

CONDENSED STATEMENT OF COMPREHENSIVE INCOME

ALL IN \$000	NOTE	UNAUDITED 6 MTHS ENDED 30 JUNE 2009	UNAUDITED 6 MTHS ENDED 30 JUNE 2008	AUDITED YEAR ENDED 31 DEC 2008
Revenue				
Gross rental income		15,848	16,514	32,470
Interest income		11	67	101
Total revenue		15,859	16,581	32,571
Operating expenses				
Property operating expenditure		590	309	1,147
Finance cost		3,984	4,738	8,786
Audit fees		35	38	69
Other fees paid to auditors		-	10	24
Directors' fees		90	179	265
Management fees – base fee		975	1,248	2,268
Management fees – incentive fee		-	-	-
Other expenditure		329	287	567
Total operating expenses		6,003	6,809	13,126
Operating profit/(loss) before taxation		9,856	9,772	19,445
Non operating income and expenses				
Unrealised net change in value of investment property	4	(20,917)	-	(43,128)
Unrealised revaluations – swaps and other financial instruments		(482)	(2,275)	(9,355)
Total non operating income and expenses		(21,399)	(2,275)	(52,483)
Profit/(loss) for the period before income tax		(11,543)	7,497	(33,038)
Income tax benefit/(expense)				
Current taxation		(1,936)	(1,727)	(3,746)
Deferred taxation		(2,258)	118	4,872
Total income tax benefit/(expense)		(4,194)	(1,609)	1,126
Profit/(loss) for the period after income tax attributable to the owners of the company		(15,737)	5,888	(31,912)
Basic and diluted (loss)/earnings per share	5	(7.39)	2.79	(15.09)

CONDENSED STATEMENT OF FINANCIAL POSITION

ALL IN \$000	NOTE	UNAUDITED AS AT 30 JUNE 2009	UNAUDITED AS AT 30 JUNE 2008	AUDITED AS AT 31 DEC 2008
Current Assets				
Cash and cash equivalents		491	-	533
Vendor finance receivable	11	4,360	-	-
Accounts receivable		261	810	377
Prepaid leasing costs and tenancy incentives		2,077	1,423	2,122
Derivative financial instruments	12	-	1,956	-
Investment properties held for resale	13	23,675	29,051	21,862
Total current assets		30,864	33,240	24,894
Non current assets				
Investment properties	4	326,076	397,892	357,646
Capital work-in-progress		255	7,664	3,526
Total non current assets		326,331	405,556	361,172
Total assets		357,195	438,796	386,066
Current liabilities				
Bank overdraft		-	62	-
Accounts payable and accruals		1,718	2,280	2,967
Taxation payable		319	-	384
Derivative financial instruments	12	5,267	-	5,124
Goods and services tax		109	-	83
Total current liabilities		7,413	2,342	8,558
Non current liabilities				
Borrowings	14	105,000	123,000	112,000
Deferred taxation		5,271	7,324	3,013
Total non current liabilities		110,271	130,324	115,013
Owners' equity				
Capital issued	9	163,733	161,588	162,526
Retained earnings		75,778	144,542	99,969
Total equity		239,511	306,130	262,495
Total liabilities and equity		357,195	438,796	386,066

CONDENSED STATEMENT OF CHANGES IN EQUITY

ALL IN \$000	NOTE	SHARE CAPITAL	RETAINED EARNINGS	TOTAL
Balance at 1 January 2008				
		160,309	147,029	307,338
Loss for the period				
		-	(31,912)	(31,912)
Total comprehensive income for the period ended 31 December 2008				
		-	(31,912)	(31,912)
Share issues/dividend reinvestment				
		2,217	-	2,217
Dividends				
		-	(15,148)	(15,148)
		2,217	(15,148)	(12,931)
Balance at 31 December 2008				
		162,526	99,969	262,495
Balance at 1 January 2009				
		160,306	147,032	307,338
Profit for the period				
		-	5,888	5,888
Total comprehensive income for the period ended 30 June 2008				
		-	5,888	5,888
Share issues/dividend reinvestment				
	9	1,282	-	1,282
Dividends				
		-	(8,378)	(8,378)
		1,282	(8,378)	(7,096)
Balance at 30 June 2008				
		161,588	144,542	306,130
Balance at 1 January 2009				
		162,526	99,969	262,495
Loss for the period				
		-	(15,737)	(15,737)
Total comprehensive income for the period ended 30 June 2009				
		-	(15,737)	(15,737)
Share issues/dividend reinvestment				
	9	1,207	-	1,207
Dividends				
		-	(8,454)	(8,454)
		1,207	(8,454)	(7,247)
Balance at 30 June 2009				
		163,733	75,778	239,511

