A large, thick red line forms a large, irregular geometric shape that frames the central text. It starts at the top left, goes down and right, then up and right, then down and left, and finally up and left to close the shape.

PROPERTY FOR INDUSTRY

Annual Report 2005



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956 Great South Road is currently leased to Eureka Tiles and Constant Couriers. The front 4,860 sqm is earmarked for redevelopment and tenants are being sought for a new office, showroom and warehouse development on this land.

HIGHLIGHTS

Record net profit, dividend and dividend per share – up 6.4% to

8.37c

23,000

sqm industrial space leased

Rent roll increased by

OVER \$1M

per annum in 2005 rent review programme

Company and portfolio returns of

21.11%

and

24.64%

respectively

NTA up 20.4% to

116.2c

per share

OVER \$27M

in acquisitions and developments announced

Total investment property up from \$271M to

\$333.4M

Letter from the Chairman

Your investment in PFI performed very well in 2005, delivering a total return to shareholders (dividend and share price growth) of more than 21% for the second consecutive year.

In keeping with PFI's record-setting tradition, many aspects of the company's results for its eleventh year of trading were the best since listing. Among them were the key measures of net profit, gross dividend per share and revaluation gain.

During the year, PFI was active in all four main areas of its portfolio operations – rent reviews, leasing and tenant retention, acquisitions and development projects. The outcomes in each area were highly pleasing and in this respect the result could be described as a “complete” performance.

High occupancy is critical to the success of any property investment and PFI has excelled in this regard keeping the level at 98% or above throughout the year.

Growth in market rents has been a notable feature of the past two years. Industrial market rents increased by approximately 10% during 2005, and in fact have been rising at a pace which is faster than PFI's rent review programme. This market growth is flowing into PFI's contract rents as the company's rent reviews roll around in accordance with its lease agreements with tenants. At balance date, PFI's portfolio was approximately 7.5% under-rented.

The acquisitions and development projects of 2005 took PFI's tenant roll to 80 tenants, improving liquidity and reducing the risk associated with any single tenant.

RESULTS FOR 2005 PFI's rentals for 2005 were \$26.36 million, representing a 10.3% increase on the previous year as a result of new income from acquisitions and developments along with increased rents following rent reviews.

Net profit after tax and before unrealised revaluations rose 6.9% to \$13.52 million. The annual revaluation of PFI's property portfolio showed an unrealised net increase of \$39.93 million – approximately \$10 million higher than 2004's revaluation uplift, which was itself a record.

This increased net profit after tax and unrealised revaluations to \$53.45 million (2004: \$42.61 million), or 26.05 cents per share (2004: 21.09 cps).

The gross dividend per share for the full year was 8.37 cents, 6.4% higher than in 2004. The company's share price increased during the year from \$1.04 to \$1.18.

FUTURE Consolidation of the New Zealand listed property sector continues to take effect. Market support for PFI remains strong. This reflects that – as New Zealand's only listed company specialising in industrial property investment – PFI represents a unique opportunity for investors to take advantage of the special dynamics of the industrial property sector.

Other investment vehicles are also making much of governance revisions. Shareholders should be aware that PFI has always been subject to more stringent conditions than a trust. In addition, PFI has a majority of independent directors on its board.

The outlook for 2006 is encouraging – the portfolio activity completed in 2005 has ensured that additional revenue is already in place.

PFI's low-risk development pipeline will continue to play a major part in the company's future performance. Since mid-2004, PFI has completed or committed to projects worth almost \$20 million, which are providing returns of between 9% and 11%.

It is worth pointing out that most of the properties which form this development pipeline – including spare land and buildings with change-of-use potential – are currently earning a rental for the company while the options are considered.

And although quality acquisition opportunities have been scarce for several years, it is fair to say that PFI has held its own in this area, purchasing properties which not only produce a respectable yield but often have further potential.

Once again, on behalf of the board, it is my pleasure to thank investors for their continued support.

I look forward to seeing many of you at the AGM in May.


Peter Masfen
CHAIRMAN



Manager's overview Once again, PFI has delivered a record net profit, a record gross dividend and a record revaluation increase. While shareholders may have come to expect this from the company, it is nevertheless a remarkable achievement: PFI's total annual return to shareholders (dividend and share price appreciation) outclassed benchmark returns from the NZSX property index for the 2005 year and also over a five-year term.

PFI's portfolio is in good shape for whatever the future may bring. Portfolio occupancy and weighted average lease term (WALT) stood at 98.0% and 5.27 years respectively at year end, and vacancy rates for industrial property have fallen to historic lows.

PFI's low-risk land bank, a key contributor to the new developments which help to increase earnings, remains virtually unchanged, although there has been a steady stream of new projects.



Ross Blackmore

A number of the properties purchased over recent years are being converted to higher-yielding assets, while 2005's acquisitions have added further redevelopment opportunities to the portfolio.

2005 OCCUPANCY

PFI's portfolio occupancy remained above 98% throughout 2005 and almost 23,000 sqm of space was leased during the year. The speed at which vacant space was leased, and continuing improvement in the commercial terms that could be negotiated with tenants, highlight the buoyant leasing market, low vacancy rate across the sector and the widespread appeal of PFI's properties.

Maintaining high occupancy calls for a combination of skills – retaining existing

tenants, carrying out lease restructuring and/or altering buildings where tenant requirements have changed, and finally, leasing space where tenants have chosen to move on.

During 2005, PFI launched two marketing initiatives aimed at the leasing market – Industrial Action, a newsletter for prospective tenants and leasing agents; and a revamped website, with an increased focus on promoting the company's leasing and development options.

LEASE RESTRUCTURING AND BUILDING ADDITIONS

PFI remains committed to restructuring leases and refurbishing or expanding premises where tenant requirements have changed. This is not only good business practice and ensures that tenants remain within the PFI portfolio, but also results in improved returns to the company. Additional revenue and/or capital appreciation from this activity continues to deliver higher returns than those achievable by purchasing similar-quality

PFI LEASING 2005

ADDRESS	TENANT	FLOOR AREA (SQM)	LEASE TERM (YEARS)
15a Vestey Drive	Eastern Hi-Fi	2449	8
6a Donnor Place	Mondiale	6903	6
8 Cavendish Drive*	Tom Ryan Cartage	3547	*
21b Allens Road	Pyrotek Products	400	2
415 Church Street	Espresso@work café	175	6
99-103 Kerrs Road*	Daily Freight/Buy Right Cars	5244	*
41c William Pickering Drive	AGI	500	4
11 Vestey Drive	ASB Bank	3703	10

*Short-term leases as these properties are earmarked for development or disposal.

LEASE RESTRUCTURING AND BUILDING ADDITIONS 2005

ADDRESS	TENANT	COST \$MILLION	RETURN %	RESTRUCTURED LEASE TERM (YEARS)	STATUS
44 Mandeville Street	PlaceMakers	0.55	10.00	6 ► 12	Complete
9 Ride Way	Amcor	0.80	9.60	9 ► 12	Complete
6a Donnor Place	Mondiale	0.80	10.95	6 ► 6	Under construction
8 McCormack Place	Sirva	3.65*	9.00	3 ► 12	Complete
3-5 Niall Burgess Road**	Electrolux	1.10	11.00	3 ► 6	Under construction

*Cost includes land value. **Terms agreed since balance date.

investments on the open market. Frequently, the lease terms on the existing component of the premises are also extended to match the lease term on the new space.

ACQUISITIONS

PFI purchased three new properties in 2005. Significantly, all three were off-market transactions, highlighting PFI's ability to source properties in a buoyant market where acquisition

opportunities which meet its strict investment criteria are relatively scarce.

All three properties offer opportunities for further development or changes of use in future.

The first acquisition, a \$4.65 million office/showroom/warehouse property at 80 Lunn Avenue, Mt Wellington, was covered in last year's annual report. A development project is already underway on this site.

In September 2005, PFI bought an office/warehouse complex at 15 Copsey Place on Auckland's Rosebank Peninsula. This property is occupied by two tenants – multi-brand retailer Postie Plus Group and greeting cards company John Sands Australasia Limited. The purchase price of \$5.0 million reflected an initial yield of 10.46%. The lease to John Sands has already been extended and the property showed a sizeable increase in value

PFI ACQUISITIONS 2005

ADDRESS	TENANT	FLOOR AREA (SQM)	COST \$MILLION	INVESTMENT ATTRIBUTES
80 Lunn Avenue	Fletcher Merchants/ PlaceMakers	2400	4.65	Low site coverage, redevelopment potential Location undergoing a transformation
15 Copsey Place	Postie Plus Group John Sands Australasia	7200	5.00	Rent reviews to market rates in mid-2006 Longer-term subdivision and/or redevelopment of building Increased exposure to Rosebank Peninsula, a growth location
50 Parkside Road	AllBrite Industries and others	4971	4.80	Land-constrained location Low site coverage Opportunities for development or reconfiguration of buildings

PFI DEVELOPMENTS COMMITTED IN 2005

ADDRESS	TENANTS	COST \$MILLION	RETURN %	STATUS
17 Allens Road	Harvey Norman	1.54*	9.00	Complete and occupied
509 Mt Wellington Highway	Various	2.49	10.00	Under construction
80 Lunn Avenue	Various	3.34	10.12	Under construction

*Includes land value.

from the purchase price in PFI's year-end revaluation.

PFI's 54th property is an office/warehouse complex at 50 Parkside Road in Seaview, Wellington, bought in December 2005 for \$4.8 million. Occupying a high-profile corner site in a land-constrained location, this property provides an initial yield of 9.0% on purchase price and had a weighted average lease term of 7.2 years at the time of purchase. The four tenants include specialist recycling company AllBrite Industries. The site coverage of less than 50% is low by Wellington standards.

NEW DEVELOPMENTS

PFI has an enviable track record in completing development projects. Carried out on a low-risk basis with tenant pre-commitment, this activity continues to generate quality assets with high returns (and development margins, which are reflected in the increase in PFI's annual property revaluation).

Further detail on the Mt Wellington Highway, Lunn Avenue and McCormack Place projects can be found on page 14.

PFI's portfolio contains medium-to long-term development opportunities with a total value of approximately \$40 million.

RENT REVIEWS

PFI's lease agreements specify rent reviews at two or three yearly intervals and about a third of the portfolio is subject to review in any given year. In recent years, the

buoyancy of the industrial property market has meant that rent reviews have been a significant contributor to the growth of the company's revenue.

In 2005, rent reviews were scheduled for 23 leases, covering total contract rentals of \$7.2 million. These reviews have added more than \$1 million to PFI's total contracted rentals for 2006 and beyond, equating to an average annual compound increase of 4.34% per annum since the weighted average review period.

POSITIVE REVALUATION

PFI's annual portfolio revaluation to 31 December 2005 resulted in a 13.6% increase in the value of the company's assets over the 12 month period, exceeding the 12.4% record set the previous year. Following the revaluation, the portfolio is delivering an average yield of 8.22% (2004: 8.99%).

The increase is due to:

- Increases in market rentals over the period, accounting for approximately \$30 million or 80% of the valuation increase.
- A slight firming in yields across the portfolio (approximately \$4 million or 10% of the increase).
- Development margins from projects and value added through lease restructuring, which delivered the balance of approximately \$4 million.

The revaluation increase lifted PFI's net asset backing or NTA 19.9% higher to 116.2 cps (2004: 96.5 cps). The portfolio value now exceeds cost

by \$82.4 million or 32.9% and has a value (excluding allowance for disposal costs) of \$338.4 million.

FINANCIAL RESULTS AND COMPANY PERFORMANCE

New income from acquisitions and developments, along with increased rents following rent reviews, drove a 10.3% increase in rentals to \$26.36 million. Earnings before interest and tax (before unrealised revaluations) gained 8.4% to \$22.80 million, and net profit after tax and before unrealised revaluations was 6.9% higher at \$13.52 million.

An unrealised net property revaluation of \$39.93 million lifted net profit after tax and unrealised revaluations to \$53.45 million (2004: \$42.61 million). Earnings per share before revaluations increased 5.4% to 6.59 cps (2004: 6.25 cps); and after revaluations, 23.5% to 26.05 cps (2004: 21.09 cps).

Management fees for the year were \$2.71 million, including incentive fees of \$1.11 million. Incentive fees are payable to the manager when shareholder wealth is increased in excess of 10%. Overall, the management expense ratio (MER) increased from 0.77% to 0.85%.

Excluding incentive fees, the MER for the year was 0.52% (2004: 0.59%). Taxation expense was higher in 2005 due to an increased operating surplus. Tax was paid at the rate of 21.3% and therefore the level of imputation credit attached to dividends was 1.81 cps, up from 1.61 cps in 2004.

