Property for Industry Limited

Interim Financial Statements 30 June 2022

FINANCIAL STATEMENTS

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE SIX MONTHS ENDED 30 JUNE 2022

ALL VALUES IN $000S	NOTE	UNAUDITED 6 months ended 30 June 2022	UNAUDITED 6 months ended 30 June 2021
INCOME			
Rental and management fee income	2.3	54,681	52,721
Interest income		3	–
Fair value gain on investment properties and non-current assets classified as held for sale	2.1,2.2	19,451	248,196
Fair value gain on derivative financial instruments	3.2	14,293	4,912
Business interruption insurance income	2.6	–	93
Material damage insurance income	2.6	–	540
Total income		88,428	306,462
EXPENSES			
Property costs	2.4	(8,377)	(7,976)
Interest expense and bank fees		(11,134)	(9,149)
Administrative expenses	5.1	(3,953)	(3,357)
Loss on disposal of investment properties and non-current assets classified as held for sale		(131)	(4)
Goodwill impairment	5.3	(29,086)	–
Total expenses		(52,681)	(20,486)
Profit before taxation		35,747	285,976
Income tax expense	5.2	(11,967)	(12,434)
Profit and total comprehensive income after income tax attributable to the shareholders of the Company	4.1	23,780	273,542
Basic earnings per share (cents)	4.1	4.70	54.46
Diluted earnings per share (cents)	4.1	4.70	54.45

The accompanying notes form part of these interim financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE SIX MONTHS ENDED 30 JUNE 2022

	Note	Cents per Share (cents)	No. of Shares (#)	Ordinary Shares ($000s)	Share-Based Payments Reserve ($000s)	Retained Earnings ($000s)	Total Equity ($000s)
Balance as at 1 January 2021 (audited)		–	501,302,888	569,169	615	566,829	1,136,613
Total comprehensive income		–	–	–	–	273,542	273,542
Dividends and reinvestment							
Q4 2020 final dividend - 10/3/2021		2.25	–	–	–	(11,281)	(11,281)
Q4 2020 dividend reinvestment			1,105,073	3,087	–	–	3,087
Q1 2021 interim dividend - 24/5/2021		1.80	–	–	–	(9,044)	(9,044)
Q1 2021 dividend reinvestment			986,161	2,737	–	–	2,737
Long-term incentive plan			84,685	177	(124)	–	53
Balance as at 30 June 2021 (unaudited)		–	503,478,807	575,170	491	820,046	1,395,707
Balance as at 1 January 2022 (audited)		–	505,493,668	580,995	751	980,916	1,562,662
Total comprehensive income		–	–	–	–	23,780	23,780
Dividends							
Q4 2021 final dividend - 9/3/2022		2.45	–	–	–	(12,388)	(12,388)
Q1 2022 interim dividend - 24/5/2022		1.80	–	–	–	(9,100)	(9,100)
Share buyback	5.5		(724,527)	(1,763)	–	–	(1,763)
Long-term incentive plan			111,564	300	(317)	–	(17)
Balance as at 30 June 2022 (unaudited)		–	504,880,705	579,532	434	983,208	1,563,174

The accompanying notes form part of these interim financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 30 JUNE 2022

ALL VALUES IN $000S	NOTE	UNAUDITED 30 June 2022	AUDITED 31 December 2021
CURRENT ASSETS			
Cash at bank		1,096	1,103
Accounts receivable, prepayments and other assets		3,714	5,842
Total current assets		4,810	6,945
NON-CURRENT ASSETS			
Investment properties	2.1	2,170,475	2,158,940
Property, plant and equipment		351	412
Derivative financial instruments	3.2	27,586	11,623
Goodwill	5.3	–	29,086
Total non-current assets		2,198,412	2,200,061
Non-current assets classified as held for sale	2.2	22,225	10,000
Total assets		2,225,447	2,217,006
CURRENT LIABILITIES			
Derivative financial instruments	3.2	68	710
Accounts payable, accruals and other liabilities	2.7	12,339	12,344
Taxation payable		2,234	3,557
Total current liabilities		14,641	16,611
NON-CURRENT LIABILITIES			
Borrowings	3.1	600,376	598,653
Derivative financial instruments	3.2	6,921	4,608
Deferred tax liabilities	5.2	40,335	34,419
Lease liabilities	5.6	–	53
Total non-current liabilities		647,632	637,733
Total liabilities		662,273	654,344
Net assets	4.2	1,563,174	1,562,662
EQUITY			
Share capital		579,532	580,995
Share-based payments reserve		434	751
Retained earnings		983,208	980,916
Total equity		1,563,174	1,562,662

These interim financial statements are signed on behalf of Property for Industry Limited and were authorised for issue on 22 August 2022.

