



OUR  
POSITION  
OF  
STRENGTH

PROPERTY FOR INDUSTRY LIMITED

Interim  
Financial  
Statements  
30 June

20  
23

# FINANCIAL STATEMENTS





**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**

FOR THE SIX MONTHS ENDED 30 JUNE 2023

	NOTE	UNAUDITED	UNAUDITED
		6 months ended 30 June 2023	6 months ended 30 June 2022
ALL VALUES IN \$000S			
Rental and management fee income	2.3	55,378	54,681
Business interruption insurance proceeds	2.6	635	–
Property costs	2.4	(9,602)	(8,377)
<b>Net property income</b>		46,411	46,304
Administrative expenses	5.1	(5,294)	(3,953)
<b>Profit before finance income/(expenses), other gains/(losses) and income tax</b>		41,117	42,351
<b>Finance income/(expenses)</b>			
Interest expense and bank fees		(14,430)	(11,134)
Fair value (loss)/gain on derivative financial instruments	3.2	(2,210)	14,293
Interest income		56	3
		(16,584)	3,162
<b>Other gains/(losses)</b>			
Fair value (loss)/gain on investment properties and non-current assets classified as held for sale	2.1, 2.2	(55,046)	19,451
Loss on disposal of investment properties and non-current assets classified as held for sale		(22)	(131)
Increase in costs relating to post settlement obligation of disposed property	5.6	(909)	–
Material damage insurance proceeds	2.6	140	–
Goodwill impairment	5.3	–	(29,086)
		(55,837)	(9,766)
<b>(Loss)/profit before income tax</b>		(31,304)	35,747
Income tax benefit/(expense)	5.2	777	(11,967)
<b>(Loss)/profit and total comprehensive income after income tax attributable to the shareholders of the Company</b>	4.1	(30,527)	23,780
Basic earnings per share (cents)	4.1	(6.08)	4.70
Diluted earnings per share (cents)	4.1	(6.08)	4.70

The Group has rearranged the presentation of the information disclosed in the Consolidated Statement of Comprehensive Income in the reporting period ended 30 June 2023 and to the comparative figures for the six months ended 30 June 2022. The rearrangements have been made to align with the reporting of other entities in the same industry as the Group and to provide more relevant and comparable information to the users of the financial statements.

The accompanying notes form part of these interim financial statements.

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE SIX MONTHS ENDED 30 JUNE 2023

	Cents per Share (cents)	No. of Shares (#)	Ordinary Shares (\$000s)	Share-Based Payments Reserve (\$000s)	Retained Earnings (\$000s)	Total Equity (\$000s)
<b>Balance as at 1 January 2022 (audited)</b>	–	505,493,668	580,995	751	980,916	1,562,662
Total comprehensive income	–	–	–	–	23,780	23,780
<b>Dividends and reinvestment</b>						
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)
<b>Share buyback</b>		(724,527)	(1,763)	–	–	(1,763)
<b>Long-term incentive plan</b>		111,564	300	(317)	–	(17)
<b>Balance as at 30 June 2022 (unaudited)</b>	–	504,880,705	579,532	434	983,208	1,563,174
<b>Balance as at 1 January 2023 (audited)</b>	–	502,050,524	572,637	615	927,086	1,500,338
Total comprehensive income	–	–	–	–	(30,527)	(30,527)
<b>Dividends</b>						
Q4 2022 final dividend - 8/3/2023	2.65	–	–	–	(13,306)	(13,306)
Q1 2023 interim dividend - 23/5/2023	1.95	–	–	–	(9,793)	(9,793)
<b>Long-term incentive plan</b>		78,789	266	(73)		193
<b>Balance as at 30 June 2023 (unaudited)</b>	–	502,129,313	572,903	542	873,460	1,446,905

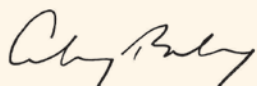
The accompanying notes form part of these interim financial statements.