Gross dividend per share for the full year rose 6.4% to 8.37 cents (2004: 7.87 cents). Net dividend per share rose 4.9% to 6.56 cents (2004: 6.25 cents).

INTEREST RATE RISK MANAGEMENT

As at 31 December 2005 PFI had borrowings of \$95.0 million. PFI has a self-imposed maximum debt-to-property assets ratio of 35% and at balance date this ratio was 28.0%. The increase in debt from \$74.5 million at December 2004 to \$95.0 million resulted in interest costs increasing by 9.8% to \$5.7 million (2004: \$5.2 million).

Interest costs are PFI's largest single expense item and therefore interest rate risk is carefully managed. PFI

employs a strategy designed to minimise interest costs within an acceptable level of exposure to the interest rate market by "fixing" or "hedging" the interest rate.

PFI's interest rate risk is 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.

During the year, management reviewed interest rate forecasts and increased the swap cover, resulting in debt cover of 82.1% with a duration of 3.58 years. This is slightly outside the above guidelines but was believed to be prudent, given that interest rates were forecast to rise during the latter half of 2005. 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.

DIVIDEND REINVESTMENT PROGRAMME

As at the end of 2005, 1,249 investors or 20.8 % of shareholders, representing 28.0% of shares on issue, participated in this programme. Introduced in November 1999, the dividend reinvestment programme gives shareholders the opportunity to reinvest their dividends in the company by purchasing additional shares at a discount to market price (currently 2.5%).

INTEREST RATE HEDGING AS AT 31 DECEMBER 2005

Average term of swaps (years)	3.58
Percentage of debt fixed	82.10%
Average PFI interest rate (excluding margin)	6.54%
90-day rate (as at 31 December 2005)	7.68%

SHAREHOLDER TOTAL GROSS RETURNS

YEAR	PFI TOTAL RETURN %	NZX GROSS PROPERTY INDEX %
2005	21.11	19.70
2004	22.33	20.05
2003	3.69	13.40
2002	18.07	10.45
2001	17.87	12.12
2000	17.20	7.34

SHAREHOLDER TOTAL GROSS RETURNS

PFI's annualised total gross return from inception through to 2005 is 10.7%. The total returns to shareholders for 2005 were 21.11%, comprising dividends of 7.65% and share price appreciation of 13.46%. Total returns assume dividends are reinvested in PFI shares. The PFI annualised total return over the past five years shows a strong return compared to the NZX Gross Property Index.

MARKET OVERVIEW

Investment market

The market for investment-grade industrial property remained strong through the year, with keen competition for potential acquisitions from all types of investors – domestic and international, private and public, passive and active. Owner-occupiers continued to be active and their presence was particularly noticeable in the industrial land market.

As at December 2005, CBRE research had prime and secondary industrial yields at 8.1% and 8.5% respectively, down from 8.5% and 9.2% a year earlier.

Investor demand continued to be driven by favourable returns when compared with other asset classes and rental growth in the industrial sector was a significant factor.

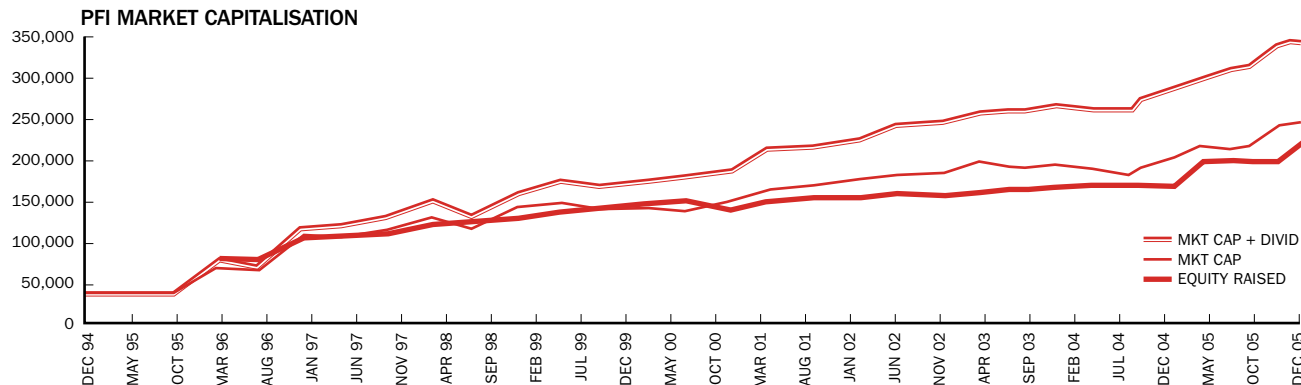
Leasing market

The leasing market was buoyant throughout the year and tenant demand for industrial space, combined with low vacancy rates and rising land and construction costs, has resulted in significantly higher market rents over the past 12 months.

Vacancy rates for prime industrial property reached historic lows of 0.7%* by year end.

Market rents increased by approximately 10% over 2005, and this growth was reflected in the success of PFI's rent review programme and re-leasing of vacant premises.

* Source: CBRE research



The graph above illustrates PFI's performance since listing, adjusting for the changes to the company's capital structure over that time. Shareholder capital including revaluations is \$235.7 million having a market value of \$243.9 million as at 31 December 2005. In addition, gross dividends of \$99.3 million have been paid. A shareholder since listing, who has participated in the three pro rata rights issues, paid an average of \$0.87 per share. That share had a market price of \$1.18 as at 31 December 2005.

Outlook for 2006 Notwithstanding the widely expected economic slowdown, the industrial property sector – and PFI’s business within it – has its own special characteristics. The company is already assured of additional revenue in 2006 as a result of the portfolio activity completed in 2005 – rent reviews, acquisitions and developments. PFI’s progress in 2006 will take place on four fronts:

1 Rent reviews

The growth in market rents over the past few years has meant that PFI's portfolio is approximately 7.5% under-rented. This inherent growth is available to be unlocked through rent reviews during the year and 26 rent reviews, covering total contracted rents of \$9.6 million, are scheduled to take place in 2006.

2 Tenant retention and leasing

Eight leases are scheduled to expire in 2006 and of these, four tenants have already been retained. At this early stage of the year, PFI's tenant retention rate is 50% and the company is in positive discussions with the tenants which are yet to extend or renegotiate their leases.

3 Opportunist acquisitions

Although there has been strong competition for industrial properties for several years, PFI has steadily acquired well-located properties, often with scope for lease restructuring and/or further development. The speed at which these opportunities are being converted is notable – McCormack Place and Lunn Avenue are examples of this philosophy in action.

PFI currently has balance sheet capacity of approximately \$25 million for new investment.

LEASES SCHEDULED TO EXPIRE IN 2006

ADDRESS	TENANT	STATUS
44 Mandeville Street	Fletcher Steel	Retained
44 Mandeville Street	Ideal Electrical	Under negotiation
320 Rosebank Road	NCI	Retained
127 Waterloo Road	Exel	Retained
15 Copsey Place	John Sands	Retained
41 William Pickering Drive	Total Fire	Under negotiation
322 Rosedale Road	Penguin	Marketing
10 Niall Burgess Road	Taylors	Under negotiation

4 Development projects

Four development projects are already committed and under construction. Projects are also being formulated on a further eight properties and tenant enquiry on these projects is encouraging. With an average site coverage of 45% PFI's portfolio currently contains between \$20 million and \$40 million of low-risk development opportunities. Most of the spare land and buildings with change-of-use potential continue to generate rentals until PFI has secured consents and tenant pre-commitment, and in this respect PFI's development pipeline is relatively unique.

With additional rentals already secured, balance sheet capacity and an exciting development pipeline, the prospects for the year ahead are encouraging.



Ross Blackmore
GENERAL MANAGER

1 TOP TENANTS BY RENT ROLL

2 PORTFOLIO VALUE BY LOCATION

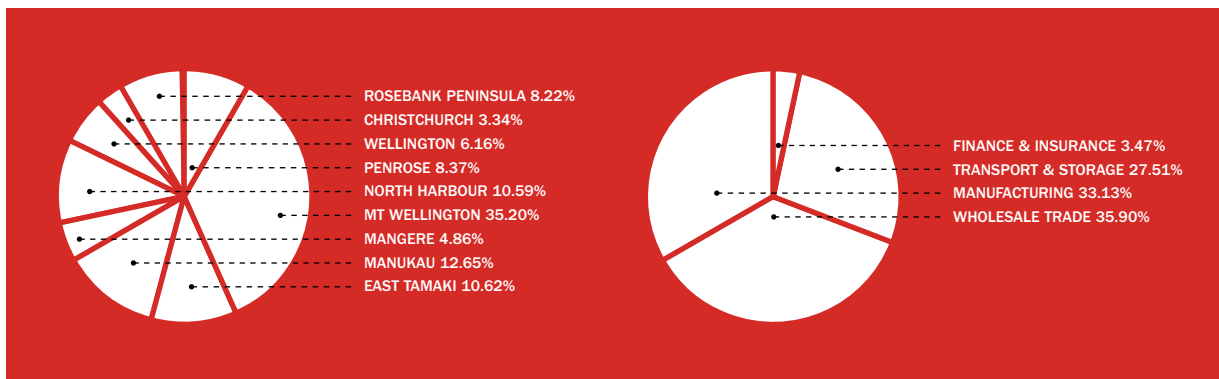
3 RENTAL BY INDUSTRY

4 LIQUIDITY – BUILDING VALUE

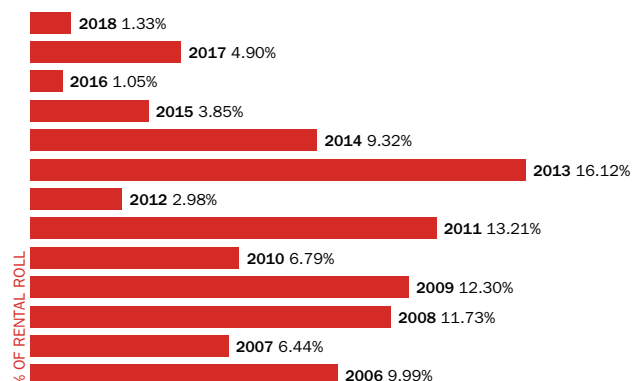
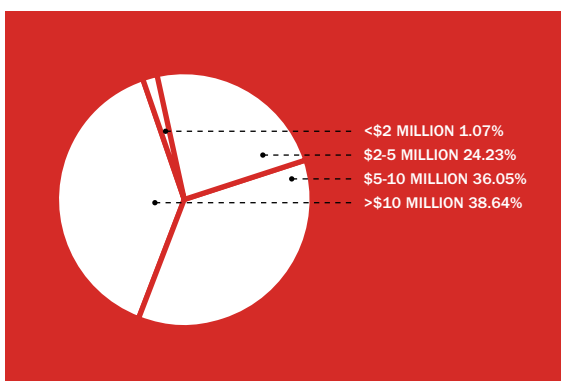
5 EXPIRY PROFILE BY RENT ROLL

TENANT	NO. OF PROPERTIES	ANNUAL RENT (\$)	PERCENTAGE OF TOTAL
1 Moore Gallagher	1	1,674,509	6.09
Pharmacy Retailing NZ Ltd	2	1,354,225	4.92
Amcor Flexibles	1	1,347,963	4.90
Brambles New Zealand Ltd	2	1,209,013	4.40
PlaceMakers	3	1,192,923	4.34
Wesfarmers	1	1,178,158	4.28
Akzo Nobel	1	1,151,617	4.19
Hurricane Wire/Steel and Tube	3	1,018,500	3.70
Cardinal Freight	1	1,011,498	3.68
Electrolux Home Products	1	807,851	2.94
		11,946,256	43.43

2,3



4,5



CASE STUDIES



80 LUNN AVENUE, MT WELLINGTON, AUCKLAND

COST \$3.34 million

INITIAL YIELD ON COST 9.1% overall, 10.1% on additional funds invested

LEASE TERM Various – five to 10 years

TRANSACTION DETAILS

- This property was purchased by PFI in early 2005 and last year's annual report noted that the company was receiving "a strong holding return while redevelopment plans are drawn up and tenant pre-commitment is secured"
- During 2005, a lease surrender was agreed with existing tenant Fletcher Merchants (PlaceMakers), the design for a five-unit development was completed and resource consent achieved
- Construction is now underway and due for completion in the third quarter of 2006
- Tenants include Subway, Kitchen House, and a Farro delicatessen
- PFI will also earn a development margin on this project
- The large-scale residential development underway at the nearby former Mt Wellington quarry is a catalyst for the commercial transformation of Lunn Avenue

8 MCCORMACK PLACE, NGAURANGA, WELLINGTON

COST \$3.65 million

INITIAL YIELD ON COST 9.0% including land; 11.3% excluding land

LEASE TERM 12 years; lease term on existing premises also extended from three to 12 years to align with the lease on the new building

TRANSACTION DETAILS

- Purchased by PFI in early 2004, this property included an existing office/warehouse complex leased to Sirva (formerly Allied Worldwide), as well as the last remaining development site in the area
- Sirva required additional space to accommodate its business expansion and a 2,900 sqm warehouse was completed on the spare land in early 2006
- In addition to a healthy yield and an extended lease term PFI will also earn a development margin from the project
- The property is in a prime position in one of New Zealand's premier industrial precincts with good exposure and access to Wellington's main arterial routes

509 MT WELLINGTON HIGHWAY, MT WELLINGTON, AUCKLAND

COST \$2.49 million

INITIAL YIELD ON COST 9.0% overall, 10.0% on additional funds invested

LEASE TERM Various – six to eight years

TRANSACTION DETAILS

- This property also featured in last year's annual report. Following the receivership of the previous tenant, a new lease to Fletcher Distribution gave PFI the option to take back and develop 4,300 sqm of prime land
- A four-unit retail/showroom/warehouse complex development is under construction and due for completion in the third quarter of 2006
- Three of the four units have already been leased – two to tile importer, wholesaler and retailer TileCo; and the third to a café operation
- Once again, PFI will earn a development margin from this project



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 Mt 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 2003

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, Broadway Industries Limited and Mike Pero Mortgages Limited.



