIDATED HOLDER	HOLDING	%
1 First NZ Capital Custodians Limited	10,273,833	4.84%
2 Custodial Services Limited	9,983,504	4.70%
3 Investment Custodial Services Limited	9,088,623	4.28%
4 Private Nominees Limited	4,810,155	2.26%
5 Masfen Securities Limited	4,000,905	1.88%
6 Custodial Services Limited	3,380,097	1.59%
7 PMG Trust Limited	1,198,736	0.56%
8 Superlife Trustee Limited	1,098,948	0.52%
9 Forbar Custodians Limited	1,031,764	0.49%
10 Custodial Services Limited	1,021,105	0.48%
11 University Of Otago	1,008,739	0.47%
12 Custodial Services Limited	976,238	0.46%
13 Clifford Stuart Lyon	835,312	0.39%
14 Forbar Custodians Limited	827,917	0.39%
15 Custodial Services Limited	807,368	0.38%
16 Forhomes Investments Limited	543,231	0.26%
17 Frimley Foundation	500,000	0.24%
18 H B Williams Turanga Trust	500,000	0.24%
19 Mr Alfred James Wakefield & Dr Susan Wakefield	500,000	0.24%
20 NZ Guardian Trust Company Limited	462,330	0.22%

SHAREHOLDER SPREAD AS AT 4 MARCH 2009

ORDINARY SHARES	NUMBER OF HOLDERS	PERCENTAGE OF HOLDERS	PERCENTAGE HOLDING
up to 5,000	981	18.78%	1.18%
5,001 – 10,000	1047	20.04%	3.46%
10,001 – 50,000	2689	51.46%	26.31%
50,001 – 100,000	343	6.56%	10.21%
100,001 – 500,000	145	2.78%	11.82%
500,001 and above	20	0.38%	47.02%
	5225	100.00%	100.00%

GEOGRAPHICAL SPREAD

ORDINARY SHARES	NUMBER OF HOLDERS	PERCENTAGE OF HOLDERS
Auckland & Northern Region	1720	32.92%
Hamilton & Surrounding Districts	1219	23.33%
Wellington & Central Districts	1108	21.21%
Nelson, Marlborough & Christchurch	754	14.43%
Dunedin & Southland	350	6.70%
Unknown	11	0.21%
Overseas	63	1.21%
	5225	100.00%

DIRECTORY

Directors

Peter Masfen (Chairman)
Humphry Rolleston
Anthony Beverley
Michael Cashin

Registered Office

Level 14
HP Tower
171 Featherston Street
Wellington

Manager

AMP Capital Investors
(New Zealand) Limited
Level 18
AMP Centre
29 Customs Street West
Auckland
Ph 09 302 0217
Fax 09 302 0218
www.pfi.co.nz

General Manager

Ross Blackmore

Company Secretary

Andrew Penn

Chief Financial Officer

Jeff Moore

Acquisition and Development Manager

David Chafer

Portfolio Manager

Jarrold Thompson

Asset Manager

Philippa Walker

Legal Advisers

Morrison Kent
Morrison Kent House
105 The Terrace
PO Box 10-035
Wellington

Burton and Co
Level 3
16 Viaduct Harbour Avenue
PO Box 8889
Auckland

Bankers

Bank of New Zealand
State Insurance Tower
1 Willis Street
PO Box 2392
Wellington

Share Registrar

Computershare Investor
Services Limited
Level 2, 159 Hurstmere Road
Takapuna, North Shore City
Private Bag 92119
Auckland 1142
Ph 09 488 8700
Fax 09 488 8787

Auditors

BDO Spicers
Level 8, 120 Albert Street
PO Box 2219
Auckland