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 30 JUNE 2023

ALL VALUES IN \$000S	NOTE	UNAUDITED	AUDITED
		30 June 2023	31 December 2022
<b>CURRENT ASSETS</b>			
Cash at bank		1,696	1,332
Derivative financial instruments	3.2	1,175	287
Accounts receivable, prepayments and other assets		4,227	4,918
<b>Total current assets</b>		<b>7,098</b>	<b>6,537</b>
<b>NON-CURRENT ASSETS</b>			
Investment properties	2.1	2,058,911	2,096,200
Property, plant and equipment		3,610	3,695
Derivative financial instruments	3.2	30,865	35,355
<b>Total non-current assets</b>		<b>2,093,386</b>	<b>2,135,250</b>
Non-current assets classified as held for sale	2.2	–	21,000
<b>Total assets</b>		<b>2,100,484</b>	<b>2,162,787</b>
<b>CURRENT LIABILITIES</b>			
Accounts payable, accruals and other liabilities	2.7	15,260	13,727
Taxation payable		371	3,002
<b>Total current liabilities</b>		<b>15,631</b>	<b>16,729</b>
<b>NON-CURRENT LIABILITIES</b>			
Borrowings	3.1	599,386	601,523
Derivative financial instruments	3.2	9,409	10,801
Deferred tax liabilities	5.2	27,184	31,284
Lease liabilities	5.5	1,969	2,112
<b>Total non-current liabilities</b>		<b>637,948</b>	<b>645,720</b>
<b>Total liabilities</b>		<b>653,579</b>	<b>662,449</b>
<b>Net assets</b>	4.2	<b>1,446,905</b>	<b>1,500,338</b>
<b>EQUITY</b>			
Share capital		572,903	572,637
Share-based payments reserve		542	615
Retained earnings		873,460	927,086
<b>Total equity</b>		<b>1,446,905</b>	<b>1,500,338</b>

These interim financial statements are signed on behalf of Property for Industry Limited and were authorised for issue on 22 August 2023.



**Anthony Beverley**  
Chair, Board of Directors



**Carolyn Steele**  
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 2023

	NOTE	UNAUDITED	UNAUDITED
		6 months ended 30 June 2023	6 months ended 30 June 2022
ALL VALUES IN \$000S			
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Property and management fee income received		55,862	57,708
Business interruption insurance income	2.6	628	–
Net goods and services tax paid		(797)	(144)
Interest received		56	3
Interest and other finance costs paid		(13,904)	(10,566)
Payments to suppliers and employees		(15,301)	(13,399)
Income tax paid		(5,934)	(7,356)
Net cash flows from operating activities		20,610	26,246
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Proceeds from sale of investment properties and non-current assets classified as held for sale		20,069	9,869
Acquisition of investment properties	2.1	–	(6,843)
Acquisition of property, plant and equipment		(213)	(10)
Expenditure on investment properties		(14,017)	(7,137)
Capitalisation of interest on development properties	2.1	(671)	(248)
Material damage insurance income	2.6	140	–
Net cash flows/(outflows) from investing activities		5,308	(4,369)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Net (repayment of)/proceeds from syndicated bank facility		(2,398)	1,423
Principal elements of finance lease payments		(57)	(57)
Dividends paid to shareholders		(23,099)	(21,488)
Share buyback costs		–	(1,763)
Net cash flows from financing activities		(25,554)	(21,885)
Net increase/(decrease) in cash and cash equivalents		364	(7)
Cash and cash equivalents at beginning of period		1,332	1,103
<b>Cash and cash equivalents at end of period</b>		<b>1,696</b>	<b>1,096</b>

The accompanying notes form part of these interim financial statements.

## NOTES TO THE INTERIM FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2023

<b>1. GENERAL INFORMATION</b>	<b>7</b>
1.1 Reporting entity	7
1.2 Basis of preparation	7
1.3 Critical judgements, estimates and assumptions	7
1.4 Accounting policies	7
1.5 Significant events and transactions	7
<b>2. PROPERTY</b>	<b>8</b>
2.1 Investment properties	8
2.2 Non-current assets classified as held for sale	9
2.3 Rental and management fee income	10
2.4 Property costs	10
2.5 Net rental income	11
2.6 Insurance income	11
2.7 Accounts payable, accruals and other liabilities	11
<b>3. FUNDING</b>	<b>12</b>
3.1 Borrowings	12
3.2 Derivative financial instruments	13
<b>4. INVESTOR RETURNS AND INVESTMENT METRICS</b>	<b>15</b>
4.1 Earnings per share	15
4.2 Net tangible assets per share	15
<b>5. OTHER</b>	<b>16</b>
5.1 Administrative expenses	16
5.2 Taxation	17
5.3 Goodwill	18
5.4 Related party transactions	19
5.5 Leases	19
5.6 Post settlement obligation of disposed property	20
5.7 Operating segments	20
5.8 Capital commitments	21
5.9 Subsequent events	21

## NOTES TO THE INTERIM FINANCIAL STATEMENTS (continued)

FOR THE SIX MONTHS ENDED 30 JUNE 2023

### 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 2022 which may be downloaded from the Company's website ([www.propertyforindustry.co.nz/investor-centre/reports-and-presentations](http://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. 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 2022.

