CONSOLIDATED INCOME STATEMENT

ALL IN $000	NOTE	UNAUDITED 6 MTHS ENDED 30 JUN 2007	UNAUDITED 6 MTHS ENDED 30 JUN 2006	AUDITED YEAR ENDED 31 DEC 2006
Revenue				
Rent received		15,304	14,045	29,142
Interest received		64	44	106
Gain (loss) on disposal of investment property		–	–	382
Total operating revenue		**15,368**	**14,089**	**29,630**
Less expenses				
Directors' fees		58	58	115
Interest		3,729	3,255	7,012
Management fees – base fee		997	900	1,689
Management fees – incentive fee		769	630	1,347
Administration and other		207	322	379
Direct property related expenses		278	99	496
Total expenditure		**6,038**	**5,264**	**11,038**
Operating profit before tax		**9,330**	**8,825**	**18,592**
Taxation expense		1,746	1,992	4,147
Net operating profit for distribution		**7,584**	**6,833**	**14,445**
Deferred taxation		1,626	117	2,417
Net profit after deferred tax before unrealised gains		**5,958**	**6,716**	**12,028**
Unrealised interest rate swap gain		886	172	726
Unrealised net change in value of investment property		–	–	33,493
Net profit for the period	2	**6,844**	**6,888**	**46,247**
Earnings per share from continuing operations:				
(cents per share)	3	**3.27**	**3.32**	**22.28**

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

ALL IN $000	NOTE	UNAUDITED 6 MTHS ENDED 30 JUN 2007	UNAUDITED 6 MTHS ENDED 30 JUN 2006	AUDITED YEAR ENDED 31 DEC 2006
Equity at beginning of the period	2	274,702	240,471	240,471
Net profit for the period		6,844	6,888	46,247
Realised gain (loss) on disposal of investment property		–	–	(291)
Total recognised revenues and expenses for the period		**6,844**	**6,888**	**45,956**
Contributions from owners	5	1,634	1,076	2,295
Dividends to owners		(7,700)	(7,578)	(14,020)
Equity at end of the period	2	**275,480**	**240,857**	**274,702**

CONSOLIDATED BALANCE SHEET

ALL IN $000	NOTE	UNAUDITED AS AT 30 JUN 2007	UNAUDITED AS AT 30 JUN 2006	AUDITED AS AT 31 DEC 2006
Current assets				
Cash and money market deposits		130	959	1,500
Accounts receivable		805	578	741
Prepayments		320	214	381
Interest rate swaps		2,375	935	1,489
Investment property held for resale	6	5,550	–	5,481
Taxation recoverable		101	–	677
Total current assets		**9,281**	**2,686**	**10,269**
Non-current assets				
Capital work in progress		3,475	2,383	572
Investment property		389,278	347,784	385,396
Total non-current assets		**392,753**	**350,167**	**385,968**
Total assets		**402,034**	**352,853**	**396,237**
Current liabilities				
Accounts payable		2,553	2,733	3,413
Taxation payable		–	350	–
Goods and services tax		398	237	646
Provision for deferred taxation on interest rate swaps		784	309	491
Total current liabilities		**3,735**	**3,629**	**4,550**
Non-current liabilities				
Term loan	7	114,000	103,000	109,500
Provision for deferred taxation on accumulated depreciation claw back		8,819	5,367	7,485
Total non-current liabilities		**122,819**	**108,367**	**116,985**
Equity				
Share capital	5	159,214	156,361	157,580
Retained earnings		(4,450)	(3,015)	(3,594)
Revaluation reserve		120,716	87,511	120,716
Total equity	2	**275,480**	**240,857**	**274,702**
Total equity and liabilities		**402,034**	**352,853**	**396,237**

