



**YOUR
INDUSTRIAL
PROPERTY
EXPERTS**

Annual
Report
30
June

**20
24**

PROPERTY FOR INDUSTRY LIMITED

**2024
REVIEW**

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**DELIVERING TODAY,
INVESTING FOR**

TOMORROW



LOOKING

We invest for the long-term, combining our capital and specialist industry capability to deliver strong, stable returns.

Market conditions may be subdued, but we're committed to a thriving and resilient industrial property sector. Every day we're making decisions that get all of us ready for a better tomorrow – from best-in-class 5 Green Star rating buildings to helping tenants fulfil their sustainability aspirations.

By leasing from us, our tenants free up their capital to make operational efficiencies. And by leveraging our knowledge, experience, connections and capability, they can create effective and productive workspaces that grow their competitive advantage.

With more than 90 quality properties, worth over \$2 billion, our well diversified portfolio focuses on strategic locations that represent significant and sustainable growth opportunities.

Today and in the years ahead.

FORWARD

PLEASE NOTE

The results presented are for the six-month period from 1 January to 30 June 2024 (referred to as Financial Period 24, or FP24). FP24 is a six-month "full year" financial period, as opposed to the usual 12-month "full year" financial period presented in an annual report, due to the change in PFI and its

subsidiaries' balance date from 31 December to 30 June. The financial statements for FP24 have been prepared in accordance with Generally Accepted Accounting Practice in New Zealand and the New Zealand Equivalents to International Financial Reporting Standards, which require a

comparative period of 12-months to 31 December 2023. In order to provide a useful basis for comparison, throughout this document the results for FP24 have been compared to the unaudited interim six-month results from 1 January to 30 June 2023, unless otherwise noted.

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2024 REVIEW
BUSINESS PERFORMANCE

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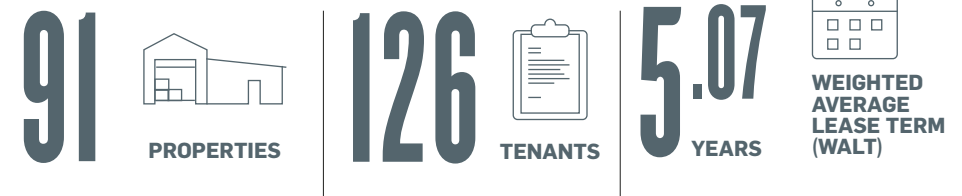
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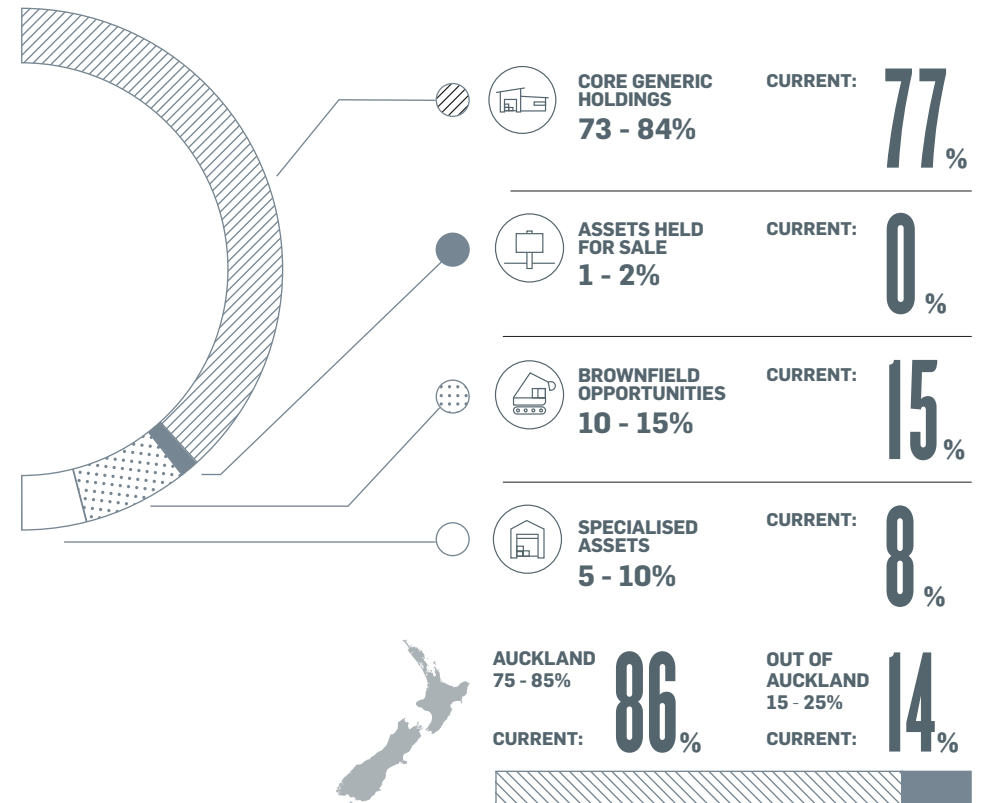
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HARD WORKING

PORTFOLIO:



ALLOCATION



BUSINESS PERFORMANCE CONTINUED

PERFORMANCE:

