PROPERTY FOR INDUSTRY LIMITED **ANNUAL REPORT** 31 DECEMBER 2013

TWENTY YEARS STRONG.

PFI
YOUR INDUSTRIAL PROPERTY EXPERTS

Front cover: Canterbury, 15-19 Copsey Place, Avondale

DELIVERING. AS WE PROMISED.

In our twentieth year since listing, Property For Industry continues its consistent delivery of strong, stable, shareholder returns.

The 2013 merger with Direct Property Fund has increased the size and diversity of our portfolio and produced financial results exceeding forecast.

Property For Industry is New Zealand's only listed company specialising in industrial property.

Our properties are primarily in Auckland: New Zealand's manufacturing base and global gateway.

We're out the back – beyond the shiny office blocks, the apartment buildings and the shopping centres – out where stuff comes from: the materials and products and consumer goods on which a city and the country rely. We're there, enabling the businesses that support a modern economy.

SPECIALISTS IN INDUSTRIAL PROPERTY.

15-19 Copsey Place, Avondale

YOUR INDUSTRIAL PROPERTY EXPERTS

Because we specialise in industrial property, we are experts in the field. We understand location: access to current and future transport links, the demand potential of land-constrained areas, opportunities for change of use and efficiencies. We can assess industrial property sites and the buildings that occupy them: their appeal to tenants and their potential for adding value. And we understand when and how to develop or recycle industrial property assets: ensuring our portfolio performs at its peak.

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

GIVING OUR TENANTS A COMPETITIVE ADVANTAGE

Because we understand industrial property tenants and what they need, we're better equipped to present them with propositions that resonate; that they value. As well, because we know how to engage and how to respond to their changing requirements, we're able to identify opportunities to expand and strengthen the relationship. With our capital, and our industrial property expertise, we strive to help our tenants improve their productivity.

ANOTHER CONSISTENT PERFORMANCE

Increased per share: profit after tax, distributable profit, dividends and net tangible assets.

2013's top performing listed property vehicle on the NZX50[i].

Total shareholder returns for the year: 11.6%.

i. Based on after tax income yield plus change in share price, assuming dividends are reinvested.

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SNAPSHOT AS AT 31 DECEMBER 2013

97.1%
OCCUPANCY

$841.8M
PORTFOLIO VALUE

83
PROPERTIES

136
TENANTS

5.31 YEARS
WEIGHTED AVERAGE LEASE TERM

$65.4M
CONTRACT RENT

7.8%
PORTFOLIO YIELD

37.4%
GEARING

HIGHLIGHTS YEAR ENDED 31 DECEMBER 2013

$40.5M

PROFIT AFTER TAX

12.79c

PER SHARE IFRS EARNINGS

7.26c

PER SHARE DISTRIBUTABLE PROFIT, 9.3% AHEAD OF THE PRIOR YEAR

7.20c

PER SHARE NET DIVIDENDS PAID RELATING TO THE PERIOD REPORTED

$19.9M

OR 2.4% PORTFOLIO REVALUATION UPLIFT CONTRIBUTING TO AN 8.4% INCREASE IN NET TANGIBLE ASSETS TO 123 CENTS PER SHARE

47%

OF CONTRACT RENT VARIED, LEASED OR REVIEWED DURING THE YEAR

TOP PERFORMING NZX50 LISTED PROPERTY VEHICLE OF 2013[i]

SUCCESSFUL MERGER WITH DIRECT PROPERTY FUND

i. Based on after tax income yield plus change in share price, assuming dividends are reinvested.

WE HELP OUR TENANTS COMPETE.

No sector of the modern economy is more competitive than retailing. No wonder, then, that Barkers – the menswear retailers – have chosen a PFI site in Avondale, for their fulfilment centre (they are co-located with Canterbury clothing and textile specialists Autex).

By providing a site close to major transport links and only minutes to the Auckland CBD, we're enabling Barkers to rapidly fulfil orders from their traditional stores throughout New Zealand and their on-line customers around the world. At PFI, we're out where the works gets done, helping New Zealand deliver.

CLARITY OF PURPOSE

In December 2014, it will be twenty years since PFI first listed. Not only one of New Zealand's longest established listed property vehicles, we are one of its most consistent performers. Today, your board is as clear of the company's purpose as it was in 1994: PFI provides investors with the opportunity to invest in quality New Zealand industrial property.

Our portfolio now comprises 83 industrial properties, up from 50 a year ago. The July 2013 merger with Direct Property Fund has achieved our objective of providing shareholders exposure to a greater diversity of properties by rental income, lease expiry, and number, type and size of tenants and buildings. With diversification comes reduced risk and an enhanced ability to deliver what our shareholders expect: strong, stable returns.

The year-end result demonstrates this. Operating revenues and profit after tax are better than the merger Information Memorandum forecast. Operating revenues are $48.1 million – 63% higher than prior year – and profit after tax a record $40.5 million: 12.79 cents per share. Total shareholder returns for the year are 11.6% and PFI was 2013's best-performing listed property vehicle in the NZX50[i].


Peter Masfen

The DPF merger has also strengthened our capability. With scale comes credibility. As New Zealand's economy continues to improve and demand for industrial property grows – PFI is extremely well positioned to attract quality tenants. Such tenants understand that our expertise in industrial property offers tangible benefits to their business and our greater substance gives them confidence. In return, we achieve better terms.

The re-branding that this annual report introduces further strengthens PFI's market standing and perception: New Zealand's industrial property experts.

Peter Masfen
Chairman

i. Based on after tax income yield plus change in share price, assuming dividends are reinvested.

MANAGER'S REPORT

The 1 July 2013 merger of PFI with Direct Property Fund (DPF) brought together two successful and complementary entities to create one of New Zealand's largest industrial property investment companies. We are pleased to report that, six months on from the merger and with the integration of PFI and DPF now complete, the portfolio, financial and market benefits we expected are already beginning to show in PFI's 2013 results.

The company's results show an increase over the prior year in profit after tax, distributable profit, dividends and net tangible assets per share, whilst PFI's quality – and now larger – portfolio continues to retain and attract new tenants, producing strong operational results.

PFI's share price has also performed well, the company ending the year as the top performing NZX50 listed property vehicle of 2013. Total shareholder returns for the year were 11.6%, with total shareholder returns since listing in 1994 totalling 8.6% per annum at year end[i].

Barkers, 15-19 Copsey Place, Avondale

FINANCIAL PERFORMANCE

PFI's financial performance for the year has been pleasing, with operating revenues and profit after tax in excess of the merger Information Memorandum (IM) and ahead of the prior year.

Operating revenues for the year of $48.1 million were $18.7 million or 63.4% higher than the prior year, the increase comprising not only the $16.3 million of additional rental income as a result of the merger, but also a net $2.2 million of rental income from acquisition and disposal activity in the last quarter of 2012 and the first quarter of 2013.

Operating expenses were $9.0 million or 73.8% higher than the prior year, however the ratio of operating expenses[ii] to operating revenues of 41.0% was in line with the prior year.

FINANCIAL PERFORMANCE FOR THE YEAR ENDED	$000 31 DECEMBER 2013	$000 31 DECEMBER 2012
Total operating revenue	48,080	29,424
Total operating expenses	(21,158)	(12,176)
Total operating earnings	**26,922**	**17,248**
Total non operating income	20,453	14,718
Profit before taxation	**47,375**	**31,966**
Total taxation	(6,863)	(5,034)
Profit after taxation	**40,512**	**26,932**

The effective current tax rate[iii] reduced to 18% from 21%, the saving being driven by one off tax deductions associated with the merger.

After allowing for non operating income and expenses and deferred tax, PFI recorded an increased profit after tax of $40.5 million or 12.79 cents per share.

DISTRIBUTABLE PROFIT & DIVIDENDS

DISTRIBUTABLE PROFIT FOR THE YEAR ENDED	$000 31 DECEMBER 2013	$000 31 DECEMBER 2012
Profit after taxation	**40,512**	**26,932**
Adjusted for		
Unrealised fair value change in investment properties	(12,326)	(12,302)
Gains on disposals of investment properties	(47)	(1,059)
Tax on depreciation claw-back on disposals of investment properties	–	187
Unrealised fair value change in derivative financial instruments	(8,080)	(1,357)
Deferred taxation	2,035	1,455
Fixed rent reviews	(413)	–
Incentive fees net of tax	259	–
Business combination transaction costs	1,380	–
Other	(12)	744
Distributable profit	**23,308**	**14,600**
Distributable profit per share (cents)	**7.26**	**6.64**
Dividends paid relating to period reported (cents)	**7.20**	**6.60**

With the growth in operating revenue outweighing increased operating expenses and current tax, PFI recorded a distributable profit of 7.26 cents per share. The increase of 0.62 cents per share represents a 9.3% increase on the prior year (6.64 cents per share) and is 3.1% higher than the forecasts contained in the IM (7.04 cents per share).

With distributable profit ahead of the forecast in the IM, PFI paid total cash dividends of 7.20 cents per share for the year which, following a slight reduction to 6.60 cents per share in 2012, returns dividends to the level paid from 2008 to 2011. The dividend reinvestment scheme was not operated throughout 2013.

Looking to next year, we expect cash dividends to be approximately 7.25 cents per share, subject as always to economic conditions. The operation or suspension of the dividend reinvestment scheme will be assessed on a quarter-by-quarter basis, as the company's capital needs dictate.

Consistent with industry best practice, a minor amendment has been made to PFI's dividend policy, whereby the pay-out ratio has been changed to a range of 95% to 100% of distributable profit, compared to 100% previously.

BALANCE SHEET & CAPITAL MANAGEMENT

PFI's net tangible assets per share rose by 4.8 cents per share as a result of this year's valuation increase. Coupled with an increase as a result of the merger of 2.4 cents per share, an increase in the fair value of PFI's interest rate swaps of 2.0 cents per share, and other changes totalling 0.3 cents per share, PFI's net tangible assets per share rose 9.5 cents per share to 123 cent per share. The forecast increase contained in the IM of 119 cents per share was also exceeded.

Treasury initiatives carried out during the merger of PFI with DPF resulted in significant changes to PFI's loan facilities and hedging. Together with the ongoing application of PFI's treasury policies, these initiatives and policies have ensured PFI continues to maintain a strong balance sheet.

As part of the merger all four major banks were retained on competitive terms as part of a revised $350 million syndicated facility. The facility now has an average term of two and a half years[iv] until expiry. Changes were also made to the company's self imposed gearing limit, with the limit being increased to 40%. The company's gearing stands at 37.4% at year end.

The interest rate hedging restructure outlined in the IM was completed immediately prior to the merger. This restructure, combined with interest rate hedging activity carried out subsequently, has resulted in PFI carrying total current and forward starting hedging of $378.5 million at an average rate of 3.8% for an average duration of 2.3 years.

When combined with the new loan facility, the hedging restructure and subsequent activity has provided PFI a significant reduction in its weighted average cost of debt to 5.5% as at 31 December 2013 (31 December 2012: 7.3%).

i. All returns referred to in this paragraph are based on after tax income yield plus change in share price, assuming dividends are reinvested.

ii. Excluding $1.4 million of transaction costs associated with the merger.

iii. That is, the ratio of current taxation to operating earnings.

iv. As at 31 December 2013.

PORTFOLIO PERFORMANCE

The merger with DPF resulted in a significant shift in PFI's portfolio statistics during 2013, including extending PFI's weighted average lease term by 0.79 years. Complementing this, more than 52,000 square metres of space was leased during the year[v] to 16 new and existing tenants for an average term of 5.2 years.

PFI's portfolio revaluation was a two step process in 2013. Former DPF properties were valued as part of the business combination accounting for the merger with PFI, effective 1 July, then the combined portfolio was revalued, effective 31 December 2013. The combined valuation uplift was $19.9 million or 2.4%.

Leasing and development activity reflected in some of the individual property's values increasing, but a significant factor again was market cap rate compression. This compression has been a dominant theme over the last two years and a key driver in the company achieving positive valuation results since 2011, the cumulative impact of which has totalled more than $35 million across the portfolio.

The redevelopment of existing property and the development of non income earning expansion land can significantly enhance the financial performance of PFI. With this in mind, we are pleased to report that the $4.1 million redevelopment of 15-19 Copsey Place and the $2.6 million warehouse development on expansion land at 54 Carbine Road & 6a Donnor Place have now both been completed and are fully leased.

PFI completed rent reviews on 48 leases, representing more than $25 million of contract rent, during the year. These reviews resulted in an average annual uplift of 2.4%, with fixed or index-linked review mechanisms, a feature of nearly 60%[vi] of PFI's leases, contributing more than 90% of the growth in contract rental income.

Vacancy at year end stood at 2.9% and only 6.5% of contract rent is due to expire within the remainder of 2014. With the largest single vacant property representing just 1.4% of contract rent, and the largest single 2014 expiry representing just 1.2% of contract rent, PFI's near term occupancy outlook is encouraging.

PORTFOLIO SNAPSHOT AS AT:	31 DECEMBER 2013	31 DECEMBER 2012
Number of properties	83	50
Number of tenants	136	86
Contract rent	$65.4 million	$32.6 million
Occupancy	97.1%	97.4%
Weighted average lease term	5.31 years	4.80 years

WE KNOW INDUSTRIAL TENANTS.

New Zealand's yachties and boat-builders are world-renowned. It's a sport we're good at and an industry that's a big part of our economy. No wonder, then, that rope makers Bridon Cookes are here: they're the world leaders in hi-tech wire and fibre ropes.

When you manufacture specialist ropes you need the right site. You need the right location and you need the right enclosure for your sophisticated plant, processes, and stockholding. For ease of unloading and loading, you need the right – full-site – circulation. At PFI, we're right behind Bridon Cookes' property needs. Together, we're out where the work gets done, supporting the New Zealand economy.

MARKET, OUTLOOK AND STRATEGY

High occupancy rates, stable cash flow and increases in capital value have resulted in a positive sentiment towards industrial property. It is expected that these characteristics will continue to benefit PFI, with the larger entity also benefiting from an increase in diversification of property and tenancy risks as a result of the merger.

Buoyant investment activity has assisted in providing PFI the opportunity to divest a number of properties at compelling sale values. Over the past two years the company has disposed of $17.7 million of non core property and continues to pursue every opportunity to recycle the sale proceeds into accretive industrial investment opportunities.

PFI's strategy remains the same: to invest in quality industrial property in New Zealand's main urban centres. This year's focus includes:

- ✓ Managing the vacancy and upcoming lease expiries;
- ✓ Considering the development of existing expansion land and repositioning of properties as tenant demand dictates;
- ✓ Considering the sale of selected assets to recycle capital into higher quality industrial properties; and
- ✓ Considering the acquisition of quality industrial property in the main centres.

We thank for your continued support and look forward to seeing you at the annual meeting in May.

Nick Cobham
General Manager (Joint)

Simon Woodhams
General Manager (Joint)

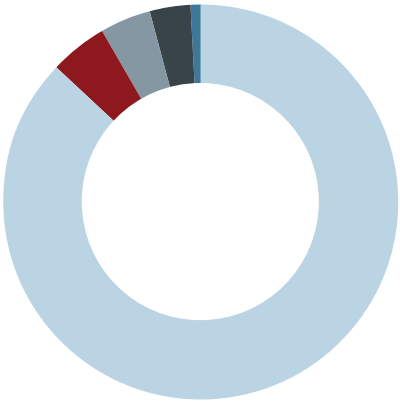
v. Includes transactions for former DPF properties since 1 July 2013 only.
vi. 59% of merged contract rent.