CONSOLIDATED CASH FLOW STATEMENT

ALL IN $000	NOTE	UNAUDITED 6 MTHS ENDED 30 JUN 2007	UNAUDITED 6 MTHS ENDED 30 JUN 2006	AUDITED YEAR ENDED 31 DEC 2006
Cash flows from operating activities				
Receipts from customers		15,240	13,799	28,759
Interest received		64	44	107
Payments to suppliers		(3,496)	(1,777)	(3,143)
Interest on loans		(3,645)	(3,310)	(7,034)
Income tax		(1,430)	(1,049)	(4,231)
Net goods and services tax		248	(67)	342
Net cash inflow/(outflow) from operating activities	4	**6,981**	**7,640**	**14,800**
Cash flows from investing activities				
Sale of investment property		–	224	5,070
Deposit on sale of investment property		–	–	575
Capitalisation of interest for development properties		(54)	(89)	(298)
Purchase and development of investment properties		(6,731)	(8,849)	(21,957)
Net cash inflow/(outflow) from investing activities		**(6,785)**	**(8,714)**	**(16,610)**
Cash flows from financing activities				
Contributions from shareholders	5	1,634	1,076	2,295
Draw down of term loans		4,500	8,000	14,500
Dividend paid		(7,700)	(7,578)	(14,020)
Net cash inflow/(outflow) from financing activities		**(1,566)**	**1,498**	**2,775**
Net increase/(decrease) in cash held		**(1,370)**	**424**	**965**
Add cash brought forward		1,500	535	535
Ending cash carried forward		**130**	**959**	**1,500**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2007 (UNAUDITED)

1. Statement of accounting policies

Basis of presentation

The interim financial statements of Property For Industry Limited have been prepared in accordance with NZ IAS 34 Interim Financial Reporting and New Zealand Equivalents to International Financial Reporting Standard 1 First-Time Adoption of New Zealand Equivalents to International Financial Reporting Standards (NZ IFRS 1).

Changes to accounting policies and International Financial Reporting Standards (IFRS)

In December 2002 the New Zealand Accounting Standards Review Board announced that all New Zealand reporting entities would be required to adopt International Financial Reporting Standards for reporting periods beginning on or after 1 January 2007, with the option of early adoption for periods beginning on or after 1 January 2005.

Property For Industry has elected to adopt NZ IFRS for the year commencing 1 January 2007. Accordingly, Property For Industry has prepared these interim financial statements using NZ IFRS and has restated the comparative financial statements.

The significant changes in accounting policies on adoption of NZ IFRS are as follows:

(i) Investment and development properties – Investment properties are now accounted for at fair value with no allowance for disposal costs rather than market value less an allowance for disposal costs (net current value). Upon adoption of NZ IFRS, previously recognised disposal allowances were restated to Retained Earnings. Fair value is based on market values, being the estimated amount for which a property could be exchanged on the date of the valuation between a willing buyer and a willing seller in an arm's length transaction.

(ii) Taxation – Income tax is now accounted for on a comprehensive basis rather than a partial basis. Property For Industry recognises all taxable temporary differences. The key temporary differences that result in the recognition of a deferred tax liability are depreciation, investment property revaluations and interest rate swap revaluations.

(iii) Financial instruments – Interest rate swaps are recognised at fair value in the balance sheet. Changes to the fair value are reflected in the income statement. Fair value is based on bank quotes.

2. Impact of adoption of NZ IFRS

The impact of adopting NZ IFRS on the total equity and profit after tax as reported under previous New Zealand Generally Accepted Accounting Practice (NZ GAAP) are illustrated below.

(i) Reconciliation of total equity as presented under previous NZ GAAP to that under NZ IFRS

ALL IN $000		UNAUDITED 31 DEC 2006	UNAUDITED 30 JUN 2006	OPENING BALANCE 1 JAN 2006
Total equity under previous NZ GAAP		276,067	240,521	240,190
Disposal provision derecognition	(a)	5,122	5,077	5,077
Fair value of interest rate swaps	(b)	1,489	935	763
Deferred tax	(c)	(7,976)	(5,676)	(5,559)
Total equity under NZ IFRS		**274,702**	**240,857**	**240,471**

(ii) Reconciliation of net profit after tax under previous NZ GAAP to that under NZ IFRS

ALL IN $000		YEAR ENDED 31 DEC 2006	6 MTHS ENDED 30 JUN 2006
Net profit after tax under previous NZ GAAP		47,893	6,833
Disposal provision derecognition	(a)	45	–
Fair value of interest rate swaps	(b)	726	172
Deferred tax	(c)	(2,417)	(117)
Net profit after tax under NZ IFRS		**46,247**	**6,888**

(a) Investment properties under NZ IAS 40 are recognised at fair value, but were recognised at Net Current Value under previous NZ GAAP. This has resulted in the derecognition of the disposal provision and increase in equity.

