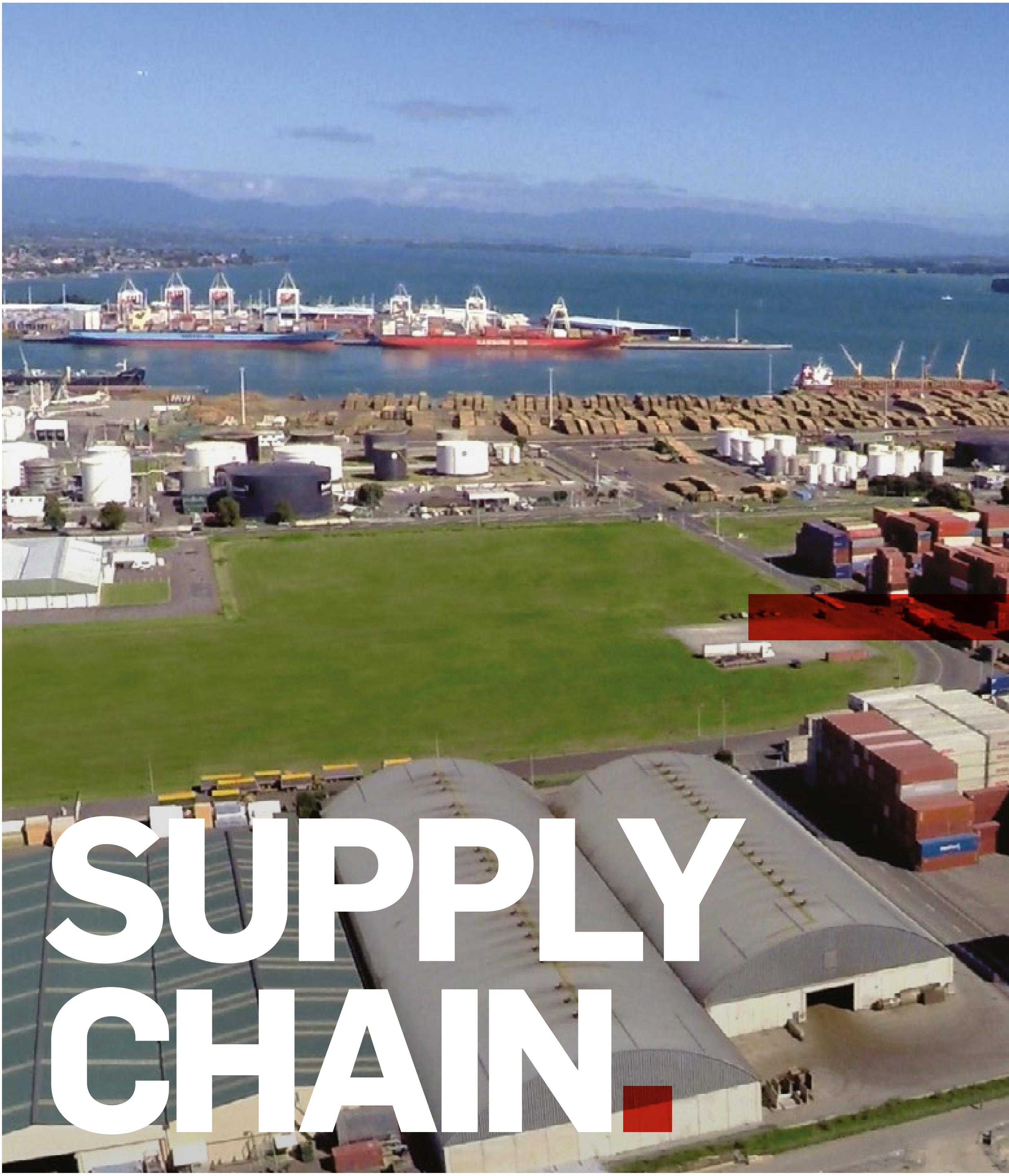
PFi

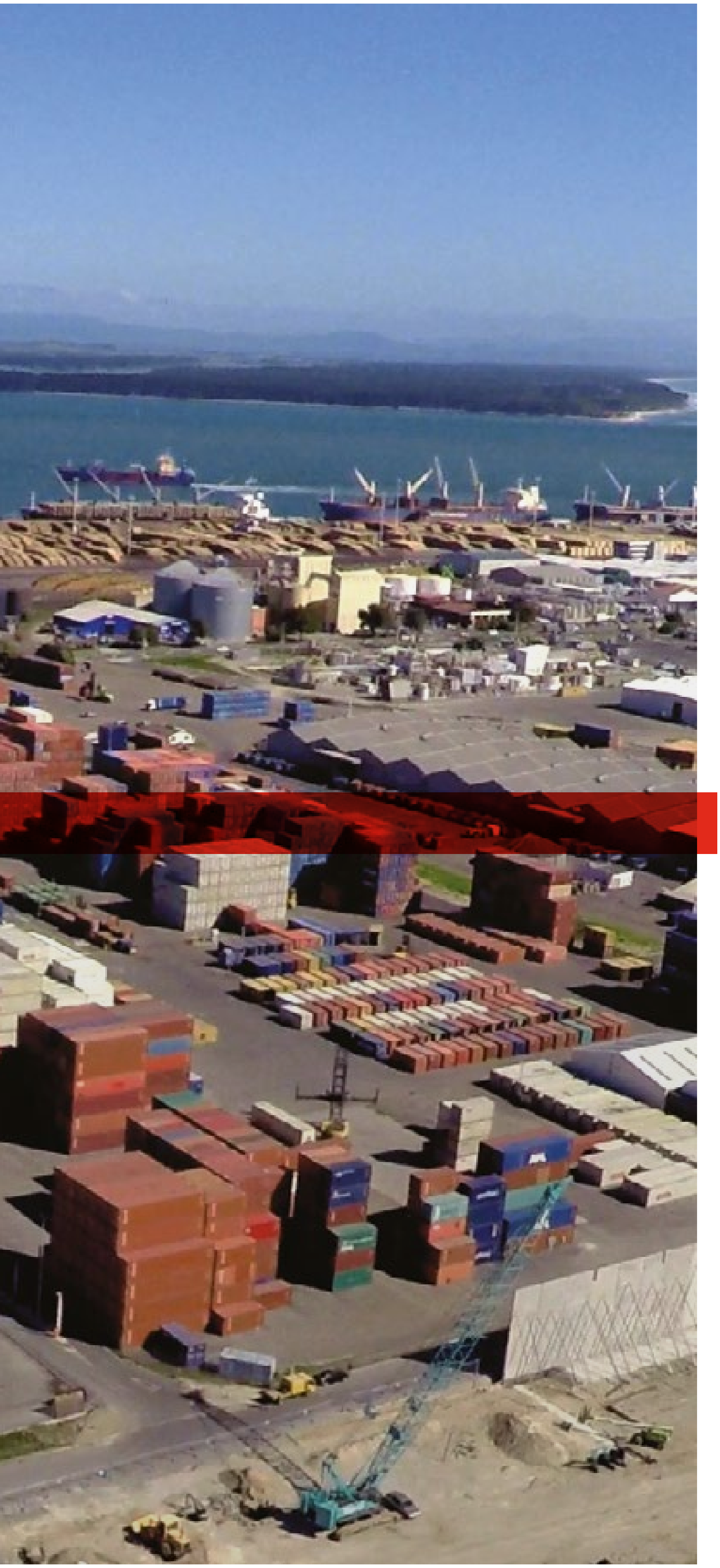
Property For Industry Limited

Annual Report 31 December 2015

CAPITAL WORKING.

SUPPLY CHAIN.





124
Hewletts Road

PFI is here in preparation for the Port of Tauranga expansion.

Tauranga

Half a world away, a 10-year project is nearly complete: the expansion of the Panama Canal. The Panama Canal connects the Pacific Ocean with the Atlantic and so provides the most direct route between New Zealand and Europe. Expanding the canal is considered a game changer for international shipping, with much larger ships able to use the route.

In preparation, the Port of Tauranga is deepening and widening its harbour shipping channel and increasing the number of trains on the link to its rail terminal in the centre of Auckland's manufacturing and distribution centres. Already the country's largest port by total volume – 20 million tonnes of cargo annually – Port of Tauranga is positioning itself as New Zealand's 'port for the future'.

As you'd expect, PFI is here, putting capital to work. In 2005, appreciating Port of Tauranga's increasing significance to New Zealand's supply chain, we acquired **124 Hewletts Road**. This is prime industrial real estate, a **7.34ha** parcel adjacent to the port and with direct, private road, access. In 2015, the PFI board approved a further **$16.5 million** for the next stage of the development of the site.

You can read more about our Hewletts Road development on page **09**.

CONTENTS / SNAPSHOT

... we have continued to do what we have said we would do, which is to deliver strong, stable shareholder returns by investing in quality industrial property. One of the things you can read about later in this report is the continuing strength of ...”

Read more p.04 →

We sold 85 Cavendish Drive in Manukau, for $10 million, as part of our planned divestment of non-core assets. In the last two years, we have divested almost $40 million worth of similar assets, freeing up capital for more productive opportunities.”

Read more p.06 →

Site area
7.34 ha

Total new building area
15,895 m²

Capital expenditure (current project)
$16.5 m

Additional gross rental income
$1.6 m

Read more p.08 →

There are more dairy cows in New Zealand than people – more than five million.”

Read more p.10 →

05

SCALE, DIVERSITY AND EXPERTISE

Managing a growing portfolio with clarity of purpose

Top five tenants by rental income

1. *Fisher & Paykel Appliances*
2. *Fletcher Building Products*
3. *Ebos*
4. *DHL Supply Chain*
5. *Jacobs*

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“

The industrial sector represents about a third of New Zealand’s employment, and GDP. Commentators predict continuing growth in the economy generally and in the industrial sector.”

06

PEAK FLOWS

The economic health of the industrial property sector

Read more p.14 →

Meet the PFI Team

PETER MASFEN
Chairman

ANTHONY BEVERLEY
Director

HUMPHRY ROLLESTON
Director

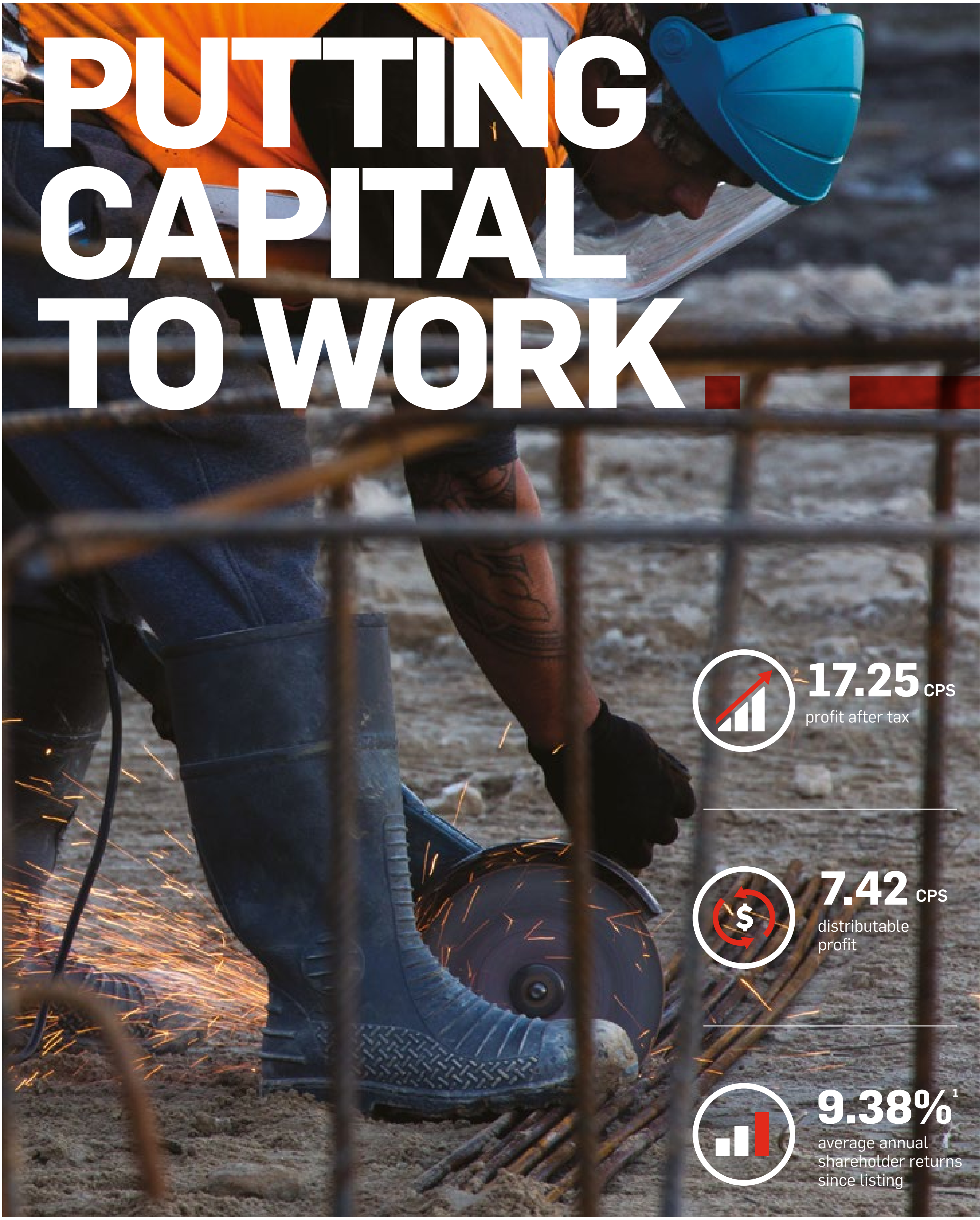
JOHN WALLER
Director

GREG REIDY
Managing Director

SIMON WOODHAMS
General Manager

CRAIG PEIRCE
CFO and Company Secretary

Profiles of our team members can be found on our website at
propertyforindustry.co.nz/about-pfi/our-people-investors



PUTTING
CAPITAL
TO WORK
17.25 CPS
profit after tax
7.42 CPS
distributable
profit
9.38%[1]
average annual
shareholder returns
since listing

01

Our returns to shareholders and key achievements of 2015.