#### 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 2022.

#### 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 disposal

On 31 March 2023, the Group settled the disposal of a non-current asset classified as held for sale located at 8a & 8b Canada Crescent, Christchurch for a gross sale price of \$21,000,000.

##### BNZ Facility

On 28 March 2023, the Group announced that it had extended and increased its loan facility with the Bank of New Zealand (also known as Syndicated Bank Facility C). The facility expiry was extended to 31 March 2025 and the facility was increased to \$175 million.

**NOTES TO THE INTERIM FINANCIAL STATEMENTS** (continued)

FOR THE SIX MONTHS ENDED 30 JUNE 2023

**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	AUDITED
	6 months ended 30 June 2023	12 months ended 31 December 2022
Opening balance	2,096,200	2,158,940
Capital movements:		
Additions	–	6,843
Disposals	–	(11,125)
Transfer to non-current assets classified as held for sale	–	(21,000)
Capital expenditure	17,949	18,014
Capitalised interest	671	13
Movement in lease incentives, fees and fixed rental income	(863)	1,250
	17,757	(6,005)
Unrealised fair value loss (i)	(55,046)	(56,735)
<b>Closing balance</b>	<b>2,058,911</b>	<b>2,096,200</b>

**(i) Valuation**

All investment properties were valued as at 31 December 2022. The Board determined that a desktop review of the property portfolio should be undertaken by Bayleys, CB Richard Ellis (CBRE), Colliers International (Colliers), Jones Lang LaSalle (JLL) or Savills as at 30 June 2023 to ensure that investment properties continue to be held at fair value. In addition to this desktop review, the following 37 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 compared to 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, Penrose	JLL	21,250
124 Hewletts Road, Mt Maunganui	JLL	70,850
312 Neilson Street, Penrose	JLL	9,000
124a Hewletts Road, Mt Maunganui	JLL	25,200
2-4 Argus Place, Hillcrest	Colliers	11,000
3 Hocking Street, Mt Maunganui	JLL	3,550
51 Arrenway Drive, Rosedale	CBRE	9,200
78 Springs Road, East Tamaki	JLL	106,250
92-98 Harris Road, East Tamaki	Colliers	26,700
558 Te Rapa Road, Hamilton	Colliers	9,500
124b Hewletts Road, Mt Maunganui	JLL	20,800
143 Hutt Park Road, Wellington	CBRE	22,100
322 Rosedale Road, Rosedale	CBRE	23,300
61-69 Patiki Road, Avondale	Savills	25,500



## NOTES TO THE INTERIM FINANCIAL STATEMENTS (continued)

FOR THE SIX MONTHS ENDED 30 JUNE 2023

### 2. PROPERTY (continued)

#### 2.1. Investment properties (continued)

ALL VALUES IN \$000S	Valuer	Valuation
16 Hugo Johnston Drive, Penrose	CBRE	8,975
7 Vestey Drive, Mt Wellington	JLL	16,750
511 Mt Wellington Highway, Mt Wellington	Colliers	11,100
212 Cavendish Drive, Manukau	JLL	54,150
54 Carbine Road & 6a Donnor Place, Mt Wellington	Savills	45,750
47 Arrenway Drive, Rosedale	Colliers	5,300
41 William Pickering Drive, Rosedale	JLL	10,550
36 Neales Road, East Tamaki	JLL	36,400
17 Allens Road, East Tamaki	JLL	30,000
4-6 Mt Richmond Drive, Mt Wellington	JLL	25,300
3-5 Niall Burgess Road, Mt Wellington	Colliers	30,500
30-32 Bowden Road, Mt Wellington	Savills	39,000
61 McLaughlins Road, Manukau	Colliers	27,900
28 Paraita Road, New Plymouth	CBRE	17,475
15 Artillery Place, Nelson	CBRE	9,650
306 Neilson Street, Penrose	JLL	18,800
528-558 Rosebank Road, Avondale	Savills	63,250
44 Noel Burnside Road, Manukau	Bayleys	78,500
47A Dalgety Drive, Manukau	Savills	13,250
32 Honan Place, Avondale	JLL	2,860
22 Whakatu Road, Hastings	Bayleys	69,750
520 Rosebank Road, Avondale	Savills	4,200
318 Neilson Street, Penrose	JLL	6,100
<b>Total</b>		<b>1,009,710</b>