(b) Interest rate swaps under NZ IAS 39 are recognised at fair value. Under previous NZ GAAP such revaluations were noted off balance sheet. This has resulted in an increase in equity.

(c) Under NZ IAS 12 income tax is accounted for on a comprehensive basis resulting the recognition of deferred tax liability on depreciation and property revaluations. Under previous NZ GAAP income tax was accounted for on a partial basis. This has resulted in a decrease in equity.

There are no material differences between the cash flow statement presented under NZ IFRS and the cash flow statement presented under previous NZ GAAP.

3. Earnings per share

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

ALL IN $000	6 MTHS ENDED 30 JUN 2007	6 MTHS ENDED 30 JUN 2006	YEAR ENDED 31 DEC 2006
Earnings from continuing operations	6,844	6,888	46,247
Weighted average number of ordinary shares for the purposes of basic earnings per share	209,041,761	207,186,752	207,608,441

4. Reconciliation of net profit after taxation with cash inflow (outflow) from operating activities

	6 MTHS ENDED 30 JUN 2007	6 MTHS ENDED 30 JUN 2006	YEAR ENDED 31 DEC 2006
Net profit for the period	6,844	6,888	46,247
Add (less) non-cash items:			
Deferred taxation	1,626	117	2,417
Unrealised interest rate swap gain	(886)	(172)	(726)
Unrealised net change is value of investment property	–	–	(33,493)
Gain on disposal of investment property	–	–	(382)
Decrease (increase) in accounts receivable	(64)	(246)	(383)
Increase (decrease) in accounts payable	(860)	440	1,120
Increase (decrease) in tax payable	576	350	(84)
Increase (decrease) in GST payable	(248)	(67)	342
Other working capital movements	(7)	330	(258)
Net cash inflow/(outflow) from operating activities	**6,981**	**7,640**	**14,800**

5. Equity

During the period the Group issued 1,138,062 shares under the Dividend Reinvestment Scheme for a value of $1,633,535 (2006: 899,877 shares for $1,075,503).

6. Investment property held for resale

As at 30 June 2007 the Group had an unconditional contract of $5.8 million (2006: nil) over 10 Freight Place, with a deposit of $575,000 being held (2006: nil). The decision to sell 10 Freight Place was made during 2006 and settlement took place on 31 August 2007.

7. Term loan

The Group has drawn down $114,000,000 (2006: $103,000,000) of the available Bank of New Zealand loan facility of $120,000,000. After taking into account the impact of interest rate swaps, the effective interest rate at 30 June 2007 for the drawn down term loan is 6.67% (2006: 6.71%).

8. Capital commitments

As at 30 June 2007 the Group had $9,018,000 capital commitments. (2006: $6,431,000).

9. Events after balance date

On 5 July 2007, the board approved the payment of a dividend of $3,198,004 ($0.01525 cents per share) to be paid on 2 August 2007. No such liability has been recognised in the balance sheet for 30 June 2007.

PROPERTY FOR INDUSTRY

INTERIM REPORT 2007

HIGHLIGHTS More than $2.3M in additional contract rentals created through new acquisitions, development projects and rent reviews

