PFI

PROPERTY FOR INDUSTRY

INTERIM REPORT 2012

Focus ▪ Consistent ▪ Experience

OVER VIEW

Property For Industry shareholders can look back on the half year to 30 June 2012 with satisfaction. The first six months of new manager PFIM's tenure has ended with steady progress made on the strengthening of the lease profile of the portfolio.

The portfolio weighted average lease term increased to 4.50 years from 4.17 years in December 2011, with contract rent steady at $30.2 million. Portfolio occupancy also increased to 96.1% from 95.6% in December 2011.

PFI's sound balance sheet, with gearing at 30.1%, provides the company opportunity to acquire additional earnings-accretive industrial property investments. PFI is actively seeking these investments, looking to turn the spread between the cost of debt and property returns to shareholder's advantage.

Progress has also been made behind the scenes. PFI's portfolio has been transitioned to a new fully integrated property management and accounting system, allowing opportunities for enhanced portfolio management. Changes have also been made in the way PFI communicates with shareholders to ensure they can understand PFI's strategy, expectations for the future and the progress being made.

PFI is confident its coverage of the industrial property market, its ability to reconfigure existing stock and to source opportunities not available to smaller less-well capitalised players put the company in a strong position to make the most of the current market conditions.

FINANCIAL PERFORMANCE

Profit after taxation for the half year rose 6.0% to $7.046 million from $6.649 million in 2011 as gains in the fair-value of financial instruments offset an increase in deferred taxation and a 5.9% fall in operating revenue to $14.719 million from $15.634 million in 2011.

Distributable profit, which adjusts for fair value changes, deferred taxation and other items, fell 4.9% to $7.637 million from $8.033 million.

Operating revenues for the six months were $0.915 million or 5.9% lower than the previous corresponding period, at $14.719 million, primarily due to property sales in the prior year and lower average portfolio occupancy.

Operating expenses were largely in line with the previous corresponding period, aside from PFI's non-recoverable property costs, which were $0.297 million higher than the previous corresponding period due to the profit impact of the adjustment of various prepayments and other assets.

The effective current tax rate rose modestly to 19% from 17%, due, amongst other things, to prior period tax adjustments.

HIGH LIGHTS

Second quarter dividend held at 1.55 cents per share taking dividends for the first six months to **3.1¢** per share

11 new or varied leases secured, accounting for more than 14% of PFI's contract rent

Increase in weighted average lease term to **4.5** years from 4.17 years in December 2011

6.0% rise in net profit after tax to $7.046 million from $6.649 million

Only one lease expiry remaining in 2012

Balance sheet sound; gearing at **30.1%**

FINANCIAL PERFORMANCE
for the six months ended

$000	UNAUDITED 6 MONTHS ENDED 30 JUN 2012	UNAUDITED 6 MONTHS ENDED 30 JUN 2011
Gross rental income	14,716	15,621
Interest income	3	13
Total operating revenue	**14,719**	**15,634**
Interest expense and bank fees	(4,025)	(4,122)
Management fees	(936)	(933)
Non-recoverable property costs	(758)	(461)
Other expenses	(454)	(458)
Total operating expenses	**(6,173)**	**(5,974)**
Total operating earnings	**8,546**	**9,660**
Losses on disposals of investment properties	-	(167)
Unrealised fair value change in derivative financial instruments	802	(1,228)
Profit before taxation	**9,348**	**8,265**
Current taxation	(1,659)	(1,627)
Deferred taxation	(643)	11
Profit after taxation	**7,046**	**6,649**

DISTRIBUTABLE PROFIT
for the six months ended

$000	UNAUDITED 6 MONTHS ENDED 30 JUN 2012	UNAUDITED 6 MONTHS ENDED 30 JUN 2011
Profit after taxation	7,046	6,649
Adjusted for:		
Losses on disposals of investment properties	-	167
Unrealised fair value change in derivative financial instruments	(802)	1,228
Deferred taxation	643	(11)
Other	750	-
Distributable profit	**7,637**	**8,033**
Distributable profit per share	**3.48**	**3.69**

BALANCE SHEET & CAPITAL MANAGEMENT

PFI's net tangible assets of 108 cents per share remained unchanged from December 2011, up one cent per share from the previous corresponding period. PFI's $359 million portfolio was not independently valued as at 30 June 2012, as the board considered and relied on advice from management that there was no material change to the independent valuations performed as at 31 December 2011. The next independent valuation will be carried out as at 31 December 2012.