PORTFOLIO SUMMARY AS AT 31 DECEMBER 2013

TOP TEN TENANTS BY RENTAL INCOME

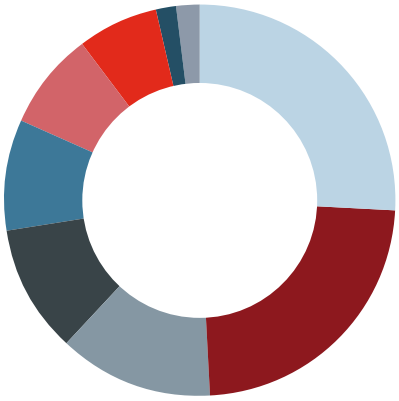
	TENANT	NO. OF PROPERTIES	ANNUAL RENT ($000'S)	% OF TOTAL
1	Fisher & Paykel Appliances	1	5,229	8.0%
2	Fletcher Building Products	4	2,966	4.5%
3	Sinclair Knight Merz	1	2,339	3.6%
4	DHL Supply Chain	2	2,313	3.5%
5	Goodman Fielder	2	2,305	3.5%
6	Wickliffe	2	1,756	2.7%
7	Pharmacy Retailing	2	1,624	2.5%
8	Southern Spars	1	1,481	2.3%
9	Brambles	2	1,403	2.1%
10	Nestle	1	1,401	2.1%
	Subtotal	**18**	**22,817**	**34.9%**
	Total	**83**	**65,384**	**100%**

INVESTMENT PORTFOLIO BY VALUE – NEW ZEALAND



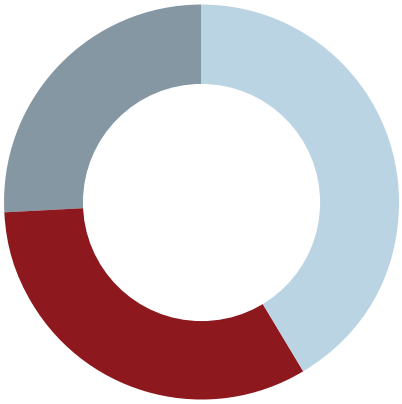
Auckland	87.2%
Wellington	4.5%
Mt Maunganui	4.3%
Christchurch	3.3%
Hamilton	0.7%

INVESTMENT PORTFOLIO BY VALUE – AUCKLAND



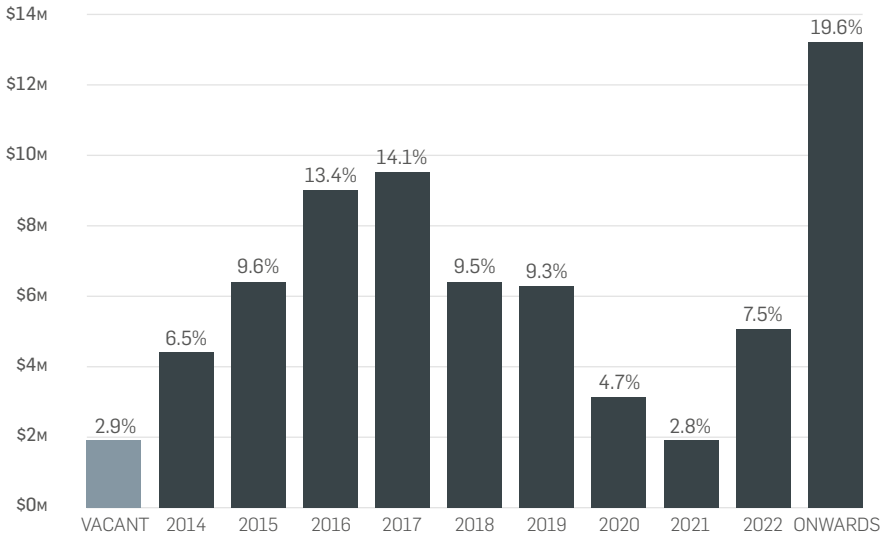
Mt Wellington	25.9%
East Tamaki	23.3%
Parnell	12.8%
Avondale	10.7%
Manukau	9.1%
North Shore	8.0%
Penrose	6.7%
Swanson	1.8%
Mangere	1.7%

RENT REVIEW TYPE BY RENTAL INCOME

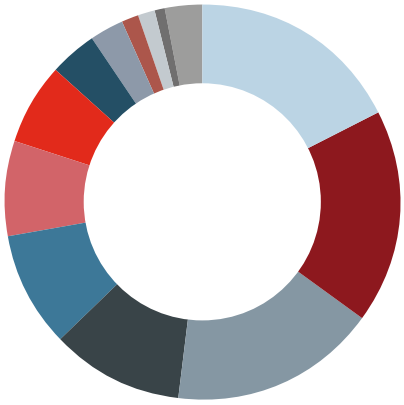


Market	41.4%
CPI	32.8%
Fixed	25.8%

LEASE EXPIRY BY RENTAL INCOME



TENANT INDUSTRY BY RENTAL INCOME



Transport & Storage	17.7%
Other Manufacturing	17.5%
Machinery & Equipment Manufacturing	16.9%
Property & Business Services	11.0%
Food Manufacturing	9.3%
Construction	7.9%
Wood & Paper Manufacturing	6.7%
Accommodation & Restaurants	3.7%
Textiles & Clothing	2.8%
Health & Community Services	1.4%
Education	1.4%
Government	0.9%
Vacant	2.9%

PORTFOLIO SUMMARY AS AT 31 DECEMBER 2013 (CONTINUED)

ALL VALUES IN $000s UNLESS OTHERWISE NOTED

PROPERTY	TENANT(S)	LOCATION	CONTRACT RENT	2013 VALUATION	YIELD ON VALUATION (%)	LETTABLE AREA[1] (SQM)	OCCUPANCY (%)
17 Allens Road	Caroma Industries, others, vacant	East Tamaki	931	11,500	8.1%	9,926	95%
2-4 Argus Place	Yakka Apparel Solutions	North Shore	395	4,800	8.2%	3,560	100%
47 Arrenway Drive	Onyx Group	North Shore	220	3,000	7.3%	1,245	100%
51 Arrenway Drive	Pacific Hygiene	North Shore	459	4,600	10.0%	2,686	100%
30-32 Bowden Road	Fletcher Building Products	Mt Wellington	1,330	15,800	8.4%	18,497	100%
5 Cable Street	DB Breweries, others	Wellington	598	6,800	8.8%	1,284	100%
Shed 22, 23 Cable Street	Lion Liquor Property Division, other	Wellington	857	11,800	7.3%	2,816	100%
8a & 8b Canada Crescent	Polarcold Stores	Christchurch	1,080	12,350	8.7%	9,555	100%
122 Captain Springs Road	New Zealand Crane Group	Penrose	496	5,600	8.9%	7,431	100%
50 Carbine Road	Atlas Copco	Mt Wellington	190	2,480	7.7%	2,592	100%
54 Carbine & 6a Donnor	Pharmacy Retailing, others	Mt Wellington	1,382	19,400	7.1%	15,740	100%
76 Carbine Road	Atlas Gentech, other	Mt Wellington	420	5,600	7.5%	5,080	100%
Carlaw Commercial Precinct	Sinclair Knight Merz, others	Parnell	4,300	56,800	7.6%	11,149	100%
Carlaw Gateway Precinct	Quest, others	Parnell	2,655	37,100	7.2%	2,369	100%
7 Carmont Place	CMI, other	Mt Wellington	535	7,400	7.2%	5,287	100%
85 Cavendish Drive	Big Save Furniture, other, vacant	Manukau	577	9,400	6.1%	4,994	72%
212 Cavendish Drive	Toll Logistics, other	Manukau	1,209	14,200	8.5%	15,524	100%
15-19 Copsey Place	Canterbury, others	Avondale	723	9,800	7.4%	6,900	100%
43 Cryers Road	Astron Plastics	East Tamaki	692	8,400	8.2%	6,068	100%
229 Dairy Flat Highway	Massey University, others	North Shore	1,725	20,500	8.4%	6,719	100%
47 Dalgety Drive	Peter Hay Kitchens	Manukau	1,001	11,800	8.5%	8,860	100%
59 Dalgety Drive	Goodman Fielder	Manukau	1,172	14,700	8.0%	8,649	100%

1 Including yard

PROPERTY	TENANT(S)	LOCATION	CONTRACT RENT	2013 VALUATION	YIELD ON VALUATION (%)	LETTABLE AREA[1] (SQM)	OCCUPANCY (%)
6 Donnor Place	Wickliffe	Mt Wellington	1,296	15,800	8.2%	14,555	100%
6-8 Greenmount Drive	Bridon Cookes	East Tamaki	591	7,250	8.2%	6,590	100%
92-98 Harris Road	Goodman Fielder	East Tamaki	1,133	13,900	8.2%	10,687	100%
124 Hewletts Road	Carter Holt Harvey	Mt Maunganui	929	11,100	8.4%	11,463	100%
124a Hewletts Road	SCA Hygiene	Mt Maunganui	1,000	11,400	8.8%	10,497	100%
124b Hewletts Road	Ballance Agri-Nutrients	Mt Maunganui	839	12,000	7.0%	8,880	100%
3 Hocking Street	Trayco Manufacturing	Mt Maunganui	114	1,600	7.1%	1,211	100%
8 Hugo Johnston Drive	Argyle Schoolwear, others	Penrose	633	7,350	8.6%	4,355	100%
12 Hugo Johnston Drive	Ricoh, others	Penrose	333	3,440	9.7%	2,637	100%
16 Hugo Johnston Drive	Modempak, other	Penrose	347	4,350	8.0%	2,619	100%
15 Jomac Place	Southern Spars	Avondale	1,481	18,600	8.0%	9,378	100%
44 Mandeville Street	Fletcher Building Products, others	Christchurch	1,065	12,000	8.9%	11,330	100%
174b Marua Road	Transpacific Industries	Mt Wellington	136	2,141	6.4%	3,744	100%
1 Mayo Road	Transdiesel	Manukau	476	5,740	8.3%	6,361	100%
102 Mays Road	Carter Holt Harvey	Penrose	404	5,120	7.9%	7,589	100%
8 McCormack Place	Information Management Group	Wellington	820	9,325	8.8%	6,405	100%
4-6 Mt Richmond Road	Brambles	Mt Wellington	798	10,150	7.9%	7,946	100%
509 Mt Wellington Highway	Fletcher Building Products, others, vacant	Mt Wellington	849	11,250	7.5%	7,719	89%
511 Mt Wellington Highway	Bremca Industries	Mt Wellington	408	5,580	7.3%	3,360	100%
515 Mt Wellington Highway	Stryker	Mt Wellington	253	3,280	7.7%	1,708	100%
523 Mt Wellington Highway	BGH Group	Mt Wellington	214	3,030	7.1%	1,677	100%

PROPERTY	TENANT(S)	LOCATION	CONTRACT RENT	2013 VALUATION	YIELD ON VALUATION (%)	LETTABLE AREA[1] (SQM)	OCCUPANCY (%)
36 Neales Road	Mainfreight	East Tamaki	1,082	12,960	8.3%	12,546	100%
306 Neilson Street	Fletcher Building Products	Penrose	686	8,250	8.3%	13,438	100%
312 Neilson Street	Transport Trailer Services, others	Penrose	287	3,830	7.5%	3,862	100%
314 Neilson Street	Wakefield Metals, other	Penrose	445	6,250	7.1%	5,405	100%
9 Nesdale Avenue	Brambles	Manukau	605	7,320	8.3%	14,182	100%
1 Niall Burgess Road	R L Button & Co	Mt Wellington	216	2,900	7.4%	1,742	100%
2-6 Niall Burgess Road	McAlpine Hussmann, vacant	Mt Wellington	432	9,550	4.5%	6,874	55%
3-5 Niall Burgess Road	Electrolux	Mt Wellington	1,007	13,900	7.2%	9,373	100%
7-9 Niall Burgess Road	DHL Supply Chain	Mt Wellington	2,031	23,250	8.7%	23,565	100%
10 Niall Burgess Road	Outside Broadcasting	Mt Wellington	231	3,375	6.8%	1,725	100%
15 Omega Street	Yakka Apparel Solutions	North Shore	540	7,000	7.7%	3,498	100%
19 Omega Street	Metal Exchange, vacant	North Shore	82	2,030	4.0%	898	53%
2 Pacific Rise	Hewlett-Packard	Mt Wellington	839	9,000	9.3%	2,757	100%
50 Parkside Road	Transpacific Industries, vacant	Wellington	335	3,850	8.7%	9,538	75%
61-69 Patiki Road	Bidvest, others, vacant	Avondale	1,051	12,700	8.3%	9,755	97%
58 Richard Pearse Drive	Pharmacy Retailing	Mangere	958	12,500	7.7%	10,549	100%
1 Ron Driver Place	Stewart Scott Cabinetry	East Tamaki	394	5,400	7.3%	4,032	100%
18 Ron Driver Place	Lion Liquor Property Division, other, vacant	East Tamaki	545	16,600	3.3%	14,328	36%
320 Rosebank Road	Doyle Sails, other	Avondale	649	7,550	8.6%	6,625	100%
326 Rosebank Road	Te Ngahere	Avondale	83	1,040	8.0%	1,312	100%

1 Including yard

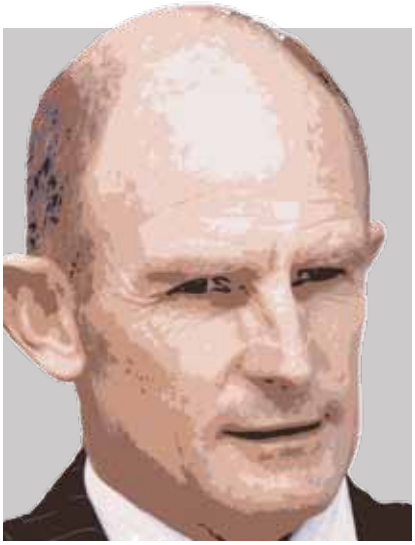
PROPERTY	TENANT(S)	LOCATION	CONTRACT RENT	2013 VALUATION	YIELD ON VALUATION (%)	LETTABLE AREA[1] (SQM)	OCCUPANCY (%)
686 Rosebank Road	New Zealand Comfort, others	Avondale	2,390	29,000	8.2%	21,589	100%
322 Rosedale Road	Imake, others	North Shore	887	12,000	7.4%	7,789	100%
48 Seaview Road	Goughs Gough & Hamer, others	Wellington	550	6,270	8.8%	8,984	100%
12 Southpark Place	Portavin	Penrose	446	5,100	8.7%	5,477	100%
78 Springs Road	Fisher & Paykel Appliances	East Tamaki	5,229	64,200	8.1%	41,387	100%
10c Stonedon Drive	Chemical Freight Services	East Tamaki	800	10,350	7.7%	8,711	100%
170 Swanson Road	Transportation Auckland	Swanson	924	13,000	7.1%	37,601	100%
558 Te Rapa Road	DEC Manufacturing	Hamilton	438	5,750	7.6%	4,606	100%
7 Vestey Drive	Wickliffe	Mt Wellington	460	6,160	7.5%	4,598	100%
5 Vestey Drive	PPG Industries	Mt Wellington	220	2,700	8.1%	1,269	100%
9 Vestey Drive	Multispares	Mt Wellington	193	2,730	7.1%	1,600	100%
11 Vestey Drive	ASB Bank	Mt Wellington	492	6,200	7.9%	3,625	100%
15a Vestey Drive	PMP Maxum, other	Mt Wellington	533	6,300	8.5%	3,249	100%
36 Vestey Drive	Fox Air	Mt Wellington	133	1,890	7.0%	1,120	100%
127 Waterloo Road	DHL Supply Chain	Christchurch	282	3,750	7.5%	3,519	100%
41 William Pickering Drive	Mayo Hardware, others, vacant	North Shore	313	5,050	6.2%	3,032	91%
12 Zelanian Drive	Central Joinery	East Tamaki	547	7,800	7.0%	6,098	100%
23 Zelanian Drive	Exclusive Tyre Distributors	East Tamaki	366	4,800	7.6%	3,811	100%
27 Zelanian Drive	Goode Industries	East Tamaki	617	7,800	7.9%	5,864	100%
Total			**65,384**	**838,341**	**7.8%**	**627,575**	**97%**
9 Narek Place	Vacant	Manukau	–	3,500		–	
Total including development land			**65,384**	**841,841**	**7.8%**	**627,575**	**97%**

BOARD OF DIRECTORS

PETER MASFEN

BOARD CHAIRMAN
INDEPENDENT DIRECTOR
Director since 2002, last re-elected June 2013.