Portfolio occupancy 99.9% – a stable platform for adding value

Weighted average lease term (WALT) 5.11 years

More leasing transactions than any other period in the company's history

Three new acquisitions with a total value of $11.6M

Five development projects under construction at a total cost of $19.07M

2008 lease expiry profile reduced by half

Managed by AMP capital INVESTORS

COMPANY REVIEW

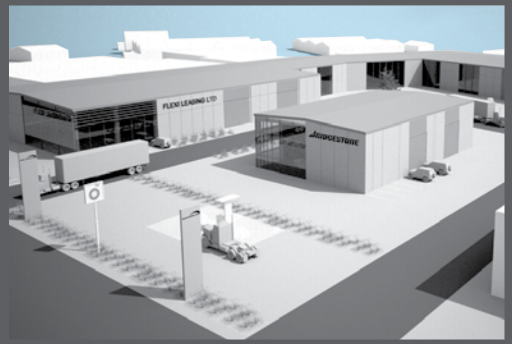
47 Arrenway Drive, Albany – acquisition

76 Carbine Road, Mt Wellington – acquisition

29 Omega Street, Albany – acquisition

956 Great South Road – development project

8 Cavendish Drive, Manukau – development project



Seaview Business Park, Wellington – development project

Peter Masfen, Chairman

Ross Blackmore, General Manager

OVERVIEW PFI has enjoyed excellent operating conditions and plentiful opportunities during the year to date. Since the close of 2006, more than $2.3 million has been added to the company's contracted rent roll through acquisitions, development projects currently under construction and rent reviews.

While financial markets worldwide have been experiencing volatility, to this point PFI's activities have not been hampered in any way by this uncertain external climate and the company is continuing to add value at similar levels to (if not better than) previous years. Each year, the first priority for PFI is maintaining high occupancy in the existing portfolio – preserving the company's income. This is the stable platform from which the management team can seek to grow earnings and create further shareholder value. The portfolio occupancy level at 30 June 2007 was 99.9%. In the busiest leasing period in the company's history, 11 new leases have commenced this year (six of which have previously been announced, while five new leases are detailed in the 2007 Leasing table).

The 2007 tenant retention programme has come to a successful conclusion, with seven of the eight[1] tenants whose leases were expiring during the year choosing to stay in their existing premises. This has allowed the company to turn its attention to leases which are scheduled to expire next year – with considerable success. Early agreements have so far halved PFI's 2008 lease expiry profile in terms of contract rentals.

To date in 2007, PFI has acquired three new properties with a total value of $11.6 million. PFI's investment policy stands alone in the New Zealand listed property sector. The company focuses on properties which not only meet its risk-averse investment criteria but which also hold clearly-identified potential for PFI's expertise and capabilities to add value. While the market consensus is that quality industrial properties are hard to find (and harder to buy), each year PFI has managed to do so without any degree of compromise to its investment policy.

Meanwhile, the company's development pipeline continues to deliver profitable opportunities. Five projects are currently under construction, which – on completion in late 2007 and early 2008 – will return an average of 8.6% on cost including land already held, or 10.74% on additional funds invested. PFI is currently promoting seven additional projects, including the substantial Seaview (Wellington) and Peninsula (Avondale, Auckland) business parks.

There has recently been a great deal of commentary surrounding the failure of a number of finance companies. It is appropriate to clarify that PFI has no connection of any kind, nor does the nature of its business share any commonality, with such companies. PFI invests solely in direct, freehold ownership of industrial properties. The portfolio currently comprises 59[2] properties with a total value of nearly $400 million. The net tangible asset (NTA) value at balance date was $1.31 per share (NZ IFRS).

[1] Excludes properties which have now been converted to development sites and properties recently purchased on short-term sale-and-leaseback arrangements.

[2] Takes into account acquisitions and divestments which settled post-balance date and which are detailed in the Portfolio Operations section of this report.

PFI takes pride in its track record of reliably delivering increased net profit and dividends, through almost every imaginable combination of circumstances, and the board and management fully expect to do so again in 2007.

FINANCIAL PERFORMANCE PFI's financial statements for the six months to 30 June 2007 show the benefit of a number of items in relation to which management believes additional disclosure would be useful in order to enable more consistent comparisons. As such, adjusted ('normalised') figures excluding such items have been included in the commentary below.

PFI adopted the new NZ IFRS accounting standards from the beginning of the year (1 January 2007). Comparative figures from 2006 have accordingly been re-stated under NZ IFRS.

