CONSOLIDATED INCOME STATEMENT

ALL IN $000	NOTE	UNAUDITED 6 MTHS ENDED 30 JUNE 2008	UNAUDITED 6 MTHS ENDED 30 JUNE 2007	AUDITED YEAR ENDED 31 DEC 2007
Revenue				
Rent		16,514	15,304	30,859
Other income (gain on disposal of investment property)		–	–	250
Total revenue		**16,514**	**15,304**	**31,109**
Less:				
Cost of sales (direct property-related expenses)		(309)	(278)	(624)
Gross Profit		**16,205**	**15,026**	**30,485**
Indirect Expenditure				
Audit Fees		38	19	28
Other Fees paid to auditors		10	3	25
Directors fees		179	58	115
Management fees – base fee		1,248	997	2,017
– incentive fee		–	769	1,531
Other expenditure		287	185	450
Total indirect expenses before interest		**1,762**	**2,031**	**4,166**
Operating profit/(loss) before interest, fair value changes and taxation		14,443	12,995	26,319
Interest received		67	64	119
Less: interest expense		(4,738)	(3,729)	(7,699)
Net borrowing costs		**(4,671)**	**(3,665)**	**(7,580)**
Operating profit/(loss) before changes in fair value and taxation		**9,772**	**9,330**	**18,739**
Unrealised net change in value of investment property		–	–	26,463
Unrealised revaluations – swaps gain/(loss)		(2,275)	886	2,741
Operating profit/(loss) for the period before taxation		**7,497**	**10,216**	**47,943**
Taxation expense	7	(1,609)	(3,372)	(3,493)
Profit/(Loss) for the period attributable to the ordinary equity holders of the Company		**5,888**	**6,844**	**44,450**
Basic and diluted earnings per share	2	**2.79**	**3.27**	**21.21**

CONSOLIDATED BALANCE SHEET

ALL IN $000	NOTE	UNAUDITED AS AT 30 JUNE 2008	UNAUDITED AS AT 30 JUNE 2007	AUDITED AS AT 31 DEC 2007
Current assets				
Cash and cash equivalents		–	130	–
Accounts receivable		810	805	638
Prepayments and other current assets		1,423	320	798
Interest rate swaps		1,956	2,375	4,230
Investment property held for resale	8	29,051	5,550	12,051
Taxation recoverable		443	101	803
Total current assets		**33,683**	**9,281**	**18,520**
Non current assets				
Investment property		397,892	389,278	424,624
Capital work-in-progress		7,664	3,475	2,081
Total non current assets		**405,556**	**392,753**	**426,705**
Total assets		**439,239**	**402,034**	**445,225**
Current liabilities				
Bank overdraft		62	–	1,300
Accounts payable and accruals		2,280	2,553	2,664
Goods and services tax		–	398	38
Borrowings		–	–	6,000
Total current liabilities		**2,342**	**2,951**	**10,002**
Non current liabilities				
Term loan	9	123,000	114,000	120,000
Provision for deferred taxation on accumulated depreciation claw back		7,767	9,603	7,885
Total non current liabilities		**130,767**	**123,603**	**127,885**
Owners' equity				
Share capital	6	161,588	159,214	160,309
Retained earnings		144,542	116,266	147,029
Total equity		**306,130**	**275,480**	**307,338**
Total liabilities and equity		**439,239**	**402,034**	**445,225**

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

ALL IN $000	NOTE	UNAUDITED 6 MTHS ENDED 30 JUNE 2008	UNAUDITED 6 MTHS ENDED 30 JUNE 2007	AUDITED YEAR ENDED 31 DEC 2007
Net Profit/(Loss) for the period attributable to the ordinary equity holders of the Company		**5,888**	**6,844**	**44,450**
Total recognised income and expenses for the period		5,888	6,844	44,450
Add: contributions from owners, dividend reinvestments	6	1,282	1,634	2,729
Less: dividends to owners		(8,378)	(7,700)	(14,311)
		(1,208)	**778**	**32,868**
Equity at beginning of the period		307,338	274,702	274,470
Equity at end of the period		**306,130**	**275,480**	**307,338**

