REALISING OPPORTUNITIES

INTERIM REPORT 2013

PFI

1. Trayco Manufacturing, 3 Hocking Street, Mount Maunganui
2. Multispares, 48 Seaview Road, Seaview, Wellington
3. DEC Manufacturing, 558 Te Rapa Road, Hamilton
4. Chemical Freight Services, 10c Stonedon Drive, East Tamaki, Auckland
5. Transportation Auckland Corporation, 170 Swanson Road, Swanson, Auckland
6. Fletcher Building Products, 30-32 Bowden Road, Mount Wellington, Auckland

OVERVIEW

An eventful first six months of 2013 for Property For Industry (PFI) culminated in the merger with Direct Property Fund (DPF) on 1 July 2013. This brought together two successful and complementary entities to create one of New Zealand's largest industrial property investment companies. It has transformed PFI's business, more than doubling the asset base and providing increased portfolio diversification, and is forecast to deliver higher dividend returns to shareholders.

The board and management are pleased to report that at this early stage, portfolio, financial and market benefits are already accruing from the merger.

At the portfolio level, steady progress continues to be made. More than 28% of PFI's contract rent was varied, leased or reviewed during the first half of 2013, and tenant commitment has been the catalyst for significant new investment at two of PFI's existing properties.

This leasing progress, coupled with 2012's acquisitions and disposals, translated into sound financial results for the first half of 2013.

MERGER

The merger of PFI and DPF became effective on 1 July 2013, following the receipt of shareholder and High Court approvals, with more than 99% of PFI and DPF shareholders who voted voting in favour of the merger. This strong show of support reinforces the board and management team's belief in the merger proposition.

Following recent index changes, the merged entity has risen to 28th in the NZX 50 Index and is now the 5th largest listed property vehicle on the NZX Main Board[1]. These index changes assisted in PFI shareholders enjoying a period of particularly strong share price performance. Total shareholder returns[2] for the year to 30 June 2013 were in excess of 25%, lifting returns since listing in 1994 to 9.20% per annum from 8.44% per annum as at 31 December 2012.

HIGHLIGHTS

3.4c PER SHARE

distributable profit for the six months ended 30 June 2013 steady at $7.588 million or 3.4 cents per share

28%

of contract rent varied, leased or reviewed during the first half of 2013

$6.7 MILLION

refurbishment/development commenced with tenant commitment

1st JULY

merger with Direct Property Fund completed

This interim report includes financial statements for PFI and its subsidiary for the six months ended and as at 30 June 2013. PFI merged with DPF on 1 July 2013, accordingly the financial statements do not contain DPF's financial results or position. Certain statements in this interim report refer to the "merged entity", these statements reflect a position or activity on 1 July 2013 or after the merger.

PORTFOLIO PERFORMANCE

PORTFOLIO SNAPSHOT AS AT	MERGED ENTITY 1 JULY 2013	PFI 30 JUNE 2013	PFI 31 DEC 2012	PFI 30 JUNE 2012
Number of properties	83	50	50	49
Number of tenants	137	85	86	90
Contract rent	$65.2 million	$33.3 million	$32.6 million	$30.2 million
Occupancy	97.3%	98.1%	97.4%	96.1%
Weighted average lease term	5.51 years	4.72 years	4.80 years	4.50 years

Nearly 30,000 square metres of space was leased to nine tenants for an average term of 4.6 years during the first half of 2013, resulting in further improvements in the company's portfolio statistics.

Leasing activity included Autex Industries Limited, Barkers Clothing Limited and Canterbury New Zealand Limited committing to all the lettable space previously vacant at 15-19 Copsey Place, Avondale, Auckland. The property is currently undergoing a $4.1 million refurbishment with the leases commencing during December 2013 and January 2014 on completion of the work.

Work has also begun on a new warehouse facility for Tycab NZ Limited on expansion land at 54 Carbine Road & 6a Donnor Place, Mount Wellington, Auckland. The project will cost $2.6 million, with the new 10 year lease commencing on completion, targeted for January 2014.

In addition, a new 8,867 square metre bulk storage development has recently been completed by the merged entity on former DPF expansion land at Mount Maunganui. Leased to Ballance Agri-Nutrients Limited for 15 years, the project provided a return on capital invested of 7.75%, including land at value.

PFI also completed rent reviews on 17 leases, representing more than $6 million of contract rent, during the interim period. The reviews resulted in an average annual uplift of 2.7%, with fixed or index-linked review mechanisms, a feature of nearly 60%[3] of the merged entity's leases, contributing more than 80% of the growth in contract rental income.

In addition to the activity within PFI's existing portfolio, the merger with DPF resulted in a significant shift in the portfolio statistics on 1 July 2013, including extending the weighted average lease term to 5.51 years.

As anticipated, the merger did result in an increase in vacancy, albeit the majority of the additional vacancy is concentrated at 9 Narek Place, Wiri, Auckland and 18 Ron Driver Place, East Tamaki, Auckland. These properties represent 0.4% and 1.2% respectively of the total merged entity's vacancy of 2.7%.

The merged entity has just 3.1% of the merged contract rent roll due to expire within the remainder of the current year, with the largest single expiry, 2-6 Niall Burgess Road, Mount Wellington, Auckland, representing 1.2% of merged contract rent.

