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# Half Year Presentation

## 6 Months to 30 September 2008

28 November 2008





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## Half Year Result

- Net Loss after tax of (\$3.71m), due to (\$4.6m) loss on revaluation of investment properties & (\$1.98m) loss on mark-to-market of interest rate swaps
- Normalised profit of \$2.57m, before un-realised losses
- Net Rental income of \$5.22m compared to \$4.8m for prior corresponding period
  - Rent reviews & 2 month contribution from Finance Centre Podium
- Operating cash earnings (distributable profit) of \$2.71m after adding back rental income from vendor underwrites accounted for via purchase price adjustment
- Gearing ratio (Net Debt / total assets) of 38.3% following portfolio write-downs & divestment of Hamilton property for \$4.4m
- NTA (ex deferred tax on revaluation gains) of \$1.04 at 30 September, compared to \$1.14 at March 2008 and \$1.13 at September 2007.





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*FINANCIAL SUMMARY – Six Months Ended 30 September 2008*

	September 08 (millions)	September 07 (millions)
Net Rental Income	\$5.22m	\$4.80m
Profit Before Property Revaluations and Tax	\$2.80m	\$2.80m
Unrealised Net Change In Value of Investment Properties	(\$4.6m)	\$0m
Net Profit After Taxation Attributable to Shareholders	\$2.57m	\$2.46m
Total Assets	\$142.9m	\$136.4m
Total Liabilities	\$64.3m	\$52.4m
Shareholders' Equity	\$78.6m	\$84.0m
Interest Bearing Debt (net of funds on deposit) to Total Assets (Following \$4.4m net proceeds from post balance date asset sale)	38%	31%
Shares on Issue	77.83m	77.44m
Dividends	4.34 cps	4.32 cps
Net Tangible Assets Per Share	\$1.01	\$1.08
<i>Net Tangible Assets (Excluding deferred taxation on building revaluations)</i>	\$1.04	\$1.13



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## Portfolio Revaluations

- Total value of portfolio decreased by \$4.6m or 3.2% from March 2008
- Reflected a 25 basis point softening in cap rates from 8.40% to 8.66%
- Independent valuers determined that Finance Centre Carpark and Finance Centre Podium be valued as a single property, giving rise to a \$2.96m uplift in the combined value of the properties
- This further validates highly strategic rationale for acquisition of Finance Centre Podium in August 2008
- Excluding the uplift on the Finance Centre, the average cap rate over the remainder of the portfolio softened by 85 basis points from 8.40% to 9.25%
- NTA per share of \$1.04 compared to share-price of \$0.51





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# Portfolio Revaluations

Property Name	Registered Valuer	Date of Valuation	Fair Value 30/9/08 \$'000	Fair Value 30/9/07 \$'000	Fair Value 31/3/08 \$'000
Finance Plaza Podium & Carpark	Colliers International	30 September 2008	51,500	30,500	31,000
Brookfields House	Colliers International	30 September 2008	25,000	25,250	26,200
Cook and Nelson Sts	Colliers International	30 September 2008	9,400	11,000	11,000
Lambie Drive	CBRE	30 September 2008	12,970	13,500	13,630
7 City Road	Colliers International	30 September 2008	19,000	20,319	20,800
Berkeley	CBRE	30 September 2008	7,550	8,153	8,200
Kaimanawa St	Morgans Property Advisors	30 September 2008	11,500	12,100	12,450
Kaimiro St	CBRE	30 September 2008	4,400	4,830	4,880





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# Property Divestment

- Unconditional agreement to sell Alto Packaging Building at 8-10 Kaimiro Street, Hamilton was signed on 4 November
- Sale price of \$4.5m versus September 2008 independent valuation of \$4.4m. Sale price represents cap rate of 8.07%
- Net sale proceeds are expected to be approx \$4.4m, with settlement scheduled for 28 November
- Reduces gearing to 38%
- This property was identified as non-core, with management strategy to focus on larger, Auckland based properties where value-add potential exists through active management





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# Treasury Position

- The company's primary banking facility (\$50m) has been renewed with ASB for a further 2 year term, with rollover scheduled for 7 December
- The base interest rate remains fixed on a 5 year swap at 7.33%, with a further 3 years remaining
- The margin will be increased on rollover from 65 basis points to 90 basis points
- A further 30 basis point margin (term liquidity premium) will be incurred on rollover. The term liquidity premium will be reviewed on a monthly basis and management will be pushing hard for it to be reduced over time
- The all-up interest rate for this facility will increase from 7.98% to 8.53% on rollover
- The company's only other debt facility (\$7.5m) does not expire until 31 July 2011





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## Distribution Policy

- Distribution payout ratio amended to be no more than 100% of operating cash earnings (distributable profit)
- Distributable profit to be calculated as:
  - Net Profit After Tax, excluding provision for deferred tax, un-realised change in value of investment properties, un-realised change in value of interest rate swaps, and any capital gains or losses on disposal of investment properties
- Expected distributable profit for FY10 is 6.5 cents per share of cash, plus any available imputation credits
- This level of distribution will also apply to the remainder of FY09 (Distributions to be paid in February 09 & May 09)
- At current share-price of \$0.50 the after tax distribution yield equates to 13%





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## Leasing & Rent Reviews

- Six rent reviews were initiated during the half year period, for 1,100 sqm of net lettable area and 157 parking spaces. Expecting to achieve average uplift of 17% on reviewed areas
- A further 10,752 sqm or approximately 16% of our total net lettable area is to be reviewed before end of March 2009
- Total occupancy now 98% up from 97% at March 2008
- Excluding rental underwrites overall portfolio occupancy improved to 96% from 95% at March 2008
- Less than 6% of total rent roll up for renewal over the next 12 months
- Weighted average lease term (WALE) of 5.78 years, or 6.1 years including rental underwrites.





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# Portfolio Summary

## PORTFOLIO SUMMARY - 28 November 2008

Property	Location	Sector	Value	Net Rent	Cap Rate	Occupancy	WALE
			\$m	\$m			Years
Finance Centre	AKI CBD	CP/Office/Retail	51.50	3.97	7.71%	100%	9.46
Brookfields House	AKI CBD	Office	25.00	2.14	8.55%	93%	4.64
7 City Road	AKI CBD Fringe	Office	19.00	1.74	9.15%	100%	3.59
Manukau Business Park	AKI	Office	12.97	1.16	8.94%	100%	2.44
Coke Dist Centre	Palm Nth	Industrial	11.50	1.11	9.65%	100%	2.78
Cook & Nelson Sts	AKI CBD Fringe	Office	9.40	1.09	11.62%	86%	1.78
Berkeley Takapuna	AKI	Retail/Cinema	7.55	0.65	8.61%	100%	10.50
<b>TOTALS</b>			<b>136.92</b>	<b>11.86</b>	<b>8.66%</b>	<b>98%</b>	<b>5.78</b>





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# Outlook

- Sector yields remain very attractive, even after reduced distribution levels
- Government guarantee of retail deposits has created some distortion in the market, with underlying asset quality and value often being a secondary consideration
- Market evidence suggests that risk of further cap rate softening is reducing
- OCR cuts will inevitably flow through to secondary markets as it already has for banks
- KPF has sold a property at book value, re-enforcing validity of carrying values. Gap between NTA and share-price expected to narrow
- Focus is on optimising property management in order to enhance occupancy, tenant quality and WALE





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