CONSOLIDATED CASH FLOW STATEMENT

ALL IN $000	NOTE	UNAUDITED 6 MTHS ENDED 30 JUNE 2008	UNAUDITED 6 MTHS ENDED 30 JUNE 2007	AUDITED YEAR ENDED 31 DEC 2007
Cash flows from operating activities				
Cash receipts from customers		16,342	15,240	30,545
Interest received		67	64	119
Cash paid to suppliers		(3,118)	(3,496)	(4,992)
Interest on loans paid		(4,738)	(3,645)	(7,699)
Income tax paid		(1,330)	(1,430)	(3,710)
Net goods and services tax		(38)	248	(608)
Net cash from operating activities	4	**7,185**	**6,981**	**13,655**
Cash flows from investing activities				
Cash was provided from:				
Sale of investment property		10,097	–	5,550
Cash was applied to:				
Purchase and development of investment properties		(5,889)	(6,731)	(26,632)
Capitalisation of interest for development properties		(59)	(54)	(291)
		(5,948)	(6,785)	(26,923)
Net cash inflow/(outflow) from investing activities		**4,149**	**(6,785)**	**(21,373)**
Cash flows from financing activities				
Cash was provided from:				
Contributions from shareholders	6	1,282	1,634	2,729
Draw down of term loans	9	(3,000)	4,500	16,500
		(1,718)	**6,134**	**19,229**
Cash was applied to:				
Dividend paid		(8,378)	(7,700)	(14,311)
		(8,378)	**(7,700)**	**(14,311)**
Net cash inflows from financing activities		**(10,096)**	**(1,566)**	**4,918**
Net increase/(decrease) in cash held		**1,238**	**(1,370)**	**(2,800)**
Opening cash brought forward		(1,300)	1,500	1,500
Cash at end of the period		**(62)**	**130**	**(1,300)**
Cash balances in the balance sheet				
Cash balances comprise the following:				
Cash at bank		–	130	–
Bank overdraft		(62)	–	(1,300)
Total cash at bank and bank overdrafts		(62)	130	(1,300)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the six months ended 30 June 2008 (Unaudited)

1. STATEMENT OF ACCOUNTING POLICIES

Reporting Entity

The unaudited interim financial statements presented are those of Property For Industry Limited (PFI) and its subsidiaries.

PFI's principal activity is investment in prime industrial property locations in Auckland, Wellington and Christchurch. The PFI portfolio is managed by AMP Capital Investors.

Basis of Preparation

The unaudited interim financial statements have been prepared in accordance with NZ IAS 34 Interim Financial Reporting. The unaudited interim financial statements have been prepared using New Zealand Dollar functional and reporting currency and have been rounded to the nearest thousand dollars ($000).

These unaudited interim financial statements should be read in conjunction with the financial statements and related notes in PFI's Annual Report for the year ended 31 December 2007. There has been no change in accounting policies and all policies have been applied on a consistent basis with those used in the financial statements for the year ended 31 December 2007.

Significant Accounting Judgements, Estimates and Assumptions

In preparing the unaudited interim financial statements, management continually evaluates judgements, estimates and assumptions based on experience and other factors, including expectations of future events that may have an impact on PFI, when applying the accounting policies. Actual results may differ from the judgements, estimates and assumptions made by management.

PFI's critical accounting policies and estimates in these unaudited interim financial statements are as follows:

- Operating Leases
- Investment properties
- Financial instruments.