As a result of the independent valuations of the 37 properties above, the unrealised net decrease in the value of investment properties for the six months ended 30 June 2023 was \$55,046,000 (six months ended 30 June 2022: gain of \$19,451,000). The portfolio will next be revalued by independent valuers as at 31 December 2023.

#### 2.2. Non-current assets classified as held for sale

ALL VALUES IN \$000S	UNAUDITED	AUDITED
	30 June 2023	31 December 2022
8a & 8b Canada Crescent, Christchurch <sup>1</sup>	–	21,000
<b>Total non-current assets classified as held for sale</b>	<b>–</b>	<b>21,000</b>

1 A revaluation gain of \$1,211,767 was recorded in the financial year ended 31 December 2022 when revaluing 8a & 8b Canada Crescent based on the actual contracted sales price of \$21,000,000.

**NOTES TO THE INTERIM FINANCIAL STATEMENTS** (continued)

FOR THE SIX MONTHS ENDED 30 JUNE 2023

**2. PROPERTY** (continued)**2.3. Rental and management fee income**

	UNAUDITED	UNAUDITED
	6 months ended 30 June 2023	6 months ended 30 June 2022
ALL VALUES IN \$000S		
Gross rental receipts	47,941	47,520
Service charge income recovered from tenants	7,564	6,556
Fixed rental income adjustments	322	681
Capitalised lease incentive adjustments	(757)	(457)
Impact of rental income deferred and abated due to the COVID-19 pandemic	(78)	20
Management fee income	386	361
<b>Total rental and management fee income</b>	<b>55,378</b>	<b>54,681</b>

**2.4. Property costs**

	UNAUDITED	UNAUDITED
	6 months ended 30 June 2023	6 months ended 30 June 2022
ALL VALUES IN \$000S		
Service charge expenses	(7,880)	(6,753)
Bad and doubtful debts expense	–	(225)
Other non-recoverable property costs	(1,722)	(1,399)
<b>Total property costs</b>	<b>(9,602)</b>	<b>(8,377)</b>

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

## NOTES TO THE INTERIM FINANCIAL STATEMENTS (continued)

FOR THE SIX MONTHS ENDED 30 JUNE 2023

### 2. PROPERTY (continued)

#### 2.5. Net rental income

	UNAUDITED	UNAUDITED
	6 months ended 30 June 2023	6 months ended 30 June 2022
ALL VALUES IN \$000S		
Gross rental receipts	47,941	47,520
Service charge income recovered from tenants	7,564	6,556
Fixed rental income adjustments	322	681
Capitalised lease incentive adjustments	(757)	(457)
Impact of rental income deferred and abated due to the COVID-19 pandemic	(78)	20
less: Service charge expenses	(7,880)	(6,753)
<b>Net rental income</b>	<b>47,112</b>	<b>47,567</b>

#### 2.6. Insurance income

A small number of the Group's properties suffered damage in the extreme weather events earlier in the year. As a result, the Group has made insurance claims for business interruption (loss of rent claims) and material damage on affected properties. The insurance income relating to business interruption and to material damage is presented in the Consolidated Statement of Comprehensive Income.

#### 2.7. Accounts payable, accruals and other liabilities

	UNAUDITED	AUDITED
	30 June 2023	31 December 2022
ALL VALUES IN \$000S		
Trade creditors and retentions	3,168	3,780
Accruals	10,164	6,837
Deposits and bonds from tenants	1,247	1,723
Other	681	1,387
<b>Total accounts payable, accruals and other liabilities</b>	<b>15,260</b>	<b>13,727</b>

