Property For Industry Limited

PROPERTY FOR INDUSTRY ANNUAL REPORT 2012

For the year ended 31 December 2012

SNAPSHOT

	31 December 2012	31 December 2011
Investment properties	**$382.2** *million*	*$355.9 million*
Portfolio yield	**8.2%**	*8.5%*
Properties	**50**	*49*
Tenants	**86**	*89*
Contract rent	**$32.6** *million*	*$30.2 million*
Occupancy	**97.4%**	*95.6%*
Weighted average lease term	**4.80** *years*	*4.17 years*
IFRS earnings per share	**12.24** *cents*	*7.47 cents*
Distributable profit per share	**6.64** *cents*	*7.21 cents*
Net tangible assets per share	**113.46** *cents*	*108.37 cents*
Gearing	**29.9%**	*28.6%*

All 31 December 2012 portfolio statistics include the acquisition of 30-32 Bowden Road, Mount Wellington, which settled in March 2013.

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Information Management Group, 8 McCormack Place, Ngauranga Gorge.

Multispares, 48 Seaview Road, Seaview, Lower Hutt.

CHAIRMAN'S LETTER

Property For Industry's board is pleased to report on the company's achievements for the 2012 financial year.

After PFI's new manager, PFIM Limited, took over late 2011, the board and manager's strategy focused on reducing vacancy, strengthening the portfolio's lease expiry profile and leveraging the company's strong balance sheet into earnings accretive industrial property investment opportunities. PFI's results for the year evidence the successful implementation of this strategy.

The active management of PFI's portfolio, coupled with the acquisition of $37.8 million of earnings accretive industrial property investment opportunities and the disposal of $16.6 million of non-core property has seen a marked improvement in the company's metrics.

Net profit after tax for the 12 months to December 2012 rose 64.7% to $26.9 million, assisted by the uplift in value of the portfolio. Distributable profit fell 7.5% from $15.8 million to $14.6 million, reflecting property disposals and vacancy during the prior year.

The board resolved to pay a final dividend of 1.85 cents per share, taking total dividends for the year to 6.60 cents per share. The dividend pay-out ratio is equal to 100% of operating profit which is in line with PFI's distribution policy to pay out all operating profit.

The total shareholder return[i] for the year was 11.76%. This result is ahead of the performance of the broader industrial property market[ii] and extends PFI's excellent track record of delivering attractive returns to shareholders over the long term.

Leading indicators suggest that the industrial property market continues to improve and perform. Lower interest rates have stimulated a pick-up in investor demand and prime industrial property prices have firmed. This increased demand and the transactional activity during 2012 has provided a foundation from which to build future earnings growth.

PFI is in good shape and as long as the economy remains supportive the board and manager are looking forward to another successful year.

Peter Masfen
Chairman

i Income yield plus change in share price, assuming dividends are reinvested.

ii Refer Property Council of New Zealand / IPD New Zealand Commercial Property Index statistics on page 11.

ACQUISITIONS & DISPOSALS

PFI entered into contracts during the year to acquire three industrial properties for a total purchase price of $37.8 million at an average purchase yield of 8.7%, whilst $16.6 million of capital was released via the disposal of two non-core properties at a combined pre-tax gain on sale of $1.1 million and a 6.8% premium to the properties' 31 December 2011 valuations.

With a weighted average lease term of 9.7 years, the acquisitions strengthen PFI's lease expiry profile and all leases benefit from inherent rental growth.

The disposals were in line with PFI's strategy of recycling capital when the appropriate opportunity presents. For 80 Lunn Avenue, Mount Wellington, this meant the sale of a non-core property at a compelling yield, whereas for 19A and 29 Omega Street, Rosedale, both properties were sold with vacant possession.

In 2013, selected sales of non-core property will be considered, as will the acquisition of accretive core industrial property in the main centres.

ACQUISITION SUMMARY

8A & 8B CANADA CRESCENT	170 SWANSON ROAD	30–32 BOWDEN ROAD
Lettable area:		
9,185 sqm 11,689 sqm site	4.469 hectare site	18,497 sqm 4.254 hectare site
Purchase price:		
$11.250 million	$11.926 million	$14.600 million
Yield:		
9.6%	7.8%	8.7%
Settlement date:		
November 2012	December 2012	March 2013
Tenant:		
Polarcold Stores	Transportation Auckland Corporation	Fletcher Building Products
Contract rental:		
$1.080 million	$0.924 million	$1.270 million

8A & 8B CANADA CRESCENT HORNBY, CHRISTCHURCH

8A & 8B Canada Crescent, Hornby, Christchurch comprises two cold store facilities with a gross lettable area of 9,185 sqm on an 11,689 sqm site. On settlement of the acquisition in November 2012, a new lease to Polarcold Stores Limited commenced for a 15 year term. This lease is guaranteed by the tenant's parent company, Scales Corporation Limited.

The initial rental on the property is $1.080 million and PFI purchased the property for $11.250 million, equating to a yield of 9.6%.

170 SWANSON ROAD SWANSON, AUCKLAND

170 Swanson Road, Swanson, Auckland comprises a 4.469 hectare site leased to Transportation Auckland Corporation Limited, a wholly owned subsidiary of NZX listed Infratil Limited. The property is utilised as a bus depot and servicing centre.

The rental on the property is $0.924 million and PFI purchased the property for $11.926 million, equating to a yield of 7.8%. Settlement occurred during December 2012.

30-32 BOWDEN ROAD MOUNT WELLINGTON, AUCKLAND

30–32 Bowden Road, Mount Wellington, Auckland comprises warehouses and associated offices and amenities with a gross lettable area of 18,497 sqm on a 4.254 hectare site. Leased to Fletcher Building Products Limited, a wholly owned subsidiary of NZX listed Fletcher Building Limited, the property is utilised for the manufacture and distribution of aluminium extrusion products.

The rental on the property is $1.270 million and PFI contracted to purchase the property for $14.600 million, equating to a yield of 8.7%. Settlement occurred in March 2013.

MANAGER'S REPORT

There was considerably more optimism evidenced in the industrial property market in 2012 than seen in the previous three or four years.

This optimism, coupled with active management of the company's portfolio, contributed to increased leasing and capital transaction activity for PFI and an encouraging improvement in the key portfolio metrics, with occupancy and the weighted average lease term increasing to 97.4% and 4.80 years respectively and the lease expiry outlook improved.

PFI returned net dividends to shareholders of 6.60 cents per share and recorded an increase in net tangible assets to 113 cents per share following a $12.3 million or 3.3% portfolio revaluation uplift. The results are clear evidence of the successful implementation of the company's strategy for 2012.

Multispares, 48 Seaview Road, Seaview, Lower Hutt.

FINANCIAL PERFORMANCE

Financial performance for the year ended	($000) 31 December 2012	($000) 31 December 2011
Rental income	29,214	30,589
Interest and management fee income	210	285
Total operating revenue	29,424	30,874
Interest expense and bank fees	(8,103)	(8,343)
Management fees	(1,882)	(1,865)
Non-recoverable property costs	(1,329)	(580)
Other expenses (incl. audit and director's fees)	(862)	(820)
Total operating expenses	(12,176)	(11,608)
Total operating earnings	17,248	19,266
Fair value change in investment properties	12,302	3,653
Gains on disposals of investment properties	1,059	261
Fair value change in derivative financial instruments	1,357	(4,219)
Total non operating income and expense	14,718	(305)
Profit before taxation	31,966	18,961
Current taxation	(3,579)	(3,490)
Deferred taxation	(1,455)	877
Total taxation	(5,034)	(2,613)
Profit after taxation	26,932	16,348

Distributable profit for the year ended	($000) 31 December 2012	($000) 31 December 2011
Profit after taxation	26,932	16,348
Adjusted for		
Fair value change in investment properties	(12,302)	(3,653)
Gains on disposals of investment properties	(1,059)	(261)
Tax on depreciation claw-back on disposals of investment properties [i]	187	-
Fair value change in derivative financial instruments	(1,357)	4,219
Deferred taxation	1,455	(877)
Other [ii]	744	-
Distributable profit	14,600	15,776
Distributable profit per share [iii]	6.64	7.21

Operating revenues for the year were $1.5 million or 4.7% lower than the prior year, at $29.4 million, primarily due to disposals of the company's properties and vacancy during the year.

Operating expenses were largely in line with the prior year, aside from PFI's non-recoverable property costs, which were $0.75 million higher due to the profit impact of the adjustment of various prepayments and other assets and increased costs associated with vacancy during the year.

The effective current tax rate rose modestly to 21% from 18%, in part due to the tax payable on depreciation claw-back on disposals of investment properties. PFI expects the current tax rate for 2013 to be similar to the level in 2012, following IRD changes to the taxation of lease incentives, which become effective 1 April 2013.

Whilst the combination of lower operating revenue and higher operating expenses resulted in a reduction in distributable profit for the year to $14.6 million or 6.64 cents per share (2011: $15.8 million, 7.21 cents per share), profit after tax for the year rose $10.6 million to $26.9 (2011: $16.3 million). This increase in profit after tax was a result of a $15.0 million increase in non operating income and expenses offset by a $2.3 million increase in deferred taxation and a $2.0 million fall in operating earnings.

i No adjustment was made to distributable profit for the tax on depreciation claw-back on disposals of investment properties in the prior year. If an adjustment were to have been made, then distributable profit would have risen by $30,000 or 0.02 cps.

ii Other comprises the profit impact of the adjustment of various prepayments and other assets ($586,000), the current tax impact of an adjustment to one of the group's derivative financial instruments ($66,000) and prior period tax adjustments ($92,000).

iii Per share figures are on a weighted average basis.

BALANCE SHEET & CAPITAL MANAGEMENT

PFI's net tangible assets rose five cents per share to 113 cents per share principally as a result of the independent valuation of PFI's $382.2 million portfolio; the fair value increase totalling $12.3 million, accounting for a six cents per share increase, with other changes accounting for the remaining one cent per share decrease.

Utilisation of PFI's $150.0 million syndicated facility with ANZ and ASB, which has nearly three years to expiry, increased to $114.2 million from $102.5 million during the year, as PFI made a net investment of almost $11 million in its portfolio.

PFI invested $23.2 million during the 2012 year via two property acquisitions. In addition to this $6.3 million was invested in existing properties through a combination of capital works and tenancy incentives and prepayments. Offsetting these investments, property disposals during the year generated net sales proceeds of $16.6 million.

PFI invested a further $14.6 million in the first quarter of 2013 via the acquisition of 30-32 Bowden Road, Mount Wellington. Following this investment, gearing rose to ~32.5%.

PFI's gearing policy limit of 35% remains unchanged, however during the last quarter of the year PFI took advantage of favourable banking conditions to negotiate an amendment to the facility gearing limit and definition. PFI's gearing facility covenant now stands at 50% on a loan-to-value basis [iv].

There were limited changes to the company's $73.0 million of current interest rate hedging, the average interest rate reducing slightly to 6.40% from 6.64% and the average period to expiry increasing slightly to 2.79 years from 2.64 years.

The average interest rate of PFI's $35.0 million of forward starting fixed interest rate hedging fell to 4.69% from 5.41% in the prior year, as did the average period to expiry, down to 4.45 years from 4.74 years.

The combination of increased facility utilisation and the lower cost of the current interest rate hedging resulted in a reduction in the weighted average interest rate on drawn borrowings to 7.29%, down from 7.85% as at 31 December 2011.

DIVIDENDS & DIVIDEND REINVESTMENT SCHEME

Tax paid cash dividends in respect of the year ended 31 December (including the dividend paid on 13 March 2013) totalled 6.6 cents per share, down from 7.175 cents per share in 2011.

The pay-out ratio, being the ratio of dividends paid to distributable profit, is 100%, unchanged from the prior year.

Looking forward, PFI expects dividends in respect of the year to 31 December 2013 to be within a range of 6.6 to 6.9 cents per share based on the company's current distribution policy [v].

During the year, the board decided to suspend PFI's dividend reinvestment scheme. With gearing comfortably within the company's policy limit, the board will continue to assess whether to operate or suspend the company's dividend reinvestment scheme on a quarter-by-quarter basis, as the company's capital needs dictate.

The company's total shareholder return [vi] for the year ended 31 December 2012 was 11.76% with the total shareholder return averaging 8.44% per annum since listing in 1994.

iv The previous gearing facility covenant required total liabilities excluding deferred tax and unrealised gains or losses on derivative financial instruments to be no more than 45% of total tangible assets.

v The group's dividend policy is to distribute 100% of its operating profit, subject to the approval of the board of directors. Operating profit is defined as the profit or loss for the period before unrealised net changes in the fair values of investment properties, realised gains or losses on disposal of investment properties (net of tax on depreciation claw-back), unrealised net changes in the fair values of derivative financial instruments, deferred taxation and other one off items.

vi Income yield plus change in share price, assuming dividends are reinvested.

PORTFOLIO PERFORMANCE

PORTFOLIO SNAPSHOT

As at	31 December 2012	31 December 2011
Number of properties	50	49
Number of tenants	86	89
Contract rent	$32.6 million	$30.2 million
Occupancy	97.4%	95.6%
Weighted average lease term	4.80 years	4.17 years

Progress has been made repositioning the portfolio during 2012. The acquisition of three significant industrial properties and disposal of selected non-core properties was complemented by more than 50 leasing transactions. The company's portfolio metrics and lease expiry profile (refer page 15) improved significantly following the year's activities, providing a foundation from which to build future earnings growth.

Transportation Auckland Corporation, 170 Swanson Road, Swanson.

PORTFOLIO REVALUATION

PFI's portfolio revaluation benefited from a year of extensive portfolio activity and an improving industrial property market. The company recorded a fair value increase of $12.3 million equating to a 3.3% increase in the value of the company's property portfolio to $382.2 million.

Market capitalisation rates firmed an average of ~30 basis points across the portfolio. This firming of capitalisation rates was marked for properties in the sub-$5 million range where investment demand is very strong, particularly for properties with long leases and sound tenant covenant. To a lesser degree was the impact of a movement in market rents. Long term leases are still commanding incentives in order to be achieved, however incentives for shorter lease terms have reduced in recent times which provides an improvement in net effective rentals.

ACQUISITIONS & DISPOSALS

PFI entered into contracts during the year to acquire three industrial properties for a total purchase price of $37.8 million at an average purchase yield of 8.7%, whilst $16.6 million of capital was released via the disposal of two non-core properties at a combined pre-tax gain on sale of $1.1 million and a 6.8% premium to the properties' 31 December 2011 valuations.

Further detail of the acquisitions and disposals can be found on pages 4 and 5.

LEASE ACTIVITY

Almost 50% of contract rent was varied, leased or reviewed during 2012, including 14 new leases and retentions. A highlight was the length of the leasing transactions as the average lease term was in excess of eight years.

Rent reviews of 39 of PFI's leases, representing more than 33% of contract rent, resulted in an average annual uplift of 3.0%. Fixed or index-linked review mechanisms, a feature of more than half[vii] of PFI's leases, contributed almost 90% of the growth in contract rental income.

NEW LEASES

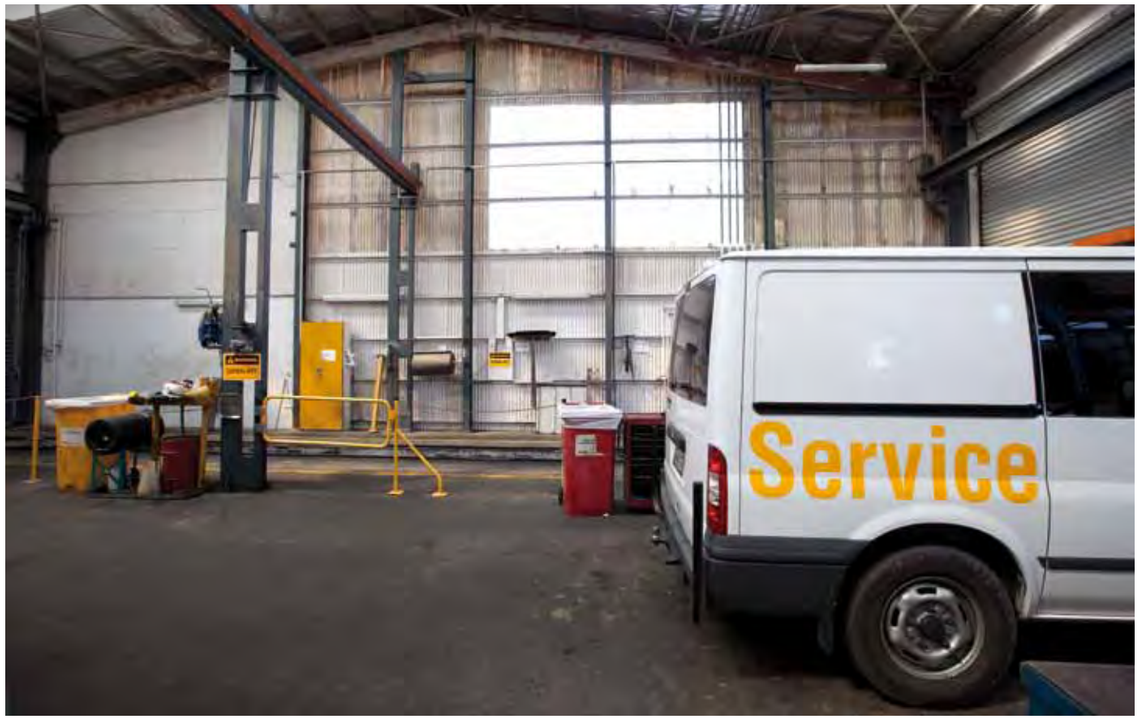
Address	Tenant	Area (sqm)
9 Vestey Drive, Mt Wellington	Multispares[viii]	1,600
1 Ron Driver Place, East Tamaki	Stewart Scott Cabinetry[viii]	4,038
6a Donner Place, Mt Wellington	Glengarry Hancocks[viii]	6,033
48 Seaview Road, Lower Hutt	Multispares[viii]	1,590
16 Hugo Johnston Drive, Penrose	Encap Group	550
322 Rosedale Road, Rosedale	Home Transfer Centre	265
523 Mt Wellington Highway, Mt Wellington	BGH Group	1,677

VARIED LEASES

Address	Tenant	Area (sqm)
127 Waterloo Road, Hornby	DHL Supply Chain	2,982
6 Donnor Place, Mt Wellington	Wickliffe	14,555
36 Vestey Drive, Mt Wellington	Fox Air	1,108
3-5 Niall Burgess Drive, Mt Wellington	Electrolux Home Products	9,373
44 Mandeville Street, Riccarton	LFA	1,498
10 Niall Burgess Road, Mt Wellington	Outside Broadcasting	1,685
58 Richard Pearse Drive, Mangere	Pharmacy Retailing	10,549

vii Weighted by contract rent.

viii Secured in early 2012 and noted in the previous annual report.