"There are two points I would highlight," says PFI Chairman, Peter Masfen, when asked for the key points of the Company's 2015 result.

"First of all, we have continued to do what we have said we would do, which is to deliver strong, stable, shareholder returns by investing in quality industrial property. One of the things you can read about later in this report is the continuing strength of industrial property as an asset class. We established this business to enable shareholders to benefit from that and we haven't deviated. Total shareholder returns since we listed in 1994 stand at **9.38% per annum**[1].

"That is what has not changed. What did change is that in 2015 PFI took another step up. Two years ago we completed the DPF[2] merger. This year we had the rights offer. It went as we expected and we have been able to put that additional capital to work. We end the year with a larger portfolio than we had a year ago – more properties, more tenants, paying more rent – and with a portfolio of better quality. If you consider the Hewletts Road development, and the acquisitions in Manukau and Penrose, there is no question that PFI is an even stronger player in the industrial property scene. What that capital raising also did, of course, was help us bring gearing down. We're not getting ahead of ourselves; we continue with a low-risk approach."

"And what I'd add to that," says PFI General Manager Simon Woodhams, "is that we continue to manage the portfolio well. There have been the acquisitions and the developments that Peter has referred to, but it's been a busy year simply managing business-as-usual. We completed **60 rent reviews**, and **negotiated 27 leases** with existing or new tenants. We ended the year at **99.6% occupancy** and with a total rental income of **$72.3 million** – nearly **10% higher than last year** – with a weighted average lease term of **5.18 years**.

"There have been some tough negotiations in there, as you'd expect," says Simon, "but what I have noticed is we're not offering incentives like we once had to. The market's strong, obviously, but we understand tenant needs, our properties are in high demand and that's ensuring we achieve the right result for shareholders.

"In summary," says Simon, "it's about quality industrial properties, in the right locations, and establishing and extending good relationships with superior tenants. As we say, it's putting capital to work, out where the work gets done." ■

"We set up this business to enable shareholders to benefit from that and we haven't deviated."

1 Cash dividends plus change in share price, assuming dividends are reinvested. Source: DataStream

2 Direct Property Fund

BUILDING IT

02

The business performance behind our steady and stable returns to shareholders.

"**Let's start with managing** the existing tenant relationships, lease expiries and vacancies," says PFI General Manager Simon Woodhams, "because that is at the core of the business. We successfully completed **60 rent reviews** during the year and achieved an **average annual uplift of 1.6%**. As well, we negotiated **27 new leases**, for an average term of **5.7 years**. Three-quarters of these new leases were from existing tenants.

"We sold 85 Cavendish Drive in Manukau, for **$10 million**, as part of our planned divestment of non-core assets. In the last two years, we have divested almost **$40 million worth of similar assets**, freeing up capital for more productive opportunities.

"For example, we've been developing existing holdings: 9 Narek Place in Manukau, leased to Z Energy for 10 years, the Hewletts Road development that is featured elsewhere in this report, and a new warehouse in Mount Wellington.

"The key acquisitions have been **232 Cavendish Drive** in Manukau and the Sistema portfolio of five properties in Penrose. In total, we **invested $48.2 million** buying these properties."

"The rights offer," adds PFI Chief Financial Officer Craig Peirce, "ensured we had the balance sheet strength we needed. It **raised $47.9 million** and another **$2.8 million** came from **dividend reinvestments**. That, along with other capital management initiatives and the revaluation of our properties, brought our gearing down to **33.3%**, comfortably within the **40%** policy we've set and covenants of **50%**, and our interest cover is **2.9 times**."

"Looking ahead to **2016**," says Simon, "just under **10%** of the portfolio is up for renewal, which is manageable. Everything we can see suggests the market conditions will remain favourable, and we think we're well-placed to respond to interesting acquisition and development opportunities."

60
Rent reviews

1.6%
average annual uplift

27
Negotiated leases

Visit our website for more
propertyforindustry.co.nz/investor-centre/results-centre

BULKING UP.

CASE STUDY

03

A case study of Hewletts Road, Tauranga, illustrating our strategy in action.

As Jim Collins, the author of 'Good to Great', writes, "Good to great comes about by a cumulative process – step by step, action by action." In 2005, PFI purchased 124 Hewletts Road in Tauranga's industrial zone, neighbouring the port. It no longer suited Carter Holt Harvey to own the property, so they sold it to PFI and then leased it back, and over the past 10 years have progressively surrendered portions of the site.

This gradual departure has enabled, in 2007 the development of a **10,000m^2 distribution facility** now tenanted by Fonterra; in 2013 the development of an **8,000m^2 bulk store facility** for Ballance Agri-Nutrients; and – earlier in 2015 – a **9,500m^2 bulk store facility** for RMD Transport. In September 2015, Carter Holt Harvey's lease came to an end.

This made possible PFI's most recent development, the removal of the obsolete, low-stud, existing buildings and the construction of more than **14,000m^2 of high-stud bulk store units**[1] leased to three tenants, ADM, Glencore Grain and Regal Haulage.

It's a **$16.5 million development**. Ready for use in several stages from May to September 2016, the new units will provide six vast spaces – 10 metres floor to ceiling – with solid steel framing and pre-cast, tapered, load-bearing concrete walls; gigantic, strong, storage bins for the tenants' products. The concrete apron will be suitable for trucks with 70-tonne loads; 50 tonnes is the maximum on public roads, but these trucks will be on our private road, transferring cargo from the ships arriving at the neighbouring wharf directly to the bulk stores.

Since taking ownership of the site in 2005, PFI has been steadily transforming it, realising the full potential of its location and creating a modern, high-quality industrial estate. The latest incoming tenants will all be on 12-year leases, paying a combined annual gross rental of almost **$1.6 million**. The length of the lease terms has helped maintain PFI's WALT at 5.18 years, whilst the yield on incremental cost of **10%** has helped maintain the portfolio yield.

"There is no miracle moment," writes Jim Collins. "It is a quiet, deliberate process of figuring out what needs to be done to create the best future results and then simply taking those steps, one after the other." PFI's Hewletts Road development is another step by PFI towards creating the best future results for its shareholders.

Site area
7.34 ha

Total new building area
15,895 m^2

Capital expenditure (current project)
$16.5 m

Additional gross rental income
$1.6 m

[1] Excluding canopies, offices and amenities.

RIGHT PROPERTY, RIGHT PLACE.

CASE STUDY

04

A case study of ADM New Zealand, a new tenant in our Hewletts Road development.

There are more dairy cows in New Zealand than people – more than **five million** now – producing over **21 billion litres of milk** annually. No wonder, then, that ADM's New Zealand business **grew by 70%** last year. With headquarters in Chicago, ADM is one of the world's largest agricultural processors and food ingredient providers. In business for over a hundred years, they employ more than **32,000 people**, serving customers in over **160 countries**. Global sales exceed **US$80 billion**.

In New Zealand, ADM's main market is stock food for the dairy industry, in particular palm kernel extract, a by-product of the palm oil industry in South East Asia. Dairy farmers feed it to their cows as a supplement to increase production and when pasture growth is slow.

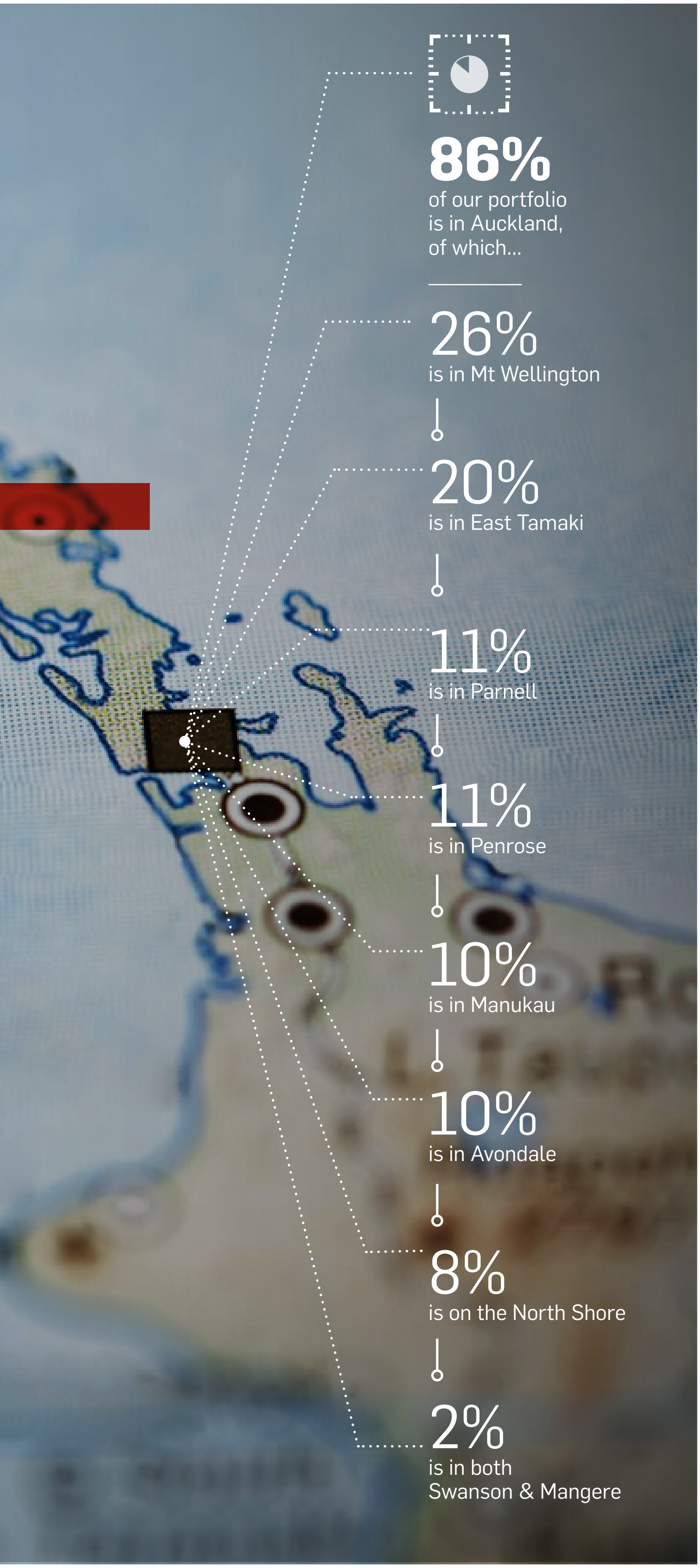
"The growing global demand for protein bodes well for the New Zealand dairy industry, and accordingly we're confident in the future for supplementary feed," says ADM New Zealand General Manager Ross Bowmar. "Our biggest challenge is managing the supply chain so that farmers can rely on us to provide quality product, when they need it, at a competitive price. This new bulk store is a critical link in that chain. It's a fit-for-purpose facility in an ideal location. Tauranga is the ideal point of entry for us – because Tauranga accounts for almost half the New Zealand stock feed industry imports. Having the store right on the port really streamlines our logistics. It takes an industrial property specialist like PFI to understand what we need and to make it possible".

Take a look at some of our case studies
propertyforindustry.co.nz/case-studies-investors/

SCALE, DIVERSITY, EXPERTISE.

TOP 10 TENANTS BY RENTAL INCOME

	Tenant	No. of properties	Annual rent ($000's)	% of total
01	Fisher & Paykel Appliances	1	5,418	7.5%
02	Fletcher Building Products	4	3,163	4.4%
03	Ebos	3	2,850	3.9%
04	DHL Supply Chain	2	2,345	3.2%
05	Jacobs	1	2,341	3.2%
06	Sistema Plastics	5	2,280	3.2%
07	Mainfreight	2	1,754	2.4%
08	Southern Spars	1	1,524	2.1%
09	Nestlé	2	1,437	2.0%
10	Brambles	2	1,412	2.0%
	Subtotal	**23**	**24,524**	**33.9%**
	Total	**84**	**72,288**	**100%**



05

Managing a growing portfolio with clarity of purpose.

"**Strong, stable,** shareholder returns," says Greg Reidy, Managing Director of PFI. "We keep saying it, I know, but I firmly believe the key to success in business is clarity of purpose. It's very easy to get so caught up in what you do that you forget why you do it."

"For example," he says, "PFI is a bigger business this year than we were a year ago; **84 properties** in the portfolio **versus 79**, with a total value that is approaching **a billion dollars**. We're a significant business and we are proud of that, but we don't allow ourselves to be seduced by 'growth' as an end in itself. The real point is that scale makes things possible; it means we can consider opportunities that few others can.

"And we're up from **134 tenants to 141**. Again, that's good, because it further diversifies the income stream and so provides greater resilience; we're more robust. So long as, of course, the quality is there. If you look at our top 10 tenants, they are illustrative of the sort of businesses we're working with; substantial businesses we can expect to be around for the long haul. The weighted average lease term or WALT shows that stability.

"And then you look at the occupancy, because that's critical to achieving strong returns. We're at virtually 100% and that's a result of having the right properties in the right locations. Which in turn is about portfolio management; about expertise in industrial property.

"In summary," says Greg, "it's about staying focused. Staying focused on what we do – managing industrial property assets – because that's who we are, and staying focused on our purpose – strong, stable, shareholder returns – because that's why we are here."

To take a better look at our properties visit
propertyforindustry.co.nz/about-pfi/property-portfolio/

PEAK FLOWS.

7

THINGS YOU SHOULD KNOW ABOUT NEW ZEALAND'S INDUSTRIAL PROPERTY SECTOR TODAY...

1/3

NZ's GPD

01

The industrial sector represents about a third of New Zealand's employment, and GDP. Commentators predict continuing growth in the economy generally and in the industrial sector.

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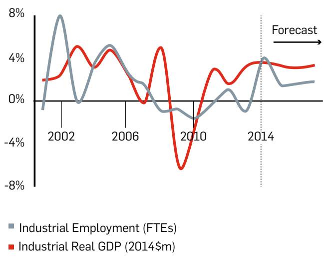
New Zealand Industrial Sector Economy*



10.7%

Total returns

02

Industrial property performed well in 2015, with total returns of 10.7%. Auckland returns were particularly strong.