FINANCIAL PERFORMANCE

FINANCIAL PERFORMANCE AND DISTRIBUTABLE PROFIT FOR THE SIX MONTHS ENDED	$000 30 JUNE 2013	$000 30 JUNE 2012
Total operating revenue	15,989	14,719
Total operating expenses	(6,433)	(6,173)
Total operating earnings	**9,556**	**8,546**
Total non operating income and expense	3,433	802
Profit before taxation	**12,989**	**9,348**
Total taxation	(1,124)	(2,302)
Profit after taxation	**11,865**	**7,046**
Adjusted for:		
Unrealised fair value change in investment properties	(368)	–
Gains on disposals of investment properties	(47)	–
Unrealised fair value change in derivative financial instruments	(3,018)	(802)
Deferred taxation	(806)	643
Fixed rent reviews	(291)	–
Incentive fees net of tax	259	–
Other	(6)	750
Distributable profit	**7,588**	**7,637**
Distributable profit per share (cents)[4]	**3.44**	**3.48**
Dividends paid relating to period reported (cents)	**3.40**	**3.10**
Pay-out ratio	**99%**	**89%**

Operating revenues were $1.3 million or 8.6% higher than the previous corresponding period as additional rental income from properties acquired in the last quarter of 2012 and the first quarter of 2013 outweighed a reduction in rental income from properties disposed of in the last quarter of 2012.

Operating expenses were $0.3 million or 4.2% higher than the previous corresponding period, as savings in non recoverable property costs and other expenses were offset by an increase in interest expense, bank fees and management fees.

The increase in management fees was largely due to an incentive fee of $0.36 million ($0.26 million net of current taxation) in respect of the current period. The incentive fee, calculated as 10% of the change in shareholder wealth above 10% and below 15%, is the first to be paid since 2007.

The effective current tax rate rose to 20% from 19%, with IRD changes to the taxation of lease incentives, which became effective 1 April 2013, contributing to the modest increase.

Distributable profit, a non-GAAP performance measure used by the PFI board in determining dividends to shareholders, was in line with the previous corresponding period at 3.44 cents per share.

BALANCE SHEET & CAPITAL MANAGEMENT

After adjusting for the second quarter dividend, which was paid early on 28 June 2013 as part of the merger structuring, PFI's net tangible assets increased 1.8 cents per share to 115.3 cents per share during the interim period. This increase was driven by a reduction in the fair value liability associated with PFI's derivative financial instruments and a reduction in PFI's deferred tax liability.

PFI's portfolio was not independently valued during the six months ending 30 June 2013. The next independent valuation will be performed as at 31 December 2013.

The merger of PFI with DPF resulted in significant changes to PFI's loan facilities and interest rate hedging.

A new $350 million syndicated facility agreement, with an average term of three years, was entered into on 1 July 2013. PFI's existing lenders, ANZ and CBA, were joined by DPF's lenders, BNZ and Westpac, with the term and pricing of PFI and DPF's current loan facilities maintained or improved through the refinancing process.

In addition to this, the board imposed gearing policy limit was revised to 40%, recognising the company's gearing following the merger of 39%. The bank facility covenant remained unchanged at 50%.

The interest rate hedging restructure outlined in the Information Memorandum[5], which included the cancellation of all of DPF's swaps immediately prior to the merger at a cost of $8.2 million, has now been completed. The restructure resulted in the merged entity carrying interest rate hedging of $218 million at an average rate of 4.45% for an average duration of 4.2 years.

When combined with the new loan facility, the interest rate hedging restructure has allowed the merged entity to achieve a significant reduction in its weighted average cost of debt to 5.48% from 7.29% as at 31 December 2012.

DIVIDENDS & DIVIDEND REINVESTMENT SCHEME

Tax paid cash dividends in respect of the six months to 30 June 2013 totalled 3.40 cents per share, up from 3.10 cents per share in the previous corresponding period.

The second quarter dividend was paid earlier than usual on 28 June 2013, and the pay-out ratio increased from 89% to 99%, following formal approval of the merger of PFI with DPF. Shareholders can expect to receive their next dividend on or around 27 November 2013.

PFI's dividend reinvestment scheme remained suspended and the board will continue to assess whether to operate or suspend the company's dividend reinvestment scheme on a quarter by quarter basis.

The merged entity expects cash dividends in respect of the year to 31 December 2013 to remain consistent with the forecast in the Information Memorandum of 7.04 cents per share.

MARKET, OUTLOOK & STRATEGY

The market conditions evidenced in late 2012, where investors and owner occupiers were particularly active, continued into the first half of 2013.

The effect of this activity has seen Auckland industrial vacancy reduce to 3.6%[6]. Net effective rents[7] have also improved, particularly for new leases of prime property or for new shorter term leases. Yields remain firm, and have improved considerably across secondary industrial stock.

This improvement in vacancy and net effective rents is positive for industrial property values, and is allowing the repositioning of secondary vacant property and green-field development on existing land within the portfolio. The merged entity's focus over the medium term is therefore not only managing the vacancy and upcoming lease expiries within the portfolio, but also when viable, taking advantage of opportunities to develop existing expansion land and to modernise older, potentially secondary property.

With the integration of PFI and DPF now cemented, the board and management team thank you for your support and look forward to delivering on your expectations of the merged entity in the second half of 2013.

Peter Masfen
Chairman

Nick Cobham
General Manager (Joint)

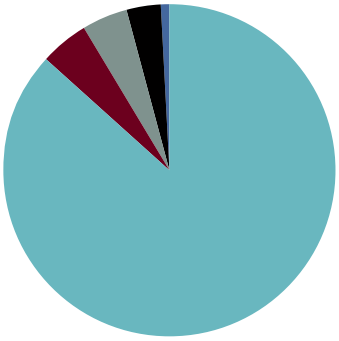
Simon Woodhams
General Manager (Joint)

1. These conclusions are based on PFI's own analysis and have not been approved or checked by the NZX.
2. Income yield plus change in share price, assuming dividends are reinvested.
3. 58% of the merged entity's contract rent.
4. Per share figures are on a weighted average basis.
5. The term Information Memorandum is used throughout this report and relates to the Information Memorandum in relation to the merger of PFI with DPF dated 22 May 2013.
6. Source: CBRE.
7. Face rentals less incentives.