Anthony Beverley
Chair, Board of Directors

Susan Peterson
Chair, Audit and Risk Committee

The accompanying notes form part of these interim financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE SIX MONTHS ENDED 30 JUNE 2022

ALL VALUES IN $000S	NOTE	UNAUDITED 6 months ended 30 June 2022	UNAUDITED 6 months ended 30 June 2021
CASH FLOWS FROM OPERATING ACTIVITIES			
Property and management fee income received		57,708	61,806
Business interruption insurance income	2.6	–	103
Net goods and services tax paid		(144)	(489)
Interest received		3	–
Interest and other finance costs paid		(10,566)	(9,135)
Payments to suppliers and employees		(13,399)	(8,867)
Income tax paid		(7,356)	(3,398)
Net cash flows from operating activities		26,246	40,020
CASH FLOWS FROM INVESTING ACTIVITIES			
Proceeds from sale of investment properties and non-current assets classified as held for sale		9,869	9,293
Acquisition of investment properties	2.1	(6,843)	(138,315)
Acquisition of property, plant and equipment		(10)	(20)
Expenditure on investment properties		(7,137)	(12,277)
Capitalisation of interest on development properties	2.1	(248)	(341)
Material damage insurance income	2.6	–	540
Net cash flows from investing activities		(4,369)	(141,120)
CASH FLOWS FROM FINANCING ACTIVITIES			
Net proceeds from syndicated bank facility		1,423	90,523
Net proceeds from bilateral CBA bank facility		–	25,000
Principal elements of finance lease payments		(57)	(56)
Dividends paid to shareholders net of reinvestments		(21,488)	(14,501)
Share buyback costs		(1,763)	–
Net cash flows from financing activities		(21,885)	100,966
Net decrease in cash and cash equivalents		(7)	(134)
Cash and cash equivalents at beginning of period		1,103	1,414
Cash and cash equivalents at end of period		1,096	1,280

The accompanying notes form part of these interim financial statements.

NOTES TO THE INTERIM FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2021

1. GENERAL INFORMATION

IN THIS SECTION

This section sets out the basis upon which the Group's Interim Financial Statements are prepared.

1.1. Reporting entity

These unaudited consolidated interim financial statements (the interim financial statements) are for Property for Industry Limited (the Company) and its subsidiary P.F.I. Property No. 1 Limited (PFI No. 1) (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 a FMC reporting entity under Part 7 of the Financial Markets Conduct Act 2013 and the Financial Reporting Act 2013 and these interim financial statements have been prepared in accordance with the requirements of the NZX Listing Rules. The Company is listed on the NZX Main Board (NZX: PFI).

The Group's principal activity is property investment and management in New Zealand.

1.2. Basis of preparation

These interim financial statements have been prepared in accordance with New Zealand Generally Accepted Accounting Practice (NZ GAAP). They comply with New Zealand Equivalent to International Accounting Standard 34 'Interim Financial Reporting' (NZ IAS 34) and International Accounting Standard 34 'Interim Financial Reporting' (IAS 34).

These interim financial statements have been prepared on the historical cost basis except where otherwise identified. All financial information is presented in New Zealand dollars and has been rounded to the nearest thousand.

These interim financial statements should be read in conjunction with the Annual Report for the year ended 31 December 2021 which may be downloaded from the Company's website (www.propertyforindustry.co.nz/investor-centre/reports-and-presentations).

1.3. Critical judgements, estimates and assumptions

In applying the Group's accounting policies, the Board and Management regularly evaluate judgements, estimates and assumptions that may have an impact on the Group. Aside from goodwill (refer note 5.3), the significant judgements, estimates and assumptions made in the preparation of these interim financial statements were the same as those applied to the consolidated financial statements as at and for the year ended 31 December 2021.

1.4. Accounting policies

The accounting policies adopted are the same as those applied by the Group in its consolidated financial statements as at and for the year ended 31 December 2021.

1.5. Significant events and transactions

The financial position and performance of the Group was affected by the following events and transactions that occurred during the reporting period:

Investment property acquisitions and disposals

On 22 February 2022, the Group settled the disposal of a non-current asset classified as held for sale located at 48 Seaview Road, Wellington for a gross sales price of $10.00 million.

On 7 March 2022, the Group settled the acquisition of the property located at 318 Neilson Street, Penrose, for a net purchase price of $6.83 million.

On 10 June 2022, the Group announced the divestment of 39 Edmundson Street, Napier for a gross sales price of $5.25 million. Settlement occurred on 8 July 2022, and this property has been classified as non-current asset classified as held for sale in these interim financial statements.

Share buyback

On 25 May 2022, the Group announced that it would begin an on-market share buyback programme to purchase up to 5% of its ordinary shares (being 25,280,262 ordinary shares). Under the programme, the Group will only acquire shares on the NZX Main Board for a period of up to one year. The acquired shares are cancelled upon acquisition. As at 30 June 2022, the Group had acquired and cancelled 724,527 shares for a cost of $1,762,552 (including transaction costs).