—

86%

Portfolio in Auckland

03

86% of PFI's portfolio is in Auckland.

—

06

The economic health of the industrial property sector.

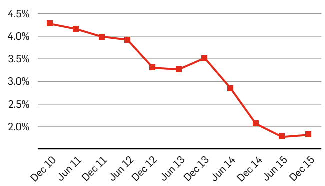
1.8%

Industrial vacancy

04

According to CBRE, Auckland's industrial vacancy is just 1.8%, down from 2.1% a year ago. Much of this vacant space is 'secondary' rather than 'prime'.

Auckland Total Industrial Vacancy**



5%

Increase in rental income

05

Low vacancy rates are lifting rental incomes – CBRE estimate by as much as 5% in 2015, as incentives reduce and 'face' rentals increase.

Increase in property value

06

However, strong interest from investors in industrial property – in part because of these returns – is driving up property values faster than rents and so capitalisation rates, or yields, are now compressing.

Continued rise

07

Commentators predict rents and property values will continue to rise in 2016.

* Source: BERL and Colliers International Research

** Source: CBRE

FIVE-YEAR PERFORMANCE SUMMARY

YEAR ENDED 31 DECEMBER	2015	2014	2013	2012	2011
ALL VALUES IN $M UNLESS OTHERWISE NOTED					
FINANCIAL PERFORMANCE					
Operating revenue	66.9	63.8	48.1	29.4	30.9
Operating expenses	(30.3)	(26.9)	(21.2)	(12.2)	(11.6)
Total operating earnings	36.6	36.9	26.9	17.2	19.3
Non-operating income and expenses	43.0	29.0	20.5	14.7	(0.3)
Profit / (loss) before taxation	79.6	65.9	47.4	31.9	19.0
Total taxation expense	(6.8)	(6.0)	(6.9)	(5.0)	(2.6)
Total comprehensive income after tax	72.8	59.9	40.5	26.9	16.4
Weighted average number of ordinary shares ('000 shares)	422,275	411,502	316,742	220,018	218,721
IFRS earnings per share (cents per share)	17.25	14.55	12.79	12.24	7.47
DISTRIBUTIONS					
Total comprehensive income after tax	72.8	59.9	40.5	26.9	16.4
Distributable profit adjustments	(41.5)	(28.9)	(17.2)	(12.3)	(0.6)
Distributable profit	31.3	31.0	23.3	14.6	15.8
Weighted average number of ordinary shares ('000 shares)	422,275	411,502	316,742	220,018	218,721
Distributable profit per share (cents per share)	7.42	7.53	7.26	6.64	7.21
Gross dividends paid relating to the period reported (cents per share)	9.06	9.04	8.69	8.21	8.65
Net dividends paid relating to the period reported (cents per share)	7.30	7.25	7.20	6.60	7.18
Pay-out ratio (%)	100.2%	96.2%	99.2%	99.6%	99.2%
FINANCIAL POSITION					
Investment properties	986.6	876.0	841.8	382.2	355.9
Goodwill	29.1	29.1	29.1	–	–
Other assets	11.5	1.8	6.1	2.4	2.6
Total assets	1,027.2	906.9	877.0	384.6	358.5
Borrowings	330.9	312.8	314.6	114.2	102.5
Other liabilities	38.3	29.1	27.2	20.3	18.7
Total liabilities	369.2	341.9	341.8	134.5	121.2
Total equity	658.0	565.0	535.2	250.1	237.3
Closing shares on issue ('000 shares)	447,692	411,502	411,502	220,411	219,011
Net tangible (excluding goodwill) assets (cents per share)	140.5	130.2	123.0	113.5	108.4
Gearing (%)	33.3%	35.8%	37.4%	29.9%	28.8%
PROPERTY PORTFOLIO METRICS					
Number of properties	84	79	83	50	49
Number of tenants	141	134	136	86	89
Contract rent	72.3	65.8	65.4	32.6	30.2
Occupancy (%)	99.6%	98.5%	97.1%	97.4%	95.6%
Net lettable area including yard (sqm)	673,112	626,755	627,575	379,306	324,094
Weighted average lease term (years)	5.18	5.26	5.31	4.80	4.17
Capitalisation rate (%)	7.0%	7.2%	7.8%	8.5%	8.5%

COMPANY STRUCTURE & STATUTORY INFORMATION

COMPANY STRUCTURE AND STATUTORY INFORMATION

Property For Industry Limited (the Company, PFI) is a publicly listed company established in 1994 and managed by PFIM Limited (the manager). The manager reports to the board of directors (the board) and is responsible for all investment, property and administration management functions. The manager is paid a management fee for carrying out these responsibilities. The board currently has five directors, four of whom are independent and one representing the manager.

More information on the PFI board and management team is available on the PFI website at propertyforindustry.co.nz/about-pfi/our-people-investors/.

PRINCIPAL ACTIVITY

PFI is a listed industrial property investment company. PFI and its subsidiary, P.F.I. Property No. 1 Limited (together the Group), invest solely in New Zealand. There has not been any change in the nature of the Company's or Group's business in the year ended 31 December 2015, nor in the classes of business in which the Company has an interest.

MANAGEMENT STRUCTURE

PFI is managed by PFIM Limited, a private company owned by interests associated with McDougall Reidy & Co Limited. PFIM Limited has appointed McDougall Reidy & Co Limited as its subcontractor to provide the property and administrative management services required under the PFI management agreement.

PFI's management fee structure is 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 a performance fee calculated on total shareholder returns.

The base fee is calculated as:

- 0.725% of total tangible assets under management up to $425 million;
- 0.450% of total tangible assets under management above $425 million and below $775 million; and
- 0.350% of total tangible assets under management above $775 million.

The performance fee is calculated as 10% of the change in shareholder wealth above 10% per annum (2.5% per quarter) and under 15% per annum (3.75% per quarter), calculated and payable on a quarterly basis.

Where shareholder returns exceed 3.75% in a quarter, no payment is due for the actual amount of the increase above 3.75%, but the amount of the increase above 3.75% can be carried forward and added to the calculation of shareholder returns in later quarters. However, if shareholder returns are less than 2.5% in a quarter, the deficit can also be carried forward and subtracted from the calculation of shareholder returns in later quarters.

GOVERNANCE

The board of PFI is committed to the highest standards of business behaviour and accountability. The board regularly reviews and assesses the Group'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 the Group's governance framework, the board has developed a Corporate Governance Manual (the manual) that forms the Group's corporate governance framework. The manual was reviewed by the board during 2014 except for the Audit and Risk Committee Charter and Continuous Disclosure Policy, which were reviewed during 2015. The manual includes a Code of Ethics, that describes the board's role and responsibilities and regulates board procedures. It incorporates the NZX Main Board Listing Rules relating to corporate governance and the recommendations of the NZX Corporate Governance Best Practice Code.

A copy of the manual is available on the PFI website at propertyforindustry.co.nz/about-pfi/governance/ and includes:

1. Code of Ethics;
2. Board Charter;
3. Audit and Risk Committee Charter;
4. Nomination Committee Charter;
5. Remuneration Policy;
6. Securities Trading Policy; and
7. Continuous Disclosure Policy.

COMPLIANCE WITH NZX REQUIREMENTS

The NZX Main Board Listing Rules require that companies such as PFI disclose the ways in which their corporate governance processes materially differ from the processes prescribed by the NZX Corporate Governance Best Practice Code. PFI considers that it materially complies with the NZX Corporate Governance Best Practice Code except as stated under Board Committees in respect of the fact that the Company has not established a remuneration committee.

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 subsidiary by which they are expected to conduct their duties by facilitating behaviour that is consistent with PFI's business standards.

BOARD COMPOSITION, APPOINTMENTS, INDEPENDENCE & OPERATION

The constitution allows for between three and eight directors. As at 31 December 2015, there were five directors: four of whom are independent and one representing the manager. It is the Company's policy that there should always be a majority of independent directors.

The directors of the Company who held the office during the 12 months to 31 December 2015, their status, date of appointment and meeting attendances follows:

DIRECTOR	STATUS	DATE OF APPOINTMENT	LAST RE-ELECTED	MEETINGS ATTENDED (SEVEN MEETINGS HELD)
Peter Masfen CNZM	Board Chairman Independent director	17 May 2002	24 June 2013	7
Anthony Beverley	Audit and Risk Committee Chairman Nomination Committee Chairman Independent director	2 July 2001	20 May 2015	7
Humphry Rolleston	Independent director	5 July 1994	16 May 2014	6
John Waller ONZM	Independent director	1 July 2013	16 May 2014	6
Gregory Reidy	Director representing the manager	20 January 2012	20 May 2015	7

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

All the above are also directors of the Company's subsidiary, P.F.I. Property No. 1 Limited.

BOARD COMMITTEES

Audit & Risk Committee

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

The manager is responsible for attending to the financial and reporting needs of the Company. Amongst other things, the Audit and Risk Committee meets at least twice a year (or more frequently if required) with the Group's auditor to review the outcome of the interim review (30 June) and annual audit (31 December).

At 31 December 2015, the members of the Audit and Risk Committee were Anthony Beverley (Chairman of the Audit and Risk Committee), John Waller and Peter Masfen. All were members of the committee at all times during 2015. Anthony Beverley and Peter Masfen attended all three meetings of the Audit and Risk Committee held during 2015. John Waller attended two meetings of the Audit and Risk Committee held during 2015.

Nomination Committee

The board has established a Nomination Committee in accordance with the NZX Corporate Governance Best Practice Code. The Nomination Committee has developed a written charter that outlines the committee's authority, duties, responsibilities and relationship with the board. The board is required to regularly review the performance of the Nomination Committee.

At reporting date, the members of the Nomination Committee were Anthony Beverley (Chairman of the Nomination Committee) and John Waller. This committee did not meet during the year.

Other Committees

The board has not established a remuneration committee. This differs from the NZX Corporate Governance Best Practice Code recommendation that the board establishes this committee to recommend remuneration packages for directors to the shareholders. However, the board has developed a remuneration policy which forms part of the Corporate Governance Manual and is intended to guide the directors in considering remuneration for directors. The board considers that the policies are consistent with best practice governance standards and this approach is appropriate, given that, as a result of its external management arrangements, PFI does not have its own employees for whom remuneration needs to be considered.

BOARD CHARTER

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

- Establishes a clear framework for oversight and management of PFI's operations and for defining the respective roles and responsibilities of the board and the manager;
- Structures itself to be effective in discharging its responsibilities and duties;
- Sets standards of behaviour expected of the Company's managers and representatives;
- Safeguards the integrity of the company's financial reporting;
- Ensures timely and balanced disclosure;
- Respects and facilitates the rights of shareholders;
- Recognises and manages risk;
- Encourages board and management effectiveness;
- Remunerates fairly and responsibly; and
- Recognises the legitimate interests of all stakeholders.

The board also has statutory responsibility for the affairs and activities of the Company. It is responsible for producing annual financial statements that comply with generally accepted accounting practice and provide a true and fair view of the Group's financial performance and 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 regular 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; and
- Administrative management duties.

GENDER COMPOSITION OF DIRECTORS AND OFFICERS

The breakdown of the gender composition of PFI's directors for the previous two financial years is as follows:

FINANCIAL YEAR	MALE	FEMALE
Year ending 31 December 2014	5	0
Year ending 31 December 2015	5	0

The Company does not have any employees and therefore has no officers. The Company does not have a diversity policy.

DIRECTORS' INTERESTS REGISTER

During the year, the board authorised the renewal of the directors' and officers' insurance cover as at 30 June 2015 for a period of 12 months and has certified, in terms of section 162 of the Companies Act 1993, that this cover is fair to the Company.

As permitted by the Company's constitution and the Companies Act 1993, the Company has also executed a deed indemnifying its directors against potential liabilities and costs they may incur for acts or omissions in their capacity as directors of the Company and its subsidiary.

Please refer to the Directors' Relevant Interests section below for information regarding the acquisition and disposition of relevant interests in the Company's shares by its directors.

No director has sought authorisation to use Company information.

There were no other interest register entries recorded for the Company or its subsidiary for the year ended 31 December 2015.

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.

Other than noted in this report, neither the Company nor its subsidiary have provided any other benefits to a director for services as a director or in any other capacity.

Neither the Company nor its subsidiary have made loans to a director.

Neither the Company nor its subsidiary have guaranteed any debts incurred by a director.

DIRECTOR	ROLE	FEES PAID 2015 $000	FEES PAID 2014 $000
Peter Masfen	Board Chairman	90	86
	Independent director		
Anthony Beverley	Audit and Risk Committee Chairman	70	61
	Nomination Committee Chairman		
	Independent director		
Arthur Young[1]	Non-executive director	–	19
Humphry Rolleston	Independent director	60	56
John Waller	Independent director	60	56
Gregory Reidy[2]	Director representing the manager	–	–
Total		**280**	**278**

1. Arthur Young joined the board on 1 July 2013 and retired from the board on 16 May 2014.
2. No directors' remuneration was paid to Gregory Reidy due to him being a director representing the manager.

DIRECTORS' RELEVANT INTERESTS

The board has developed a policy that deals with directors, managers and representatives acquiring and disposing of relevant interests in PFI's shares and the disclosure requirements. This policy forms part of the Corporate Governance Manual.