DIRECTOR
SINCE 1994
LAST RE-ELECTED
APRIL 2002

ANTHONY BEVERLEY

Anthony Beverley is Head of Acquisitions and Investments for AMP Capital's Alternative Assets business within New Zealand, which encompasses its domestic property, private capital and infrastructure operations. The Alternative Assets business includes \$2.40 billion of property assets under management together with private capital and infrastructure investments of around \$350 million. Anthony is a director of AMP Multiplex Management Limited and several other AMP Capital related property companies.



DIRECTOR
SINCE 2001
LAST RE-ELECTED
MAY 2005

GARETH MORGAN

Gareth Morgan is a principal of private portfolio manager, Gareth Morgan Investments Limited, and chairman of economic and business consultancy, Infometrics Limited, which he founded in 1982. Gareth's other board positions have included Internet auction house TradeMe Limited, Phillips Fox, the advisory board of Work and Income New Zealand and Direct Capital Partners Limited. Gareth is a regular contributor of economic opinions and analysis to New Zealand media.



DIRECTOR
SINCE 1994
LAST RE-ELECTED
MAY 2003

Company Structure 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 appointed by shareholders and one who is an appointee of the manager.

MANAGEMENT STRUCTURE

AMP Capital Investors manages approximately \$1.0 billion of investment funds for New Zealand investors. AMP Capital Investors' property division manages PFI, AMP NZ Office Trust, AMP Property Opportunity Fund and the AMP Property Portfolio, with total property assets of \$2.4 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 distribute 100% of net cash operating earnings as dividends.
 - 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.



PORTFOLIO SUMMARY

PROPERTY	TENANT	RENT (\$000)	VALUATION	YIELD	2005 COST PLUS ADDITIONS
Avondale					
686 Rosebank Road	Akzo Nobel/Roadshow Entertainment	\$1,557	\$15,200	10.24%	\$13,023
320 & 326 Rosebank Road	NCI Packaging	\$506	\$6,870	7.37%	\$5,026
15 Copsey Place	Postie Plus/John Sands	\$523	\$5,750	9.10%	\$5,108
North Harbour					
9 Ride Way	Arcor Flexibles	\$1,348	\$15,500	8.70%	\$12,583
322 Rosedale Road	Penguin Books (NZ)	\$707	\$7,950	8.89%	\$6,368
4 Rothwell Avenue	Clariant New Zealand	\$348	\$4,150	8.39%	\$2,939
41 William Pickering Drive	Total Fire/AGI Australasia/CDB Media	\$333	\$4,080	8.16%	\$3,204
19 Omega Street	NZ AA/Vero/Camex	\$206	\$2,500	8.22%	\$1,914
26 William Pickering Drive	Brewcraft	\$130	\$1,650	7.90%	\$1,316
Penrose					
373 Neilson Street	Tapper Transport	\$700	\$8,800	7.95%	\$5,477
415 Church Street	Sirva/Various	\$457	\$5,350	8.53%	\$4,490
417 Church Street	Deltarg	\$242	\$2,800	8.66%	\$2,608
417a Church Street	Modempak/Bosch Security	\$225	\$2,720	8.27%	\$2,069
956 Great South Road	Eureka Tiles & Aurora/Constant Couriers	\$340	\$4,350	7.82%	\$3,153
102 Mays Road	Carters	\$325	\$4,300	7.56%	\$3,951
Mt Wellington					
54 Carbine & 6a Donnor Place	Pharmacy Retailing New Zealand Ltd/ Mondiale Freight Services	\$1,046	\$13,500	7.75%	\$9,456
50 Carbine Road	Atlas Copco	\$158	\$2,150	7.34%	\$1,543
7-13 Fisher Crescent	New Zealand Post	\$445	\$5,680	7.84%	\$4,269
16-18 Fisher Crescent	Daniel Silva	\$345	\$3,800	9.09%	\$3,001
7 Carmont Place	Packsys/CMI Springs	\$388	\$5,920	6.55%	\$4,755
509 Mt Wellington Highway	Fletcher Distribution	\$520	\$6,750	7.70%	\$3,615
6 Donnor Place	Moore Gallagher	\$1,675	\$15,550	10.77%	\$12,662
4-6 Mt Richmond Road	Brambles New Zealand Ltd	\$685	\$9,450	7.25%	\$7,287
5 Vestey Drive	PPG	\$194	\$2,250	8.63%	\$1,679
9 Vestey Drive	FCX	\$184	\$2,190	8.39%	\$1,639
11 Vestey Drive	ASB Bank Limited	\$375	\$4,700	7.98%	\$3,572
15a Vestey Drive	Eastern Hi Fi Group/Visual Group	\$373	\$5,250	7.11%	\$4,042
1 Niall Burgess Road	Brake & Transmission	\$219	\$2,550	8.59%	\$1,842
3-5 Niall Burgess Road	Electrolux Home Products	\$808	\$10,430	7.75%	\$7,508
10 Niall Burgess Road	Taylor Equipment	\$229	\$2,600	8.82%	\$1,843
523 Mt Wellington Highway	Steel & Tube	\$174	\$2,300	7.54%	\$1,790
7 Vestey Drive	Wickliffe	\$455	\$5,750	7.92%	\$4,086
2-6 Niall Burgess Road	NZ Window Shades	\$663	\$8,910	7.44%	\$6,212
511 Mt Wellington Highway	Vero Insurance	\$355	\$4,700	7.55%	\$4,036
80 Lunn Avenue	Fletcher Distribution	\$397	\$4,690	8.46%	\$4,721

YIELD ON COST	WAREHOUSE AREA (SQM)	OFFICE AREA (SQM)	OTHER AREA (SQM)	YARD (SQM)	TOTAL RENTABLE AREA (SQM)	SITE AREA (SQM)	SITE COVERAGE	VALUE PER SQM (\$)
12.0%	8,417	2,673	2,703	–	13,793	39,473	35%	1,102
10.1%	5,554	733	340	1,575	6,627	11,146	59%	1,037
10.2%	3,392	1,449	2,389	–	7,230	10,462	69%	795
10.7%	7,859	1,153	1,122	2,040	10,134	17,810	57%	1,530
11.1%	4,749	1,115	264	2,037	6,128	13,700	45%	1,297
11.9%	2,388	962	–	–	3,350	9,725	34%	1,239
10.4%	2,322	662	37	–	3,021	5,923	51%	1,351
10.7%	643	518	113	–	1,274	2,764	46%	1,962
9.9%	957	301	–	–	1,258	4,801	26%	1,312
12.8%	4,656	616	2,100	9,750	7,372	25,182	29%	1,194
10.2%	2,186	1,884	70	–	4,140	7,517	55%	1,292
9.3%	1,695	788	–	–	2,483	3,811	65%	1,128
10.9%	1,794	825	–	–	2,619	3,866	68%	1,039
10.8%	5,074	396	270	–	5,740	10,979	52%	758
8.2%	3,513	440	136	3,500	4,089	11,375	36%	1,052
11.1%	11,508	1,729	35	–	13,272	29,853	44%	1,017
10.2%	508	317	–	1,917	825	3,435	24%	2,607
10.4%	3,769	630	762	–	5,161	8,823	58%	1,101
11.5%	2,536	453	420	–	3,409	4,000	85%	1,115
8.2%	4,171	609	744	–	5,524	15,324	36%	1,072
14.4%	3,449	49	762	4,276	4,260	14,548	29%	1,585
13.2%	8,419	2,192	2,558	2,400	13,169	27,159	48%	1,181
9.4%	6,541	683	722	–	7,946	14,761	54%	1,189
11.6%	705	554	9	–	1,269	2,357	54%	1,773
11.2%	1,193	201	203	–	1,597	2,730	59%	1,371
10.5%	2,697	379	627	567	3,703	5,760	64%	1,269
9.2%	1,488	1,628	134	–	3,249	6,270	52%	1,616
11.9%	1,212	388	–	–	1,600	3,938	41%	1,594
10.8%	6,189	1,702	546	386	8,437	18,679	45%	1,236
12.4%	1,275	410	40	–	1,725	3,254	53%	1,507
9.7%	1,352	311	13	–	1,677	4,000	42%	1,372
11.1%	3,718	698	181	–	4,598	7,704	60%	1,251
10.7%	5,715	935	131	–	6,781	10,537	64%	1,314
8.8%	1,603	1,042	528	–	3,173	4,458	71%	1,481
8.4%	1,484	505	665	2,863	2,654	7,715	34%	1,767

PORTFOLIO SUMMARY

PROPERTY	TENANT	RENT (\$000)	VALUATION	YIELD	2005 COST PLUS ADDITIONS
Manukau					
8 Cavendish Drive	Tom Ryan Cartage Limited	\$315	\$4,800	6.56%	\$2,934
99-103 Kerrs Road	Daily Freight/Buy Right Cars	\$300	\$4,660	6.44%	\$4,367
11 Dalgety Drive	Wesfarmers	\$1,178	\$13,150	8.96%	\$9,551
55 Nesdale Avenue	Chep	\$524	\$6,000	8.73%	\$4,750
49 Nesdale Avenue	Cardmember Wines/JD Lyons	\$1,024	\$14,200	7.21%	\$8,300
Mangere					
10 Freight Place	Chemiplas	\$499	\$5,550	8.98%	\$3,799
58 Richard Pearse Drive	Pharmacy Retailing New Zealand Ltd	\$894	\$10,900	8.20%	\$8,867
East Tamaki					
18 Cryers Road	Hurricane Wire	\$625	\$7,350	8.50%	\$5,138
8 Stonedon Avenue	Hurricane Wire	\$220	\$2,550	8.63%	\$1,621
1 Ron Driver Place	LFA	\$310	\$3,700	8.39%	\$2,437
62 Neales Road	Cardinal Freight	\$1,011	\$12,250	8.26%	\$9,097
17 Allens Road	Caroma/W&R Jacks/ Harvey Norman/Pyrotek Products	\$814	\$10,100	8.06%	\$8,413
Wellington					
11 Barnes Street	Colgate Palmolive	\$396	\$6,750	5.87%	\$3,388
48 Seaview Road	Goughs/BP Oil/Hino/Royal Wolf	\$243	\$4,150	5.85%	\$2,556
8 McCormack Place	Sirva NZ Ltd	\$365	\$5,140	7.10%	\$5,026
50 Parkside Road	All Bright/Various	\$459	\$4,800	9.56%	\$4,898
Christchurch					
127 Waterloo Road	Exel	\$235	\$2,500	9.40%	\$1,892
44 Mandeville Street	Dimond/PlaceMakers/Ideal Electrical	\$759	\$8,800	8.62%	\$6,185
Total		\$27,806	\$338,440	8.22%	\$256,003