Peter 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 School, Auckland and Woolf Fisher Trust.



ANTHONY BEVERLEY

AUDIT AND RISK
COMMITTEE CHAIRMAN
NOMINATION COMMITTEE CHAIRMAN
INDEPENDENT DIRECTOR
Director since 2001, last re-elected May 2012.

Anthony joined the PFI board in 2001. He is a professional director and consultant, consulting to both the private and public sector on a wide variety of property matters. Anthony's other directorships include Marlborough Lines Limited, Harbour Quays A1 Limited, Harbour Quays D4 Limited and Harbour Quays F1F2 Limited. He was formerly head of property for AMP Capital Investors (New Zealand) Limited.

ARTHUR YOUNG

NON-EXECUTIVE DIRECTOR
Director since July 2013.

Arthur joined the PFI board in July 2013 as part of the merger with DPF. He is a senior partner of Chapman Tripp and has over 55 years' legal experience. Arthur also acts as a professional trustee for a number of clients, including various client trusts that are significant PFI shareholders. He has had extensive directorate experience over the years and current directorships involving the property industry include companies in each of the McConnell/Hawkins Group, the Southpark Group, the Dresden Group and the Haydn & Rollett Group.

HUMPHRY ROLLESTON

INDEPENDENT DIRECTOR
Director since 1994, last re-elected May 2011.

Humphry joined the PFI board in 1994. He is chairman of Murray & Co and ANZCRO Pty Limited and a director of SKY Network Television Limited, Mercer Group Limited, Infratil Limited, Asset Management Limited and Matrix Security Limited.

JOHN WALLER

INDEPENDENT DIRECTOR
Director since July 2013.

John joined the PFI board in July 2013 as part of the merger with DPF. He is on a number of boards, including the Bank of New Zealand (Chairman), National Australia Bank, Fonterra Cooperative Group, the Eden Park Trust Board (Chairman), SKY Network Television Limited, Haydn & Rollett Limited and Alliance Group Limited. Prior to these appointments, John was a partner at PwC for over 20 years.

GREG REIDY

DIRECTOR REPRESENTING THE MANAGER
Director since 2012, last re-elected May 2012.

Greg has been a director of PFI since 2012 and is Managing Director of PFIM Limited, the manager of PFI. He is also Managing Director of McDougall Reidy & Co Limited, which among other things, has been subcontracted by PFIM Limited to undertake property and administrative management services for PFI.

He has a background in property investment, funds management and development, with more than 18 years' experience in the management, ownership and development of industrial, commercial and retail property. Greg is also a shareholder of DPFM Limited (the owner of PFIM Limited) and McDougall Reidy & Co Limited.

MANAGEMENT TEAM

NICK COBHAM
GENERAL MANAGER (JOINT)

Nick is General Manager (Joint) of PFI. Prior to the merger with DPF, he was General Manager of PFI. He also has been Development Manager for McDougall Reidy & Co Limited, managing industrial and commercial development projects. He 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. Nick is also a shareholder of DPFM Limited (the owner of PFIM Limited) and McDougall Reidy & Co Limited.

SIMON WOODHAMS
GENERAL MANAGER (JOINT)

Simon is General Manager (Joint) of PFI. Prior to the merger with DPF, he was General Manager of DPF, having joined McDougall Reidy & Co Limited as Development Manager in 2005. Prior to joining Simon spent seven years in Tokyo and London working in the financial and banking markets. He is a graduate of Canterbury University where he completed his Bachelor of Commerce majoring in Accounting and Marketing. Simon is also a shareholder of DPFM Limited (the owner of PFIM Limited) and McDougall Reidy & Co Limited.

CRAIG PEIRCE
CHIEF FINANCIAL OFFICER AND COMPANY SECRETARY

Craig is Chief Financial Officer and Company Secretary of PFI and McDougall Reidy & Co Limited.

Craig joined McDougall Reidy & Co Limited as Chief Financial Officer and Company Secretary in 2009. He has more than 10 years' property industry experience having 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 PwC.

COMPANY STRUCTURE

Polarcold Stores, 8a & 8b Canada Crescent, Christchurch

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 investment, property and administration management functions. The manager is paid a management fee for carrying out these responsibilities. The board currently has six directors, four of whom are independent, one non-executive and one representing the manager.

MANAGEMENT STRUCTURE

PFIM Limited is a private company owned by interests associated with McDougall Reidy & Co Limited. 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 as:

- 0.725% of total tangible assets under management up to $425 million;
- 0.450% of total tangible assets under management above $425 million and below $775 million; and
- 0.350% of total tangible assets under management above $775 million.

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 an increase in shareholder wealth 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 predominantly 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 attributes:
  - 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 limited to 40% of investment property values.
- To provide a risk-averse approach to acquisition, asset management and capital management, distributing 95-100% of distributable profit as dividends.

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 subsidiaries, P.F.I. Property Limited and P.F.I. Property No. 1 Limited (together the group), 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 2013, 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 (the manual) that forms the group's corporate governance framework. The manual was reviewed by the board during 2013 and formally updated on 13 December 2013. The manual includes a Code of Ethics, describes the board's role and responsibilities and regulates board procedures. It incorporates the NZX Main Board Listing Rules relating to corporate governance and the recommendations of the NZX Corporate Governance Best Practice Code.

A copy of the manual is available on the website at www.propertyforindustry.co.nz and includes:

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

COMPLIANCE WITH NZX REQUIREMENTS

The NZX Main Board 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 NZX Corporate Governance Best Practice Code. PFI considers that it materially complies with the NZX Corporate Governance Best Practice Code except as stated under board committees in respect of a remuneration committee.

NZX WAIVERS

The company was granted a waiver from NZX Main Board Listing Rules 7.1.5(c), 7.1.10, 7.1.11, 7.1.12 and 7.1.13 on 2 May 2013 in respect of the merger with Direct Property Fund Limited(DPF). Due to the nature of the merger by way of a scheme of arrangement under Part 15 of the Companies Act 1993, PFI could not technically comply with these Listing Rules as they contemplated a subscription for PFI shares and an application form. The scheme of arrangement did not involve a subscription, rather, one approved, PFI shares were issued to the shareholders of DPF by way of court order and not a subscription or application form.

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 subsidiaries by which they are expected to conduct their duties by facilitating behaviour that is consistent with PFI's business standards.

BOARD COMPOSITION, APPOINTMENTS, INDEPENDENCE & OPERATION

The constitution allows for between three and eight directors. As at 31 December 2013 there were six directors: four of whom are independent, one non-executive and one representing the manager. It is company's policy that there should always be a majority of independent directors.

The directors of the company and its subsidiaries as at 31 December 2013, their status, date of appointment and meeting attendances follows:

DIRECTOR	STATUS	DATE OF APPOINTMENT	MEETINGS ATTENDED (NINE MEETINGS HELD)
Peter Masfen	Board Chairman Independent Director	17 May 2002	9
Anthony Beverley	Audit and Risk Committee Chairman Nomination Committee Chairman Independent Director	2 July 2001	8
Arthur Young	Non-executive Director	1 July 2013	3 *
Humphry Rolleston	Independent Director	5 July 1994	8
John Waller	Independent Director	1 July 2013	– *
Gregory Reidy	Director representing the manager	20 January 2012	9

* Six board meetings occurred prior to the appointment of Arthur Young and John Waller on 1 July 2013.

Arthur Young and John Waller were appointed as directors by the board and not appointed by the shareholders of PFI. The constitution provides that directors appointed in this manner must offer themselves for re-election at the annual meeting of shareholders. The constitution also provides that one third (or the nearest whole number to one third) of the board must offer themselves for re-election at a meeting of shareholders each year.

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

BOARD COMMITTEES

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

At reporting date, the members of the Audit and Risk Committee were Anthony Beverley (Chairman of the Audit and Risk Committee), John Waller and Peter Masfen.

Humphry Rolleston resigned from being a member of the committee on 31 October 2013 and attended one of the two Audit and Risk Committee meetings during 2013 prior to his resignation. John Waller was appointed as a member of the committee on 31 October 2013 and two Audit and Risk Committee meetings occurred during 2013 prior to his appointment. Anthony Beverley and Peter Masfen were members of the committee at all times during 2013 and attended both of the meetings of the Audit and Risk Committee during 2013.

The manager is responsible for attending to the financial and reporting needs of the company. Amongst other things, the committee meets twice a year (or more frequently if required) with the group's auditor to review the outcome of the interim procedures (30 June) and annual audit (31 December).

The board has established a Nomination Committee in accordance with the NZX Corporate Governance Best Practice Code. The Nomination Committee has developed a written charter that outlines the committee's authority, duties, responsibilities and relationship with the board. The board is required to regularly review the performance of the Nomination Committee.

At reporting date, the members of the Nomination Committee were Anthony Beverley (Chairman of the Nomination Committee) and John Waller. This committee did not meet during the year.

The board has not established a remuneration committee. This differs from the NZX Corporate Governance Best Practice Code recommendation that the board establishes this committee to recommend remuneration packages for directors to the shareholders. However, the board has developed a remuneration policy which forms part of the Corporate Governance Manual and is intended to guide the directors in considering remuneration for directors. The board considers that the policies are consistent with best practice governance standards and this approach is appropriate.

BOARD CHARTER

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

- Establishes a clear framework for oversight and management of PFI's operations and for defining the respective roles and responsibilities of the board and the manager;
- Structures itself to be effective in discharging its responsibilities and duties;
- Sets standards of behaviour expected of the company's managers and representatives;
- Safeguards the integrity of the company's financial reporting;
- Ensures timely and balanced disclosure;
- Respects and facilitates the rights of shareholders;
- Recognises and manages risk;
- Encourages board and management effectiveness;
- Remunerates fairly and responsibly;
- Recognises 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 performance and 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.

GENDER COMPOSITION OF DIRECTORS AND OFFICERS

The breakdown of the gender composition of PFI's directors for the previous two financial years is as follows:

FINANCIAL YEAR	MALE	FEMALE
12 months ending 31 December 2012	4	0
12 months ending 31 December 2013	6	0

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 2013 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.

As permitted by the company's constitution and the Companies Act 1993, the company has also executed a deed indemnifying its directors against potential liabilities and costs they may incur for acts or omissions in their capacity as directors of the company and its subsidiaries.

No director has sought authorisation to use company information.

The following interest register entries were recorded for the company and its subsidiaries for the year ended 31 December 2013:

Arthur Young

Partner of Chapman Tripp

Director of Haydn & Rollett Limited

John Waller

Director of Haydn & Rollett Limited

Chairman of Bank of New Zealand

Gregory Reidy

Director and indirect shareholder of PFIM Limited and interested in the amendments to the management agreement between PFI and PFIM Limited

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.

Other than noted in this report, neither the company nor its subsidiaries have provided any other benefits to a director for services as a director or in any other capacity.

Neither the company nor its subsidiaries have made loans to a director.

Neither the company nor its subsidiaries have guaranteed any debts incurred by a director.

DIRECTOR	2013 $000	2012 $000
Peter Masfen	80	80
Anthony Beverley	50	47
Arthur Young	25	–
Humphry Rolleston	50	50
John Waller	25	–
Gregory Reidy [1]	–	–
Total	**230**	**177**

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

DEALINGS IN COMPANY SECURITIES

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.

Details of directors' dealings in the company's shares since 1 January 2013 are as follows:

DIRECTOR	NO. OF SHARES ACQUIRED / (DISPOSED) OF	CONSIDERATION PER SHARE	DATE
Arthur Young (beneficial)	1,127,445	$1.379	1 July 2013
Arthur Young (non-beneficial)	23,895,793	$1.379	1 July 2013
Arthur Young (non-beneficial)	(150,000)	$1.415	17 July 2013
Arthur Young (non-beneficial)	(50,000)	$1.420	19 July 2013
Arthur Young (non-beneficial)	(3,500,000)	$1.270	28 February 2014
John Waller (non-beneficial)	1,045,628	$1.379	1 July 2013
Gregory Reidy	3,375,804	$1.379	1 July 2013

Details of directors' interests in the company's shares as at 31 December 2013 are as follows:

DIRECTOR	BENEFICIAL / NON-BENEFICIAL	NUMBER OF SHARES
Peter Masfen	Beneficial	4,000,905
	Non-beneficial	250,000
Arthur Young	Beneficial	1,127,445
	Non-beneficial	23,695,793
Humphry Rolleston	Beneficial	119,057
John Waller	Non-beneficial	1,045,628
Gregory Reidy	Beneficial	3,375,804

EMPLOYEE REMUNERATION

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

DONATIONS

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

AUDITOR'S FEES

		2013 $000	2012 $000
BDO Auckland	Audit fees (audit of the financial statements)	77	39
BDO Auckland	Other fees paid to auditors (for other assurance services)	17	18

SUBSTANTIAL SHAREHOLDER NOTICES AS AT 31 DECEMBER 2013

As at 31 December 2013 the total number of ordinary shares on issue was 411,502,391. The company has only ordinary shares on issue.

SECURITY HOLDER	NO. OF SHARES	%	DATE OF NOTICE
Arthur Young	25,023,828	6.08%	1 July 2013

Arthur Young's shareholding has since reduced to 21,323,238. However, an updated substantial shareholder notice has not been filed as Arthur Young's shareholding has not moved by more than 1% (as a percentage of the total number of PFI shares on issue) since the substantial shareholder notice was filed on 1 July 2013.

WE IMPROVED OUR TENANT'S PRODUCTIVITY.

Ballance Agri-nutrients are in the productivity business: their fertilisers enable New Zealand's farmers to carry more stock, to grow more abundant crops. No surprise, then, that Ballance were keen to improve their own productivity: at their main manufacturing site in Mount Maunganui.

Many of their raw materials are imported – and their products distributed – through the Port of Tauranga. If they could stay off public roads when transporting materials back and forth between the ships and the plant, they could use bigger trucks and save time and money.

The Port of Tauranga – and PFI – made it possible. As part of a 15-year lease agreement with Ballance, we designed and built a warehouse facility with floor and yard areas able to handle the heavy loads and with an enclosed canopy for all weather loading and distribution. At PFI, we're out where the work gets done, helping New Zealand work smarter.