Details of directors' dealings in the Company's shares since 1 January 2015 are as follows:

DIRECTOR	NO. OF SHARES ACQUIRED / (DISPOSED)	CONSIDERATION PER SHARE	DATE
Humphry Rolleston (legal, but not beneficial, holder)	(26,057)	$1.55	Wednesday, January 28, 2015
John Waller (beneficial holder)	12,014	$1.52	Wednesday, May 27, 2015
Peter Masfen (legal and beneficial holder)	334,308	$1.44	Tuesday, September 15, 2015
Peter Masfen (legal, but not beneficial, holder)	20,833	$1.44	Tuesday, September 15, 2015
Humphry Rolleston (legal and beneficial holder)	1,250	$1.44	Tuesday, September 15, 2015
Humphry Rolleston (legal, but not beneficial, holder)	7,750	$1.44	Tuesday, September 15, 2015
John Waller (beneficial holder)	88,136	$1.44	Tuesday, September 15, 2015
Gregory Reidy (beneficial holder)	281,317	$1.44	Tuesday, September 15, 2015

Details of directors' relevant interests in the Company's shares as at 31 December 2015 are as follows:

DIRECTOR	NATURE OF RELEVANT INTEREST	NO. OF SHARES
Peter Masfen	Beneficial holder	4,334,313
	Legal, but not-beneficial, holder	270,833
Humphry Rolleston	Beneficial holder	16,250
	Legal, but not-beneficial, holder	100,750
John Waller	Beneficial holder	1,145,778
Gregory Reidy	Beneficial holder	3,657,121

EMPLOYEE REMUNERATION

Neither the Company nor its subsidiary has any employees; accordingly no employees, or former employees, of the Company or its subsidiary received remuneration or other benefits in their capacity as employees, the value of which was or exceeded $100,000 per annum.

DONATIONS

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

SUBSTANTIAL PRODUCTHOLDERS AS AT 31 DECEMBER 2015

As at 31 December 2015, the total number of ordinary shares on issue was 447,692,460. The Company has only ordinary shares on issue. The persons, who, for the purposes of section 293 of the Financial Markets Conduct Act 2013, were substantial productholders as at 31 December 2015 are:

SECURITY HOLDER	NO. OF SHARES	%
ANZ New Zealand Investments Limited	25,320,580	5.67%

DETAILS OF DIVIDENDS PAID

DIVIDENDS	DATE PAID	CENTS PER SHARE	TOTAL PAID 2015 $000	TOTAL PAID 2014 $000
Q4 2013 final dividend	Wednesday, 12 March, 2014	2.01	–	8,271
Q1 2014 interim dividend	Wednesday, 28 May, 2014	1.75	–	7,201
Q2 2014 interim dividend	Friday, 5 September, 2014	1.75	–	7,201
Q3 2014 interim dividend	Wednesday, 26 November, 2014	1.80	–	7,407
Q4 2014 final dividend	Thursday, 12 March, 2015	1.95	8,025	–
Q1 2015 interim dividend	Wednesday, 27 May, 2015	1.75	7,201	–
Q2 2015 interim dividend	Thursday, 3 September, 2015	1.75	7,216	–
Q3 2015 interim dividend	Wednesday, 25 November, 2015	1.80	8,041	–
Total dividends per statement of changes in equity			**30,483**	**30,080**

SHAREHOLDER STATISTICS

20 LARGEST REGISTERED SHAREHOLDERS

AS AT 29 FEBRUARY 2016

	HOLDER	HOLDING	HOLDING %
1	FNZ Custodians Limited	27,982,308	6.25%
2	BNP Paribas Nominees (NZ) Limited - NZCSD	22,575,862	5.04%
3	Custodial Services Limited (A/c 3)	15,443,578	3.45%
4	Accident Compensation Corporation - NZCSD	13,487,557	3.01%
5	Forsyth Barr Custodians Limited	12,940,715	2.89%
6	ANZ Wholesale Trans-Tasman Property Securities Fund - NZCSD	9,074,658	2.03%
7	Guardian Nominees No 2 A/C Westpac W/S Enhanced Cash Trust - NZCSD	8,971,225	2.00%
8	MFL Mutual Fund Limited - NZCSD	8,554,971	1.91%
9	Citibank Nominees (New Zealand) Limited - NZCSD	8,434,155	1.88%
10	Investment Custodial Services Limited (A/c C)	8,222,252	1.84%
11	National Nominees New Zealand Limited - NZCSD	8,215,406	1.84%
12	ANZ Wholesale Property Securities - NZCSD	6,642,673	1.48%
13	Messrs. Wildermoth, Wilson, Young and Spence	6,594,217	1.47%
14	Mr. Mckee, Ms. Mckee and NWM Trustees 120 Limited	5,566,373	1.24%
15	Custodial Services Limited (A/c 2)	5,193,869	1.16%
16	Masfen Securities Limited	4,334,313	0.97%
17	HSBC Nominees (New Zealand) Limited - NZCSD	4,281,186	0.96%
18	Carlaw Heritage Trust Inc	4,115,481	0.92%
19	Heatherfield Investments Limited	3,802,988	0.85%
20	PFIM Limited	3,657,121	0.82%
	Shares held by top 20 shareholders	**188,090,908**	**42.01%**
	Balance of shares	259,601,552	57.99%
	Total of issued shares	**447,692,460**	**100.00%**

SHAREHOLDER SPREAD

AS AT 29 FEBRUARY 2016

ORDINARY SHARES	NUMBER OF HOLDERS	HOLDING	HOLDING %
Up to 4,999	818	2,119,305	0.47%
5,000 - 9,999	971	7,099,456	1.59%
10,000 - 49,999	2,509	53,349,852	11.92%
50,000 - 99,999	378	25,758,357	5.75%
100,000 - 499,999	286	58,414,785	13.05%
500,000 and above	106	300,950,705	67.22%
Total	**5,068**	**447,692,460**	**100.00%**

GEOGRAPHICAL SPREAD

AS AT 29 FEBRUARY 2016

ORDINARY SHARES	HOLDING	HOLDING %
Auckland & Northern Region	256,381,598	57.27%
Hamilton & Surrounding Districts	86,476,018	19.32%
Wellington & Central Districts	62,648,883	13.99%
Dunedin & Southland	24,347,184	5.44%
Nelson, Marlborough & Christchurch	15,857,719	3.54%
Overseas	1,745,860	0.39%
Unknown	235,198	0.05%
Total	**447,692,460**	**100.00%**

FINANCIAL STATEMENTS.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2015

ALL VALUES IN $000'S	NOTE	2015	2014
OPERATING REVENUE			
Rental and management fee income	2.2	66,912	63,678
Interest income		15	13
Business interruption insurance income		–	81
Total operating revenue		66,927	63,772
OPERATING EXPENSES			
Non-recoverable property costs	2.3	(2,183)	(1,879)
Interest expense and bank fees		(19,398)	(18,230)
Audit fees and other fees paid to auditors	5.1	(143)	(128)
Management fees	5.8	(7,608)	(5,604)
Directors' fees		(280)	(278)
Other expenses		(754)	(775)
Total operating expenses		(30,366)	(26,894)
Total operating earnings		36,561	36,878
NON-OPERATING INCOME AND EXPENSES			
Fair value gain on investment properties	2.1	46,471	36,286
Gain / (loss) on disposal of investment properties		479	(2,061)
Material damage insurance income		17	1,204
Fair value loss on derivative financial instruments		(3,952)	(6,431)
Total non-operating income and expenses		43,015	28,998
Profit before taxation		79,576	65,876
INCOME TAX (EXPENSE) / BENEFIT			
Current taxation	5.2	(7,151)	(7,113)
Deferred taxation	5.2	400	1,114
Total income tax expense		(6,751)	(5,999)
Profit and total comprehensive income after income tax attributable to the shareholders of the Company	4.1	72,825	59,877
Basic and diluted earnings per share (cents)	4.2	17.25	14.55

The accompanying notes form part of these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2015

	Cents per Share	No. of Shares	Ordinary Shares ($000s)	Retained Earnings ($000s)	Total Equity ($000s)
Balance as at 1 January 2014	–	411,502,391	434,986	100,187	535,173
Total comprehensive income	–	–	–	59,877	59,877
Dividends					
Q4 2013 final dividend	2.01	–	–	(8,271)	(8,271)
Q1 2014 interim dividend	1.75	–	–	(7,201)	(7,201)
Q2 2014 interim dividend	1.75	–	–	(7,201)	(7,201)
Q3 2014 interim dividend	1.80	–	–	(7,407)	(7,407)
Balance as at 31 December 2014	–	411,502,391	434,986	129,984	564,970
Total comprehensive income	–	–	–	72,825	72,825
Issue of shares					
Rights issue	–	34,361,996	47,925	–	47,925
Dividends and reinvestment					
Q4 2014 final dividend	1.95	–	–	(8,025)	(8,025)
Q1 2015 interim dividend	1.75	–	–	(7,201)	(7,201)
Q1 2015 dividend reinvestment	–	841,562	1,282	–	1,282
Q2 2015 interim dividend	1.75	–	–	(7,216)	(7,216)
Q3 2015 interim dividend	1.80	–	–	(8,041)	(8,041)
Q3 2015 dividend reinvestment	–	986,511	1,495	–	1,495
Balance as at 31 December 2015	–	447,692,460	485,688	172,326	658,014

The accompanying notes form part of these financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2015

ALL VALUES IN $000'S	NOTE	2015	2014
CURRENT ASSETS			
Cash and cash equivalents		542	596
Derivative financial instruments	3.2	–	2
Accounts receivable, prepayments and other assets	5.3	10,934	1,136
Total current assets		11,476	1,734
NON-CURRENT ASSETS			
Investment properties	2.1	986,565	876,005
Derivative financial instruments	3.2	117	54
Goodwill	5.5	29,086	29,086
Total non-current assets		1,015,768	905,145
Total assets		1,027,244	906,879
CURRENT LIABILITIES			
Derivative financial instruments	3.2	299	164
Accounts payable, accruals and other liabilities	5.4	14,740	9,487
Taxation payable		2,164	1,832
Total current liabilities		17,203	11,483
NON-CURRENT LIABILITIES			
Borrowings	3.1	330,920	312,797
Derivative financial instruments	3.2	10,217	6,339
Deferred tax liabilities	5.2	10,890	11,290
Total non-current liabilities		352,027	330,426
Total liabilities		369,230	341,909
Net assets	4.3	658,014	564,970
EQUITY			
Share capital		485,688	434,986
Retained earnings		172,326	129,984
Total equity		658,014	564,970

The Board of Property For Industry Limited authorised these financial statements for issue on 15 February 2016.

Peter Masfen
Chairman

Anthony Beverley
Chairman, Audit and Risk Committee

The accompanying notes form part of these financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2015

ALL VALUES IN $000'S	NOTE	2015	2014
CASH FLOWS FROM OPERATING ACTIVITIES			
Property income received		67,278	63,696
Business interruption and material damage insurance income		17	1,285
Net GST received		(313)	231
Interest received		15	13
Interest and other finance costs paid		(20,040)	(19,521)
Payments to suppliers		(8,646)	(8,376)
Income tax paid		(6,819)	(7,013)
Net cash flows from operating activities		31,492	30,315
CASH FLOWS FROM INVESTING ACTIVITIES			
Proceeds from sale of investment properties	2.1	200	26,589
Acquisition of investment properties		(46,989)	–
Expenditure on investment properties		(23,042)	(25,849)
Capitalisation of interest on development properties		(135)	(37)
Net cash flows from investing activities		(69,966)	703
CASH FLOWS FROM FINANCING ACTIVITIES			
Net drawings / (repayments) of borrowings		18,200	(1,690)
Issue of new shares		47,925	–
Dividends paid to shareholders		(27,705)	(30,080)
Net cash flows from financing activities		38,420	(31,770)
Net decrease in cash and cash equivalents		(54)	(752)
Cash and cash equivalents at beginning of year		596	1,348
Cash and cash equivalents at end of year		542	596

The accompanying notes form part of these financial statements.

RECONCILIATION OF PROFIT AFTER INCOME TAX TO NET CASH FLOWS FROM OPERATING ACTIVITIES

ALL VALUES IN $000'S	2015	2014
Profit for the year after income tax	72,825	59,877
Non cash items:		
Fair value gain on investment properties	(46,471)	(36,286)
(Gain) / loss on disposal of investment properties	(479)	2,061
Fair value loss on derivative financial instruments	3,952	6,431
Deferred taxation	(400)	(1,114)
Movements in working capital items:		
Accounts receivable, prepayments and other assets	(623)	170
Accounts payable, accruals and other liabilities	2,356	(924)
Taxation payable	332	100
Net cash flow from operating activities	31,492	30,315

The accompanying notes form part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2015

1. GENERAL INFORMATION

IN THIS SECTION
This section sets out the basis upon which the Group's Financial Statements are prepared. Specific accounting policies are described in the note to which they relate.

1.1. Reporting entity

These financial statements are for Property For Industry Limited (the Company) and its subsidiary P.F.I. Property No. 1 Limited (PFI No. 1) (together, the Group). The Company is a limited liability company incorporated in New Zealand and is registered under the New Zealand Companies Act 1993. The Company is a FMC reporting entity under Part 7 of the Financial Markets Conduct Act 2013 and these audited consolidated financial statements have been prepared in accordance with the requirements of the NZX Main Board Listing Rules. The Company is registered on the New Zealand Stock Exchange (NZSX: PFI).

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

1.2. Basis of preparation

The financial statements have been prepared in accordance with New Zealand Generally Accepted Accounting Practice (NZ GAAP), the Financial Reporting Act 2013 and the Financial Markets Conduct Act 2013. They comply with New Zealand Equivalents to International Financial Reporting Standards (NZ IFRS) and other applicable Financial Reporting Standards as appropriate to profit oriented entities. The financial statements also comply with International Financial Reporting Standards (IFRS).

The financial statements have been prepared on the historical cost basis except where otherwise identified. All financial information is presented in New Zealand dollars and has been rounded to the nearest thousand.

1.3. Group companies

As at 31 December 2015 and 31 December 2014, PFI No. 1 is the only controlled entity and is wholly owned. On 30 June 2014, P.F.I. Property Limited was amalgamated into PFI No. 1 with PFI No. 1 continuing as the amalgamated company. The amalgamated company by law succeeded to all the property, rights, power, privileges and for all the liabilities and obligations of the amalgamating company. P.F.I. Property Limited has been removed from the New Zealand register of companies. The amalgamation had no impact on the Group results.

1.4. Basis of consolidation

The consolidated financial statements comprise the Company and the entity it controls. All intercompany transactions are eliminated on consolidation.