Goughs Gough & Hamer, 48 Seaview Road, Seaview, Lower Hutt.

MARKET, OUTLOOK & STRATEGY

The industrial property market continued its recovery in 2012. This translated into improved occupancy rates and increased total returns to industrial property investors.

According to the Property Council of New Zealand / IPD New Zealand Commercial Property Index, the total income and capital return from industrial property for the 2012 year stood at 10.9%, up from 10.7% in 2011, with industrial property outperforming the retail and office property sectors.

CBRE reported that industrial vacancy in Auckland improved during the year and stood at 3.6% as at the end of 2012, down from 4.2% at the end of 2011.

PFI's 2012 result would support these findings with occupancy at year end increasing to 97.4% from 95.6% at the end of 2011 and the company's total shareholder return[vi] for the year ended 31 December 2012 amounting to 11.76%.

The low interest rate environment continues to stimulate the industrial property investment market, with a flow of investment funds from both investors and owner occupiers chasing few assets, particularly prime stock. Yields for prime industrial property firmed considerably during 2012 as more optimism entered the wider market and the sector looked increasingly attractive relative to other forms of investment.

With increased leasing activity and occupancy rates in the sector reducing, shorter incentives on new leases are being offered which, all things being equal, can be reasonably expected to flow through to an increase in net effective rentals.

As these fundamental drivers of value continue it allows for more new greenfield development and the repositioning of older more secondary stock becomes increasingly viable.

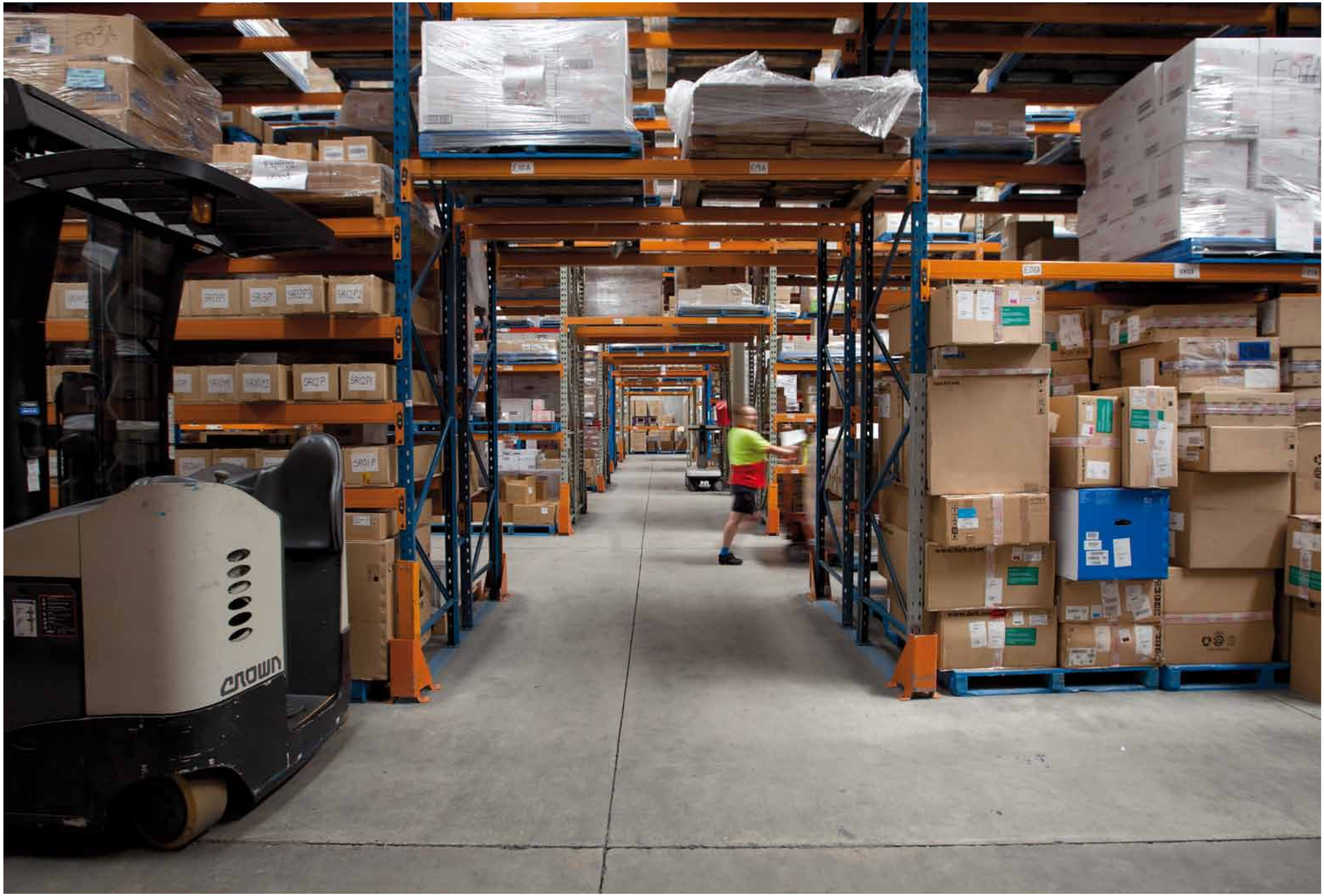
The board and manager remains focused on managing the vacancy and upcoming lease expiries in the portfolio. PFI has made a strong start to the year. It began 2013 with 12.8% of contract rent due to expire within the year. Since year end the company has leased or is at formal documentation stage on approximately 50% of this contract rent, including the company's largest 2013 expiry at 36 Neales Road, East Tamaki, which has been leased to NZX listed Mainfreight Limited.

Looking ahead PFI will consider the development of existing expansion land and repositioning of properties as tenant demand dictates. Selected sales of non-core property will be considered, as will the acquisition of accretive core industrial property in the main centres.

PFI's leasing and capital transaction activities in 2012 have provided a solid foundation from which to build future earnings growth. With the company's portfolio diversified across the major industrial precincts in Auckland, Wellington and Christchurch, PFI is well positioned to take advantage of increased leasing and investment activity as the industrial property sector continues to improve.

We look forward to a successful 2013 and thank you for your continued support.

Nick Cobham
General Manager



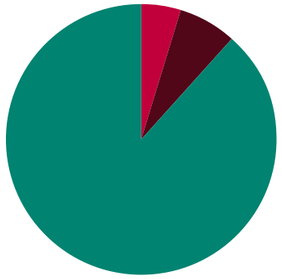
DHL Supply Chain, 127 Waterloo Road, Hornby.

PORTFOLIO SUMMARY
AS AT 31 DECEMBER 2012

All 31 December 2012 portfolio statistics include the acquisition of 30-32 Bowden Road, Mount Wellington, which settled in March 2013.

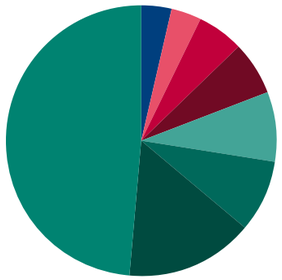
Investment portfolio geographic location New Zealand

AUCKLAND	88.6%
CHRISTCHURCH	6.7%
WELLINGTON	4.7%



Investment portfolio geographic location Auckland

MT WELLINGTON	48.8%
AVONDALE	15.2%
MANUKAU	8.7%
EAST TAMAKI	8.3%
NORTH HARBOUR	6.2%
PENROSE	5.8%
SWANSON	3.5%
MANGERE	3.5%

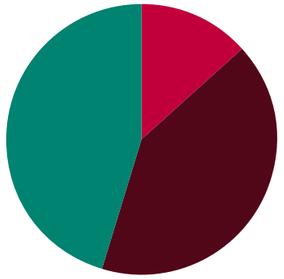


Top ten tenants by contract rental

Rank	Tenant	No. of Properties	Annual Rent	% of Total
1	DHL Supply Chain (NZ) Ltd	2	2,281,036	6.8%
2	Fletcher Building	3	2,219,520	6.6%
3	Wickliffe NZ Ltd	2	1,706,167	5.1%
4	Pharmacy Retailing (NZ) Ltd	2	1,607,833	4.8%
5	Brambles New Zealand Ltd	2	1,402,965	4.2%
6	Cardinal Logistics Ltd	1	1,115,178	3.3%
7	Polarcold Stores Limited	1	1,080,000	3.2%
7	Electrolux (NZ) Limited	1	1,006,654	3.0%
8	Transportation Auckland Corporation Ltd	1	924,261	2.8%
9	New Zealand Comfort Group Ltd	1	828,804	2.5%
10	Information Management Group Limited	1	819,826	2.5%
Subtotal		17	14,992,243	44.8%
Total		50	33,439,646	100%

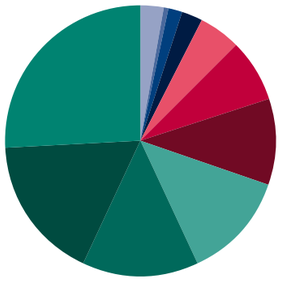
Rent review type by contract rental

MARKET	45.5%
FIXED	41.4%
CPI	13.1%

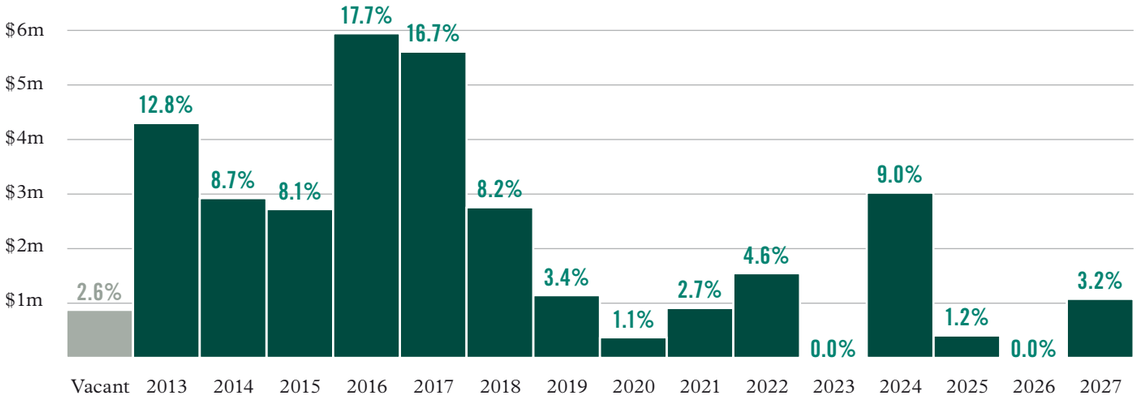


Tenant industry by contract rental

TRANSPORT & STORAGE	26.1%
MACHINERY & EQUIPMENT MANUFACTURING	17.0%
CONSTRUCTION	13.9%
OTHER MANUFACTURING	12.8%
PROPERTY & BUSINESS SERVICES	10.4%
WOOD & PAPER MANUFACTURING	7.3%
FOOD MANUFACTURING	5.0%
HEALTH & COMMUNITY SERVICES	2.6%
TEXTILES & CLOTHING	1.8%
ACCOMMODATION & RESTAURANTS	0.5%
VACANT	2.6%



Lease expiry by contract rental

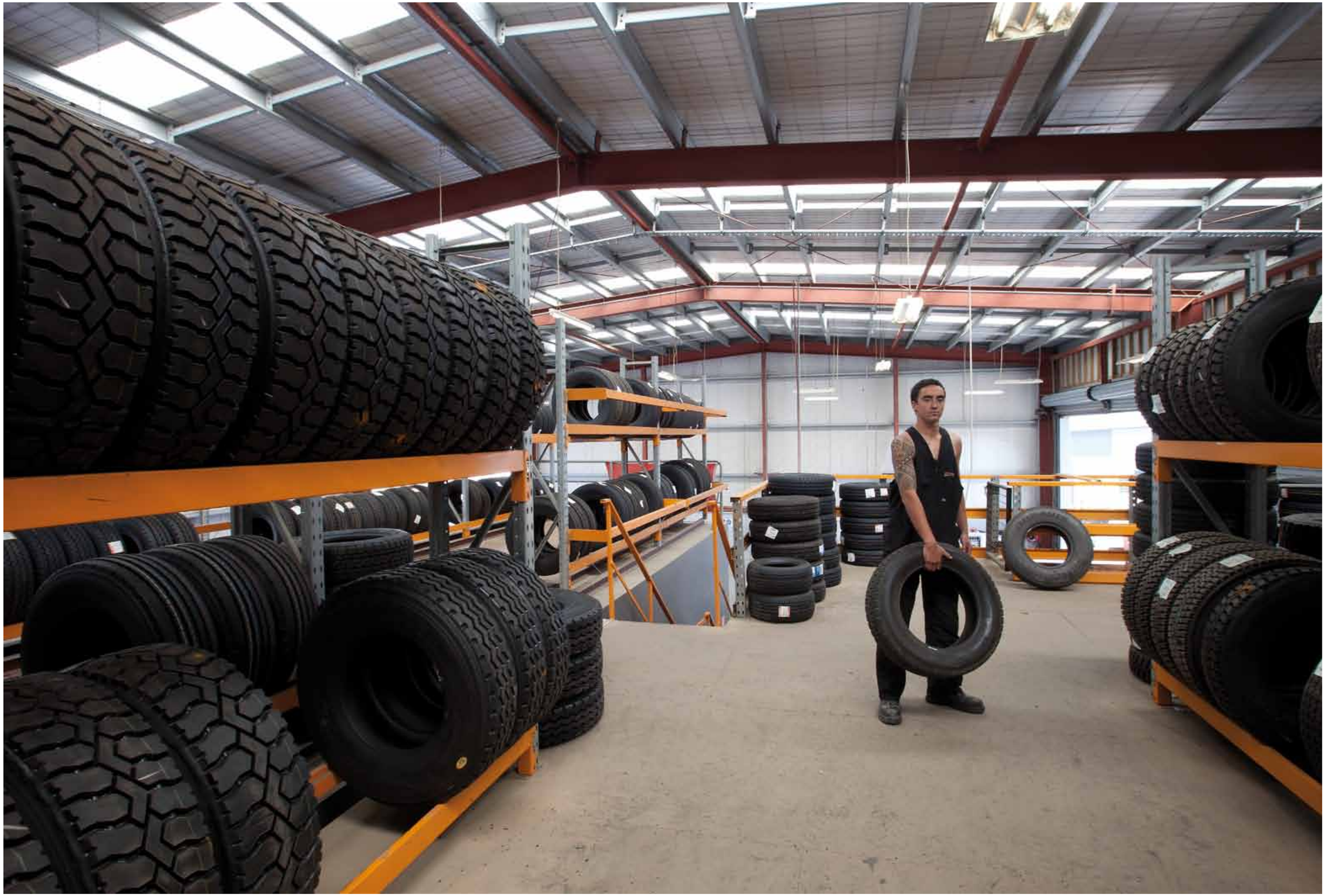


PORTFOLIO SUMMARY
AS AT 31 DECEMBER 2012

Property	Tenant	Location	Total Contract Rent	2012 Valuation	Yield on Valuation	Lettable area (sqm)
17 Allens Road	Harvey Norman Leasing Caroma Industries W&R Jack	East Tamaki	962,188	11,200,000	8.6%	9,926
47 Arrenway Drive	Onyx	Rosedale	219,800	3,000,000	7.3%	1,245
8A & 8B Canada Crescent	Polarcold Stores	Hornby	1,080,000	11,875,000	9.1%	9,185
50 Carbine Road	Atlas Copco	Mt Wellington	190,000	2,425,000	7.8%	2,592
54 Carbine & 6a Donnor [i]	Pharmacy Retailing Glengarry Hancocks	Mt Wellington	1,156,391	16,175,000	7.1%	20,278
76 Carbine Road	Wesfarmers Industrial & Safety Atlas Gentech	Mt Wellington	420,000	5,400,000	7.8%	6,413
7 Carmont Place	Packsys CMI	Mt Wellington	535,000	6,750,000	7.9%	5,286
85 Cavendish Drive	Big Save Furniture Greenmark Wholesaler Reece	Manukau	807,884	9,450,000	8.5%	4,964
212 Cavendish Drive	Toll Logistics New Zealand Wine Cellars	Manukau	1,208,624	14,200,000	8.5%	15,522
15 Copsey Place [i]	Barkers Clothing Intelligent Environments	Avondale	114,733	5,000,000	2.3%	13,581
6 Donnor Place	Wickliffe	Mt Wellington	1,246,167	16,200,000	7.7%	14,555
8 Hugo Johnston Drive	Argyle Schoolwear Tenix Kings Transport & Logistics YSM Corp Jin Hui Ou & Bi Ou Yang	Penrose	632,841	7,600,000	8.3%	4,354
12 Hugo Johnston Drive	Ricoh Hallmark Cards Bowls NZ Inc	Penrose	329,755	3,700,000	8.9%	2,637
16 Hugo Johnston Drive	Modempak Encap Group	Penrose	346,615	4,150,000	8.4%	2,619
44 Mandeville Street	Fletcher Distribution Tyco Flow Control Pacific Windflow Technology LFA Leech & Partners	Riccarton	978,918	11,050,000	8.9%	11,489
174b Marua Road	Transpacific Industries	Mt Wellington	136,440	2,045,000	6.7%	3,744
102 Mays Road	Carter Holt Harvey	Penrose	404,400	4,840,000	8.4%	7,589
8 McCormack Place	Information Management Group	Ngauranga Gorge	819,826	8,900,000	9.2%	6,405
4-6 Mt Richmond Road	Brambles	Mt Wellington	797,965	9,450,000	8.4%	7,946
509 Mt Wellington Highway [i]	Fletcher Distribution Tileco Cafe Greco Duluxgroup	Mt Wellington	931,026	11,500,000	8.1%	8,333
511 Mt Wellington Highway	Vero Insurance	Mt Wellington	480,000	5,420,000	8.9%	3,360
515 Mt Wellington Highway	Stryker	Mt Wellington	253,490	3,210,000	7.9%	1,708
523 Mt Wellington Highway	BGH Group	Mt Wellington	213,741	2,990,000	7.1%	1,677
36 Neales Road	Cardinal Logistics	East Tamaki	1,115,178	12,650,000	8.8%	12,537
9 Nesdale Avenue	Brambles	Wiri	605,000	6,860,000	8.8%	14,182