<p>5.03 CPS FUNDS FROM OPERATIONS</p>	<p>4.58 CPS ADJUSTED FUNDS FROM OPERATIONS</p>	<p>4.15 CPS DIVIDENDS DECLARED</p>
<p>32.9% GEARING</p>	<p>\$99.7M CONTRACT RENT</p>	<p>5.14% PASSING YIELD</p>
<p>~16% UNDER-RENTING</p>	<p>\$2,050.5M CURRENT PORTFOLIO VALUATION</p>	
<p>80,000 SQM LEASING ACTIVITY</p>		

SUSTAINABILITY:

<p> SIGNIFICANT NEW BUILDINGS TARGETING MINIMUM 5 GREEN STAR CERTIFICATION</p>	<p> POWER METERING AND MONITORING INSTALLED AT 63% OF PROPERTIES</p>
<p> SOLAR SYSTEMS INSTALLED AT FIVE BUILDINGS</p>	<p> CLIMATE-RELATED DISCLOSURES REPORT PUBLISHED APRIL 2024</p>

Tokyo Food,
Bowden Road.

BUSINESS REVIEW



PFI has continued to deliver consistent dividend returns to shareholders despite the challenging economic environment. Portfolio valuations appear to have largely stabilised, with only a small movement as a result of independent valuations, while leasing transactions continued to provide strong outcomes, growing income.

Over time, capturing significant under-renting – the difference between market and contracted rents – will provide ongoing increases in cashflow. An interest rate environment that is forecast to improve is grounds for optimism in terms of containing costs, while our development pipeline has continued on track and to budget.

As a listed, internally managed, pure-play industrial platform, our view is long-term. Our well diversified, high-quality industrial property portfolio includes a mix of new builds and existing stock, and our green and brownfield opportunities across multiple, attractive industrial sites give us a scale pipeline of attractive developments over the coming years.

While our existing core holdings continue to account for just under 80% of our portfolio allocation, Stage 1 at Bowden Road, Mount Wellington achieved practical completion on time and on budget at the end of June 2024, with Stage 2 at Bowden Road and Stage 1 at Springs Road, East Tamaki expected to complete on time and on budget this calendar year. Combined, these projects will deliver almost 55,000 square metres of new, core, sustainable assets.

Enhancing our internal capabilities will continue to de-risk our business, increase our capacity and capability for growth, and build trust and credibility in our brand.



Our strong leasing outcomes continue to generate cashflow and maintain stability, with our portfolio performing strongly over the first six months of the calendar year.”

SIMON WOODHAMS
Chief Executive Officer

HEALTHY CASHFLOW, STABLE RESULTS

Capacity for rent growth

Our strong leasing outcomes continue to generate cashflow and maintain stability, with our portfolio performing strongly over the first six months of the calendar year.

During the first half of 2024, we reviewed \$36.3m of contract rent, resulting in an average annualised uplift of 5.7%. In the same period, 11.6% of contract rent was leased. \$2.1 million of the contract rent secured related to newly acquired or developed properties, with the rest relating to the stabilised portfolio. Of the \$9.5 million of stabilised contract rent secured, rents were settled on \$5.9 million at 25.3% above previous contract rents. The remaining stabilised contract rent is subject to market reviews on renewal or commencement date, and those renewals are ~17% under-rented at June 2024.

Further, an independent assessment of our full portfolio indicated our properties are ~16% under-rented, providing further opportunity for significant future growth in rents.

While vacancies for industrial property in the Auckland market have begun to rise slightly, weakening demand is expected to be somewhat mitigated by high levels of new supply already being pre-committed.

A pleasing result

Property valuations appear to have stabilised, with a write-down from independent valuations of \$4.2 million or 0.2% over the last six months.

That small write down, offset by strong operating cashflows, contributed to a profit after tax of \$21.2 million. Funds From Operations or FFO increased by 2.2% as compared with H1 2023 to 5.03 cents per share, and Adjusted Funds from Operations or AFFO reduced slightly

by 0.9% to 4.58 cents per share, representing a pleasing result given the overall operating environment.

Our net tangible assets or NTA at 30 June 2024 is largely unchanged since the beginning of the period at \$2.71 per share. Gearing rose slightly over the first half of the year to 32.9% as we continued to invest in our development projects, but remains at a level we consider comfortable.

Our strategy to achieve the best use of our capital is to prioritise value-creating opportunities with the potential to increase shareholder returns beyond current levels, and closely align the financing of our investments with our sustainability objectives.

Our investments in the regeneration of Bowden and Springs Roads are on track, with in excess of \$43 million deployed during the first six months of the calendar year on these projects targeting 5 Green Star ratings. A further \$33 million will be deployed towards these projects before the end of 2025, with the remaining work on both expected to be completed on time and on budget.

Disciplined control of our borrowings

We continue to have good access to debt capital, with more than \$200 million of undrawn bank facilities at the end of June 2024, and further liquidity added following a second drawdown on our Prioca shelf facility and the refinancing of our banking syndicate post balance date.

During the financial period, we established a \$50 million seven-year facility with the Commonwealth Bank of Australia, and at the same time we reduced a shorter-term Bank of New Zealand facility by the same amount. \$29.4 million of divestments were also settled during the period, with proceeds recycled into current brownfield redevelopment projects.

BUSINESS REVIEW CONTINUED

Post balance date, we made a number of changes to our facilities, including arranging \$75 million of new money. As a result of those changes, the Company's \$975 million of facilities have a weighted average term to expiry in excess of three and a half years, and our gearing, hedging and liquidity provide the ability to execute on our near-term development pipeline despite upcoming bond maturities.