NOTES TO THE INTERIM FINANCIAL STATEMENTS (continued)

FOR THE SIX MONTHS ENDED 30 JUNE 2022

1. GENERAL INFORMATION (continued)

BNZ Facility

On 17 June 2022, the Group announced that it had refinanced its $100 million loan facility from the Bank of New Zealand (also known as Syndicated Bank Facility C), extending the expiry date by one year from 2 July 2023 to 2 July 2024.

Impairment of goodwill

On 30 June 2022, the market value of PFI, based on the quoted market price, was below the value net assets of PFI. PFI assessed whether objective evidence of impairment of goodwill exists, the outcome of which was that an impairment test has been performed. PFI has estimated the recoverable amount by performing fair value less costs of disposal (FVLCOD) and value in use valuation approaches. PFI has estimated the recoverable amount of the Property for Industry Limited CGU using FVLCOD (as the higher of the two valuation approaches), resulting in an impairment loss of $29.086 million (2021: $NIL) against the carrying amount of goodwill (refer note 5.3).

The COVID-19 global pandemic

During the six months ended 30 June 2022, New Zealand has been subject to various restriction periods associated with the COVID-19 pandemic.

2. PROPERTY

IN THIS SECTION

This section shows the real estate assets used to generate the Group's trading performance which are considered to be the most relevant to the operations of the Group.

2.1. Investment properties

ALL VALUES IN $000S	**UNAUDITED** **6 months ended 30 June 2022**	AUDITED 12 months ended 31 December 2021
Opening balance	2,158,940	1,524,785
Capital movements:		
Additions	6,843	226,279
Disposals	–	–
Transfer to non-current assets classified as held for sale	(22,225)	(8,715)
Capital expenditure	5,844	20,114
Capitalised interest	248	204
Movement in lease incentives, fees and fixed rental income	1,374	4,731
	(7,916)	242,613
Unrealised fair value gain (i)	19,451	391,542
Closing balance	2,170,475	2,158,940

(i) Valuation
All investment properties were valued as at 31 December 2021 with the exception of 32 Honan Place, Avondale which was independently valued as at 22 October 2021 by Jones Lang LaSalle (JLL), 520 Rosebank Road, Avondale which was independently valued as at 26 October 2021 by Savills and 22 Whakatu Road, Hastings which was independently valued as at 28 October 2021 by Bayleys Valuation Limited (Bayleys), as part of the acquisitions. The Board determined that a desktop review of the property portfolio should be undertaken by Bayleys, CB Richard Ellis (CBRE), Colliers International (Colliers), JLL or Savills as at 30 June 2022 to ensure that investment properties continue to be held at fair value. In addition to this desktop review, the following eleven investment properties were subject to independent valuations due to a change of plus or minus 5% of the market value assessed in the asset valuation as at the prior year end, or the Board determining that a full valuation was appropriate due to other considerations, such as significant capital expenditure or leasing activity undertaken during the period:

ALL VALUES IN $000S	Valuer	Valuation
314 Neilson Street, Onehunga	JLL	24,500
Shed 22, 23 Cable Street, Wellington Central	JLL	14,650
686 Rosebank Road, Avondale	CBRE	66,700
12 Hugo Johnston Drive, Penrose	CBRE	9,350
7 Vestey Drive, Mt Wellington	JLL	19,000
50 Carbine Road, Mt Wellington	Savills	6,000
7 Carmont Place, Mt Wellington	CBRE	17,700
17 Allens Road, East Tamaki	JLL	29,750
10 Niall Burgess Road, Mt Wellington	JLL	7,150
20 Constance Street, New Plymouth	Savills	4,350
47A Dalgety Drive, Manukau	Colliers	14,900
Total		214,050

NOTES TO THE INTERIM FINANCIAL STATEMENTS (continued)

FOR THE SIX MONTHS ENDED 30 JUNE 2022

2. PROPERTY (continued)

As a result of the independent valuations, the revaluation gain recorded for 39 Edmundson Street (based on contracted sales price) and revaluation loss for 330 Devon Street East when transferring the properties to non-current assets classified as held for sale, the unrealised net increase in the value of investment properties for the six months ended 30 June 2022 was $19,451,000 (six months ended 30 June 2021: gain of $248,196,000 on valuation for the full portfolio). The portfolio will next be revalued by independent valuers as at 31 December 2022.

2.2. Non-current assets classified as held for sale

	UNAUDITED	AUDITED
ALL VALUES IN $000S	**30 June 2022**	31 December 2021
48 Seaview Road, Wellington	–	10,000
39 Edmundson Street, Napier[1]	5,250	–
Shed 22, 23 Cable Street, Wellington[1]	14,650	–
330 Devon Street East, New Plymouth[1]	2,325	–
Total non-current assets classified as held for sale	22,225	10,000

1 A revaluation gain of $595,000 was recorded when revaluing 39 Edmundson Street to the actual contracted sales price of $5,250,000, a revaluation loss of $220,000 recorded for Shed 22, 23 Cable Street, and a revaluation loss of $4,000 recorded for 330 Devon Street East when transferring those properties to non-current assets classified as held for sale.