Property *Continued*	Tenant	Location	Total Contract Rent	2012 Valuation	Yield on Valuation	Lettable area (sqm)
1 Niall Burgess Road	R L Button & Co	Mt Wellington	210,541	2,800,000	7.5%	1,742
2-6 Niall Burgess Road	New Zealand Window Shades	Mt Wellington	802,222	8,200,000	9.8%	6,821
3-5 Niall Burgess Road	Electrolux	Mt Wellington	1,006,654	13,300,000	7.6%	9,759
7-9 Niall Burgess Road	DHL Supply Chain	Mt Wellington	2,004,077	22,700,000	8.8%	23,565
10 Niall Burgess Road	Outside Broadcasting	Mt Wellington	230,500	3,025,000	7.6%	1,725
19 Omega Street	New Zealand Automobile Association Just Switchboards	Rosedale	174,241	2,250,000	7.7%	898
50 Parkside Road [i]	Transpacific Industries Group	Lower Hutt	334,740	3,600,000	9.3%	9,539
61-69 Patiki Road	Bidvest Gunnersen Dorma Embroidery Works Postie Plus JB Trading Itech Plus	Avondale	1,060,220	12,250,000	8.7%	9,718
58 Richard Pearse Drive	Pharmacy Retailing	Mangere	957,833	12,240,000	7.8%	10,549
1 Ron Driver Place	Stewart Scott Cabinetry	East Tamaki	393,819	5,235,000	7.5%	4,032
320 Rosebank Road	Doyle Sails	Avondale	649,372	7,500,000	8.7%	6,625
326 Rosebank Road	Te Ngahere	Avondale	82,501	1,060,000	7.8%	1,312
686 Rosebank Road	New Zealand Comfort Group Universal Specialities Roadshow Entertainment Akzo Nobel Coatings AA Insurance NZ Racing Laboratory Services Multiflora Laboratories	Avondale	2,355,814	27,900,000	8.4%	21,716
322 Rosedale Road	Imake Parkland Products Home Transfer Centre	Rosedale	887,346	11,400,000	7.8%	7,783
48 Seaview Road	Goughs Gough & Hamer Bridgestone Multispares BP Oil	Seaview, Lower Hutt	541,441	6,400,000	8.5%	11,788
170 Swanson Road	Transportation Auckland Corporation	Swanson	924,261	12,400,000	7.5%	37,601
5 Vestey Drive	PPG Industries	Mt Wellington	215,000	2,585,000	8.3%	1,269
7 Vestey Drive	Wickliffe	Mt Wellington	460,000	6,020,000	7.6%	4,598
9 Vestey Drive	Multispares	Mt Wellington	192,861	2,705,000	7.1%	1,600
11 Vestey Drive	ASB Bank	Mt Wellington	491,727	5,940,000	8.3%	3,625
15a Vestey Drive	Skills For Work PMP Maxum	Mt Wellington	532,554	6,180,000	8.6%	3,249
36 Vestey Drive	Fox Air	Mt Wellington	132,500	1,850,000	7.2%	1,120
127 Waterloo Road	DHL Supply Chain	Hornby	276,959	3,550,000	7.8%	3,519
41 William Pickering Drive	Mayo Hardware Meridian Energy So-Pac Marine	Rosedale	405,385	5,050,000	8.0%	3,029
Total			**31,308,550**	**382,180,000**	**8.2%**	**379,306**
30-32 Bowden Road	Fletcher Building Products	Mt Wellington	1,269,823	15,000,000	8.5%	18,497
Total *Including 30-32 Bowden Road which settled Q1 2013*			**32,578,373**	**397,180,000**	**8.2%**	**397,803**

i Property is part vacant.



Bridgestone, 48 Seaview Road, Seaview, Lower Hutt.

BOARD OF DIRECTORS

PETER MASFEN
CHAIRMAN, INDEPENDENT DIRECTOR

Peter Masfen joined the PFI board in May 2002 and was appointed chairman in June 2002. He is chairman of the Masfen Holdings Limited Group of companies and is a director of and has interests in a number of private companies in New Zealand including Mount Linton Station Limited and Greymouth Petroleum Limited. He is a trustee of King's College, Auckland and King's School, Auckland, and Woolf Fisher Trust.

Director since 2002.
Last re-elected May 2010.

HUMPHRY ROLLESTON
INDEPENDENT DIRECTOR

Humphry Rolleston is a director of and has interests in a number of private companies in New Zealand. He is chairman of ANZCRO Pty Limited and a director of SKY Network Television Limited, Mercer Group Limited, Infratil Limited, Asset Management Limited and Matrix Security Limited.

Director since 1994.
Last re-elected May 2011.

ANTHONY BEVERLEY
INDEPENDENT DIRECTOR

Anthony Beverley is a professional director and consultant, consulting to both the private and public sector on a wide variety of property matters. Formerly head of property for AMP Capital Investors (New Zealand) Limited, Anthony's other directorships include Marlborough Lines Limited, Harbour Quays A1 Ltd, Harbour Quays D4 Ltd and Harbour Quays F1 F2 Ltd.

Director since 2001.
Last re-elected May 2012.

MANAGEMENT TEAM

GREG REIDY
DIRECTOR REPRESENTING THE MANAGER

Greg Reidy is Managing Director of PFIM Limited and also Managing Director of McDougall Reidy & Co. He has a background in property investment, funds management and development. Greg has more than 15 years' experience in the management, ownership and development of industrial, commercial and retail property. Greg is a graduate of Lincoln University, completing a Bachelor of Commerce majoring in property valuation and management.

Director since January 2012.
Last re-elected May 2012.

NICK COBHAM
GENERAL MANAGER

Before becoming General Manager of PFI, Nick Cobham spent more than four years as Development Manager for McDougall Reidy & Co, managing industrial and commercial development projects. He also has previous experience in the listed property sector with Capital Properties New Zealand and has a background in property valuation and funds management. Nick is a registered valuer and a graduate of Massey University where he completed his property valuation degree and finance qualification.

CRAIG PEIRCE
CHIEF FINANCIAL OFFICER & COMPANY SECRETARY

Craig Peirce has more than 10 years property industry experience including almost four years as Chief Financial Officer of McDougall Reidy & Co. Craig previously spent six years in London working in property funds management at LaSalle Investment Management and General Electric Real Estate. Craig is a graduate of Auckland University and is a Chartered Accountant, having trained as an auditor at PricewaterhouseCoopers.

COMPANY STRUCTURE

PFI is a publicly listed company established in 1994 and managed by PFIM Limited. The manager reports to the board of directors and is responsible for all property portfolio and company management functions. The manager is paid a management fee for carrying out these responsibilities. The board currently has four directors, three of whom are independent and one representing the manager.

MANAGEMENT STRUCTURE

PFIM is a private company owned by interests associated with McDougall Reidy & Co. The key individuals have extensive experience in the ownership, management and development of industrial property.

PFI's management fee structure is designed to align the interests of the manager and shareholders and to reward the manager for outperformance in the growth of shareholder wealth over time. PFI pays a base management fee plus an incentive fee calculated on total shareholder returns.

The base fee is calculated at 0.70% of assets under management for assets under management of up to $175 million. Thereafter, the base fee is calculated at 0.35% of assets under management. The incentive fee is calculated as 10% of the change in shareholder wealth above 10% and under 15%.

STRATEGIC OBJECTIVE

PFI's strategic objective is to provide shareholders with a target minimum annual increase in shareholder wealth of 10% through a combination of income and capital growth by way of management of industrial property assets.

INVESTMENT STRATEGY

PFI's investment strategy is to:

- Invest in quality industrial property in New Zealand's main urban centres;
- Invest in multi-purpose, rather than specialised, properties that are occupied by a balanced spread of tenants;
- Invest in properties that display above-average income and / or capital appreciation attributes. Specifically these will include properties that exhibit one or more of the following:
- Located in land constrained areas;
- Located close to important transport links;
- Located on new or improving arterial routes;
- Possess change of use potential.
- To take a financially disciplined approach, with borrowings currently limited to 35% of investment property values.
- To provide a risk-averse approach to acquisition, asset management and capital management consistent with delivering the target increase in shareholder wealth and distributing 100% operating profit as dividends.

Fletcher Building Products, 30-32 Bowden Road, Mt Wellington.

CORPORATE GOVERNANCE & STATUTORY DISCLOSURE

PRINCIPAL ACTIVITY

Property For Industry Limited (the company) is a listed industrial property investment company. Property For Industry Limited and its subsidiary, P.F.I. Property No. 1 Limited (together the group), currently invest solely in New Zealand. There has not been any change in the nature of the company's or group's business in the year ended 31 December 2012, nor in the classes of business in which the company has an interest.

GOVERNANCE

The board of Property For Industry Limited is committed to the highest standards of business behaviour and accountability. The board regularly reviews and assesses the group's governance structures and processes to ensure they are consistent with best practice standards.

As part of the board's ongoing monitoring and review of the group's governance framework, the board has developed a Corporate Governance Manual that forms the group's corporate governance framework. The Manual includes a code of ethics, describes the board's role and responsibilities and regulates board procedures. It incorporates the New Zealand Exchange Limited (NZX) listing rules relating to corporate governance, the NZX Corporate Governance Best Practice Code recommendations and the New Zealand Securities Commission Governance Principles and Guidelines. A copy of the Manual is available on the website at www.pfi.co.nz.

The Corporate Governance Manual includes:

1 Code of Ethics;
2 Board Charter;
3 Audit Committee Charter;
4 Nomination Policy;
5 Remuneration Policy;
6 Share Trading Policy; and
7 Audit Independence Policy.

COMPLIANCE WITH NZX REQUIREMENTS

The NZSX Listing Rules require that companies such as PFI disclose the ways in which their corporate governance processes materially differ from the processes prescribed by the Code. PFI considers that it materially complies with the NZX Corporate Governance Best Practice Code except as stated below in respect of a nomination committee or remuneration committee. PFI's Corporate Governance Manual is available on its website at www.pfi.co.nz.

CODE OF ETHICS

The board has developed a code of ethics that forms part of the Corporate Governance Manual. The code of ethics is intended to provide a framework for Property For Industry Limited's directors, managers, representatives and subsidiary by which they are expected to conduct their duties by facilitating behaviour that is consistent with PFI's business standards. The code is available on the website at www.pfi.co.nz.

BOARD COMPOSITION, APPOINTMENTS, INDEPENDENCE & OPERATION

The constitution allows for between three and eight directors. As at 31 December 2012 there were four directors: three independent directors and one representative of the manager. It is company policy that there should always be a majority of independent directors.

The directors of the company and its subsidiary as at 31 December 2012 were:

- Peter Masfen
  Chairman, Independent director;
- Humphry Rolleston
  Independent director;
- Anthony Beverley
  Independent director;
- Gregory (Greg) Reidy
  Director representing the manager.

The constitution provides that one third (or the nearest whole number to one third) of the directors must offer themselves for re-election at a meeting of shareholders each year.

All the above are also directors of the company's subsidiary, P.F.I. Property No. 1 Limited.

BOARD COMMITTEES

The board has established an Audit Committee in accordance with the NZX Corporate Governance Best Practice Code. The Audit Committee has developed a written charter that outlines the Audit Committee's authority, duties, responsibilities and relationship with the board. The board is required to regularly review the performance of the Audit Committee. In addition to the Audit Committee Charter the board has developed a policy on audit independence.

At reporting date, the members of the Audit Committee were Peter Masfen, Humphry Rolleston and Anthony Beverley.

The board has not established a nomination committee or a remuneration committee. This differs from the NZX Corporate Governance Best Practice Code recommendation that the board establishes these committees to recommend director appointments to the board and recommend remuneration packages for directors to the shareholders. The board considers that size constraints prevent it from establishing such committees. However, the board has developed nomination and remuneration policies which form part of the Corporate Governance Manual and are intended to guide the directors in making nominations and developing remuneration packages. The board considers that the policies are consistent with best practice governance standards and this approach is appropriate given the size constraints of the board.

BOARD CHARTER

The board has developed a charter that sets out its authority, duties and responsibilities. The board has adopted the following governance objectives:

- to establish a clear framework for oversight and management of the company's operations and for defining the respective roles and responsibilities of the board and management;
- to structure itself to be effective in discharging its responsibilities and duties;
- to set standards of behaviour expected of the company's managers and representatives;
- to safeguard the integrity of the company's financial reporting;
- to ensure timely and balanced disclosure;
- to respect and facilitate the rights of shareholders;
- to recognise and manage risk;
- to encourage board and management effectiveness;
- to remunerate fairly and responsibly;
- to recognise the legitimate interests of all stakeholders.

The board also has statutory responsibility for the affairs and activities of the company. It is responsible for producing annual financial statements that comply with generally accepted accounting practice and provide a true and fair view of the company's financial position.

The board has an obligation to protect and enhance the value of the assets of the company for the benefit of shareholders. It achieves this through approval of appropriate corporate strategies, with particular attention to capital structure, acquisition and divestment proposals, capital expenditure and the review of the performance of the manager on a regular basis.

The board delegates implementation of the adopted corporate strategies to the manager.

The manager is contractually bound to manage the company for which it receives a management fee. The manager's duties are defined as:

- investment management duties;
- property management duties;
- administrative management duties.

The manager is responsible for attending to the financial and reporting needs of the company.

The Audit Committee, comprising all independent directors, meets twice a year (or more frequently if required) with the auditor to review the outcome of the interim review (30 June) and annual audit (31 December), and to recommend the annual audit and the annual financial statements for adoption by the full board.

ATTENDANCES OF DIRECTORS AT THE 2012 FORMAL MEETINGS OF THE BOARD & AUDIT COMMITTEE

	Board of directors		Audit Committee	
	Meetings Held	Meetings Attended	Meetings Held	Meetings Attended
Peter Masfen	7	7	2	2
Humphry Rolleston	7	7	2	2
Anthony Beverley	7	7	2	2
Gregory Reidy[1]	7	7	-	-

[1] Gregory Reidy was not a member of the Audit Committee at any point during 2012.

GENDER COMPOSITION OF DIRECTORS & OFFICERS

As at 31 December 2012, all of the directors of the company and its sole subsidiary are male. The company does not have any employees and therefore has no officers.

DIRECTORS' INTERESTS REGISTER

During the year the board authorised the renewal of the directors' and officers' insurance cover as at 30 June 2012 for a period of 12 months and has certified, in terms of section 162 of the Companies Act 1993, that this cover is fair to the company.

No director has given notice to the company of an interest in any transaction with the company or its subsidiaries.

No director has sought authorisation to use company information.

The board has developed a policy that covers trading in PFI's securities and the disclosure requirements for directors, managers and representatives. This policy forms part of the Corporate Governance Manual and is available on the website at www.pfi.co.nz.

DIRECTORS' REMUNERATION

As noted previously, the board, in setting the directors' remuneration, is to be guided by the remuneration policy that forms part of the Corporate Governance Manual.

All values in $000	2012	2011
Peter Masfen	80	80
Humphry Rolleston	50	50
Anthony Beverley	47	–
Gregory Reidy[1]	–	–
Total	**177**	**130**

[1] No directors' remuneration was paid to Gregory Reidy due to him being a director representing the manager.

DEALINGS IN COMPANY SECURITIES DURING 2012

The board has developed a policy that deals with directors, managers and representatives trading in Property For Industry Limited's securities and the disclosure requirements. This policy forms part of the Corporate Governance Manual and is available on the website at www.pfi.co.nz.