YIELD ON COST	WAREHOUSE AREA (SQM)	OFFICE AREA (SQM)	OTHER AREA (SQM)	YARD (SQM)	TOTAL RENTABLE AREA (SQM)	SITE AREA (SQM)	SITE COVERAGE	VALUE PER SQM (\$)
10.7%	3,547	714	639	2,000	4,900	11,549	42%	980
6.9%	4,157	561	1,087	-	5,804	8,610	67%	803
12.3%	11,393	2,655	274	10,000	14,322	39,189	37%	918
11.0%	1,650	775	512	11,239	2,937	16,878	17%	2,043
12.3%	12,121	438	1,142	1,366	13,701	44,961	30%	1,036
13.1%	4,830	469	1,236	-	6,534	8,830	74%	849
10.1%	8,512	892	1,145	-	10,549	17,645	60%	1,033
12.2%	6,016	1,121	741	2,831	7,878	15,110	52%	933
13.6%	2,883	-	20	-	2,903	6,727	43%	879
12.7%	2,746	551	556	-	3,853	6,896	56%	960
11.1%	10,243	591	1,703	-	12,537	19,702	64%	977
9.7%	8,247	1,115	560	-	9,922	20,909	47%	1,018
11.7%	5,596	291	2,678	7,500	8,565	24,339	35%	788
9.5%	575	291	-	11,821	866	14,259	6%	4,795
7.3%	2,900	320	152	688	3,372	11,375	30%	1,524
9.4%	4,561	338	138	-	5,037	10,540	48%	953
12.4%	2,778	221	-	1,700	2,998	6,500	46%	834
12.3%	6,523	1,571	1,244	3,000	9,338	22,357	42%	942
10.9%	222,522	42,340	31,786	80,593	296,648	672,500	44%	1,141

FIVE YEAR PERFORMANCE SUMMARY

for the year ended 31 December 2005

ALL IN \$000	2005	2004	2003	2002	2001
Rental income	26,360	23,906	21,895	21,533	22,056
Profit after tax before issue costs and revaluations	13,516	12,639	11,586	11,381	11,179
Share issue expenses	–	–	–	–	207
Unrealised revaluations	39,933	29,972	7,128	1,408	790
Adjusted net surplus (a)	53,449	42,611	18,714	12,789	11,762
Net debt	89,465	74,192	65,886	52,912	60,366
Investment property	333,363	271,002	231,454	206,279	209,812
Shareholders' funds (b)	235,722	192,386	160,067	151,794	149,166
Gross debt to total property	27%	27%	29%	26%	29%
Gross interest cover	4.0X	4.1X	4.5X	4.2X	3.7X
Management expense ratio (MER)	0.85%	0.77%	0.94%	1.19%	0.97%
Pre tax return (after revaluations) (a) & (b)	26.2%	25.5%	13.7%	10.2%	10.0%
Weighted average cost of capital (d)	7.55%	–	–	–	–
Shareholder total gross returns	21.11%	22.33%	3.69%	18.07%	17.87%
Annual gross dividend yield on average share price	7.64%	8.19%	7.93%	7.8%	8.3%
Gross dividend cents per share	8.37	7.87	7.31	6.98	6.92
Net dividend cents per share	6.56	6.24	5.78	5.53	5.53
Net tangible assets cents per share (diluted) (b)	114.0	94.6	79.7	76.1	75.1
Net tangible assets cents per share (undiluted)	116.2	96.5	81.4	77.5	76.7
Basic earnings cents per share before revaluations (a) & (c)	6.59	6.21	5.77	5.70	5.5
Basic earnings cents per share after revaluations (a) & (c)	26.05	21.09	9.32	6.41	5.9
Number of properties owned	54	51	49	46	49
Portfolio gross income yield on valuation	8.7%	9.5%	10.0%	10.4%	10.3%
Average unexpired lease term (years)	5.3	5.7	6.0	6.0	6.8
Portfolio occupancy	98%	99%	100%	98%	99%
Ordinary shares on issue	206,731,464	203,473,905	200,864,799	199,557,159	198,563,016
Average shares	205,205,182	202,077,834	200,051,558	199,068,350	190,928,295
Number of shareholders	5,982	5,888	5,797	5,765	5,388
Gross shareholder returns since listing (annualised)	10.67%	10.04%	8.47%	9.04%	7.98%

(a) Issue costs have been included against the 2001 final profit for comparative purposes only.

(b) 2001 net assets adjusted to include a final dividend provision of \$3.2m for comparative purposes only.

(c) Earnings per share has been calculated on weighted average shares for the year.

(d) Methodology amended; reported for the first time this year.

FINANCIALS

CALENDAR 2006

February 2006

2005 Full year financial
result announced

March 2006

2005 Final dividend payment

April 2006

2006 First quarter result announced

May 2006

2006 First quarter dividend paid
Annual General Meeting, 17 May 2006

July 2006

2006 Half-year result announced

August 2006

2006 Half-year dividend paid
2006 Interim report released

October 2006

2006 Third quarter result announced

November 2006

2006 Third quarter dividend paid

February 2007

2006 Full year financial result announced

STATEMENT OF FINANCIAL PERFORMANCE

for the year ended 31 December 2005

ALL IN \$000	NOTE	CONSOLIDATED		PARENT COMPANY	
		2005	2004	2005	2004
Operating revenue					
Rent		26,360	23,906	–	–
Management fee income		–	–	2,711	1,935
Total property income		26,360	23,906	2,711	1,935
Less:					
Direct property related expenses	3	(378)	(440)	(221)	(201)
Net property income		25,982	23,466	2,490	1,734
Operating expenditure					
Audit fees		21	18	21	18
Directors' fees	2	115	115	115	115
Management fees – base fee		1,599	1,453	1,599	1,453
– incentive fee		1,112	482	1,112	482
Administration and other expenditure	4	333	355	333	355
Total operating expenses before interest		3,180	2,423	3,180	2,423
Operating surplus (deficit) before interest		22,802	21,043	(690)	(689)
Interest received		84	47	84	47
Less interest expense		(5,702)	(5,191)	(5,846)	(2,589)
Net borrowing costs		(5,618)	(5,144)	(5,762)	(2,542)
Operating surplus (deficit) before taxation		17,184	15,899	(6,452)	(3,231)
Less taxation expense	5	3,668	3,260	(2,131)	(1,067)
Net surplus (deficit) after taxation		13,516	12,639	(4,321)	(2,164)
Unrealised net change in value of investment property	7	39,933	29,972	–	–
Net surplus (deficit) for year after unrealised revaluations		53,449	42,611	(4,321)	(2,164)

The accompanying notes form part of these financial statements

STATEMENT OF MOVEMENTS IN EQUITY

for the year ended 31 December 2005

ALL IN \$000	NOTE	CONSOLIDATED		PARENT COMPANY	
		2005	2004	2005	2004
Net surplus (deficit) for year		53,449	42,611	(4,321)	(2,164)
Total recognised revenues and expenses for the year		53,449	42,611	(4,321)	(2,164)
Add: Contributions from owners, dividend reinvestments		3,417	2,356	3,417	2,356
Less: Dividends to owners	20	(13,108)	(12,080)	(13,108)	(12,080)
		43,758	32,887	(14,012)	(11,888)
Equity at beginning of the year		196,431	163,544	74,439	86,327
Equity at 31 December 2005		240,190	196,431	60,427	74,439

The accompanying notes form part of these financial statements

STATEMENT OF FINANCIAL POSITION

as at 31 December 2005

ALL IN \$000	NOTE	CONSOLIDATED		PARENT COMPANY	
		2005	2004	2005	2004
Current assets					
Cash at bank and money market deposits		535	308	535	308
Accounts receivable	6	358	309	287	–
Prepayments and other current assets		177	142	2	137
Taxation recoverable	12	593	–	593	–
Total current assets		1,663	759	1,417	445
Non-current assets					
Investment property	7	333,363	271,002	–	–
Capital work-in-progress		2,761	717	–	–
Shares in subsidiaries	15	–	–	1,750	1,749
Loans to subsidiaries	15	–	–	155,023	148,351
Total non-current assets		336,124	271,719	156,773	150,100
Total assets		337,787	272,478	158,190	150,545
Current liabilities					
Trade accounts payable and accruals	10	2,293	1,352	2,856	1,590
Provision for taxation	12	–	36	–	36
Goods and services tax		304	159	(93)	(20)
Bank loan	8	5,000	–	5,000	–
Total current liabilities		7,597	1,547	7,763	1,606
Non-current liabilities					
Term loan	8	90,000	74,500	90,000	74,500
Total non-current liabilities		90,000	74,500	90,000	74,500
Owners' equity					
Capital issued	9	155,285	151,868	155,285	151,868
Retained earnings		2,468	2,059	(94,858)	(77,429)
Revaluation reserve		82,437	42,504	–	–
Total equity		240,190	196,431	60,427	74,439
Total liabilities and equity		337,787	272,478	158,190	150,545

The accompanying notes form part of these financial statements

On behalf of the board


Peter Masfen
 CHAIRMAN

10 February 2006


Anthony Beverley
 DIRECTOR

10 February 2006

STATEMENT OF CASH FLOWS

for the year ended 31 December 2005

ALL IN \$000	NOTE	CONSOLIDATED		PARENT COMPANY	
		2005	2004	2005	2004
Cash flows from operating activities					
Cash was received from:					
Receipts from customers		26,311	23,813	2,424	1,935
Interest received		84	47	84	47
		26,395	23,860	2,508	1,982
Cash was applied to:					
Payments to suppliers		3,229	2,241	2,579	2,076
Interest on loans		5,124	5,164	5,268	2,086
Income tax paid		4,297	3,286	(1,502)	26
Net goods and services tax		(145)	(124)	73	(13)
		12,505	10,567	6,418	4,175
Net cash inflows/(outflows) from operating activities	¹¹	13,890	13,293	(3,910)	(2,193)
Cash flows from investing activities					
Cash was provided from:					
Sale of investment property		–	–	–	–
Loans from subsidiaries		–	–	–	–
		–	–	–	–
Cash was applied to:					
Purchase and development of investment properties		24,333	11,375	–	–
Loans to subsidiaries		–	–	6,672	62,664
Repayment of vendor mortgage		–	500	–	–
Capitalisation of interest for development properties		139	–	–	–
		24,472	11,875	6,672	62,664
Net cash inflows/(outflows) from investing activities		(24,472)	(11,875)	(6,672)	(62,664)
Cash flows from financing activities					
Cash was provided from:					
Contributions from shareholders		3,417	2,356	3,417	2,356
Draw down of term loans		20,500	8,225	20,500	74,500
		23,917	10,581	23,917	76,856
Cash was applied to:					
Dividends paid		13,108	12,080	13,108	12,080
		13,108	12,080	13,108	12,080
Net cash inflows/(outflows) from financing activities		10,809	(1,499)	10,809	64,776
Net increase/(decrease) in cash held		227	(81)	227	(81)
Opening cash brought forward		308	389	308	389
Cash at the end of the year		535	308	535	308
Cash balances in statement of financial position					
Cash balances comprise the following:					
Bank		535	308	535	308
Money market deposits		–	–	–	–
Total cash at bank and money market deposits		535	308	535	308

The accompanying notes form part of these financial statements

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

for the year ended 31 December 2005

1 STATEMENT OF ACCOUNTING POLICIES

The following policies have been applied in the preparation of these financial statements.

Statutory basis

These financial statements and consolidated financial statements have been prepared in accordance with the Companies Act 1993 and the Financial Reporting Act 1993.

Reporting entity

The financial statements presented here are for Property For Industry Limited (the parent company), a company registered under the Companies Act 1993 and listed on the New Zealand stock exchange. Property For Industry Limited is an issuer for the purposes of the Financial Reporting Act 1993.

Measurement basis

The measurement basis adopted is that of historical cost as modified by the revaluation of investment properties.

Specific accounting policies

The following specific accounting policies have been applied:

(a) Financial instruments

Financial instruments include bank balances, accounts receivable, tax related receivables, loans to subsidiaries and deposits on properties, accounts payable, and term liabilities. The particular recognition methods adopted are disclosed in the individual policy statements associated with each item. The group uses derivative financial instruments such as interest rate swaps to reduce its exposure to fluctuations in interest rates. The net differential paid or received on interest rate swaps is recognised as a component of interest expense or income over the life of the swap.

(b) Investment properties

Investment properties are revalued annually on the basis of the net current valuation made by independent registered public valuers and where the directors agree with the valuation then this is reflected in the financial statements. Where the directors consider the independent valuation to be inappropriate then adjustments will be made and fully disclosed. No depreciation or amortisation is provided on investment properties. For the year ended 31 December 2005 no material adjustments were made. Any adjustments in the valuation are recognised in the statement of financial performance for the year.

(c) 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.

(d) Taxation

The income tax expense charged to the statement of financial performance includes both the current year's provision and the income tax effects of timing differences calculated using the liability method.

Tax effect accounting has been applied on a partial basis to timing differences. A debit balance in the deferred tax account, arising from timing differences or income tax benefits from income tax losses, is only recognised if there is virtual certainty of realisation.

(e) 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.

(f) Group financial statements

The group financial statements include the financial statements of the company and its wholly owned subsidiaries, PFI Property No.1 Limited, PFI Property No.2 Limited, PFI Property No.3 Limited, PFI Property No.4 Limited and PFI Property No.5 Limited. The purchase method of consolidation has been adopted. All significant inter-company transactions are eliminated on consolidation.

