



Property
for
Industry
Limited
Group

Interim
Financial
Statements
30 June
2021



FINANCIAL STATEMENTS.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE SIX MONTHS ENDED 30 JUNE 2021

| ALL VALUES IN \$000S | NOTE | UNAUDITED | UNAUDITED |
|---|----------|--------------------------------|--------------------------------|
| | | 6 months ended 30 June 2021 | 6 months ended 30 June 2020 |
| INCOME | | | |
| Rental and management fee income | 2.3 | 52,721 | 48,026 |
| Fair value gain on investment properties and non-current assets classified as held for sale | 2.1, 2.2 | 248,196 | – |
| Fair value gain on derivative financial instruments | | 4,912 | – |
| Business interruption insurance income | 2.6 | 93 | 108 |
| Material damage insurance income | 2.6 | 540 | 2,320 |
| Total income | | 306,462 | 50,454 |
| EXPENSES | | | |
| Property costs | 2.4 | (7,976) | (8,185) |
| Interest expense and bank fees | | (9,149) | (9,250) |
| Administrative expenses | 5.1 | (3,357) | (2,701) |
| Loss on disposal of investment properties | | (4) | (14) |
| Fair value loss on investment properties and non-current assets classified as held for sale | 2.1, 2.2 | – | (7,803) |
| Fair value loss on derivative financial instruments | | – | (1,023) |
| Total expenses | | (20,486) | (28,976) |
| Profit before taxation | | 285,976 | 21,478 |
| Income tax expense | 5.2 | (12,434) | (5,829) |
| Profit and total comprehensive income after income tax attributable to the shareholders of the Company | 4.1 | 273,542 | 15,649 |
| Basic earnings per share (cents) | 4.1 | 54.46 | 3.14 |
| Diluted earnings per share (cents) | 4.1 | 54.45 | 3.14 |

The accompanying notes form part of these interim financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE SIX MONTHS ENDED 30 JUNE 2021

| | 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 2020 (audited) | – | 498,723,330 | 562,429 | 270 | 491,338 | 1,054,037 |
| Total comprehensive income | – | – | – | – | 15,649 | 15,649 |
| Dividends and reinvestment | | | | | | |
| Q4 2019 final dividend - 4/3/2020 | 2.15 | – | – | – | (10,724) | (10,724) |
| Q1 2020 interim dividend - 26/5/2020 | 1.80 | – | – | – | (8,978) | (8,978) |
| Q1 2020 dividend reinvestment | – | 1,086,032 | 2,555 | – | – | 2,555 |
| Long-term incentive plan | – | 45,352 | 155 | 47 | – | 202 |
| Balance as at 30 June 2020 (unaudited) | – | 499,854,714 | 565,139 | 317 | 487,285 | 1,052,741 |
| 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 |

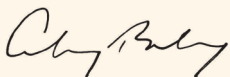
The accompanying notes form part of these interim financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 30 JUNE 2021

| ALL VALUES IN \$000S | NOTE | UNAUDITED | AUDITED |
|---|------|------------------|------------------|
| | | 30 June 2021 | 31 December 2020 |
| CURRENT ASSETS | | | |
| Cash at bank | | 1,280 | 1,414 |
| Accounts receivable, prepayments and other assets | | 3,085 | 5,397 |
| Total current assets | | 4,365 | 6,811 |
| NON-CURRENT ASSETS | | | |
| Investment properties | 2.1 | 1,915,315 | 1,524,785 |
| Property, plant and equipment | | 495 | 561 |
| Derivative financial instruments | 3.2 | 14,553 | 19,415 |
| Goodwill | | 29,086 | 29,086 |
| Total non-current assets | | 1,959,449 | 1,573,847 |
| Non-current assets classified as held for sale | 2.2 | 110,000 | 106,701 |
| Total assets | | 2,073,814 | 1,687,359 |
| CURRENT LIABILITIES | | | |
| Derivative financial instruments | 3.2 | 506 | 340 |
| Accounts payable, accruals and other liabilities | 2.7 | 22,032 | 9,152 |
| Taxation payable | | 6,078 | 3,252 |
| Total current liabilities | | 28,616 | 12,744 |
| NON-CURRENT LIABILITIES | | | |
| Borrowings | 3.1 | 602,976 | 487,649 |
| Derivative financial instruments | 3.2 | 15,102 | 25,041 |
| Deferred tax liabilities | 5.2 | 31,309 | 25,160 |
| Lease liabilities | 5.4 | 104 | 152 |
| Total non-current liabilities | | 649,491 | 538,002 |
| Total liabilities | | 678,107 | 550,746 |
| Net assets | 4.2 | 1,395,707 | 1,136,613 |
| EQUITY | | | |
| Share capital | | 575,170 | 569,169 |
| Share-based payments reserve | | 491 | 615 |
| Retained earnings | | 820,046 | 566,829 |
| Total equity | | 1,395,707 | 1,136,613 |