PORTFOLIO SUMMARY AS AT 1 JULY 2013

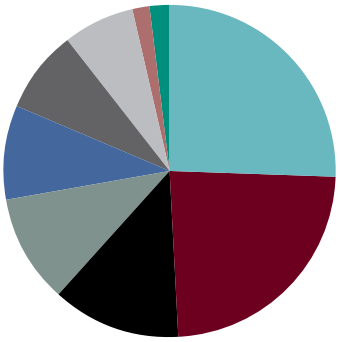
Investment portfolio geographic location New Zealand

AUCKLAND	86.9%
WELLINGTON	4.6%
MT MAUNGANUI	4.5%
CHRISTCHURCH	3.3%
HAMILTON	0.7%



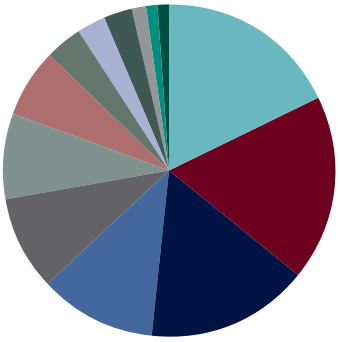
Investment portfolio geographic location Auckland

MT WELLINGTON	25.6%
EAST TAMAKI	23.6%
PARNELL	12.5%
AVONDALE	10.6%
MANUKAU	9.1%
NORTH HARBOUR	8.3%
PENROSE	6.8%
SWANSON	1.8%
MANGERE	1.7%



Tenant industry by contract rental

MACHINERY AND EQUIPMENT MANUFACTURING	18.0%
TRANSPORT AND STORAGE	17.9%
OTHER MANUFACTURING	15.8%
PROPERTY AND BUSINESS SERVICES	11.4%
FOOD MANUFACTURING	9.3%
CONSTRUCTION	8.2%
WOOD AND PAPER MANUFACTURING	6.7%
ACCOMMODATION AND RESTAURANTS	3.7%
TEXTILES AND CLOTHING	2.8%
VACANT	2.7%
EDUCATION	1.3%
HEALTH AND COMMUNITY SERVICES	1.3%
GOVERNMENT	0.9%



Top ten tenants by contract rental

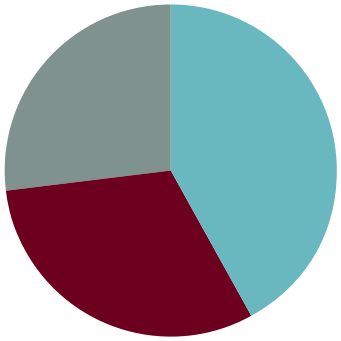
Rank	Tenant	No. of Properties	Annual Rent ($)	% of Total
1	Fisher & Paykel Appliances	1	5,076,669	7.6%
2	Fletcher Building	4	2,965,609	4.4%
3	Goodman Fielder	2	2,305,011	3.4%
4	DHL Supply Chain	2	2,281,036	3.4%
5	Sinclair Knight Merz	1	2,228,927	3.3%
6	Wickliffe	2	1,756,167	2.6%
7	Pharmacy Retailing	2	1,624,083	2.4%
8	Southern Spars	1	1,438,038	2.1%
9	Brambles	2	1,402,965	2.1%
10	Nestle	1	1,400,968	2.1%
	Subtotal	**18**	**22,479,473**	**33.4%**
	Total (including vacancy)	**83**	**67,047,591**	**100%**

Rent review type by contract rental

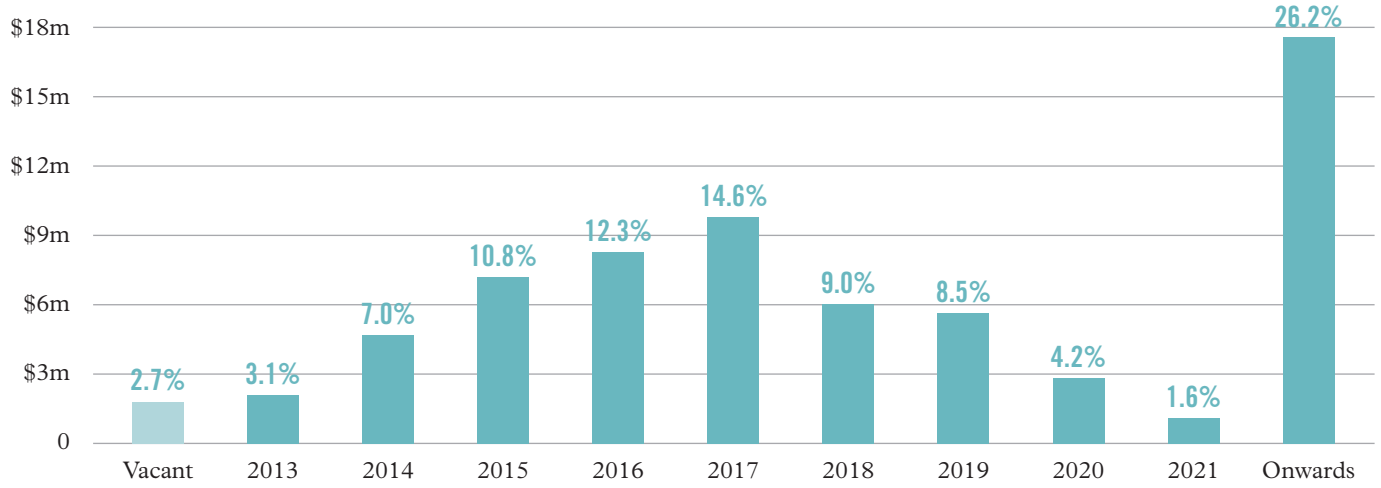
MARKET 42.1%

CPI 31.2%

FIXED 26.7%



Lease expiry by contract rental



REDEVELOPED AND REPOSITIONED

15-19 Copsey Place, Avondale, Auckland

PFI's master plan for the redevelopment of an Avondale warehouse has attracted three new tenants.