Ballance, 124b Hewletts Road, Tauranga

SHAREHOLDER STATISTICS

20 LARGEST REGISTERED SHAREHOLDERS AS AT 28 FEBRUARY 2014

	HOLDER	HOLDING	% HOLDING
1	FNZ Custodians Limited	20,739,675	5.04%
2	National Nominees New Zealand Limited – NZCSD	13,593,397	3.30%
3	Custodial Services Limited (A/c 3)	11,975,844	2.91%
4	BNP Paribas Nominees (NZ) Limited – NZCSD	10,093,214	2.45%
5	Guardian Nominees No 2 Limited – WPAC Wholesale Property Trust – NZCSD	8,132,795	1.98%
6	Investment Custodial Services Limited (A/c C)	8,075,403	1.96%
7	Messrs. Lindsay, Palmer and Ms. Lindsay	7,232,639	1.76%
8	ANZ Wholesale Property Securities – NZCSD	6,832,424	1.66%
9	Citibank Nominees (New Zealand) Limited – NZCSD	6,104,531	1.48%
10	Messrs. Wildermoth, Wilson, Young and Spence	6,086,970	1.48%
11	Accident Compensation Corporation – NZCSD	6,041,081	1.47%
12	MFL Mutual Fund Limited – NZCSD	5,314,451	1.29%
13	Mr. Mckee, Ms. Mckee and NWM Trustees 120 Limited	5,138,191	1.25%
14	Custodial Services Limited (A/c 2)	4,815,692	1.17%
15	Carlaw Heritage Trust Inc	4,115,481	1.00%
16	Masfen Securities Limited	4,000,905	0.97%
17	Heatherfield Investments Limited	3,752,988	0.91%
18	Messrs. Young and Wadams	3,684,218	0.90%
19	DPF Management Limited	3,375,804	0.82%
20	Messrs. Bufton, Young and Ms. Bufton	2,381,565	0.58%
	Shares held by top 20 shareholders	**141,487,268**	**34.38%**
	Balance of shares	270,015,123	65.62%
	Total of issued shares	**411,502,391**	**100.00%**

SHAREHOLDER SPREAD AS AT 28 FEBRUARY 2014

ORDINARY SHARES	NUMBER OF HOLDERS	HOLDING	% HOLDING
Up to 4,999	834	2,119,224	0.51%
5,000 - 9,999	996	7,142,482	1.74%
10,000 - 49,999	2,542	53,465,426	12.99%
50,000 - 99,999	378	25,680,764	6.24%
100,000 - 499,999	299	61,486,364	14.94%
500,000 and above	115	261,608,131	63.58%
Total	**5,164**	**411,502,391**	**100.00%**

GEOGRAPHICAL SPREAD AS AT 28 FEBRUARY 2014

ORDINARY SHARES	HOLDING	% HOLDING
Auckland & Northern Region	238,892,508	58.1%
Hamilton & Surrounding Districts	85,657,877	20.8%
Wellington & Central Districts	52,973,834	12.9%
Dunedin & Southland	15,712,821	3.8%
Nelson, Marlborough & Christchurch	15,293,438	3.7%
Unknown	1,666,926	0.4%
Overseas	1,304,987	0.3%
Total	**411,502,391**	**100.0%**

FIVE YEAR PERFORMANCE SUMMARY

YEAR ENDED 31 DECEMBER	2013	2012	2011	2010	2009
ALL VALUES IN $M UNLESS OTHERWISE NOTED					
FINANCIAL PERFORMANCE					
Operating revenue	48.1	29.4	30.9	32.5	31.5
Operating expenses	(21.2)	(12.2)	(11.6)	(12.1)	(12.1)
Total operating earnings	26.9	17.2	19.3	20.4	19.4
Non operating income and expenses	20.5	14.7	(0.3)	(4.4)	(27.8)
Profit / (loss) before taxation	47.4	31.9	19.0	16.0	(8.4)
Total taxation expense	(6.9)	(5.0)	(2.6)	(6.1)	(4.2)
Total comprehensive income after tax	40.5	26.9	16.4	9.9	(12.6)
Weighted average number of ordinary shares ('000 shares)	316,742	220,018	218,721	215,990	213,456
IFRS earnings per share (cps)	12.79	12.24	7.47	4.64	(5.86)
DISTRIBUTIONS					
Total comprehensive income after tax	40.5	26.9	16.4	9.9	(12.6)
Distributable profit adjustments	(17.2)	(12.3)	(0.6)	8.3	28.5
Distributable profit	23.3	14.6	15.8	18.2	15.9
Weighted average number of ordinary shares ('000 shares)	316,742	220,018	218,721	215,990	213,456
Distributable profit per share (cps)	7.26	6.64	7.21	8.43	7.46
Gross dividends paid relating to the period reported (cps)	8.69	8.21	8.65	8.25	9.07
Net dividends paid relating to the period reported (cps)	7.20	6.60	7.18	7.18	7.18
Pay-out ratio (%)	99.2%	99.6%	99.2%	85.2%	96.5%
FINANCIAL POSITION					
Investment properties	841.8	382.2	355.9	352.6	365.7
Goodwill	29.1	–	–	–	–
Other assets	6.1	2.4	2.6	7.9	5.3
Total assets	877.0	384.6	358.5	360.5	371.0
Borrowings	315.2	114.2	102.5	111.2	122.0
Other liabilities	26.6	20.3	18.7	15.2	12.0
Total liabilities	341.8	134.5	121.2	126.4	134.0
Total equity	535.2	250.1	237.3	234.1	237.0
Closing shares on issue ('000 shares)	411,502	220,411	219,011	216,759	214,544
Net tangible (excluding goodwill) assets (cps)	123.0	113.5	108.4	108.0	110.5
Gearing (%)	37.4%	29.9%	28.8%	31.5%	33.4%
PROPERTY PORTFOLIO METRICS					
Number of properties (#)	83	50	49	52	55
Number of tenants (#)	136	86	89	100	99
Contract rent	65.4	32.6	30.2	31.6	33.0
Occupancy (%)	97.1%	97.4%	95.6%	99.5%	99.6%
Net lettable area including yard (sqm)	627,575	379,306	324,094	333,624	354,063
Weighted average lease term (years)	5.31	4.80	4.17	4.08	4.52
Capitalisation rate (%)	7.8%	8.5%	8.5%	9.0%	9.0%

FINANCIAL STATEMENTS

STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2013

		GROUP		PARENT	
ALL VALUES IN $000'S	NOTE	2013	2012	2013	2012
OPERATING REVENUE					
Rental income	6	47,850	29,214	–	–
Interest income	7	12	18	12	18
Management fee income	8	218	192	–	–
Total operating revenue		48,080	29,424	12	18
OPERATING EXPENSES					
Audit fees		(77)	(39)	(77)	(39)
Other fees paid to auditors for other assurance engagements		(17)	(18)	(17)	(18)
Directors' fees	9	(230)	(177)	(230)	(177)
Interest expense and bank fees	7	(12,869)	(8,103)	(4,183)	(8,103)
Management fees	29	(3,785)	(1,882)	(3,785)	(1,882)
Non-recoverable property costs	10	(2,271)	(1,329)	(208)	(178)
Other expenses	11	(1,909)	(628)	(1,909)	(628)
Total operating expenses		(21,158)	(12,176)	(10,409)	(11,025)
Total operating earnings		26,922	17,248	(10,397)	(11,007)
NON OPERATING INCOME					
Unrealised net change in fair value of investment properties	18	12,326	12,302	–	–
Gains on disposals of investment properties	18	47	1,059	–	–
Unrealised net change in fair value of derivative financial instruments	21	8,080	1,357	3,018	1,357
Total non operating income		20,453	14,718	3,018	1,357
Profit/(loss) before taxation		47,375	31,966	(7,379)	(9,650)
TAXATION					
Current taxation	16	(4,828)	(3,579)	2,556	2,995
Deferred taxation	16	(2,035)	(1,455)	(851)	(314)
Total taxation		(6,863)	(5,034)	1,705	2,681
Profit/(loss) for the year attributable to the shareholders of the Parent		40,512	26,932	(5,674)	(6,969)
Other comprehensive income		–	–	–	–
Total comprehensive income/(loss) for the year attributable to the shareholders of the Parent	12	40,512	26,932	(5,674)	(6,969)
Basic and diluted earnings (cents per share)	13	12.79	12.24		

The accompanying notes form part of these financial statements.

STATEMENTS OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2013

		GROUP			PARENT		
ALL VALUES IN $000'S	NOTE	Share Capital	Retained Earnings	Total	Share Capital	Accumulated Losses	Total
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	24	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)
Balance at 1 January 2013		171,471	78,613	250,084	171,471	(175,973)	(4,502)
Profit/(loss) for the year		–	40,512	40,512	–	(5,674)	(5,674)
Other comprehensive income		–	–	–	–	–	–
Total comprehensive income/(loss) for the year ended 31 December 2013		–	40,512	40,512	–	(5,674)	(5,674)
Transactions with owners recognised directly in equity							
Shares issued via business combination	28	263,515	–	263,515	263,515	–	263,515
Dividends to shareholders	12	–	(18,938)	(18,938)	–	(18,938)	(18,938)
Subtotal		263,515	(18,938)	244,577	263,515	(18,938)	244,577
Balance at 31 December 2013		434,986	100,187	535,173	434,986	(200,585)	234,401

The accompanying notes form part of these financial statements.

STATEMENTS OF FINANCIAL POSITION

AS AT 31 DECEMBER 2013

		GROUP		PARENT	
ALL VALUES IN $000'S	NOTE	2013	2012	2013	2012
Current assets					
Cash and cash equivalents (cash at bank on call)	26	1,348	171	1,348	171
Accounts receivable	14	541	1,326	–	–
GST receivable		–	–	153	13
Investment properties held for sale	18	2,141	–	–	–
Prepayments and other assets	15	5,564	2,094	83	527
Loans to subsidiaries	17	–	–	161,979	114,070
Total current assets		9,594	3,591	163,563	114,781
Non-current assets					
Prepayments and other assets	15	5,031	5,527	–	336
Investment properties	18	830,040	375,494	–	–
Investment in subsidiaries	17	–	–	71,628	1,750
Goodwill	19	29,086	–	–	–
Deferred tax assets	16	–	–	–	2,333
Derivative financial instruments	21	3,269	–	–	–
Total non-current assets		867,426	381,021	71,628	4,419
Total assets		877,020	384,612	235,191	119,200
Current liabilities					
Accounts payable, accruals and other liabilities	20	8,288	2,816	790	1,405
Taxation payable		1,732	1,091	–	–
GST payable		948	443	–	–
Derivative financial instruments	21	–	161	–	161
Total current liabilities		10,968	4,511	790	1,566
Non-current liabilities					
Borrowings	22	315,190	114,200	–	114,200
Deferred tax liabilities	16	12,404	7,881	–	–
Derivative financial instruments	21	3,285	7,936	–	7,936
Total non-current liabilities		330,879	130,017	–	122,136
Total liabilities		341,847	134,528	790	123,702
Net assets	23	535,173	250,084	234,401	(4,502)
Equity					
Share capital	24	434,986	171,471	434,986	171,471
Retained earnings/(accumulated losses)		100,187	78,613	(200,585)	(175,973)
Total equity		535,173	250,084	234,401	(4,502)

Authorised on behalf of the Board.

Peter Masfen
Chairman
As at 17 February 2014

Anthony Beverly
Chairman, Audit and Risk Committee
As at 17 February 2014

The accompanying notes form part of these financial statements.

STATEMENTS OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2013

		GROUP		PARENT	
ALL VALUES IN $000'S	NOTE	2013	2012	2013	2012
Cash flows from operating activities					
Receipts from customers		48,567	29,356	–	–
GST received/(paid)		331	158	(140)	80
Interest received		12	18	12	18
Taxation paid		(4,187)	(2,997)	–	–
Payments to suppliers		(9,302)	(5,050)	(5,851)	(2,799)
Interest and other finance costs paid		(10,260)	(7,945)	(4,004)	(7,945)
Net cash flows from operating activities	25	25,161	13,540	(9,983)	(10,646)
Cash flows from investing activities					
Proceeds from sales of investment properties		51	16,614	–	–
Receipts from subsidiaries		–	–	144,286	13,422
Capitalisation of interest on development properties		(8)	–	–	–
Purchases and development of investment properties		(23,691)	(27,378)	–	–
Cash acquired from business combination	28	12	–	12	–
Net cash flows from investing activities		(23,636)	(10,764)	144,298	13,422
Cash flows from financing activities					
Proceeds from term loans		384,040	49,850	32,620	49,850
Dividends to shareholders		(18,938)	(14,189)	(18,938)	(14,189)
Repayments of term loans		(365,450)	(38,150)	(146,820)	(38,150)
Net cash flows from financing activities		(348)	(2,489)	(133,138)	(2,489)
Net change in cash and cash equivalents		1,177	287	1,177	287
Cash and cash equivalents at beginning of period		171	(116)	171	(116)
Cash and cash equivalents at end of period	26	1,348	171	1,348	171

The accompanying notes form part of these financial statements.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2013

1. GENERAL INFORMATION

The financial statements as at and for the year ended 31 December 2013 are those of Property For Industry Limited (the Company, the Parent) and the consolidated financial statements are of the Company and its subsidiaries P.F.I. Property No. 1 Limited (PFI No1) and P.F.I. Property Limited (PFI Prop) (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. 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 2013

Except for the changes below, the Group has consistently applied the accounting policies set out in this note to all periods presented in these consolidated financial statements.

The Group has adopted the following new standards and amendments to standards, including any consequential amendments to other standards, with a date of initial application of 1 January 2013:

- Annual Improvements 2009 – 2011 Cycle;
- NZ IAS 1 (amendment) Presentation of Items of Other Comprehensive Income;
- NZ IAS 27 Separate Financial Statements;
- NZ IAS 36 Impairment of Assets (amendment);
- NZ IFRS 7 Amendments – Offsetting Financial Assets and Financial Liabilities;
- NZ IFRS 10 Consolidated Financial Statements;
- NZ IFRS 11 Joint Arrangements;
- NZ IFRS 12 Disclosure of Interests in Other Entities; and
- NZ IFRS 13 Fair Value Measurement.

The application of these standards has not had a significant impact on the Group's reported result or financial position. Application of NZ IFRS 12 and NZ IFRS 13 has resulted in additional disclosure, the nature and effects of the changes are explained below:

(i) NZ IFRS 12 Disclosure of Interests in Other Entities: as a result of NZ IFRS 12, the Group has expanded its disclosure about its interests in its subsidiaries, see note 17.

(ii) NZ IFRS 13 Fair Value Measurement: NZ IFRS 13 establishes a single framework for measuring the fair value and making disclosure about fair value measurements when such measurements are required or permitted by other NZ IFRSs. It unifies the definition of fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. It replaces and expands the disclosure requirements about fair value measurements in other NZ IFRSs. As a result, the Group has included additional disclosures in this regard (see notes 18, 21 and 27).

In accordance with the transitional provision of NZ IFRS13, 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. Further details of the changes in measurement methodology are disclosed in note (g) (investment properties) and note (l(ii)) (derivative financial instruments).

Standards and amendments to existing standards effective from 1 January 2014
At the date of authorisation of the financial statements of the Group for the year ended 31 December 2013, a number of Standards and Interpretations were in issue but not yet effective. The following have been assessed as potentially having an impact on the Group:

Standard/Interpretation		Effective Date (Annual periods commencing on or after)
NZ IAS 36	Recoverable Amount Disclosures for Non-Financial Assets	1 January 2014
NZ IFRS 9 (2009)	Financial Instruments	1 January 2017
NZ IFRS 9 (2010)	Financial Instruments	1 January 2017
NZ IFRS 9 (2013)	Financial Instruments	1 January 2017

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 are of the opinion that the impact of the application of these 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 companies are disclosed in note 17 to the financial statements.

(c) Business combinations

The Group accounts for business combinations using the acquisition method when control is transferred to the Group. The consideration transferred in the acquisition is generally measured at fair value, as are the identifiable net assets acquired. Any goodwill that arises is tested at each reporting period for impairment. Transaction costs are expensed as incurred.