These interim financial statements are signed on behalf of Property for Industry Limited and were authorised for issue on 20 August 2021.



Anthony Beverley
Chairman



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 2021

| | NOTE | UNAUDITED | UNAUDITED |
|---|------|--------------------------------|--------------------------------|
| | | 6 months ended 30 June 2021 | 6 months ended 30 June 2020 |
| ALL VALUES IN \$000S | | | |
| CASH FLOWS FROM OPERATING ACTIVITIES | | | |
| Property and management fee income received | | 61,806 | 46,342 |
| Business interruption insurance income | 2.6 | 103 | 108 |
| Net goods and services tax paid | | (489) | (890) |
| Interest received | | – | 2 |
| Interest and other finance costs paid | | (9,135) | (9,221) |
| Payments to suppliers and employees | | (8,867) | (7,374) |
| Income tax paid | | (3,398) | (16,337) |
| Net cash flows from operating activities | | 40,020 | 12,630 |
| CASH FLOWS FROM INVESTING ACTIVITIES | | | |
| Proceeds from sale of investment properties | | 9,293 | 6,865 |
| Acquisition of investment properties | 2.1 | (138,315) | – |
| Acquisition of property, plant and equipment | | (20) | (26) |
| Expenditure on investment properties | | (12,277) | (9,278) |
| Capitalisation of interest on development properties | 2.1 | (341) | (38) |
| Material damage insurance income | 2.6 | 540 | 2,320 |
| Net cash flows from investing activities | | (141,120) | (157) |
| CASH FLOWS FROM FINANCING ACTIVITIES | | | |
| Net proceeds from / (repayment of) syndicated bank facility | | 90,523 | (43,296) |
| Net proceeds from bilateral CBA bank facility | | 25,000 | 50,000 |
| Principal elements of finance lease payments | | (56) | (55) |
| Dividends paid to shareholders net of reinvestments | | (14,501) | (17,147) |
| Net cash flows from financing activities | | 100,966 | (10,498) |
| Net (decrease) / increase in cash and cash equivalents | | (134) | 1,975 |
| Cash and cash equivalents at beginning of period | | 1,414 | 1,185 |
| Cash and cash equivalents at end of period | | 1,280 | 3,160 |

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 | 7 |
| 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 |
| 1.6 Definitions | |
| 2. PROPERTY | 8 |
| 2.1 Investment properties | 8 |
| 2.2 Non-current assets classified as held for sale | 9 |
| 2.3 Rental and management fee income | 9 |
| 2.4 Property costs | 10 |
| 2.5 Net rental income | 10 |
| 2.6 Insurance income | 10 |
| 2.7 Accounts payable, accruals and other liabilities | 10 |
| 3. FUNDING | 11 |
| 3.1 Borrowings | 11 |
| 3.2 Derivative financial instruments | 12 |
| 4. INVESTOR RETURNS AND INVESTMENT METRICS | 13 |
| 4.1 Earnings per share | 13 |
| 4.2 Net tangible assets per share | 13 |
| 5. OTHER | 14 |
| 5.1 Administrative expenses | 14 |
| 5.2 Taxation | 15 |
| 5.3 Related party transactions | 16 |
| 5.4 Leases | 17 |
| 5.5 Operating segments | 18 |
| 5.6 Capital commitments | 18 |
| 5.7 Subsequent events | 18 |

NOTES TO THE INTERIM FINANCIAL STATEMENTS (continued)

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 NZ IAS 34 'Interim Financial Reporting' and IAS 34 'Interim Financial Reporting'.