1.5. New standards, amendments and interpretations

New standards, amendments and interpretations have been published that are not yet effective and have not been early adopted by the Group. Those which may be relevant to the Group are explained below:

- NZ IFRS 9 'Financial Instruments'. This standard will eventually replace NZ IAS 39 Financial Instruments - Recognition and Measurement. It is required to be adopted by the Group in the financial statements for the year ending 31 December 2018, the Group has not yet assessed the impact of this standard.
- NZ IFRS 15 'Revenue from Contracts with Customers'. This standard addresses the recognition of revenue from contracts with customers. It specifies the revenue recognition criteria governing the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. It is required to be adopted by the Group in the financial statements for the year ending 31 December 2018, the Group has not yet assessed the impact of this standard.
- NZ IFRS 16 'Leases'. This standard will replace the current guidance in NZ IAS 17. Under NZ IFRS 16, a contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. Under NZ IAS 17, a lessee was required to make a distinction between a finance lease (on balance sheet) and an operating lease (off balance sheet). NZ IFRS 16 now requires a lessee to recognise a lease liability reflecting future lease payments and a 'right-of-use asset' for virtually all lease contracts. Included is an optional exemption for certain short-term leases and leases of low-value assets; however, this exemption can only be applied by lessees.

  For lessors, the accounting for leases under NZ IFRS 16 is almost the same. However, as the guidance on the definition of a lease (as well as the guidance on the combination and separation of contracts), lessors will also be affected by the new standard.

  The standard is effective for accounting periods beginning on or after 1 January 2019. Early adoption is permitted but only in conjunction with NZ IFRS 15, 'Revenue from Contracts with Customers. The group intends to adopt NZ IFRS 16 on its effective date and has yet to assess its full impact.

1. GENERAL INFORMATION (CONTINUED)

1.6. Critical judgements, estimates and assumptions

In applying the Group's accounting policies, the Board and Management continually evaluates judgements, estimates and assumptions that may have an impact on the Group. The significant judgements, estimates and assumptions made in the preparation of these financial statements are as follows:

2.1. Investment properties	Page 33
3.2. Derivative financial instruments	Page 43
5.2. Taxation	Page 46
5.5. Goodwill	Page 48

1.7. Accounting policies

No changes to accounting policies have been made during the year and policies have been consistently applied to all years presented.

Significant accounting policies have been included throughout the notes to the financial statements.

Other relevant policies are provided as follows:

Share capital
All shares on issue are fully paid, carry equal voting rights, share equally in dividends and any surplus on wind up and have no par value. All shares are recognised at the fair value of the consideration received by the Company. Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction from the proceeds.

Measurement of fair values
A number of the Group's accounting policies and disclosures require the measurement of fair values. The Board and Management have overall responsibility for overseeing all significant fair value measurements and transfers between levels of the fair value hierarchy. The Group's policy is to recognise transfers into and out of fair value levels as of the date of transfer or change in circumstances that caused the transfer.

The carrying values of all balance sheet financial assets and liabilities approximate their estimated fair values.

The Board and Management review significant unobservable inputs and valuation adjustments. If third party information is used to measure fair values, then the Board and Management assesses the evidence obtained from the third parties to support the conclusion that such valuations meet the requirements of NZ IFRS, including the level of the fair value hierarchy in which such valuations should be classified.

Goods and services tax
These financial statements have been prepared on a goods and services tax (GST) exclusive basis except for the accounts receivable balance, accounts payable balance and other items where GST incurred is not recoverable. These balances are stated inclusive of GST.

1.8. Comparatives

Previously the Group separately presented on the balance sheet property prepayments (comprising leasing costs, capitalised lease incentives and fixed rental review prepayments) from investment properties and provided a reconciliation of these amounts which formed part of the investment properties' fair value as determined by the independent valuer. In the current year, property prepayments have been included within investment properties as this better reflects the nature of the asset and allows direct reconciliation to the valuation reports. As a result, the 2014 comparatives have been reclassified as follows: accounts receivable, prepayments and other assets (current) reduced by $2,079,000; accounts receivable, prepayments and other assets (non-current) reduced by $7,563,000; and investment properties increased by $9,642,000. Total assets and net assets remain unchanged.

1.9. Significant events and transactions

The financial position and performance of the Group was affected by the following events and transactions that occurred during the reporting period:

Capital raising
In September 2015, following a rights offer and book build process, the Company issued 34 million shares at $1.44 per share.

Investment property acquisitions and disposals
In May 2015 the Group acquired an industrial property at 232 Cavendish Drive, Manukau for $18.4 million. In August 2015 the Group acquired a portfolio of five industrial properties located on Hugo Johnston Drive and Autumn Place, Penrose for $28.5 million. In November 2015 the Group entered into an unconditional contract to dispose of a non-core property at 85 Cavendish Drive, Manukau for $10 million.

2. PROPERTY

IN THIS SECTION
This section shows the real estate assets used to generate the Group's trading performance which are considered to be the most relevant to the operations of the Group.

2.1. Investment properties

ALL VALUES IN $000'S	2015	2014
Opening balance	876,005	841,841
Capital movements:		
Additions	48,203	15,408
Disposals	(8,973)	(28,650)
Capital expenditure	23,025	11,101
Capitalised interest[a]	135	37
Movement in lease incentives, fees and fixed rental income	1,699	(18)
	64,089	(2,122)
Unrealised fair value gain	46,471	36,286
As at 31 December	986,565	876,005

a. The effective interest rate applied to capitalised interest was 5.88% (2014: 5.64%).

2. PROPERTY (CONTINUED)

2.1 Investment properties (continued)

	Key tenant	Occupancy (%)	
ALL VALUES IN $000'S UNLESS NOTED	2015	2015	2014
17 Allens Road, East Tamaki	Caroma Industries	100%	100%
2-4 Argus Place, North Shore	Pharmapac	100%	100%
47 Arrenway Drive, North Shore	Onyx Group	100%	100%
51 Arrenway Drive, North Shore	Pacific Hygiene	100%	100%
4 Autumn Place, Penrose[b]	Sistema Plastics	100%	n/a
6 Autumn Place, Penrose[b]	Sistema Plastics	100%	n/a
10 Autumn Place, Penrose[b]	Sistema Plastics	100%	n/a
30-32 Bowden Road, Mt Wellington	Fletcher Building Products	100%	100%
Shed 22, 23 Cable Street, Wellington	Lion Liquor Property Division	100%	100%
8a & 8b Canada Crescent, Christchurch	Polarcold Stores	100%	100%
122 Captain Springs Road, Penrose	New Zealand Crane Group	100%	100%
50 Carbine Road, Mt Wellington	Atlas Copco	100%	100%
54 Carbine Road & 6a Donnor Place, Mt Wellington	Pharmacy Retailing	91%	100%
76 Carbine Road, Mt Wellington	Atlas Gentech	100%	100%
Carlaw Park Gateway Building, Parnell	Quest	100%	100%
Carlaw Park Office Complex, Parnell	Jacobs	100%	100%
7 Carmont Place, Mt Wellington	CMI	100%	100%
85 Cavendish Drive, Manukau[c]	n/a	n/a	76%
212 Cavendish Drive, Manukau[a]	Mainfreight	100%	100%
232 Cavendish Drive, Manukau[a, b]	Pacific Asset Leasing	100%	n/a
15 Copsey Place, Avondale	Canterbury	100%	100%
43 Cryers Road, East Tamaki	Astron Plastics	100%	100%
229 Dairy Flat Highway, North Shore	Massey University	100%	100%
47 Dalgety Drive, Manukau	Peter Hay Kitchens	100%	100%
59 Dalgety Drive, Manukau	Goodman Fielder	100%	100%
6 Donnor Place, Mt Wellington	Wickliffe	100%	100%
6-8 Greenmount Drive, East Tamaki	Bridon	100%	100%
92-98 Harris Road, East Tamaki	GrainCorp	100%	100%
124 Hewletts Road, Mt Maunganui	RMD Bulk Storage	100%	100%
124a Hewletts Road, Mt Maunganui	Fonterra	100%	100%
124b Hewletts Road, Mt Maunganui	Ballance Agri-Nutrients	100%	100%
3 Hocking Street, Mt Maunganui	Trayco Manufacturing	100%	100%

a. Excludes development land shown separately below.
b. Acquired in 2015.
c. Disposed of in 2015.

Yield on valuation (%)		Contract rent		Lettable area (sqm)	Valuer	Carrying value	Capital movements	Fair value adjustment	Carrying value
2015	2014	2015	2014	2015	2015	2014	2015	2015	2015
7.6%	8.4%	1,000	991	9,926	Colliers	11,800	389	911	13,100
6.9%	8.1%	433	395	3,560	Colliers	4,900	926	474	6,300
6.8%	7.2%	220	220	1,245	CBRE	3,050	0	200	3,250
5.9%	6.4%	366	364	2,680	Colliers	5,700	93	407	6,200
7.2%	n/a	148	n/a	1,490	JLL	–	2,035	15	2,050
7.2%	n/a	166	n/a	1,645	JLL	–	2,290	10	2,300
7.4%	n/a	613	n/a	7,042	JLL	–	8,246	54	8,300
7.0%	7.6%	1,444	1,382	17,047	CBRE	18,250	(8)	2,458	20,700
6.9%	6.8%	792	792	2,816	Colliers	11,600	4	(154)	11,450
7.6%	7.7%	1,119	1,119	9,500	JLL	14,500	–	250	14,750
6.9%	8.3%	496	496	7,431	JLL	6,000	114	1,106	7,220
5.8%	6.9%	190	190	2,592	Colliers	2,750	2	528	3,280
6.9%	7.6%	1,548	1,516	16,869	Colliers	19,890	1,944	566	22,400
6.5%	7.2%	422	420	5,080	Colliers	5,800	(43)	693	6,450
7.6%	7.6%	2,564	2,565	2,369	JLL	33,700	29	71	33,800
7.2%	7.2%	4,357	4,308	11,149	JLL	59,600	18	1,182	60,800
6.3%	6.9%	577	545	5,286	Colliers	7,950	242	1,008	9,200
–	6.8%	–	590	–	n/a	8,650	(8,853)	203	–
7.5%	8.9%	1,284	1,304	18,331	Colliers	14,700	542	1,858	17,100
7.4%	n/a	1,345	n/a	16,832	JLL	–	17,825	425	18,250
7.1%	7.2%	719	719	6,878	CBRE	10,050	(28)	78	10,100
7.8%	8.0%	703	692	6,068	CBRE	8,650	8	342	9,000
7.7%	8.0%	1,774	1,749	6,719	JLL	22,000	(11)	911	22,900
8.0%	7.2%	979	870	8,860	JLL	12,000	1	249	12,250
7.7%	7.9%	1,256	1,213	8,649	CBRE	15,350	(51)	1,051	16,350
9.2%	7.4%	1,328	1,296	14,555	Colliers	17,400	(161)	(2,739)	14,500
7.7%	8.0%	591	591	6,590	CBRE	7,400	28	272	7,700
8.5%	8.4%	1,222	1,181	10,687	Colliers	14,100	28	172	14,300
6.7%	11.2%	2,716	952	29,250	JLL	8,470	16,540	2,230	27,240
7.7%	8.0%	965	965	10,497	JLL	12,100	(45)	445	12,500
6.5%	6.6%	853	852	8,867	JLL	12,850	(0)	250	13,100
7.1%	7.1%	117	117	1,211	JLL	1,650	(10)	10	1,650

2. PROPERTY (CONTINUED)

2.1 Investment properties (continued)

	Key tenant	Occupancy (%)	
ALL VALUES IN $000'S UNLESS NOTED	2015	2015	2014
8 Hugo Johnston Drive, Penrose	Argyle Schoolwear	100%	100%
12 Hugo Johnston Drive, Penrose	W H Worrall	100%	100%
16 Hugo Johnston Drive, Penrose	Modempak	100%	100%
65 Hugo Johnston Drive, Penrose[b]	Sistema Plastics	100%	n/a
80 Hugo Johnston Drive, Penrose[b]	Sistema Plastics	100%	n/a
143 Hutt Park Road, Wellington	EBOS	100%	100%
15 Jomac Place, Avondale	Southern Spars	100%	100%
44 Mandeville Street, Christchurch	Fletcher Building Products	100%	100%
1 Mayo Road, Manukau	Transdiesel	100%	100%
102 Mays Road, Penrose	Carter Holt Harvey	100%	100%
8 McCormack Place, Wellington	Information Management Group	100%	100%
4-6 Mt Richmond Road, Mt Wellington	Recall	100%	100%
509 Mount Wellington Highway, Mt Wellington	Fletcher Building Products	95%	96%
511 Mount Wellington Highway, Mt Wellington	Bremca Industries	100%	100%
515 Mount Wellington Highway, Mt Wellington	Stryker	100%	100%
523 Mount Wellington Highway, Mt Wellington	BGH Group	100%	100%
9 Narek Place, Manakau[a]	Z Energy	100%	100%
36 Neales Road, East Tamaki	Mainfreight	100%	100%
306 Neilson Street, Penrose	Fletcher Building Products	100%	100%
312 Neilson Street, Penrose	Transport Trailer Services	100%	100%
314 Neilson Street, Penrose	Wakefield Metals	100%	100%
9 Nesdale Avenue, Manukau	Brambles	100%	100%
1 Niall Burgess Road, Mt Wellington	R L Button & Co	100%	100%
2-6 Niall Burgess Road, Mt Wellington	McAlpine Hussmann	100%	56%
3-5 Niall Burgess Road, Mt Wellington	Electrolux	100%	100%
7-9 Niall Burgess Road, Mt Wellington	DHL Supply Chain	100%	100%
10 Niall Burgess Road, Mt Wellington	Outside Broadcasting	100%	100%
15 Omega Street, North Shore	Wesfarmers	100%	100%
2 Pacific Rise, Mt Wellington	Hewlett-Packard	100%	100%
50 Parkside Road, Wellington[a]	Transpacific Industries	100%	100%
61-69 Patiki Road, Avondale	Bidvest	100%	100%
58 Richard Pearse Drive, Mangere	Pharmacy Retailing	100%	100%
1 Ron Driver Place, East Tamaki	Stewart Scott Cabinetry	100%	100%
320 Rosebank Road, Avondale	Doyle Sails	100%	100%

a. Excludes development land shown separately below.

b. Acquired in 2015.