Changes to the Board

As signalled in our December 2023 annual report, a number of changes to the Board also took place during the first half of the calendar year, including the appointment of Dean Bracewell as Board Chair. Previous Board Chair Anthony Beverley remains on the Board as an Independent Director, while Gregory Reidy retired from the Board, and Jeremy Simpson joined as a new Independent Director.

Post balance date, Jeremy joined PFI's Audit and Risk Committee, and David Thomson stepped down from this committee to focus on his role as People Committee Chair.

These changes are all part of the PFI Board's ongoing succession plans, which seek to balance technical and specialist governance skills, while at the same time maintaining a Board with strong, practical, commercial capability and a diversity of experience.

Looking forward

Overall, we are pleased with our performance for the first six months of 2024, given slowing economic conditions. Cashflow remains strong, with significant under-renting providing strong tailwinds for rental growth over the medium term.

Looking ahead, the 2025 financial year will see the Company's results affected by changes to depreciation rules. As we have indicated previously, we expect these rule changes to increase our tax bill by more than \$2 million a year.



_ Jeremy Simpson has joined the PFI Board as an Independent Director.

BUSINESS REVIEW CONTINUED

Offsetting this increase, an interest rate environment that is forecast to improve is expected to be supportive of both earnings and values.

PFI also remains well positioned courtesy of low levels of vacancy, a weighted average lease term in excess of five years and a diversified tenant base.

Our current developments are progressing well, and with new projects like Spedding Road, Whenuapai waiting in the wings, our longer-term prospects are strong.

Balancing these factors, dividend guidance for the 2025 financial year has been set at 8.30 to 8.50 cps, an increase of up to 0.20 cps or 2.4% on annualised FP24 dividends.

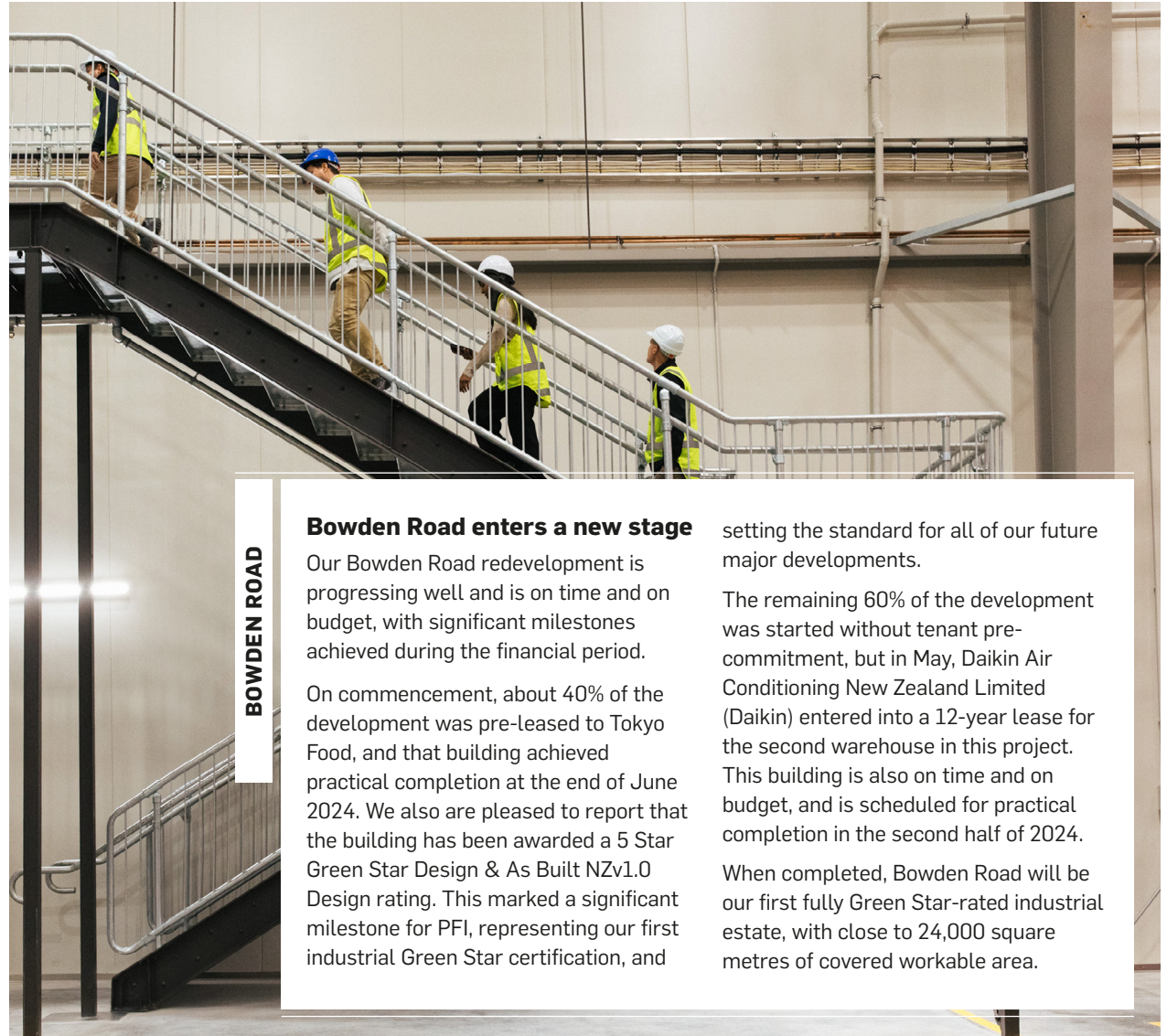
DEVELOPING OPPORTUNITIES

As of 30 June 2024, \$313 million of our portfolio is allocated to a range of brownfield opportunities, providing a pipeline of regeneration developments we believe will outperform the market over time.