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 2020 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. 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 2020.

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 2020.

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 29 January 2021, the Group settled the acquisition of the properties located at 670-680 Rosebank Road, Avondale, for a net purchase price of \$39.00 million.

On 10 February 2021, the Group announced the divestment of Carlaw Gateway Building and Carlaw Park Office Complex, Parnell for a contracted gross sales price of \$110.00 million. These properties are classified as non-current assets classified as held for sale in these financial statements.

On 30 April 2021, the Group settled the disposal of a non-current asset classified as held for sale located at 127 Waterloo Road, Christchurch for a gross sales price of \$4.41 million.

On 6 May 2021, the Group announced an agreement to purchase the property located at 44 Noel Burnside Road, Wiri, for a net purchase price of \$91.68 million. Settlement of this acquisition took place on 27 May 2021.

Bilateral bank facility

On 16 April 2021, the Group extended the expiry date of its bilateral bank facility provided by Commonwealth Bank of Australia (CBA) out to 16 April 2028 and increased it to \$125 million. A bilateral bank facility is a facility agreement between a single lender (a bank) and a single borrower (a corporate customer).

1.6. Definitions

The COVID-19 global pandemic

In March 2020, the World Health Organisation designated COVID-19 to be a 'Global Pandemic' (the COVID-19 pandemic), threatening the health and well-being of large numbers of people across multiple countries. The COVID-19 pandemic has caused varying levels of societal uncertainty. New Zealand experienced a nationwide 'Alert Level 4' lockdown in March-April 2020, with the Auckland region required to undertake two further 'Alert Level 3' lockdowns in August 2020 and February-March 2021 due to the re-emergence of the virus in the community. As noted in note 5.7, on 17 August 2021, New Zealand moved back to 'Alert Level 4' due to the re-emergence once again of the virus in the community. However, the impact of the COVID-19 pandemic has been immaterial on the reporting period.

NOTES TO THE INTERIM FINANCIAL STATEMENTS (continued)

FOR THE SIX MONTHS ENDED 30 JUNE 2021

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

| | UNAUDITED | AUDITED |
|--|--------------------------------|-------------------------------------|
| | 6 months ended 30 June 2021 | 12 months ended 31 December 2020 |
| ALL VALUES IN \$000S | | |
| Opening balance | 1,524,785 | 1,469,285 |
| Capital movements: | | |
| Additions | 138,315 | 65,148 |
| Disposals | – | – |
| Transfer to non-current assets classified as held for sale | – | (106,701) |
| Capital expenditure | 10,633 | 18,976 |
| Capitalised interest | 341 | 199 |
| Movement in lease incentives, fees and fixed rental income | 918 | 5,332 |
| | 150,207 | (17,046) |
| Unrealised fair value gain (i) | 240,323 | 72,546 |
| Closing balance¹ | 1,915,315 | 1,524,785 |

¹ Included in the 2021 balance is a right-of-use asset of \$4.00 million (2020: \$3.75 million) primarily in relation to a ground lease, with an associated immaterial lease liability. Also included in the balance is \$7.37 million in prepaid rent (2020: NIL), with an associated liability of equal amount (within accounts payable, accruals and other liabilities).

(i) Valuation

All investment properties were valued by independent valuers as at 31 December 2020. The Board determined that a desktop review of the property portfolio should be undertaken by CB Richard Ellis (CBRE), Colliers International (Colliers), Jones Lang LaSalle (JLL) or Savills as at 30 June 2021 to determine the current valuation of each property in the portfolio. Following this desktop review, and due to the significant number of properties subject to a change of plus or minus 5% of the market value assessed in the asset valuation as at the prior year end, the Board determined that full independent valuations were appropriate for the whole property portfolio as at 30 June 2021, with the exception of Carlaw Park as noted below. The acquisition of the property located at 44 Noel Burnside Road, Wiri, settled on 27 May 2021 and as such the Board determined that the acquisition valuation of \$91.68 million remained the best estimate of fair value at period end.