2. 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 JUNE 2008	6 MTHS ENDED 30 JUNE 2007	YEAR ENDED 31 DEC 2007
Earnings from continuing operations	5,888	6,844	44,450
Weighted average number of ordinary shares for the purposes of basic earnings per share	210,980,596	209,041,761	209,575,156

3. NET TANGIBLE ASSETS PER SHARE

ALL IN $000	6 MTHS ENDED 30 JUNE 2008	6 MTHS ENDED 30 JUNE 2007	YEAR ENDED 31 DEC 2007
Net tangible assets (Total Equity) per share	306,130	275,480	307,338
Closing shares on issue	211,548,302	209,705,163	210,508,187
Net tangible assets cents per share	**145**	**131**	**146**

Continued in next column

4. RECONCILIATION OF NET PROFIT AFTER TAXATION WITH CASH INFLOW/(OUTFLOW) FROM OPERATING ACTIVITIES

ALL IN $000	6 MTHS ENDED 30 JUNE 2008	6 MTHS ENDED 30 JUNE 2007	YEAR ENDED 31 DEC 2007
Net Profit/(Loss) for the period attributable to the ordinary equity holders of the Company	5,888	6,844	44,450
Add/(less) non-cash items and non-operating items:			
Unrealised gain on investment property	–	–	(26,463)
Unrealised (gain)/loss on swaps	2,275	(886)	(2,741)
Gain on disposal of investment property	–	–	(250)
Deferred taxation	(118)	1,626	(91)
Add/(less) movements in working capital items:			
(Increase)/decrease in accounts receivable	(797)	(64)	103
Increase/(decrease) in accounts payable	(384)	(860)	(749)
Increase/(decrease) in tax payable	360	576	(126)
Increase/(decrease) in GST payable	(38)	(248)	(608)
Other working capital movements	(1)	(7)	130
Net Cash Inflow/(Outflow) from Operating Activities	**7,185**	**6,981**	**13,655**

5. RECONCILIATION OF DISTRIBUTABLE PROFIT

PFI's current distribution policy is to distribute 100% of its distributable profit. Distributable profit is net profit after tax before unrealised net change in value of investment properties, unrealised value changes in interest rate swaps, gain on disposal of investment property and deferred taxation.

ALL IN $000	6 MONTHS ENDED 30 JUNE 2008	6 MTHS ENDED 30 JUNE 2007	YEAR ENDED 31 DEC 2007
Net Profit/(Loss) for the period attributable to the ordinary equity holders of the Company	5,888	6,844	44,450
Unrealised gain on investment property	–	–	(26,463)
Unrealised (gain)/loss on swaps	2,275	(886)	(2,741)
Gain on disposal of investment property	–	–	(250)
Deferred taxation	(118)	1,626	(91)
Net operating profit for distribution	**8,045**	**7,584**	**14,905**

6. EQUITY

During the period the Group issued 1,040,115 shares under the Dividend Reinvestment Scheme for a value of $1,281,859 (2007: 1,138,062 shares for $1,633,535).

7. TAXATION

Tax rates changed from 33% to 30% effective 1 January 2008.

8. INVESTMENT PROPERTIES SOLD AND HELD FOR RESALE

The Group sold 373 Neilson Street during the period at its December 2007 valuation of $10.15 million. The Group held two properties for sale at 30 June 2008 as follows: a. 9 Ride Way which was sold on 24 July 2008 at its December 2007 valuation for $17 million and, b. 11 Dalgety Drive valued at December 2007 for $12.051 million and remains for sale.

9. TERM LOAN

The Group has drawn down $123 million (2007: $114 million) of the available Bank of New Zealand loan facility of $150 million. After taking into account the impact of interest rate swaps, the effective interest rate at 30 June 2008 for the drawn down term loan is 7.39% (2007: 6.67%).

10. CAPITAL COMMITMENTS

As at 30 June 2008 the Group had capital commitments of $4.576 million (2007: $9.018 million).

11. EVENTS AFTER BALANCE DATE

On 17 July 2008, the directors approved the payment of a dividend of $3,278,999 ($0.01550 cents per share) to be paid on 19 August 2008. No such liability has been recognised in the balance sheet for 30 June 2008.