In 2023, we also secured 5.8 hectares at the Spedding Road industrial estate currently being created at the end of the Northwestern Motorway in Auckland, providing us with a scale greenfield development opportunity in an Auckland location we perceive as under-supplied for both industrial-zoned land and industrial buildings of quality or scale. The developer of this estate has continued to make excellent progress on the site works, and we expect to take possession mid-2025.

In line with our climate commitments, all significant new buildings will target a minimum 5 Green Star rating, and the projects add to our credentials in successfully undertaking large-scale, highest-quality industrial development.

_ Bowden Road development setting the future standard for PFI.



BOWDEN ROAD

Bowden Road enters a new stage

Our Bowden Road redevelopment is progressing well and is on time and on budget, with significant milestones achieved during the financial period.

On commencement, about 40% of the development was pre-leased to Tokyo Food, and that building achieved practical completion at the end of June 2024. We also are pleased to report that the building has been awarded a 5 Star Green Star Design & As Built NZv1.0 Design rating. This marked a significant milestone for PFI, representing our first industrial Green Star certification, and

setting the standard for all of our future major developments.

The remaining 60% of the development was started without tenant pre-commitment, but in May, Daikin Air Conditioning New Zealand Limited (Daikin) entered into a 12-year lease for the second warehouse in this project. This building is also on time and on budget, and is scheduled for practical completion in the second half of 2024.

When completed, Bowden Road will be our first fully Green Star-rated industrial estate, with close to 24,000 square metres of covered workable area.

BUSINESS REVIEW CONTINUED

_ The Tokyo Food building at Bowden Road has been awarded a 5 Star Green Star Design & As Built NZv1.0 Design rating.

BOWDEN ROAD

**FIRST
STAGE**
BUILDING LEASED
TO TOKYO FOOD
FOR 12 YEARS.



BUSINESS REVIEW CONTINUED



_ Springs Road development transformation continues.

SPRINGS ROAD

Springs Road moves forward


Stage 1 of the redevelopment of our Springs Road property is also on course. The 25,500 square metre warehouse we are developing for our long-term tenant Fisher & Paykel Appliances is also scheduled for practical completion in the second half of 2024.

Post balance date, we have committed to a second stage at Springs Road: an 11,300 square metre warehouse facility with 2,450 square metres of breezeway,

1,000 square metres of canopy and associated offices and yards. More than 60% of this stage has been pre-leased to global manufacturer MiTek New Zealand Limited for an initial term of 12 years, with the remainder being constructed without tenant pre-commitment.

Overall, this redevelopment continues the transformation of this 10-hectare site into a best-in-class 5 Green Star industrial estate.

BUSINESS REVIEW CONTINUED

1,180 
**SOLAR PANELS
INSTALLED AT 5
PROPERTIES**

57 
**PROPERTIES NOW
HAVE POWER METERING.
THIS IS 63% OF ALL
PROPERTIES**

STRENGTHENING OUR OWN CAPABILITIES

We also continued to focus on enhancing our “engine room” during the first half of 2024: upgrading internal enablers to de-risk our business.

A key pillar of this work is the successful transition to an in-house facilities management model, which was completed in the middle of 2023. Since this change, we have been able to focus more strongly on the operational performance of our buildings, and to advance our solar and power-metering initiatives.



“
**Our sustainability
strategy is critical to
continuing to deliver
strong economic
performance as our
sector continues
to evolve.”**

CRAIG PEIRCE
Chief Finance and
Operating Officer

We are pleased to report that we reached our sustainability target of installing solar systems at five buildings well ahead of schedule. 1,180 solar panels are now installed across five properties leased by Electrolux, RepairHub, Daikin, Tokyo Food, and Central Joinery.

We also reached our target to implement power metering and monitoring for 50% of properties by the end of 2025 ahead of schedule, with 63% of properties now metered.

PROGRESSING OUR SUSTAINABILITY STRATEGY

Good progress has been made during the financial period to deliver on the sustainability strategy we shared in early 2023, with advances made on our developments targeting 5 Green Star ratings, solar installations and the installation of power metering.

In April, we published our first mandatory Climate-Related Disclosures in accordance with the Aotearoa New Zealand Climate Standards. We will publish our second mandatory Climate-Related Disclosures in accordance with the Aotearoa New Zealand Climate Standards, along with additional sustainability reporting, at <https://www.propertyforindustry.co.nz/sustainability/> by 31 October 2024.

Our sustainability strategy is critical to continuing to deliver strong economic performance as our sector continues to evolve with regulatory change, changing market demands, and increasing expectations from our business partners and investors.