As a result of the independent valuations, and the revaluation gain recorded when revaluing the Carlaw Gateway Building and Carlaw Park Office Complex (recorded as non-current assets classified as held for sale) based on the actual contracted sales price, the unrealised net movement in the value of investment properties for the six months ended 30 June 2021 was a gain of \$248,196,000 (six months ended 30 June 2020: loss of \$7,803,000). The portfolio will next be revalued by independent valuers as at 31 December 2021.

NOTES TO THE INTERIM FINANCIAL STATEMENTS (continued)

FOR THE SIX MONTHS ENDED 30 JUNE 2021

2. PROPERTY (continued)

2.2. Non-current assets classified as held for sale

| | UNAUDITED | AUDITED |
|---|----------------|------------------|
| ALL VALUES IN \$000S | 30 June 2021 | 31 December 2020 |
| 127 Waterloo Road, Christchurch | – | 4,301 |
| Carlaw Park Office Complex ¹ | 77,118 | 72,300 |
| Carlaw Park Gateway Building ¹ | 32,882 | 30,100 |
| Total non-current assets classified as held for sale | 110,000 | 106,701 |

1 A combined revaluation gain of \$7,873,000 was recorded when revaluing the Carlaw Gateway Building and Carlaw Park Office Complex based on the actual contracted sales price of \$110,000,000 (2020: a revaluation loss of \$40,000 recorded on transferring 127 Waterloo Road to non-current assets classified as held for sale).

On 18 February 2019, the Group announced its strategy of replacing its non-industrial assets with quality industrial properties in sought-after areas, either via acquisitions or by value-add strategies within the existing portfolio. As at 30 June 2021, however, the non-industrial property within investment properties - Shed 22, 23 Cable Street (valued at \$11.35 million) - cannot be classified as a non-current asset classified as held for sale as it does not meet the defined requirements. These requirements are that the asset is available for immediate sale in its present condition, the appropriate level of management are committed to a plan to sell the asset, an active programme to locate a buyer has been initiated, the asset must be actively marketed for sale at a reasonable price, and the sale should be expected to qualify for recognition as a completed sale within one year from the date of classification.

2.3. Rental and management fee income

| | UNAUDITED | UNAUDITED |
|--|--------------------------------|--------------------------------|
| ALL VALUES IN \$000S | 6 months ended 30 June 2021 | 6 months ended 30 June 2020 |
| Gross rental receipts | 45,362 | 38,965 |
| Service charge income recovered from tenants | 6,449 | 6,101 |
| Fixed rental income adjustments | 826 | 999 |
| Capitalised lease incentive adjustments | (200) | 645 |
| Impact of rental income deferred and abated due to the COVID-19 pandemic | (57) | 984 |
| Management fee income | 341 | 332 |
| Total rental and management fee income | 52,721 | 48,026 |

NOTES TO THE INTERIM FINANCIAL STATEMENTS (continued)

FOR THE SIX MONTHS ENDED 30 JUNE 2021

2. PROPERTY (continued)**2.4. Property costs**

| | UNAUDITED | UNAUDITED |
|--|--------------------------------|--------------------------------|
| | 6 months ended 30 June 2021 | 6 months ended 30 June 2020 |
| ALL VALUES IN \$000S | | |
| Service charge expenses | (6,449) | (6,101) |
| Bad and doubtful debts recovery / (expense) ¹ | 149 | (410) |
| Other non-recoverable property costs | (1,676) | (1,674) |
| Total property costs | (7,976) | (8,185) |

1 Included in the 2021 balance is an \$84,000 recovery (2020: \$184,000 expense) specifically relating to COVID-19 rent deferrals provided and NIL (2020: \$86,000 expense) relating to tenants adversely affected by COVID-19.

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

2.5. Net rental income

| | UNAUDITED | UNAUDITED |
|--|--------------------------------|--------------------------------|
| | 6 months ended 30 June 2021 | 6 months ended 30 June 2020 |
| ALL VALUES IN \$000S | | |
| Gross rental receipts | 45,362 | 38,963 |
| Service charge income recovered from tenants | 6,449 | 6,101 |
| Fixed rental income adjustments | 826 | 999 |
| Capitalised lease incentive adjustments | (200) | 645 |
| Impact of rental income deferred and abated due to the COVID-19 pandemic | (57) | 984 |
| less: Service charge expenses | (6,449) | (6,101) |
| Net rental income | 45,932 | 41,591 |

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. Further insurance proceeds are expected to be received and recognised in subsequent periods.