In the group financial statements, investments are stated at cost.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

for the year ended 31 December 2005

(g) Statement of cash flows

The following is the definition of the terms used in the statement of cash flows.

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

(h) Changes in accounting policies

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

2 DIRECTORS' FEES

Directors' remuneration was as follows:

ALL IN \$000	GROUP & PARENT	
	2005	2004
Peter Masfen	45	45
Gareth Morgan	35	35
Humphry Rolleston	35	35
Anthony Beverley	–	–
	115	115

No other benefits have been provided by the company or its subsidiaries to a director for services as a director or in any other capacity. No loans have been made by the company or its subsidiaries to a director nor has the company or subsidiaries guaranteed any debts incurred by a director.

The company has arranged directors' and officers' liability insurance cover for \$5 million with Wilkinson Insurance Brokers.

3 DIRECT PROPERTY RELATED EXPENSES

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

4 ADMINISTRATION AND OTHER EXPENDITURE

ALL IN \$000	CONSOLIDATED		PARENT COMPANY	
	2005	2004	2005	2004
Compliance costs	45	29	45	29
Shareholder registry and reporting costs	229	245	229	245
Other	59	81	59	81
	333	355	333	355

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

for the year ended 31 December 2005

5 RECONCILIATION OF TAXATION CHARGE

ALL IN \$000	CONSOLIDATED		PARENT COMPANY	
	2005	2004	2005	2004
Operating surplus before taxation	17,184	15,899	(6,452)	(3,231)
Prima facie taxation charge @ 33%	5,671	5,247	(2,129)	(1,067)
Add (less) taxation effect of permanent differences:				
Non deductible items	10	82	–	–
Other current year and prior year adjustments	(39)	–	–	–
Deferred taxation depreciation not accounted	(1,973)	(2,069)	–	–
Taxation expense	3,668	3,260	(2,129)	(1,067)
The taxation payable is represented by:				
Current taxation of	3,668	3,260	(2,131)	(1,067)

The group has not recognised deferred taxation liabilities on cumulative depreciation timing differences on investment property in dollars totalling \$50,677,496 (2004: \$46,837,340), parent \$0 (2004: \$17,372) as they are not expected to reverse in the foreseeable future. The tax effect of these timing differences is \$16,723,573 (2004: \$15,456,322), parent \$0 (2004: \$5,733).

6 ACCOUNTS RECEIVABLE

ALL IN \$000	CONSOLIDATED		PARENT COMPANY	
	2005	2004	2005	2004
Trade accounts receivable	358	335	287	–
Provision for doubtful debts	–	(26)	–	–
	358	309	287	–

7 INVESTMENT PROPERTY

ALL IN \$000		2005	2005	2005	2004
INVESTMENT PROPERTY	VALUER	CARRYING VALUE	REVALUATION	ADDITIONS/ (DISPOSALS)	CARRYING VALUE
54 Carbine Road	Jones Lang LaSalle	15,415	3,116	–	12,299
6 Donnor Place	DTZ New Zealand Ltd	15,317	689	–	14,628
9 Ride Way	DTZ New Zealand Ltd	15,267	1,824	780	12,663
686 Rosebank Road	DTZ New Zealand Ltd	14,972	779	60	14,133
49 Nesdale Avenue	DTZ New Zealand Ltd	13,987	1,670	–	12,317
11 Dalgety Drive	Jones Lang LaSalle	12,953	2,313	12	10,628
62 Neales Road	Jones Lang LaSalle	12,066	1,166	–	10,900
58 Richard Pearse Drive	CB Richard Ellis	10,736	270	2,697	7,769
3-5 Niall Burgess Road	CB Richard Ellis	10,274	1,199	–	9,075
17 Allens Road	DTZ New Zealand Ltd	9,948	277	3,226	6,445
4-6 Mt Richmond Road	DTZ New Zealand Ltd	9,308	870	–	8,438
2-6 Niall Burgess Road	DTZ New Zealand Ltd	8,776	629	41	8,106
373 Neilson Street	DTZ New Zealand Ltd	8,668	919	–	7,749
44 Mandeville Street	Jones Lang LaSalle	8,668	806	555	7,307
322 Rosedale Road	CB Richard Ellis	7,831	936	166	6,729
18 Cryers Road	DTZ New Zealand Ltd	7,240	1,045	20	6,175
320 Rosebank Road	Jones Lang LaSalle	6,767	1,741	28	4,998
509 Mt Wellington Highway	Jones Lang LaSalle	6,649	475	–	6,174
11 Barnes Street	CB Richard Ellis	6,649	2,342	5	4,302
55-59 Nesdale Avenue	CB Richard Ellis	5,910	1,254	–	4,656

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

for the year ended 31 December 2005

7 INVESTMENT PROPERTY (CONTINUED)

ALL IN \$'000		2005	2005	2005	2004
INVESTMENT PROPERTY	VALUER	CARRYING VALUE	REVALUATION	ADDITIONS/ (DISPOSALS)	CARRYING VALUE
7 Carmont Place	DTZ New Zealand Ltd	5,831	1,177	–	4,654
7 Vestey Drive	CB Richard Ellis	5,664	948	–	4,716
15 Copsey Place	CB Richard Ellis	5,664	642	5,022	–
7-13 Fisher Crescent	DTZ New Zealand Ltd	5,595	1,087	–	4,508
10 Freight Place	Jones Lang LaSalle	5,467	219	–	5,248
415 Church Street	Jones Lang LaSalle	5,270	309	–	4,961
15a Vestey Drive	DTZ New Zealand Ltd	5,171	645	221	4,305
8 McCormack Place	CB Richard Ellis	5,063	189	–	4,874
8-10 Cavendish Drive	Jones Lang LaSalle	4,728	1,301	–	3,427
50 Parkside Road	CB Richard Ellis	4,728	(72)	4,800	–
511 Mt Wellington Highway	Jones Lang LaSalle	4,629	346	–	4,283
11 Vestey Drive	Jones Lang LaSalle	4,629	710	–	3,919
80 Lunn Avenue	CB Richard Ellis	4,620	(31)	4,651	–
99-103 Kerrs Road	CB Richard Ellis	4,590	473	–	4,117
956 Great South Road	Jones Lang LaSalle	4,284	695	–	3,589
102 Mays Road	DTZ New Zealand Ltd	4,235	295	–	3,940
4 Rothwell Avenue	DTZ New Zealand Ltd	4,088	274	–	3,814
48 Seaview Road	CB Richard Ellis	4,088	1,127	123	2,838
41 William Pickering Drive	CB Richard Ellis	4,019	366	–	3,653
16-18 Fisher Crescent	CB Richard Ellis	3,743	468	–	3,275
1 Ron Driver Place	Jones Lang LaSalle	3,644	631	–	3,013
417 Church Street	DTZ New Zealand Ltd	2,758	282	14	2,462
417a Church Street	CB Richard Ellis	2,679	82	7	2,590
10 Niall Burgess Road	DTZ New Zealand Ltd	2,561	539	–	2,022
8 Stonedon Drive	DTZ New Zealand Ltd	2,512	564	–	1,948
1 Niall Burgess Road	Jones Lang LaSalle	2,512	461	–	2,051
19 Omega Street	DTZ New Zealand Ltd	2,463	265	–	2,198
127 Waterloo Road	CB Richard Ellis	2,463	412	–	2,051
523 Mt Wellington Highway	DTZ New Zealand Ltd	2,266	313	–	1,953
5 Vestey Drive	DTZ New Zealand Ltd	2,216	380	–	1,836
9 Vestey Drive	CB Richard Ellis	2,157	360	–	1,797
26 William Pickering Drive	Jones Lang LaSalle	1,625	156	–	1,469
Investment property total		333,363	39,933	22,428	271,002

The properties have been valued as at 31 December 2005. The carrying value of each property includes an allowance for potential disposal costs. The total net current value of properties by valuer, are as follows:

ALL IN \$'000	2005	2004
CB Richard Ellis	\$90,878	\$46,650
Jones Lang LaSalle	\$99,306	\$97,259
DTZ New Zealand Limited	\$143,179	\$127,093
	\$333,363	\$271,002

These firms are independent registered valuers who are members of ANZIV.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

for the year ended 31 December 2005

8 BANK LOANS

Property For Industry's debt facilities total \$120,000,000 and are provided by the Bank of New Zealand. All loans are interest only and are secured by a negative pledge and cross guarantees granted by Property For Industry Limited, Property For Industry No.1 Limited, Property For Industry No.2 Limited, Property For Industry No.3 Limited, Property For Industry No.4 Limited and Property For Industry No.5 Limited.

ALL IN \$'000 FACILITIES MATURING	CONSOLIDATED		PARENT COMPANY	
	2005	2004	2005	2004
BNZ Committed Cash Facility – 28 June 2007	90,000	74,500	90,000	74,500
BNZ Committed Cash Facility – 30 November 2006	5,000	–	5,000	–
Total bank Loans	95,000	74,500	95,000	74,500
Undrawn facilities available	25,000	15,500	25,000	15,500
Total facilities	120,000	90,000	120,000	90,000

Interest rates charged are at the NZ interbank settlement 90 day benchmark borrowing rate plus a bank margin. As at 31 December 2005, the weighted average interest rate applied to these funds was 7.67% (2004: 6.97%) plus a bank margin.

Through the use of interest rate swap agreements, Property For Industry has as at 31 December 2005 effectively fixed the interest rate on \$78,000,000 (2004: \$68,000,000), or 82% (2004: 91%) of its term debt, for a weighted average term of 3.58 years (2004: 2.66 years) and weighted average interest rate of 6.48% (2004: 6.52%).

SCHEDULE OF SWAP AND FIXED MATURITIES	CONSOLIDATED		CONSOLIDATED	
	2005 \$'000	2004 \$'000	2005 %	2004 %
Interest rate cover > 1yr	35,000	5,000	6.55	6.65
Interest rate cover > 2yr	10,000	48,000	6.05	6.56
Interest rate cover > 3yr	13,000	5,000	6.49	5.55
Interest rate cover > 5yr	20,000	10,000	6.55	6.79
	78,000	68,000	6.48	6.53

9 SHARE CAPITAL – FULLY PAID

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

	CONSOLIDATED		PARENT COMPANY	
	2005	2004	2005	2004
Shareholder capital at start of year				
203,473,905 ordinary shares at 1 January 2005	151,868	149,512	151,868	149,512
Dividend reinvestments	3,417	2,356	3,417	2,356
Shareholder capital at year end				
206,731,464 ordinary shares at 31 December 2005	155,285	151,868	155,285	151,868

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

for the year ended 31 December 2005

10 ACCOUNTS PAYABLE AND ACCRUALS

ALL IN \$000	CONSOLIDATED		PARENT COMPANY	
	2005	2004	2005	2004
Trade accounts payable and accruals	2,293	1,352	2,856	1,590
	2,293	1,352	2,856	1,590

11 RECONCILIATION OF NET SURPLUS AFTER TAX WITH CASH INFLOWS/(OUTFLOWS) FROM OPERATING ACTIVITIES

ALL IN \$000	CONSOLIDATED		PARENT COMPANY	
	2005	2004	2005	2004
Net surplus (deficit) after unrealised revaluations	53,449	42,611	(4,321)	(2,164)
Add non-cash items				
Unrealised gain on investment property	(39,933)	(29,972)	–	–
Add (less) movements in other working capital items				
(Increase) decrease in accounts receivable	(49)	(93)	(287)	–
Increase (decrease) in accounts payable	941	436	1,266	(234)
Increase (decrease) in tax payable	(629)	(26)	(629)	(26)
Increase (decrease) in GST payable	145	124	(73)	13
Other working capital movements	(34)	213	134	218
Net cash inflows/(outflows) from operating activities	13,890	13,293	(3,910)	(2,193)

12 IMPUTATION CREDIT ACCOUNT

ALL IN \$000	PARENT COMPANY	
	2005	2004
Opening credit balance	1,061	899
Taxation paid	4,288	3,285
Credit attached to dividends paid	(3,446)	(3,123)
Closing credit balance	1,904	1,061
At balance date the imputation credits available to shareholders were through parent	1,904	1,061

ALL IN \$000	PARENT COMPANY	
	2005	2004
Provision for taxation		
Opening balance	36	62
Current year tax expense	3,668	3,260
Taxation paid	(4,288)	(3,286)
Prior year tax adjustment	(9)	(15)
Other	–	15
Closing balance (recoverable)/payable	(593)	36

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

for the year ended 31 December 2005

13 FINANCIAL INSTRUMENTS

Credit risk

Financial instruments which potentially subject the group to credit risk principally consist of bank balances, accounts receivable, loans to subsidiaries, call accounts and off balance sheet interest rate swap agreements. Maximum exposures to credit risk as at balance date are:

ALL IN \$'000	CONSOLIDATED		PARENT COMPANY	
	2005	2004	2005	2004
Cash at bank & money market deposits	535	308	535	308
Accounts receivable	358	309	–	–
Loans to subsidiaries	–	–	155,023	148,351

The group has placed its cash deposits with prominent financial institutions as approved by the directors. Management performs credit checks on all new tenants and periodically reviews existing tenants' financial strength. The group is not exposed to any significant concentrations of credit risk.