CONSOLIDATED CASH FLOW STATEMENT

ALL IN \$000	NOTE	UNAUDITED 6 MTHS ENDED 30 JUNE 2009	UNAUDITED 6 MTHS ENDED 30 JUNE 2008	AUDITED YEAR ENDED 31 DEC 2008
Cash flows from operating activities				
Cash receipts from customers		15,814	16,342	33,555
Interest received		11	67	101
Cash paid to suppliers		(3,472)	(3,118)	(5,965)
Interest on loans		(3,984)	(4,738)	(8,786)
Income tax paid		(1,990)	(1,330)	(2,780)
Net goods and services tax		26	(38)	45
Net cash from operating activities	7	6,405	7,185	16,170
Cash flows from investing activities				
Sale of investment property		13,440	10,097	27,150
Purchase and development of investment properties		(5,466)	(5,889)	(14,144)
Interest paid which was capitalised on development properties		(174)	(59)	(412)
Net cash inflow/(outflow) from investing activities		7,800	4,149	12,594
Cash flows from financing activities				
Contributions from shareholders	9	1,207	1,282	2,217
Repayment of term loans	14	(7,000)	(3,000)	(14,000)
Dividend paid		(8,454)	(8,378)	(15,148)
Net cash inflows from financing activities		(14,247)	(10,096)	(26,931)
Net increase/(decrease) in cash, cash equivalents and bank overdrafts				
		(42)	1,238	1,833
Cash, cash equivalents and bank overdrafts at start of period				
		533	(1,300)	(1,300)
Cash, cash equivalents and bank overdrafts at end of period				
		491	(62)	533
Cash balances in the statement of financial position				
Cash at bank				
		491	-	533
Bank overdraft				
		-	(62)	-
Total cash at bank and bank overdrafts				
		491	(62)	533

NOTES TO THE CONDENSED FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 30 JUNE 2009 (UNAUDITED)

1. GENERAL INFORMATION

Reporting Entity

The unaudited interim condensed financial statements presented are those of Property For Industry Limited (the Company) and its subsidiaries (the Group).

The Company is a limited liability company incorporated in New Zealand and registered under the New Zealand Companies Act 1993.

The registered office of the Company is Level 7, PricewaterhouseCoopers Tower, 113-119 The Terrace, Wellington.

The Company is listed on the New Zealand Stock Exchange.

The Company's principal activity is property investment and management.

The Company's portfolio is managed by AMP Capital Investors (New Zealand) Limited.

2. BASIS OF PREPARATION

The unaudited condensed interim financial statements have been prepared in accordance with NZ IAS 34 Interim Financial Reporting. The unaudited interim financial statements have been prepared using New Zealand Dollar functional and presentation currency and have been rounded to the nearest thousand dollars (\$000). Profit/(loss) for the period after income tax attributable to the shareholders of the company equates to total Comprehensive Income of the group as there are no other components of Comprehensive Income that are not already recognised in the Profit/(loss). These unaudited condensed interim financial statements should be read in conjunction with the financial statements and related notes in the Company's Annual Report for the year ended 31 December 2008.

3. ACCOUNTING POLICIES

Except as described below, the accounting policies applied are consistent with those of the annual financial statements for the year ended 31 December 2008, as described in those annual financial statements.