**NOTES TO THE INTERIM FINANCIAL STATEMENTS** (continued)

FOR THE SIX MONTHS ENDED 30 JUNE 2023

**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	AUDITED
	30 June 2023	31 December 2022
Bilateral CBA bank facility drawn down - non-current	125,000	125,000
Syndicated bank facility drawn down - non-current	276,307	278,704
Fixed rate bonds - non-current	200,000	200,000
Unamortised borrowings establishment costs	(1,921)	(2,181)
<b>Net borrowings</b>	<b>599,386</b>	<b>601,523</b>
Weighted average interest rate for drawn debt (inclusive of current interest rate swaps, margins and line fees)	5.34%	4.77%
Weighted average term to maturity (years)	2.53	3.01

**(ii) Composition of borrowings**

ALL VALUES IN \$000S AS AT 30 JUNE 2023	UNAUDITED					
	Issue Date	Maturity Date	Interest Rate	Facility drawn / amount	Undrawn facility	Fair Value
PFI010	28-Nov-17	28-Nov-24	4.59%	100,000	–	97,095
Syndicated Bank Facility C	–	31-Mar-25	Floating	175,000	–	175,000
Syndicated Bank Facility A	–	2-Jul-25	Floating	101,307	48,693	101,307
PFI020	1-Oct-18	1-Oct-25	4.25%	100,000	–	96,139
Syndicated Bank Facility B	–	2-Jul-26	Floating	–	150,000	–
Bilateral CBA Bank Facility	–	16-Apr-28	Floating	125,000	–	125,000
<b>Total borrowings</b>				<b>601,307</b>	<b>198,693</b>	<b>594,541</b>

ALL VALUES IN \$000S AS AT 31 DECEMBER 2022	AUDITED					
	Issue Date	Maturity Date	Interest Rate	Facility drawn / amount	Undrawn facility	Fair Value
Syndicated Bank Facility C	–	2-Jul-24	Floating	100,000	–	100,000
PFI010	28-Nov-17	28-Nov-24	4.59%	100,000	–	97,354
Syndicated Bank Facility A	–	2-Jul-25	Floating	150,000	–	150,000
PFI020	1-Oct-18	1-Oct-25	4.25%	100,000	–	96,395
Syndicated Bank Facility B	–	2-Jul-26	Floating	28,705	121,295	28,705
Bilateral CBA Bank Facility	–	16-Apr-28	Floating	125,000	–	125,000
<b>Total borrowings</b>				<b>603,705</b>	<b>121,295</b>	<b>597,454</b>

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 provided the Group with a further \$175,000,000 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. Refer to note 5.9 for changes to the Group's financing facilities subsequent to the reporting period ended 30 June 2023.

## NOTES TO THE INTERIM FINANCIAL STATEMENTS (continued)

FOR THE SIX MONTHS ENDED 30 JUNE 2023

### 3. FUNDING (continued)

#### 3.1. Borrowings (continued)

The fair value of the fixed rate bonds is based on their quoted market prices at balance date and is classified as Level 1 in the fair value hierarchy (2022: 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 quoted on the NZX Debt Market.

##### (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 \$1,600,000,000 as at the end of the reporting period (31 December 2022: \$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.

Refer to note 5.9 for changes to the Group's security structure subsequent to the reporting period ended 30 June 2023.

#### 3.2. Derivative financial instruments

##### (i) Fair values

ALL VALUES IN \$000S	UNAUDITED	AUDITED
	30 June 2023	31 December 2022
Current assets	1,175	287
Non-current assets	30,865	35,355
Current liabilities	–	–
Non-current liabilities	(9,409)	(10,801)
<b>Total</b>	<b>22,631</b>	<b>24,841</b>

##### (ii) Notional values, maturities and interest rates

	UNAUDITED	AUDITED
	30 June 2023	31 December 2022
Notional value of interest rate swaps – fixed rate payer – start dates commenced (\$000s)	380,000	390,000
Notional value of interest rate swaps – fixed rate receiver <sup>1</sup> – start dates commenced (\$000s)	200,000	200,000
Notional value of interest rate swaps – fixed rate payer – forward starting (\$000s)	120,000	60,000
<b>Total (\$000s)</b>	<b>700,000</b>	<b>650,000</b>
<b>Percentage of borrowings fixed (%)</b>	<b>63%</b>	<b>65%</b>
Fixed rate payer swaps:		
Average period to expiry – start dates commenced (years)	2.80	3.06
Average period to expiry – forward starting (years from commencement)	4.84	4.33
<b>Average (years)</b>	<b>3.29</b>	<b>3.40</b>
Fixed rate payer swaps:		
Average interest rate <sup>2</sup> – start dates commenced (%)	2.34%	2.44%
Average interest rate <sup>2</sup> – forward starting (% during effective period)	3.42%	2.75%
<b>Average (%)</b>	<b>2.60%</b>	<b>2.48%</b>