There have been no dealings in company securities during 2012 by any director.

Neither the company nor its subsidiary has provided any other benefits to a director for services as a director or in any other capacity.

Neither the company nor its subsidiary has made loans to a director.

Neither the company nor its subsidiary has guaranteed any debts incurred by a director.

EMPLOYEE REMUNERATION

Neither the company nor its subsidiary has any employees, accordingly no employees, or former employees, of the company or its subsidiary received remuneration or other benefits in their capacity as employees, the value of which was or exceeded $100,000 per annum.

DIRECTORS' & MANAGER'S SHAREHOLDINGS AS AT 31 DECEMBER 2012

		2012	2011
Peter Masfen	Beneficial	4,000,905	4,000,905
	Non-beneficial	250,000	250,000
Humphry Rolleston	Beneficial	119,057	119,057
Anthony Beverley	Non-beneficial	–	612,055
Gregory Reidy	–	–	–

DONATIONS

Neither the company nor its subsidiaries made any donations during the year.

AUDITOR'S FEES

All values in $000		2012	2011
BDO Auckland	Audit fees (audit of the financial statements)	39,000	41,000
BDO Auckland	Other fees paid to auditors (for other assurance services)	18,000	37,000

SUBSTANTIAL SHAREHOLDER NOTICES AS AT 28 FEBRUARY 2013

As at 28 February 2013 the total number of shares on issue was 220,410,728. There were no substantial security holders as at 28 February 2013 nor were there at any time in the current or prior year.

SHAREHOLDER STATISTICS

20 LARGEST REGISTERED SHAREHOLDERS AS AT 28 FEBRUARY 2013

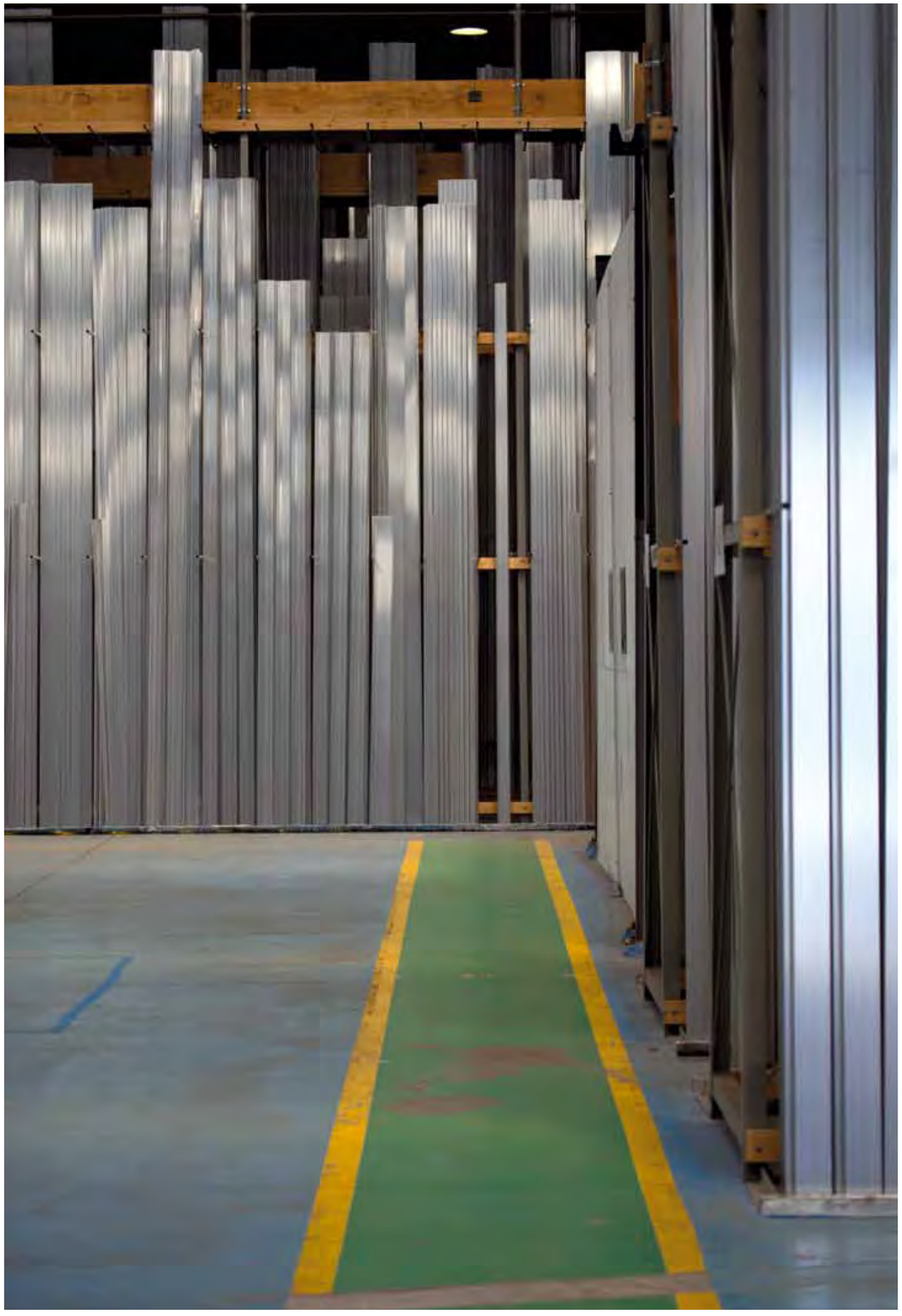
	Holder	Holding	% holding
1	Custodial Services Limited	22,647,238	10.28%
2	FNZ Custodians Limited	18,294,686	8.30%
3	National Nominees New Zealand Limited - NZCSD	13,896,076	6.30%
4	Investment Custodial Services Limited	9,872,936	4.48%
5	BNP Paribas Nominees (NZ) Limited - NZCSD	8,273,165	3.75%
6	Private Nominees Limited - NZCSD	4,258,245	1.93%
7	Accident Compensation Corporation - NZCSD	4,118,056	1.87%
8	Forsyth Barr Custodians Limited	4,111,128	1.87%
9	Masfen Securities Limited	4,000,905	1.82%
10	Premier Nominees Limited - NZCSD	3,351,103	1.52%
11	BT NZ Unit Trust Nominees Limited - NZCSD	2,813,006	1.28%
12	Superlife Trustee Nominees Limited	2,804,154	1.27%
13	MFL Mutual Fund Limited - NZCSD	2,371,460	1.08%
14	Citibank Nominees (New Zealand) Limited - NZCSD	2,222,888	1.01%
15	PMG Trust Limited	1,502,148	0.68%
16	TEA Custodians Limited - NZCSD	1,409,412	0.64%
17	New Zealand Superannuation Fund Nominees Limited - NZCSD	1,400,000	0.64%
18	Mint Nominees Limited - NZCSD	1,264,294	0.57%
19	New Zealand Depository Nominee Limited	1,133,764	0.51%
20	University of Otago Foundation Trust	1,008,739	0.45%
	Shares held by top 20 shareholders	110,753,403	50.25%
	Balance of shares	109,657,325	49.75%
	Total of issued shares	220,410,728	100.00%

SHAREHOLDER SPREAD AS AT 28 FEBRUARY 2013

Ordinary shares	Number of holders	Percentage of holders	Percentage holding
Up to 4,999	822	17.2%	1.00%
5,000-9,999	992	20.7%	3.20%
10,000-49,999	2,507	52.5%	23.70%
50,000-99,999	297	6.2%	8.80%
100,000-499,999	137	2.9%	10.70%
500,000 and above	26	0.5%	52.60%
Total	4,781	100.0%	100.0%

GEOGRAPHICAL SPREAD AS AT 28 FEBRUARY 2013

Ordinary shares	Number of holders	Percentage of holders
Auckland & Northern Region	1,576	33.0%
Hamilton & Surrounding Districts	1,231	25.7%
Wellington & Central Districts	921	19.3%
Nelson, Marlborough & Christchurch	572	12.0%
Dunedin & Southland	379	7.9%
Unknown	35	0.7%
Overseas	67	1.4%
Total	4,781	100.0%



Fletcher Building Products, 30-32 Bowden Road, Mt Wellington.

FIVE YEAR PERFORMANCE SUMMARY

Year Ended 31 December	2012	2011	2010	2009	2008
Rental income ($000)	**29,214**	30,589	32,357	31,218	32,470
Net distributable profit attributable to shareholders ($000)	**14,600**	15,776	18,198	15,920	15,699
Profit after tax before unrealised revaluations ($000) [a]	**13,273**	16,914	13,688	14,712	20,571
Unrealised revaluations ($000) [a]	**13,659**	(566)	(3,676)	(27,226)	(52,483)
Adjusted net surplus ($000) [b]	**25,873**	16,087	10,713	(11,957)	(31,912)
Net debt ($000)	**114,029**	102,616	111,564	123,076	111,467
Investment property ($000)	**375,494**	350,734	348,724	363,091	379,508
Shareholders' funds (adjusted, $000) [c]	**246,006**	232,030	228,798	231,792	257,344
Gross debt to total property and other assets (%)	**29.65%**	28.62%	30.95%	33.20%	28.91%
Gross interest cover (X)	**3.13X**	3.30X	3.52X	3.50X	3.20X
Management expense ratio (%)	**0.55%**	0.58%	0.61%	0.59%	0.69%
Pre tax return on shareholders' funds after property revaluations (%) [b][d]	**12.12%**	9.72%	7.58%	(3.44%)	(8.31%)
Weighted average cost of capital (%) [c]	**7.65%**	6.73%	7.71%	8.08%	8.21%
Shareholder total gross returns (%)	**12.16%**	9.09%	3.10%	16.03%	(16.55%)
Annual gross dividend yield on average share price (%)	**6.98%**	7.38%	7.15%	7.93%	7.44%
Gross dividend (cents per share)	**8.21**	8.65	8.25	9.07	8.83
Net dividend (cents per share)	**6.60**	7.18	7.18	7.18	7.18
Net tangible assets (adjusted, cents per share) [c]	**111.61**	105.94	105.55	108.04	121.15
Net tangible assets (cents per share)	**113.46**	108.37	107.98	110.46	123.57
Basic earnings before revaluations (cents per share) [a][b][e][f]	**5.55**	7.61	6.66	7.15	9.73
Basic earnings after revaluations (cents per share) [a][b][e][f]	**11.76**	7.36	4.96	(5.60)	(15.09)
Number of properties owned (#)	**50**	49	52	55	57
Portfolio gross income yield on valuation (%)	**8.42%**	8.47%	8.96%	8.84%	8.64%
Average unexpired lease term (years)	**4.80**	4.17	4.08	4.52	4.70
Portfolio occupancy (%)	**97.4%**	95.6%	99.5%	99.6%	99.4%
Closing shares on issue (shares)	**220,410,728**	219,010,665	216,759,430	214,543,507	212,434,449
Average shares (shares)	**220,018,354**	218,721,123	215,990,485	213,455,574	211,467,583
Number of shareholders (#)	**4,784**	4,927	4,991	5,152	5,247
Gross shareholder returns since listing (annualised, %)	**8.44%**	8.55%	8.49%	8.91%	8.42%

(a) Unrealised revaluations includes changes in values of properties and derivative financial instruments and excludes gain/(loss) on vendor finance receivable.

(b) Excludes gain/(loss) on sale of property.

(c) Adjusted for final dividend.

(d) After unrealised changes in value of properties.

(e) Calculated on weighted average shares for the year.

(f) Includes taxes.

Property For Industry Limited

FINANCIAL STATEMENTS

For the year ended 31 December 2012

STATEMENTS OF COMPREHENSIVE INCOME

For the year ended 31 December 2012

All values in $000's	NOTE	Group 2012	Group 2011	Parent 2012	Parent 2011
OPERATING REVENUE					
Rental income	6	29,214	30,589	-	-
Interest income	7	18	66	18	66
Management fee income	8	192	219	-	1,865
Total operating revenue		29,424	30,874	18	1,931
OPERATING EXPENSES					
Audit fees		(39)	(41)	(39)	(41)
Other fees paid to auditors for agreed upon procedures engagements		(18)	(37)	(18)	(37)
Directors' fees	9	(177)	(130)	(177)	(130)
Interest expense and bank fees	7	(8,103)	(8,343)	(8,103)	(8,463)
Management fees	27	(1,882)	(1,865)	(1,882)	(1,865)
Non-recoverable property costs	10	(1,329)	(580)	(178)	(140)
Other expenses	11	(628)	(612)	(628)	(612)
Total operating expenses		(12,176)	(11,608)	(11,025)	(11,288)
Total operating earnings		17,248	19,266	(11,007)	(9,357)
NON OPERATING INCOME AND EXPENSES					
Unrealised net change in fair value of investment properties	18	12,302	3,653	-	-
Gains on disposals of investment properties	18	1,059	261	-	-
Unrealised net change in fair value of derivative financial instruments	20	1,357	(4,219)	1,357	(4,219)
Total non operating income and expenses		14,718	(305)	1,357	(4,219)
Profit/(loss) before taxation		31,966	18,961	(9,650)	(13,576)
TAXATION					
Current taxation	16	(3,579)	(3,490)	2,995	2,620
Deferred taxation	16	(1,455)	877	(314)	1,181
Total taxation		(5,034)	(2,613)	2,681	3,801
Profit/(loss) for the year attributable to the shareholders of the Parent		26,932	16,348	(6,969)	(9,775)
Other comprehensive income		-	-	-	-
Total comprehensive income/(loss) for the year attributable to the shareholders of the Parent	12	**26,932**	**16,348**	**(6,969)**	**(9,775)**
Basic and diluted earnings (cents per share)	13	12.24	7.47		

The accompanying notes form part of these financial statements.

STATEMENTS OF CHANGES IN EQUITY

For the year ended 31 December 2012

All values in $000's	NOTE	Group Share Capital	Group Retained Earnings	Group Total	Parent Share Capital	Parent Accumulated Losses	Parent Total
Balance at 1 January 2011		**167,334**	**66,720**	**234,054**	**167,334**	**(127,842)**	**39,492**
Profit/(loss) for the year		-	16,348	16,348	-	(9,775)	(9,775)
Other comprehensive income		-	-	-	-	-	-
Total comprehensive income/(loss) for the year ended 31 December 2011		*-*	*16,348*	*16,348*	*-*	*(9,775)*	*(9,775)*
TRANSACTIONS WITH OWNERS RECOGNISED DIRECTLY IN EQUITY							
Dividend reinvestment	23	2,553	-	2,553	2,553	-	2,553
Dividends to shareholders	12	-	(15,614)	(15,614)	-	(15,614)	(15,614)
Subtotal		*2,553*	*(15,614)*	*(13,061)*	*2,553*	*(15,614)*	*(13,061)*
Balance at 31 December 2011		**169,887**	**67,454**	**237,341**	**169,887**	**(153,231)**	**16,656**
Balance at 1 January 2012		**169,887**	**67,454**	**237,341**	**169,887**	**(153,231)**	**16,656**
Profit/(loss) for the year		-	26,932	26,932	-	(6,969)	(6,969)
Other comprehensive income		-	-	-	-	-	-
Total comprehensive income/(loss) for the year ended 31 December 2012		*-*	*26,932*	*26,932*	*-*	*(6,969)*	*(6,969)*
TRANSACTIONS WITH OWNERS RECOGNISED DIRECTLY IN EQUITY							
Dividend reinvestment	23	1,584	-	1,584	1,584	-	1,584
Dividends to shareholders	12	-	(15,773)	(15,773)	-	(15,773)	(15,773)
Subtotal		*1,584*	*(15,773)*	*(14,189)*	*1,584*	*(15,773)*	*(14,189)*
Balance at 31 December 2012		**171,471**	**78,613**	**250,084**	**171,471**	**(175,973)**	**(4,502)**

The accompanying notes form part of these financial statements.

STATEMENTS OF FINANCIAL POSITION

As at 31 December 2012

All values in $000's	NOTE	Group 2012	Group 2011	Parent 2012	Parent 2011
CURRENT ASSETS					
Cash and cash equivalents (cash at bank on call)	25	171	-	171	-
Accounts receivable	14	1,326	915	-	-
GST receivable		-	-	13	93
Prepayments and other assets	15	2,094	2,483	527	529
Taxation recoverable	16	-	-	-	338
Loans to subsidiaries	17	-	-	114,070	124,159
Total current assets		*3,591*	*3,398*	*114,781*	*125,119*
NON-CURRENT ASSETS					
Prepayments and other assets	15	5,527	4,338	336	504
Investment properties	18	375,494	350,777	-	-
Investment in subsidiaries	17	-	-	1,750	1,750
Deferred tax assets	16	-	-	2,333	2,647
Total non-current assets		*381,021*	*355,115*	*4,419*	*4,901*
Total assets		**384,612**	**358,513**	**119,200**	**130,020**
CURRENT LIABILITIES					
Bank overdraft	25	-	116	-	116
Accounts payable, accruals and other liabilities	19	2,816	1,882	1,405	1,294
Taxation payable	16	1,091	509	-	-
GST payable		443	285	-	-
Derivative financial instruments	20	8,097	9,454	8,097	9,454
Total current liabilities		*12,447*	*12,246*	*9,502*	*10,864*
NON-CURRENT LIABILITIES					
Borrowings	21	114,200	102,500	114,200	102,500
Deferred tax liabilities	16	7,881	6,426	-	-
Total non-current liabilities		*122,081*	*108,926*	*114,200*	*102,500*
Total liabilities		**134,528**	**121,172**	**123,702**	**113,364**
Net assets/(liabilities)	22	**250,084**	**237,341**	**(4,502)**	**16,656**
EQUITY					
Share capital	23	171,471	169,887	171,471	169,887
Retained earnings/(accumulated losses)		78,613	67,454	(175,973)	(153,231)
Total equity		**250,084**	**237,341**	**(4,502)**	**16,656**

The accompanying notes form part of these financial statements.