The Company and Group have adopted the following new standards which are effective for the current reporting period:

- NZ IAS 1 Presentation of Financial Statements (revised). The revised standard prohibits the presentation of items of income and expenses (that is 'non-owner changes in equity') in the Condensed Statement of Changes in Equity, requiring 'non-owner changes in equity' to be presented separately from owner changes in equity. All 'non-owner changes in equity' are required to be shown in a performance statement.
- The Company and Group have elected to present one performance statement (the Condensed Statement of Comprehensive Income). The interim financial statements have been prepared under the revised disclosure requirements.
- NZ IAS 23 Borrowing costs (revised). This standard has no material impact on the Company and Group.
- NZ IFRS 8 Operating segments. Refer to Note 17 for further details on the impact of the adoption of this new standard.

4. PROPERTY VALUATION

The Company has obtained an independent property valuation estimate as at 30 June 2009.

A decrease in value of \$20.917 million has been recorded during the period, taking the portfolio value of investment properties to \$326.076 million.

5. EARNINGS PER SHARE

The earnings and weighted average number of ordinary shares used in the calculation of basic and diluted earnings per share are as follows:

ALL IN \$000	UNAUDITED 6 MTHS ENDED 30 JUNE 2009	UNAUDITED 6 MTHS ENDED 30 JUNE 2008	AUDITED YEAR ENDED 31 DEC 2008
Earnings from continuing operations	(15,737)	5,888	(31,912)
Weighted average number of ordinary shares for the purpose of basic earnings per share	212,921,129	210,980,596	211,467,583

6. NET TANGIBLE ASSETS PER SHARE

ALL IN \$000	UNAUDITED 6 MTHS ENDED 30 JUNE 2009	UNAUDITED 6 MTHS ENDED 30 JUNE 2008	AUDITED YEAR ENDED 31 DEC 2008
Net tangible assets (Total Equity) per share	239,511	306,130	262,495
Closing shares on issue	213,544,506	211,548,302	212,434,449
Net tangible assets – cents per share	112	145	124

7. RECONCILIATION OF NET PROFIT AFTER TAXATION WITH CASH INFLOW (OUTFLOW) FROM OPERATING ACTIVITIES

ALL IN \$000	UNAUDITED 6 MTHS ENDED 30 JUNE 2009	UNAUDITED 6 MTHS ENDED 30 JUNE 2008	AUDITED YEAR ENDED 31 DEC 2008
Net Profit/(Loss) for the period after income tax	(15,737)	5,888	(31,912)
Add/(less) non-cash and non-operating items:			
Unrealised loss/(gain) on investment property	20,917	-	43,128
Unrealised loss/(gain) on swaps	482	2,275	9,355
Deferred taxation	2,258	(118)	(4,872)
Add (less) movements in working capital items:			
(Increase)/decrease in accounts receivable	116	(797)	261
Increase/(decrease) in accounts payable	(1,249)	(384)	303
Increase/(decrease) in tax payable	(65)	360	1,187
Increase/(decrease) in GST payable	26	(38)	45
Other working capital movements	(343)	(1)	(1,325)
Net Cash Inflow/(Outflow) from Operating Activities	6,405	7,185	16,170

8. RECONCILIATION OF DISTRIBUTABLE PROFIT

The Company's current distribution policy is to distribute 100% of its distributable profit subject to board approval. Distributable profit is net profit after tax before unrealised net change in value of investment properties, unrealised value changes in interest rate swaps, gain on disposal of investment property and deferred taxation.

ALL IN \$000	UNAUDITED 6 MTHS ENDED 30 JUNE 2009	UNAUDITED 6 MTHS ENDED 30 JUNE 2008	AUDITED YEAR ENDED 31 DEC 2008
Net Profit/(Loss) for the year attributable to the ordinary equity holders of the Company	(15,737)	5,888	(31,912)
Unrealised loss/(gain) on investment property	20,917	-	43,128
Unrealised loss/(gain) on swaps	482	2,275	9,355
Deferred taxation	2,258	(118)	(4,872)
Net operating profit for distribution	7,920	8,045	15,699

9. EQUITY

During the period the Company issued 1,110,057 shares under the Dividend Reinvestment Scheme for a value of \$1.207 million (2008: 1,040,115 shares for \$1.282 million).