PROPERTY FOR INDUSTRY

INTERIM REPORT 2008

HIGHLIGHTS

INTERIM DISTRIBUTABLE PROFIT 6.1% HIGHER

NET EARNINGS PER SHARE UP 5.0%

PORTFOLIO OCCUPANCY AT 99.2%

TWO PROPERTIES SOLD AT CURRENT BOOK VALUE

TWO DEVELOPMENT PROJECTS ANNOUNCED WITH A TOTAL VALUE OF $8.3 MILLION

TEN NEW TENANTS WELCOMED SO FAR THIS YEAR; 2008-09 TENANT RETENTION PROGRAMME WELL ADVANCED

MORE THAN $850,000 IN ADDITIONAL CONTRACT RENTALS FROM RENT REVIEWS TO DATE

BANK DEBT REDUCED TO 25% OF ASSETS – ONE OF THE LOWEST RATIOS IN THE LISTED PROPERTY SECTOR

Managed by AMP capital INVESTORS

OVERVIEW

PFI has a long history of delivering reliable growth in shareholder dividends.

At a time when economic conditions around the world are undoubtedly challenging, the key indicators of PFI's portfolio activity and financial performance for the year to date have been very positive.

Portfolio occupancy – the single biggest contributor to the company's financial performance – remains consistently close to 100%.

PFI has welcomed new occupiers to 10 of its properties this year, covering a total of more than 23,000 sqm. Demand has been solid across the board, ranging from 1,000 sqm tenancies through to an 11,000 sqm sub-leasing at one of the company's largest distribution centres.

The 2008 and 2009 tenant retention programme is also progressing well.

PFI's tenants are, in the main, substantial organisations which take a long-term view of their operations and therefore their premises requirements. This is borne out by the fact that the majority of the new leases agreed so far this year have been for terms of six years.

PFI's rentals continue to grow at a steady rate. The rent review programme is again a standout performer and more than $850,000 has already been added to the company's rent roll as a result of the 20 reviews that have so far been agreed. A further 18 reviews are scheduled for the balance of the year.

Leasing enquiry has also proved resilient. Demand for PFI's properties is supported by their generic and flexible nature, which accommodates a wide range of tenant requirements, as well as the fact that they are located in the most sought-after industrial precincts.

PFI has taken the opportunity to sell two of its properties – both at prices equivalent to book value in the company's most recent portfolio revaluation, and both in off-market transactions.

The two divestments have reduced PFI's debt level and also enhanced its capacity to fund the in-house pipeline of higher-yielding development projects. Following settlement of the second sale, PFI's gearing (debt to gross assets) ratio was 25.0% – among the lowest in the New Zealand listed property sector and considerably below the company's self-imposed maximum of 35%.

Following settlement of the second sale post-balance date, the company owns a portfolio of 57 properties with a total gross value of $409.747 million.

Economic environment

Since listing in 1994, PFI has weathered a number of economic slowdowns. While these demand a heightened level of focus from the board and management team, shareholders have invested in a company which is prepared for such circumstances and can respond accordingly.

It is an unfortunate reality that the New Zealand sharemarket has fallen to new three-year lows so far in 2008. June, in particular, was the worst calendar month for the sharemarket since August 1998. However, New Zealand's listed property sector – and PFI within it – have fared better than the wider sharemarket.

New design-build premises under construction for Brewcraft, Albany

FINANCIAL PERFORMANCE

PFI's rentals for the six months to 30 June 2008 were $16.514 million, 7.9% higher than last year's interim period, as a result of the company's previous acquisitions, development projects and rent reviews.

Interest costs for the six months were up 27.1% to $4.738 million, due to additional borrowings and higher interest rates. However, management fees were lower.

PFI recorded a 6.1% lift in net operating profit after tax for distribution, at $8.045 million, while net earnings per share for the interim period – based on distributable profit – gained 5.0% to 3.81 cents per share.

DIVIDENDS

PFI shareholders will receive a second-quarter dividend of 1.550 cents per share plus 0.509 cents imputation credits. This brings the total net dividends paid in the interim period to 3.100 cents per share, 1.6% higher than in 2007.