2.3. Rental and management fee income

	UNAUDITED	UNAUDITED
ALL VALUES IN $000S	**6 months ended 30 June 2022**	6 months ended 30 June 2021
Gross rental receipts	47,520	45,362
Service charge income recovered from tenants	6,556	6,449
Fixed rental income adjustments	681	826
Capitalised lease incentive adjustments	(457)	(200)
Impact of rental income deferred and abated due to the COVID-19 pandemic	20	(57)
Management fee income	361	341
Total rental and management fee income	54,681	52,721

2.4. Property costs

	UNAUDITED	UNAUDITED
ALL VALUES IN $000S	**6 months ended 30 June 2022**	6 months ended 30 June 2021
Service charge expenses	(6,753)	(6,449)
Bad and doubtful debts (expense) / recovery	(225)	149
Other non-recoverable property costs	(1,399)	(1,676)
Total property costs	(8,377)	(7,976)

Other non-recoverable costs represents property maintenance not recoverable from tenants, property valuation fees and property leasing costs.

2. PROPERTY (continued)

2.5. Net rental income

ALL VALUES IN $000S	**UNAUDITED** **6 months ended 30 June 2022**	UNAUDITED 6 months ended 30 June 2021
Gross rental receipts	47,520	45,362
Service charge income recovered from tenants[2]	6,556	6,449
Fixed rental income adjustments	681	826
Capitalised lease incentive adjustments	(457)	(200)
Impact of rental income deferred and abated due to the COVID-19 pandemic	20	(57)
less: Service charge expenses[2]	(6,753)	(6,449)
Net rental income	47,567	45,931

2 In 2021, following the migration onto a new property management and accounting software during the period, the Group adopted a revised process for accounting for service charge income recovered from tenants and service charge expenses, and as a result these balances no longer net off to zero.

2.6. Insurance income

On 21 April 2019, 314 Neilson Street, Penrose sustained fire damage. The fire has resulted in a business interruption (loss of rents claim) and a material damage claim. The insurance income relating to business interruption and to material damage is presented in the Consolidated Statement of Comprehensive Income. All insurance proceeds had been received as at 31 December 2021.

2.7. Accounts payable, accruals and other liabilities

ALL VALUES IN $000S	**UNAUDITED** **30 June 2022**	AUDITED 31 December 2021
Trade creditors and retentions	2,674	2,051
Accruals	6,307	6,039
Deposits and bonds from tenants	2,193	2,909
Operating expense accounts	142	180
Other	1,023	1,165
Total accounts payable, accruals and other liabilities	12,339	12,344

NOTES TO THE INTERIM FINANCIAL STATEMENTS (continued)

FOR THE SIX MONTHS ENDED 30 JUNE 2022

3. FUNDING

IN THIS SECTION

This section outlines how the Group manages its capital structure, financing costs and exposure to interest rate risk.

3.1. Borrowings

(i) Net borrowings

ALL VALUES IN $000S	**UNAUDITED** **30 June 2022**	AUDITED 31 December 2021
Bilateral CBA bank facility drawn down – non–current	125,000	125,000
Syndicated bank facility drawn down – non–current	277,660	276,237
Fixed rate bonds – non–current	200,000	200,000
Unamortised borrowings establishment costs	(2,284)	(2,584)
Net borrowings	600,376	598,653
Weighted average interest rate for drawn debt (inclusive of current interest rate swaps, margins and line fees)	4.07%	3.81%
Weighted average term to maturity (years)	3.51	3.87

(ii) Composition of borrowings

ALL VALUES IN $000S AS AT 30 JUNE 2022	**Issue Date**	**Maturity Date**	**Interest Rate**	**Facility drawn / amount**	**Undrawn facility**	**Fair Value**
						UNAUDITED
Syndicated Bank Facility C	–	2–Jul–24	Floating	100,000		100,000
PFI010	28–Nov–17	28–Nov–24	4.59%	100,000	–	99,484
Syndicated Bank Facility A	–	2–Jul–25	Floating	150,000	–	150,000
PFI020	1–Oct–18	1–Oct–25	4.25%	100,000	–	98,812
Syndicated Bank Facility B	–	2–Jul–26	Floating	27,660	122,340	27,660
Bilateral CBA Bank Facility	–	16–Apr–28	Floating	125,000	–	125,000
Total borrowings				602,660	122,340	600,956

ALL VALUES IN $000S AS AT 31 DECEMBER 2021	Issue Date	Maturity Date	Interest Rate	Facility drawn / amount	Undrawn facility	Fair Value
						AUDITED
Syndicated Bank Facility C	–	2–Jul–23	Floating	100,000		100,000
PFI010	28–Nov–17	28–Nov–24	4.59%	100,000	–	103,803
Syndicated Bank Facility A	–	2–Jul–25	Floating	150,000	–	150,000
PFI020	1–Oct–18	1–Oct–25	4.25%	100,000	–	103,159
Syndicated Bank Facility B	–	2–Jul–26	Floating	26,237	123,763	26,237
Bilateral CBA Bank Facility	–	16–Apr–28	Floating	125,000	–	125,000
Total borrowings				601,237	123,763	608,199