2.7. Accounts payable, accruals and other liabilities

| | UNAUDITED | AUDITED |
|---|---------------|------------------|
| | 30 June 2021 | 31 December 2020 |
| ALL VALUES IN \$000S | | |
| Trade creditors and retentions | 3,645 | 1,441 |
| Accruals | 3,468 | 4,188 |
| Deposits and bonds from tenants ² | 13,630 | 2,213 |
| Operating expense accounts ³ | 463 | – |
| Other | 826 | 1,310 |
| Total accounts payable, accruals and other liabilities | 22,032 | 9,152 |

2 The increase in this balance is driven by \$7.37 million in prepaid rent relating to the acquisition of 44 Noel Burnside Road, Wiri and \$5.00 million received in deposits relating to the divestment of Carlaw Park, Parnell.

3 As at 31 December 2020 the balance of the operating expense accounts was an asset and was therefore classified as 'Accounts receivable, prepayments and other assets'.

NOTES TO THE INTERIM FINANCIAL STATEMENTS (continued)

FOR THE SIX MONTHS ENDED 30 JUNE 2021

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 2021 | 31 December 2020 |
| Bilateral CBA bank facility drawn down - non-current | 125,000 | 100,000 |
| Syndicated bank facility drawn down - non-current | 280,400 | 189,877 |
| Fixed rate bonds - non-current | 200,000 | 200,000 |
| Unamortised borrowings establishment costs | (2,424) | (2,228) |
| Net borrowings | 602,976 | 487,649 |
| Weighted average interest rate for drawn debt (inclusive of current interest rate swaps, margins and line fees) | 3.40% | 3.75% |
| Weighted average term to maturity (years) | 3.47 | 2.82 |

(ii) Composition of borrowings

| ALL VALUES IN \$000S AS AT 30 JUNE 2021 | UNAUDITED | | | | | |
|--|------------|---------------|---------------|-------------------------|------------------|----------------|
| | Issue Date | Maturity Date | Interest Rate | Facility drawn / amount | Undrawn facility | Fair Value |
| Syndicated Bank Facility A | – | 4-Nov-22 | Floating | 150,000 | – | 150,000 |
| Syndicated Bank Facility B | – | 4-Nov-23 | Floating | 130,400 | 19,600 | 130,400 |
| PFI010 | 28-Nov-17 | 28-Nov-24 | 4.59% | 100,000 | – | 110,163 |
| PFI020 | 1-Oct-18 | 1-Oct-25 | 4.25% | 100,000 | – | 108,349 |
| Bilateral CBA Bank Facility | – | 16-Apr-28 | Floating | 125,000 | – | 125,000 |
| Total borrowings | | | | 605,400 | 19,600 | 623,912 |

| ALL VALUES IN \$000S AS AT 31 DECEMBER 2020 | AUDITED | | | | | |
|--|------------|---------------|---------------|-------------------------|------------------|----------------|
| | Issue Date | Maturity Date | Interest Rate | Facility drawn / amount | Undrawn facility | Fair Value |
| Bilateral CBA Bank Facility | – | 19-Mar-22 | Floating | 100,000 | – | 100,000 |
| Syndicated Bank Facility A | – | 4-Nov-22 | Floating | 150,000 | – | 150,000 |
| Syndicated Bank Facility B | – | 4-Nov-23 | Floating | 39,877 | 110,123 | 39,877 |
| PFI010 | 28-Nov-17 | 28-Nov-24 | 4.59% | 100,000 | – | 111,015 |
| PFI020 | 1-Oct-18 | 1-Oct-25 | 4.25% | 100,000 | – | 110,486 |
| Total borrowings | | | | 489,877 | 110,123 | 511,378 |

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. In addition, the long-term bilateral facility with CBA was increased to \$125,000,000 during the period, extending the expiry date from 19 March 2022 to 16 April 2028. 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.

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 (2020: 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.