Authorised for and on behalf of the Board:

Peter Masfen Chairman
As at 18 February 2013

Gregory Reidy Director
As at 18 February 2013

STATEMENTS OF CASH FLOWS

For the year ended 31 December 2012

All values in $000's	NOTE	Group 2012	Group 2011	Parent 2012	Parent 2011
CASH FLOWS FROM OPERATING ACTIVITIES					
Receipts from customers		29,356	30,106	-	1,865
GST received/(paid)		158	330	80	(48)
Interest received		18	66	18	66
Taxation (paid)/received		(2,997)	(2,554)	-	2,317
Payments to suppliers		(5,050)	(5,762)	(2,799)	(3,007)
Interest and other finance costs paid		(7,945)	(7,518)	(7,945)	(8,343)
Net cash flows from operating activities	*24*	*13,540*	*14,668*	*(10,646)*	*(7,150)*
CASH FLOWS FROM INVESTING ACTIVITIES					
Proceeds from sales of investment properties		16,614	12,839	-	-
Receipts from subsidiaries		-	-	13,422	29,159
Capitalisation of interest on development properties		-	(120)	-	-
Purchases and development of investment properties		(27,378)	(5,378)	-	-
Net cash flows from investing activities		*(10,764)*	*7,341*	*13,422*	*29,159*
CASH FLOWS FROM FINANCING ACTIVITIES					
Proceeds from term loans		49,850	23,300	49,850	23,300
Dividends to shareholders		(14,189)	(13,061)	(14,189)	(13,061)
Repayments of term loans		(38,150)	(32,000)	(38,150)	(32,000)
Net cash flows from financing activities		*(2,489)*	*(21,761)*	*(2,489)*	*(21,761)*
Net change in cash and cash equivalents		*287*	*248*	*287*	*248*
Cash and cash equivalents at beginning of period		(116)	(364)	(116)	(364)
Cash and cash equivalents at end of period	25	**171**	**(116)**	**171**	**(116)**

The accompanying notes form part of these financial statements.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the year ended 31 December 2012

1. GENERAL INFORMATION

The financial statements as at and for the year ended 31 December 2012 are those of Property For Industry Limited (the Company, the Parent) and the consolidated financial statements are of the Company and its subsidiary P.F.I. Property No. 1 Limited (PFI No1) (together, the Group).

The Company is a limited liability company incorporated in New Zealand and is registered under the New Zealand Companies Act 1993.

The Company is an issuer for the purposes of the Financial Reporting Act 1993 and its financial statements and the consolidated financial statements (together, "the financial statements") are prepared in accordance with the Financial Reporting Act 1993.

The registered office of the Company is Shed 24, Princes Wharf, 147 Quay Street, Auckland 1010.

The Company is registered on the New Zealand Stock Exchange (NZSX: PFI).

The Company and Group's principal activity is property investment and management.

The Company and Group are profit oriented businesses.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of the financial statements are set out below. These policies have been consistently applied by all members of the Group to all years presented, unless otherwise stated.

A. BASIS OF PREPARATION

Statement of compliance
The financial statements have been prepared in accordance with New Zealand Generally Accepted Accounting Practice (NZ GAAP). They comply with the New Zealand Equivalents to International Financial Reporting Standards (NZ IFRS)and other applicable Financial Reporting Standards as appropriate to profit oriented entities. The financial statements also comply with International Financial Reporting Standards (IFRS).

Preparation of the financial statements
The financial statements have been prepared on the historical cost basis except for investment properties and certain derivative financial instruments which are measured at fair value, as set out below.

The financial statements have been prepared using the New Zealand dollar as the functional and presentation currency. Unless otherwise indicated, all financial information is presented in New Zealand dollars and has been rounded to the nearest thousand.

New standards and amendments to existing standards effective after 1 January 2012
There have been no new standards adopted for the period beginning 1 January 2012. A number of minor amendments and improvements to NZ IFRS have been adopted but they have not had a significant impact on the Group's accounting policies.

Standards and amendments to existing standards effective from 1 January 2013
At the date of authorisation of the financial statements of the Group for the year ended 31 December 2012, the following standards and interpretations were in issue but not yet effective:

Standards/Interpretations		Effective Date (Annual periods commencing on or after)
Annual Improvements	Annual Improvements 2009 - 2011 Cycle	1 January 2013
NZ IAS 1 (amendment)	Presentation of Items of Other Comprehensive Income	1 July 2012
NZ IAS 27	Separate Financial Statements	1 January 2013
NZ IAS 32	Financial Instruments: Presentation Amendment - Offsetting	1 January 2014
NZ IFRS 7	Amendments - Offsetting Financial Assets and Financial Liabilities	1 January 2013
NZ IFRS 7	Amendment - Transition Disclosures	1 January 2015
NZ IFRS 9	Financial Instruments	1 January 2013
NZ IFRS 9	Amendment - Mandatory Effective Date	1 January 2015
NZ IFRS 10	Consolidated Financial Statements	1 January 2013
NZ IFRS 11	Joint Arrangements	1 January 2013
NZ IFRS 12	Disclosure of Interest in Other Entities	1 January 2013
NZ IFRS 13	Fair Value Measurement	1 January 2013

All standards and interpretations will be adopted at their effective date (except for those that are not applicable to the Group).

The Directors have reviewed all standards and amendments to existing standards not yet effective. The Directors have assessed NZ IFRS 10 to have no impact on the 2013 Financial Statements and the implementation of NZ IFRS 13: Fair Value Measurement to result in additional fair value disclosures.

The Directors are of the opinion that the impact of the application of the remaining standards and interpretations will be minor or not currently quantifiable.

B. BASIS OF CONSOLIDATION

Subsidiaries are entities controlled by the Group. Control exists when the Group has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights that currently are exercisable are taken into account. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

Intra-group balances and transactions, including any unrealised income and expenses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements.

In the Company's financial statements, investments in subsidiaries are carried at cost less impairment losses.

Further details of the Group's subsidiary company (2011: companies) are disclosed in note 17 to the financial statements.

C. REVENUE

Rental income from investment properties is recognised in the profit or loss on a straight line basis over the term of the lease.

Lease incentives are capitalised within prepayments in the statement of financial position and amortised on a straight line basis as an integral part of rental income in the profit or loss over the length of the lease to which they relate.

Interest income comprises interest receivable on funds invested and is recognised as it accrues in the profit or loss, using the effective interest method.

Management fee income is recognised in the profit or loss in the period in which the services are rendered.

D. INTEREST EXPENSE AND BANK FEES

Interest expense and bank fees comprise interest and bank fees payable on funds borrowed and derivative financial instruments. These are recognised as they accrue in the profit or loss, using the effective interest method.

Interest expense is recognised in the profit or loss except in relation to qualifying assets as defined in NZ IAS 23 (Borrowing Costs), where it is included in the cost of investment properties under construction. Where borrowing costs are specific to a particular investment property under construction, the rate at which borrowing costs are capitalised is determined by reference to the weighted average borrowing costs of the group, the average level of borrowings by the group and the amounts spent on the particular investment property under construction.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

E. TAXATION

The Company and Group are a listed Portfolio Investment Entity (PIE) for the purposes of the Income Tax Act 2007. Tax is accounted for on a consolidated Group basis and the Group is required to pay tax to the Inland Revenue as required by the Income Tax Act 2007. Income tax expense comprises current and deferred tax. Income tax expense is recognised in profit or loss in the for the year, except to the extent that it relates to items recognised directly in other comprehensive income, in which case it is recognised in other comprehensive income.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax is provided for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is recognised for the following temporary differences:

- The tax liability arising from accumulated depreciation claimed on investment properties, where applicable.
- The tax asset/liability arising from the allowance for impairment.
- The tax asset/liability arising from the unrealised gains/losses on the revaluation of interest rate swaps.

Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date.

Deferred tax is not recognised for the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss, nor differences relating to investments in subsidiaries to the extent that it is probable that they will not reverse in the foreseeable future.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different entities, but they intend to settle current tax assets and liabilities on a net basis.

A deferred tax asset is recognised to the extent that it is probable that future taxable profits will be available against which temporary differences can be utilised.

Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Additional income taxes that arise from the distribution of dividends are recognised at the same time as the liability to pay the related dividend is recognised.

F. INVESTMENT PROPERTIES

Investment properties are properties held to earn rental income and for long term capital appreciation, but not for sale in the ordinary course of business, use in the production or supply of goods or services or for administrative purposes.

After initial recognition at cost including directly attributable transaction costs, investment properties are stated at fair value, on the basis of current market valuations made by independent registered public valuers on an annual basis. Gains or losses arising from changes in the fair values of investment properties are included in the profit or loss in the year in which they arise.

Where the Directors consider that the independent valuation does not give a true and fair view then adjustments will be made and fully disclosed. Any such adjustments in valuations would be recognised in the profit or loss for the year. For the years ended 31 December 2012 and 31 December 2011 no such adjustments were made.

Gains or losses on the disposal of investment properties are recognised in the profit or loss in the period in which the risks and rewards of the investment property have been fully transferred to the vendor.

The fair value of investment property reflects, among other things, rental income from current leases and assumptions about rental income from future leases in the light of the current market conditions. The fair value also reflects, on a similar basis, the cash outflows that could be expected in respect of the property.

No depreciation or amortisation is provided for on investment properties. However, for tax purposes, depreciation is claimed on building fit-out and a deferred tax liability is recognised where the building component of the registered valuation exceeds the tax book value of the building.

G. INVESTMENT PROPERTY UNDER CONSTRUCTION

Fair value measurement on investment property under construction is only applied if the fair value is considered to be reliably measureable.

In order to evaluate whether the fair value of an investment property under construction can be determined reliably, the Board and Management considers the following factors, among others:

- The provisions of the construction contract;
- The stage of completion;
- Whether the project/property is standard (typical for the market) or non-standard;
- The level of reliability of cash inflows after completion;
- The development risk specific to the property;
- Past experience with similar constructions;
- Status of construction permits.

H. STATEMENT OF CASH FLOWS

The following is the definition of the terms used in the Statement of Cash Flows:

i. ***Cash and cash equivalents:*** means coins, notes, demand deposits and other highly liquid (being those with original maturities of three months or less) investments in which the Group has invested as part of its day to day cash management. Cash includes current liabilities such as negative cash balances in the form of overnight bank overdrafts. Cash does not include receivables or payables or any borrowing that forms part of a term facility.

ii. ***Operating activities:*** include all transactions and other events that are neither investing nor financing activities.

iii. ***Investing activities:*** include those relating to the addition, acquisition and disposal of investment properties and any addition and reduction of subsidiary investments and loans.

iv. ***Financing activities:*** are those activities that result in changes in the size and composition of the capital structure of the Group, including dividends paid.

I. GOODS AND SERVICES TAX

These financial statements have been prepared on a goods and services tax (GST) exclusive basis except for the accounts receivable and accounts payable balances which are stated inclusive of GST.

J. FINANCIAL INSTRUMENTS

i. ***Non-derivative financial instruments***

Non-derivative financial instruments comprise cash and cash equivalents, accounts receivable, loans to subsidiaries, accounts payable and borrowings.

Non-derivative financial assets are classified as loans and receivables. These are recognised initially at fair value, plus directly attributable transaction costs, and subsequently measured at amortised cost net of impairment losses.

Non-derivative financial liabilities are classified as other financial liabilities at amortised cost. These are initially measured at fair value, plus directly attributable transaction costs, and subsequently measured at amortised cost using the effective interest rate method. Under this method, directly attributable fees, costs, discounts and premiums are spread over the expected life of the instrument.

For disclosure purposes, the fair values of accounts receivable, loans to subsidiaries and accounts payable are estimated at the present value of future cash flows discounted at the market rate of interest at the reporting date. As accounts receivable and accounts payable are short term in nature as at reporting date, the carrying value is considered to be a reasonable approximation of fair value.

For disclosure purposes, the fair value of borrowings is calculated on the present value of future principal and interest cash flows, discounted at the market rate of interest at reporting date.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED) J. FINANCIAL INSTRUMENTS (CONTINUED)

ii. Derivative financial instruments

The Group is exposed to changes in interest rates and uses derivative financial instruments, principally interest rate swaps, to mitigate these risks.

Such derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently re-measured to fair value at each reporting date with gains and losses being recognised in the profit or loss. Transaction costs are expensed on initial recognition and recognised in the profit or loss. Derivatives are carried as assets when their fair value is positive and as liabilities when their fair value is negative. The fair value of derivative financial instruments is based on valuations prepared by the counterparty, based on prevailing interest rates.

The Group does not apply hedge accounting. Derivative financial instruments are merely entered into to economically hedge risk exposure.

The fair value of derivative financial instruments is the estimated amount that the Group would receive or pay to terminate the derivative contract at reporting date, taking into account current interest rates and creditworthiness of the derivative contract counterparties.

iii. De-recognition of financial instruments

The Group de-recognises a financial asset only when the contractual rights to the cash flows from the asset expire or it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity.

The Group de-recognises financial liabilities when the Group's obligations are discharged, cancelled, or they expire.

K. IMPAIRMENT

i. Financial assets

A financial asset is assessed at each reporting date to determine whether there is any objective evidence that it is impaired. A financial asset is considered to be impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows of that asset.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount, and the present value of the estimated future cash flows discounted at the original effective interest rate.

Individually significant financial assets are tested for impairment on an individual basis. The remaining financial assets are assessed collectively in groups that share similar credit risk characteristics, including any similar significant financial assets assessed individually that were not considered to be individually impaired. All impairment losses are recognised in the profit or loss.

In assessing collective impairment the Group uses objective evidence such as tenants in receivership or liquidation, tenants in default or other such information. This is adjusted for Management's judgement as to whether current economic and credit conditions are such that the actual losses are likely to be greater or less than suggested by historic trend.

An impairment loss is reversed if the reversal can be related objectively to an event occurring after the impairment loss was recognised. For financial assets measured at amortised cost the reversal is recognised in the profit or loss.

ii. Non-financial assets

The carrying amounts of the Group's non-financial assets, other than investment properties and deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated.

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For the purpose of impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (cash-generating units).

An impairment loss is recognised if the carrying amount of an asset or its cash-generating unit exceeds its estimated recoverable amount. Impairment losses are recognised in the profit or loss.

If a cash generating unit is impaired, the impairment is assigned to the assets on a pro-rata basis.

Impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined if no impairment loss had been recognised.

L. RECLASSIFICATION OF BALANCES

The Group has reclassified the following balances to assist shareholders in assessing the performance of the Group:

- Interest income: In the prior year interest income was described as interest received and was classified as a finance cost as opposed to operating income in the current year.
- Interest expense and bank fees: In the prior year interest expense and bank fees was described as finance costs and classified as a finance cost as opposed to operating expenses in the current year.
- Non recoverable property costs: In the prior year non recoverable property costs were described as property operating expenditure.
- Gains on disposals of investment properties: In the prior year gains on disposals of investment properties were classified as other income as opposed to non operating income and expenses in the current year.

In addition to this, some prepayments and other assets have been restated to non-current assets in the prior year as the Board and Management have determined that this better reflects the periods over which these assets will be recovered. This has resulted in $4,338,000 in the Group and $504,000 in the Parent being reclassified from current to non-current prepayments and other assets.

Proceeds from the Parent and Group's dividend reinvestment scheme have been restated from 'Proceeds from share issues' to 'Dividends to shareholders' in the prior year, as the dividend reinvestment scheme does not result in cash inflows from share issues but rather reduces the cash flows being paid as dividends to shareholders. This has resulted in a reduction in the prior year 'Dividends to shareholders' of $2,553,000 to $13,061,000 and a reduction in 'Proceeds from share issues' of $2,553,000 to $Nil.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

In applying the Group's accounting policies, the Board and Management continually evaluates judgements, estimates and assumptions based on experience and other factors, including expectations of future events that may have an impact on the Group.

All judgements, estimates and assumptions are believed to be reasonable based on the current set of circumstances available to the Board and Management. Actual results may differ from the judgements, estimates and assumptions made by the Board and Management.

The significant judgements, estimates and assumptions made in the preparation of these financial statements are outlined below:

Investment properties (also refer to note 18)

Independent registered public valuers have been used to determine the fair value of investment properties. The fair value was determined using a combination of both direct capitalisation and discounted cash flow approaches.

Using a direct capitalisation approach the subject property rental is divided by a market derived capitalisation rate to assess the market value of the asset. Further adjustments are then made to the market value to reflect under or over renting, additional revenue and required capital expenditure.

The valuers used capitalisation rates ranging from 6.75% to 10.00% (2011: 6.50%-10.25%).

Discounted cash flow projections are based on estimates of future cash flows, supported by the terms of any existing lease and other contracts and by external evidence such as current (at the date of the statement of financial position) market rents for similar properties in the same location and condition, and using discount rates that reflect current market assessments of the uncertainty in the amount and timing of the cash flows.

The valuers took into account occupancy on individual properties (portfolio average is 97.4%, 2011: 95.6%), average lease term (portfolio weighted average lease term is 4.80 years, 2011: 4.17 years), and discount rates ranging from 8.50% to 10.50% (2011: 8.00%-11.25%).