(d) 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.

(e) 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)

(f) 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 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 liability arising from certain prepayments and other assets; and
- 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:

- Temporary differences on 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. Temporary differences relating to investments in subsidiaries to the extent that it is probable that they will not reverse in the foreseeable future.
- Taxable temporary differences arising on the initial recognition of goodwill.

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.

As at 31 December 2013, PFI has changed its approach to estimating the deferred tax liability relating to provision for depreciation claw-back on disposal of investment properties at carrying values. The change in estimation method has been made to better reflect the market values attributable to fixtures and fittings based on revised estimates of their useful lives. The market value of fixtures and fittings has on average been assessed as equal to their tax book value. The effect of the change in estimation method as at 31 December 2013 has been to reduce the deferred tax liability by $1,782,000.

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.

(g) 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 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 year ended 31 December 2013 one property was classified as an investment property held for sale with the value adjusted to reflect the Directors' estimate of net sales proceeds (see note 18 iv). For the year ended 31 December 2012 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 the Directors' assessment of highest and best use of each property and amongst 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.

(h) 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; and
- status of construction permits.

(i) 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.

(j) 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.

(k) Goodwill

Goodwill arising on the acquisition of subsidiaries is measured at cost less accumulated impairment losses.

(l) 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.

(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 independent treasury advisers and 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.

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(l) Financial instruments (continued)

(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.

(m) 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. Goodwill is tested annually for impairment.

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 or fair value less costs to sell, 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 first assigned to any goodwill associated with the CGU and then to the other assets in the CGU on a pro-rata basis.

An impairment loss in respect of goodwill is not reversed. For other assets, 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.

(n) Reclassification of balances

The Group has reclassified the following 31 December 2012 balances to assist shareholders in assessing the performance of the Group:

- A portion of prior year derivative financial instruments have been reclassified from current liabilities to non-current liabilities as the Board and Management have determined that this better reflects the period of the relevant derivative contracts. This has resulted in $7,936,000 in the Group and Parent being reclassified from current liabilities to non-current liabilities.
- Maturities of accounts payable, accruals and other liabilities as disclosed in note 20 have been reclassified from due less than 30 days to between 31 and 90 days as the Board and Management have determined that this better reflects the maturity period of interest due on borrowings and interest rate swaps. This has resulted in $493,000 in the Group and Parent being reclassified from due less than 30 days to 31 and 90 days.
- Movement in capitalised lease incentives and fixed rent reviews as disclosed in note 18 has been reclassified as the Board and Management have determined that this better reflects the movement in investment properties. This has resulted in $62,000 in the Group being reclassified from a movement in capitalised lease incentives to a movement in fixed rent reviews.
- Capitalised lease incentives and fixed rent reviews as disclosed in note 15 has been reclassified as the Board and Management have determined that this better reflects the composition of the balance. This has resulted in $3,000 in the Group being reclassified from current capitalised lease incentives to current fixed rent reviews and $59,000 in the Group being reclassified from non-current capitalised lease incentives to non-current fixed rent reviews.

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 see note 18)

Independent registered public valuers have been used to determine the fair value of investment properties. This fair value reflects the Directors' assessment of highest and best use of each property. 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 6.88% to 10.00% (2012: 6.75%–10.00%).

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 97.1%, 2012: 97.4%), average lease term (portfolio weighted average lease term is 5.31 years, 2012: 4.80 years), and discount rates ranging from 8.50% to 10.50% (2012: 8.50%–10.50%).

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 see note 21)

Derivative financial instruments are represented at the valuation prepared by independent treasury advisers and compared to 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 Group carries its derivative financial instruments at fair value. The fair value of these financial instruments is determined using level 2 valuation techniques. The fair value of these financial instruments as at 31 December 2013 is a liability of $16,000 (2012: liability of $8,097,000).

The interest rates used in performing the valuations range from 3.05% to 6.52% (2012: 3.95%–6.52%).

Deferred tax (also see 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.

Measurement of fair values (also see notes 18, 21 and 27)

A number of the Group's accounting policies and disclosures require the measurement of fair values, for both financial and non-financial assets and liabilities.

The Group has an established control framework with respect to the measurement of fair values. The Board and Management have overall responsibility for overseeing all significant fair value measurements, including Level 3 fair values.

The Board and Management team regularly reviews significant unobservable inputs and valuation adjustments. If third party information is used to measure fair values, then the Board and Management team assesses the evidence obtained from the third parties to support the conclusion that such valuations meet the requirements of NZ IFRS, including the level of the fair value hierarchy in which such valuations should be classified.

When measuring the fair value of an asset or a liability, the Group uses market observable data as far as possible. Fair values are categorised into different levels in a fair value hierarchy based on the inputs used in the valuation techniques 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).

3. SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS (CONTINUED)

Measurement of fair values (also see notes 18, 21 and 27) (continued)

If the inputs used to measure the fair value of an asset or a liability might be categorised in different levels of the fair value hierarchy, then the fair value measurement is categorised in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement.

The Group recognises transfers between levels of the fair value hierarchy at the end of the reporting period during which the change has occurred.

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 derivative 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 27 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 2013	Gain/(loss) on increase of +0.50%	Gain/(loss) on decrease of +0.50%	31 December 2012	Gain/(loss) on increase of +0.50%	Gain/(loss) on decrease of +0.50%
Financial assets						
Cash and cash equivalents	1,348	–	–	171	–	–
Accounts receivable	541	–	–	1,326	–	–
Derivative financial instruments	3,269	2,433	(2,433)	–	–	–
Total	5,158	2,433	(2,433)	1,497	–	–
Financial liabilities						
Accounts payable, accruals and other liabilities	8,288	–	–	2,816	–	–
Derivative financial instruments	3,285	1,012	(1,012)	8,097	1,533	(1,533)
Borrowings	315,190	(1,576)	1,576	114,200	(571)	571
Total	326,763	(564)	564	125,113	962	(962)

	PARENT					
ALL VALUES IN $000'S	31 December 2013	Gain/(loss) on increase of +0.50%	Gain/(loss) on decrease of +0.50%	31 December 2012	Gain/(loss) on increase of +0.50%	Gain/(loss) on decrease of +0.50%
Financial assets						
Cash and cash equivalents	1,348	–	–	171	–	–
Loans to subsidiaries	161,979	–	–	114,070	–	–
Total	163,327	–	–	114,241	–	–
Financial liabilities						
Accounts payable, accruals and other liabilities	790	–	–	1,405	–	–
Derivative financial instruments	–	–	–	8,097	1,533	(1,533)
Borrowings	–	–	–	114,200	(571)	571
Total	790	–	–	123,702	962	(962)

The impact on equity of the Group of the +/- 0.5% movement would be +/-$406,000 (2012: +/-$693,000). The impact on equity of the Parent of the +/- 0.5% movement would be nil (2012: +/-$693,000).

Further details of the Group's derivative financial instruments are disclosed in note 21 to the financial statements.

(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 ANZ Bank New Zealand Limited or the Bank of New Zealand, registered banks in New Zealand. The credit rating of both banks 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 parties whom the Group assesses to be creditworthy. 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 $56,000 (2012: $133,000). 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 20.

The maturities of the Group's borrowings based on the remaining period is 2.5 years (2012: 3.1 years), with all borrowings due later than one year (2012: later than one year).

Further details of the Group's borrowings, including the maturities of the Group's borrowings, are disclosed in note 22 to the financial statements.

4. FINANCIAL RISK MANAGEMENT (CONTINUED)

(c) Liquidity risk (continued)

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 2013 and 31 December 2012.

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	8,288	8,288	8,288	–	–	–
Derivative financial instruments[1]	16	283	(2,697)	(1,114)	2,328	1,766
Borrowings	315,190	344,297	11,694	11,694	320,909	–
Total as at 31 December 2013	323,494	352,868	17,285	10,580	323,237	1,766
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

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	790	790	790	–	–	–
Total as at 31 December 2013	790	790	790	–	–	–
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

1 The carrying amount of derivative financial instruments shown is the net position of both derivative financial instrument assets and derivative financial instrument liabilities as at 31 December 2013.

Certain 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 $34,810,000 (2012: $35,800,000). 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.

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 2013, the Group's strategy was to maintain a loan to value ratio of no more than 40% (2012: 35%).

The covenants on all borrowings require a loan to value ratio of not more than 50% and an interest cover ratio (that is, the ratio of earnings before interest to interest) of not less than 2:1 (2012: 2:1). In addition to this, registered mortgage security is required to be provided over Group properties with current valuations of at least $700,000,000 (2012: $300,000,000). The Group complied with these covenants during the current and prior year.

As at and for the year ended 31 December 2013, the Group had a loan to value ratio of 37.4% (2012: 29.9%), an interest cover ratio of 3.2:1 (2012: 3.1:1) and registered mortgage security of $801,500,000 (2012: $343,010,000).

6. RENTAL INCOME

	GROUP	
ALL VALUES IN $000'S	2013	2012
Gross rental receipts	47,830	29,318
Amortisation of capitalised lease incentives	(1,047)	(1,056)
Rental income during rent free periods	436	890
Fixed rental income adjustment	631	62
Total	47,850	29,214

(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 14 years (2012: 1 and 15 years).

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

	GROUP	
ALL VALUES IN $000'S	2013	2012
Within one year	63,090	30,470
After one year but not more than five years	182,115	83,842
More than five years	111,833	46,120
Total	357,038	160,432

The above rental numbers are based on contract rates as at 31 December 2013 and 31 December 2012. 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	2013	2012	2013	2012
Interest income				
Interest received per category of financial instruments				
Loans and receivables	12	18	12	18
Total interest income	12	18	12	18
Interest expense and bank fees				
Interest expense and bank fees paid per category of financial instruments				
Liabilities at amortised cost	10,085	5,283	2,948	5,283
Fair value through profit or loss	2,784	2,820	1,235	2,820
Total interest expense and bank fees	12,869	8,103	4,183	8,103

8. MANAGEMENT FEE INCOME

Group management fee income represents operating expense management fees charged to tenants.

9. DIRECTORS' FEES

	GROUP & PARENT	
ALL VALUES IN $000'S	2013	2012
Peter Masfen	80	80
Humphry Rolleston	50	50
Anthony Beverley	50	47
Arthur Young	25	–
John Waller	25	–
Gregory Reidy	–	–
Total	230	177

Arthur Young and John Waller were appointed to the Board on 1 July 2013. Accordingly they were paid Directors' fees from this date.

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 Directors' fees.

The Group also provides Directors' and Officers' liability insurance cover and has provided a Deed of Directors' Indemnity.

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 (2012: nil).

10. NON-RECOVERABLE PROPERTY COSTS

Non recoverable costs of $2,271,000 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 2013: establishment of $882,000, 2012 nil, Group 2013: release of nil, 2012 $268,000).

There are no direct operating expenses including repairs and maintenance arising from investment properties that did not generate rental income during the period (2012: nil).

11. OTHER EXPENSES

	GROUP & PARENT	
ALL VALUES IN $000'S	2013	2012
Compliance costs	89	73
Share registry and shareholder reporting	260	298
Public relations	25	75
Other	1,535	182
Total	1,909	628

Other expenses includes business combination transaction costs of $1,380,000 relating to external legal feels and due diligence costs (see note 28).

12. RELATIONSHIP OF TOTAL COMPREHENSIVE INCOME TO DIVIDENDS PAID

The Group's dividend policy is to distribute between 95% to 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 rental review accounting entries, incentive fees net of tax, business combination transaction costs, and other one off items.

	GROUP		
		2013	2012
	Dividend per share	Total dividend	Total dividend
Payment date	$	$000	$000
Total comprehensive income for the year attributable to the shareholders of the Company		40,512	26,932
Adjusted for:			
Unrealised net change in fair value of investment properties		(12,326)	(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		(8,080)	(1,357)
Deferred taxation		2,035	1,455
Fixed rent reviews		(413)	–
Incentive fees net of tax		259	–
Business combination transaction costs (see note 28)		1,380	–
Other[1]		(12)	744
Distributable profit		23,308	14,600

1 During the year ended 31 December 2013, other comprises the current tax impact of an adjustment to one of the Company's derivative financial instruments. 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).

12. RELATIONSHIP OF TOTAL COMPREHENSIVE INCOME TO DIVIDENDS PAID (CONTINUED)

		GROUP		
		Dividend per share	2013 Total dividend	2012 Total dividend
	Payment date	$	$000	$000
Analysed as:				
6 months ended 30.06.13				
Distributable profit			7,588	7,046
Weighted average number of ordinary shares (shares)			220,410,728	219,621,668
Distributable profit per share (cents)			3.44	3.21
6 months ended 31.12.13				
Distributable profit			15,720	7,554
Weighted average number of ordinary shares (shares)			411,502,391	220,410,728
Distributable profit per share (cents)			3.82	3.43
Distributable profit per share (cents)			7.26	6.64
1st quarter FYE 31/12/12 net dividend[2]	Paid 30/5/2012	1.550	–	3,408
2nd quarter FYE 31/12/12 net dividend[2]	Paid 28/8/2012	1.550	–	3,416
3rd quarter FYE 31/12/12 net dividend[2]	Paid 28/11/2012	1.650	–	3,638
4th quarter FYE 31/12/12 net dividend[3]	Paid 13/3/2013	1.850	–	4,078
1st quarter FYE 31/12/13 net dividend[3]	Paid 29/5/2013	1.700	3,747	–
2nd quarter FYE 31/12/13 net dividend[3]	Paid 28/6/2013	1.700	3,747	–
3rd quarter FYE 31/12/13 net dividend[3]	Paid 27/11/2013	1.790	7,366	–
4th quarter FYE 31/12/13 net dividend	To be paid 12/3/2014	2.010	8,271	–
Dividends paid relating to the period reported			23,131	14,540
Pay-out ratio			99%	100%

2 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.

3 Dividends paid in the year ended 31 December 2013 totalled $18,938,000 as per the Statement of Changes in Equity and consisted of the 4th quarter FYE 31/12/12 through 3rd quarter FYE 31/12/13 dividends (above).

13. 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	
	2013	2012
Total comprehensive income for the year attributable to the shareholders of the Parent ($000)	40,512	26,932
Weighted average number of ordinary shares (shares)	316,741,868	220,018,354
Basic and diluted earnings per share (cents)	12.79	12.24

As at 31 December 2013 there are no instruments that could potentially dilute basic earnings per share in the future (2012: nil).

14. ACCOUNTS RECEIVABLE

	GROUP	
ALL VALUES IN $000'S	2013	2012
Accounts receivable	555	1,354
Impairment allowance	(14)	(28)
Total	541	1,326

(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	2013	2012
Total accounts receivable (net)	541	1,326
Analysed as		
due less than 30 days (current)	311	957
between 31 and 60 days	181	296
between 61 and 90 days	15	16
greater than 91 days	34	57
Total accounts receivable (net)	541	1,326

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

	GROUP	
ALL VALUES IN $000'S	2013	2012
Total impaired accounts receivable	14	28
Analysed as		
due less than 30 days (current)	–	–
between 31 and 60 days	–	–
between 61 and 90 days	–	3
greater than 91 days	14	25
Total impaired accounts receivable	14	28

14. ACCOUNTS RECEIVABLE (CONTINUED)

(ii) Credit term and interest:

The average credit term on invoiced amounts is 30 days and is interest free (2012: 30 days and is interest free).