NOTES TO THE INTERIM FINANCIAL STATEMENTS (continued)

FOR THE SIX MONTHS ENDED 30 JUNE 2021

3. FUNDING (continued)**3.1. Borrowings** (continued)**(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 \$1,250,000,000 (31 December 2020: \$1,200,000,000). 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**

| ALL VALUES IN \$000S | UNAUDITED | AUDITED |
|-------------------------|----------------|------------------|
| | 30 June 2021 | 31 December 2020 |
| Non-current assets | 14,553 | 19,415 |
| Current liabilities | (506) | (340) |
| Non-current liabilities | (15,102) | (25,041) |
| Total | (1,055) | (5,966) |

(ii) Notional values, maturities and interest rates

| | UNAUDITED | AUDITED |
|---|----------------|------------------|
| | 30 June 2021 | 31 December 2020 |
| Notional value of interest rate swaps - fixed rate payer - start dates commenced (\$000s) | 365,000 | 295,000 |
| 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) | 90,000 | 110,000 |
| Total (\$000s) | 655,000 | 605,000 |
| Percentage of borrowings fixed (%) | 60% | 60% |
| Fixed rate payer swaps: | | |
| Average period to expiry - start dates commenced (years) | 3.46 | 3.06 |
| Average period to expiry - forward starting (years from commencement) | 4.00 | 3.73 |
| Average (years) | 3.56 | 3.24 |
| Fixed rate payer swaps: | | |
| Average interest rate ² - start dates commenced (%) | 2.61% | 3.07% |
| Average interest rate ² - forward starting (% during effective period) | 2.78% | 3.09% |
| Average (%) | 2.64% | 3.07% |

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.

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 2020: 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 2021 of between 0.35% for the 90 day BKBM (31 December 2020: 0.27%) and 1.88% for the 10 year swap rate (31 December 2020: 0.99%). 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 2021

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 2021 | 6 months ended 30 June 2020 |
| Total comprehensive income for the period attributable to the shareholders of the Company (\$000s) | 273,542 | 15,649 |
| Weighted average number of ordinary shares (shares) | 502,300,565 | 498,956,350 |
| Basic earnings per share (cents) | 54.46 | 3.14 |

(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 93,087 (30 June 2020: 50,931) rights issued under the Group's LTI Plan as at 30 June 2021. This adjustment has been calculated using the treasury share method.

| | UNAUDITED | UNAUDITED |
|--|--------------------------------|--------------------------------|
| | 6 months ended 30 June 2021 | 6 months ended 30 June 2020 |
| Total comprehensive income for the period attributable to the shareholders of the Company (\$000s) | 273,542 | 15,649 |
| Weighted average number of shares for purpose of diluted earnings per share (shares) | 502,393,652 | 499,007,281 |
| Diluted earnings per share (cents) | 54.45 | 3.14 |

4.2. Net tangible assets per share

| | UNAUDITED | AUDITED | UNAUDITED |
|--|--------------|------------------|--------------|
| | 30 June 2021 | 31 December 2020 | 30 June 2020 |
| Net assets (\$000s) | 1,395,707 | 1,136,613 | 1,052,741 |
| Less: Goodwill (\$000s) | (29,086) | (29,086) | (29,086) |
| Net tangible assets (\$000s) | 1,366,621 | 1,107,527 | 1,023,655 |
| Closing shares on issue (shares) | 503,478,807 | 501,302,888 | 499,854,714 |
| Net tangible assets per share (cents) | 271 | 221 | 205 |

NOTES TO THE INTERIM FINANCIAL STATEMENTS (continued)

FOR THE SIX MONTHS ENDED 30 JUNE 2021

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 2021 | 6 months ended 30 June 2020 |
| ALL VALUES IN \$000S | | |
| Audit fees and other fees paid to auditors | 63 | 57 |
| Employee expense | 1,927 | 1,546 |
| Directors' fees | 264 | 290 |
| Office expenses | 468 | 309 |
| Depreciation | 91 | 84 |
| Other expenses | 544 | 415 |
| Total administrative expenses | 3,357 | 2,701 |

NOTES TO THE INTERIM FINANCIAL STATEMENTS (continued)