In February 2013, PFI embarked on a redevelopment of its then-vacant warehouse at 15-19 Copsey Place, Avondale. PFI has now secured all three of the new tenants required to complete the development with the $4.074M project targeted to be complete by January 2014.

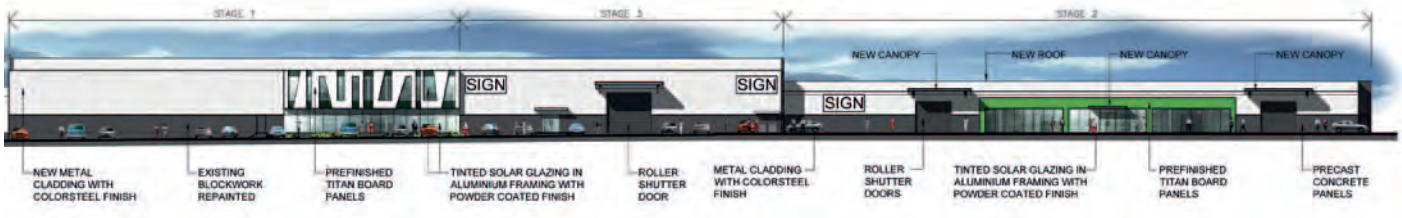
The shortcomings of the existing property included high site coverage and a high office-to-warehouse ratio – two factors that limited the opportunities to add value to the property and reduced its appeal to prospective tenants. In addition, the office space was obsolete.

PFI's master plan provided for the staged redevelopment and repositioning of the property as new tenants were secured. The work includes lifting the stud height of part of the building, replacing the existing office space with modern, clear-span warehouse accommodation, constructing new office space to tenant requirements, and creating a new building façade.

Stage 1 of the redevelopment (2,815 square metres) has been leased to sports apparel company Canterbury New Zealand Limited, which is moving its NZ head office (formerly in Christchurch) into the property.

Manufacturing and product development company Autex Industries Limited has leased Stage 2 (2,607 square metres). Autex specialises in textiles and advanced fibre technology and the new premises will complement the company's existing manufacturing/warehouse facility in nearby Rosebank Road.

Men's clothing company Barkers Clothing Limited will base its North Island distribution centre in the 1,478 square metre third and final stage of the development.



$9.8M
Value on completion
(including land)

$0.7M
Development margin

8.0%
Return on cost

$722,525
Net rental on completion

UNLOCKING VALUE

54 Carbine Road/6A Donnor Place, Mt Wellington, Auckland

Unlocking expansion land at two existing PFI properties in Mt Wellington has allowed for a new warehouse development.

PFI has progressively negotiated with tenants to gain access to expansion land at two of its Mt Wellington properties to allow for a new two unit warehouse development. Stage 1 of this development has been confirmed, with a 10-year lease in place to a new tenant on completion.

In early 2012, PFI leased its building at 6A Donnor Place to Glengarry Hancocks Limited on a long-term lease, unlocking approximately 4,300 square metres of surplus land for greenfield development.

In a second transaction, PFI also agreed a variation and extension of the lease with the tenant at the adjoining property at 6 Donnor Place – which PFI also owns – including the surrender of 1,500 square metres of associated land.

Together, these two transactions gave PFI access to a total of 5,800 square metres of expansion land, representing a more efficient and marketable development proposition. PFI's master plan for this site provides for a two-unit warehouse development, maximising site coverage and returns.

In 2013, PFI has been successful in securing a design/build lease agreement for Stage 1 of this development, a new warehouse which will be the New Zealand distribution centre for Tycab NZ Limited. Tycab is a leading specialised distributor of oxygen-free and tinned copper electrical cables, used in industries such as automotive, irrigation, building and marine.

Targeted for completion in January 2014, the Stage 1 building comprises a new 1,200 square metre high-stud, clear-span building with a further 200 square metres of office space.

Stage 2 of the development – potentially up to 1,000 square metres of high-stud warehouse in what is one of New Zealand's most popular industrial precincts – is currently being marketed to prospective tenants.

10 YEARS
Stage 1 lease term

$2.6M
Stage 1 development cost

$19.6M
Value on completion of Stage 1

$0.9M
Stage 1 development margin

GROWING CAPABILITY

124b Hewletts Road, Tauranga

Efficiency gains arising from the strategic location of a Mt Maunganui property were a key factor in attracting the tenant for a new design-build warehouse facility.

The merged entity has recently completed the construction of an 8,000 square metre warehouse facility on part of 124B Hewletts Road, Mt Maunganui, a property originally acquired by DPF in September 2005 and now part of the PFI portfolio following the merger.

This property occupies a strategic location between land owned by the Port of Tauranga and a distribution site operated by Ballance Agri-Nutrients Limited, a farmer-owned co-operative which is one of New Zealand's leading fertiliser manufacturers.

Ballance has reached agreement with the Port of Tauranga to operate truck and trailer units with an increased loading of up to 70 tonnes across Port land. The limit on public roads is 50 tonnes, meaning Ballance will benefit from considerable efficiency gains, and this was a key factor in Ballance's 15-year lease commitment to an $11.6M warehouse facility on PFI's property.

The new building has been constructed to a very high specification, providing for bulk storage and distribution of Ballance's fertiliser products. The high-stud warehouse has a steel portal frame with extra-thick precast concrete walls. Both the warehouse floor and the yard areas were designed to cater for the loadings of the truck and trailer units used by Ballance. The facility also includes an 840 square metre enclosed canopy for all-weather loading and distribution.

The Ballance development is the second on the surplus land at 124 Hewletts Road, following a 10,000 square metre development for SCA Hygiene in 2007. The merged entity has approximately 1 hectare of further land remaining onsite suitable for future development.