10. TAXATION

Income tax expense is recognised based on management's best estimate of the annual income tax rate expected for the full year.

11. VENDOR FINANCE RECEIVABLE

As part of the agreement to sell 11 Dalgety Drive, a mortgage of \$4.7 million was registered on 10 June 2009. The present value of this mortgage is \$4.36 million, based on the interest rate of 7.5%.

12. DERIVATIVE FINANCIAL INSTRUMENTS

The Company uses derivative financial instruments (interest rate swaps) to economically hedge its exposure to interest rate risks arising from operational, financing and investment activities.

13. INVESTMENT PROPERTIES SOLD AND HELD FOR RESALE

The Group sold 11 Dalgety Drive during the period for \$11.7 million, of which \$7 million was received in cash and \$4.7 million was vendor finance receivable. The December 2008 valuation was \$11.11 million. The Group also sold 7-13 Fisher Crescent for \$6.502 million. The December 2008 valuation was \$5.475 million. The Group holds 6 properties for sale at 30 June 2009 valued at \$23.675 million (2008: \$29.051 million).

14. BORROWINGS

The Company has drawn down \$105 million (2008: \$123 million) of the available Bank of New Zealand loan facility of \$120 million. After taking into account the impact of interest rate swaps, the effective interest rate at 30 June 2009 for the drawn down term loan is 7.45% (2008: 7.39%). Although global market conditions have affected market confidence, the Company remains well positioned in respect of its banking requirements. The Company has sufficient headroom to enable it to conform to covenants on its existing borrowings. The Company has sufficient working capital and undrawn financing facilities to service its operating activities and ongoing investment in its property portfolio.

15. CAPITAL COMMITMENTS

As at 30 June 2009 the Group had \$Nil capital commitments (2008: \$4.576 million).

16. CONTINGENT LIABILITIES

There were no contingent liabilities at 31 December 2008 or at 30 June 2009.

17. OPERATING SEGMENTS

The Company and Group have adopted NZ IFRS 8 which is mandatory for the first time for the financial year beginning 1 January 2009. Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker has been identified as the Board of Directors that makes strategic decisions. The Company and Group are internally reported as a single operating segment to the chief operating decision-maker hence no further changes to reportable segments have been made compared to previous segments reported under NZ IAS 14 'Segment Reporting'.

18. EVENTS OCCURRING AFTER THE REPORTING PERIOD

On 3 August 2009, the directors approved the payment of a dividend of 1.55 cents per share to be paid on 27 August 2009. No such liability has been recognised in the statement of financial position for 30 June 2009.

PROPERTY FOR INDUSTRY

INTERIM REPORT 2009

- STEADY OPERATING SURPLUS, DISTRIBUTABLE PROFIT AND DIVIDEND
- SECOND PROPERTY SOLD AT OR ABOVE BOOK VALUE
- THREE DEVELOPMENT PROJECTS COMPLETED
- CONTINUED HIGH OCCUPANCY – CURRENTLY 98.9%, UP FROM 97.9% AT 30 JUNE 2009
- RECENT UPTURN IN TENANT ENQUIRY AND TRANSACTION LEVELS
- 2009 LEASE EXPIRES NOW 1.7% OF PORTFOLIO AREA; SUBSTANTIAL PROGRESS ON RETAINING TENANTS WITH LEASES EXPIRING IN 2010
- BANK DEBT TO TOTAL ASSETS (GEARING) RATIO OF 29.3% – THE SECOND-LOWEST IN THE NEW ZEALAND LISTED PROPERTY SECTOR

OVERVIEW

PFI'S PERFORMANCE FOR THE FIRST SIX MONTHS OF 2009 REPRESENTS A STEADY, CONSIDERED RESPONSE TO CHALLENGING ECONOMIC TIMES.