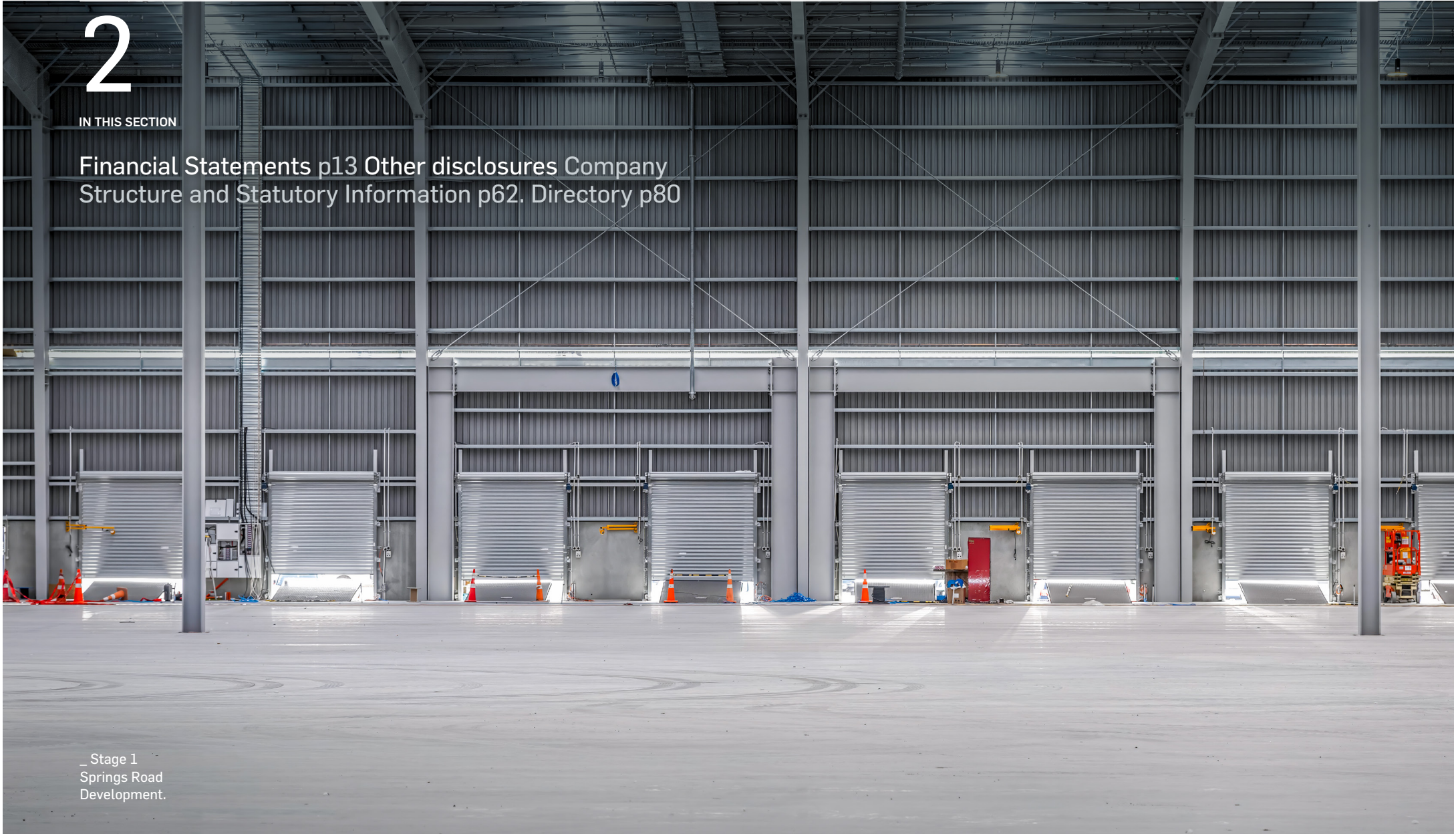
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_ Stage 1
Springs Road
Development.



FINANCIAL STATEMENTS

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2024

ALL VALUES IN \$000S	NOTE	JUNE 2024 6 MONTHS	DECEMBER 2023 12 MONTHS
Rental and management fee income	2.3	57,082	114,787
Business interruption insurance income	2.6	10	685
Property costs	2.4	(9,896)	(22,695)
Net property income		47,196	92,777
Administrative expenses	5.1	(6,097)	(10,336)
Profit before finance income/(expenses), other gains/(losses) and income tax		41,099	82,441
Finance income/(expenses)			
Interest expense and bank fees		(14,609)	(29,160)
Fair value gain/(loss) on derivative financial instruments	3.2	3,611	(10,151)
Interest income		60	114
		(10,938)	(39,197)
Other gains/(losses)			
Fair value loss on investment properties and non-current assets classified as held for sale	2.1,2.2	(4,166)	(140,830)
Loss on disposal of investment properties and non-current assets classified as held for sale		(526)	(789)
Increase in costs relating to post settlement obligation of disposed property	5.10	–	(1,070)
Material damage insurance income	2.6	6	689
		(4,686)	(142,000)
Profit/(loss) before income tax		25,475	(98,756)
Income tax (expense)/benefit	5.2	(4,294)	964
Profit/(loss) and total comprehensive income after income tax attributable to the shareholders of the Company		21,181	(97,792)
Basic earnings per share (cents)	4.1	4.22	(19.48)
Diluted earnings per share (cents)	4.1	4.22	(19.48)

The accompanying notes form part of these financial statements.