The Group has long-term revolving facilities (A and B) with a banking syndicate comprising ANZ Bank New Zealand Limited (ANZ), Bank of New Zealand (BNZ), Commonwealth Bank of Australia (CBA) and Westpac New Zealand Limited (Westpac) (each providing $75,000,000), for $300,000,000.
BNZ provides the Group with a further $100 million facility (C). Finally, the Group has a long-term bilateral facility with CBA, providing $125,000,000.
The carrying values of the bank facilities approximate the fair value of the facilities because the loans have floating rates of interest that reset every 30-90 days.

3. FUNDING (continued)

3.1. Borrowings (continued)

The fair value of the fixed rate bonds is based on their listed market prices at balance date and is classified as Level 1 in the fair value hierarchy (2021: Level 1). Interest on the PFI010 Bonds is payable quarterly in February, May, August and November in equal instalments, while interest on the PFI020 Bonds is payable quarterly in January, April, July and October; also in equal instalments. Both bonds are listed on the NZDX.

(iii) Security
The Group's bank facilities and fixed rate bonds are 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 $1,450,000,000 (31 December 2021: $1,450,000,000). In addition to this, the bank facility agreements and the fixed rate bond terms also contain a negative pledge. The Company and PFI No. 1 are guarantors to the bank facilities and the fixed rate bonds.

3.2. Derivative financial instruments

(i) Fair values

	UNAUDITED	AUDITED
ALL VALUES IN $000S	**30 June 2022**	31 December 2021
Non-current assets	27,586	11,623
Current liabilities	(68)	(710)
Non-current liabilities	(6,921)	(4,608)
Total	20,597	6,305

(ii) Notional values, maturities and interest rates

	UNAUDITED	AUDITED
	30 June 2022	31 December 2021
Notional value of interest rate swaps - fixed rate payer - start dates commenced ($000s)	400,000	400,000
Notional value of interest rate swaps - fixed rate receiver[1] - start dates commenced ($000s)	200,000	200,000
Notional value of interest rate swaps - fixed rate payer - forward starting ($000s)	100,000	120,000
Total ($000s)	700,000	720,000
Percentage of borrowings fixed (%)	66%	67%
Fixed rate payer swaps:		
Average period to expiry - start dates commenced (years)	3.36	3.66
Average period to expiry - forward starting (years from commencement)	4.10	4.09
Average (years)	3.52	3.76
Fixed rate payer swaps:		
Average interest rate[2] - start dates commenced (%)	2.58%	2.58%
Average interest rate[2] - forward starting (% during effective period)	2.59%	2.69%
Average (%)	2.58%	2.61%

1 The Group has $200 million fixed rate receiver swaps for the duration of the two $100 million fixed rate bonds, the effect of the fixed rate receiver swaps is to convert the two $100 million fixed rate bonds to floating interest rates.

2 Excluding margin and fees.

NOTES TO THE INTERIM FINANCIAL STATEMENTS (continued)

FOR THE SIX MONTHS ENDED 30 JUNE 2022

3. FUNDING (continued)

3.2. Derivative financial instruments (continued)

(iii) Movement in fair value of derivative financial instruments

	UNAUDITED	AUDITED
ALL VALUES IN $000S	**30 June 2022**	31 December 2021
Interest rate swaps	14,293	4,912
Total movement in fair value of derivative financial instruments	14,293	4,912

Key estimates and assumptions: Derivative financial instruments

The fair value of derivative financial instruments are determined from valuations prepared by independent treasury advisers using Level 2 valuation techniques (31 December 2021: Level 2). These are based on the present value of estimated future cash flows accounting for the terms and maturity of each contract and the current market interest rates at reporting date. Fair values also reflect the current creditworthiness of the derivative counterparty. These values are verified against valuations prepared by the respective counterparties. The valuations were based on market rates at 30 June 2022 of between 2.86% for the 90 day BKBM (31 December 2021: 0.97%) and 4.07% for the 10 year swap rate (31 December 2021: 2.65%). There were no changes to these valuation techniques during the reporting period.

4. INVESTOR RETURNS AND INVESTMENT METRICS

IN THIS SECTION

This section summarises the earnings per share and net tangible assets per share, which are common investment metrics.