Yield on valuation (%)		Contract rent		Lettable area (sqm)	Valuer	Carrying value	Capital movements	Fair value adjustment	Carrying value
2015	2014	2015	2014	2015	2015	2014	2015	2015	2015
6.9%	8.0%	646	637	4,359	JLL	7,925	92	1,283	9,300
7.6%	8.8%	329	333	2,639	JLL	3,800	217	333	4,350
7.3%	7.8%	352	352	2,619	Colliers	4,500	280	70	4,850
7.8%	n/a	896	n/a	6,975	JLL	–	11,557	(57)	11,500
8.0%	n/a	456	n/a	3,872	JLL	–	5,650	25	5,675
7.2%	7.5%	1,169	1,169	9,437	CBRE	15,530	–	710	16,240
7.3%	7.4%	1,524	1,481	9,378	CBRE	19,900	60	1,040	21,000
8.6%	8.3%	1,183	1,079	11,330	JLL	13,000	456	244	13,700
6.9%	6.9%	498	476	6,361	CBRE	6,855	369	(24)	7,200
7.4%	7.9%	425	425	7,589	JLL	5,370	7	373	5,750
8.9%	9.0%	841	841	6,405	Colliers	9,325	739	(614)	9,450
6.4%	6.9%	805	798	7,946	JLL	11,590	272	738	12,600
6.3%	6.9%	873	853	8,745	CBRE	12,370	622	768	13,760
6.2%	7.0%	408	408	3,247	Colliers	5,800	(33)	833	6,600
6.0%	6.2%	253	253	1,708	Colliers	4,050	31	169	4,250
6.0%	6.3%	219	219	1,677	Colliers	3,450	7	163	3,620
5.1%	5%	377	375	5,663	Colliers	3,760	2,116	624	6,500
7.3%	8.0%	1,082	1,082	12,546	JLL	13,575	12	1,213	14,800
8.4%	8.1%	743	686	13,438	Colliers	8,450	(45)	445	8,850
6.5%	6.8%	299	291	3,862	CBRE	4,270	3	297	4,570
6.4%	6.9%	524	515	5,773	CBRE	7,480	311	429	8,220
6.7%	7.2%	607	605	14,182	JLL	8,360	45	645	9,050
6.1%	7.1%	216	216	1,742	CBRE	3,025	39	486	3,550
8.1%	4.2%	864	432	6,874	CBRE	10,250	(21)	491	10,720
6.6%	7.1%	1,031	1,031	9,373	CBRE	14,500	(35)	1,210	15,675
7.5%	8.3%	2,052	2,052	23,565	Colliers	24,700	895	1,705	27,300
6.5%	6.9%	258	249	1,725	CBRE	3,600	(4)	344	3,940
6.8%	7.3%	551	551	3,498	Colliers	7,500	6	594	8,100
10.1%	9.6%	890	864	2,757	CBRE	9,000	13	(188)	8,825
9.9%	10.8%	335	335	7,104	Colliers	3,100	(3)	278	3,375
8.0%	7.6%	1,119	1,017	9,844	Colliers	13,300	(15)	715	14,000
6.6%	7.2%	981	958	10,549	JLL	13,325	(100)	1,575	14,800
5.9%	6.5%	394	394	4,032	Colliers	6,100	(35)	635	6,700
7.4%	8.3%	679	659	6,625	JLL	7,950	430	770	9,150

2. PROPERTY (CONTINUED)

2.1 Investment properties (continued)

	Key tenant	Occupancy (%)	
ALL VALUES IN $000'S UNLESS NOTED	2015	2015	2014
686 Rosebank Road, Avondale	New Zealand Comfort	97%	100%
322 Rosedale Road, North Shore	Imake	100%	100%
48 Seaview Road, Wellington[a]	Goughs Gough & Hamer	100%	100%
12 Southpark Place, Penrose	Wineworks Auckland	100%	100%
78 Springs Road, East Tamaki	Fisher & Paykel Appliances	100%	100%
10c Stonedon Drive, East Tamaki	Chemical Freight Services	100%	100%
170 Swanson Road, Swanson	Transportation Auckland	100%	100%
558 Te Rapa Road, Hamilton	DEC Manufacturing	100%	100%
5 Vestey Drive, Mt Wellington	PPG Industries	100%	100%
7 Vestey Drive, Mt Wellington	Wickliffe	100%	100%
9 Vestey Drive, Mt Wellington	Multispares	100%	100%
11 Vestey Drive, Mt Wellington	ASB Bank	100%	100%
15a Vestey Drive, Mt Wellington	PMP Maxum	100%	100%
36 Vestey Drive, Mt Wellington	Exlair	100%	100%
127 Waterloo Road, Christchurch	DHL Supply Chain	100%	100%
41 William Pickering Drive, North Shore	Mayo Hardware	100%	100%
12 Zelanian Drive, East Tamaki	Central Joinery	100%	100%
23 Zelanian Drive, East Tamaki	Exclusive Tyre Distributors	100%	100%
27 Zelanian Drive, East Tamaki	Retko Logistics	100%	26%
Investment properties subtotal		100%	98%
Development land			
54 Carbine Road & 6a Donnor Place, Mt Wellington			
212 Cavendish Drive, Manukau			
232 Cavendish Drive, Manukau			
124 Hewletts Road, Mt Maunganui			
9 Narek Place, Manukau			
50 Parkside Road, Wellington			
48 Seaview Road, Wellington			
Development land – subtotal			
Investment properties – total			

a. Excludes development land shown separately below.

Yield on valuation (%)		Contract rent		Lettable area (sqm)	Valuer	Carrying value	Capital movements	Fair value adjustment	Carrying value
2015	2014	2015	2014	2015	2015	2014	2015	2015	2015
7.0%	7.8%	2,261	2,431	21,603	Colliers	31,100	224	876	32,200
7.0%	7.3%	942	936	7,783	CBRE	12,875	(24)	599	13,450
9.4%	9.0%	555	547	8,996	JLL	6,100	(9)	(191)	5,900
7.4%	8.2%	447	446	5,477	CBRE	5,450	16	604	6,070
7.5%	8.0%	5,418	5,386	41,387	JLL	67,500	(105)	4,605	72,000
7.4%	7.6%	824	800	8,711	Colliers	10,500	327	273	11,100
6.3%	6.6%	994	924	37,601	CBRE	14,000	(29)	1,829	15,800
7.1%	7.4%	453	453	4,606	Colliers	6,100	9	241	6,350
5.9%	7.1%	220	220	1,269	Colliers	3,100	93	507	3,700
6.8%	7.0%	481	481	4,598	Colliers	6,890	4	206	7,100
5.7%	6.2%	193	193	1,600	Colliers	3,100	(16)	316	3,400
7.8%	8.3%	537	537	3,625	Colliers	6,450	(2)	402	6,850
7.4%	8.0%	534	533	3,261	JLL	6,650	70	480	7,200
6.1%	6.8%	142	142	1,120	Colliers	2,080	(2)	252	2,330
7.6%	7.2%	293	289	3,519	Colliers	4,000	(18)	(112)	3,870
6.6%	6.9%	377	372	3,023	JLL	5,425	7	318	5,750
6.1%	6.8%	559	559	6,098	CBRE	8,200	16	944	9,160
6.8%	6.9%	380	375	3,811	JLL	5,400	(2)	152	5,550
6.4%	2.2%	492	160	5,864	CBRE	7,225	38	412	7,675
7.3%	7.6%	72,288	65,814	673,112		868,715	66,629	46,571	981,915
					Colliers	410	(410)	–	–
					Colliers	1,400	–	–	1,400
					JLL	–	600	–	600
					JLL	2,730	(2,730)	–	–
					Colliers	1,550	–	50	1,600
					Colliers	700	–	(150)	550
					JLL	500	–	–	500
						7,290	(2,540)	(100)	4,650
						876,005	64,089	46,471	986,565

2. PROPERTY (CONTINUED)

2.1 Investment properties (continued)

Recognition and Measurement

Investment properties are held to earn rental income and for long term capital appreciation. After initial recognition at cost including directly attributable acquisition costs, investment properties are measured at fair value, on the basis of valuations made by independent valuers on at least an annual basis. Gains or losses arising from changes in the fair values of investment properties are included in the Consolidated Statement of Comprehensive Income in the year in which they arise.

Subsequent expenditure is charged to the asset's carrying amount only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably.

The fair value of investment property reflects the Directors' assessment of the highest and best use of each property and amongst other things, rental income from current leases and assumptions about rental income from future leases in light of the current market conditions. The fair value also reflects the cash outflows that could be expected in respect of the property.

No depreciation or amortisation is provided for on investment properties. However, for tax purposes, depreciation is claimed on building fit-out and a deferred tax liability is recognised where the building component of the registered valuation exceeds the tax book value of the building. The deferred tax liability is capped at the amount of depreciation that has been claimed on each building.

Investment properties under construction are carried at cost until it is possible to reliably determine their fair value, from which point they are carried at fair value less costs to complete.

Gains or losses on the disposal of investment properties are recognised in the Consolidated Statement of Comprehensive Income in the period in which the risks and rewards of the investment property have been fully transferred to the vendor.

Borrowing costs are capitalised if they are directly attributable to the acquisition or construction of a qualifying property. Capitalisation of borrowing costs commences when the activities to prepare the asset are in progress and expenditures and borrowing costs are being incurred. Capitalisation of borrowing costs will continue until the asset is substantially ready for its intended use. The rate at which borrowing costs are capitalised is determined by reference to the weighted average borrowing costs of the Group and the average level of borrowings by the Group.

Key estimates and assumptions: Investment properties

The fair value of investment properties are determined from valuations prepared by independent valuers using Level 3 valuation techniques.

All investment properties were valued as at 31 December 2015 and 2014 by CB Richard Ellis (CBRE), Colliers International (Colliers) or Jones Lang LaSalle (JLL). CBRE, Colliers and JLL are independent valuers and members of the New Zealand Institute of Valuers.

As part of the valuation process, the Manager verifies all major inputs to the independent valuation reports, assesses movements in individual property values and holds discussions with the independent valuer.

The fair value was determined using Level 3 valuation techniques via a combination of the following approaches:

- Direct Capitalisation: The subject property rental is divided by a market derived capitalisation rate to assess the market value of the asset. Further adjustments are then made to the market value to reflect under or over renting, additional revenue and required capital expenditure.
- Discounted Cash Flow: Discounted cash flow projections for the subject property are based on estimates of future cash flows, supported by the terms of any existing lease and by external evidence such as market rents for similar properties in the same location and condition, and using discount rates that reflect current market assessments of the uncertainty in the amount and timing of the cash flows.

Significant inputs used together with the impact on fair value of a change in inputs:

	RANGE OF SIGNIFICANT UNOBSERVABLE INPUTS		MEASUREMENT SENSITIVITY	
	2015	2014	Increase in input	Decrease in input
Market capitalisation rate (%)[1]	5.75 - 8.75	6.25 - 9.00	Decrease	Increase
Market rental ($ per sqm)[2]	28 - 368	25 - 357	Increase	Decrease
Discount rate (%)[3]	7.37 - 10.00	7.75- 10.00	Decrease	Increase
Rental growth rate (%)[4]	1.95 - 2.78	1.95 - 3.30	Increase	Decrease
Terminal capitalisation rate (%)[5]	6.00 - 9.00	6.25 - 9.00	Decrease	Increase

1. The capitalisation rate applied to the market rental to asses a property's value, determined through analysis of similar transactions taking into account location, weighted average lease term, customer covenant, size and quality of the property.
2. The valuers assessment of the net market income which a property is expected to achieve under a new arm's length leasing transaction. Includes both leased and vacant areas.
3. The rate applied to future cash flows reflecting transactional evidence from similar properties.
4. The rate applied to the market rental over the future cash flow projection.
5. The rate used to assess the terminal value of the property.

2. PROPERTY (CONTINUED)

2.1 Investment properties (continued)

Generally, a change in the assumption made for the adopted market capitalisation rate is accompanied by a directionally similar change in the adopted terminal capitalisation rate. The adopted market capitalisation rate forms part of the direct capitalisation approach and the adopted terminal capitalisation rate forms part of the discounted cash flow approach. Both valuation methodologies are considered when determining an investment property's fair value.

When calculating the direct capitalisation approach, the market rental has a strong interrelationship with the adopted market capitalisation rate given the methodology involves assessing the total market rental income receivable from the property and capitalising this in perpetuity to derive a capital value. In theory, an increase in the market rent and an increase in the adopted market capitalisation rate could potentially offset the impact to the fair value. The same can be said for a decrease in the market rent and a decrease in the adopted market capitalisation rate. A directionally opposite change in the market rent and the adopted market capitalisation rate could potentially magnify the impact to the fair value.

When assessing a discounted cash flow, the adopted discount rate and adopted terminal capitalisation rate have a strong interrelationship in deriving a fair value given the discount rate will determine the rate at which the terminal value is discounted to the present value. In theory, an increase in the adopted discount rate and a decrease in the adopted terminal capitalisation rate could potentially offset the impact to the fair value. The same can be said for a decrease in the discount rate and an increase in the adopted terminal capitalisation rate. A directionally similar change in the adopted discount rate and the adopted terminal capitalisation rate could potentially magnify the impact to the fair value.

2.2 Rental and management fee income

ALL VALUES IN $000'S	2015	2014
Gross rental receipts	67,144	63,838
Fixed rental income adjustments	(309)	(455)
Capitalised lease incentive adjustments	(277)	25
Management fee income	354	270
Total rental and management fee income	66,912	63,678

Recognition and Measurement

Rental income from investment properties is recognised in the Consolidated Statement of Comprehensive Income on a straight line basis over the term of the lease. Lease incentives are capitalised to investment properties in the Statement of Financial Position and amortised on a straight line basis in the Consolidated Statement of Comprehensive Income over the length of the lease to which they relate, as a reduction to rental income.

Management fee income is recognised in the Consolidated Statement of Comprehensive Income in the period in which the services are rendered.

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

ALL VALUES IN $000'S	2015	2014
Within one year	70,162	64,356
After one year but not more than five years	194,260	181,436
More than five years	111,302	105,409
Total	375,724	351,201

2.3 Non-recoverable property costs

Other non-recoverable costs represents property maintenance and operating expenses not recoverable from tenants, property valuation fees and property leasing costs.