15 YEARS
Lease term

10.5%
Return on incremental capital spent

$11.6M
Value on completion (including land)

$0.7M
Development margin

INTERIM FINANCIAL STATEMENTS

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

for the six months ended 30 June 2013

These financial statements are for PFI and its subsidiary for the six months ended and as at 30 June 2013. PFI merged with DPF on 1 July 2013, accordingly these financial statements do not contain DPF's financial results or position.

	NOTE	Unaudited 6 months ended 30 June 2013 $000	Unaudited 6 months ended 30 June 2012 $000	Audited 12 months ended 31 December 2012 $000
OPERATING REVENUE				
Rental income		15,887	14,608	29,214
Interest income		6	3	18
Management fee income		96	108	192
Total operating revenue		**15,989**	**14,719**	**29,424**
OPERATING EXPENSES				
Audit fees		(32)	(38)	(39)
Other fees paid to auditors for agreed upon procedures engagements		–	–	(18)
Directors' fees		(90)	(87)	(177)
Interest expense and bank fees		(4,178)	(4,025)	(8,103)
Management fees		(1,361)	(936)	(1,882)
Non-recoverable property costs		(522)	(758)	(1,329)
Other expenses		(250)	(329)	(628)
Total operating expenses		**(6,433)**	**(6,173)**	**(12,176)**
Total operating earnings		**9,556**	**8,546**	**17,248**
NON OPERATING INCOME AND EXPENSES				
Unrealised net change in fair value of investment properties	6	368	–	12,302
Gains on disposals of investment properties		47	–	1,059
Unrealised net change in fair value of derivative financial instruments	8	3,018	802	1,357
Total non operating income and expenses		**3,433**	**802**	**14,718**
Profit before taxation		12,989	9,348	31,966
TAXATION				
Current taxation	7	(1,930)	(1,659)	(3,579)
Deferred taxation	7	806	(643)	(1,455)
Total taxation		(1,124)	(2,302)	(5,034)
Profit for the period attributable to the shareholders of the Company		**11,865**	**7,046**	**26,932**
Other comprehensive income		–	–	–
Total comprehensive income for the period attributable to the shareholders of the Company		**11,865**	**7,046**	**26,932**
Basic and diluted earnings (cents per share)		5.38	3.21	12.24

The accompanying notes form part of these financial statements.

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the six months ended 30 June 2013

	NOTE	Share capital $000	Retained earnings $000	Total $000
Balance at 1 January 2012		**169,887**	**67,454**	**237,341**
Profit for the year		–	26,932	26,932
Other comprehensive income		–	–	–
Total comprehensive income for the year ended 31 December 2012		–	26,932	26,932
Transactions with owners recognised directly in equity				
Dividend reinvestment	10	1,584	–	1,584
Dividends to shareholders		–	(15,773)	(15,773)
Subtotal		1,584	(15,773)	(14,189)
Balance at 31 December 2012 (consolidated audited)		**171,471**	**78,613**	**250,084**
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				
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**
Balance at 1 January 2013		**171,471**	**78,613**	**250,084**
Profit for the period		–	11,865	11,865
Other comprehensive income		–	–	–
Total comprehensive income for the period ended 30 June 2013		–	11,865	11,865
Transactions with owners recognised directly in equity				
Dividend reinvestment	10	–	–	–
Dividends to shareholders		–	(11,572)	(11,572)
Subtotal		–	(11,572)	(11,572)
Balance at 30 June 2013 (consolidated unaudited)		**171,471**	**78,906**	**250,377**

The accompanying notes form part of these financial statements.

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

as at 30 June 2013

	NOTE	Unaudited 30 June 2013 $000	Unaudited 30 June 2012 $000	Audited 31 December 2012 $000
CURRENT ASSETS				
Cash and cash equivalents (cash at bank on call)		32	914	171
Accounts receivable		1,388	1,335	1,326
Prepayments and other assets		2,898	1,787	2,094
Total current assets		**4,318**	**4,036**	**3,591**
NON-CURRENT ASSETS				
Prepayments and other assets		6,293	5,712	5,527
Investment properties	6	391,389	352,132	375,494
Total non-current assets		**397,682**	**357,844**	**381,021**
Total assets		**402,000**	**361,880**	**384,612**
CURRENT LIABILITIES				
Accounts payable, accruals and other liabilities		2,900	3,156	2,816
Taxation payable		467	351	1,091
GST payable		352	102	443
Derivative financial instruments	8, 13	5,079	8,652	8,097
Total current liabilities		**8,798**	**12,261**	**12,447**
NON-CURRENT LIABILITIES				
Borrowings	9	135,750	105,300	114,200
Deferred tax liabilities	7	7,075	7,069	7,881
Total non-current liabilities		**142,825**	**112,369**	**122,081**
Total liabilities		**151,623**	**124,630**	**134,528**
Net assets		**250,377**	**237,250**	**250,084**
EQUITY				
Share capital	10	171,471	171,471	171,471
Retained earnings		78,906	65,779	78,613
Total equity		**250,377**	**237,250**	**250,084**

The accompanying notes form part of these financial statements.

Authorised for and on behalf of the Board:

Peter Masfen Chairman
As at 5 August 2013

Gregory Reidy Director
As at 5 August 2013

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

for the six months ended 30 June 2013

	NOTE	Unaudited 6 months ended 30 June 2013 $000	Unaudited 6 months ended 30 June 2012 $000	Audited 12 months ended 31 December 2012 $000
CASH FLOWS FROM OPERATING ACTIVITIES				
Receipts from customers		15,593	14,552	29,356
Interest received		6	3	18
Interest and other finance costs paid		(4,004)	(4,103)	(7,945)
Payments to suppliers		(3,221)	(1,730)	(5,050)
Taxation paid		(2,554)	(1,817)	(2,997)
GST (paid)/received		(91)	(183)	158
Net cash flows from operating activities	**12**	**5,729**	**6,722**	**13,540**
CASH FLOWS FROM INVESTING ACTIVITIES				
Proceeds from sales of investment properties		51	–	16,614
Purchases and development of investment properties		(15,897)	(1,355)	(27,378)
Net cash flows from investing activities		**(15,846)**	**(1,355)**	**(10,764)**
CASH FLOWS FROM FINANCING ACTIVITIES				
Proceeds from term loans		35,600	25,200	49,850
Repayments of term loans		(14,050)	(22,400)	(38,150)
Dividends to shareholders		(11,572)	(7,137)	(14,189)
Net cash flows from financing activities		**9,978**	**(4,337)**	**(2,489)**
Net change in cash and cash equivalents		*(139)*	*1,030*	*287*
Cash and cash equivalents at beginning of period		171	(116)	(116)
Cash and cash equivalents at end of period		**32**	**914**	**171**