Fair value

The carrying amount of the financial assets and liabilities in the statement of financial position is estimated to be their fair value. The fair value of balance sheet interest rate swap agreements is calculated as the net present value (at market rates) for the unexpired term of each agreement as at balance date.

ALL IN \$'000	CONSOLIDATED		PARENT COMPANY	
	2005	2004	2005	2004
Interest rate cover – fair value (deficit)/surplus	763	85	763	85

No portion of this potential profit is accrued at balance date as it is company policy to only recognise gains or losses on interest rate savings when these crystallise.

Currency risk

The company is not exposed to currency risk.

Interest rate risk

The Group's interest rate exposure is outlined in note 8.

14 RELATED PARTIES

Material transactions between Property For Industry Limited and its subsidiaries are shares and loans as disclosed in the statement of financial position 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 (2004: nil).

15 GROUP COMPANIES

Group companies are all 100% owned with balance dates of 31 December. All five subsidiary companies participate in the property investment industry.

These comprise:

PROPERTY FOR INDUSTRY LIMITED	SUBSIDIARY LOANS	SUBSIDIARY LOANS	PERCENTAGE OWNERSHIP	BALANCE DATE OF COMPANY
ALL IN \$'000	2005	2004		
PFI Property No.1 Limited	66,600	64,932	100%	31 Dec
PFI Property No.2 Limited	12,968	13,667	100%	31 Dec
PFI Property No.3 Limited	7,361	8,611	100%	31 Dec
PFI Property No.4 Limited	43,112	36,630	100%	31 Dec
PFI Property No.5 Limited	24,983	24,511	100%	31 Dec
Total	155,023	148,351		

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

for the year ended 31 December 2005

16 CAPITAL COMMITMENTS

The group had no unconditional purchase contracts at 31 December 2005.

The group had capital commitments are \$7.3 million as at 31 December 2005 (2004: \$5 million). These mostly comprise developments at 80 Lunn Avenue, Auckland for \$3.2 million, 509 Mount Wellington Highway, Auckland for \$2.3 million, 6a Donnor Place, Auckland for \$0.7 million and 8 McCormack Place, Wellington for \$0.5 million.

The parent had no capital commitments at 31 December 2005 (2004: nil).

17 CONTINGENT LIABILITIES

There are no contingent liabilities at 31 December 2005 (2004: nil).

18 NATURE OF BUSINESS AND SEGMENTAL REPORTING

Property For Industry Limited and its subsidiary companies are engaged in industrial property investment. The companies operate within one industry, property investment, and one geographical segment, New Zealand.

19 IMPACT OF ADOPTING NEW ZEALAND EQUIVALENTS TO INTERNATIONAL FINANCIAL REPORTING STANDARDS

In December 2002, the New Zealand Accounting Standards Review Board determined that all New Zealand reporting entities will be required to adopt New Zealand equivalents to International Financial Reporting Standards (NZ IFRS) for reporting periods beginning on or after 1 January 2007, with the option of early adoption for periods beginning on or after 1 January 2005.

The directors have made the decision to adopt NZ IFRS from 1 January 2007. Accordingly, the adoption of NZ IFRS will be first reflected in the group's interim report for the six-month period ended 30 June 2007.

Entities complying with NZ IFRS for the first time will be required to restate their comparative financial statements reflecting the adoption of NZ IFRS for that period. Most adjustments required on transition to NZ IFRS will be made, retrospectively, against reserves.

Key area changes

The company has identified a number of areas where accounting policy changes will be required. Where possible the company has made a reliable estimate on the impact on the financial statements for the year ended 31 December 2005.

The NZ IFRS are still subject to ongoing interpretation and review by both the company and the industry. Furthermore, NZ IFRS will continue to be reviewed, with new or amended reporting standards issues.

As a result the effect that the actual impact of adopting NZ IFRS may vary from the estimates presented below and that the variation may be material.

The most significant differences in accounting policies that are expected to impact the company on adoption of NZ IFRS are:

1 Investment and properties

Currently investment properties are measured at net current value being market value less an allowance for disposal costs. Under NZ IFRS, investment properties will be measured at fair value with no allowance for disposal costs. On initial adoption of NZ IFRS, the value of investment properties will increase to reflect the add back of disposal costs previously deducted from valuations. The change in carrying the value of investment properties will be restated through retained earnings. On an ongoing basis the adoption of NZ IFRS will result in the absence of disposal costs in future property valuations.

EFFECT ON INVESTMENT PROPERTIES AS AT 31 DECEMBER 2005
(BASED ON REVALUATION AT 31 DECEMBER 2005):

Investment properties as at 31 December 2005	\$333,363,000
Allowance for disposal costs	\$5,077,000
Investment properties under NZ IFRS	\$338,440,000

2 Deferred tax

The company currently accounts for income tax on a partial basis. Under NZ IFRS the company will be required to account for income tax on a comprehensive basis. Under this basis the company will recognise all taxable temporary differences.

2.1 Depreciation

The company does not recognise deferred tax in respect of tax depreciation claimed on investment properties as it is not intended that the investment properties will be sold. Under NZ IFRS, depreciation claimed for tax purposes is considered a temporary difference resulting in a deferred tax liability.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

for the year ended 31 December 2005

On initial adoption of NZ IFRS, a deferred tax liability will be established representing the tax effect (33%) of the value of accumulated tax depreciation claimed on existing properties in prior years. Opening retained earnings will be adjusted to recognise this liability. On an ongoing basis, a deferred tax expense, and a corresponding liability, will be recognised in respect of tax depreciation claimed each year. At 31 December 2005 the deferred tax liability in relation to depreciation claimed was \$16,723,574. While this change will impact net assets, it is a non-cash adjustment.

2.2 Investment property revaluations

The company does not currently recognise a deferred tax liability on investment property revaluations in excess of cost as gains on investment properties are not taxable. In our interim accounts to 30 June 2005 we indicated that the adoption of NZ IFRS would require the establishment of a deferred tax liability in respect of such gains. However, further progress on our NZ IFRS conversion project has indicated that no such deferred tax liability is required to be provided for. This is in accordance with NZ SIC 21 Income Taxes – Recovery of Revalued Non-Depreciable Assets.

3 Financial instruments

Currently, any gains and losses on derivative instruments (such as interest rate swaps) that are designated as hedges of specific items are accounted for on the same basis as the underlying hedged item. The net differential paid or received, in respect of that derivative, is recognised as a component of interest in the statement of financial performance.

Under NZ IFRS there is a requirement to recognise the fair value of all derivative instruments in the statement of financial position. If the instrument does not meet the requirements for hedge accounting then any mark to market movements will be recognised in the statement of financial performance. If a derivative instrument does qualify for hedge accounting then any mark to market movements will be recognised directly within the statement of movements in equity, then released to the statement of financial performance in accordance with the movements in the underlying hedged instrument.

As at 31 December 2005 the company had unrealised gains on interest rate swaps of \$762,697. This would result in an asset of \$762,697.

20 SUBSEQUENT EVENTS: PROPOSED DIVIDEND

On 10 February 2006, the directors of Property For Industry Limited approved the financial statements and the payment of a dividend of \$4,468,087 (2.1613 cps) to be paid on 9 March 2006. No such liability has been recognised in the statement of financial position for 31 December 2005 in accordance with FRS 5. This statement specifies that a dividend cannot be provided for unless it is declared prior to or on balance date.

AUDIT REPORT



TO THE SHAREHOLDERS OF PROPERTY FOR INDUSTRY LIMITED

We have audited the financial statements on pages 24 to 35. The financial statements provide information about the past financial performance of the company and group for the year ended 31 December 2005 and their financial position as at that date. This information is stated in accordance with the accounting policies described in Note 1 to the financial statements.

Board of Director's Responsibilities

The Board of Directors' are responsible for the preparation of financial statements which give a true and fair view of the financial position of the company and group as at 31 December 2005 and of the results of their 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 Directors and report our opinion to you.

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 directors in the preparation of the financial statements, and
- whether the accounting policies are appropriate to the company and group's 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 give 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 auditors we have no other relationship with or interests in the company or group.

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 24 to 35;
 - comply with generally accepted accounting practice; and
 - give a true and fair view of the financial position of the company and group as at 31 December 2005 and the results of their operations and cash flows for the year ended on that date.

Our audit was completed on 10 February 2006 and our unqualified opinion is expressed as at that date.

A handwritten signature in cursive script that reads 'Bdo Spicers'.

BDO SPICERS
AUCKLAND NZ

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 2005, 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 Stock Exchange (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 and operation

The constitution provides for the appropriate number of directors to be between three and eight. There are currently 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. As at the balance date of the company, Peter Masfen, Gareth Morgan and Humphry Rolleston were independent directors, and Anthony Beverley was not an independent director.

The company's directors as at 31 December 2005 were:

- Peter H Masfen (Chairman)
- Gareth H T Morgan
- Humphry J D Rolleston
- Anthony M Beverley

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 Gareth Morgan.

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 remuneration packages for directors to the shareholders. The board considers that size constraints prevent them 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, which 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 auditors conduct 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 sub-committee of the board, comprising all independent directors, meets once a year (or more frequently if required) with the auditors to review the outcome of the annual audit and to recommend the annual audit and to recommend 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 2005 formal meetings of the board and audit committee

	BOARD OF DIRECTORS		AUDIT COMMITTEE	
	MEETINGS HELD	MEETINGS ATTENDED	MEETINGS HELD	MEETINGS ATTENDED
Peter Masfen	9	8	1	1
Gareth Morgan	9	8	1	1
Humphry Rolleston	9	8	1	1
Anthony Beverley	9	8	1	0

Directors' interests register

There were no entries made in the interests register as required by the Companies Act 1993.

None of the directors have 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. There has been no change to the remuneration paid to directors in 2005.

	2005	2004
Peter Masfen	45	45
Gareth Morgan	35	35
Humphry Rolleston	35	35
Anthony Beverley	0	0
Total	115	115

Dealing in company securities during 2005

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 company website at www.pfi.co.nz.

	NUMBER OF SHARES	PRICE	DATE
Peter Masfen ¹	63,331	0.98	14 Mar 05
	40,418	1.02	10 May 05
	37,123	1.12	11 Aug 05
	41,221	1.11	10 Nov 05
Gareth Morgan	0		
Humphry Rolleston ¹	1,536	0.98	14 Mar 05
	980	1.02	10 May 05
	900	1.12	11 Aug 05
	1,100	1.11	10 Nov 05
Anthony Beverley	0		
Ross Blackmore ²	6,500	0	18 Aug 05

¹ All shares were purchased in PFI Dividend Reinvestment scheme

² Inheritance

Neither the company nor its subsidiaries has provided any other benefits to a director for services as a director or in any other capacity. Neither the company nor its subsidiaries has made loans to a director, nor has the company or subsidiaries guaranteed any debts incurred by a director.

Directors' and managers' shareholdings as at 31 December 2005

		ORDINARY SHARES	
		2005	2004
Peter Masfen	Beneficial	3,640,563	3,458,470
	Non-beneficial	250,000	250,000
Gareth Morgan	Beneficial	58,545	58,545
Humphry Rolleston	Beneficial	103,303	98,887
Anthony Beverley	Non-beneficial*	2,023,953	1,862,356
Ross Blackmore	Beneficial	9,775	3,275
Total		6,086,139	5,731,533

*AMP Capital Investors Managed Funds

Peter Masfen, Gareth Morgan, Humphry Rolleston and Anthony Beverley are also directors of PFI Property No.1 Limited, PFI Property No.2 Limited, PFI Property No.3 Limited, PFI Property No.4 Limited and PFI Property No.5 Limited.