ALL VALUES IN $000'S	2015	2014
Service charge expenses	(7,374)	(7,425)
Service charge income recovered from tenants	7,374	7,425
Bad and doubtful debts	(258)	9
Other non-recoverable property costs	(1,925)	(1,888)
Total non-recoverable property costs	(2,183)	(1,879)

3. FUNDING

IN THIS SECTION
This section outlines how the Group manages its capital structure, financing costs and exposure to interest rate risk.

3.1 Borrowings

(i) Net borrowings

ALL VALUES IN $000'S	2015	2014
Facility drawn down – non-current	331,700	313,500
Prepaid loan fees	(780)	(703)
Net borrowings	330,920	312,797

Recognition and Measurement
All borrowings are initially measured at fair value, plus directly attributable transaction costs, and subsequently measured at amortised cost using the effective interest rate method. Under this method, directly attributable fees, costs, discounts and premiums are capitalised and spread over the expected life of the facility. All other interest costs and bank fees are expensed in the period they are incurred.

(ii) Facility
On 1 May 2015, the Group entered into revised facilities (A and B) with a banking syndicate comprising ANZ Bank New Zealand Limited (ANZ), Bank of New Zealand (BNZ), Commonwealth Bank of Australia (CBA) and Westpac New Zealand Limited (Westpac) for $375,000,000.

Facility A for $187,500,000 and Facility B for $187,500,000 are provided by ANZ, BNZ, CBA and Westpac. Facility A is a revolving facility of a long term nature and expires 4 May 2019. Facility B is a revolving facility of a long term nature and expires 4 May 2020.

ALL VALUES IN $000'S	2015	2014
ANZ	101,625	95,000
BNZ	91,125	85,000
CBA	91,125	85,000
Westpac	91,125	85,000
Total facilities available	375,000	350,000
Facility drawn down – non-current	331,700	313,500
Undrawn facility available	43,300	36,500
Total facilities available	375,000	350,000
Weighted average term to maturity (years)	3.84	3.83

On 10 August 2015, the Group entered into a $25,000,000 12 month standby borrowings facility provided by ANZ. This facility was cancelled on 16 September 2015 and never drawn.

After taking into account the impact of current interest rate swaps, the blended interest rate as at 31 December 2015 for the drawn down borrowings was 5.71% (31 December 2014: 5.96%).

(iii) Security
The facility is secured by way of a security trust deed and registered mortgage security which is required to be provided over Group properties with current valuations of at least $750,000,000. In addition to this, the facility agreement contains a negative pledge. The Company and PFI No. 1 are guarantors to the facility. As at 31 December 2015, investment properties totalling $968,115,000 (31 December 2014: $851,955,000) were mortgaged as security for the Group's borrowings.

3. FUNDING (CONTINUED)

3.2. Derivative financial instruments

(i) Fair values

ALL VALUES IN $000'S	2015	2014
Current assets	–	2
Non-current assets	117	54
Current liabilities	(299)	(164)
Non-current liabilities	(10,217)	(6,339)
Total	(10,399)	(6,447)

(ii) Notional values, maturities and interest rates

	2015	2014
Notional value of interest rate swaps – start dates commenced ($000'S)	253,000	278,000
Notional value of interest rate swaps – forward starting ($000'S)	55,000	75,000
Total ($000'S)	308,000	353,000
Average period to expiry – start dates commenced (years)	3.57	2.47
Average period to expiry – forward starting (years from commencement)	2.91	4.40
Average (years)	3.45	2.88
Average interest rate[1] – start dates commenced (%)	4.66%	4.46%
Average interest rate[1] – forward starting (% during effective period)	3.92%	4.57%
Average (%)	4.52%	4.48%

1. Excluding margin and fees.

Recognition and Measurement

The Group is exposed to changes in interest rates and uses derivative financial instruments, principally interest rate swaps, to mitigate this risk. The Group does not apply hedge accounting. Derivative financial instruments are entered into to economically hedge the risk exposure.

Such derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently re-measured to fair value at each reporting date. Transaction costs are expensed on initial recognition and recognised in the Consolidated Statement of Comprehensive Income. The fair value of derivative financial instruments is based on valuations prepared by independent treasury advisers and is the estimated amount that the Group would receive or pay to terminate the derivative contract at reporting date, taking into account current interest rates and creditworthiness of the derivative contract counterparties.

Key estimates and assumptions: Derivatives

The fair value of derivative financial instruments are determined from valuations prepared by independent treasury advisers using Level 2 valuation techniques (2014: Level 2). These are based on the present value of estimated future cash flows accounting for the terms and maturity of each contract and the current market interest rates at reporting date. Fair values also reflect the current creditworthiness of the derivative counterparty. These values are verified against valuations prepared by the respective counterparties. The valuations were based on market rates at 31 December 2015 of between 2.75% (31 December 2014: 3.68%) for the 90 day BKBM and 3.75% (31 December 2014: 4.11%) for the 10 year swap rate. There were no changes to these valuation techniques during the period.

4. INVESTOR RETURNS AND INVESTMENT METRICS

IN THIS SECTION
This section shows the relationship between the Group's accounting profit and dividends paid. It also summarises the earnings per share and net tangible assets per share which are common investment metrics.

4.1. Relationship of total comprehensive income to dividends paid

The Group's dividend policy is to distribute between 95% to 100% of its annual distributable profit, subject to the approval of the Board of Directors. Distributable profit is a non-GAAP measure determined as total comprehensive income for the period (as determined in accordance with NZ IFRS for the period) adjusted for fair value gains or losses on investment properties, material damage insurance income, gains or losses on disposal of investment properties (net of tax on depreciation claw-back), fair value gains or losses on derivative financial instruments, deferred tax, additional revenue booked as a result of fixed rental review accounting entries, management performance fees net of tax, business combination transaction costs, and other one off items.

Subsequent to year-end, the Board has resolved to amend the definition of distributable profit to include management performance fees net of tax (previously excluded) whilst at the same time lifting the allowable pay-out ratio to above 100% should management performance fees be earned in any given period. Applying this new definition of distributable profit results in an increase in the 2015 pay-out ratio from 100% to 106% and an increase in the 2014 pay-out ratio from 96% to 98%.

ALL VALUES IN $000'S UNLESS NOTED	2015	2014
Total comprehensive income for the year attributable to the shareholders of the Company	72,825	59,877
Adjusted for:		
Fair value gains on investment properties	(46,471)	(36,286)
Material damage insurance income	(17)	(1,204)
(Gain) / loss on disposal of investment properties	(479)	2,061
Tax on depreciation claw-back on disposals of investment properties	–	281
Fair value loss on derivative financial instruments	3,952	6,431
Deferred taxation	(400)	(1,114)
Movement in fixed rent reviews	200	455
Management performance fees net of tax	1,738	511
Other[1]	(12)	(12)
Distributable profit	31,336	31,000
Weighted average number of ordinary shares (shares)	422,274,716	411,502,391
Distributable profit per share (cents)	7.42	7.53
Dividends paid relating to the year reported[2]	31,412	29,833
Pay-out ratio (%)	100%	96%

1. Other comprises the current tax impact of an adjustment to one of the Company's derivative financial instruments.
2. Includes dividends paid for the first three quarters of 2015 totalling $22,458,000 as per the Consolidated Statement of Changes in Equity, plus the fourth quarter dividend for 2015 due to be paid on 9 March 2016 of $8,954,000.

4. INVESTOR RETURNS AND INVESTMENT METRICS (CONTINUED)

4.2. Earnings per share

	2015	2014
Total comprehensive income for the year attributable to the shareholders of the Company ($000)	72,825	59,877
Weighted average number of ordinary shares (shares)	422,274,716	411,502,391
Basic and diluted earnings per share (cents)	17.25	14.55

4.3. Net tangible assets per share

	2015	2014
Net assets ($000)	658,014	564,970
Less: Goodwill ($000) (note 5.5)	(29,086)	(29,086)
Net tangible assets ($000)	628,928	535,884
Closing shares on issue (shares)	447,692,460	411,502,391
Net tangible assets per share (cents)	140	130

5. OTHER

IN THIS SECTION
This section includes additional information that is considered less significant in understanding of the financial performance and position of the Group, but must be disclosed to comply with New Zealand Equivalents to Financial Reporting Standards.

5.1. Audit fees and other fees paid to auditors

PricewaterhouseCoopers (PwC) were appointed as Auditors of the Company on 28 May 2014 replacing BDO Auckland (BDO). Fees paid to each firm are as follows:

ALL VALUES IN $000'S	2015	2014
Audit of annual financial statements – BDO	–	(3)
Review of management fee calculation – BDO	–	(1)
Audit of annual financial statements – PwC	(94)	(94)
Review of interim financial statements – PwC	(28)	(27)
Review of management fee calculation – PwC	(4)	(3)
Audit of share registry – PwC	(3)	–
Review of risk management framework – PwC	(14)	–
Total audit fees and other fees paid to auditors	(143)	(128)

5. OTHER (CONTINUED)

5.2. Taxation

(i) Reconciliation of accounting profit before income tax to income tax (expense) / benefit

ALL VALUES IN $000'S	2015	2014
Profit before income tax	79,576	65,876
Prima facie income tax calculated at 28%	(22,281)	(18,445)
Adjusted for:		
Non-tax deductible revenue and expenses	(6)	6
Fair value gain on investment properties	13,012	10,160
Gain / (loss) on disposal of investment properties	134	(577)
Depreciation	2,520	2,535
Disposal of depreciable assets	57	(123)
Deductible capital expenditure	591	1,145
Lease incentives, fees and fixed rental income	(95)	(70)
Derivative financial instruments	(1,095)	(1,788)
Impairment allowance	(73)	20
Current tax prior period adjustment	85	24
Current taxation expense	(7,151)	(7,113)
Depreciation	(863)	(724)
Lease incentives, fees and fixed rental income	95	70
Derivative financial instruments	1,095	1,788
Impairment allowance	73	(20)
Deferred taxation benefit	400	1,114
Total taxation reported in Consolidated Statement of Comprehensive Income	(6,751)	(5,999)

(ii) Deferred tax

	2013	2014	2014	2015	2015
ALL VALUES IN $000'S	As at	Recognised in profit	As at	Recognised in profit	As at
Deferred tax assets					
Derivative financial instruments	(59)	(1,788)	(1,847)	(1,095)	(2,942)
Impairment allowance	(309)	20	(289)	(73)	(362)
Gross deferred tax assets	(368)	(1,768)	(2,136)	(1,168)	(3,304)
Deferred tax liabilities					
Investment properties	12,772	654	13,426	768	14,194
Gross deferred tax liabilities	12,772	654	13,426	768	14,194
Net deferred tax liability	12,404	(1,114)	11,290	(400)	10,890

5. OTHER (CONTINUED)

5.2. Taxation (continued)

The expected recovery of deferred tax assets and liabilities is as follows:

	2015		2014	
ALL VALUES IN $000'S	Within 12 months	After 12 months	Within 12 months	After 12 months
Deferred tax assets	(282)	(3,022)	(115)	(2,021)
Deferred tax liabilities	663	13,531	630	12,796
Net deferred tax liability	381	10,509	515	10,775

(iii) Imputation credit account

The amounts below represent the balance of the imputation credit account as at the end of the reporting period, adjusted for imputation credits that will arise from the payment of taxation payable represented in the Consolidated Statement of Financial Position.

ALL VALUES IN $000'S	2015	2014
Opening balance	1,214	1,153
Taxation paid / payable	7,082	7,047
Imputation credits attached to dividends paid	(6,789)	(6,986)
Closing balance available to shareholders for use in subsequent periods	1,507	1,214

Recognition and Measurement

The Company and Group are a listed Portfolio Investment Entity (PIE) for the purposes of the Income Tax Act 2007. Tax is accounted for on a consolidated Group basis and the Group is required to pay tax to the Inland Revenue as required by the Income Tax Act 2007. Income tax expense comprises current and deferred tax and is recognised in the Consolidated Statement of Comprehensive Income for the year.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years. Deferred tax is provided for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes.

Deferred tax is recognised on all temporary differences, including:

- The tax liability arising from accumulated depreciation claimed on investment properties, where applicable;
- The tax asset arising from the allowance for impairment;
- The tax liability arising from certain prepayments and other assets; and
- The tax asset / liability arising from the unrealised gains / losses on the revaluation of interest rate swaps.

Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date. Deferred tax is not recognised for:

- Temporary differences on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss;
- Temporary differences relating to investments in subsidiaries to the extent that it is probable that they will not reverse in the foreseeable future; and
- Taxable temporary differences arising on the initial recognition of goodwill.

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

A deferred tax asset is recognised to the extent that it is probable that future taxable profits will be available against which temporary differences can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Additional income tax arising from distribution of dividends is recognised at the same time as the liability to pay the dividend is recognised.

Key estimates and assumptions: Deferred tax

Deferred tax is provided on the accumulated depreciation claimed on the building component of investment properties. Investment properties are valued each year by independent valuers (as outlined in note 2.1). These values include an allocation of the valuation between the land and building components. The calculation of deferred tax on depreciation recovered places reliance on the land and building split provided by the valuers.

5. OTHER (CONTINUED)

5.3. Accounts receivable, prepayments and other assets

ALL VALUES IN $000'S	2015	2014
Accounts receivable	1,605	1,004
Property sale proceeds to be settled	9,658	–
Provision for doubtful debts	(462)	–
Prepayments and other assets	133	132
Total accounts receivable, prepayments and other assets	10,934	1,136

Recognition and Measurement
Accounts receivable are recognised at fair value and subsequently measured at amortised cost using the effective interest rate method. Receivables are assessed on an ongoing basis for impairment. A provision for doubtful debts is established where there is evidence that the Group will not be able to collect all amounts due according to the original terms of the receivable. Those which are anticipated to be uncollectable are written off.