Gearing at 30.1% remained comfortably within the company's policy of 35% and covenant limits of 45%. Interest cover at 3.2 times was also well ahead of covenant levels of 2.0 times.

Utilisation of PFI's $150 million syndicated facility with ANZ and ASB, which has nearly three and a half years to expiry, increased slightly to $105 million during the six months ending 30 June 2012.

The company's current interest rate hedging was largely unchanged, with an extension to one interest rate swap resulting in a decrease in the average hedged interest rate to 6.42% from 6.64%. The average duration of the $73 million of current interest rate hedging was 2.76 years. There were no changes to the company's forward starting interest rate hedging.

The weighted average interest rate as at 30 June 2012 on drawn borrowings was 7.62%, in line with the rate as at 30 June 2011 of 7.63% and down from the rate as at 31 December 2011 of 7.85%, principally due to slightly increased utilisation of the facility.

Glengarry Hancocks, 6a Donnor Place, Mt. Wellington

DIVIDENDS

Tax paid cash dividends in respect of the six months to 30 June 2012 (including the dividend paid on 31 August 2012) totalled 3.1 cents per share, unchanged from the previous corresponding period.

The pay-out ratio, being the ratio of cash dividends paid to distributable profit, rose to 89% from 84% in the previous corresponding period.

The company's average annual shareholder return since listing in 1994, being the income yield plus change in share price assuming dividends are reinvested, stands at 8.66% as at the end of August 2012.

PORTFOLIO PERFORMANCE

PFI made steady progress on its strategic objective to strengthen the lease profile of the portfolio during the first half of 2012. 11 new or varied leases were secured, accounting for some 43,770 sqm of space, for an average term of over nine and a half years. This leasing accounts for more than 14% of PFI's contract rent, and only one lease expiry remains in the current year.

PFI's proactive approach to tenancy relationships means that the focus has now moved to those leases expiring in the 2013 and 2014 financial years.

Leasing progress during the period includes the retention of PFI's fourth largest tenant, Electrolux Home Products, at 3-5 Niall Burgess Road in Mount Wellington, on a 10 year term, and a new 10 year lease with Glengarry Hancocks at 6a Donnor Place, Mt Wellington, which had been the company's largest vacancy at year end.

As part of these new or varied leases, more than $2.5 million of capital projects are underway, which will contribute to year end property valuations as well as earnings.

Occupancy increased to 96.1% from 95.6% whilst the weighted average lease term increased to 4.50 years from 4.17 years over the six month period, the highest it has been since the end of 2009.

PORTFOLIO SNAPSHOT

	30 JUN 2012	31 DEC 2011	30 JUN 2011
Number of properties	**49**	49	**51**
Number of tenants	**90**	89	**96**
Contract rent	**$30.2 million**	$30.2 million	**$30.6 million**
Occupancy	**96.1%**	95.6%	**97.4%**
Weighted average lease term	**4.50 years**	4.17 years	**4.08 years**

NEW LEASES

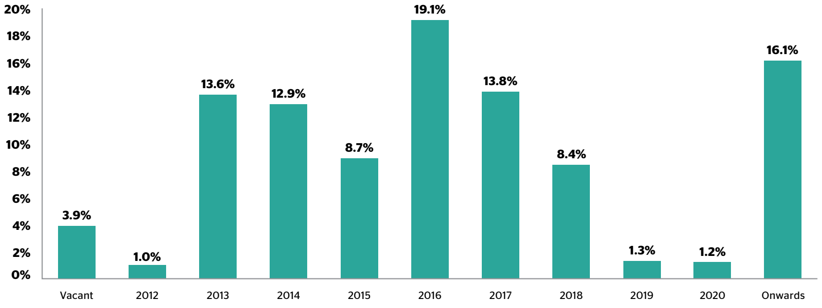
ADDRESS	TENANT	AREA (SQM)
9 Vestey Drive, Mt Wellington	**Multispares** [1]	1,600
1 Ron Driver Place, East Tamaki	**Stewart Scott Cabinetry** [1]	4,038
6a Donnor Place, Mt Wellington	**Glengarry Hancocks** [1]	6,033
48 Seaview Road, Wellington	**Multispares** [1]	1,590
16 Hugo Johnston Drive, Penrose	**Encap Group**	550
322 Rosedale Road, North Harbour	**Home Transfer Centre**	265
523 Mt Wellington Highway, Mt Wellington	**BGH Group**	1,677

[1] Secured in early 2012 and noted in the previous annual report.