Donations

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

Auditor's fees

BDO Spicers	Audit fees	\$21,000
	Other services	Nil

SHAREHOLDER STATISTICS

Substantial shareholder notices as at 1 March 2006

HOLDER	ORDINARY SHARES	% ORDINARY SHARES IN TOTAL	LAST DISCLOSED
1 ING (NZ) Limited (MFL, Premier Nominees and others)	22,572,565	10.92%	2/12/05

Top 20 shareholders

CONSOLIDATED HOLDER	HOLDING	PERCENTAGE
1 Premier Nominees Ltd – Armstrong Jones Property Securities FD	13,328,670	6.45%
2 Guardian Trust Investment Nominees (RWT) Limited	9,485,969	4.59%
3 Westpac Banking Corporation – Client Assets No.2	8,155,133	3.94%
4 MFL Mutual Fund Limited	7,836,773	3.79%
5 First NZ Capital Custodians Limited	7,611,158	3.68%
6 Investment Custodial Services Limited	6,285,640	3.04%
7 Peter Hanbury Masfen & Joanna Alison Masfen	3,640,563	1.76%
8 Custodial Services Limited	3,519,471	1.70%
9 Private Nominees Limited	2,713,115	1.31%
10 Custodial Services Limited	2,211,136	1.07%
11 BT NZ Unit Trust Nominees Limited	2,005,634	0.97%
12 The Public Trustee – GIF 46	1,897,624	0.92%
13 The NZ Guardian Trust Co. Ltd – Guardian Trust Investment	1,881,056	0.91%
14 Sovereign Assurance Company Ltd	1,550,176	0.75%
15 The Trustee Executors & Agency Company of NZ Ltd	1,329,500	0.64%
16 TEA Custodians Limited No.2 Account	1,164,881	0.56%
17 University Of Otago	1,008,739	0.49%
18 Custodial Services Limited	915,237	0.44%
19 PMG Trust Limited	786,503	0.38%
20 Clifford Stuart Lyon	762,807	0.37%

Shareholder spread as at 1 March 2006

ORDINARY SHARES	NUMBER OF HOLDERS	PERCENTAGE OF HOLDERS	PERCENTAGE HOLDING
up to 5,000	1,208	5.02%	0.21%
5,001 – 10,000	1,221	20.57%	4.13%
10,001 – 50,000	2,996	50.47%	29.83%
50,001 – 100,000	336	5.66%	10.27%
100,001 – 500,000	156	2.63%	12.65%
500,001 above	19	0.32%	41.60%
	5,936	84.67%	98.69%

Geographical spread

ORDINARY SHARES	NUMBER OF HOLDERS	PERCENTAGE OF HOLDERS
Auckland & Northern Region	1,868	31.5%
Hamilton & Surrounding Districts	976	16.4%
Wellington & Central Districts	1,721	29.0%
Nelson, Marlborough & Christchurch	902	15.2%
Dunedin & Southland	373	6.3%
Unknown	40	0.7%
Overseas	56	0.9%
	5,936	100.0%

NOTICE OF ANNUAL MEETING OF SHAREHOLDERS

Notice is hereby given that the Twelfth Annual Meeting of Shareholders of Property For Industry Limited will be held on 17 May 2006 at 11am in The Guineas Lounge, 3rd Floor, Ellerslie Convention Centre, Ellerslie Racecourse, 80-100 Ascot Avenue, Greenlane, Auckland.

ORDINARY BUSINESS

- 1 To receive, consider and if thought fit to adopt the financial statements for the year ended 31 December 2005 together with the report of the auditors.
- 2 To elect directors.
Peter Masfen retires by rotation in accordance with the company's constitution and, being eligible, offers himself for re-election. The board considers Mr Masfen will be an independent director, if reappointed.
- 3 To record the reappointment of BDO Spicers as auditors of the company and its subsidiaries for the 2006 financial year and to authorise the directors to fix the fees and expenses of the auditors or in such manners as the company determines at the meeting.
- 4 To consider and if thought fit to pass a special resolution amending the company's constitution. The general nature of the amendments is to update the constitution in line with changes to the NZX Listing Rules. The text of the special resolution and an explanation of the proposed amendments are set out in the explanatory notes below.

EXPLANATORY NOTES – AMENDMENTS TO THE COMPANY'S CONSTITUTION

The text of the special resolution proposed by item 4 of the notice of meeting is as follows:

That Property For Industry Limited's Constitution be altered, with effect from the day after this meeting by:

- 1 Inserting a new clause 3.1(c) as follows:
"If a provision in this Constitution is inconsistent with a provision or provisions of the Listing Rules, the Listing Rules shall prevail."
- 2 Replacing the reference to "12 months" in clause 5.5(b)(i) with "36 months", and replacing the reference to "6 months" in clause 5.5(b)(ii) with "12 months."
- 3 Inserting a new clause 5.7A as follows:
"5.7A The Board may issue Equity Securities if those Equity Securities are offered to holders of existing Equity Securities of the Company for a consideration not exceeding \$5,000 per existing Equity Security Holder, and the number of Equity Securities to be issued is not greater than 30% of the number of fully paid Equity Securities already on issue;"
and adding a reference to clause 5.7A in clause 5.8, following the references to clause 5.6 and 5.7.
- 4 Adding the word "Equity" before "Securities" in clause 5.9(a)(ii).
- 5 Replacing clause 5.9(b) with new clauses 5.9(b) and (c) as follows:
"(b) For the purposes of subclause (a), Securities which will, or may, Convert to other Equity Securities shall be deemed to be of the same Class as, and to correspond in number to, the Equity Securities into which they will, or may, Convert; and
(c) Where the conversion ratio is fixed by reference to the market price of the underlying Equity Securities, the market price, unless otherwise specified in the terms of the issue, shall be the average end-of-day market price over the 20 Business Days before the earlier of the day the issue is made or announced to the market."
- 6 Inserting a new clause 5.10(ba) as follows:
"(ba) For the purposes of this clause 5, where the conversion ratio is fixed by reference to the market price of the underlying Equity Securities, the market price, unless otherwise specified in the terms of the issue, shall be the average end-of-day market price over the 20 Business Days before the earlier of the day the issue is made or announced to the market."
- 7 Inserting a new clause 5.10(ea) as follows:
"(ea) Except as expressly provided in this Constitution or the Listing Rules, the Company may not reprice or amend the terms of any Securities issued with the shareholders' approval to or for the benefit of employees or Directors under this clause 5, in their capacity as such, without either the approval of NZX or a further Ordinary Resolution of the shareholders resolving to approve the repricing or amendment."
- 8 Replacing clause 5.11(b) as follows:
"(b) The issue is made upon Conversion of:
(i) an Equity Security; or
(ii) any other Security, which on issue was approved in the manner set out in Rule 7.3.1(a), as if Rule 7.3.1(a) applied to that Security,
from time to time issued by the Company if the terms of issue of those Securities provided for Conversion to that kind of Security issued; or"

NOTICE OF ANNUAL MEETING OF SHAREHOLDERS

9 Replacing clause 5.11(e) as follows:

“5.11(e) The issue is made pursuant to a plan for the issue of Securities in lieu of dividends or as part of a dividend reinvestment plan that entitles an existing Security Holder to subscribe for Securities by applying all or any specified part of any dividend declared by the Company and payable to that person, and which issue or dividend reinvestment plan would maintain the existing proportionate right of each existing holder relative to other holders of Equity Securities to Votes and Distribution Rights, if the offer were accepted by all such holders.”

10 Inserting a new clause 5.13 as follows:

“5.13 Entitlements to third party Securities

Entitlements conferred by the holding of Equity Securities of the Company, to Securities of a third party (whether or not that third party is a company), shall not be created or conferred other than in compliance with this clause 5, as if such Securities comprised an issue of Equity Securities of the Company.”

11 Replacing the reference to “10%” in clause 10.2(f)(ii) with “15%”.

12 Replacing the reference to “over the Business Days in the calendar month” in clause 10.2(g)(ii) with “over the 20 Business Days.”

13 Replacing clause 17.1(b) as follows:

“(b) In respect of the gross value, is in excess of 50% of the Average Market Capitalisation of the Company.”

14 Replacing the definition of “Average Market Capitalisation” in clause 17.1 with the following new definition:

“ Average Market Capitalisation means the average end of day market capitalisation of the Company’s Equity Securities carrying Votes over the 20 Business Days before the earlier of the day the transaction is entered into or is announced to the market,”

and deleting the definition of Gross Value of Assets from clause 17.1.

15 Amending clause 17.2 to add the words “..., or any takeover offer by the Company in respect of a Code Company.”

16 Replacing the words “unless that material transaction is approved by an Ordinary Resolution” in clause 18.2 as follows:

“unless:

(i) that material transaction is an employment agreement with a natural person who is not a Director within the meaning of section 126 of the Act of the Company or any of its subsidiaries;

(ii) the total value of that material transaction is less than \$250,000; or

(iii) that material transaction is approved by an Ordinary Resolution of the issuer.”

17 Adding a new clause 19.2(b) as follows:

“(b) The Board must identify which Directors it has determined, in its view, to be Independent Directors.”

18 Adding a new clause 19.2(c) as follows:

“(c) The Board must make a determination under rule 19.2(b):

(i) No later than 10 Business Days following the Company’s annual meeting and immediately after such determination, the Company shall release to the market the names of those Directors determined by the Board to be Independent Directors; and

(ii) No later than 10 Business Days following appointment by the Board in respect of any Director appointed by the Board and immediately after the making of such determination, the Company shall release to the market whether the Board has determined that such Director is an Independent Director; and

(iii) Prior to the publication of its annual report to enable it to comply with rule 10.5.3(j) of the Listing Rules.”

19 Adding a new clause 19.2(d) as follows:

“(d) It is the responsibility of the Company to make necessary arrangements to require its Directors to provide sufficient information to the Board in order for the Board to make a determination under clause 19.2(b).”

NOTICE OF ANNUAL MEETING OF SHAREHOLDERS

20 Replacing clause 19.3(b) as follows:

“(b) No person (other than a Director retiring at the meeting) shall be elected as a Director at an annual meeting of Security Holders of the Company unless that person has been nominated by a Security Holder entitled to attend and Vote at the meeting. There shall be no restriction on the persons who may be nominated as directors (other than the holding of qualification shares, if the Constitution so requires), nor shall there be any precondition to the nomination of a Director other than compliance with time limits in accordance with this clause. The opening date (if any) for nominations shall not be less than three months, and the closing date for nominations shall not be more than two months, before the date of the annual meeting at which the election is to take place. The Company shall make an announcement to the market no less than three months prior to the date of the proposed annual meeting of Security Holders advising of the opening date for Director nominations and the closing date for Director nominations.”

21 Adding the following words at the end of clause 19.3(c) as follows:

“... and the Company shall specify in such notice the Board’s view on whether or not the nominee would qualify as an Independent Director.”

22 Inserting into clause 23.1(a) after the words “in his or her capacity as a Director”, the words:

“...of the Company or a Subsidiary, other than a Subsidiary which is Listed (including any remuneration paid to a Director by a Subsidiary, other than a Subsidiary which is also Listed)...”

and inserting into clause 23.1(f) after the words in his or her capacity as a Director the words “of the Company or a Subsidiary.”

23 Replacing clause 23.3(a) as follows:

“(a) The Company may make a payment to a Director or former Director of the Company, or to his or her dependants, by way of a lump sum or pension, or upon or in connection with the retirement or cessation of office of that Director, only if the amount of the payment, or the method of calculation of the amount of that payment is authorised by an Ordinary Resolution of the Company, provided that the Company may make a payment to a Director or former Director that was in office on or before 1 May 2004, and has continued to hold office since that date, or to his or her dependants, by way of a lump sum or pension, upon or in connection with the retirement or cessation of office of that Director, without an Ordinary Resolution of the Company, provided that the total amount of that payment (or the base for the pension) does not exceed the total remuneration of that Director in his or her capacity as a Director in any three years chosen by the Company.”

24 Deleting paragraph 8.8 of the First Schedule.

25 Replacing paragraph 5.2 of the Second Schedule as follows:

“5.2 (a) Subject to paragraph 5.2(b), a Director shall not vote on a Board resolution in respect of any matter in which that Director is interested, nor shall the Director be counted in the quorum for the purposes of consideration of that matter. For this purpose, the term “interested” bears the meaning assigned to that term in section 139 of the Act.

(b) Notwithstanding paragraph 5.2(a), a Director may vote in respect of and be counted in the quorum for the Board for the purposes of a matter in which that Director is interested if that matter is one in respect of which, pursuant to an express provision of the Act, Directors are required to sign a certificate or one which relates to the grant of an indemnity pursuant to section 162 of the Act.”

26 Replacing paragraph 9.2 of the Second Schedule as follows:

“9.2 The Audit Committee shall:

- (a) be comprised solely of Directors of the Company;
- (b) have a minimum of three members;
- (c) have a majority of members that are Independent Directors; and
- (d) have at least one member with an accounting or financial background.”