BENEFITS OF PIE

Most PFI shareholders are enjoying higher net or "in-the-hand" dividends since the PIE regime took effect in October 2007, extending the benefit of the company's tax rate to investors.

The table below shows the net cash dividends distributed to PFI shareholders in the various tax brackets so far during 2008. To illustrate the improvement, the "Previous tax regime" line shows what those same net dividends would have been prior to PIE. The bottom line shows the increase – between 12% and 39% for most New Zealand resident investors.

PFI DIVIDENDS DISTRIBUTED TO DATE IN 2008

	SHAREHOLDER MARGINAL TAX RATE			
	NEW ZEALAND RESIDENT INVESTORS			NON-RESIDENT
	19.5%	33%	39%	
PIE regime (actual) *cents per share*	5.86	5.53	5.53	5.53
Previous tax regime *cents per share*	5.23	4.35	3.96	4.99
Increase	12.05%	27.13%	39.65%	10.82%

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 longstanding, self-imposed maximum debt-to-property assets (gearing) ratio of 35% and continues to operate well within this. At 30 June 2008, PFI's gearing ratio was 28%*. Total bank debt stood at $123 million, of which 84% was fixed (using swap instruments to minimise interest rate risks) for an average term of 2.73 years. As at 30 June 2008, PFI's average interest rate on bank debt (including margin and line fees) stood at 7.39%.

The Reserve Bank's July cut in the Official Cash Rate (OCR) is predicted to be the first in a series of reductions. However, the benefit of this cut will not be reflected immediately in lending rates to borrowers, due to the relatively high proportion of funds sourced from offshore by New Zealand's banks. Nevertheless, after 13 consecutive rises in the OCR, it was a welcome move.

* Following settlement of the sale of 9 Ride Way, Albany, on July 24, PFI's gearing ratio was reduced to 25.0%.

PORTFOLIO OPERATIONS

Leasing

PFI's occupancy rate at balance date was 99.2%.

In general, two signs of a softer leasing market are shorter lease terms and an increase in tenant incentives, and there has not been a noticeable change in either in the company's leasing transactions so far this year.

In the current economic environment, the management team is keenly aware of the need to proactively enter into discussions with any tenants whose requirements may be changing during their lease term, and to quickly secure replacement tenants for any space that does become vacant.

2008 LEASING TO DATE (EXCLUDES LEASES ALREADY DISCLOSED IN 2007 ANNUAL REPORT)

ADDRESS	TENANT	LEASE TERM (YEARS)
9 Vestey Drive, Mt Wellington	Hiab NZ	6
11 Dalgety Drive, Manukau	Family Start	3
11-13 Fisher Cres, Mt Wellington	Inex Metals Ltd	6
15 Vestey Drive, Mt Wellington	Skills 4 Work Inc	6

Tenant Retentions

Fourteen leases were scheduled to expire during 2008. Ten of these are already dealt with and have been disclosed elsewhere, and four relatively small properties are being marketed for lease. As this report went to print, the largest scheduled expiry of the year – Colgate Palmolive, PFI's oldest customer, at 11 Barnes St, Wellington – entered into a new three-year lease at a higher rent. Negotiations have also begun with all of the tenants whose leases are due to expire in 2009.

Rent Reviews

The additional income resulting from rent reviews flows directly through to growth in PFI's dividends and earnings per share, requiring no capital expenditure from the company.

Twenty rent reviews have been agreed to date in 2008, adding $854,921 to the company's annual rent roll. This represents an average increase of 9.27%, or 3.43% compounding annually over the average 2.62-year review periods. A further 18 reviews are scheduled for the remainder of the year.

Divestments

As mentioned earlier in this report, PFI has sold two properties during the year to date, for a total of $27.15 million.

The $10.15 million sale of 373 Neilson St, Penrose, settled in June. The sale of 9 Ride Way, Albany for $17.0 million, was agreed and settled post-balance date in July.