VARIED LEASES

ADDRESS	TENANT	AREA (SQM)
127 Waterloo Road, Christchurch	**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 Road, Mt Wellington	**Electrolux Home Products**	9,373

LEASE EXPIRY PROFILE BY CONTRACT RENT
as at 30 June 2012



Where a property is vacant, market rent is shown.

PORTFOLIO PERFORMANCE CONT.

Rent reviews of 13% of PFI's leases resulted in an average annual uplift of almost 5%, the review results assisted by fixed and index linked review mechanisms, which are a feature of nearly half of PFI's leases.

A further 26% of PFI's leases will be reviewed during the second half of 2012, with more than two-thirds of these reviews subject to fixed or index linked review mechanisms.

Development work continues on a new 800 sqm warehouse for Multispares NZ Limited at PFI's Seaview Business Park in Lower Hutt, with practical completion on track for early 2013.

PFI did not acquire or dispose of any properties during the first half of 2012, however the company will, over time, continue to review non-core assets, recycling capital and deploying debt capacity in a prudent manner into accretive core industrial properties where the opportunity exists.

OUTLOOK AND GUIDANCE

Industrial property continues to show signs of stability, with Auckland industrial vacancy holding at around 4%. Rentals too remained stable, with some Auckland industrial precincts even showing signs of improvement in the short to medium term.

The investment market continues to exhibit improvement, as low interest rates and greater availability of debt appears to be attracting more buyers into the market, leading to firming yields.

The company's earnings and dividends will continue to be impacted by the leasing of PFI's vacant properties and expiring leases, and PFI expects tax paid cash dividends for the year to 31 December 2012 to fall to within a range of 6.5 to 6.9 cents per share.

On behalf of PFI's board and management, thank you for your continued support.

PETER MASFEN
CHAIRMAN

NICK COBHAM
GENERAL MANAGER

Electrolux Home Products, 3-5 Niall Burgess Road, Mt Wellington

FINANCIALS

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
for the six months ended 30 June 2012

ALL IN $000	NOTE	UNAUDITED 6 MONTHS ENDED 30 JUN 2012	UNAUDITED 6 MONTHS ENDED 30 JUN 2011	AUDITED 12 MONTHS ENDED 31 DEC 2011
OPERATING REVENUE				
Gross rental income		**14,716**	15,621	**30,808**
Interest income		**3**	13	**66**
Total operating revenue		**14,719**	15,634	**30,874**
OPERATING EXPENSES				
Audit fees		**(38)**	(48)	**(41)**
Other fees paid to auditors for agreed upon procedures and engagements		**-**	-	**(37)**
Directors' fees		**(87)**	(64)	**(129)**
Interest expense and bank fees		**(4,025)**	(4,122)	**(8,343)**
Management fees		**(936)**	(933)	**(1,865)**
Non-recoverable property costs		**(758)**	(461)	**(580)**
Other expenses		**(329)**	(346)	**(613)**
Total operating expenses		**(6,173)**	(5,974)	**(11,608)**
Total operating earnings		**8,546**	9,660	**19,266**
NON OPERATING INCOME AND EXPENSES				
Unrealised net change in fair value of investment properties	6	**-**	-	**3,653**
Losses/(gains) on disposals of investment properties		**-**	(167)	**261**
Unrealised net change in fair value of derivative financial instruments	8	**802**	(1,228)	**(4,219)**
Total non operating income and expenses		**802**	(1,395)	**(305)**
Profit before taxation		**9,348**	8,265	**18,961**
TAXATION				
Current taxation	7	**(1,659)**	(1,627)	**(3,490)**
Deferred taxation	7	**(643)**	11	**877**
Total taxation		**(2,302)**	(1,616)	**(2,613)**
Profit for the period attributable to the shareholders of the Company		**7,046**	6,649	**16,348**
Other comprehensive income		**-**	-	**-**
Total comprehensive income for the period attributable to the shareholders of the Company		**7,046**	6,649	**16,348**
BASIC AND DILUTED EARNINGS (CENTS PER SHARE)		**3.21**	3.05	**7.47**

The accompanying notes form part of these financial statements.