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 2023

**3. FUNDING** (continued)**3.2. Derivative financial instruments** (continued)**(iii) Movement in fair value of derivative financial instruments**

	UNAUDITED	UNAUDITED
	6 months ended 30 June 2023	6 months ended 30 June 2022
ALL VALUES IN \$000S		
Interest rate swaps	(2,210)	14,293
<b>Total movement in fair value of derivative financial instruments</b>	<b>(2,210)</b>	<b>14,293</b>

**Key estimates and assumptions: Derivative financial instruments**

The fair value of derivative financial instruments is determined from valuations prepared by independent treasury advisers using Level 2 valuation techniques (31 December 2022: 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 2023 of between 5.71% for the 90 day BKBM (31 December 2022: 4.65%) and 4.49% for the 10 year swap rate (31 December 2022: 4.80%). There were no changes to these valuation techniques during the reporting period.

## NOTES TO THE INTERIM FINANCIAL STATEMENTS (continued)

FOR THE SIX MONTHS ENDED 30 JUNE 2023

### 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 2023	6 months ended 30 June 2022
Total comprehensive income for the period attributable to the shareholders of the Company (\$000s)	(30,527)	23,780
Weighted average number of ordinary shares (shares)	502,107,548	505,504,676
<b>Basic earnings per share (cents)</b>	<b>(6.08)</b>	<b>4.70</b>

##### (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 23,629 (30 June 2022: 69,024) rights issued under the Group's LTI Plan as at 30 June 2023. This adjustment has been calculated using the treasury share method.

	UNAUDITED	UNAUDITED
	6 months ended 30 June 2023	6 months ended 30 June 2022
Total comprehensive income for the period attributable to the shareholders of the Company (\$000s)	(30,527)	23,780
Weighted average number of shares for purpose of diluted earnings per share (shares)	502,131,177	505,573,700
<b>Diluted earnings per share (cents)</b>	<b>(6.08)</b>	<b>4.70</b>

#### 4.2. Net tangible assets per share

	UNAUDITED	AUDITED	UNAUDITED
	30 June 2023	31 December 2022	30 June 2022
Net assets (\$000s)	1,446,905	1,500,338	1,563,174
Net tangible assets (\$000s)	1,446,905	1,500,338	1,563,174
Closing shares on issue (shares)	502,129,313	502,050,524	504,880,705
<b>Net tangible assets per share (cents)</b>	<b>288</b>	<b>299</b>	<b>310</b>

The Group has no intangible assets.

**NOTES TO THE INTERIM FINANCIAL STATEMENTS** (continued)

FOR THE SIX MONTHS ENDED 30 JUNE 2023

**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
	6 months ended 30 June 2023	6 months ended 30 June 2022
ALL VALUES IN \$000S		
Audit fees and other fees paid to auditors	125	81
Employee expense	2,760	2,233
Directors' fees	322	284
Office expenses	661	416
IT - licence fees and support	128	89
IT - implementation costs	18	172
Depreciation	297	75
Other expenses	629	582
Sustainability	53	21
Facilities management project	301	–
<b>Total administrative expenses</b>	<b>5,294</b>	<b>3,953</b>

## NOTES TO THE INTERIM FINANCIAL STATEMENTS (continued)

FOR THE SIX MONTHS ENDED 30 JUNE 2023

### 5. OTHER (continued)

#### 5.2. Taxation

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

	UNAUDITED	UNAUDITED
	6 months ended 30 June 2023	6 months ended 30 June 2022
ALL VALUES IN \$000S		
<b>(Loss)/profit before income tax</b>	(31,304)	35,747
Prima facie income tax calculated at 28%	8,765	(10,009)
<i>Adjusted for:</i>		
Non-tax deductible revenue and expenses	(8)	(13)
Fair value (loss)/gain on investment properties	(15,413)	5,446
Loss on disposal of investment properties	(261)	(37)
Goodwill impairment	–	(8,144)
Depreciation	2,731	2,925
Disposal of depreciable assets	527	(263)
Deductible capital expenditure	1,039	237
Lease incentives, fees and fixed rental income	121	109
Derivative financial instruments	(615)	4,002
Impairment allowance	–	(63)
Current tax prior period adjustment	(47)	(203)
Other	(142)	(20)
<b>Current taxation expense</b>	<b>(3,303)</b>	<b>(6,033)</b>
Depreciation	3,603	(1,680)
Lease incentives, fees and fixed rental income	(131)	(141)
Derivative financial instruments	615	(4,002)
Impairment allowance	–	63
Other	(7)	(174)
<b>Deferred taxation benefit/(expense)</b>	<b>4,080</b>	<b>(5,934)</b>
<b>Total taxation reported in Consolidated Statement of Comprehensive Income</b>	<b>777</b>	<b>(11,967)</b>