FINANCIAL STATEMENTS

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2024

	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 2023		–	502,050,524	572,637	615	927,086	1,500,338
Total comprehensive (loss) / income		–	–	–	–	(97,792)	(97,792)
Dividends							
Q4 2022 final dividend - 8/3/2023		2.65	–	–	–	(13,306)	(13,306)
Q1 2023 interim dividend - 23/5/2023		1.95	–	–	–	(9,790)	(9,790)
Q2 2023 interim dividend - 7/9/2023		1.95	–	–	–	(9,792)	(9,792)
Q3 2023 interim dividend - 22/11/2023		1.95	–	–	–	(9,792)	(9,792)
Long-term incentive plan	5.8		78,789	264	139	–	403
Balance as at 31 December 2023		–	502,129,313	572,901	754	786,614	1,360,269
Total comprehensive (loss) / income		–	–	–	–	21,181	21,181
Dividends							
Q4 2023 final dividend - 13/3/2024		2.45	–	–	–	(12,304)	(12,304)
Q1 2024 interim dividend - 28/5/2024		1.95	–	–	–	(9,793)	(9,793)
Long-term incentive plan	5.8		70,038	326	(184)	–	142
Balance as at 30 June 2024		–	502,199,351	573,227	570	785,698	1,359,495

The accompanying notes form part of these financial statements.

FINANCIAL STATEMENTS

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 30 JUNE 2024

ALL VALUES IN \$000S	NOTE	JUNE 2024	DECEMBER 2023
CURRENT ASSETS			
Cash at bank		1,481	1,187
Accounts receivable, prepayments and other assets	5.3	7,814	9,806
Derivative financial instruments	3.2	267	739
Total current assets		9,562	11,732
NON-CURRENT ASSETS			
Investment properties	2.1	2,050,525	1,998,325
Property, plant and equipment		3,235	3,449
Derivative financial instruments	3.2	22,815	20,973
Total non-current assets		2,076,575	2,022,747
Non-current assets classified as held for sale	2.2	–	29,400
Total assets		2,086,137	2,063,879

The accompanying notes form part of these financial statements.

FINANCIAL STATEMENTS

CONSOLIDATED STATEMENT OF FINANCIAL POSITION CONTINUED
AS AT 30 JUNE 2024

ALL VALUES IN \$000S	NOTE	JUNE 2024	DECEMBER 2023
CURRENT LIABILITIES			
Accounts payable, accruals and other liabilities	5.4	19,787	22,301
Taxation payable		159	772
Borrowings	3.1	150,000	100,000
Derivative financial instruments	3.2	1,090	3,509
Total current liabilities		171,036	126,582
NON-CURRENT LIABILITIES			
Borrowings	3.1	523,940	547,049
Derivative financial instruments	3.2	3,692	3,515
Lease liabilities	5.9	1,778	1,909
Deferred tax liabilities	5.2	26,196	24,555
Total non-current liabilities		555,606	577,028
Total liabilities		726,642	703,610
Net assets	4.2	1,359,495	1,360,269
EQUITY			
Share capital		573,227	572,901
Share-based payments reserve	5.8	570	754
Retained earnings		785,698	786,614
Total equity		1,359,495	1,360,269

These Group financial statements are signed on behalf of Property for Industry Limited and were authorised for issue on 26 August 2024.



Dean Bracewell
Chair, Board of Directors



Carolyn Steele
Chair, Audit and Risk Committee

The accompanying notes form part of these financial statements.

FINANCIAL STATEMENTS

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2024

ALL VALUES IN \$000S	NOTE	JUNE 2024 6 MONTHS	DECEMBER 2023 12 MONTHS
CASH FLOWS FROM OPERATING ACTIVITIES			
Property and management fee income received		58,368	111,031
Net goods and services tax paid		2,892	(3,990)
Interest received		60	114
Business interruption insurance income received	2.6	15	680
Payments to suppliers and employees		(15,478)	(25,138)
Interest and other finance costs paid		(14,831)	(27,933)
Income tax paid		(3,198)	(7,831)
Net cash flows from operating activities		27,828	46,933
CASH FLOWS FROM INVESTING ACTIVITIES			
Proceeds from sale of investment properties and non-current assets classified as held for sale	1.8	28,874	27,899
Material damage insurance income received	2.6	6	689
Expenditure on investment properties - development		(48,289)	(64,417)
Expenditure on investment properties - stabilised		(1,620)	(9,115)
Acquisition of investment properties	2.1	(6,787)	-
Capitalisation of interest on development properties	2.1	(4,054)	(3,246)
Acquisition of property, plant and equipment		(30)	(254)
Expenditure on post settlement obligation of disposed property	5.10	-	(1,070)
Net cash flows from investing activities		(31,900)	(49,514)

The accompanying notes form part of these financial statements.

FINANCIAL STATEMENTS

CONSOLIDATED STATEMENT OF CASH FLOWS CONTINUED
FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2024

ALL VALUES IN \$000S	NOTE	JUNE 2024 6 MONTHS	DECEMBER 2023 12 MONTHS
CASH FLOWS FROM FINANCING ACTIVITIES			
Net proceeds from / (repayment of) syndicated bank facility		2,085	(105,305)
Net proceeds from green loan facilities		24,499	125,501
Net proceeds from Pricoa facility		–	25,000
Dividends paid to shareholders		(22,097)	(42,680)
Principal elements of finance lease payments		(121)	(80)
Net cash flows from financing activities		4,366	2,436
Net increase / (decrease) in cash and cash equivalents		294	(145)
Cash and cash equivalents at beginning of period		1,187	1,332
Cash and cash equivalents at end of period		1,481	1,187

Cash and cash equivalents at end of period comprises:

ALL VALUES IN \$000S	JUNE 2024 6 MONTHS	DECEMBER 2023 12 MONTHS
Cash at bank	1,481	1,187
Cash and cash equivalents at end of period	1,481	1,187

The accompanying notes form part of these financial statements.