PFI's rentals for the six months were 9.0% or $1.259 million higher than the 2006 interim period, at $15.304 million, as a result of acquisitions, new developments and higher rents following rent reviews. The net profit after tax for the six months was $6.844 million under NZ IFRS. On a normalised basis, PFI's net operating profit after tax for distribution gained 6.8% to $7.295 million (actual figures show an 11.0% increase to $7.584 million).

Earnings per share for the interim period under NZ IFRS were 3.27 cents per share. Earnings per share based on distributable profit and again stated on a normalised basis were 5.8% higher at 3.49 cents per share (actual: 10.0% higher at 3.63 cents per share).

PFI INTERIM 2007 NET PROFIT AFTER TAX

	2007 NZ$M	2006 NZ$M	% CHANGE
Net profit after tax for the period under NZ IFRS	**6.844**	6.888	
Less unrealised net change in value of interest rate swaps	**(0.886)**	(0.172)	
Add back deferred taxation	**1.626**	0.117	
Net operating profit after tax for distribution	**7.584**	6.833	11.0%
Add back prior year tax adjustments	**(0.289)**	–	
Normalised net operating profit after tax	**7.295**	6.833	6.8%
Net earnings per share for distribution	**$0.0363**	$0.0330	10.0%
Normalised net earnings per share	**$0.0349**	$0.0330	5.8%

DIVIDENDS PFI shareholders have to date this year received two quarterly dividends, each of 1.525 cents per share plus imputation credits of 0.751 cps. This represents a 19.8% increase over the gross dividends paid for the 2006 interim period (or a 1.7% net increase) as a result of the full imputation credits attached to both 2007 dividends.

DIVIDEND REINVESTMENT SCHEME PFI operates a dividend reinvestment scheme which gives shareholders the opportunity to reinvest their dividends in the company by purchasing additional shares at a discount to market price (currently 2.5%). Shareholders can join the dividend reinvestment scheme, or alter their participation, at any time. The relevant forms can be downloaded from the Investor Centre section of the PFI website, www.pfi.co.nz, or obtained from PFI's share registrar.

DEBT AND INTEREST RATE MANAGEMENT Interest costs are PFI's largest single expense item and therefore interest rate risk is carefully managed. The company has a long-standing, self-imposed maximum debt-to-property assets (gearing) ratio of 35% and continues to operate within this. At balance date, PFI's gearing ratio was 28.3%. At 30 June 2007, total bank debt stood at $114.0 million, of which 90.4% was fixed (using swap instruments to minimise interest rate risks) for an average term of 2.47 years.

The proportion of debt fixed is greater than PFI's guidelines, but is viewed by the board and management as well-advised, given the current interest rate environment which has seen four increases in the Official Cash Rate (OCR) since March this year.

As at 30 June 2007, PFI's average interest rate on bank debt (excluding margin and line fees) stood at 6.67%. PFI had in place a $20 million forward five-year swap at 7.115%, which replaced an existing $20 million swap (6.52%, 1 August 2007 expiry) post-balance date. The resulting effective weighted average interest rate and average swap term are 6.76% and 3.44 years respectively.

PORTFOLIO OPERATIONS

2007 LEASING (EXCLUDES LEASES PREVIOUSLY DISCLOSED IN 2006 ANNUAL REPORT)

ADDRESS	TENANT	AREA (SQM)	NET ANNUAL RENTAL	COMMENCEMENT DATE
41 William Pickering Dr, Albany	Meridian Energy	705	$135,000	Sept 2007
L1, 322 Rosedale Rd, Albany	Cambridge Academy	395	$70,000	June 2007
Unit 3, 509 Mt Wellington Highway	Eglo Ltd	290	$68,173	Sept 2007
Unit 4, 509 Mt Wellington Highway	Orica (NZ) Ltd	293	$62,995	June 2007
44 Mandeville St, Christchurch	Windflow Technology	2150	$136,694	Aug 2007
TOTAL			$472,862	