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
for the six months ended 30 June 2012

ALL IN $000	NOTE	SHARE CAPITAL	RETAINED EARNINGS	TOTAL
Balance at 1 January 2011		**167,334**	**66,720**	**234,054**
Profit for the year		-	16,348	**16,348**
Other comprehensive income		-	-	**-**
Total comprehensive income for the year ended 31 December 2011		-	16,348	**16,348**
Transactions with owners recognised directly in equity				
Share issues/dividend reinvestment	10	2,553	-	**2,553**
Dividends to shareholders		-	(15,614)	**(15,614)**
Subtotal		2,553	(15,614)	**(13,061)**
Balance at 31 December 2011 (consolidated audited)		**169,887**	**67,454**	**237,341**
Balance at 1 January 2011		**167,334**	**66,720**	**234,054**
Profit for the period		-	6,649	**6,649**
Other comprehensive income		-	-	**-**
Total comprehensive income for the period ended 30 June 2011		-	6,649	**6,649**
Transactions with owners recognised directly in equity				
Share issues/dividend reinvestment	10	1,479	-	**1,479**
Dividends to shareholders		-	(8,629)	**(8,629)**
Subtotal		1,479	(8,629)	**(7,150)**
Balance at 30 June 2011 (consolidated unaudited)		**168,813**	**64,740**	**233,553**
Balance at 1 January 2012		**169,887**	**67,454**	**237,341**
Profit for the period		-	7,046	**7,046**
Other comprehensive income		-	-	**-**
Total comprehensive income for the period ended 30 June 2012		-	7,046	**7,046**
Transactions with owners recognised directly in equity				
Share issues/dividend reinvestment	10	1,584	-	**1,584**
Dividends to shareholders		-	(8,721)	**(8,721)**
Subtotal		1,584	(8,721)	**(7,137)**
Balance at 30 June 2012 (consolidated unaudited)		**171,471**	**65,779**	**237,250**

The accompanying notes form part of these financial statements.

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
as at 30 June 2012

ALL IN $000	NOTE	UNAUDITED AS AT 30 JUN 2012	UNAUDITED AS AT 30 JUN 2011	AUDITED AS AT 31 DEC 2011
CURRENT ASSETS				
Bank		914	-	-
Accounts receivable		1,335	692	915
Prepayments and other assets		7,499	6,209	6,821
Investment properties held for sale	6	-	5,030	-
Taxation recoverable		-	112	-
Total current assets		9,748	12,043	7,736
NON-CURRENT ASSETS				
Investment properties	6	352,132	346,853	350,777
Total non current assets		352,132	346,853	350,777
Total assets		361,880	358,896	358,513
CURRENT LIABILITIES				
Bank overdraft		-	267	116
Accounts payable, accruals and other liabilities		3,156	2,104	1,882
Taxation payable		351	-	509
GST payable		102	218	285
Derivative financial instruments	8	8,652	6,463	9,454
Total current liabilities		12,261	9,052	12,246
NON CURRENT LIABILITIES				
Borrowings	9	105,300	109,000	102,500
Deferred taxation	7	7,069	7,291	6,426
Total non current liabilities		112,369	116,291	108,926
Total liabilities		124,630	125,343	121,172
Net assets		237,250	233,553	237,341
EQUITY				
Share capital	10	171,471	168,813	169,887
Retained earnings		65,779	64,740	67,454
Total equity		237,250	233,553	237,341

The accompanying notes form part of these financial statements.

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
for the six months ended 30 June 2012