FINANCIAL STATEMENTS

CONSOLIDATED STATEMENT OF CASH FLOWS CONTINUED
FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2024

RECONCILIATION OF PROFIT / (LOSS) AFTER INCOME TAX TO NET CASH FLOWS FROM OPERATING ACTIVITIES

ALL VALUES IN \$000S	NOTE	JUNE 2024 6 MONTHS	DECEMBER 2023 12 MONTHS
Profit/(loss) for the period after income tax		21,181	(97,792)
<i>Non-cash items:</i>			
Fair value loss on investment properties and non-current assets classified as held for sale	2.1, 2.2	4,166	140,830
Increase / (decrease) in deferred taxation	5.2	1,709	(6,565)
Depreciation	5.1	243	569
Loss on disposal of investment properties and non-current assets classified as held for sale		526	789
Employee benefits expense – share-based payments		175	349
Provision for doubtful debts		8	28
Fair value (gain) / loss on derivative financial instruments		(3,611)	10,151
<i>Movements in working capital items:</i>			
Decrease / (increase) in accounts receivable, prepayments and other assets		3,056	(4,586)
Increase in accounts payable, accruals and other liabilities		994	5,009
Decrease in taxation payable		(613)	(2,230)
<i>Other: material damage insurance income (classified as cash flows from investing activities)</i>	2.6	(6)	(689)
<i>Other: post settlement obligation of disposed property (classified as cash flows from investing activities)</i>	5.10	–	1,070
Net cash flows from operating activities		27,828	46,933

The accompanying notes form part of these financial statements.

FINANCIAL STATEMENTS

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FINANCIAL STATEMENTS

1. GENERAL INFORMATION

IN THIS SECTION

This section sets out the basis upon which the Group's financial statements are prepared. Material accounting policy information is described in the note to which it relates.

1.1. Reporting entity

These audited consolidated financial statements (the financial statements) are for Property for Industry Limited (the Company) and its subsidiaries, P.F.I. Property No. 1 Limited (PFI No. 1) and P.F.I. Cover Limited (PFI Cover), (collectively, 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 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

The financial statements have been prepared in accordance with Generally Accepted Accounting Practice in New Zealand (GAAP). They comply with New Zealand Equivalents to International Financial Reporting Standards (NZ IFRS) and other applicable Financial Reporting Standards as appropriate to for-profit entities. The financial statements also comply with International Financial Reporting Standards Accounting Standards (IFRS Accounting Standards) and interpretations developed by the IFRS Interpretations Committee.

The 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.

1.3. Group companies

As at 30 June 2024, PFI No. 1 and PFI Cover (a company incorporated in the Cook Islands on 11 April 2024) are wholly owned and controlled entities of the Company. As at 31 December 2023, PFI No. 1 was the only subsidiary of the Company.

1.4. Basis of consolidation

The consolidated financial statements comprise the Company and the entities it controls. All intercompany transactions are eliminated on consolidation.

1.5. 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 financial statements are as follows:

2.1. Investment properties	Page 25
3.2. Derivative financial instruments	Page 40
5.2. Taxation	Page 43
5.8. Share-based payments	Page 50

FINANCIAL STATEMENTS

1. GENERAL INFORMATION CONTINUED

1.6. Accounting policies

No changes to accounting policies have been made during the period and policies have been consistently applied to all reporting periods presented.

Material accounting policies have been included throughout the notes to the financial statements.

Other relevant policies are provided as follows:

Share capital

All shares on issue are fully paid, carry equal voting rights, share equally in dividends and any surplus on wind up and have no par value. All shares are recognised at the fair value of the consideration received by the Company. Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction from the proceeds.

Measurement of fair values

A number of the Group's accounting policies and disclosures require the measurement of fair values. The Board and Management have overall responsibility for overseeing all significant fair value measurements and transfers between levels of the fair value hierarchy. The fair value hierarchy has the following levels:

- Level 1: Fair value is based on observable quoted prices in active markets.
- Level 2: Fair value is based on observable market data where Level 1 quoted prices are not available.
- Level 3: Fair value is not based on observable market data (unobservable inputs).

The carrying values of all balance sheet financial assets and liabilities approximate their estimated fair values, apart from the fixed rate bonds (refer Note 3.1 (ii) for further details).

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

Goods and services tax

These financial statements have been prepared on a goods and services tax (GST) exclusive basis except for the accounts receivable balance, accounts payable balance and other items where GST incurred is not recoverable. These balances are stated inclusive of GST.

New standards, amendments and interpretations

In May 2023, the External Reporting Board (XRB) amended the existing standard FRS-44 Disclosure of Fees for Audit Firms' Services, effective for reporting periods beginning on or after 1 January 2024. The Group has adopted this amended standard in these financial statements.

In May 2024, the XRB introduced NZ IFRS 18 Presentation and Disclosure in Financial Statements, effective for reporting periods beginning on or after 1 January 2027, and replaces NZ IAS 1 Presentation of Financial Statements. NZ IFRS 18 primarily introduces a defined structure for the statement of comprehensive income, disclosure of management-defined performance measures (a subset of non-GAAP measures) in a single note together with reconciliation requirements. This standard is not mandatory for the 30 June 2024 reporting period and has not been early adopted by the Group. The Group has not yet assessed the impacts.