(iii) Impairment allowance:

As at 31 December 2013, the impairment allowance relates to specific overdue accounts receivable where there is uncertainty as to whether the amounts will be recovered (2012: $28,000). The Directors have considered that no collective impairment allowance is appropriate based on the Group's past experiences in the recovery of accounts receivable (2012: nil). The establishment and release of impaired receivables has been included in "non-recoverable property costs" in the consolidated statement of profit or loss and other comprehensive income. Movements in the impairment allowance are as follows:

	GROUP	
ALL VALUES IN $000'S	2013	2012
As at 1 January	28	175
Impairment allowance acquired from business combination (see note 28)	58	
Allowance for receivables impairment	44	32
Receivables written off during the year as uncollectible	(80)	(4)
Unused amounts reversed	(36)	(175)
As at 31 December	14	28

There are no tenants to whom rental holidays have been granted (2012: 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 (2012: nil).

15. PREPAYMENTS AND OTHER ASSETS

	GROUP		PARENT	
ALL VALUES IN $000'S	2013	2012	2013	2012
Prepayments and other assets (current)				
Prepaid fees on term loans	254	481	–	481
Prepaid leasing costs	448	378	–	–
Capitalised lease incentives	4,267	1,114	–	–
Fixed rental reviews	439	3	–	–
Other prepayments and other assets	344	118	83	46
Impairment allowance	(188)	–	–	–
Prepayments and other assets (current) total	5,564	2,094	83	527
Prepayments and other assets (non-current)				
Prepaid fees on term loans	337	336	–	336
Prepaid leasing costs	1,993	1,492	–	–
Capitalised lease incentives	1,079	3,640	–	–
Fixed rental reviews	2,524	59	–	–
Impairment allowance	(902)	–	–	–
Prepayments and other assets (non-current) total	5,031	5,527	–	336

(i) Impairment allowance:

As at 31 December 2013, the impairment allowance relates to prepaid leasing costs, capitalised lease incentives and fixed rental review prepayments where there is uncertainty as to whether the amounts will be recovered (2012: nil). 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 (2012: nil). The establishment and release of impaired receivables has been included in "non-recoverable property costs" in the consolidated statement of profit or loss and other comprehensive income. Movements in the impairment allowance are as follows:

	GROUP	
ALL VALUES IN $000'S	2013	2012
As at 1 January	–	125
Allowance for receivables impairment	872	–
Impairment allowance acquired from business combination (see note 28)	218	
Unused amounts reversed	–	(125)
As at 31 December	1,090	–

16. TAXATION

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

	GROUP		PARENT	
ALL VALUES IN $000'S	2013	2012	2013	2012
Profit/(loss) before taxation	47,375	31,966	(7,379)	(9,650)
Prima facie income tax calculated at the statutory income tax rate of 28%	(13,265)	(8,950)	2,066	2,702
Plus tax effect of:				
Non tax deductible revenue and expenses	3,105	3,471	(361)	(21)
Depreciation	1,800	848	–	–
Disposal of depreciable assets	92	–	–	–
Deductible capital expenditure	428	181	–	–
Deferred leasing costs and incentives	1,086	458	–	–
Derivative financial instruments	2,274	314	851	314
Impairment allowance	(301)	76	–	–
Other	–	23	–	–
Current tax prior period adjustment	(47)	–	–	–
Current taxation	(4,828)	(3,579)	2,556	2,995
Depreciation	1,024	(607)	–	–
Deferred leasing costs and incentives	(1,086)	(458)	–	–
Derivative financial instruments	(2,274)	(314)	(851)	(314)
Impairment allowance	301	(76)	–	–
Deferred taxation	(2,035)	(1,455)	(851)	(314)
Total taxation reported in statement of comprehensive income	(6,863)	(5,034)	1,705	2,681

16. TAXATION (CONTINUED)

(ii) Deferred tax:

	GROUP			
ALL VALUES IN $000'S	As at 2012	Additions due to business combination (see note 28) 2013	Recognised in profit during the year ended 2013	As at 2013
Deferred tax assets				
Derivative financial instruments	(2,333)	–	2,274	(59)
Impairment allowance	(8)	–	(301)	(309)
Gross deferred tax assets	(2,341)	–	1,973	(368)
Deferred tax liabilities				
Investment properties	10,222	2,489	62	12,772
Gross deferred tax liabilities	10,222	2,489	62	12,772
Net deferred tax liability	7,881	2,489	2,035	12,404

	PARENT			
ALL VALUES IN $000'S	As at 2012	Transfer (see note below) 2013	Recognised in profit during the year ended 2013	As at 2013
Deferred tax assets				
Derivative financial instruments	(2,333)	1,482	851	–
Gross deferred tax assets	(2,333)	1,482	851	–
Net deferred tax assets	(2,333)	1,482	851	–

On 1 July 2013, Property For Industry Limited novated the derivative financial instruments associated with the above deferred tax assets to Property For Industry No.1 Limited. Accordingly the deferred tax assets have been transferred to Property For Industry No.1 Limited.

(iii) Imputation credit account:

	GROUP	
ALL VALUES IN $000'S	2013	2012
Opening imputation credit balance	(422)	676
Taxation paid	4,141	2,968
Refunds received	–	–
Imputation credits attached to dividends paid	(4,297)	(3,524)
Prior period adjustments	(1)	(542)
Closing imputation credit balance available to shareholders	(579)	(422)

17. GROUP COMPANIES

On 1 July 2013, the Company amalgamated with Direct Property Fund Limited (DPF) by way of court approved scheme of arrangement. As part of the amalgamation, DPF's 100% subsidiary Direct Property Fund No. 1 Limited became a subsidiary of the Company (see note 28).

On 15 July 2013, Direct Property Fund No. 1 Limited changed its name to P.F.I. Property Limited.

The loans to / from the subsidiaries are interest free and repayable on demand. The loans will be repaid using the proceeds of rental income, disposals of properties or drawings from term loans, in the respective companies.

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 had no impact on the results of the current year or prior 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.

	PARENT			
	2013		2012	
ALL VALUES IN $000'S	Investment in subsidiary	Subsidiary loans	Investment in subsidiary	Subsidiary loans
P.F.I. Property No. 1 Limited	1,750	(201,833)	1,750	114,070
P.F.I. Property Limited	69,878	363,812	–	–
Total	71,628	161,979	1,750	114,070

Transactions with group companies are related party transactions (see note 29).

18. INVESTMENT PROPERTIES

	GROUP	
ALL VALUES IN $000'S	2013	2012
As at 1 January	382,180	355,898
Acquisitions during the year due to business combination (see note 28)	422,010	–
Additions	14,637	23,245
Disposals	(4)	(15,555)
Capital expenditure	10,785	4,725
Prepaid leasing costs	47	200
Capitalised lease incentives	(575)	1,303
Fixed rental reviews	435	62
Unrealised revaluation	12,326	12,302
As at 31 December	841,841	382,180
Represented in the Statement of Financial Position by:		
Prepayments and other current assets[1]	9,660	6,686
Investment properties held for sale (see note iv)	2,141	–
Investment properties	830,040	375,494
As at 31 December	841,841	382,180

1 Amount shown only represents a portion of the total balance in the Statement of Financial Position, being prepaid leasing costs, capitalised lease incentives and fixed rental reviews net of impairment allowances (see note 15).

18. INVESTMENT PROPERTIES (CONTINUED)

		GROUP			
ALL VALUES IN $000'S	Valuer	2013 Carrying value	Fair value adjustment	Additions/ capital expenditure/ (disposals)	2012 Carrying value
Investment properties held long term					
17 Allens Road	JLL	11,500	332	(32)	11,200
2–4 Argus Place[1]	JLL	4,800	190	4,610	–
47 Arrenway Drive	JLL	3,000	(1)	1	3,000
51 Arrenway Drive[1]	JLL	4,600	(284)	4,884	–
30–32 Bowden Road[2]	JLL	15,800	1,108	14,692	–
5 Cable Street[1]	JLL	6,800	(320)	7,120	–
Shed 22, 23 Cable Street[1]	JLL	11,800	(2)	11,802	–
8A & 8B Canada Crescent	CBRE	12,350	475	–	11,875
122 Captain Springs Road[1]	JLL	5,600	(150)	5,750	–
50 Carbine Road	CBRE	2,480	60	(5)	2,425
54 Carbine Road & 6a Donnor Place	CBRE	19,400	165	3,060	16,175
76 Carbine Road	JLL	5,600	243	(43)	5,400
Carlaw Park Gateway Building[1]	CBRE	37,100	875	36,225	–
Carlaw Park Office Complex[1]	CBRE	56,800	1,000	55,800	–
7 Carmont Place	JLL	7,400	588	62	6,750
85 Cavendish Drive	JLL	9,400	(249)	199	9,450
212 Cavendish Drive	JLL	14,200	6	(6)	14,200
15 Copsey Place	Colliers	9,800	359	4,441	5,000
43 Cryers Road[1]	Colliers	8,400	(2)	8,402	–
229 Dairy Flat Highway[1]	Colliers	20,500	5	20,495	–
47 Dalgety Drive[1]	JLL	11,800	1,828	9,972	–
59 Dalgety Drive[1]	CBRE	14,700	184	14,516	–
6 Donnor Place	JLL	15,800	(211)	(189)	16,200
6–8 Greenmount Drive[1]	Colliers	7,250	(29)	7,279	–
92–98 Harris Road[1]	JLL	13,900	(53)	13,953	–
124 Hewletts Road[1]	Colliers	11,100	(207)	11,307	–
124a Hewletts Road[1]	Colliers	11,400	(410)	11,810	–
124b Hewletts Road[1]	Colliers	12,000	(21)	12,021	–
3 Hocking Street[1]	Colliers	1,600	(263)	1,863	–
8 Hugo Johnston Drive	CBRE	7,350	(558)	308	7,600
12 Hugo Johnston Drive	CBRE	3,440	(247)	(13)	3,700
16 Hugo Johnston Drive	JLL	4,350	214	(14)	4,150
15 Jomac Place[1]	Colliers	18,600	17	18,583	–
44 Mandeville Street	CBRE	12,000	841	109	11,050
1 Mayo Road[1]	CBRE	5,740	20	5,720	–
102 Mays Road	CBRE	5,120	270	10	4,840
8 McCormack Place	JLL	9,325	389	36	8,900

		GROUP			
ALL VALUES IN $000'S	Valuer	2013 Carrying value	Fair value adjustment	Additions/ capital expenditure/ (disposals)	2012 Carrying value
4–6 Mt Richmond Road	CBRE	10,150	666	34	9,450
509 Mount Wellington Highway	CBRE	11,250	(398)	148	11,500
511 Mount Wellington Highway	CBRE	5,580	(331)	491	5,420
515 Mount Wellington Highway	CBRE	3,280	81	(11)	3,210
523 Mount Wellington Highway	Colliers	3,030	35	5	2,990
9 Narek Place[1]	Colliers	3,500	(250)	3,750	–
36 Neales Road	CBRE	12,960	238	72	12,650
306 Neilson Street[1]	JLL	8,250	11	8,239	–
312 Neilson Street[1]	Colliers	3,830	231	3,599	–
314 Neilson Street[1]	Colliers	6,250	(420)	6,670	–
9 Nesdale Avenue	CBRE	7,320	441	19	6,860
1 Niall Burgess Road	JLL	2,900	106	(6)	2,800
2–6 Niall Burgess Road	JLL	9,550	386	964	8,200
3–5 Niall Burgess Road	JLL	13,900	642	(42)	13,300
7–9 Niall Burgess Road	JLL	23,250	592	(42)	22,700
10 Niall Burgess Road	JLL	3,375	116	234	3,025
15 Omega Street[1]	JLL	7,000	–	7,000	–
19A & 19B Omega Street	Colliers	2,030	(221)	1	2,250
2 Pacific Rise[1]	Colliers	9,000	(35)	9,035	–
50 Parkside Road	JLL	3,850	225	25	3,600
61–69 Patiki Road	Colliers	12,700	479	(29)	12,250
58 Richard Pearse Drive	CBRE	12,500	364	(104)	12,240
1 Ron Driver Place	CBRE	5,400	(36)	201	5,235
18 Ron Driver Place[1]	JLL	16,600	(677)	17,277	–
320 Rosebank Road	Colliers	7,550	4	46	7,500
326 Rosebank Road	CBRE	1,040	(4)	(16)	1,060
686 Rosebank Road	Colliers	29,000	1,166	(62)	27,896
322 Rosedale Road	CBRE	12,000	535	65	11,400
48 Seaview Road	CBRE	6,270	(285)	155	6,400
12 Southpark Place[1]	JLL	5,100	(185)	5,285	–
78 Springs Road[1]	Colliers	64,200	451	63,749	–
10c Stonedon Drive[1]	JLL	10,350	–	10,350	–
170 Swanson Road	JLL	13,000	474	126	12,400
558 Te Rapa Road[1]	JLL	5,750	–	5,750	–
5 Vestey Drive	Colliers	2,700	75	40	2,585
7 Vestey Drive	CBRE	6,160	207	(67)	6,020
9 Vestey Drive	Colliers	2,730	(33)	58	2,705
11 Vestey Drive	Colliers	6,200	267	(7)	5,940

18. INVESTMENT PROPERTIES (CONTINUED)

		GROUP			
ALL VALUES IN $000'S	Valuer	2013 Carrying value	Fair value adjustment	Additions/ capital expenditure/ (disposals)	2012 Carrying value
15a Vestey Drive	CBRE	6,300	155	(35)	6,180
36 Vestey Drive	JLL	1,890	33	7	1,850
127 Waterloo Road	JLL	3,750	314	(114)	3,550
41 William Pickering Drive	CBRE	5,050	7	(7)	5,050
12 Zelanian Drive[1]	JLL	7,800	136	7,664	–
23 Zelanian Drive[1]	Colliers	4,800	203	4,597	–
27 Zelanian Drive[1]	CBRE	7,800	303	7,497	–
Investment properties – held long term subtotal		839,700	12,230	447,339	380,131
Investment properties – disposals[3]					
686 Rosebank Road		–	–	(4)	4
Investment properties – disposals subtotal		–	–	(4)	4
Investment properties – held for sale[4]					
174b Marua Road	CBRE	2,141	96	–	2,045
Investment properties – held for sale subtotal		2,141	96	–	2,045
Investment properties – total		841,841	12,326	447,335	382,180
Less: Prepaid leasing costs, capitalised lease incentives and fixed rental reviews (see note 15)					
Current		(4,966)			(1,495)
Non current		(4,694)			(5,191)
Investment properties – total		832,181			375,494

1 Addition due to business combination, see note 28.

2 Addition due to investment property acquisition, see (ii). All other additions are as a result of subsequent expenditure.

3 This property was subject to a partial disposal during the current year, see (iii) below.

4 This property was under contact for sale as at 31 December 2013, see (iv) below.

(i) Valuation:

All investment properties held as non current assets were valued as at 31 December 2013 by CB Richard Ellis (CBRE), Colliers International (Colliers) and Jones Lang LaSalle (JLL). CBRE, Colliers and JLL are independent valuers and members of the New Zealand Institute of Valuers. For further details on the valuation methodology adopted, refer note 3. The total fair value of investment properties by valuer, are as follows:

	GROUP	
ALL VALUES IN $000'S – LEVEL 2 HIERARCHY	2013	2012
CBRE	289,540	158,920
Colliers	258,170	47,760
JLL	291,990	175,500
Total	839,700	382,180

Fair value reflects the Directors' assessment of highest and best use of each property at the end of the reporting period.

Investment property measurements are categorised as level 2 in the fair value hierarchy. During the year, there were no transfers of investment properties between levels of the fair value hierarchy.

(ii) 30–32 Bowden Road – acquisition:

30–32 Bowden Road was purchased for a net purchase price of $14,600,000 on 15 March 2013 and as at 31 December 2013 the property is held as an investment property at fair value.