FOR THE SIX MONTHS ENDED 30 JUNE 2021

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 2021 | 6 months ended 30 June 2020 |
| ALL VALUES IN \$000S | | |
| Profit before income tax | 285,976 | 21,478 |
| Prima facie income tax calculated at 28% | (80,073) | (6,014) |
| <i>Adjusted for:</i> | | |
| Non-tax deductible revenue and expenses | 140 | (75) |
| Fair value gain / (loss) on investment properties | 69,495 | (2,185) |
| Loss on disposal of investment properties | (1) | (4) |
| Depreciation ¹ | 2,186 | 2,177 |
| Disposal of depreciable assets | (210) | – |
| Deductible capital expenditure | 441 | 1,143 |
| Lease incentives, fees and fixed rental income | 351 | 380 |
| Derivative financial instruments | 1,375 | (286) |
| Impairment gains / (allowance) | 42 | (115) |
| Current tax prior period adjustment | 157 | 8 |
| Other | (127) | 275 |
| Current taxation expense | (6,224) | (4,696) |
| Depreciation | (4,530) | (877) |
| Lease incentives, fees and fixed rental income | (204) | (410) |
| Derivative financial instruments | (1,376) | 286 |
| Impairment (allowance) / gains | (42) | 63 |
| Other | (58) | (195) |
| Deferred taxation expense | (6,210) | (1,133) |
| Total taxation reported in Consolidated Statement of Comprehensive Income | (12,434) | (5,829) |

1 As part of the assistance package offered by the Government on 25 March 2020 due to the impact of the COVID-19 pandemic, depreciation allowances were re-introduced for commercial building structure effective from 1 April 2020, backdated to 1 January 2020, and this has been reflected in the table above.

NOTES TO THE INTERIM FINANCIAL STATEMENTS (continued)

FOR THE SIX MONTHS ENDED 30 JUNE 2021

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

| | AUDITED | UNAUDITED | UNAUDITED |
|---------------------------------------|---------------------------|--|-----------------------|
| | 31 December 2020 As at | 6 months ended 30 June 2021 Recognised in profit | 30 June 2021 As at |
| ALL VALUES IN \$000S | | | |
| Deferred tax assets | | | |
| Derivative financial instruments | (1,671) | 1,376 | (295) |
| Impairment gains | (126) | 42 | (84) |
| Other | (60) | (3) | (63) |
| Gross deferred tax assets | (1,857) | 1,415 | (442) |
| Deferred tax liabilities | | | |
| Investment properties | 27,017 | 4,734 | 31,751 |
| Gross deferred tax liabilities | 27,017 | 4,734 | 31,751 |
| Share-based payment reserve | – | 61 | – |
| Net deferred tax liability | 25,160 | 6,210 | 31,309 |

5.3. Related party transactions

The Group has related party relationships with the following parties:

| Related party | Abbreviation | Nature of relationship(s) |
|--------------------------------|--------------|--|
| Commonwealth Bank of Australia | CBA | Susan Peterson, a member of the Board of Directors, was also a Director of ASB Bank Limited (ASB), a 100% subsidiary of CBA, however she resigned from this position effective 30 June 2020. |
| The Board of Directors | Directors | The Board of Directors. |

The following transactions with related parties took place:

| | | UNAUDITED | UNAUDITED |
|---|---------------|--------------------------------|--------------------------------|
| | Related party | 6 months ended 30 June 2021 | 6 months ended 30 June 2020 |
| ALL VALUES IN \$000S | | | |
| Directors' fees - annual fees | Directors | 264 | 290 |
| Related party debts written off or forgiven | – | – | – |
| Interest expense and bank fees incurred | CBA | N/A | (1,082) |
| Interest income received | CBA | N/A | 482 |

NOTES TO THE INTERIM FINANCIAL STATEMENTS (continued)

FOR THE SIX MONTHS ENDED 30 JUNE 2021

5. OTHER (continued)

5.3. Related party transactions (continued)

The following positions were held with related parties:

| ALL VALUES IN \$000S | Related party | UNAUDITED | UNAUDITED |
|---|---------------|--------------|--------------|
| | | 30 June 2021 | 30 June 2020 |
| Amounts owing | CBA | N/A | (274) |
| Amounts owed | CBA | N/A | 116 |
| Bank facility provided | CBA | N/A | 125,000 |
| Bank facility drawn | CBA | N/A | 93,070 |
| Notional value of interest rate swaps: | | | |
| Current fixed rate payer swaps | CBA | N/A | 60,000 |
| Forward starting fixed rate payer swaps | CBA | N/A | 50,000 |
| Current fixed rate receiver swaps | CBA | N/A | 50,000 |

| NUMBER | Related party | UNAUDITED | AUDITED |
|--|---------------|--------------|------------------|
| | | 30 June 2021 | 31 December 2020 |
| Shares held beneficially in the company (number) | Directors | 194,133 | 193,868 |