4.1. Earnings per share

(i) Basic earnings per share

	UNAUDITED	UNAUDITED
	6 months ended 30 June 2022	6 months ended 30 June 2021
Total comprehensive income for the period attributable to the shareholders of the Company ($000s)	23,780	273,542
Weighted average number of ordinary shares (shares)	505,504,676	502,300,565
Basic earnings per share (cents)	4.70	54.46

(ii) Diluted earnings per share

The calculation of diluted earnings per share has been based on the profit attributable to ordinary shareholders and weighted-average number of ordinary shares outstanding after adjustment for the effects of all dilutive potential ordinary shares. Weighted average number of shares for the purpose of diluted earnings per share has been adjusted for 69,024 (30 June 2021: 93,087) rights issued under the Group's LTI Plan as at 30 June 2022. This adjustment has been calculated using the treasury share method.

	UNAUDITED	UNAUDITED
	6 months ended 30 June 2022	6 months ended 30 June 2021
Total comprehensive income for the period attributable to the shareholders of the Company ($000s)	23,780	273,542
Weighted average number of shares for purpose of diluted earnings per share (shares)	505,573,700	502,393,652
Diluted earnings per share (cents)	4.70	54.45

4.2. Net tangible assets per share

	UNAUDITED	AUDITED	UNAUDITED
	30 June 2022	31 December 2021	30 June 2021
Net assets ($000s)	1,563,174	1,562,662	1,395,707
Less: Goodwill ($000s)	–	(29,086)	(29,086)
Net tangible assets ($000s)	1,563,174	1,533,576	1,366,621
Closing shares on issue (shares)	504,880,705	505,493,668	503,478,807
Net tangible assets per share (cents)	310	303	271

NOTES TO THE INTERIM FINANCIAL STATEMENTS (continued)

FOR THE SIX MONTHS ENDED 30 JUNE 2022

5. OTHER

IN THIS SECTION

This section includes additional information that is considered less significant in the understanding of the financial performance and position of the Group, but is disclosed to comply with NZ IAS 34 'Interim Financial Reporting' and IAS 34 'Interim Financial Reporting'.

5.1. Administrative expenses

	UNAUDITED	UNAUDITED
ALL VALUES IN $000S	**6 months ended 30 June 2022**	6 months ended 30 June 2021
Audit fees and other fees paid to auditors	81	63
Employee expense	2,233	1,927
Directors' fees	284	264
Office expenses	437	468
IT - licence fees and support	89	6
IT - implementation costs	172	69
Depreciation	75	91
Other expenses	582	469
Total administrative expenses	3,953	3,357

5. OTHER (continued)

5.2. Taxation

(i) Reconciliation of accounting profit before income tax to income tax expense

ALL VALUES IN $000S	**UNAUDITED** **6 months ended 30 June 2022**	UNAUDITED 6 months ended 30 June 2021
Profit before income tax	35,747	285,976
Prima facie income tax calculated at 28%	(10,009)	(80,073)
Adjusted for:		
Non-tax deductible revenue and expenses	(13)	140
Fair value gain on investment properties	5,446	69,495
Loss on disposal of investment properties	(37)	(1)
Goodwill impairment	(8,144)	–
Depreciation	2,925	2,186
Disposal of depreciable assets	(263)	(210)
Deductible capital expenditure	237	441
Lease incentives, fees and fixed rental income	109	351
Derivative financial instruments	4,002	1,375
Impairment gains	(63)	42
Current tax prior period adjustment	(203)	157
Other	(20)	(127)
Current taxation expense	(6,033)	(6,224)
Depreciation	(1,680)	(4,530)
Lease incentives, fees and fixed rental income	(141)	(204)
Derivative financial instruments	(4,002)	(1,376)
Impairment gains	63	(42)
Other	(174)	(58)
Deferred taxation expense	(5,934)	(6,210)
Total taxation reported in Consolidated Statement of Comprehensive Income	(11,967)	(12,434)

NOTES TO THE INTERIM FINANCIAL STATEMENTS (continued)

FOR THE SIX MONTHS ENDED 30 JUNE 2022

5. OTHER (continued)

5.2. Taxation (continued)

(ii) Deferred tax

ALL VALUES IN $000S	AUDITED 31 December 2021 As at	UNAUDITED 6 months ended 30 June 2022 Recognised in profit	UNAUDITED 30 June 2022 As at
Deferred tax assets			
Impairment gains	–	(63)	(63)
Other	(263)	156	(107)
Gross deferred tax assets	(263)	93	(170)
Deferred tax liabilities			
Investment properties	32,917	1,821	34,738
Derivative financial instruments	1,765	4,002	5,767
Gross deferred tax liabilities	34,682	5,823	40,505
Share-based payment reserve	–	19	–
Net deferred tax liability	34,419	5,935	40,335

5.3. Goodwill

ALL VALUES IN $000S	UNAUDITED 30 June 2022	AUDITED 31 December 2021
Opening balance	29,086	29,086
Impairment loss	(29,086)	–
Goodwill	–	29,086

On 30 June 2022, the market value of PFI, based on the quoted market price, was below the value net assets of PFI. PFI, with the assistance of an independent expert, assessed whether objective evidence of impairment of goodwill exists, the outcome of which was that an impairment test has been performed. PFI has estimated the recoverable amount by performing fair value less costs of disposal (FVLCOD) and value in use valuation approaches. PFI has estimated the recoverable amount of the Property for Industry Limited CGU using FVLCOD (as the higher of the two valuation approaches), resulting in an impairment loss of $29.086 million (2021: $NIL) against the carrying amount of goodwill.