**NOTES TO THE INTERIM FINANCIAL STATEMENTS** (continued)

FOR THE SIX MONTHS ENDED 30 JUNE 2023

**5. OTHER** (continued)**5.2. Taxation** (continued)**(ii) Deferred tax**

	AUDITED	UNAUDITED	UNAUDITED
	31 December 2022 As at	6 months ended 30 June 2023 Recognised in (loss)/profit	30 June 2023 As at
ALL VALUES IN \$000S			
<b>Deferred tax assets</b>			
Other	(172)	(13)	(185)
<b>Gross deferred tax assets</b>	(172)	(13)	(185)
<b>Deferred tax liabilities</b>			
Investment properties	24,543	(3,472)	21,071
Derivative financial instruments	6,913	(615)	6,298
<b>Gross deferred tax liabilities</b>	31,456	(4,087)	27,369
<b>Share-based payment reserve</b>	–	20	–
<b>Net deferred tax liability</b>	31,284	(4,080)	27,184

**5.3. Goodwill**

	UNAUDITED	AUDITED
	30 June 2023	31 December 2022
ALL VALUES IN \$000S		
Opening balance	–	29,086
Impairment loss	–	(29,086)
Goodwill	–	–

On 30 June 2022, the market value of the Group, based on the quoted market price, was below the value of the net assets of the Group. 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 estimated the recoverable amount by performing fair value less costs of disposal (FVLCO) and value in use valuation approaches. PFI estimated the recoverable amount of the Property for Industry Limited CGU using FVLCO (as the higher of the two valuation approaches), resulting in an impairment loss of \$29.086 million against the carrying amount of goodwill. Once goodwill is impaired, it cannot be reversed.

As at 31 December 2022, the market value of the Group had further declined with the market price reported at \$2.30 per share.



## NOTES TO THE INTERIM FINANCIAL STATEMENTS (continued)

FOR THE SIX MONTHS ENDED 30 JUNE 2023

### 5. OTHER (continued)

#### 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.
Bayleys Valuation Limited	Bayleys	Angela Bull, appointed as a member of the Board of Directors on 20 February 2023, is also a Non-executive Director of Bayley Corporation Limited. Bayleys Valuation Limited is a wholly owned subsidiary of Bayley Corporation Limited and an independent valuer used by the Group for investment property valuations.

The following transactions with related parties took place:

ALL VALUES IN \$000S	Related party	UNAUDITED	UNAUDITED
		6 months ended 30 June 2023	6 months ended 30 June 2022
Directors' fees – portion of annual fees paid	Directors	322	284
Valuation fees owing <sup>1</sup>	Bayleys	16	–

1 Amount owing as at 30 June 2023 is included in the line item 'Accounts Payable, accruals and other liabilities' in the Consolidated Statement of Financial Position.

NUMBER	Related party	UNAUDITED	AUDITED
		30 June 2023	31 December 2022
Shares held beneficially in the company (number)	Directors	195,708	214,367

No related party debts have been written off or forgiven during the year (2022: NIL).

#### 5.5 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	AUDITED
	30 June 2023	31 December 2022
<b>Right-of-use assets<sup>2</sup></b>		
Properties	1,958	2,136
<b>Total right-of-use assets</b>	<b>1,958</b>	<b>2,136</b>

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

Additions to the right-of-use assets for the six months ended 30 June 2023 were \$NIL (year ending 31 December 2022: \$2,111,619).