5.4. Accounts payable, accruals and other liabilities

ALL VALUES IN $000'S	2015	2014
Accounts payable	2,218	264
Accrued interest expense and bank fees	2,687	3,252
Accruals and other liabilities in respect of investment properties	5,904	3,007
Other accounts payable, accruals and other liabilities	3,931	2,964
Total accounts payable, accruals and other liabilities	14,740	9,487

Recognition and Measurement
Expenses are recognised on an accruals basis and, if not paid at the end of the reporting period, are reflected as a payable in the Consolidated Statement of Financial Position.

5.5 Goodwill

ALL VALUES IN $000'S	2015	2014
Goodwill	29,086	29,086

Recognition and Measurement
Goodwill arises on the acquisition of subsidiaries and represents the excess of the consideration transferred over the fair value of the identifiable net assets acquired.

Goodwill is measured at cost less accumulated impairment losses. It is tested annually for impairment or more frequently if events or changes in circumstances indicate potential impairment. An impairment loss is recognised if the carrying amount exceeds the estimated recoverable amount. Impairment losses are recognised in the Consolidated Statement of Comprehensive Income.

Goodwill is allocated to the Group's cash generating units (CGU) identified according to the lowest level at which the goodwill is monitored.

To assess whether goodwill is impaired, the carrying amount of the CGU is compared to the recoverable amount, determined based on the greater of its value in use and its fair value less costs of disposal.

Key estimates and assumptions: Goodwill
All goodwill relates to the Property For Industry Limited CGU.

The fair value of goodwill is determined using Level 3 valuation techniques (2014: Level 3). Fair value less costs of disposal is measured by calculating the fair value of the Property For Industry Limited CGU using a 1 day volume-weighted average share price at the reporting date, applying a control premium and deducting costs of disposal.

As at 31 December 2015 the estimated fair value less costs of disposal of the Property For Industry Limited CGU exceeded the carrying value (2014: nil impairment).

5. OTHER (CONTINUED)

5.6. Financial instruments

The following financial assets and liabilities, that potentially subject the Group to financial risk, have been recognised in the financial statements:

ALL VALUES IN $000'S	2015	2014
Financial Assets		
Loans and receivables:		
Cash and cash equivalents	542	596
Accounts receivable	1,143	1,004
Total – Loans and receivables	1,685	1,600
Fair value through profit or loss – held for trading:		
Derivative financial instruments	117	56
Total – Fair value through profit or loss	117	56
Total Financial Assets	1,802	1,656
Financial Liabilities		
Liabilities at amortised cost:		
Accounts payable, accruals and other liabilities	14,740	9,487
Borrowings	330,920	312,797
Total – Liabilities at amortised cost	345,660	322,284
Fair value through profit or loss – held for trading:		
Derivative financial instruments	10,516	6,503
Total – Fair value through profit or loss	10,516	6,503
Total Financial Liabilities	356,176	328,787

5.7. Financial risk management

The Group's activities expose it to a variety of financial risks: interest rate risk, credit risk, and liquidity risk. The Group's overall risk management strategy focuses on minimising the potential negative economic impact of unpredictable events on the Group's financial well being.

(a) Interest rate risk

The Group's exposure to the risk of changes in interest rates relates primarily to the Group's borrowings with a floating interest rate. The Group has an interest rate hedging policy which has been reviewed by an external firm with expertise in this area. The policy calls for a band of the Group's borrowings to be at fixed interest rates, with a greater proportion of the near term to be fixed and a lesser percentage of the far dated to be fixed.

The Group uses derivative financial instruments, principally interest rate swaps, to exchange its floating short term interest rate exposure for fixed long term interest rate exposure in accordance with its policy bands. As the Group holds derivative financial instruments, there is a risk that their fair value will fluctuate because of underlying changes in market interest rates. This is accepted as a by-product of the Group's interest rate hedging policy. The fair value of derivative financial instruments is disclosed in the Consolidated Statement of Financial Position (refer note 3.2).

The following sensitivity analysis shows the effect on profit before tax and equity if interest rates at balance date had been 50 basis points (0.50%) higher or lower with all other variables held constant.

	2015		2014	
ALL VALUES IN $000'S	Gain/(loss) on increase of 0.50%	Gain/(loss) on decrease of 0.50%	Gain/(loss) on increase of 0.50%	Gain/(loss) on decrease of 0.50%
Impact on profit before tax	1,873	(1,873)	2,354	(2,354)
Impact on equity	1,349	(1,349)	1,695	(1,695)

5. OTHER (CONTINUED)

5.7. Financial risk management (continued)

(b) Credit risk

Credit risk represents the risk that the counterparty to a financial instrument will fail to discharge its obligations and the Group will suffer financial loss as a result. Financial instruments which potentially subject the Group to credit risk consist of cash and cash equivalents, accounts receivable, loans to subsidiaries, and interest rate swap agreements.

With respect to the credit risk arising from cash and cash equivalents, there is limited credit risk as cash is deposited with ANZ Bank New Zealand Limited, a registered bank in New Zealand with a credit rating of AA– (Standard & Poor's).

With respect to the credit risk arising from accounts receivable, the Group only enters into lease arrangements over its investment properties with parties whom the Group assesses to be creditworthy. It is the Group's policy to subject all potential tenants to credit verification procedures and monitor accounts receivable balances. Credit risk does not arise on property sale proceeds to be settled as title will not transfer until settlement.

With respect to the credit risk arising from interest rate swap agreements, there is limited credit risk as all counterparties are registered banks in New Zealand. The credit ratings of these banks are all AA– (Standard & Poor's).

The carrying amount of financial assets as per note 5.6 approximates the Groups maximum exposure to credit risk. For certain receivables the Group holds bank guarantees, parent company guarantees or personal guarantees.

(c) Liquidity risk

Liquidity risk is the risk that the Group will have difficulty realising assets and raising sufficient funds to satisfy commitments associated with financial liabilities.

The Group manages its liquidity risk by ensuring that it has committed funding facilities at a minimum of 105% of the projected peak debt level over the next twelve months (excluding business acquisitions).

The maturities of the Group's borrowings based on the remaining period is 3.8 years (2014: 3.8 years), with all borrowings due later than one year (2014: later than one year). Further details of the Group's borrowings, including the maturities of the Group's borrowings, are disclosed in notes 3.1 and 5.11 to the financial statements.

The table below analyses the Group financial liabilities (principal and interest) by the relevant contracted maturity groupings based on the remaining period as at 31 December 2015 and 31 December 2014.

		Contractual cash flows				
ALL VALUES IN $000'S	Carrying amount	0 - 1 year	1 - 2 years	2 - 5 years	> 5 years	Total
Financial liabilities						
Accounts payable, accruals and other liabilities	14,740	14,740	–	–	–	14,740
Derivative financial instruments[1]	10,399	4,560	3,526	4,227	(345)	11,968
Borrowings	330,920	14,374	14,374	357,497	–	386,245
Total as at 31 December 2015	356,059	33,674	17,900	361,724	(345)	412,953
Accounts payable, accruals and other liabilities	9,487	9,487	–	–	–	9,487
Derivative financial instruments[1]	6,447	2,703	2,234	2,951	481	8,369
Borrowings	312,797	16,508	16,508	343,023	–	376,039
Total as at 31 December 2014	328,731	28,698	18,742	345,974	481	393,895

1. The carrying amount of derivative financial instruments shown is the net position of both derivative financial instrument assets and derivative financial instrument liabilities.

(d) Capital risk management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern whilst maximising the return to shareholders through maintaining an optimal balance of debt and equity. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

The Group's capital structure includes borrowings and shareholders equity. The Group monitors capital on the basis of the loan to value ratio and borrowing covenant compliance. The loan to value ratio is calculated as borrowings divided by investment properties. The Group's strategy is to maintain a loan to value ratio of no more than 40%. The covenants on all borrowings require a loan to value ratio of no more than 50%.

The Group operates a Dividend Reinvestment Scheme (DRS) which allows eligible shareholders to reinvest dividends in shares. The board, at its sole discretion, may suspend the DRS at any time and/or apply a discount to which shares are issued under the DRS.

5. OTHER (CONTINUED)

5.8. Related party transactions

(i) Management fees

The Manager, PFIM Limited (PFIM) is entitled to be paid base management and performance fees for the provision of management and administrative services, pursuant to a management and administrative services contract. During the year, Gregory Reidy was a Director of both PFIM and the Company.

(a) Base management fees

The base management fee is payable monthly and is calculated as one twelfth of:

- 0.725% of total tangible assets under management up to $425 million;
- 0.450% of total tangible assets under management above $425 million and below $775 million; and
- 0.350% of total tangible assets under management above $775 million.

During the year, the Group incurred base management fees totalling $5,194,000 (2014: $4,894,000) from PFIM, for the provision of management and administrative services. As at 31 December 2015 $446,000 (2014: $418,000) was owing and included in accounts payable, accruals and other liabilities.

(b) Performance fees

A performance fee is calculated and payable on a quarterly basis. The performance fee is calculated as 10% of the change in shareholder wealth above 10% per annum (2.5% per quarter) and under 15% per annum (3.75% per quarter). Where shareholder returns exceed 3.75% in a quarter, no payment is due for the actual amount of the increase above 3.75% but the amount of the increase above 3.75% is carried forward and added to the calculation of shareholder returns in later quarters. However, if shareholder returns are less than 2.5% in a quarter, the deficit is carried forward and subtracted from the calculation of shareholder returns in later quarters.

During the year, the Group incurred $2,414,000 performance fees from PFIM (2014: $710,000). As at 31 December 2015, a surplus amount of $1,988,000 (2014: surplus $3,213,000) has been carried forward to be included in the calculation to determine whether a performance fee is payable in subsequent periods. As at 31 December 2015 $830,000 (2014: $710,000) was owing and included in accounts payable, accruals and other liabilities.

(ii) Other related party transactions

During the year, the Group incurred $19,843,000 (2014: $4,455,000) for construction and maintenance works from Haydn & Rollett Limited. During the year, John Waller was a Director of both Haydn & Rollett Limited and the Company. As at 31 December 2015 $1,558,000 (31 December 2014: $666,000) was owing and included in accounts payable, accruals and other liabilities.

During the year, the Group incurred $4,317,000 (2014: $4,834,000) for interest expense and bank fees from the Bank of New Zealand. John Waller was a Director of both Bank of New Zealand and the Company until his retirement from the Bank of New Zealand on 31 July 2015. As at 31 December 2015 $630,000 (31 December 2014: $740,000) was owing and included in accounts payable, accruals and other liabilities.

No related party debts have been written off or forgiven during the year (2014: nil).

During the year, fees paid to Directors of the Group were $280,000 (2014: $278,000).

As at 31 December 2015, Directors of the Company held 9,153,462 (31 December 2014: 8,541,394) shares beneficially in the Company and 371,583 (31 December 2014: 250,000) shares non-beneficially in the Company. Included in the shares beneficially owned are 3,657,121 (31 December 2014: 3,375,804) shares held in the name of PFIM.

5.9. Operating segments

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. The Group is internally reported as a single operating segment to the chief operating decision-maker.

5.10. Capital commitments

As at 31 December 2015 the Group had capital commitments totalling $12,416,000 (31 December 2014: $1,819,000) relating to work on investment properties.

5.11. Subsequent events

On 15 February 2016, the Directors of the Company approved the payment of a net dividend of $8,954,000 (2.0000 cents per share) to be paid on 9 March 2016. The gross dividend (2.3367 cents per share) carries imputation credits of 0.3367 cents per share. The payment of this dividend will not have any tax consequences for the Group and no liability has been recognised in the Consolidated Statement of Financial Position as at 31 December 2015 in respect of this dividend.

On 3 February 2016 the Group refinanced the $375,000,000 syndicated debt facility provided by ANZ, BNZ, CBA and Westpac on competitive terms. The refinanced facility comprises two $187.5 million dollar tranches committed until May 2020 and May 2021.

pwc

INDEPENDENT AUDITORS' REPORT

TO THE SHAREHOLDERS OF PROPERTY FOR INDUSTRY LIMITED

Report on the Consolidated Financial Statements

We have audited the consolidated financial statements of Property For Industry Limited ("the Company") on pages 25 to 51, which comprise the consolidated statement of financial position as at 31 December 2015, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and the notes to the financial statements that include significant accounting policies and other explanatory information for the Group. The Group comprises the Company and the entity it controlled at 31 December 2015 or from time to time during the financial year.

Directors' Responsibility for the Consolidated Financial Statements

The Directors are responsible on behalf of the Company for the preparation and fair presentation of these consolidated financial statements in accordance with New Zealand Equivalents to International Financial Reporting Standards and International Financial Reporting Standards and for such internal controls as the Directors determine are necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing (New Zealand) and International Standards on Auditing. These standards require that we comply with relevant ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgement, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider the internal controls relevant to the Company's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

We are independent of the Group. Our firm carries out other services for the Group in the areas of other related assurance services and the review of the Group's risk management framework. The provision of these other services has not impaired our independence.

Opinion

In our opinion, the consolidated financial statements on pages 25 to 51 present fairly, in all material respects, the financial position of the Group as at 31 December 2015, and its financial performance and cash flows for the year then ended in accordance with New Zealand Equivalents to International Financial Reporting Standards and International Financial Reporting Standards.

Restriction on Use of our Report

This report is made solely to the Company's shareholders, as a body, in accordance with the Companies Act 1993. Our audit work has been undertaken so that we might state those matters which we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's shareholders, as a body, for our audit work, for this report or for the opinions we have formed.

PricewaterhouseCoopers

Chartered Accountants — Auckland

15 February 2016

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Jones Lang LaSalle Limited

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CALENDAR

2016

MARCH

- 2015 Final dividend payment
- 2015 Annual report released

MAY

- 2016 First-quarter announcement
- 2016 First-quarter dividend payment
- Annual meeting

AUGUST

- 2016 Half-year announcement

SEPTEMBER

- 2016 Interim report released
- 2016 Half-year dividend payment

NOVEMBER

- 2016 Third-quarter announcement
- 2016 Third-quarter dividend payment

2017

FEBRUARY

- 2016 Full-year announcement

MARCH

- 2016 Final dividend payment
- 2016 Annual report released

This Annual Report is dated 22 March 2016 and signed on behalf of the board by:

Peter Masfen
Chairman

Anthony Beverley
Director

www.propertyforindustry.co.nz