Recognition and Measurement

Goodwill arises on the acquisition of subsidiaries and represents the excess of the consideration transferred over the fair value of the identifiable net assets acquired.

Goodwill is measured at cost less accumulated impairment losses. It is tested annually for impairment or more frequently if events or changes in circumstances indicate potential impairment. An impairment loss is recognised if the carrying amount exceeds the estimated recoverable amount. Impairment losses are recognised in the Consolidated Statement of Comprehensive Income.

For 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 CGUs. PFI have identified one CGU, representing the entire Group.

To assess whether goodwill is impaired, the carrying amount of the CGU is compared to the recoverable amount, determined based on the greater of its value in use and its fair value less costs of disposal. Fair value less costs of disposal is the price that would be received to sell an asset in an orderly transaction between market participants at the measurement date, less the costs of disposal. Value in use is based on the estimated future cash flows, 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 or CGU.

5. OTHER (continued)

5.3. Goodwill (continued)

Key estimates and assumptions: Goodwill
All goodwill relates to the Property for Industry Limited CGU.

The fair value of the Property for Industry Limited CGU for goodwill impairment testing is determined using Level 3 valuation techniques (2021: Level 3). Fair value less costs of disposal is measured by calculating the fair value of the Property for Industry Limited CGU using a 1 day volume-weighted average share price at the reporting date of $2.44 (2021: $2.86), applying a control premium (15.2%, as determined by a third party as at 30 June 2022, 2021: 15.8%) and deducting costs of disposal. In performing a sensitivity analysis a control premium range of between 15-20% (as determined by a third party as at 30 June 2022 and based on observable premiums) has been used. When a fair value less cost of disposal is estimated, critical judgements and estimates are made in relation to the appropriate premium in assessing fair value of investment as a whole.

The recoverable amount was based on the fair value less costs of disposal. Due to significant decline in market value, the carrying amount of Property for Industry Limited CGU was determined to be higher than its recoverable amount and an impairment loss of $29.086 million was recognised against goodwill. All other assets have been assessed and it has been determined that they are held at fair value with no impairment necessary.

5.4. Related party transactions

The Group has a related party relationship with the following party:

Related party	Abbreviation	Nature of relationship(s)
The Board of Directors	Directors	The Board of Directors.

The following transactions with related parties took place:

ALL VALUES IN $000S	Related party	UNAUDITED **6 months ended 30 June 2022**	UNAUDITED 6 months ended 30 June 2021
Directors' fees - annual fees	Directors	284	264

NUMBER	Related party	UNAUDITED **30 June 2022**	AUDITED 31 December 2021
Shares held beneficially in the company (number)	Directors	214,367	194,367

No related party debts have been written off or forgiven during the year (2021: NIL).

5.5. Share Capital

On 25 May 2022, the Group announced an on-market share buyback programme to purchase up to 5% of its ordinary shares over a 12-month period. During the interim period, the Group acquired and cancelled 724,527 ordinary shares on market at an average price of $2.41 for a total consideration of $1,747,137 and the shares acquired were subsequently cancelled. Incremental costs of $15,414 incurred were deducted from equity. The buyback programme was paused from the close of trading on 30 June 2022 pending the release of the Group’s interim financial statements.

NOTES TO THE INTERIM FINANCIAL STATEMENTS (continued)

FOR THE SIX MONTHS ENDED 30 JUNE 2022

5. OTHER (continued)

5.6. Leases

(i) Amounts recognised in the Consolidated Statement of Financial Position

The Consolidated Statement of Financial Position shows the following amounts relating to leases:

ALL VALUES IN $000S	UNAUDITED 30 June 2022	AUDITED 31 December 2021
Right-of-use assets[1]		
Properties	93	140
Total right-of-use assets	93	140

1 Included in the line item 'Property, plant and equipment' in the Consolidated Statement of Financial Position.

Additions to the right-of-use assets during the 2022 financial year were $NIL (year ending 31 December 2021: $3,000).

ALL VALUES IN $000S	30 June 2022	31 December 2021
Lease liabilities		
Current[2]	105	101
Non-current[3]	–	53
Total lease liabilities	105	154

2 Included in the line item 'Accounts payable, accruals and other liabilities' in the Consolidated Statement of Financial Position.