The fair value of work in progress cannot be reliably determined therefore it has been recognised and measured at cost in accordance with NZ IAS 40 – Investment Properties.

Derivative financial instruments (also refer to note 20)

Derivative financial instruments are represented at valuation prepared by the counterparty, which is based on a calculation of the present value of estimated future cash flows based on the applicable market interest yield rates at reporting date.

The interest rates used in performing the valuations range from 3.95% to 6.52% (2011: 4.99%-7.28%).

Deferred tax (also refer to note 16)

Deferred tax is provided on the accumulated depreciation claimed on the building component of investment properties. Investment properties are valued each year by independent valuers (as outlined in note 18). These values include an allocation of the valuation between the land and building components. The calculation of deferred tax on depreciation recovered places reliance on the land and building split provided by the valuers.

4. FINANCIAL RISK MANAGEMENT

The Group's activities expose it to a variety of financial risks: market risk (including interest rate risk), credit risk, and liquidity risk. The Group's overall risk management strategy focuses on minimising the potential negative economic impact of unpredictable events on the Group's financial well being.

The Group's principal financial instruments comprise borrowings. The main purpose of these borrowings is to raise finance for the Group. The Group uses derivate financial instruments, principally interest rate swaps, to mitigate its exposure to interest rate risk.

The Group has various other financial assets and liabilities, such as accounts receivable, accounts payable and cash and cash equivalents, which arise directly from its operations.

The main risks arising from the Group's financial instruments are market risk (interest rate risk), credit risk, and liquidity risk. The Board reviews and agrees policies for managing each of these risks.

Details of the significant accounting policies, including the basis of measurement and recognition in respect of each class of financial instrument, financial asset, financial liability and equity instrument are disclosed in note 2 to the financial statements.

A summary of financial instruments by category can be found in note 26 to the financial statements. A summary of financial instruments by items of income, expense, gains or losses can be found in note 7 to the financial statements.

A. MARKET RISK

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. The Group's market risk arises from interest rate risk alone, as the Group has no significant exposure to currency risk or other price risk.

The Group's exposure to the risk of changes in interest rates relates primarily to the Group's term loan obligations with a floating interest rate.

The Group has an interest rate policy which has been peer reviewed by an external firm with expertise in this area. The policy calls for a band of the Group's borrowings to be at fixed interest rates, with a greater proportion of the near term to be fixed and a lesser percentage of the far dated to be fixed.

The Group uses derivative financial instruments, principally interest rate swaps, to exchange its floating short term interest rate exposure for fixed long term interest rate exposure in accordance with its policy bands. As the Group holds derivative financial instruments, there is a risk that their fair value will fluctuate because of underlying changes in market interest rates. This is accepted as a by product of the Group's interest rate hedging policy. The value of derivative financial instruments is disclosed in the Statement of Financial Position.

The sensitivity analysis following has been determined based on the exposure to interest rates for both derivative and non-derivative instruments at the year end. For floating rate liabilities, the analysis is prepared assuming the amount of liability outstanding at the year end was outstanding for the whole year. A 50 basis point increase or decrease is used when reporting interest rate risk internally to key Management personnel and represents Management's assessment of the reasonably possible change in interest rates.

	Group					
All values in $000's	31 December 2012	Gain/(loss) on increase of +0.50%	Gain/(loss) on decrease of +0.50%	31 December 2011	Gain/(loss) on increase of +0.50%	Gain/(loss) on decrease of +0.50%
FINANCIAL ASSETS						
Cash and cash equivalents	171	-	-	-	-	-
Accounts receivable	1,326	-	-	915	-	-
Total	**1,497**	**-**	**-**	**915**	**-**	**-**
FINANCIAL LIABILITIES						
Bank overdraft	-	-	-	116	(1)	1
Accounts payable, accruals and other liabilities	2,816	-	-	1,882	-	-
Derivative financial instruments	8,097	1,533	(1,533)	9,454	1,369	(1,369)
Borrowings	114,200	(571)	571	102,500	(513)	513
Total	**125,113**	**962**	**(962)**	**113,952**	**855**	**(855)**

	Parent					
All values in $000's	31 December 2012	Gain/(loss) on increase of +0.50%	Gain/(loss) on decrease of +0.50%	31 December 2011	Gain/(loss) on increase of +0.50%	Gain/(loss) on decrease of +0.50%
FINANCIAL ASSETS						
Cash and cash equivalents	171	-	-	-	-	-
Loans to subsidiaries	114,070	-	-	124,159	-	-
Total	**114,241**	**-**	**-**	**124,159**	**-**	**-**
FINANCIAL LIABILITIES						
Bank overdraft	-	-	-	116	(1)	1
Accounts payable, accruals and other liabilities	1,405	-	-	1,294	-	-
Derivative financial instruments	8,097	1,533	(1,533)	9,454	1,369	(1,369)
Borrowings	114,200	(571)	571	102,500	(513)	513
Total	**123,702**	**962**	**(962)**	**113,364**	**855**	**(855)**

The impact on equity of the Parent and Group of the +/- 0.5% movement would be +/-$692,640 (2011: +/-$615,600).

Further details of the Group's derivative financial instruments are disclosed in note 20 to the financial statements.

4. FINANCIAL RISK MANAGEMENT (CONTINUED)

B. CREDIT RISK

Credit risk represents the risk that the counterparty to a financial instrument will fail to discharge its obligations and the Group will suffer financial loss as a result. Financial instruments which potentially subject the Group to credit risk consist of cash and cash equivalents, accounts receivable, loans to subsidiaries, and interest rate swap agreements.

With respect to the credit risk arising from cash and cash equivalents, there is limited credit risk as cash is deposited with the ANZ, a registered bank in New Zealand. The credit rating of this bank is AA- (Standard & Poors).

With respect to the credit risk arising from accounts receivable, the Group only enters into lease arrangements over its investment properties with creditworthy third parties. It is the Group's policy to subject all potential tenants to credit verification procedures. In addition accounts receivable balances are monitored on an ongoing basis and overdue accounts followed up rigorously. Amounts which are past due are not considered impaired when payment is expected shortly.

With respect to the credit risk arising from interest rate swap agreements, there is limited credit risk as all counterparties are registered banks in New Zealand. The credit ratings of these banks are all AA- (Standard & Poors).

Sensitivity analysis of credit risk is based on the possibility that 10% of net amounts owed by tenants were impaired. On that basis, it would have a negative impact on current year's earnings of $133,000 (2011: $92,000). This is not considered to be a material impact on the reported profit of the Group.

Further details of the Group's accounts receivable, including details of the Group's impairment allowances, are disclosed in note 14 to the financial statements.

A credit risk also arises in the Parent from loans to subsidiaries. These amounts are not interest bearing, and have no fixed repayment terms. Further details of the Parent's loans to subsidiaries are disclosed in note 17 to the financial statements.

C. LIQUIDITY RISK

Liquidity risk is the risk that the Group will have difficulty realising assets and raising sufficient funds to satisfy commitments associated with financial liabilities.

The maturities of the Group's accounts payable, accruals and other liabilities are detailed in note 19.

The maturities of the Group's borrowings based on the remaining period is 3.1 years (2011: 4.1 years), with all borrowings due later than one year (2011: later than one year).

Further details of the Group's borrowings, including the maturities of the Group's borrowings, are disclosed in note 21 to the financial statements.

The table below analyses the Group and Parent's financial liabilities (principal and interest) by the relevant contracted maturity groupings based on the remaining period as at 31 December 2012 and 31 December 2011.

	Group					
All values in $000's	Carrying amount	Total contractual cash flows	0 - 1 year	1 - 2 years	2 - 5 years	> 5 years
FINANCIAL LIABILITIES						
Accounts payable, accruals and other liabilities	2,816	2,816	2,816	-	-	-
Derivative financial instruments	8,097	9,810	2,402	2,338	4,611	459
Borrowings	114,200	123,619	3,055	3,055	117,509	-
Total as at 31 December 2012	**125,113**	**136,245**	**8,273**	**5,393**	**122,120**	**459**
Accounts payable, accruals and other liabilities	1,882	1,882	1,882	-	-	-
Derivative financial instruments	9,454	14,987	2,918	3,361	8,222	486
Borrowings	102,500	124,440	5,193	5,193	114,054	-
Total as at 31 December 2011	**113,836**	**141,309**	**9,993**	**8,554**	**122,276**	**486**

	Parent					
All values in $000's	Carrying amount	Total contractual cash flows	0 - 1 year	1 - 2 years	2 - 5 years	> 5 years
FINANCIAL LIABILITIES						
Accounts payable, accruals and other liabilities	1,405	1,405	1,405	-	-	-
Derivative financial instruments	8,097	9,810	2,402	2,338	4,611	459
Borrowings	114,200	123,619	3,055	3,055	117,509	-
Total as at 31 December 2012	**123,702**	**134,834**	**6,862**	**5,393**	**122,120**	**459**
Accounts payable, accruals and other liabilities	1,294	1,294	1,294	-	-	-
Derivative financial instruments	9,454	14,987	2,918	3,361	8,222	486
Borrowings	102,500	124,440	5,193	5,193	114,054	-
Total as at 31 December 2011	**113,248**	**140,721**	**9,405**	**8,554**	**122,276**	**486**

All financial assets, which include cash and cash equivalents and accounts receivable, are immediately due or due not later than one month.

Sensitivity analysis of liquidity risk is based on the Group's ability to rely on its term loan facilities. All facilities are committed facilities with reputable, independently rated, first tier trading banks. The Group currently has undrawn facilities of $35,800,000 (2011: $47,500,000). Banking covenants are monitored quarterly and reported to the lenders six-monthly to ensure the Group is in compliance. The Group was in compliance during the current and prior year and subsequent to the year end.

Fair value estimation

NZ IFRS 7 requires disclosure of fair value measurements by level of the following fair value measurement hierarchy:

- Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2: Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices);
- Level 3: Inputs for the asset or liability that is not based on observable market data (that is, unobservable inputs).

The Group carries its derivative financial instruments at fair value. The fair value of these financial instruments is determined using level 2 valuation techniques as disclosed in note 2(j)(ii). The fair value of these financial instruments as at 31 December 2012 is a liability of $8,096,904 (2011: liability of $9,453,518).

Further details of the Group's derivative financial instruments are disclosed in note 20 to the financial statements.

5. CAPITAL RISK MANAGEMENT

The Company and Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern whilst maximising the return to shareholders through maintaining an optimal balance of debt and equity.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

The Group monitors capital on the basis of the loan to value ratio. The ratio is calculated as borrowings divided by investment properties.

During the year ended 31 December 2012 and 31 December 2011, the Group's strategy was to maintain a loan to value ratio of no more than 35%.

The covenants on all borrowings require a loan to value ratio of not more than 50% (2011: covenant of total liabilities excluding deferred tax and unrealised gains or losses on derivative financial instruments to be no more than 45% of total tangible assets) and an interest cover ratio (that is, the ratio of earnings before interest to interest) of not less than 2:1 (2011: 2:1). In addition to this, registered mortgage security is required to be provided over Group properties with current valuations of at least $300,000,000. The Group complied with these covenants during the current and prior year.

As at and for the year ended 31 December 2012, the Group had a loan to value ratio of 29.9% (2011: 28.6%), an interest cover ratio of 3.1:1 (2011: 3.3:1) and registered mortgage security of $343,010,000 (2011: $304,355,000).

6. RENTAL INCOME

	Group	
All values in $000's	2012	2011
Gross rental receipts	29,318	30,171
Amortisation of capitalised lease incentives	(1,056)	(627)
Rental income during rent free periods	890	1,045
Fixed rental income adjustment	62	-
Total	**29,214**	**30,589**

*i. **Operating lease commitments as lessor:***
The Group has entered into commercial property leases on its investment properties. These non-cancellable leases have remaining non-cancellable lease terms of between 1 and 15 years (2011: 1 and 13 years).

Future minimum rentals receivable under non-cancellable operating leases are as follows:

	Group	
All values in $000's	2012	2011
Within one year	30,470	28,750
After one year but not more than five years	83,842	73,509
More than five years	46,120	20,225
Total	**160,432**	**122,484**

The above rental numbers are based on contract rates as at 31 December 2012 and 31 December 2011. Actual rental amounts in future will differ due to rent review provisions within the lease agreements.

7. FINANCIAL INSTRUMENTS - ITEMS OF INCOME, EXPENSE, GAINS OR LOSSES

	Group		Parent	
All values in $000's	2012	2011	2012	2011
INTEREST INCOME				
Interest received per category of financial instruments				
Loans and receivables	18	66	18	66
Total interest income	**18**	**66**	**18**	**66**
INTEREST EXPENSE AND BANK FEES				
Interest expense and bank fees paid per category of financial instruments				
Liabilities at amortised cost	5,283	5,691	5,283	5,811
Fair value through profit or loss	2,820	2,652	2,820	2,652
Total interest expense and bank fees	**8,103**	**8,343**	**8,103**	**8,463**

8. MANAGEMENT FEE INCOME

Group management fee income in the current and prior year represents operating expense management fees charged to tenants. Parent management fee income in the prior year represents management and administrative service fees charged by the Manager and on-charged to subsidiaries. No on-charge was made during the current year.

9. DIRECTORS' FEES

	Group & Parent	
All values in $000's	2012	2011
Peter Masfen	80	80
Humphry Rolleston	50	50
Anthony Beverley	47	-
Gregory Reidy	-	-
Total	**177**	**130**

Anthony Beverley was determined to be an Independent Director on 20 January 2012. Accordingly he was paid Directors' fees from this date.

Gregory Reidy was appointed Director on 20 January 2012. Gregory Reidy is not an Independent Director because he is associated with and represents the interests of the Company's Manager. Accordingly he is not entitled to Director's fees.

The Group also provides Directors' and Officers' liability insurance cover.

No other benefits have been provided by the Group to a Director for services as a Director or in any other capacity. No loans have been made by the Group to a Director nor has the Group guaranteed any debts incurred by a Director (2011: nil).

10. NON-RECOVERABLE PROPERTY COSTS

Non-recoverable property costs represents property maintenance and operating expenses not recoverable from tenants, property valuation fees and property leasing costs. The establishment and release of impaired receivables has also been included in non-recoverable property costs (Group 2012: release of $267,713, Group 2011: release of $200,000).

There are no direct operating expenses including repairs and maintenance arising from investment properties that did not generate rental income during the year (2011: nil).

11. OTHER EXPENSES

	Group & Parent	
All values in $000's	2012	2011
Compliance costs	73	75
Share registry and shareholder reporting	298	332
Public relations	75	110
Other	182	95
Total	**628**	**612**

12. RELATIONSHIP OF OPERATING PROFIT TO DIVIDENDS PAID

The Company's dividend policy is to distribute 100% of its operating profit, subject to the approval of the Board of Directors. Operating profit is defined as the profit or loss for the period before unrealised net changes in the fair values of investment properties, realised gains or losses on disposal of investment properties (net of tax on depreciation claw-back), unrealised net changes in the fair values of derivative financial instruments, deferred taxation and other one off items.

	Group			
	Payment date	Dividend per share $	Total dividend $000 2012	Total dividend $000 2011
Total comprehensive income/(loss) for the year attributable to the shareholders of the Parent			26,932	16,348
Adjusted for				
Unrealised net change in fair value of investment properties			(12,302)	(3,653)
Gains on disposals of investment properties			(1,059)	(261)
Tax on depreciation claw-back on disposals of investment properties[1]			187	-
Unrealised net change in fair value of derivative financial instruments			(1,357)	4,219
Deferred taxation			1,455	(877)
Other[2]			744	-
Distributable profit			**14,600**	**15,776**
Weighted average number of ordinary shares			220,018,354	218,721,123
Distributable profit per share (cents)			**6.64**	**7.21**
1st quarter FYE 31/12/11 net dividend[3]	Paid 16/5/2011	1.550	-	3,372
2nd quarter FYE 31/12/11 net dividend[3]	Paid 31/8/2011	1.550	-	3,380
3rd quarter FYE 31/12/11 net dividend[3]	Paid 23/11/2011	1.650	-	3,606
4th quarter FYE 31/12/11 net dividend[4]	Paid 14/3/2012	2.425	-	5,311
1st quarter FYE 31/12/12 net dividend[4]	Paid 30/5/2012	1.550	3,408	-
2nd quarter FYE 31/12/12 net dividend[4]	Paid 28/8/12	1.550	3,416	-
3rd quarter FYE 31/12/12 net dividend[4]	Paid 28/11/2012	1.650	3,638	-
4th quarter FYE 31/12/12 net dividend	Paid 13/3/2013	1.850	4,078	-
Dividends paid relating to the period reported			**14,540**	**15,669**
Pay-out ratio			**100%**	**99%**

[1] No adjustment was made to distributable profit for the tax on depreciation claw-back on disposals of investment properties in the prior year. If an adjustment were to have been made, then distributable profit would have risen by $30,000 or 0.02 cps.

[2] Other comprises the profit impact of the adjustment of various prepayments and other assets ($586,000), the current tax impact of an adjustment to one of the Company's derivative financial instruments ($66,000) and prior period tax adjustments ($92,000).

[3] Dividends paid in the year ended 31 December 2011 totalled $15,614,000 as per the Statement of Changes in Equity and consisted of the 1st through 3rd quarter FYE 31/12/11 dividends (above), plus the 4th quarter FYE 31/12/10 dividend paid 17/3/11 of $5,256,000.

[4] Dividends paid in the year ended 31 December 2012 totalled $15,773,000 as per the Statement of Changes in Equity and consisted of the 4th quarter FYE 31/12/11 through 3rd quarter FYE 31/12/12 dividends (above).