ALL IN $000	NOTE	UNAUDITED 6 MONTHS ENDED 30 JUN 2012	UNAUDITED 6 MONTHS ENDED 30 JUN 2011	AUDITED 12 MONTHS ENDED 31 DEC 2011
CASH FLOWS FROM OPERATING ACTIVITIES				
Receipts from customers		**14,552**	15,294	**30,106**
Payments to suppliers		**(1,730)**	(3,045)	**(5,762)**
Interest received		**3**	13	**66**
Interest and other finance costs paid		**(4,103)**	(3,444)	**(7,518)**
Taxation paid		**(1,817)**	(1,300)	**(2,554)**
GST (paid)/received		**(183)**	(173)	**330**
Net cash flows from operating activities	12	**6,722**	7,345	**14,668**
CASH FLOWS FROM INVESTING ACTIVITIES				
Proceeds from sales of investment properties		**-**	5,500	**12,839**
Purchases and development of investment properties		**(1,355)**	(3,278)	**(5,378)**
Capitalisation of interest on development properties		**-**	(120)	**(120)**
Net cash flows from investing activities		**(1,355)**	2,102	**7,341**
CASH FLOWS FROM FINANCING ACTIVITIES				
Dividends to shareholders		**(8,721)**	(8,629)	**(15,614)**
Proceeds from term loans		**25,200**	13,000	**23,300**
Repayments of term loans		**(22,400)**	(15,200)	**(32,000)**
Proceeds from share issues		**1,584**	1,479	**2,553**
Net cash flows from financing activities		**(4,337)**	(9,350)	**(21,761)**
Net change in cash and cash equivalents		**1,030**	97	**248**
Cash and cash equivalents at beginning of period		**(116)**	(364)	**(364)**
Cash and cash equivalents at end of period		**914**	(267)	**(116)**

The accompanying notes form part of these financial statements.

NOTES TO THE UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
for the six months ended 30 June 2012

1. GENERAL INFORMATION

The unaudited interim condensed consolidated financial statements as at and for the six months ended 30 June 2012 are those of Property For Industry Limited (the Company) and its subsidiaries (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 Financial Reporting Act 1993 and these unaudited interim condensed consolidated 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.

The Company's and Group's principal activity is property investment and management. The Company and Group are profit oriented businesses.

2. BASIS OF PREPARATION

These unaudited interim condensed consolidated financial statements have been prepared in accordance with NZ IAS 34 Interim Financial Reporting. They 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.

These unaudited interim condensed consolidated financial statements should be read in conjunction with the Annual Report for the year ended 31 December 2011 which may be down loaded from the company's website (www.propertyforindustry.co.nz).

These unaudited interim condensed consolidated financial statements were approved by the Board of Directors on 6 August 2012.

3. ACCOUNTING POLICIES

The accounting policies applied by the Group in these unaudited interim condensed consolidated financial statements are the same as those applied by the Group in its consolidated financial statements as at and for the year ended 31 December 2011.

4. EARNINGS PER SHARE

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

ALL IN $000	UNAUDITED 6 MONTHS ENDED 30 JUN 2012	UNAUDITED 6 MONTHS ENDED 30 JUN 2011	AUDITED 12 MONTHS ENDED 31 DEC 2011
Total comprehensive income for the period attributable to the shareholders of the Company	7,046	6,649	16,348
Weighted average number of ordinary shares (shares)	219,621,668	217,818,049	218,721,123

5. RELATIONSHIP OF COMPREHENSIVE INCOME TO DIVIDENDS PAID

The Company's current distribution policy is to distribute 100% of its distributable profit, subject to Board approval. Distributable profit is defined as total comprehensive income for the period attributable to the shareholders of the Company before unrealised net changes in the fair value of investment properties, gains/(losses) on disposals of investment properties, unrealised net changes in the fair value of derivative financial instruments, deferred taxation and other one off items.

ALL IN $000		UNAUDITED 6 MONTHS ENDED 30 JUN 2012	UNAUDITED 6 MONTHS ENDED 30 JUN 2011	AUDITED 12 MONTHS ENDED 31 DEC 2011
Total comprehensive income for the period attributable to the shareholders of the Company		**7,046**	6,649	**16,348**
Adjusted for:				
Unrealised net change in fair value of investment properties		**-**	-	**(3,653)**
Losses/(gains) on disposals of investment properties		**-**	167	**(261)**
Unrealised net change in fair value of derivative financial instruments		**(802)**	1,228	**4,219**
Deferred taxation		**643**	(11)	**(877)**
Other [1]		**750**	-	**-**
Distributable profit		**7,637**	8,033	**15,776**
Weighted average number of ordinary shares		**219,621,668**	217,818,049	**218,721,123**
Distributable profit per share (cents)		**3.48**	3.69	**7.21**
1st quarter FYE 31/12/11 net dividend (1.550 cents)	Paid 16/5/2011	**-**	3,372	**3,372**
2nd quarter FYE 31/12/11 net dividend (1.550 cents)	Paid 31/8/2011	**-**	3,380	**3,380**
3rd quarter FYE 31/12/11 net dividend (1.650 cents)	Paid 23/11/2011	**-**	-	**3,606**
4th quarter FYE 31/12/11 net dividend (2.425 cents)	Paid 14/3/2012	**-**	-	**5,311**
1st quarter FYE 31/12/12 net dividend (1.550 cents)	Paid 30/5/2012	**3,408**	-	**-**
2nd quarter FYE 31/12/12 net dividend (1.550 cents)	To be paid 29/8/2012	**3,416**	-	**-**
Dividends paid relating to the period reported		**6,824**	6,752	**15,669**
Pay-out ratio		**89%**	84%	**99%**