5.4. 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 2021 | 31 December 2020 |
| Right-of-use assets¹ | | |
| Properties | 183 | 229 |
| Total right-of-use assets | 183 | 229 |

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 2021 financial year were NIL (year ending 31 December 2020: \$6,000).

| ALL VALUES IN \$000S | 30 June 2021 | 31 December 2020 |
|--------------------------------|--------------------------|------------------|
| | Lease liabilities | |
| Current ² | 96 | 93 |
| Non-current ³ | 104 | 152 |
| Total lease liabilities | 200 | 245 |

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.

NOTES TO THE INTERIM FINANCIAL STATEMENTS (continued)

FOR THE SIX MONTHS ENDED 30 JUNE 2021

5. OTHER (continued)**5.4. 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:

| ALL VALUES IN \$000S | UNAUDITED | UNAUDITED |
|---|--------------------------------|--------------------------------|
| | 6 months ended 30 June 2021 | 6 months ended 30 June 2020 |
| Depreciation charge of right-of-use assets⁴ | | |
| Properties | (51) | (45) |
| Total depreciation charge of right-of-use assets | (51) | (45) |

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

| ALL VALUES IN \$000S | UNAUDITED | UNAUDITED |
|----------------------------------|--------------------------------|--------------------------------|
| | 6 months ended 30 June 2021 | 6 months ended 30 June 2020 |
| Interest cost⁵ | (11) | (13) |

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 2021 was \$56,000 (2020: \$55,000).

5.5. 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.

5.6. Capital commitments

As at 30 June 2021, the Group had capital commitments totalling \$7,972,000 (31 December 2020: \$58,754,000) as follows:

| ALL VALUES IN \$000S | | 30 June 2021 | 31 December 2020 |
|----------------------------------|--|--------------|------------------|
| Address | Project | | |
| 314 Neilson Street | Design and build | – | 334 |
| 47 Dalgety Drive | Design and build | 4,634 | 6,311 |
| 59 Dalgety Drive | Refurbishment | – | 1,993 |
| 25 Langley Road | Acquisition of warehouse on completion of construction | – | 7,532 |
| 124 Hewletts Road | Refurbishment | 1,227 | 3,318 |
| Shed 22, 23 Cable Street | Seismic works | 2,111 | 2,266 |
| 670-680 Rosebank Road | Acquisition (net of deposit paid) | – | 37,000 |
| Total capital commitments | | 7,972 | 58,754 |

5.7. Subsequent events

On 2 July 2021, the Group announced that it had refinanced its \$300 million syndicated bank facility, extending the expiry dates by approximately two years and eight months, from 4 November 2022 and 2023, to 2 July 2025 and 2026. The Group also increased its facilities by a further \$100 million with a two-year loan facility from BNZ, expiring on 2 July 2023.

On 17 August 2021, all regions in New Zealand, except for the Auckland and Coromandel regions, moved to Alert Level 4 for a period of three days (Auckland and Coromandel regions: seven days) in response to several cases of the COVID-19 virus in the community, following an extended period with no cases. At this stage the impact is unknown.

On 20 August 2021, the Directors of the Company approved the payment of a net dividend of 1.800000 cents per share to be paid on 7 September 2021. The gross dividend (2.408840 cents per share) carries imputation credits of 0.608840 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 2021 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 2021, 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 2021, 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 responsibility is further described in the *Auditor's responsibility 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.

Directors' responsibility 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 interim financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility 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 to the Company's Shareholders 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 Company's 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

20 August 2021

Auckland



Property for Industry Limited
Shed 24,
Prince's Wharf,
147 Quay Street,
Auckland 1010

PO Box 1147,
Shortland Street,
Auckland 1140

T 09 303 9450

E info@propertyforindustry.co.nz

www.propertyforindustry.co.nz