(iii) Investment properties – disposals:

Following a compulsory acquisition, a portion of land at 686 Rosebank Road was disposed on 30 April 2013. The carrying value of the disposed land as at 31 December 2012 was $4,000. Net proceeds from the sale of $51,000 resulted in a gain on disposal on investment property of $47,000.

(iv) 174b Marua Road – investment property held for sale:

The sale and purchase agreement for 174b Marua Road was entered into on 13 December 2013 and settlement took place on 31 January 2014. As at 31 December 2013, the carrying value of the investment property is the Directors' estimate of net sales proceeds, which differs from the CBRE valuation of $2,000,000.

(v) Security:

As at 31 December 2013, investment properties totalling $801,500,000 (2012: $343,010,000) were mortgaged as security for the Group's borrowings. These security arrangements are discussed further in note 22.

(vi) Concentration risk:

As at 31 December 2013 the Group owns 83 investment properties leased to 136 tenants. The largest tenant exposure is to Fisher & Paykel Appliances Ltd who is a tenant on 7.8% (2012: DHL Supply Chain (NZ) Limited, 7.0%) of the portfolio by contract rental income. The largest property by value is 78 Springs Road, comprising 7.6% (2012: 686 Rosebank Road, 7.3%) of the portfolio by value.

The portfolio is comprised of 82% industrial (2012: 90%) and 18% mixed use properties (2012: 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. GOODWILL

		GROUP	
ALL VALUES IN $000'S	NOTE	2013	2012
Goodwill	28	29,086	–

The carrying value of Group goodwill as at 31 December 2013 was $29,086,000. There has been no impairment recognised against goodwill. The Group and Parent did not have any goodwill nor did it impair any goodwill in the prior period.

Goodwill is allocated to the Group's cash-generating units (CGU) identified according to the lowest level at which the goodwill is monitored. All of the $29,086,000 relates to the Property For Industry Limited CGU.

The recoverable amount of a CGU is determined based on the higher of fair value less costs to sell and value in use of the CGU. For the Property For Industry Limited CGU, the recoverable amount was based on the fair value less costs to sell.

In assessing the fair value less costs to sell the estimated cash flows are discounted to their present value using a pre-tax discount rate equal to the Group's weighted average costs of capital.

The Group prepares five year budgets for its operations, which are used in the fair value less costs to sell calculation.

The key assumptions made in determining the fair value less costs to sell as at 31 December 2013 are as follows:

- terminal growth in earnings before interest and tax of 2.0%;
- pre-tax discount rate of 8.9%;
- control premium of 13.8%; and
- tax rate of 20.0%.

The Group approach to determining the values assigned to each of the key assumption are as follows:

- the terminal growth in earnings before interest and tax was determined by reference to the Group's experience of growth in earnings, combined with a review of analyst reports on the Group;
- the pre-tax discount rate is equal to the Group's weighted average cost of capital, which is calculated annually by the Group;
- the control premium was determined by considering all announced transactions (both completed and cancelled) in the REIT sector in Australia in the last ten years, the rate selected being the median transaction premium over this period; and
- the tax rate was determined by reference to Group's experience of tax payments made by the Group.

19. GOODWILL (CONTINUED)

As at 31 December 2013, the amount by which the fair value less costs to sell calculated by the Group exceeded the Group's carrying amount is $37,851,000.

The assessment of the fair value less costs is sensitive to adverse changes in any one or a combination of these assumptions. For example, a decrease in the terminal growth in earnings before interest and tax of (0.3%) to 1.7%, an increase in the weighted average cost of capital of 0.3% to 9.2%, a decrease in the control premium of (7.3%) to 6.5% or an increase in the tax rate of 3% to 23% would reduce the fair value less costs to sell to the carrying value of the goodwill.

20. ACCOUNTS PAYABLE, ACCRUALS AND OTHER LIABILITIES

	GROUP		PARENT	
ALL VALUES IN $000'S	2013	2012	2013	2012
Accruals and other liabilities in respect of borrowings	4,431	1,027	–	1,027
Accruals and other liabilities in respect of investment properties	2,347	692	–	–
Other accounts payable, accruals and other liabilities	1,510	1,097	790	378
Total	8,288	2,816	790	1,405

(i) Maturities:

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

	GROUP		PARENT	
ALL VALUES IN $000'S	2013	2012	2013	2012
Analysed as				
due less than 30 days (current)	7,684	2,323	790	912
between 31 and 90 days	604	493	–	493
between 90 days and one year	–	–	–	–
greater than one year	–	–	–	–
Total	8,288	2,816	790	1,405

(ii) Credit term and interest:

The average credit term on invoiced amounts is 30 days (2012: 30 days). Accounts payable, accruals and other liabilities are interest free (2012: interest free).

21. DERIVATIVE FINANCIAL INSTRUMENTS

	GROUP		PARENT	
ALL VALUES IN $000'S – LEVEL 2 HIERARCHY	2013	2012	2013	2012
Non-current assets	3,269	–	–	–
Current liabilities	–	(161)	–	(161)
Non-current liabilities	(3,285)	(7,936)	–	(7,936)
Total	(16)	(8,097)	–	(8,097)
Fair value of fixed interest rate swaps with start dates that have commenced	(1,746)	(6,344)	–	(6,344)
Fair value of forward starting fixed interest rate swaps	1,730	(1,753)	–	(1,753)
Total	(16)	(8,097)	–	(8,097)

(i) Maturities and interest rates:

The Group had derivative financial instruments in place, being fixed interest rate swaps and six month fixed rate borrowings, totalling $303,500,000 (2012: $73,000,000) or 96% (2012: 64%) of drawn down borrowings, with an average interest rate of 3.70% (2012: 6.40%) plus applicable margin and fees, for an average duration of 1.66 years (2012: 2.79 years).

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

	GROUP		
	2013		
	Notional value $000	Interest rate %	Fair value $000
< 1 year	170,500	2.72%	–
> 1 years and < 2 years	30,000	4.21%	(364)
> 2 years and < 3 years	25,000	5.58%	(925)
> 3 years and < 4 years	23,000	5.64%	(950)
> 4 years and < 5 years	15,000	6.23%	(980)
= > 5 years	40,000	4.24%	1,473
Total / Average	303,500	3.70%	(1,746)

	GROUP & PARENT		
	2012		
	Notional value $000	Interest rate %	Fair value $000
< 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)

The Group also had forward starting fixed interest rate swaps totalling $75,000,000 (2012: $35,000,000), with an average interest rate of 4.08% (2012: 4.69%) plus applicable margin and fees, for an average period to expiry of 4.80 years (2012: 4.45 years).

21. DERIVATIVE FINANCIAL INSTRUMENTS (CONTINUED)

(i) Maturities and interest rates: (continued)

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

	GROUP		
	2013		
	Notional value	Interest rate	Fair value
	$000	%	$000
< 1 year	–	–	–
> 1 years and < 2 years	–	–	–
> 2 years and < 3 years	10,000	3.66%	33
> 3 years and < 4 years	10,000	4.02%	48
> 4 years and < 5 years	–	–	–
= > 5 years	55,000	4.17%	1,649
Total / Average	75,000	4.08%	1,730

	GROUP & PARENT		
	2012		
	Notional value	Interest rate	Fair value
	$000	%	$000
< 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)

(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 $8,080,000 (2012: gain of $1,357,000).

(iii) Fair value hierarchy

Measurements of derivative financial instruments are categorised as level 2 in the fair value hierarchy. During the year, there were no transfers of derivative financial instruments between levels of the fair value hierarchy.

22. 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	2013	2012
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	315,190	114,200
Due later than five years	–	–
Total	315,190	114,200

(ii) Facility:

On 1 July 2013, the Group entered into new facilities (A and B) with a banking syndicate comprising ANZ Bank New Zealand Limited (ANZ), Bank of New Zealand (BNZ), Commonwealth Bank of Australia, New Zealand Branch (CBA) and Westpac New Zealand Limited (Westpac) for $350,000,000.

Facility A for $250,000,000 is provided by ANZ, BNZ and CBA who provide 30%, 40% and 30% respectively of Facility A's limit and drawings. Facility A is a revolving facility of a long term nature and expires 31 March 2016. As at 31 December 2013 $241,190,000 had been drawn, leaving undrawn facilities available totalling $8,810,000.

Facility B for $100,000,000 is provided by Westpac. This facility is a revolving facility of a long term nature and expires 31 March 2017. As at 31 December 2013 $74,000,000 had been drawn down, leaving undrawn facilities available totalling $26,000,000.

As at 31 December 2012, the Group had a facility with a banking syndicate comprising ANZ and CBA for $150,000,000. Each bank provided 50% of the facility and drawings. The facility was a revolving facility of a long term nature and expired 31 January 2016. As at 31 December 2012 $114,200,000 had been drawn down, leaving undrawn facilities available totalling $35,800,000.

(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 $700,000,000, see note 18(vi)). In addition to this, the facility agreement contains a negative pledge, and Property For Industry Limited and P.F.I. Property Limited are guarantors to the facility.

(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 2013 for the drawn down borrowings was 5.51% (2012: 7.29%). All borrowings are interest only until the maturity date.

Borrowing costs capitalised to investment properties during the year ended 31 December 2013 were $8,000 at a weighted average rate of 5.52% (2012: nil).

Included in prepayments and other assets is $591,000 (2012: $504,000) 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.

The Groups covenants require total borrowings to be no more then 50% of total investment properties as reported in the most recent valuations, earnings before interest and tax to be more then two times interest and registered mortgage security to be provided over Group properties with current valuations of at least two times the facility limit, $700,000,000 (2012: $300,000,000). At all times during all periods reported the Group was in compliance with all covenants.

23. 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	
	2013	2012
Net assets	535,173	250,084
Less: Goodwill	(29,086)	–
Net tangible assets ($000)	506,087	250,084
Closing shares on issue (shares)	411,502,391	220,410,728
Net tangible assets per share (cents)	123	113

As at 31 December 2013 there are no instruments that could potentially dilute net tangible assets per share in the future (2012: nil).

24. SHARE CAPITAL

	GROUP & PARENT	
	Shares	$000
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
Authorised and issued share capital at 1 January 2013	220,410,728	171,471
Shares issued via business combination on 1 July 2013 (see note 28)	191,091,663	263,515
Authorised and issued share capital at 31 December 2013	411,502,391	434,986

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.

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

	GROUP		PARENT	
ALL VALUES IN $000'S	2013	2012	2013	2012
Profit/(loss) for the period	40,512	26,932	(5,674)	(6,969)
Adjusted for non cash and non operating items				
Unrealised net change in fair value of investment properties	(12,326)	(12,302)	–	–
Gains on disposals of investment properties	(47)	(1,059)	–	–
Unrealised net change in fair value of derivative financial instruments	(8,080)	(1,357)	(3,018)	(1,357)
Current taxation	–	–	(2,556)	(2,995)
Deferred taxation	2,035	1,455	851	314
Adjusted for movements in other working capital items				
(Increase)/reduction in accounts receivable, prepayments and other assets	1,346	(1,211)	140	170
Increase/(reduction) in accounts payable, accruals and other liabilities	749	342	414	111
Increase/(reduction) in taxation payable	641	582	–	–
Increase/(reduction) in GST payable	331	158	(140)	80
Net cash flow from operating activities	25,161	13,540	(9,983)	(10,646)

26. 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.

27. FINANCIAL INSTRUMENTS

	GROUP			
ALL VALUES IN $000'S	Loans and receivables	Liabilities at amortised cost	Fair value through profit or loss	Total carrying amount
Financial assets				
Cash and cash equivalents	1,348	–	–	1,348
Accounts receivable	541	–	–	541
Derivative financial instruments	–	–	3,269	3,269
Total as at 31 December 2013	1,889	–	3,269	5,158
Financial liabilities				
Accounts payable	–	8,288	–	8,288
Derivative financial instruments	–	–	3,285	3,285
Borrowings	–	315,190	–	315,190
Total as at 31 December 2013	–	323,478	3,285	326,763
Financial assets				
Cash and cash equivalents	171	–	–	171
Accounts receivable	1,326	–	–	1,326
Derivative financial instruments	–	–	–	–
Total as at 31 December 2012	1,497	–	–	1,497
Financial liabilities				
Accounts payable	–	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

27. FINANCIAL INSTRUMENTS (CONTINUED)

	PARENT			
ALL VALUES IN $000'S	Loans and receivables	Liabilities at amortised cost	Fair value through profit or loss	Total carrying amount
Financial assets				
Cash and cash equivalents	1,348	–	–	1,348
Accounts receivable	–	–	–	–
Derivative financial instruments	–	–	–	–
Loans to subsidiaries	161,979	–	–	161,979
Total as at 31 December 2013	163,327	–	–	163,327
Financial liabilities				
Accounts payable	–	790	–	790
Derivative financial instruments	–	–	–	–
Borrowings	–	–	–	–
Total as at 31 December 2013	–	790	–	790
Financial assets				
Cash and cash equivalents	171	–	–	171
Accounts receivable	–	–	–	–
Loans to subsidiaries	114,070	–	–	114,070
Derivative financial instruments	–	–	–	–
Total as at 31 December 2012	114,241	–	–	114,241
Financial liabilities				
Accounts payable	–	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

Derivative financial instruments are subject to recurring fair value measurements and are categorised as level 2 in the fair value hierarchy. During the year, there were no transfers of derivatives between levels of the fair value hierarchy.

Due to their short-term nature, the carrying amounts of cash and cash equivalents, accounts receivable, loans to subsidiaries 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.

28. BUSINESS COMBINATIONS

On 1 July 2013, the Company amalgamated with Direct Property Fund Limited (DPF) by way of court approved scheme of arrangement. As part of the amalgamation, DPF's 100% subsidiary Direct Property Fund No. 1 Limited became a 100% subsidiary of the Company and changed its name to P.F.I Property Limited on 15 July 2013.

As a result of the acquisition the Group is expected to benefit from enhanced scale, a more diversified asset portfolio, enhanced portfolio characteristics, scope and business synergies.

Accordingly, the Company's financial statements for the current year include a contribution from DPF to revenues of $16,340,000 for Group and $Nil for Parent and net profit of $11,911,000 for Group and net loss of $1,231,000 for Parent. Had DPF been acquired and amalgamated with the Company on 1 January 2013, management estimates that consolidated revenue for the Group would have been $32,094,000 and consolidated net profit for the Group would have been $15,978,000. In determining these amounts, management has assumed that the fair value adjustments that arose on the date of acquisition would have been the same if the acquisition had occurred on 1 January 2013. These amounts have been calculated using the Group's accounting policies.

Details of the consideration paid, identifiable assets acquired and liabilities assumed are as follows:

		GROUP
ALL VALUES IN $000'S	NOTE	2013
Purchase consideration:		
Issued shares in Property For Industry Limited	24	263,515
Total purchase price		263,515
Fair value of assets acquired and liabilities assumed		
Cash and cash equivalents (cash at bank on call)		12
Accounts receivable		591
Impairment allowance – accounts receivable		(58)
Prepayments and other assets		3,221
Impairment allowance – prepayments and other assets		(218)
Investment properties		418,943
Accounts payable, accruals and other liabilities		(2,999)
GST payable		(174)
Borrowings		(182,400)
Deferred tax liabilities		(2,489)
Fair value of identifiable assets and liabilities		234,429
Goodwill arising on acquisition	19	29,086

The fair value of the ordinary shares issued was based on the volume-weighted average listed share price of the Company on 1 July 2013 of $1.379 per share.