Across New Zealand's listed property sector, a range of strategies have been put in place in response to the effects of the global economic recession and, in particular, less certainty around the availability and cost of bank debt.

Most listed property entities have elected to pursue some combination of reducing dividends to investors, re-securing their existing banking facilities, selling assets and/or raising additional capital to lower their debt levels.

PFI moved to renew its banking facility for a three-year term (as noted in the 2008 annual report) and, since mid-2008, has sold four properties for a total of \$45.35 million.

However, notwithstanding these sales and the consequent reduction in rentals, the company has been able to maintain its distributable profit for the six months to 30 June 2009 at a similar level to the previous interim period.

Dividends to shareholders for the first half of 2009 have matched the previous interim period.

Looking ahead to the remainder of 2009, a number of factors have the potential to influence PFI's performance.

Firstly, following the asset sales, the company's rentals will continue to be lower in the short-term as the proceeds are initially used to repay bank debt. However, rentals will rise again as the sale proceeds are re-cycled into PFI's in-house development pipeline when tenant pre-commitment is secured.

Secondly, the recession has made for tough trading conditions for some of the company's tenants, a small number of which have indicated that they are experiencing business hardship. PFI's business performance is reliant on the continued success of its tenants and in such cases, the company's preference is to provide support by lending its expertise to find replacement tenants for part or all of the premises. Conversely, as a result of careful management, rental arrears are very low. There has also been an encouraging upturn in tenant interest since 30 June 2009 (see New Leases and Tenant Retention table in centre of page). Overall, the rentals agreed with PFI tenants so far this year have proven largely resilient.

Following a portfolio valuation review as at 30 June 2009, the company's net tangible assets (NTA) stood at \$1.12 per share, compared with \$1.24 six months earlier.

FINANCIAL PERFORMANCE

PFI's rentals for the six months to 30 June 2009 were \$15.848 million, a 4.0% decrease on the previous interim period, showing the effect of the properties sold by the company. This was partly offset by new rentals from development projects and the company's rent review programme, as well as reductions in some costs.

With lower levels of borrowings, interest costs for the six months were 15.9% or \$754,000 lower at \$3.984 million. Management fees were also lower as a result of reduced portfolio values.

The operating surplus was up 0.9% or \$84,000 to \$9.856 million. However, the company paid more tax than in the previous interim period, due to lower deductible expenses (lease incentives, commissions, marketing costs and legal expenses) and non-deductibility of provision for impairment.

PFI's interim distributable profit (net profit after tax excluding items such as deferred tax, revaluation gains or losses, and a number of other non-cash adjustments) was 1.6% lower than the previous interim period, at \$7920 million.

Net earnings per share, based on distributable profit, were down 2.4% to 3.72 cents per share.



Development project: Office/warehouse for Brewcraft in North Harbour.

The valuation review of PFI's portfolio as at 30 June 2009 resulted in an unrealised net reduction of \$20.917 million over the six months. (More detail on this can be found in the Portfolio Valuation Review section). In combination with other NZ IFRS non-cash adjustments such as unrealised losses on the mark-to-market value of PFI's interest rate swaps, this led to a net loss after taxation and unrealised losses of \$15.737 million for the six months.

As noted in previous reports, this is an unrealised loss which does not affect the company's revenue streams or the profit available for distribution to shareholders.

DIVIDENDS

As mentioned earlier, PFI's dividends for the year to date have been maintained at the same level as in 2008, with shareholders receiving total dividends for the first six months of 2009 of 3.1 cents per share plus imputation credits of 0.913 cents per share.

DIVIDEND REINVESTMENT SCHEME

PFI operates a dividend reinvestment scheme which gives shareholders the opportunity to reinvest their dividends in the company by purchasing additional shares at a discount to market price (currently 2.5%). Shareholders can join the dividend reinvestment scheme, or alter their participation, at any time.

The relevant forms can be downloaded from the Investor Centre section of the PFI website, www.pfi.co.nz, or obtained from PFI's share registrar.