13. BASIC AND DILUTED 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:

	Group	
	2012	2011
Total comprehensive income for the year attributable to the shareholders of the Parent ($000)	26,932	16,348
Weighted average number of ordinary shares (shares)	220,018,354	218,721,123
Basic and diluted earnings per share (cents)	**12.24**	**7.47**

As at 31 December 2012 there are no instruments that could potentially dilute basic earnings per share in the future (2011: nil).

14. ACCOUNTS RECEIVABLE

	Group	
All values in $000's	2012	2011
Accounts receivable	1,354	1,090
Impairment allowance	(28)	(175)
Total	**1,326**	**915**

i. Maturities:

The maturities of the Group's net accounts receivable based on the remaining period are as follows:

	Group	
All values in $000's	2012	2011
Total accounts receivable (net)	**1,326**	**915**
Analysed as		
due less than 30 days (current)	957	667
between 31 and 60 days	296	46
between 61 and 90 days	16	35
greater than 91 days	57	167
Total accounts receivable (net)	**1,326**	**915**

The maturities of the Group's impaired accounts receivable based on the remaining period are as follows:

	Group	
All values in $000's	2012	2011
Total impaired accounts receivable	**28**	**-**
Analysed as		
due less than 30 days (current)	-	-
between 31 and 60 days	-	-
between 61 and 90 days	3	-
greater than 91 days	25	-
Total impaired accounts receivable	**28**	**-**

ii. Credit term and interest:

The average credit term on invoiced amounts is 30 days and is interest free (2011: 30 days and is interest free).

14. ACCOUNTS RECEIVABLE (CONTINUED)

iii. Impairment allowance:

As at 31 December 2012, the impairment allowance relates to specific overdue accounts receivable where there is uncertainty as to whether the amounts will be recovered (2011: nil) and the Directors have considered that no collective impairment allowance is appropriate based on the Group's past experiences in the recovery of accounts receivable (2011: $175,000). The establishment and release of impaired receivables has been included in "non-recoverable property costs" in the profit or loss. Movements in the impairment allowance are as follows:

	Group	
All values in $000's	2012	2011
As at 1 January	**175**	**275**
Allowance for receivables impairment	32	-
Receivables written off during the year as uncollectible	(4)	-
Unused amounts reversed	(175)	(100)
As at 31 December	**28**	**175**

There are no tenants to whom rental holidays have been granted (2011: nil).

iv. Collateral:

The Group holds collateral in the form of personal, parent company and/or bank guarantees as security. During the current year no collateral was called upon or received (2011: $75,000 of bank guarantees were called upon and received in cash).

15. PREPAYMENTS AND OTHER ASSETS

	Group		Parent	
All values in $000's	2012	2011	2012	2011
PREPAYMENTS AND OTHER ASSETS (CURRENT)				
Prepaid fees on term loans	481	480	481	480
Prepaid leasing costs	378	454	-	-
Capitalised lease incentives	1,117	833	-	-
Other prepayments and other assets	118	841	46	49
Impairment allowance	-	(125)	-	-
Prepayments and other assets (current) total	**2,094**	**2,483**	**527**	**529**
PREPAYMENTS AND OTHER ASSETS (NON-CURRENT)				
Prepaid fees on term loans	336	504	336	504
Prepaid leasing costs	1,492	1,216	-	-
Capitalised lease incentives	3,699	2,618	-	-
Prepayments and other assets (non-current) total	**5,527**	**4,338**	**336**	**504**

i. Impairment allowance:

The Directors have considered that no collective impairment allowance is appropriate based on the Group's past experiences in the recovery of prepayments and other assets (2011: $125,000). The establishment and release of impaired receivables has been included in "non-recoverable property costs" in the profit or loss. Movements in the impairment allowance are as follows:

	Group	
All values in $000's	2012	2011
As at 1 January	**125**	**275**
Allowance for receivables impairment	-	-
Prepayments and other assets written off during the year as uncollectible	-	(50)
Unused amounts reversed	(125)	(100)
As at 31 December	**-**	**125**

16. TAXATION

i. Reconciliation of income tax (expense)/benefit and accounting profit multiplied by statutory tax rate:

	Group		Parent	
All values in $000's	2012	2011	2012	2011
Profit/(loss) before taxation	**31,966**	**18,961**	**(9,650)**	**(13,576)**
Prima facie income tax calculated at the statutory income tax rate of 28% (2011: 28%)	(8,950)	(5,309)	2,702	3,801
Plus tax effect of:				
Non tax deductible revenue and expenses	3,471	1,096	(21)	-
Depreciation	848	922	-	-
Deductible capital expenditure	181	597	-	-
Deferred leasing costs and incentives	458	342	-	-
Derivative financial instruments	314	(1,181)	314	(1,181)
Provision for impairment	76	70	-	-
Other	23	(27)	-	-
Current tax prior period adjustment	-	-	-	-
Current taxation	**(3,579)**	**(3,490)**	**2,995**	**2,620**
Depreciation	(607)	108	-	-
Deferred leasing costs and incentives	(458)	(342)	-	-
Derivative financial instruments	(314)	1,181	(314)	1,181
Impairment allowance	(76)	(70)	-	-
Other	-	-	-	-
Deferred tax prior period adjustment	-	-	-	-
Deferred taxation	**(1,455)**	**877**	**(314)**	**1,181**
Income tax expense reported in statement of comprehensive income	**(5,034)**	**(2,613)**	**2,681**	**3,801**

16. TAXATION (CONTINUED)

ii. Deferred tax:

All values in $000's	As at 31 December 2011	Recognised in profit during the year ended 31 December 2012	As at 31 December 2012 (Group)
DEFERRED TAX ASSETS			
Derivative financial instruments	(2,647)	314	(2,333)
Impairment allowance	(84)	76	(8)
Gross deferred tax assets	**(2,731)**	**390**	**(2,341)**
DEFERRED TAX LIABILITIES			
Investment properties	9,157	1,065	10,222
Gross deferred tax liabilities	**9,157**	**1,065**	**10,222**
Net deferred tax liability	**6,426**	**1,455**	**7,881**

All values in $000's	As at 31 December 2011	Recognised in profit during the year ended 31 December 2012	As at 31 December 2012 (Parent)
DEFERRED TAX ASSETS			
Derivative financial instruments	(2,647)	314	(2,333)
Gross deferred tax assets	**(2,647)**	**314**	**(2,333)**
Net deferred tax assets	**(2,647)**	**314**	**(2,333)**

iii. Imputation credit account:

All values in $000's	2012 (Group & Parent)	2011 (Group & Parent)
Opening imputation credit balance	**676**	**672**
Taxation paid	2,968	3,053
Refunds received	-	29
Imputation credits attached to dividends paid	(3,524)	(3,078)
Prior period adjustments	(542)	-
Closing imputation credit balance available to shareholders	**(422)**	**676**

17. GROUP COMPANIES

As at 1 January 2012, Property For Industry Limited had the following subsidiaries: P.F.I. Property No. 1 Limited, P.F.I. Property No. 2 Limited, P.F.I. Property No.3 Limited, P.F.I. Property No. 4 Limited, P.F.I. Property No. 5 Limited and PFI Property No.6.

On 31 December 2012, P.F.I. Property No. 1 Limited, P.F.I. Property No. 2 Limited, P.F.I. Property No.3 Limited, P.F.I. Property No. 4 Limited, P.F.I. Property No. 5 Limited and PFI Property No.6 Limited were amalgamated into P.F.I. Property No. 1 Limited. The amalgamation has no impact on the results for the current year, aside from all investment in and loans to subsidiaries now continue with P.F.I. Property No. 1 Limited instead of the respective subsidiary which previously held the balance. The amalgamation has no impact on the results for the prior year.

The sole subsidiary (following the aforementioned amalgamation) of the Parent, P.F.I. Property No. 1 Limited, is 100% owned by the Parent, has the same reporting date as the Parent, participates in the property investment industry and is incorporated in New Zealand.

The loan to the subsidiary is interest free and repayable on demand. The loan will be repaid using the proceeds of rental income, disposals of properties or drawings from term loans, in the subsidiary company.

All values in $000's	Investment in subsidiary 2012 (Parent)	Subsidiary loans 2012 (Parent)	Investment in subsidiary 2011 (Parent)	Subsidiary loans 2011 (Parent)
P.F.I. Property No. 1 Limited	1,750	114,070	-	101,723
P.F.I. Property No. 2 Limited	-	-	1,750	26,297
P.F.I. Property No.3 Limited	-	-	-	19,617
P.F.I. Property No. 4 Limited	-	-	-	(17,762)
P.F.I. Property No. 5 Limited	-	-	-	(6,998)
PFI Property No.6 Limited	-	-	-	1,282
Total	**1,750**	**114,070**	**1,750**	**124,159**

Transactions with group companies are related party transactions (refer note 27).

18. INVESTMENT PROPERTIES

All values in $000's	2012 (Group)	2011 (Group)
As at 1 January	**355,898**	**358,183**
Additions	23,245	-
Disposals	(15,555)	(10,392)
Capital expenditure	4,725	3,222
Prepaid leasing costs and capitalised lease incentives	1,565	1,232
Unrealised revaluation	12,302	3,653
As at 31 December	**382,180**	**355,898**
Represented in the statement of financial position by:		
Prepayments and other current assets[1]	6,686	5,121
Investment properties	375,494	350,777
As at 31 December	**382,180**	**355,898**

[1] Amount shown only represents a portion of the total balance in the statement of financial position, being prepaid leasing costs and capitalised lease incentives (refer note 15).

18. INVESTMENT PROPERTIES (CONTINUED)

All values in $000's	Valuer	Group Carrying value 2012	Fair value adjustment	Additions/ capital expenditure/ (disposals)	Carrying value 2011
INVESTMENT PROPERTIES HELD LONG TERM					
17 Allens Road	JLL	11,200	759	(44)	10,485
47 Arrenway Drive	JLL	3,000	152	(2)	2,850
8A & 8B Canada Crescent[1]	CBRE	11,875	586	11,289	-
50 Carbine Road	CBRE	2,425	133	(8)	2,300
54 Carbine Road & 6a Donnor Place	JLL	16,175	560	1,315	14,300
76 Carbine Road	JLL	5,400	201	(51)	5,250
7 Carmont Place	JLL	6,750	253	(3)	6,500
85 Cavendish Drive	JLL	9,450	781	(61)	8,730
212 Cavendish Drive	JLL	14,200	44	(44)	14,200
15 Copsey Place	Colliers	5,000	(687)	(13)	5,700
6 Donnor Place	JLL	16,200	846	854	14,500
8 Hugo Johnston Drive	Colliers	7,600	652	(52)	7,000
12 Hugo Johnston Drive	Colliers	3,700	245	(45)	3,500
16 Hugo Johnston Drive	JLL	4,150	572	178	3,400
44 Mandeville Street	CBRE	11,050	106	244	10,700
174b Marua Road	CBRE	2,045	18	27	2,000
102 Mays Road	CBRE	4,840	36	4	4,800
8 McCormack Place	JLL	8,900	125	-	8,775
4-6 Mt Richmond Road	CBRE	9,450	(66)	16	9,500
509 Mount Wellington Highway	Colliers	11,500	(30)	30	11,500
511 Mount Wellington Highway	CBRE	5,420	271	(1)	5,150
515 Mount Wellington Highway	CBRE	3,210	130	(20)	3,100
523 Mount Wellington Highway	CBRE	2,990	360	100	2,530
36 Neales Road	CBRE	12,650	1,051	(1)	11,600
9 Nesdale Avenue	CBRE	6,860	(41)	1	6,900
1 Niall Burgess Road	JLL	2,800	128	(23)	2,695
2-6 Niall Burgess Road	JLL	8,200	(407)	7	8,600
3-5 Niall Burgess Road	JLL	13,300	715	585	12,000
7-9 Niall Burgess Road	JLL	22,700	116	(116)	22,700
10 Niall Burgess Road	JLL	3,025	318	42	2,665
19A & 19B Omega Street	JLL	2,250	295	(5)	1,960
50 Parkside Road	JLL	3,600	17	(7)	3,590
61-69 Patiki Road	CBRE	12,250	454	96	11,700
58 Richard Pearse Drive	CBRE	12,240	485	655	11,100
1 Ron Driver Place	CBRE	5,235	194	1,241	3,800
320 Rosebank Road	Colliers	7,500	245	5	7,250
326 Rosebank Road	Colliers	1,060	13	(3)	1,050
686 Rosebank Road	CBRE	27,900	445	(145)	27,600
322 Rosedale Road	Colliers	11,400	49	451	10,900
48 Seaview Road	JLL	6,400	158	912	5,330
170 Swanson Road[1]	JLL	12,400	444	11,956	-
5 Vestey Drive	CBRE	2,585	59	(9)	2,535
7 Vestey Drive	CBRE	6,020	160	10	5,850
9 Vestey Drive	CBRE	2,705	242	83	2,380
11 Vestey Drive	CBRE	5,940	127	(2)	5,815
15a Vestey Drive	CBRE	6,180	222	(42)	6,000
36 Vestey Drive	JLL	1,850	166	49	1,635
127 Waterloo Road	JLL	3,550	549	126	2,875
41 William Pickering Drive	CBRE	5,050	51	(1)	5,000
Investment properties - held long term subtotal		**382,180**	**12,302**	**29,578**	**340,300**

All values in $000's	Group Carrying value 2012	Fair value adjustment	Additions/ capital expenditure/ (disposals)	Carrying value 2011
INVESTMENT PROPERTIES HELD LONG TERM (CONTINUED)				
Investment properties - held long term subtotal	**382,180**	**12,302**	**29,578**	**340,300**
INVESTMENT PROPERTIES - DISPOSALS[2]				
17 Allens Road	-	-	(215)	215
80 Lunn Avenue	-	-	(11,600)	11,600
19A Omega Street	-	-	(740)	740
29 Omega Street	-	-	(3,000)	3,000
Investment properties - disposals subtotal	**-**	**-**	**(15,555)**	**15,555**
INVESTMENT PROPERTIES - CAPITAL WORK IN PROGRESS				
Capital work in progress	-	-	(43)	43
Investment properties - capital work in progress subtotal	**-**	**-**	**(43)**	**43**
Investment properties - total	**382,180**	**12,302**	**13,980**	**355,898**
Less: Prepaid leasing costs and capitalised lease incentives (refer note 15)				
Current	(1,495)			(1,287)
Non current	(5,191)			(3,834)
Investment properties - total	**375,494**			**350,777**

[1] Addition due to acquisition, see ***ii*** & ***iii*** below. All other additions are as a result of subsequent expenditure.
[2] These properties were disposed of during the current year, see ***iv*** below.

i. Valuation:
All properties were valued as at 31 December 2012 by CB Richard Ellis (CBRE), Colliers International (Colliers) and Jones Lang LaSalle (JLL). CBRE, Colliers and JLL are independent valuers and members of the ANZIV. For further details on the valuation methodology adopted, please refer to note 3. The total net current value of investment properties by valuer, are as follows:

All values in $000's	Group 2012	2011
CBRE	158,920	98,025
Colliers	47,760	130,350
JLL	175,500	127,480
Total	**382,180**	**355,855**

ii. 8A & 8B Canada Crescent - acquisition:
8A & 8B Canada Crescent was purchased for a net purchase price of $11,250,000 on 29 November 2012 and as at 31 December 2012 the property is held as an investment property at fair value.

iii. 170 Swanson Road - acquisition:
170 Swanson Road was purchased for a net purchase price of $11,925,987 on 5 December 2012 and as at 31 December 2012 the property is held as an investment property at fair value.

18. INVESTMENT PROPERTIES (CONTINUED)

iv. Investment properties - disposals:

All values in $000's	Group 2011 carrying value	Net sales proceeds	Gain on disposal of investment property
17 Allens Road[1]	215	300	85
80 Lunn Avenue	11,600	12,499	899
19A Omega Street[2]	740	809	69
29 Omega Street	3,000	3,006	6
Total	**15,555**	**16,614**	**1,059**

[1] Partial disposal of land due to compulsory acquisition.
[2] Partial disposal of property (Unit A).

v. Capital work in progress:
Capital work in progress is valued at cost, because fair value cannot be estimated reliably.

All values in $000's	Group 2012	2011
As at 1 January	**43**	**5,573**
Capital expenditure (including capitalised interest expense and bank fees)	4,682	4,635
Transfer to investment property	(4,725)	(10,165)
As at 31 December	**-**	**43**

vi. Security:
As at 31 December 2012, investment properties totalling $343,010,000 (2011: $304,355,000) were mortgaged as security for the Group's borrowings. These security arrangements are discussed further in note 21.

vii. Concentration risk:
As at 31 December 2012 the Group owns 50 investment properties leased to 86 tenants (including 30-32 Bowden Road, refer note 29). The largest tenant exposure is to DHL Supply Chain (NZ) Limited who is a tenant on approximately 7.0% (2011: DHL Supply Chain (NZ) Limited, 7.5%) of the portfolio by contract rental income. The largest property by value is 686 Rosebank Road, comprising 7.3% (2011: 686 Rosebank Road, 7.8%) of the portfolio by value.

The portfolio is comprised of industrial (90%) and mixed use properties (10%) situated in multiple locations throughout New Zealand.

The Board and Management do not believe the Group is exposed to a level of concentration risk which should be separately disclosed.

