

NZX and media announcement

15 April 2013

MERGER PROPOSAL

The boards of Property for Industry Limited (PFI) and Direct Property Fund Limited (DPF) are pleased to announce they have reached agreement on terms to proceed with a merger of their respective businesses.

“This transaction represents an exciting opportunity for PFI, allowing us to access a quality portfolio which doubles the size of our asset base, while bringing the equity from current DPF shareholders into PFI. This is a transformational transaction for both PFI and DPF shareholders, and we look forward to welcoming DPF shareholders to our register” said PFI Chairman Peter Masfen.

PFI will remain as the continuing entity, with DPF shareholders receiving 123.22 PFI shares for each DPF share held. The terms of the merger ratio were reached after extensive due diligence and negotiation between the two boards. These negotiations recognised a number of factors including historical trading multiples for each entity, the historic earnings profiles of each entity, the portfolio characteristics of each entity, the costs associated with PFI raising capital to buy DPF’s assets, the costs of DPF listing independently and indexation and liquidity benefits for both PFI and DPF.

“We considered many factors in our negotiation of the appropriate merger ratio and look forward to the receipt of independent advice to progress this transaction” said Mr Masfen.

PFI and DPF have commissioned Deloitte to prepare an independent expert report to provide a view on the merits and fairness of the merger to both sets of shareholders. PFI has also appointed PricewaterhouseCoopers to provide PFI shareholders with an appraisal report on the fairness of the revised base fee structure, which reflects a blending of the current PFI and DPF base fees.

The transaction is structured to occur by way of a court approved scheme of arrangement, with settlement targeted for 1 July 2013. Completion of the transaction will bring together the current boards and management teams of both entities, with Peter Masfen continuing as independent chairman.

The merger is conditional on the PFI and DPF boards being satisfied with the outcomes of the Deloitte independent expert report (expected by the end of April), shareholder approvals of both companies and court approval of the scheme (all targeted for mid to late June).

Shareholders can expect to receive a notice of meeting and scheme documentation in late May followed by respective shareholder votes in late June.

Contact

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About PFI

PFI is New Zealand's only listed company specialising in industrial property. PFI's portfolio of 50 industrial properties in Auckland, Wellington and Christchurch, is leased to 84 tenants.

www.pfi.co.nz

About DPF

DPF is an unlisted limited liability property company which invests in the commercial and industrial property sector. DPF's portfolio of 33 properties in Auckland, Hamilton, Tauranga and Wellington is leased to 55 tenants.

www.directproperty.co.nz