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 2013

1. GENERAL INFORMATION

These unaudited interim condensed consolidated financial statements as at and for the six months ended 30 June 2013 are those of Property For Industry Limited (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 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 1010.

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

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 2012 which may be downloaded from the Company's website (www.propertyforindustry.co.nz).

These unaudited interim condensed consolidated financial statements were approved by the Board of Directors on 5 August 2013.

3. ACCOUNTING POLICIES

Except as described below, 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 2012.

NZ IFRS 13 Fair Value Measurement became effective 1 January 2013 and has been adopted by the Group for the period beginning 1 January 2013. Additional fair value disclosures have been made in note 13 and the method of computation for the fair value of derivative financial instruments now includes an assessment of the credit risk of derivative contract counterparties.

In accordance with the transitional provisions of NZ IFRS 13, the Group has applied the new fair value measurement guidance prospectively, and has not provided any comparative information for new disclosures. Notwithstanding the above, the change had no significant impact on the measurements of the Group's assets and liabilities.

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:

	Unaudited 6 months ended	Unaudited 6 months ended	Audited 12 months ended
	30 June 2013	30 June 2012	31 December 2012
Total comprehensive income for the year attributable to the shareholders of the Company ($000)	11,865	7,046	26,932
Weighted average number of ordinary shares (shares)	220,410,728	219,621,668	220,018,354
Basic and diluted earnings per share (cents)	**5.38**	**3.21**	**12.24**

5. RELATIONSHIP OF TOTAL COMPREHENSIVE INCOME TO DIVIDENDS PAID

The Company's dividend policy is to distribute 100% of its distributable profit, subject to the approval of the Board of Directors. Distributable profit is determined as the profit or loss for the period (as determined in accordance with NZ IFRS for the period) adjusted for unrealised changes in the values of investment properties, realised gains or losses on disposal of investment properties (net of tax on depreciation claw-back), unrealised changes in the values of derivative financial instruments, deferred tax, additional revenue booked as a result of fixed rent review accounting entries, incentive fees net of tax, and other one off items.

		Unaudited 6 months ended 30 June 2013	Unaudited 6 months ended 30 June 2012	Audited 12 months ended 31 December 2012
		$000	$000	$000
Total comprehensive income for the period attributable to the shareholders of the Company		**11,865**	**7,046**	**26,932**
Adjusted for				
Unrealised net change in fair value of investment properties		(368)	–	(12,302)
Gains on disposals of investment properties		(47)	–	(1,059)
Tax on depreciation claw-back on disposals of investment properties		–	–	187
Unrealised net change in fair value of derivative financial instruments		(3,018)	(802)	(1,357)
Deferred taxation		(806)	643	1,455
Fixed rent reviews		(291)	–	–
Incentive fees net of tax		259	–	–
Other[1]		(6)	750	744
Distributable profit		**7,588**	**7,637**	**14,600**
Weighted average number of ordinary shares		220,410,728	219,621,668	220,018,354
Distributable profit per share (cents)		**3.44**	**3.48**	**6.64**
1st quarter FYE 31/12/12 net dividend (1.550 cents)[3,4]	Paid 30/5/2012	–	3,408	3,408
2nd quarter FYE 31/12/12 net dividend (1.550 cents)[4]	Paid 28/8/2012	–	3,416	3,416
3rd quarter FYE 31/12/12 net dividend (1.650 cents)[4]	Paid 28/11/2012	–	–	3,638
4th quarter FYE 31/12/12 net dividend (1.850 cents)[2]	Paid 13/3/2013	–	–	4,078
1st quarter FYE 31/12/13 net dividend (1.700 cents)[2]	Paid 29/5/2013	3,747	–	–
2nd quarter FYE 31/12/13 net dividend (1.700 cents)[2]	Paid 28/6/2013	3,747	–	–
Dividends paid relating to the period reported		**7,494**	**6,824**	**14,540**
Pay-out ratio		**99%**	**89%**	**100%**

1 During the six months ended 30 June 2013, other comprises the current tax impact of an adjustment to one of the Company's derivative financial instruments. During the six months ended 30 June 2012 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 ($72,000) and prior period tax adjustments ($92,000). During the year ended 31 December 2012 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).

2 Dividends paid in the six months ended 30 June 2013 totalled $11,572,000 as per the Statement of Changes in Equity and consisted of the 1st through 2nd quarter PE 30/6/13 dividends plus the 4th quarter FYE 31/12/12 dividend (above).

3 Dividends paid in the six months ended 30 June 2012 totalled $8,721,000 as per the Statement of Changes in Equity and consisted of the 1st quarter PE 30/6/12 dividends (above) plus the 4th quarter FYE 31/12/11 dividend paid 14/3/12 of $5,313,000.

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 1st through 3rd quarter FYE 31/12/12 dividends (above) plus the 4th quarter FYE 31/12/11 dividend paid 14/3/12 of $5,311,000.