[1] Other includes the profit impact of the adjustment of various prepayments and other assets, the current tax impact of an adjustment to one of the Company's derivative financial instruments, and prior period tax adjustments.

6. INVESTMENT PROPERTIES

ALL IN $000	UNAUDITED 6 MONTHS ENDED 30 JUN 2012	UNAUDITED 6 MONTHS ENDED 30 JUN 2011	AUDITED 12 MONTHS ENDED 31 DEC 2011
Opening balance	**355,855**	358,173	**358,173**
Disposals (i)	**-**	(5,372)	**(10,392)**
Capital expenditure	**1,355**	2,968	**3,219**
Prepaid leasing costs and capitalised lease incentives	**1,396**	921	**1,202**
Unrealised revaluation (ii)	**-**	-	**3,653**
Closing balance	**358,606**	356,690	**355,855**
Represented in the statement of financial position by:			
Prepayments and other current assets [1]	**6,474**	4,807	**5,078**
Investment properties held for sale (iii)	**-**	5,030	**-**
Investment properties	**352,132**	346,853	**350,777**
Closing balance	**358,606**	356,690	**355,855**

[1] Amount shown only represents a portion of the total balance in the statement of financial position.

(i) Disposals:

The Group sold no properties during the period. During the six months ended 30 June 2011 and year ended 31 December 2011 the Group sold 956 Great South Road for $3,049,000 before disposal costs, the registered valuation as at 31 December 2010 was $3,060,000. The Group also sold 956a Great South Road for $2,451,000 before disposal costs, the registered valuation as at 31 December 2010 was $2,460,000, during this same period. During the year ended 31 December 2011 the Group sold 11 Barnes Street for $7,350,000 before disposal costs, the registered valuation as at 31 December 2010 was $6,466,000.

(ii) Valuation:

All properties were last revalued by independent valuers as at 31 December 2011. The combined unrealised net increase in the value of investment properties for the year to 31 December 2011 was $3,653,000. The carrying value as at 30 June 2012 represents the Directors best estimate of fair value based on market conditions and the Directors and Management experience in this area. The portfolio will next be revalued by independent valuers as at 31 December 2012.

(iii) Investment properties held for sale:

The Group had no properties held for sale at 30 June 2012 (30 June 2011: one property valued at $5.03 million, 31 December 2011: no properties held for sale).

7. TAXATION

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

ALL IN $000	UNAUDITED 6 MONTHS ENDED 30 JUN 2012	UNAUDITED 6 MONTHS ENDED 30 JUN 2011	AUDITED 12 MONTHS ENDED 31 DEC 2011
Profit before taxation	**9,348**	8,265	**18,961**
Prima facie income tax calculated at the statutory income tax rate of 28% (2011: 28%)	**(2,617)**	(2,314)	**(5,309)**
Plus tax effect of:			
Non tax deductible expenses	**(38)**	(87)	**1,096**
Depreciation	**422**	450	**922**
Deductible capital expenditure	**30**	400	**597**
Deferred leasing costs and incentives	**379**	254	**342**
Derivative financial instruments	**153**	(344)	**(1,181)**
Provision for impairment	**84**	14	**70**
Other	**20**	-	**(27)**
Current tax prior period adjustment	**(92)**	-	**-**
Current taxation	**(1,659)**	(1,627)	**(3,490)**
Depreciation	**(5)**	(65)	**108**
Deferred leasing costs and incentives	**(379)**	(254)	**(342)**
Derivative financial instruments	**(153)**	344	**1,181**
Provision for impairment	**(84)**	(14)	**(70)**
Other	**(22)**	-	**-**
Deferred tax prior period adjustment	**-**	-	**-**
Deferred taxation	**(643)**	11	**877**
Income tax expense reported in statement of comprehensive income	**(2,302)**	(1,616)	**(2,613)**