Goodwill of $29,086,000 arose in this business combination because the consideration paid for the combination effectively included the Company's traded share price premium over the Company's net tangible assets per share as well as a premium paid for DPF's shares compared to its net tangible assets. None of the goodwill recognised is expected to be deductible for income tax purposes.

The valuation of investment properties at the acquisition date was performed by an independent professional appraiser with experience in the relevant market.

The fair value of accounts receivable was considered to approximate the carrying value. The impairment allowance is the best estimate of the contractual cash flows not expected to be collected.

The fair value of cash and cash equivalents, accounts payable, accruals and other liabilities, GST payable and borrowings was considered to approximate the carrying value. DPF was a multi-rate PIE and therefore did not account for current or deferred tax. As PFI is a listed PIE, deferred tax has been calculated for DPF's assets acquired and liabilities assumed applying current Inland Revenue rules and regulations.

The Group incurred acquisition-related costs of $2,760,000 relating to external legal fees and due diligence costs. DPF's portion (50%) was expensed prior to the transaction. PFI's portion has been included in other expenses and other fees paid to auditors for agreed upon procedures engagements within the Group's consolidated statement of profit or loss and other comprehensive income.

Total fees of $14,000 were paid to BDO, the Company's Auditor for other assurance engagements in relation to the business combination. DPF's portion (50%) was expensed prior to the transaction. PFI's portion has been included in other fees paid to auditors for other assurance engagements within the Group's consolidated statement of profit or loss and other comprehensive income.

29. 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 $3,425,000 (2012: $1,787,000) to PFIM Limited, for the provision of management and administrative services. As at 31 December 2013 $409,000 was owing and included in accounts payable, accruals and other liabilities (2012: $163,000).

During the year, the Company incurred no management fees from AMP Capital Investors (New Zealand) Limited (2012: $95,000), for the provision of management and administrative services. As at 31 December 2013 there were no amounts owing in accounts payable, accruals and other liabilities (2012: nil).

During the year, the Company incurred incentive fees from PFIM of $360,000 (2012: nil). As at 31 December 2013, a deficit amount of $3,589,000 (2012: $1,645,000) has been carried forward to be included in the calculation to determine whether an incentive fee is payable in subsequent periods.

During the year, the Company incurred legal fees totalling $430,000 from Chapman Tripp. The Company has a Director who is also a partner in Chapman Tripp. As at 31 December 2013 $6,000 was owing and included in accounts payable, accruals and other liabilities. Chapman Tripp was not a related party in prior periods.

During the year, the Company incurred $8,383,000 for construction and maintenance works from Haydn & Rollett Limited, a company with common Directors to the Company. As at 31 December 2013 $1,656,000 was owing and included in accounts payable, accruals and other liabilities. Haydn & Rollett Limited was not a related party in prior periods.

During the year, the Group incurred $3,111,000 for interest expense and bank fees from the Bank of New Zealand, a company with a common Director to the Company. As at 31 December 2013 $1,257,000 was owing and included in accounts payable, accruals and other liabilities. Bank of New Zealand was not a related party in prior periods.

Additionally, during 2013 and 2012 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 (2012: nil).

During the year, fees paid to Directors of the Group were $230,000 (2012: $177,000). See also note 9.

30. 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 Profit or Loss and other Comprehensive Income, Statement of Changes in Equity, Statement of Financial Position and Statement of Cash Flows.

31. CAPITAL COMMITMENTS

As at 31 December 2013 the Parent had no capital commitments and the Group had capital commitments totalling $321,000 (2012: Parent: nil, Group: $17,000) relating to development and works on investment properties.

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

32. CONTINGENT LIABILITIES

At 31 December 2013 the Parent and Group had no contingent liabilities (2012: nil).

33. SUBSEQUENT EVENTS

On 31 January 2014 the Group completed the sale of the investment property 174b Marua Road. See note 18 (iv) for further details.

On 17 February 2014, the Directors of the Company approved the payment of a net dividend of $8,271,000 (2.0100 cents per share) to be paid on 12 March 2014. The gross dividend (2.2685 cents per share) carries imputation credits of 0.2585 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 2013 in respect of this dividend.

34. COMPARISON TO PROSPECTIVE INFORMATION

On 22 May 2013 the Group issued a Simplified Disclosure Prospectus ("Simplified Disclosure Prospectus") in respect of the offer of shares to DPF shareholders pursuant to the amalgamation of DPF. The amalgamation resulted in the issue of 191,091,663 PFI Shares at $1.379 per share.

The following provides an explanation of the variances between the prospective financial information contained within the Simplified Disclosure Prospectus and the actual financial position at 31 December 2013.

Statements of Profit or Loss and other Comprehensive Income

for the year ended 31 December 2013

		GROUP		
ALL VALUES IN $000'S	NOTE	Actual	Offer Document	Variance
OPERATING REVENUE				
Rental income	n/m	48,068	48,001	67
Interest income	n/m	12	3	9
Total operating revenue		48,080	48,004	76
OPERATING EXPENSES				
Audit fees and other fees paid to auditors for other assurance engagements	n/m	(94)	(75)	(19)
Directors' fees	n/m	(230)	(230)	–
Interest expense and bank fees	n/m	(12,869)	(13,030)	161
Management fees	aa	(3,785)	(3,403)	(382)
Non-recoverable property costs	ab	(2,271)	(1,447)	(824)
Other expenses	ac	(1,909)	(1,618)	(291)
Total operating expenses		(21,158)	(19,803)	(1,355)
Total operating earnings		26,922	28,201	(1,279)
NON OPERATING INCOME AND EXPENSES				
Unrealised net change in fair value of investment properties	ad	12,326	6,136	6,190
Gains on disposals of investment properties	n/m	47	–	47
Unrealised net change in fair value of derivative financial instruments	ae	8,080	2,990	5,090
Total non operating income and expenses		20,453	9,126	11,327
Profit/(loss) before taxation		47,375	37,327	10,048
TAXATION				
Current taxation	af	(4,828)	(6,159)	1,331
Deferred taxation	ag	(2,035)	1,657	(3,692)
Total taxation		(6,863)	(4,502)	(2,361)
Profit/(loss) for the year attributable to the shareholders of the Parent		40,512	32,825	7,687
Other comprehensive income		–	–	–
Total comprehensive income/(loss) for the year attributable to the shareholders of the Parent		40,512	32,825	7,687
Basic and diluted earnings (cents per share)		12.79	12.24	–

34. COMPARISON TO PROSPECTIVE INFORMATION (CONTINUED)

Statements of Comprehensive Income (continued)

aa The Group paid an incentive fee totalling ($360,000) to the Manager, PFIM Limited. This was not expected to be incurred in the Simplified Disclosure Prospectus. Other ($22,000) (n/m).

ab The Group established impairment provisions totalling ($634,000) in excess of those established in the Simplified Disclosure Prospectus. Other: ($190,000) (n/m).

ac The Group has incurred acquisition-related costs of ($374,000) in excess of those expected to be incurred in the Simplified Disclosure Prospectus. Other $83,000 (n/m).

ad The Group's investment properties increased in value by $6,190,000 more than the increase expected in the Simplified Disclosure Prospectus. The increase in the Simplified Disclosure Prospectus represented the adjustment necessary to bring the value of investment properties in line with the Directors' assessment of value, which was less than the value determined by independent valuers in these financial statements.

ae The value of the Group's derivative financial instruments (liabilities) reduced by $5,090,000 more than the reduction expected in the Simplified Disclosure Prospectus. This change is as a result of changes in the forward interest rate curves since the Simplified Disclosure Prospectus was issued.

af The Group has recognised certain timing differences with a current tax impact of $850,000 in the current year whereas these were recognised in goodwill in the Simplified Disclosure Prospectus. Other $481,000 (n/m).

ag Differences between the actual results and the Simplified Disclosure Prospectus in those balances subject to deferred tax results in the above difference in deferred taxation expense. For example, the reduction in the value of the Group's derivative financial instruments (liabilities) reduced of $5,090,000 results in an increase in deferred tax expense of $1,425,000.

n/m Variance is not material

Statements of Changes in Equity

FOR THE YEAR ENDED 31 DECEMBER 2013

		GROUP		
ALL VALUES IN $000'S	NOTE	Actual	Offer Document	Variance
Balance at 1 January 2013		250,084	250,084	–
Profit/(loss) for the year		40,512	32,825	7,687
Other comprehensive income		–	–	–
Total comprehensive income/(loss) for the year ended 31 December 2013		40,512	32,825	7,687
Transactions with owners recognised directly in equity				
Shares issued via business combination	ba	263,515	236,643	26,872
Dividends to shareholders	n/m	(18,938)	(18,831)	(107)
Subtotal		244,577	217,812	26,765
Balance at 31 December 2013		535,173	500,721	34,452

ba The Group issued 191,061,663 shares at $1.379 per share, being the volume-weighted average listed share price of the Company on 1 July 2013, as compared to an assumed issue price of $1.238 per share in the Simplified Disclosure Prospectus.

n/m Variance is not material

Statement of Financial Position

AS AT 31 DECEMBER 2013

		GROUP		
ALL VALUES IN $000'S	NOTE	Actual	Offer Document	Variance
Current assets				
Cash and cash equivalents (cash at bank on call)	n/m	1,348	94	1,254
Accounts receivable	n/m	541	748	(207)
Prepayments and other assets	ca	5,564	2,641	2,923
Investment properties held for sale	cb	2,141	–	–
Total current assets		9,594	3,483	3,970
Non-current assets				
Prepayments and other assets	ca	5,031	9,956	(4,925)
Investment properties	cc	830,040	812,122	17,918
Goodwill	cd	29,086	9,254	19,832
Derivative financial instruments	ce	3,269	–	–
Total non-current assets		867,426	831,332	32,825
Total assets		877,020	834,815	36,795
Current liabilities				
Accounts payable, accruals and other liabilities	cf	9,236	3,525	5,711
Taxation payable	n/m	1,732	2,359	(627)
Derivative financial instruments	ce	–	5,107	(5,107)
Total current liabilities		10,968	10,991	(23)
Non-current liabilities				
Borrowings	n/m	315,190	313,803	1,387
Deferred tax liabilities	cg	12,404	9,300	3,104
Derivative financial instruments	ce	3,285	–	–
Total non-current liabilities		330,879	323,103	4,491
Total liabilities		341,847	334,094	4,468
Net assets		535,173	500,721	32,327
Equity				
Share capital	ch	434,986	408,114	26,872
Retained earnings/(accumulated losses)		100,187	92,607	7,580
Total equity		535,173	500,721	34,452

ca The total of the Group's current and non current prepayments and other assets variance is included in the variance analysis of investment properties (see note "cc" below).

cb Group actual represents 174b Marua Road, whereas the Simplified Disclosure Prospectus did not expect any investment properties to be held for sale.

cc Group actual results include an unrealised revaluation gain of $7,552,000 in relation the DPF assets as a result of the fair value exercise undertaken for the business combination (not included in the Simplified Disclosure Prospectus). In addition to this, the unrealised net change in fair value of investment properties was $6,190,000 greater than the Simplified Disclosure Prospectus (see note "ad" above). Grouping prepayments and other assets (current and non current), investment properties held for sale and investment properties and allowing for the revaluation differences results in a net other difference of $4,315,000 which represents additional capital expenditure on investment properties.

cd Goodwill was higher than the Simplified Disclosure Prospectus due to an increase in the value of the shares issued (see ba above) net of an unrealised gain in relation to the DPF assets (see ac above). Other $512,000 (n/m).

34. COMPARISON TO PROSPECTIVE INFORMATION (CONTINUED)

Statement of Financial Position (continued)

ce The Group's actual results separate current and non current derivative financial instrument assets and liabilities, whereas the Simplified Disclosure Prospectus netted these amounts off and showed only a current derivative financial instrument liability. Combined, the Group's derivative financial instrument liabilities were $5,091,000 less than the Simplified Disclosure Prospectus (see ae above).

cf As at 31 December 2013 the Group had interest accrued in respect of six month fixed rate borrowings totalling $3,106,000 that was paid in January 2014. The Simplified Disclosure Prospectus assumed that this interest was settled during the year ended 31 December 2013. Other $2,605,000 (n/m).

cg See ag above for a description of the differences in deferred tax expense. Other -$588,000 (n/m).

ch See ba above for a description of the difference share capital.

n/m Variance is not material

Statements of Cash Flows

FOR THE YEAR ENDED 31 DECEMBER 2013

		GROUP		
ALL VALUES IN $000'S	NOTE	Actual	Offer Document	Variance
Cash flows from operating activities				
Receipts from customers and GST received	da	48,898	46,542	2,356
Interest received	n/m	12	3	9
Taxation (paid)/received	af	(4,187)	(4,891)	704
Payments to suppliers	aa - ac	(9,302)	(7,794)	(1,508)
Interest and other finance costs paid	cf	(10,260)	(13,182)	2,922
Net cash flows from operating activities		25,161	20,678	4,483
Cash flows from investing activities				
Proceeds from sales of investment properties	n/m	51	–	51
Capitalisation of interest on development properties	n/m	(8)	–	(8)
Purchases and development of investment properties	cc	(23,691)	(18,709)	(4,982)
Cash acquired from business combination	n/m	12	85	(73)
Net cash flows from investing activities		(23,636)	(18,624)	(5,012)
Cash flows from financing activities				
Proceeds from term loans	db	384,040	28,300	355,740
Dividends to shareholders	n/m	(18,938)	(18,831)	(107)
Repayments of term loans	db	(365,450)	(11,600)	(353,850)
Net cash flows from financing activities		(348)	(2,131)	1,783
Net change in cash and cash equivalents		1,177	(77)	1,254
Cash and cash equivalents at beginning of period		171	171	–
Cash and cash equivalents at end of period		1,348	94	1,254

da Actual results include a reduced level of accounts receivable as compared to the Simplified Disclosure Prospectus ($204,000). Further, actual results include $825,000 of deposits held and rental income received in advance whereas the Simplified Disclosure Prospectus did not include an expectation of deposits held or rental income received in advance. Other $1,327,000 (n/m).

db Actual results include the refinancing of the Group's borrowings facilities on merger as both proceeds and repayments of term loans, whereas the Simplified Disclosure Prospectus did not include these amounts.

n/m Variance is not material

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 ("the Company") and Group on pages 37 to 76, which comprise the consolidated and separate statements of financial position of Property For Industry Limited as at 31 December 2013, the consolidated and separate statements of changes in equity, statements of profit or loss and other 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). 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 any of its subsidiaries.

Opinion

In our opinion, the financial statements on pages 37 to 76:

- comply with generally accepted accounting practice in New Zealand;
- comply with International Financial Reporting Standards;
- give a true and fair view of the financial position of Property For Industry Limited and the Group as at 31 December 2013, and the financial performance and the cash flows of the Company and Group for the year ended on that date.

Report on Other Legal and 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

BDO Auckland
17th February 2014
Auckland
New Zealand

CALENDAR

2014

MARCH

- 2013 Final dividend payment
- 2013 Annual report released

MAY

- 2014 First-quarter announcement
- 2014 First-quarter dividend payment
- Annual meeting

AUGUST

- 2014 Half-year announcement
- 2014 Half-year dividend payment

SEPTEMBER

- Interim report released

NOVEMBER

- 2014 Third-quarter announcement
- 2014 Third-quarter dividend payment

2015

FEBRUARY

- 2014 Full-year announcement

MARCH

- 2014 Final dividend payment
- 2014 Annual report released

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Colliers International New Zealand Limited
Jones Lang LaSalle Limited

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This Annual Report is dated 21 March 2014 and is signed on behalf of the board by:

Peter Masfen
Chairman

Anthony Beverly
Director

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