6. INVESTMENT PROPERTIES

	Unaudited 6 months ended 30 June 2013	Unaudited 6 months ended 30 June 2012	Audited 12 months ended 31 December 2012
	$000	$000	$000
Opening balance	382,180	355,855	355,898
Additions (i)	14,637	–	23,245
Disposals (ii)	(4)	–	(15,555)
Capital expenditure	894	1,355	4,725
Prepaid leasing costs and capitalised lease incentives	694	1,396	1,565
Unrealised revaluation (iii)	368	–	12,302
Closing balance	**398,769**	**358,606**	**382,180**
Represented in the statement of financial position by			
Prepayments and other assets[1]	7,380	6,474	6,686
Investment properties	391,389	352,132	375,494
Closing balance	**398,769**	**358,606**	**382,180**

(i) Additions:

During the six months ended 30 June 2013, the Group acquired 30-32 Bowden Road for a net purchase price of $14,600,000 on 15 March 2013. There were no investment property acquisitions during the six months ended 30 June 2012. The Group acquired two properties during the year ended 31 December 2012. 8A & 8B Canada Crescent was purchased for a net purchase price of $11,250,000 on 29 November 2012 and 170 Swanson Road was purchased for a net purchase price of $11,925,987 on 5 December 2012.

(ii) Disposals:

During the six months ended 30 June 2013, the Group sold a parcel of land at 686 Rosebank Road for $50,875 before disposal costs, the carrying value as at 31 December 2012 was $3,808. The Group sold no properties during the six months ended 30 June 2012. During the year ended 31 December 2012, the Group sold a parcel of land at 17 Allens Road for $300,373 before disposal costs, the carrying value as at 31 December 2011 was $215,000. The Group also sold 80 Lunn Avenue for $12,498,540 before disposal costs, the carrying value as at 31 December 2011 was $11,600,000. The Group also sold unit A of 19 Omega Street for $809,458 before disposal costs, the carrying value as at 31 December 2011 was $740,000. The Group also sold 29 Omega Street with $3,006,000 before disposal costs, the carrying value as at 31 December 2011 was $3,000,000.

(iii) Valuation:

During the six months ended 30 June 2013, 30-32 Bowden Road was purchased and revalued, resulting in an unrealised revaluation increase of $368,000. The carrying value of all other properties as at 30 June 2013 represents the Directors best estimate of fair value based on market conditions and the Directors and Management experience in this area. All properties were last revalued by independent valuers as at 31 December 2012. The combined unrealised net increase in the value of investment properties for the year to 31 December 2012 was $12,302,000. The portfolio will next be revalued by independent valuers as at 31 December 2013.

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

7. TAXATION

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

	Unaudited 6 months ended 30 June 2013	Unaudited 6 months ended 30 June 2012	Audited 12 months ended 31 December 2012
	$000	$000	$000
Profit before taxation	**12,989**	**9,348**	**31,966**
Prima facie income tax calculated at the statutory income tax rate of 28%	(3,637)	(2,617)	(8,950)
Plus tax effect of:			
Non tax deductible expenses	113	(38)	3,471
Depreciation	463	422	848
Deductible capital expenditure	142	30	181
Deferred leasing costs and incentives	155	379	458
Derivative financial instruments	851	153	314
Impairment allowance	1	84	76
Other	(18)	20	23
Current tax prior period adjustment	–	(92)	–
Current taxation	**(1,930)**	**(1,659)**	**(3,579)**
Depreciation	1,813	(5)	(607)
Deferred leasing costs and incentives	(155)	(379)	(458)
Derivative financial instruments	(851)	(153)	(314)
Provision for impairment	(1)	(84)	(76)
Other	–	(22)	–
Deferred taxation	**806**	**(643)**	**(1,455)**
Income tax expense reported in statement of comprehensive income	**(1,124)**	**(2,302)**	**(5,034)**

(ii) Deferred tax:

	Audited As at 31 December 2012	Unaudited Recognised in profit 6 months ended 30 June 2013	Unaudited As at 30 June 2013	Unaudited As at 30 June 2012
	$000	$000	$000	$000
Deferred tax assets				
Derivative financial instruments	(2,333)	851	(1,482)	(2,494)
Impairment allowance	(8)	1	(7)	–
Gross deferred tax assets	**(2,341)**	**852**	**(1,489)**	**(2,494)**
Deferred tax liabilities				
Investment properties	10,222	(1,658)	8,564	9,563
Gross deferred tax liabilities	**10,222**	**(1,658)**	**8,564**	**9,563**
Net deferred tax liability	**7,881**	**(806)**	**7,075**	**7,069**

8. DERIVATIVE FINANCIAL INSTRUMENTS

As at 30 June 2013, the Group had derivative financial instruments in place, being fixed interest rate swaps, totalling $73,000,000 (30 June 2012: $73,000,000, 31 December 2012: $73,000,000), or 54% (30 June 2012: 69%, 31 December 2012: 64%) of drawn down borrowings, with an average interest rate of 5.88% (30 June 2012: 6.42%, 31 December 2012: 6.40%) plus applicable margin and fees, for an average duration of 3.53 years (30 June 2012: 2.76 years, 31 December 2012: 2.79 years).

As at 30 June 2013, the Group also had forward starting fixed interest rate swaps totalling $115,000,000 (30 June 2012: $35,000,000, 31 December 2012: $35,000,000), with an average interest rate of 4.00% (30 June 2012: 5.41%, 31 December 2012: 4.69%) plus applicable margin and fees, for an average period to expiry of 5.64 years (30 June 2012: 4.24 years, 31 December 2012: 4.45 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 (CBA) 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 2013 $135,750,000 had been drawn down (30 June 2012: $105,300,000, 31 December 2012: $114,200,000).

(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 2013 for the drawn down borrowings was 6.43% (30 June 2012: 7.62%, 31 December 2012: 7.29%). 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 2013 (30 June 2012: $nil, 31 December 2012: $nil).

As at 30 June 2013, $422,147 (30 June 2012: $593,780, 31 December 2012: $504,284) 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.