(ii) Deferred tax:

ALL IN $000	AUDITED AS AT 31 DEC 2011	UNAUDITED RECOGNISED IN PROFIT 6 MONTHS ENDED 30 JUN 2012	UNAUDITED AS AT 30 JUN 2012	UNAUDITED AS AT 30 JUN 2011
Deferred tax assets				
Derivative financial instruments	**(2,647)**	153	**(2,494)**	(1,810)
Provision for impairment	**(84)**	84	**-**	(140)
Gross deferred tax assets	**(2,731)**	237	**(2,494)**	(1,950)
Deferred tax liabilities				
Investment properties	**9,157**	406	**9,563**	9,241
Gross deferred tax liabilities	**9,157**	406	**9,563**	9,241
Net deferred tax liability	**6,426**	643	**7,069**	7,291

8. DERIVATIVE FINANCIAL INSTRUMENTS

As at 30 June 2012, the Group had derivative financial instruments in place, being fixed interest rate swaps, totalling $73,000,000 (30 June 2011: $73,000,000, 31 December 2011: $73,000,000), or 69% (30 June 2011: 67%, 31 December 2011: 71%) of drawn down borrowings, with an average interest rate of 6.42% (30 June 2011: 6.64%, 31 December 2011: 6.64%) plus applicable margin and fees, for an average duration of 2.76 years (30 June 2011: 3.13 years, 31 December 2011: 2.63 years).

As at 30 June 2012, the Group also had forward starting fixed interest rate swaps totalling $35,000,000 (30 June 2011: $35,000,000, 31 December 2011: $35,000,000), with an average interest rate of 5.41% (30 June 2011: 5.41%, 31 December 2011: 5.41%) plus applicable margin and fees, for an average period to expiry of 4.24 years (30 June 2011: 5.24 years, 31 December 2011: 4.74 years).

9. BORROWINGS

(i) 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. At 30 June 2012 $105,300,000 had been drawn down (30 June 2011: $109,000,000, 31 December 2011: $102,500,000).

(ii) 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). In addition to this, the facility agreement contains a negative pledge.

(iii) 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 30 June 2012 for the drawn down borrowings was 7.62% (30 June 2011: 7.63%, 31 December 2011: 7.85%). All borrowings are interest only until the maturity date.

There were no borrowings costs capitalised to investment properties during the six months ended 30 June 2012 (30 June 2011: $120,000 at a rate of 7.70%, year ended 31 December 2011: $120,000 at a rate of 7.70%).

As at 30 June 2012, $593,780 (30 June 2011: $761,371, 31 December 2011: $674,724) of prepaid fees relating to these borrowings was included in prepayments and other assets. These prepayments are amortised on a straight line basis over the remaining term of the facility.

The facility has covenants requiring earnings before interest and tax to be more than two times interest, and total liabilities excluding deferred tax and unrealised gains or losses on derivative financial instruments to be no more than 45% of total tangible assets. At all times during all periods reported the Group was in compliance with these covenants.

10. SHARE CAPITAL

During the six months ended 30 June 2012 the Company issued 1,400,063 shares under the Dividend Reinvestment Scheme for net proceeds of $1,583,299 (30 June 2011: 1,308,229 shares for $1,479,000, 31 December 2011: 2,251,235 shares for $2,553,038).

Share capital comprises issued ordinary shares that are fully paid. Fully paid ordinary shares carry equal voting rights and share equally in dividends and any surplus on wind up and have no par value.

11. NET TANGIBLE ASSETS PER SHARE

	UNAUDITED AS AT	UNAUDITED AS AT	AUDITED AS AT
ALL IN $000	30 JUN 2012	30 JUN 2011	31 DEC 2011
Net tangible assets (total equity)	**237,250**	233,553	**237,341**
Closing shares on issue	**220,410,728**	218,067,659	**219,010,665**
Net tangible assets per share (cents)	**108**	107	**108**