3 Included in the line item 'Lease liabilities' in the Consolidated Statement of Financial Position.

(ii) Amounts recognised in the Consolidated Statement of Comprehensive Income

The Consolidated Statement of Comprehensive Income shows the following amounts relating to leases:

ALL VALUES IN $000S	UNAUDITED 6 months ended 30 June 2022	UNAUDITED 6 months ended 30 June 2021
Depreciation charge of right-of-use assets[4]		
Properties	(47)	(51)
Total depreciation charge of right-of-use assets	(47)	(51)

4 Included in the line item 'Administrative expenses' in the Consolidated Statement of Comprehensive Income.

ALL VALUES IN $000S	UNAUDITED 6 months ended 30 June 2022	UNAUDITED 6 months ended 30 June 2021
Interest cost[5]	(8)	(11)

5 Included in the line item 'Interest expense and bank fees' in the Consolidated Statement of Comprehensive Income.

The total cash outflow for leases in 2022 was $57,000 (2021: $56,000).

5. OTHER (continued)

5.7. 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.

5.8. Capital commitments

As at 30 June 2022, the Group had capital commitments totalling $2,651,000 (31 December 2021: $4,875,000) as follows:

ALL VALUES IN $000S		**30 June 2022**	31 December 2021
Address	**Project**		
Shed 22, 23 Cable Street	Seismic works	–	413
47A Dalgety Drive	Design and build	–	1,558
3-5 Niall Burgess Road	Refurbishment	2,651	2,904
Total capital commitments		2,651	4,875

In addition, during the year ended 31 December 2021 the Group entered into an agreement to lease new office premises for an annual rent of $330,000 plus GST for a period of eight years from commencement date. Commencement date is expected to be in Q3, 2022.

5.9. Subsequent events

Following the Group's announcement on 10 June 2022, the divestment of 39 Edmundson Street, Napier was settled on 8 July 2022 for a gross sales price of $5.25 million.

On 29 July 2022, the Group announced the divestment of 330 Devon Street East, New Plymouth for a gross sales price of $2.25 million. Settlement is scheduled to take place on 25 August 2022, and this property has been classified as non-current assets classified as held for sale in these interim financial statements.

On 22 August 2022, the Directors of the Company approved the payment of a net dividend of 1.800000 cents per share to be paid on 7 September 2022. The gross dividend (2.379321 cents per share) carries imputation credits of 0.579321 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 Consolidated Statement of Financial Position as at 30 June 2022 in respect of this dividend.

Independent auditor's review report

To the shareholders of Property for Industry Limited

Report on the interim financial statements

Our conclusion

We have reviewed the interim financial statements of Property for Industry Limited (the Company) and its controlled entity (the Group), which comprise the consolidated statement of financial position as at 30 June 2022, and the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the period ended on that date, and significant accounting policies and other explanatory information.

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim financial statements of the Group do not present fairly, in all material respects, the financial position of the Group as at 30 June 2022, and its financial performance and cash flows for the period then ended, in accordance with International Accounting Standard 34 *Interim Financial Reporting* (IAS 34) and New Zealand Equivalent to International Accounting Standard 34 *Interim Financial Reporting* (NZ IAS 34).

Basis for conclusion

We conducted our review in accordance with the New Zealand Standard on Review Engagements 2410 (Revised) *Review of Financial Statements Performed by the Independent Auditor of the Entity* (NZ SRE 2410 (Revised)). Our responsibilities are further described in the *Auditor's responsibilities for the review of the financial statements* section of our report.

We are independent of the Group in accordance with the relevant ethical requirements in New Zealand relating to the audit of the annual financial statements, and we have fulfilled our other ethical responsibilities in accordance with these ethical requirements. In addition to our role as auditor, our firm carries out other services for the Group in the area of benchmarking of remuneration. The provision of these other services has not impaired our independence.

Responsibilities of the Directors for the interim financial statements

The Directors of the Company are responsible on behalf of the Company for the preparation and fair presentation of these interim financial statements in accordance with IAS 34 and NZ IAS 34 and for such internal control as the Directors determine is necessary to enable the preparation and fair presentation of the interim financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibilities for the review of the financial statements

Our responsibility is to express a conclusion on the interim financial statements based on our review. NZ SRE 2410 (Revised) requires us to conclude whether anything has come to our attention that causes us to believe that the interim financial statements, taken as a whole, are not prepared in all material respects, in accordance with IAS 34 and NZ IAS 34.

A review of interim financial statements in accordance with NZ SRE 2410 (Revised) is a limited assurance engagement. We perform procedures, primarily consisting of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. The procedures performed in a review are substantially less than those performed in an audit conducted in accordance with International Standards on Auditing and International Standards on Auditing (New Zealand) and consequently does not enable us to obtain assurance that we might identify in an audit. Accordingly, we do not express an audit opinion on these interim financial statements

Who we report to

This report is made solely to the Company's Shareholders, as a body. Our review work has been undertaken so that we might state those matters which we are required to state to them in our review report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Shareholders, as a body, for our review procedures, for this report, or for the conclusion we have formed.

The engagement partner on the review resulting in this independent auditor's review report is Indumin Senaratne (Indy Sena).

For and on behalf of:

PricewaterhouseCoopers

Chartered Accountants — Auckland

22 August 2022

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