On 13 December 2012, the Group made an amendment to its covenants whereby total borrowings is to be no more than 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 than 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 these covenants.

10. SHARE CAPITAL

During the six months ended 30 June 2013 the Group issued no shares under the Dividend Reinvestment Scheme (30 June 2012: 1,400,063 shares were issued under the Dividend Reinvestment Scheme for net proceeds of $1,583,299, 31 December 2012: 1,400,063 shares were issued under the Dividend Reinvestment Scheme for net proceeds of $1,583,299).

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.

11. NET TANGIBLE ASSETS PER SHARE

	Unaudited 30 June 2013	Unaudited 30 June 2012	Audited 31 December 2012
Net tangible assets ($000)	250,377	237,250	250,084
Closing shares on issue (shares)	220,410,728	220,410,728	220,410,728
Net tangible assets per share (cents)	**114**	**108**	**113**

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

	Unaudited 6 months ended 30 June 2013	Unaudited 6 months ended 30 June 2012	Audited 12 months ended 31 December 2012
	$000	$000	$000
Total comprehensive income for the period attributable to the shareholders of the Company	**11,865**	**7,046**	**26,932**
Adjusted for non cash and non operating items			
Unrealised net change in fair value of investment properties	(368)	–	(12,302)
Gains on disposals of investment properties	(47)	–	(1,059)
Unrealised net change in fair value of derivative financial instruments	(3,018)	(802)	(1,357)
Deferred taxation	(806)	643	1,455
Add (less) movements in working capital items			
Increase in accounts receivable, prepayments and other assets	(1,632)	(1,098)	(1,211)
Increase in accounts payable, accruals and other liabilities	450	1,274	342
(Reduction)/ increase in taxation payable	(624)	(158)	582
(Reduction)/ increase in GST payable	(91)	(183)	158
Net cash inflow from operating activities	**5,729**	**6,722**	**13,540**

13. FAIR VALUES OF FINANCIAL INSTRUMENTS

(i) Recurring fair value measurements

The following financial instruments are subject to recurring fair value measurements:

	Unaudited 6 months ended 30 June 2013
	$000
Financial instruments:	
Derivative financial instruments – Level 2	5,079

(ii) Fair value hierarchy

NZ IFRS 13 Fair Value Measurement requires disclosure of fair value measurements by level in the fair value measurement hierarchy as follows:

- 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).

(iii) Transfers between level 1 and 2

During the six months ended 30 June 2013, there were no transfers of derivatives between levels 1 and 2 of the fair value hierarchy.

(iv) Fair values of financial instruments not measured at fair value

The following financial instruments are not measured at fair value in the statement of financial position. These had the following fair values as at 30 June 2013:

	Carrying Amount	Fair Value
	$000	$000
FINANCIAL ASSETS		
Cash and cash equivalents	32	32
Accounts receivable	1,388	1,388
Total as at 30 June 2013	**1,420**	**1,420**
FINANCIAL LIABILITIES		
Accounts payable	740	740
Borrowings	135,750	135,750
Total as at 30 June 2013	**136,490**	**136,490**

Due to their short-term nature, the carrying amounts of cash and cash equivalents, accounts receivable and accounts payable is assumed to approximate their fair value.

Borrowings are revolving, that is they are drawn and repaid in full on average every 90 days, it is therefore assumed that the carrying amount approximates fair value.

14. RELATED PARTIES

No related party debts have been written off or forgiven during the six months to 30 June 2013 (six months to 30 June 2012: $nil, year to 31 December 2012: $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 2013, the Group paid base management fees totalling $1,000,605 to PFIM Limited (six months to 30 June 2012: base management fees totalling $935,759 of which $95,293 was paid to AMP Capital Investors (New Zealand) Limited and $840,466 was paid to PFIM Limited, year to 31 December 2012: base management fees totalling $1,881,585 of which $95,293 was paid to AMP Capital Investors (New Zealand) Limited and $1,786,292 was paid to PFIM Limited).

During the six months to 30 June 2013, the Group paid incentive fees totalling $360,096 to PFIM Limited (six months to 30 June 2012: $nil, year to 31 December 2012: $nil). As at 30 June 2013, a surplus amount of $809,598 (30 June 2012: deficit amount of $2,229,193, 31 December 2012: deficit amount of $1,644,723) has been carried forward to be included in the calculation to determine whether an incentive fee is payable in subsequent periods.

During the six months to 30 June 2013, fees paid to directors of the Group were $89,996 (six months to 30 June 2012: $87,000, year to 31 December 2012: $177,000).

As at 30 June 2013, Directors of the Company held 4,119,962 (30 June 2012: 4,119,962, 31 December 2012: 4,119,962) shares beneficially in the Company and 250,000 (30 June 2012: 250,000, 31 December 2012: 250,000) shares non beneficially in the Company .

15. 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.

16. CAPITAL COMMITMENTS

As at 30 June 2013 the Group had capital commitments totalling $7,116,059 (30 June 2012: $2,599,000, 31 December 2012: $16,738) relating to works on investment properties.

17. CONTINGENT LIABILITIES

As at 30 June 2013 the Group had no contingent liabilities (30 June 2012: none, 31 December 2012: none).

18. SUBSEQUENT EVENTS

On 1 July 2013, Direct Property Fund Limited amalgamated with Property for Industry Limited under Part 15 of the Companies Act 1993.

CALENDAR DIRECTORY

2013

NOVEMBER
- 2013 Third-quarter announcement
- 2013 Third-quarter dividend paid

2014

FEBRUARY
- 2013 Full-year announcement

MARCH
- 2013 Final dividend payment
- 2013 Annual report released

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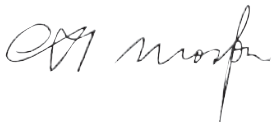
This Interim Report is dated 3 September 2013 and is signed on behalf of the board by:



Peter Masfen
Chairman

Gregory Reidy
Director

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