12. RECONCILIATION OF PROFIT FOR THE PERIOD WITH NET CASH FLOWS FROM OPERATING ACTIVITIES

	UNAUDITED 6 MONTHS ENDED	UNAUDITED 6 MONTHS ENDED	AUDITED 12 MONTHS ENDED
ALL IN $000	30 JUN 2012	30 JUN 2011	31 DEC 2011
Total comprehensive income for the period attributable to the shareholders of the Company	**7,046**	6,649	**16,348**
Adjusted for non cash and non operating items:			
Unrealised net change in fair value of investment properties	**-**	-	**(3,653)**
Losses/(gains) on disposals of investment properties	**-**	167	**(261)**
Unrealised net change in fair value of derivative financial instruments	**(802)**	1,228	**4,219**
Deferred taxation	**643**	(11)	**(877)**
Add (less) movements in working capital items:			
(Increase) in accounts receivable, prepayments and other assets	**(1,098)**	(1,195)	**(2,479)**
Increase (reduction) in accounts payable, accruals and other liabilities	**1,274**	(215)	**105**
(Reduction) increase in taxation payable	**(158)**	315	**936**
(Reduction) increase in GST payable	**(183)**	263	**330**
Other working capital movements	**-**	144	**-**
Net cash inflow from operating activities	**6,722**	7,345	**14,668**

13. RELATED PARTIES

No related party debts have been written off or forgiven during the six months to 30 June 2012 (six months to 30 June 2011: nil, year to 31 December 2011: nil).

The Group is managed by PFIM Limited under a management and administrative services contract. This contract was assigned to PFIM Limited from AMP Capital Investors Limited on 20 January 2012.

During the six months to 30 June 2011, the Group paid base management fees totalling $935,759 (six months to 30 June 2011: $933,000, year to 31 December 2011: $1,865,000) to PFIM Limited or AMP Capital Investors (New Zealand) Limited. No performance fees were payable in respect of all periods reported. As at 30 June 2012, a deficit amount of $2,229,193 (30 June 2011: $734,853, 31 December 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.

During the six months to 30 June 2012, fees paid to Directors of the Group were $87,000 (six months to 30 June 2011: $64,000, year to 31 December 2011: $130,000).

As at 30 June 2012, Directors of the Group held 4,119,962 (30 June 2011: 4,119,962, 31 December 2011: 4,119,962) shares beneficially in the Company and 250,000 (30 June 2011: 4,614,246, 31 December 2011: 862,055) shares non beneficially in the Company.

14. 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.

15. CAPITAL COMMITMENTS

As at 30 June 2012 the Group had capital commitments totalling $2,599,000 (30 June 2011: $2,094,000, 31 December 2011: $181,000) relating to works on investment properties.

16. CONTINGENT LIABILITIES

As at 30 June 2012 the Group had no contingent liabilities (30 June 2011: none, 31 December 2011: none).

17. EVENTS OCCURRING AFTER THE REPORTING PERIOD

On 6 August 2012, the Directors of the Company approved the payment of a net dividend of $3,416,366 (1.5500 cents per share) to be paid on 29 August 2012. The gross dividend (1.9836 cents per share) carries imputation credits of 0.4336 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 30 June 2012 in respect of this dividend.

DIRECTORY

Issuer
Property For Industry Limited
Shed 24, Prince's Wharf
147 Quay Street
Auckland
Tel: 09 303 9450
Fax: 09 303 9657
www.pfi.co.nz

Directors
Peter Masfen (Chairman)
Humphry Rolleston
Anthony Beverley
Gregory Reidy

Manager
PFIM Limited
Shed 24, Prince's Wharf
147 Quay Street
Auckland
Tel: 09 303 9450
Fax: 09 303 9657

General Manager
Nick Cobham
Tel: 09 303 9656
Fax: 09 303 9657
cobham@pfi.co.nz

Chief Financial Officer/ Company Secretary
Craig Peirce
Tel: 09 303 9651
Fax: 09 303 9657
peirce@pfi.co.nz

Share Registrar
Computershare Investor Services Limited
Level 2, 159 Hurstmere Road
Takapuna, North Shore City
Private Bag 92119
Auckland 1020
Tel: 09 488 8700
Fax: 09 488 8787

Managing your shareholding online
To change address, update your payment instructions and to view your investment portfolio including transactions, please visit: www.computershare.co.nz/investorcentre

General enquiries can be directed to:
enquiry@computershare.co.nz
Private Bag 92119, Auckland 1142
Tel: +64 9 488 8777
Fax: +64 9 488 8787

CALENDAR

November 2012	2012 Third-quarter result announced 2012 Third-quarter dividend paid
February 2013	2012 Full-year financial result announced
March 2013	2012 Final dividend payment 2012 Annual report released

www.pfi.co.nz