19. ACCOUNTS PAYABLE, ACCRUALS AND OTHER LIABILITIES

All values in $000's	Group 2012	2011	Parent 2012	2011
Accruals and other liabilities in respect of borrowings	1,027	1,036	1,027	1,036
Accruals and other liabilities in respect of investment properties	692	101	-	-
Other accounts payable, accruals and other liabilities	1,097	745	378	258
Total	**2,816**	**1,882**	**1,405**	**1,294**

i. Maturities:
The maturities of the Group's accounts payable based on the remaining period are as follows:

All values in $000's	Group 2012	2011	Parent 2012	2011
Analysed as				
due less than 30 days (current)	2,816	1,882	1,405	1,294
between 31 and 90 days	-	-	-	-
between 90 days and one year	-	-	-	-
greater than one year	-	-	-	-
Total	**2,816**	**1,882**	**1,405**	**1,294**

ii. Credit term and interest:
The average credit term on invoiced amounts is 30 days (2011: 30 days). Accounts payable, accruals and other liabilities are interest free (2011: interest free).

20. DERIVATIVE FINANCIAL INSTRUMENTS

All values in $000's	Group & Parent 2012	2011
Fair value of fixed interest rate swaps with start dates that have commenced	6,344	6,977
Fair value of forward starting fixed interest rate swaps	1,753	2,477
Total	**8,097**	**9,454**

i. Maturities and interest rates:
The Group had derivative financial instruments in place, being fixed interest rate swaps, totalling $73,000,000 (2011: $73,000,000), or 64% (2011: 71%) of drawn down borrowings, with an average interest rate of 6.40% (2011: 6.64%) plus applicable margin and fees, for an average duration of 2.79 years (2011: 2.64 years).

The maturities of the Parent and Group's fixed interest rates swaps with start dates that have commenced and their applicable fixed interest rates are as follows:

	Group & Parent Notional value $000 2012	Interest rate % 2012	Fair value $000 2012
< 1 year	25,000	6.52%	160
> 1 years and < 2 years	-	-	-
> 2 years and < 3 years	10,000	6.52%	945
> 3 years and < 4 years	10,000	6.46%	1,245
> 4 years and < 5 years	13,000	6.24%	1,651
=> 5 years	15,000	6.23%	2,343
Total/Average	**73,000**	**6.40%**	**6,344**

20. DERIVATIVE FINANCIAL INSTRUMENTS **(CONTINUED)**

	Group & Parent		
	Notional value $000 2011	Interest rate % 2011	Fair value $000 2011
< 1 year	10,000	6.60%	291
> 1 years and < 2 years	25,000	6.52%	2,328
> 2 years and < 3 years	-	-	-
> 3 years and < 4 years	25,000	6.98%	2,462
> 4 years and < 5 years	-	-	-
=> 5 years	13,000	6.24%	1,896
Total/Average	**73,000**	**6.64%**	**6,977**

The Group also had forward starting fixed interest rate swaps totalling $35,000,000 (2011: $35,000,000), with an average interest rate of 4.69% (2011: 5.41%) plus applicable margin and fees, for an average period to expiry of 4.45 years (2011: 4.74 years).

The maturities of the Parent and Group's forward starting fixed interest rate swaps and their applicable fixed interest rates are as follows:

	Group & Parent		
	Notional value $000 2012	Interest rate % 2012	Fair value $000 2012
< 1 year	-	-	-
> 1 years and < 2 years	-	-	-
> 2 years and < 3 years	-	-	-
> 3 years and < 4 years	15,000	4.99%	934
> 4 years and < 5 years	10,000	4.99%	815
=> 5 years	10,000	3.95%	4
Total/Average	**35,000**	**4.69%**	**1,753**

	Group & Parent		
	Notional value $000 2011	Interest rate % 2011	Fair value $000 2011
< 1 year	-	-	-
> 1 years and < 2 years	-	-	-
> 2 years and < 3 years	-	-	-
> 3 years and < 4 years	-	-	-
> 4 years and < 5 years	25,000,000	5.58%	1,913
=> 5 years	10,000,000	4.99%	564
Total/Average	**35,000,000**	**5.41%**	**2,477**

ii. Unrealised net change in fair value of derivative financial instruments:
The unrealised net change in fair value of derivative financial instruments was a gain of $1,356,614 (2011: loss of $4,219,000).

21. BORROWINGS

i. Maturities:
The maturities of the Group's borrowings based on the remaining period are as follows:

	Group & Parent	
All values in $000's	2012	2011
Due or due not later than one month	-	-
Due later than one month but not later than three months	-	-
Due later than three months but not later than one year	-	-
Due later than one year but not later than five years	114,200	102,500
Due later than five years	-	-
Total	**114,200**	**102,500**

ii. Facility:
The Group has a facility with a banking syndicate comprising ANZ National Bank Limited and Commonwealth Bank of Australia, New Zealand Branch (ASB) for $150,000,000. Each bank provides 50% of the facility and drawings. The facility is a revolving facility of a long term nature and expires 31 January 2016. As at 31 December 2012 $114,200,000 had been drawn down (2011: $102,500,000), leaving undrawn facilities available totalling $35,800,000 ($47,500,000).

iii. Security:
The facility is secured by way of a security trust deed and registered mortgage security (which is required to be provided over Group properties with current valuations of at least $300,000,000, refer note 18(vi)). In addition to this, the facility agreement contains a negative pledge.

iv. Other:
Interest rates charged are at the NZ interbank settlement 90 day benchmark borrowing rate plus bank margin and fees. After taking into account the impact of current interest rate swaps, the blended interest rate as at 31 December 2012 for the drawn down borrowings was 7.29% (2011: 7.85%). All borrowings are interest only until the maturity date.

There were no borrowings costs capitalised to investment properties during the year (2011: $120,000 at a rate of 7.70%).

Included in prepayments and other assets is $504,284 (2011: $674,724) of prepaid fees relating to the establishment of these term loans. These prepayments are amortised on a straight line basis over the remaining term of the loan.

During the year, the Group made an amendment to its covenants whereby total borrowings is to be no more then 50% of total investment properties as reported in the most recent valuations. This replaced the previous covenant of total liabilities excluding deferred tax and unrealised gains or losses on derivative financial instruments to be no more than 45% of total tangible assets. The covenant requiring earnings before interest and tax to be more then two times interest and the covenant requiring registered mortgage security to be provided over Group properties with current valuations of at least $300,000,000 remained unchanged. At all times during all periods reported the Group was in compliance with all covenants.

22. NET TANGIBLE ASSETS PER SHARE

The net tangible assets and closing shares on issue used in the calculation of net tangible assets per share are as follows:

	Group	
	2012	2011
Net tangible assets ($000)	250,084	237,341
Closing shares on issue (shares)	220,410,728	219,010,665
Net tangible assets per share (cents)	**113**	108

As at 31 December 2012 there are no instruments that could potentially dilute net tangible assets per share in the future (2011: nil).

23. SHARE CAPITAL

	Group & Parent	
	Shares	$000
Authorised and issued share capital at 1 January 2011	**216,759,430**	**167,334**
Shares issued via Dividend Reinvestment Scheme (March 2011 - November 2011)	2,251,235	2,553
Authorised and issued share capital at 31 December 2011	**219,010,665**	**169,887**
Authorised and issued share capital at 1 January 2012	**219,010,665**	**169,887**
Shares issued via Dividend Reinvestment Scheme (March 2012 - May 2012)	1,400,063	1,584
Authorised and issued share capital at 31 December 2012	**220,410,728**	**171,471**

All ordinary shares on issue are fully paid, carry equal voting rights, share equally in dividends and any surplus on wind up and have no par value.

24. RECONCILIATION OF PROFIT/(LOSS) FOR THE PERIOD WITH NET CASH FLOWS FROM OPERATING ACTIVITIES

All values in $000's	Group 2012	Group 2011	Parent 2012	Parent 2011
Profit/(loss) for the period	26,932	16,348	(6,969)	(9,775)
Adjusted for non cash and non operating items				
Unrealised net change in fair value of investment properties	(12,302)	(3,653)	-	-
Gains on disposals of investment properties	(1,059)	(261)	-	-
Unrealised net change in fair value of derivative financial instruments	(1,357)	4,219	(1,357)	4,219
Current taxation	-	-	(2,995)	-
Deferred taxation	1,455	(877)	314	(1,181)
Adjusted for movements in other working capital items				
(Increase)/reduction in accounts receivable, prepayments and other assets	(1,211)	(2,479)	170	(399)
Increase/(reduction) in accounts payable, accruals and other liabilities	342	105	111	-
Increase/(reduction) in taxation payable	582	936	-	34
Increase/(reduction) in GST payable	158	330	80	(48)
Net cash flow from operating activities	**13,540**	**14,668**	**(10,646)**	**(7,150)**

25. CASH AND CASH EQUIVALENTS AT END OF PERIOD

Cash and cash equivalents comprises cash at bank on call and/or a bank overdraft. The bank overdraft is repayable on demand. Interest rates charged are at the NZ interbank settlement 90 day benchmark borrowing rate plus bank margin and fees.

26. FINANCIAL INSTRUMENTS - BY CATEGORY

All values in $000's	Group			
	Loans and receivables	Liabilities at amortised cost	Fair value through profit or loss	Total carrying amount[1]
FINANCIAL ASSETS				
Cash and cash equivalents	171	-	-	171
Accounts receivable	1,326	-	-	1,326
Prepayments and other assets	7,621	-	-	7,621
Total as at 31 December 2012	**9,118**	**-**	**-**	**9,118**
FINANCIAL LIABILITIES				
Bank overdraft	-	-	-	-
Accounts payable, accruals and other liabilities	-	2,816	-	2,816
Derivative financial instruments	-	-	8,097	8,097
Borrowings	-	114,200	-	114,200
Total as at 31 December 2012	**-**	**117,016**	**8,097**	**125,113**
FINANCIAL ASSETS				
Cash and cash equivalents	-	-	-	-
Accounts receivable	915	-	-	915
Prepayments and other assets	6,821	-	-	6,821
Total as at 31 December 2011	**7,736**	**-**	**-**	**7,736**
FINANCIAL LIABILITIES				
Bank overdraft	-	116	-	116
Accounts payable, accruals and other liabilities	-	1,882	-	1,882
Derivative financial instruments	-	-	9,454	9,454
Borrowings	-	102,500	-	102,500
Total as at 31 December 2011	**-**	**104,498**	**9,454**	**113,952**

[1] The carrying amount approximates fair value for all financial instruments.

26. FINANCIAL INSTRUMENTS - BY CATEGORY (CONTINUED)

	Parent			
All values in $000's	Loans and receivables	Liabilities at amortised cost	Fair value through profit or loss	Total carrying amount[1]
FINANCIAL ASSETS				
Cash and cash equivalents	171	-	-	171
Prepayments and other assets	863	-	-	863
Loans to subsidiaries	114,070	-	-	114,070
Total as at 31 December 2012	**115,104**	**-**	**-**	**115,104**
FINANCIAL LIABILITIES				
Bank overdraft	-	-	-	-
Accounts payable, accruals and other liabilities	-	1,405	-	1,405
Derivative financial instruments	-	-	8,097	8,097
Borrowings	-	114,200	-	114,200
Total as at 31 December 2012	**-**	**115,605**	**8,097**	**123,702**
FINANCIAL ASSETS				
Cash and cash equivalents	-	-	-	-
Prepayments and other assets	1,033	-	-	1,033
Loans to subsidiaries	124,159	-	-	124,159
Total as at 31 December 2011	**125,192**	**-**	**-**	**125,192**
FINANCIAL LIABILITIES				
Bank overdraft	-	116	-	116
Accounts payable, accruals and other liabilities	-	1,294	-	1,294
Derivative financial instruments	-	-	9,454	9,454
Borrowings	-	102,500	-	102,500
Total as at 31 December 2011	**-**	**103,910**	**9,454**	**113,364**

[1] The carrying amount approximates fair value for all financial instruments.

27. RELATED PARTIES

The Company pays management fees to the Manager, PFIM Limited, for the provision of management and administrative services, pursuant to a management and administrative services contract. PFIM Limited took assignment of the management and administrative services contract from AMP Capital Investors (New Zealand) Limited on 20 January 2012. A director of PFIM Limited is also a director of Property For Industry Limited and P.F.I. Property No. 1 Limited.

During the year, the Company paid management fees totalling $1,786,292 (2011: nil) to PFIM Limited, for the provision of management and administrative services. As at 31 December 2012 $163,000 was owing and included in accounts payable, accruals and other liabilities (2011: nil).

During the year, the Company paid management fees totalling $95,293 (2011: $1,865,443) to AMP Capital Investors (New Zealand) Limited, for the provision of management and administrative services. As at 31 December 2012 there were no amounts owing in accounts payable, accruals and other liabilities (2011: $154,300).

During the prior year, management fees were on-charged to its subsidiaries P.F.I. Property No. 1 Limited ($973,852), P.F.I. Property No. 2 Limited ($75,915), P.F.I. Property No.3 Limited ($209,544), P.F.I. Property No. 4 Limited ($310,825),P.F.I. Property No. 5 Limited ($287,166) and PFI Property No.6 Limited ($8,140). No on-charge was made during the current year.

No performance fees were payable in respect of all periods reported. As at 31 December 2012, a deficit amount of $1,644,723 (2011: $2,082,586) has been carried forward to be included in the calculation to determine whether a performance fee is payable in subsequent periods.

Additionally, during 2012 and 2011 the Company made cash advances to its subsidiaries by way of loans. These are discussed further in note 17.

No related party debts have been written off or forgiven during the year (2011: nil).

During the year, fees paid to directors of the Group were $177,000 (2011: $130,000). See also note 9.

28. OPERATING SEGMENTS

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker has been identified as the Board of Directors. The Group is internally reported as a single operating segment to the chief operating decision-maker. Therefore, the implementation of this standard has not caused a change in the presentation of operating segments. Operating segment information is as described in the Statement of Comprehensive Income, Statement of Changes in Equity, Statement of Financial Position and Statement of Cash Flows.

29. CAPITAL COMMITMENTS

As at 31 December 2012 the Parent had no capital commitments and the Group had capital commitments totalling $16,738 (2011: Parent: nil, Group: $181,000) relating to development and works on investment properties.

On 19 October 2012 the Group entered into a conditional contract to purchase the investment property at 30-32 Bowden Road, Mount Wellington for a net purchase price of $14,600,000. It is the Board's expectation that the contract conditions will be fulfilled and that the contract will become unconditional by 15 March 2013 and that settlement of this purchase will take place approximately one week thereafter. A deposit of $100,000 has been paid to the vendor's solicitor, accordingly the Group's capital commitment is $14,500,000, being the net purchase price less this deposit.

Other than as disclosed in note 6, the Parent and Group does not have any material non-cancellable operating lease commitments.

30. CONTINGENT LIABILITIES

At 31 December 2012 the Parent and Group had no contingent liabilities (2011: nil).

31. SUBSEQUENT EVENTS

On 18 February 2013, the Directors of the Company approved the payment of a net dividend of $4,077,598 (1.8500 cents per share) to be paid on 13 March 2013. The gross dividend (2.1538 cents per share) carries imputation credits of 0.3038 cents per share. The payment of this dividend will not have any tax consequences for the Group and no liability has been recognised in the Statement of Financial Position as at 31 December 2012 in respect of this dividend.

Polarcold Stores, 8A & 8B Canada Crescent, Hornby.

INDEPENDENT AUDITOR'S REPORT

To the shareholders of Property For Industry Limited

REPORT ON THE FINANCIAL STATEMENTS

We have audited the financial statements of Property For Industry Limited and group on pages 30 to 61, which comprise the consolidated and separate statements of financial position of Property For Industry Limited as at 31 December 2012, the consolidated and separate statements of changes in equity, statements of comprehensive income and statements of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

The directors are responsible for the preparation of these financial statements in accordance with generally accepted accounting practice in New Zealand and that give a true and fair view of the matters to which they relate and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing (New Zealand) and International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of financial statements that give a true and fair view of the matters to which they relate in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Other than in our capacity as auditor we have no relationship with, or interests in, Property For Industry Limited or its subsidiary.

OPINION

In our opinion, the financial statements on pages 30 to 61:

- comply with generally accepted accounting practice in New Zealand;
- comply with International Financial Reporting Standards; and
- give a true and fair view of the financial position of Property For Industry Limited and the group as at 31 December 2012, and their financial performance and the cash flows for the year then ended.

REPORT ON OTHER LEGAL & REGULATORY REQUIREMENTS

In accordance with the Financial Reporting Act 1993 we report that:

- We have obtained all the information and explanations that we have required.
- In our opinion, proper accounting records have been kept by Property For Industry Limited as far as appears from our examination of those records.

BDO Auckland
18th February 2013
120 Albert Street
Auckland
New Zealand

BDO

CALENDAR

2013

MARCH
- 2012 Final dividend payment
- 2012 Annual report released

APRIL

MAY
- 2013 First-quarter result announced
- 2013 First-quarter dividend paid
- Annual meeting

JUNE

JULY

AUGUST
- 2013 Half-year result announced
- 2013 Half-year dividend paid

SEPTEMBER
- 2013 Interim report released

OCTOBER

NOVEMBER
- 2013 Third-quarter result announced
- 2013 Third-quarter dividend paid

DECEMBER

2014

JANUARY

FEBRUARY
- 2013 Full-year financial result announced

MARCH
- 2013 Final dividend payment
- 2013 Annual report released

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Anthony Beverley
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Colliers International New Zealand Limited

Jones Lang LaSalle Limited

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Commonwealth Bank of Australia

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This Annual Report is dated 18 March 2013 and is signed on behalf of the board by:

Peter Masfen
Chairman

Gregory Reidy
Director