DEBT AND INTEREST RATE MANAGEMENT

Interest costs are PFI's largest single expense item and therefore interest rate risk is carefully managed. Furthermore, in the aftermath of the credit crisis, it has become increasingly evident that credit markets will remain challenging for commercial borrowers – even those with exemplary track records. Consequently, all of New Zealand's listed property entities have sought to reduce their gearing.

As at 30 June 2009 and following the portfolio valuation review, PFI's gearing was 29.3%, well below the self-imposed maximum of 35% and the second-lowest in the New Zealand listed property sector. The company's interest cover was 3.2 times. Total bank debt at 30 June 2009 was \$105.0 million, of which 88.6% was fixed (using swap instruments to minimise interest rate risks) for an average term of 2.0 years. The average interest rate on bank debt (including margin and line fees) was 7.45%.

PORTFOLIO OPERATIONS

PFI's occupancy level at 30 June 2009 was 97.9% and has been lifted since then to 98.9%. The weighted average lease term (WALT) was 4.58 years. Tenant enquiry levels have also picked up noticeably. PFI is aware of almost 30 prospective tenants in the market, with a total requirement of approximately 60,000 sqm of space. Although the recession has dampened overall demand, industrial space users continue to review their requirements for premises in the context of their business strategies. Growth, contraction, operational changes or simply a need to reduce costs can all be catalysts for relocation.

PFI 2009 NEW LEASES AND TENANT RETENTION

ADDRESS	NEW TENANT	FLOOR AREA (SQM)	ANNUAL RENTAL	TRANSACTION TYPE
8 Hugo Johnston Drive, Penrose	Kings Transport	465	\$89,200	New lease
8 Hugo Johnston Drive, Penrose	Argyle Schoolwear*	2,704	\$297,900	New lease
12 Hugo Johnston Drive, Penrose	Bowls NZ*	197	\$38,500	New lease
80 Lunn Avenue, Mt Wellington	Farro Foods	300	\$75,000	New lease
80 Lunn Avenue, Mt Wellington	Hair FX	209	\$68,000	New lease
80 Lunn Avenue, Mt Wellington	Westpac	288	\$110,000	New lease
41c William Pickering Drive, North Harbour	Radn Technology Solutions	413	\$70,000	New lease
956 Great South Road, Penrose	Café	160	\$36,000	New lease
Peninsula Business Park, Avondale	Café	199	\$37,950	New lease
12 Hugo Johnston Drive, Penrose	Ricoh NZ	1,882	\$188,000	New lease
12 Hugo Johnston Drive, Penrose	Hallmark Cards	416	\$81,650	New lease
Peninsula Business Park, Avondale	Multiflora NZ	526	\$68,400	New lease
Peninsula Business Park, Avondale	NZ Racing Laboratories	444	\$66,650	New lease
15 Copey Place, Avondale	Prestige Services	495	\$37,600	New lease
17 Allens Road, East Tamaki	Caroma	6,015	\$495,000	Tenant retention
322 Rosedale Road, North Harbour	Caprice Curtains	2,372	\$220,000	Tenant retention

* Secured in early 2009 and noted as post-balance date events in 2008 annual report

Leasing and Tenant Retention

Thirteen of the 16 leases scheduled to expire during 2009 have now been dealt with. PFI has welcomed 14 new tenants to the portfolio so far this year. The remaining leases expiring in 2009 represent just 1.7% of PFI's total portfolio area.

The company's largest vacancy at 30 June 2009, 12 Hugo Johnston Drive in Penrose, has been leased to Ricoh NZ and Hallmark Cards, both for six-year terms. This follows PFI's refurbishment of what is effectively a mini-business park in central Penrose.

At Peninsula Business Park in Avondale, two new leases have been completed since balance date, with Multiflora NZ and NZ Racing Laboratories. In combination with other preparatory work such as resource consent applications, these leases represent good progress in the marketing of Stage Two of this project, well in advance of the existing tenant's lease expiry in 2011.