ALL VALUES IN \$000S	UNAUDITED	AUDITED
	30 June 2023	31 December 2022
<b>Lease liabilities</b>		
Current <sup>3</sup>	143	53
Non-current <sup>4</sup>	1,969	2,112
<b>Total lease liabilities</b>	<b>2,112</b>	<b>2,165</b>

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

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

**NOTES TO THE INTERIM FINANCIAL STATEMENTS** (continued)

FOR THE SIX MONTHS ENDED 30 JUNE 2023

**5. OTHER** (continued)**5.5. Leases** (continued)**(ii) Amounts recognised in the Consolidated Statement of Comprehensive Income**

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

	UNAUDITED	UNAUDITED
	6 months ended 30 June 2023	6 months ended 30 June 2022
ALL VALUES IN \$000S		
<b>Depreciation charge of right-of-use assets<sup>5</sup></b>		
Properties	(179)	(47)
<b>Total depreciation charge of right-of-use assets</b>	<b>(179)</b>	<b>(47)</b>

<sup>5</sup> Included in the line item 'Administrative expenses' in the Consolidated Statement of Comprehensive Income.

	UNAUDITED	UNAUDITED
	6 months ended 30 June 2023	6 months ended 30 June 2022
ALL VALUES IN \$000S		
<b>Interest cost<sup>6</sup></b>	<b>(4)</b>	<b>(8)</b>

<sup>6</sup> Included in the line item 'Interest expense and bank fees' in the Consolidated Statement of Comprehensive Income.

The total cash outflow for leases for the six months ended 30 June 2023 was \$57,000 (2022: \$57,000).

**5.6. Post settlement obligation of disposed property**

The Group settled on the sale of the Carlaw Park properties in November 2021 with a post settlement obligation to carry out the seismic works on the carpark building at the site. A reassessment of the seismic works was carried out during this reporting period, which resulted in seismic costs being higher than initially estimated at the date of sale. The additional estimated seismic costs of \$909,000 from the reassessment is presented in the Consolidated Statement of Comprehensive Income.

**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.

## NOTES TO THE INTERIM FINANCIAL STATEMENTS (continued)

FOR THE SIX MONTHS ENDED 30 JUNE 2023

### 5. OTHER (continued)

#### 5.8. Capital commitments

As at 30 June 2023, the Group had capital commitments totalling \$146,566,000 (31 December 2022: \$145,581,000) as follows:

		UNAUDITED	AUDITED
		30 June 2023	31 December 2022
ALL VALUES IN \$000S			
Address	Project		
3-5 Niall Burgess Road	Refurbishment	–	504
314 Neilson Street	Warehouse extension	–	1,383
54 Carbine & 6a Donnor Place	Office & amenities refurbishment and fire system upgrade	174	–
28 Paraita Road	Yard works	496	–
212 Cavendish Drive	Roof replacement	893	–
30-32 Bowden Road	Design and build (Green Star development)	62,331	67,884
78 Springs Road	Design and build (Green Star development)	82,672	75,810
<b>Total capital commitments</b>		<b>146,566</b>	<b>145,581</b>

#### 5.9. Subsequent events

On 20 July 2023, the Group announced the establishment of its \$150 million Green Loan tranches provided by ANZ, BNZ, CBA and Westpac to fund the Group's committed development projects. Following this establishment, the BNZ facility (also known as Syndicated Bank Facility C) expiring on 31 March 2025 has decreased from \$175 million to \$125 million. A General Security Deed in relation to the Group's bank facilities and fixed rate bonds was also entered into on the same day.

On 22 August 2023, the Directors of the Company approved the payment of a net dividend of 1.950000 cents per share to be paid on 7 September 2023. The gross dividend (2.307915 cents per share) carries imputation credits of 0.357915 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 2023 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 2023, and the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the six months ended on that date, and notes to the interim financial statements, which include 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 2023, and its financial performance and cash flows for the six months 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 interim 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. Other than in our capacity as auditor we have no relationship with, or interests in, the Group.

#### 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 interim 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:

Chartered Accountants

22 August 2023

Auckland



YOUR  
INDUSTRIAL  
PROPERTY  
EXPERTS

[www.propertyforindustry.co.nz](http://www.propertyforindustry.co.nz)

**Property for Industry Limited**  
Level 4, Hayman Kronfeld Building  
15 Galway Street,  
Auckland 1010

**PO Box 1147,**  
Shortland Street,  
Auckland 1140

**T** 09 303 9450  
**E** [info@propertyforindustry.co.nz](mailto:info@propertyforindustry.co.nz)