Development Projects

Post-balance date, PFI also announced its second development project for the year – a $2.4 million design-build project in Auckland.

The company is building a 1,550 sqm office/warehouse on expansion land at 322 Rosedale Rd, Albany, for longstanding tenant Brewcraft, a supplier of home brewing, winemaking and distilling products.

This project will deliver a yield of 8.43% on cost including land, or 11.82% on additional funds invested (excluding land). Brewcraft has signed a six-year lease for the new building, expected to be complete in March next year.

PFI's first development project of 2008 – a $5.91 million office/warehouse project at Peninsula Business Park, Avondale – is under construction for medical supplies company Universal Specialties, trading as USL Medical, which has taken an eight-year lease.

Reinvesting capital in this way is a strategic move. New developments deliver higher returns, longer lease terms and depreciation advantages, and keep PFI's portfolio up-to-date with new properties.

Building repositioning underway at 415 Church St, Penrose

The level of tenant enquiry on other PFI development options in Auckland, Wellington and Christchurch is a strong indication that the company will be able to announce further projects in the second half of the year.

OUTLOOK

PFI's immediate focus is to maintain its strong financial performance through the remainder of 2008.

Looking further ahead, although many economists are predicting an export-led recovery to begin during 2009, it may take longer for New Zealand's domestic economy to rebuild significant momentum. The slowdown in economic activity will inevitably have an effect on industrial property occupiers, particularly those which are reliant on the domestic economy.

Latest research from CB Richard Ellis shows a slight increase in Auckland industrial vacancy rates, to 3.1%. Notwithstanding the fact that PFI has sold two properties at their 31 December 2007 values, the appetite for industrial investment property has softened, with CB Richard Ellis putting Auckland prime and secondary industrial yields at 8.1% and 8.8% respectively.

PFI has entered this uncertain economic environment in a strong position, with high portfolio occupancy and a healthy weighted average lease term (WALT). To date, the industrial leasing market has been resilient and research confirms that in the precincts where PFI's properties are concentrated, rentals have risen slightly since December 2007, although not at the same rate as recent years.

PFI's strength has always been its portfolio of high-quality, generic buildings in land-constrained locations, popular with both tenants and investors, and pro-actively managed.

In the current environment, the company's principal strategies are centred around:

- Maintaining high occupancy
- Taking advantage of rental growth through the rent review programme
- Continuing to add value to properties through lease re-engineering and building repositioning, helping to shield the portfolio from downward pressure on values
- Reinvesting capital in profitable low-risk development projects where tenant pre-commitment has been secured, and
- Keeping debt at low levels.

Peter Masfen
Chairman

Ross Blackmore
General Manager

Michael Cashin, Director

NEW DIRECTOR: MICHAEL CASHIN

PFI's board has welcomed Wellington's Michael Cashin as an independent director of the company.

Mr Cashin fills the role vacated by longstanding PFI director Dr Gareth Morgan, who stepped down earlier this year.

PFI's constitution allows the board to appoint directors during the course of the year, provided that shareholders are given the opportunity to ratify the decision at the next company meeting.

Mr Cashin's appointment took effect from early July and he will retire and offer himself for election by shareholders at PFI's annual general meeting in May next year.

He is an experienced company director, having previously been chairman of Housing New Zealand Ltd and At Work Insurance Ltd, and a director of Allied Farmers Ltd, Capital Properties Ltd and Centreport Ltd.

His current directorships include Cavotec MSL Ltd, Wellington Waterfront Ltd and Ryman Healthcare Ltd.

PFI chairman Peter Masfen noted Mr Cashin's extensive property experience, and added: "His strategic skills and broad industry experience will enhance the capabilities of our current board."

Peter Masfen, Chairman

Ross Blackmore, General Manager

DIRECTORY

Directors
Peter Masfen (Chairman)
Humphry Rolleston
Michael Cashin*
Anthony Beverley
*Appointed effective 9 July 2008

Share Registrar
Computershare Investor Services Limited
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Private Bag 92119, Auckland
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