Furthermore, the largest and third-largest expiries of 2010 have also been resolved. Longstanding tenant Caroma – which represented approximately 25% of PFI's 2010 lease expiries by rent roll – has signed a six-year lease extension on its East Tamaki premises, while Caprice Curtains has extended for one year in North Harbour.

Rent Reviews

Fifteen of the 32 rent reviews scheduled for the year have been completed, adding more than \$297,000 to the company's annual rent roll. The average increase of 7.80% equates to 2.98% compounding annually over the average 2.5-year review periods.

PFI's recent leasing successes at the smaller end of the market (up to 2500 sqm) have seen "face" rents achieved which are not dissimilar to peak levels, although incentives have increased. Rentals for larger industrial properties (4000 sqm and above) have not been quite as strong; however, current enquiry levels suggest the decline in rentals has slowed.

Divestments

In addition to the sale of 7-13 Fisher Crescent, Mt Wellington (noted in the 2008 annual report as a post-balance date event), during the interim period PFI sold 11 Dalgety Drive, Manukau, for \$11.7 million. The sale price (before deducting costs) was above the 31 December 2008 book value.

The assets that PFI has sold will not dilute the quality of the portfolio long-term – in fact, the portfolio will be enhanced as the funds are re-invested into better-quality assets, typically newer buildings with longer lease terms.

Development projects

PFI has completed two office/warehouse developments during the first six months of 2009, for Brewcraft in North Harbour and at Peninsula Business Park in Avondale for Dorma, adding a total of \$400,000 to the company's annual rent roll.

A further \$449,000 in new rentals is being received this year from the new warehouse developed at Peninsula Business Park for USL, which featured in the 2008 annual report.

No other developments are currently in progress, although there is ongoing tenant interest in the projects that the company is promoting.

Portfolio valuation review

In accordance with accounting standards, PFI has commissioned a review of its portfolio value as at 30 June 2009. This review, by independent valuers, resulted in an unrealised net reduction in portfolio value of \$20.917 million or 5.65% over the six months. The reduction was shared relatively evenly between easing in both capitalisation rates and rentals.

The average capitalisation rate of PFI's properties following the review is 8.8%, up from 8.55%* as at 31 December 2008.

PFI's portfolio now has a total gross value of \$349.751 million.

Industrial property of the sizes and types owned by PFI remains popular with investors – private individuals, family trusts, syndicates and promoters of proportional title schemes. This not only provides the company with liquidity but also reliable transactional evidence to support valuations.



Development project: Office/warehouse for Dorma, Peninsula Business Park, Avondale.

OUTLOOK

RECENT WEEKS HAVE BROUGHT A STEADY STREAM OF GOOD NEWS, WHILE ALSO ACKNOWLEDGING THE FRAGILITY OF THE FORECAST RECOVERY.

Regardless of when economic growth resumes, PFI shareholders can have confidence that they have invested in a well-found company which is responding to the economic conditions with effective, well-executed strategies.

The company owns sought-after assets in the preferred industrial precincts, and receives its income from a diverse register of more than 100 tenants.

Although market vacancy has increased, and industrial rents have eased, PFI's combination of track record, market knowledge and established relationships will minimise the effects. The new tenants which have been attracted to the PFI portfolio in a quieter market are evidence of the popularity of the properties.

The company will maintain an ongoing focus on the amount and source of its capital. The asset sales to date have reduced debt and provide the company with the ability to benefit from economic recovery through new investment.

PFI's board and management are very much aware of the company's track record for consistency and reliability, and are making every effort to ensure that the company continues to meet shareholder expectations for the remainder of 2009 and beyond.

Peter Masfen
Chairman

Ross Blackmore
General Manager

DIRECTORY

Directors

Peter Masfen (Chairman)
Humphry Rolleston

Michael Cashin
Anthony Beverley

Share Registrar

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

Registered Office

Level 7, PricewaterhouseCoopers Tower,
113-119 The Terrace, Wellington

www.pfi.co.nz

* 31 December 2008 comparative figure adjusted to exclude the two properties sold since this time.