27 Replacing paragraph 9.3(a) of the Second Schedule as follows:

“(a) ensuring that processes are in place and monitoring those processes so that the Board is properly and regularly informed and updated on corporate financial matters;”

NOTICE OF ANNUAL MEETING OF SHAREHOLDERS

EXPLANATION OF PROPOSED ALTERATIONS

The Listing Rules require that the constitution of an issuer shall either incorporate by reference or contain provisions consistent with, or having the same effect as, those provisions in the Listing Rules relating to the voting and governance requirements of issuers. The October 2003 and May 2004 amendments to Listing Rules made a number of changes to the rules, some of which relate to voting and governance requirements. Accordingly, several changes of the constitution of Property For Industry Limited are required. Explanations of the alterations are set out below, however all of the alterations are made to maintain consistency between the Constitution and the Listing Rules.

While the Listing Rules permit an issuer's constitution to contain an automatic updating provision, enabling changes of the Listing Rules to be deemed to be incorporated into the constitution without a special resolution of shareholders, the board has decided not to incorporate such a provision.

An ordinary resolution is a resolution approved by a simple majority of the votes of those shareholders entitled to vote and voting on the questions. A special resolution is a resolution approved by a majority of 75% of the votes of those shareholders entitled to vote and voting on the question.

The Board unanimously recommends that the shareholders vote in favour of amending the constitution.

- 1 This new clause provides that in the case of inconsistency, the Listing Rules shall prevail over the Constitution (LR 3.1.1(e)).
- 2 This amendment increases the time period for completion for issues of Equity Securities to 12 months (where the issue is made solely to Employees) and to 6 months in all other circumstances (LR 7.3.2).
- 3 This amendment allows the Company to issue Equity Securities to existing holders of Equity Securities, where the issues are for amounts less than \$5,000 per existing equity security holder (LR 7.3.4(ba)) and makes a consequential cross reference amendment.
- 4 This amendment corrects an omission in the Constitution (LR 7.3.5(b)(iii)).
- 5 These amendments clarify how the market price of converted shares is set (LR 7.3.5(c) & (d)).
- 6 This new clause sets out how the market price of converted shares, in relation to employee share issues (LR 7.3.6(f)).
- 7 This new clause provides that where Securities are issued to directors or employees with shareholders' approval, either NZX approval or a further Ordinary Resolution is required to approve any amendment or re-pricing (LR 7.3.7A).
- 8 This amendment updates the wording of the relevant clause in line with the revised Listing Rule (LR 7.3.8(b)).
- 9 This amendment provides a new circumstance in which the Company may issue Equity Securities, being an issue in lieu of dividends or as part of a dividend re-investment plan (LR 7.3.8(e)).
- 10 This new clause provides that where Equity Securities of the Company give entitlements to securities of a third party, those entitlements shall not be created or conferred other than in compliance with clause 5 (LR 7.4).
- 11 This amendment increases the limit on the number of Equity Securities the Company may issue in any 12 month period without shareholder approval from 10% to 15% (LR 7.6.1(f)).
- 12 This amendment adjusts the method for determining the market price of underlying Securities to the average price over the preceding 20 business days (LR 7.6.1(h)).
- 13 This amendment relates to circumstances in which the Company can dispose of a significant proportion of its assets without an Ordinary Resolution of the Company. The definition removes the reference to the Gross Value of Assets of the Company (LR 9.1.1).
- 14 This amendment adjusts the definition of Average Market Capitalisation to reflect the 20 business days rule (LR 9.1.1).
- 15 This amendment adds a takeover of another code company as a further exception to the requirements of rule 9.1.1 (LR 9.1.3).
- 16 This amendment introduces two new circumstances in which the Company may enter into a material transaction with a related party: if the total value of the transaction is less than \$250,000, or the material transaction is an employment agreement with a natural person who is not a Director (LR 9.2.1).
- 17 This amendment requires the Board to identify which Directors it has determined in its view to be Independent Directors (LR 3.3.1A).

NOTICE OF ANNUAL MEETING OF SHAREHOLDERS

- 18 This amendment requires the determination of Independent Directors to be made no later than 10 business days following the Company's annual meeting or alternatively no later than 10 business days following appointment by the Board and the determination must be made prior to publication of the annual report (LR 3.3.1B).
- 19 This amendment requires the Company to make arrangements to require Directors to provide the information necessary to assist the Board in making its determination as to which Directors are Independent Directors (LR 3.3.1C).
- 20 This amendment requires the Company to announce to the market the opening date for Director nominations and the closing date for the Director nominations (LR 3.3.2).
- 21 This amendment requires the Company to specify whether a nominated Director would qualify as an Independent Director (LR 3.3.2).
- 22 This amendment requires remuneration paid to a director by a subsidiary, other than a listed subsidiary, to be approved by ordinary resolution of the company, and amends a related clause to include reference to the Company's subsidiaries (LR 3.5.1).
- 23 This amendment requires the Company to seek approval by ordinary resolution to retirement payments for Directors, other than Directors appointed prior to 1 May 2004, who are still restricted to a total of 3 years' remuneration (LR 3.5.2).
- 24 This amendment deletes the pro forma proxy form from the constitution, as it was not consistent with two-way voting (LR 6.2.6).
- 25 This amendment clarifies that Directors cannot vote or be counted in the quorum for a vote where that Director is interested in the matter, unless it relates to the granting of an indemnity or requiring a Director's certificate to be signed. (LR 3.4.3 and 3.4.4).
- 26 This amendment requires the Audit Committee to be comprised solely of Directors of the Company (LR 3.6.2).
- 27 This amendment requires the Audit Committee to ensure that processes are in place and to monitor those processes so that the Board is properly and regularly informed and updated on corporate financial matters (LR 3.6.3(a)).

VOTING

Voting entitlements for the meeting will be determined as at 11am on 15 May 2006. Registered shareholders at that time will be the only persons entitled to vote at the meeting and only the shares registered in those shareholders' names will carry a right to vote at the meeting. Shareholders are invited to join the directors and management for refreshments following the meeting.

VOTING BY PROXY

Any member of the company entitled to attend and vote at the meeting may appoint another person as proxy to attend and vote on his or her behalf. A proxy need not be a member of the company. A proxy form accompanies this notice. Proxy forms must be received at the office of the company's share registrar: Computershare Investor Services Limited, Level 2, 159 Hurstmere Road, Takapuna, North Shore City, Private Bag 92119, Auckland 1020, no later than 48 hours before the time of the meeting. The proxy form may be faxed to the registrar on fax number 09 488 8787.

Jennifer Watt
COMPANY SECRETARY

GLOSSARY

CAPITAL YIELD

The return produced from changes in the value of held investment property.

COMPLIANCE REVIEW

A review conducted normally by a third party utilising sampling techniques to indicate whether specific tasks have been carried out within agreed performance criteria.

CPI – CONSUMER PRICE INDEX

An index that monitors changes in the purchasing power of consumers based on a bundle of standard consumer items.

CPS

Cents per share.

DIVESTING

The sale of investment property.

DIVIDEND REINVESTMENT PROGRAMME

A scheme that allows shareholders to purchase additional shares in the company instead of receiving a cash dividend.

DIVIDEND YIELD

The return produced from dividends, paid or declared during the period.

EARNINGS PER SHARE (EPS)

Income after the deduction of all expenses and income tax, over the number of shares on issue during the period.

EBIT YIELD

The return produced from earnings before interest and tax expenses for a given period.

EVENT OF REVIEW

An event in a building lease that provides for a review of the rental. The events of review are a rental review, right of renewal or lease expiry.

HEDGE

An agreement, or series of agreements, e.g. a swap, that enables changes in market conditions that result in a potential loss to be offset by potential gains.

IMPUTATION CREDITS

Taxation credits distributed to shareholders, arising from a company paying tax.

INTEREST RATE MARKET

The market where interest rates are set by demand and supply.

MANAGEMENT EXPENSE RATIO (MER)

The management expense ratio is the proportion of management and administration costs to gross assets expressed as a percentage. Management expenses include management fees, audit fees, directors' fees and miscellaneous directors' expenses.

NET ABSORPTION

The absolute change in occupied space between periods.

NET TANGIBLE ASSETS (NTA)

The value of gross assets less all debt and other liabilities, normally divided by the number of shares on issue and shown as cents per share.

NON-CORE

Refers to assets that exhibit a number of characteristics outside the company's investment strategy.

OCCUPANCY

The amount of space occupied measured against the total stock of space.

PRIME (INDUSTRIAL) PROPERTY

Recently designed and built conventional industrial property space with stud heights between 6-10 metres, lettable area exceeding 1,000 sqm and an office content of between 15-25%.

RENT ROLL

Gross per annum rentals for the portfolio.

RISK AVERSE

Exhibiting a low threshold for risk taking.

SECONDARY (INDUSTRIAL) PROPERTY

Older built conventional industrial property space with a lettable area exceeding 1,000 sqm, generally less sought-after compared to prime space mainly due to location and building quality.

STEPPED RENTAL (PRE-AGREED STEP)

Pre-arranged rental increases, at specific points during the term of the lease agreement.

SWAP

An agreement to exchange a series of payments based on floating rates for a series of payments based on a fixed rate.

TOTAL RETURN

The return to shareholders when adding the income (dividend) return and capital (share price movements) return.

VACANCY/VACANCY RATES

The amount of space available to lease measured against the total lettable area.

WEIGHTED AVERAGE COST OF CAPITAL (WACC)

A company's WACC is the sum of its risk-adjusted cost of equity (i.e. Government stock plus an additional premium) and the company's cost of debt.

WEIGHTED AVERAGE LEASE TERM (WALT)

The average length of leases weighted by the size, or income received, normally measured in years.

YIELD

The annual rental income derived from a property expressed as a percentage of value, cost or purchase price.

PROXY FORM

INSTRUMENT APPOINTING A PROXY

(For use by holders of ordinary shares who are unable to attend the meeting.)

I/We _____

Of _____

being a shareholder/shareholders of Property For Industry Limited, hereby appoint

Full name _____

Street address _____

as my/our proxy to vote for me/us on my/our behalf at the annual meeting of shareholders of the company to be held on 17 May 2006 at 11am and at any adjournment thereof, and not for any term. The chairman of the meeting, Peter Masfen, is happy to act as proxy and those persons wishing him to do so should write "Chairman" as their proxy.

ITEMS OF BUSINESS

If this proxy form is to be used to instruct the proxy to vote in favour, or against, any particular resolution or resolutions, please so indicate by placing a tick in the appropriate box. Unless otherwise instructed, the proxy will vote or abstain from voting as he or she thinks fit.

RESOLUTIONS (TICK ONE)

	FOR	AGAINST	ABSTAIN
1 To adopt the financial statements	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
2 To re-elect Mr Masfen	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
3 To record the reappointment of BDO Spicers as auditors and to authorise the directors to fix the auditor's fees	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
4 To amend the constitution of the company as set out in the explanatory notes to the notice of meeting	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

SIGNATURE/S OF SHAREHOLDER/S

Signature _____

Signed this day of 2006

Signature _____

Signed this day of 2006

Return address on back of proxy form

Notes:

- If you desire to appoint a proxy other than the chairman of the meeting, please insert his/her name and address.
- In the case of a corporation, this form of proxy must be under the hand of an officer or attorney duly authorised in writing.
- In the case of joint holders, the vote of the senior who tenders a vote, whether in person or by representation, will be accepted to the exclusion of the votes of the other joint holders and for this purpose seniority will be determined by the order in which the names stand in the company's share register in respect of the joint holding. Names of all joint holders should be stated.
- To be valid, this form of proxy should be received at the office of the company's share register, Computershare Investor Services Limited, Level 2, 159 Hurstmere Road, Takapuna, North Shore City, Private Bag 92119, Auckland 1020, not less than 48 hours before the time appointed for the meeting, together with, if appropriate, the power of attorney to the authority under which it is signed or a notarially certified copy of that power or authority. The proxy form (and any authority referred to) may be faxed to the registrar on fax number 09 488 8787.

Completion of this form of proxy will not prevent you from attending and voting at the meeting.

Property For Industry Limited

Proxy Form

C/o Computershare Investor Services Limited
Private Bag 92119
Auckland 1020

AFFIX
STAMP

DIRECTORY

DIRECTORS

Peter Masfen (Chairman)
Gareth Morgan
Humphry Rolleston
Anthony Beverley

REGISTERED OFFICE

Level 14
HP Tower
171 Featherston Street
Wellington

MANAGER

AMP Capital Investors
(New Zealand) Limited
Level 26
PricewaterhouseCoopers Tower
188 Quay Street
PO Box 3984
Auckland
Ph 09 302 0217
Fax 09 302 0218
www.pfi.co.nz

General Manager

Ross Blackmore

Company Secretary

Jennifer Watt

Finance Manager

Toni Kirby

Acquisition and Development Manager

Conor Collier

Portfolio Manager

Jarrold Thompson

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 1020
Ph 09 488 8700
Fax 09 488 8787

AUDITORS

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