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FY 2008 Annual Result Presentation

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Highlights

- Prospectus earnings forecasts exceeded
- Gross distributions for year of 8.66 cps slightly ahead of Prospectus
- Portfolio in strong shape
  - Vendor underwrites significantly reduced
  - Current & prospective rent reviews to deliver positive earnings outlook
  - Enhanced WALE of 6.4 to provide stable and sustainable cash-flows
- Acquisitions performing well
- Strong balance sheet and treasury position
- Post Balance date: Strategic & accretive acquisition of Finance Centre Podium

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Earnings Summary

- Net Rental Income $9.85m versus prospectus $8.59m (+14.7%)
- EBIT $8.94m versus prospectus $7.81m (+14.5%)
- Net Profit After Tax Attributable to Shareholders $6.18m v prospectus $3.39m (+82.3%)
- Property Revaluation Gains $2.52m
- Net Operating Profit Before Revaluations & Tax $5.74m versus prospectus $5.06m (+13.4%)
- EPS 8.28 cents v prospectus 5.53 cents (+49.7%)
- EPS Before revaluations, one-off items & deferred tax (Distributable Profit) 6.86 cents v prospectus 7.30 cents (-6.0%)

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Balance Sheet Summary

- Total Assets +29% to $138.8m from $107.9m at March 2007
  - Revaluation gains $2.52m
  - Acquisition of 7 City Road $20.50m
  - Acquisition of Berkeley Takapuna $8.15m
  - Divestment of Waitakere District Court Building $8.24m

- Total Liabilities +36% to $53.9m from $39.5m at March 2007
  - Debt to total assets 34.6% moving to 38.9% post Finance Centre Podium settlement
  - Debt 100% hedged at 7.98% pa until December 2011
  - Management imposed gearing limit of 50%, target level of 35%

- Equity +24% to $84.9m from $68.4m at March 2007

- NZ IFRS Adjusted NTA of $1.14 per share at balance date

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Distributions to Investors

- Total gross distributions for the year of 8.66 cents per share
  - Cash 7.79 cents per share
  - Imputation Credits 0.87 cents per share
  - Cash component exceeded prospectus forecast of 7.71 cents per share

- Shareholders have benefited from Portfolio Investment Regime (PIE) which came into effect from 1 October 2007

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Distributions to Investors

	Pre PIE			Post PIE		
Investor Tax Rate	**19.50%**	**33%**	**39%**	**19.50%**	**33%**	**39%**
Gross Distributions	8.66	8.66	8.66	8.66	8.66	8.66
Cash	7.79	7.79	7.79	7.79	7.79	7.79
Imputation Credits	0.87	0.87	0.87	0.87	0.87	0.87
After Tax Distributions	**7.84**	**6.67**	**6.15**	**7.91**	**7.79**	**7.79**

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Portfolio & Operations

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Rent Reviews

- 8 substantial rent reviews agreed during the financial year
- Representing $2.16m of net rental income, 11,964 sqm of NLA and 288 parking bays
- $0.39m increase in net rental income
- Average increase of 17%
- Portfolio remains 3% under rented providing a stable outlook
- 5 rent reviews scheduled for first six months of FY09
  - 3,559 sqm (8% of NLA) and 138 parking bays (15% of parks)

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Leasing

- 4 substantial lease expiries in FY08, representing $0.59m of net rental income
- 11 new leases commenced in FY08, representing $1.44m of net rental income
  - New leases either extinguished vendor or replaced expiries
  - New leases have WALE of 8.4 years
- Vendor underwritten income down to 6% of total income, from 13% at March 2007
- Weighted Average Lease Expiry (WALE) of 6.4 years provides stable platform for growth
- Second highest WALE in listed property sector behind ING Medical Properties
- Less than 6% of net rental income expiring in FY09

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Tenant Profile

- Strong tenant covenant provides reliable cash flows
- Income diversified across 79 tenants
- Podium acquisition will increase number of tenants to 95