TENANT RETENTIONS

ADDRESS	TENANT	NET ANNUAL RENTAL
49b Nesdale Ave, Manukau	Cardmember Wines	$397,000
19 Omega St, Albany	Vero Insurance	$83,000
19 Omega St, Albany	NZ AA	$88,000
21 Allens Rd, East Tamaki	Pyrotec	$53,000
11-13 Fisher Cres, Mt Wellington	NZ Post	$203,000
523 Mt Wellington Highway[1]	Steel & Tube	$213,740
55 Nesdale Ave, Manukau[1]	Brambles	$525,000

[1] Indicates leases which were scheduled to expire in 2008

2007 ACQUISITIONS TO DATE

ADDRESS	TENANT	COST MILLION	YIELD ON COST	INVESTMENT ATTRIBUTES
47 Arrenway Dr, Albany[1]	Onyx Group	$3.1	7.0%[2]	Nine-year lease
76 Carbine Rd, Mt Wellington[1]	Bunnings Ltd	$4.7	7.65%	Change-of-use potential and spare land
29 Omega St, Albany	Club Physical	$3.8	7.32%	Spare land – site coverage currently 34%
TOTAL		$11.6		

[1] Settlement of these acquisitions took place post-balance date
[2] Subject to rent review

DIVESTMENT The divestment of 10 Freight Place, Mangere for $250,000 above book value (a transaction negotiated last year and noted in the 2006 annual report) has settled as scheduled at the end of August.

RENT REVIEWS Fifteen of the 29 rent reviews scheduled for this year are now complete, adding $566,551 to the company's annual rent roll. The increases equate to an average annual compound increase of 3.69% over the 2.83-year weighted average term of the review periods.

DEVELOPMENT The Cavendish Drive large-format retail development represents the culmination of two years of design, obtaining consents and leasing. This older industrial building is being converted into a higher-yielding retail format, with anchor tenant Big Save Furniture taking two units alongside a home improvement showroom.

Excellent progress is being made in PFI's Seaview and Peninsula business park projects, with work currently underway for three new tenants and strong ongoing leasing enquiry.

2007 DEVELOPMENT PROJECTS ANNOUNCED TO DATE

ADDRESS	TENANT	COST[1] MILLION	FORECAST RETURN ON COST (INCLUDING LAND)	FORECAST RETURN ON ADDITIONAL FUNDS INVESTED	TYPE
956 Great South Rd, Penrose	Austral Bricks/ Eureka Tiles	$3.83	7.69%	11.97%	Showroom/ warehouse/cafe
8 Cavendish Dr, Manukau	Big Save Furniture and others	$8.917	8.67%	11.29%	Retail warehouse
Peninsula Business Park, Avondale	Bidvest	$1.85	8.5%	5.6%	Office/ warehouse
Seaview Business Park, Wellington	Bridgestone NZ Ltd	$2.076	7.28%	9.9%	Retail workshop
Peninsula Business Park	Gunnerson	$2.401	10.96%	11.58%	Office/ warehouse
TOTAL		$19.074			

[1] Cost includes land

PIE As has previously been noted, PFI's shareholders stand to benefit from the Taxation (Savings Investment and Miscellaneous Provisions) Act 2006, passed by the Government in December 2006. New tax rules apply for collective investment vehicles that meet the definition of a portfolio investment entity (PIE) and are expected to improve the after-tax returns received by investors. Under the PIE regime, there are benefits to investors in that cash distributions to New Zealand resident investors do not incur any additional tax. PFI applied to become a PIE on 1 August 2007.

OUTLOOK In summary, PFI is in excellent shape to weather whatever the future may bring and to continue to deliver the growth in earnings and dividends that shareholders have come to expect, through the following attributes:

– The company is well hedged and has a low gearing ratio
– The rent review programme, in combination with under-renting, provides "organic" growth
– PFI's low-risk development pipeline contains opportunities to create yields higher than prevailing market rates
– The company acquires only those properties to which it can add value, and has a proven track record in doing so.

Your board and management appreciate your ongoing support, and look forward to a strong finish to 2007.

PETER MASFEN
Chairman

ROSS BLACKMORE
General Manager

DIRECTORY

Directors
Peter Masfen (Chairman)
Humphry Rolleston
Gareth Morgan
Anthony Beverley

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