TOP 10 TENANTS BY RENT	$m	% OF RENT ROLL
BROOKFIELDS LAWYERS	0.84	8%
EVERARD ENTERTAINMENT	0.65	6%
ROBERT JONES INVESTMENTS	0.62	6%
FOODSTUFFS	0.59	6%
COCA-COLA	0.52	5%
WILSONS PARKING	0.38	4%
ALTO PACKAGING	0.36	3%
COUNTIES MANUKAU DISTRICT HEALTH	0.36	3%
THE CORPORATE CENTRE	0.30	3%
MFS DIVERSIFIED TRUST	0.25	2%
TOTAL FOR TOP 10	**4.87**	**47%**

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Portfolio Summary

- $12.1m un-realised revaluation gain on cost since IPO
- Properties acquired from Manager (Augusta/Starline) have delivered $8.2m of this gain

Property	Cost $m	Valuation	Gain /(Loss)	Net Income	Yield on Val	Vacancy	WALE
	$m	$m	$m	$m		NLA	Years
Finance Centre Carpark	27.62	31.00	3.39	2.33	7.5%	0.0%	11.7
Brookfields House	22.00	26.20	4.20	2.02	7.7%	8.0%	4.8
7 City Road	20.50	20.80	0.30	1.74	8.4%	5.0%*	4.2
Coke Distribution Centre	10.75	12.45	1.70	1.10	8.8%	0.0%	3.4
Manukau Business Park	12.23	13.63	1.40	1.14	8.4%	0.0%	3.0
Cook & Nelson	10.40	11.00	0.60	1.09	9.9%	12.0%*	2.8
Berkeley Retail Centre	8.15	8.20	0.05	0.65	7.9%	0.0%	11.1
Alto Packaging Building	4.40	4.88	0.48	0.36	7.4%	0.0%	6.7
TOTALS	**116.05**	**128.16**	**12.12**	**10.44**	**8.1%**	**4%**	**6.4**

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Investment Highlights

- Highest cash yield in the sector (10.4% after tax)
- Highest weighted average lease expiry in NZ Listed Property Sector (6.4 years), excluding ING Medical Properties
- Most competitive management fee structure in the sector
- Future upside from economies of scale as portfolio grows
  - Reduced cost of debt
  - Reduced cost of equity
  - Scalability of corporate costs / mgt structure
- Superior corporate governance to that of Trusts
  - Prudent and experienced board with majority independent directors
  - Directors of the company as apposed to directors of the manager
- Managers interests strongly aligned with those of shareholders through 10.5% shareholding

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Post Balance Sheet Acquisition:

FINANCE CENTRE PODIUM

- Strategic and earnings accretive acquisition approved by shareholder vote on 8 May 2008 (93% in favour)
- Attractive investment returns through substantial discount to current valuation
- Increased portfolio exposure to rental growth
- Diversifies major tenant exposures and property exposures
- Enhances EPS, NTA, WALE and tenant spread, quality and diversification
- Enhances Kermadec's strategic position and value of existing adjacent properties Brookfields House & Finance Centre Carpark

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Finance Centre Podium

ACQUISITION

- Purchase price $17.55m (Feb 08 valuation $19.1m)
- Related party, off-market transaction
- Funded by 45% existing cash, 55% bank debt
- Settles July 08

INVESTMENT CHARACTERISTICS

- 9% initial yield on cost
- 100% occupancy from indicative settlement date of 1 July 2008
- Anchor tenant is childcare operator, Lollipops which will join top ten tenants on settlement of property
- 7,329 of NLA plus 20 CBD car parks
- $1.58m contract rent, 1% under-rented
- WALE of 6.4 years
- Enhances EPS, NTA, WALE and tenant spread, quality and diversification

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Outlook

- Company remains cautiously optimistic
  - Softening domestic economy will require more active property management
- Market favouring landlords
  - Supply / demand underpinning growth
- Well positioned portfolio
  - Data forecasts B grade office to be highest performing segment of the NZ market over next four years
- Minimised interest rate risk
  - Debt facilities 100% hedged until December 2011
- More opportunities in softening markets than in bull markets
  - Accretive acquisitions will be more forthcoming

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