1.7. Non-GAAP measures

The consolidated statement of comprehensive income includes a non-GAAP measure, Profit before finance income/(expenses), other gains/(losses) and income tax. This non-GAAP measure is presented to provide additional insight to the Group's financial performance and assist investors in assessing the performance of the Group's core operating activities.

This non-GAAP measure does not have a standard meaning prescribed by GAAP and therefore may not be comparable to information presented by other entities.

FINANCIAL STATEMENTS

1. GENERAL INFORMATION CONTINUED

1.8. 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 16 February 2024, the Group settled the acquisition of the property located at 45 Cryers Road, East Tamaki for a net purchase price of \$6.70 million.

On 15 March 2024, the Group settled the disposal of a non-current asset classified as held for sale located at 15 Artillery Place, Nelson for a gross sale price of \$8.50 million.

On 27 June 2024, the Group settled the disposal of a non-current asset classified as held for sale located at 10c Stonedon Drive, Auckland for a gross sales price of \$20.90 million.

Captive Insurer

On 11 April 2024, PFI Cover was incorporated in the Cook Islands as a captive insurer for the Group.

CBA Facility

On 4 June 2024, the Group announced that it had established a new \$50 million 7-year revolving credit facility provided by the Commonwealth Bank of Australia (CBA); the facility remains undrawn as at 30 June 2024. Simultaneously, the loan facility with the Bank of New Zealand (BNZ, also known as Syndicated Bank Facility C), expiring on 31 March 2025, was reduced from \$100 million to \$50 million. The \$50 million drawn funds from the Syndicated Bank Facility C was reallocated to the Syndicated Bank Facility A of the banking syndicate comprising of ANZ Bank New Zealand Limited (ANZ), BNZ, Westpac New Zealand Limited (Westpac) and CBA.

Balance date change

On 26 February 2024, the Group announced the results for the year ended 31 December 2023 and at the same time, announced that the Group intended to change the balance date for the Group and its subsidiaries from 31 December to 30 June, subject to customary approvals. The Group has since obtained all necessary approvals for the balance date change. These consolidated financial statements are the first adoption of the change to a 30 June balance date and reflect a six month period to 30 June 2024 and the comparative period covers the 12 months ended 31 December 2023. Accordingly, the amounts presented may not be directly comparable.

FINANCIAL STATEMENTS

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	JUNE 2024 6 MONTHS	DECEMBER 2023 12 MONTHS
Opening balance	1,998,325	2,096,200
Capital movements:		
Additions	6,787	–
Disposals	–	(7,688)
Transfer to non-current assets classified as held for sale	–	(29,400)
Capital expenditure	45,478	78,831
Capitalised interest ¹	4,054	3,246
Movement in lease incentives, fees and fixed rental income	47	(2,034)
	56,366	42,955
Unrealised fair value loss	(4,166)	(140,830)
As at period end	2,050,525	1,998,325

1 The effective interest rate applied to capitalised interest was 5.68% (2023: 5.56%).

FINANCIAL STATEMENTS

2. PROPERTY CONTINUED

2.1. Investment properties continued

ALL VALUES IN \$000S UNLESS NOTED	KEY TENANT 2024	OCCUPANCY (%)		YIELD ON VALUATION (%)		CONTRACT RENT		LETTABLE AREA (SQM) 2024	VALUER 2024	CARRYING VALUE 2023	CAPITAL MOVEMENTS 2024	FAIR VALUE ADJUSTMENT 2024	CARRYING VALUE 2024
		2024	2023	2024	2023	2024	2023						
Avondale:													
15 Copsey Place	Canterbury	100%	100%	5.6%	5.4%	1,047	1,018	7,907	Colliers	18,950	(4)	(146)	18,800
32 Honan Place	Solo Plastics	100%	100%	5.4%	5.4%	149	149	795	JLL	2,750	(1)	1	2,750
15 Jomac Place	Southern Spars	100%	100%	6.2%	6.1%	1,746	1,746	9,534	Savills	28,750	13	(763)	28,000
61-69 Patiki Road	Bidfood	100%	100%	6.1%	5.6%	1,498	1,344	9,776	Savills	24,200	334	66	24,600
320 Rosebank Road	Doyle Sails	100%	100%	4.6%	4.4%	842	822	6,625	Colliers	18,750	(29)	(221)	18,500
520 Rosebank Road	Kenderdine Electrical	100%	100%	4.8%	4.7%	191	191	1,995	Savills	4,100	(4)	(96)	4,000
528-558 Rosebank Road	ETEL	97%	100%	6.0%	5.9%	3,733	3,703	26,852	CBRE	62,500	(104)	(596)	61,800
670-680 Rosebank Road	New Zealand Comfort	100%	100%	6.7%	5.7%	2,708	2,297	17,458	Savills	40,500	58	(58)	40,500
686 Rosebank Road	Brand Developers	100%	100%	5.5%	5.6%	3,212	3,214	23,885	Savills	57,250	90	660	58,000
		99%	100%	5.9%	5.6%	15,126	14,484	104,827		257,750	353	(1,153)	256,950
East Tamaki:													
17 Allens Road	Contract Warehousing	100%	100%	5.0%	4.9%	1,455	1,443	11,904	Savills	29,750	174	(924)	29,000
43 Cryers Road	Astron Plastics	100%	100%	5.1%	5.1%	904	880	6,068	Colliers	17,200	111	389	17,700
45 Cryers Road	Astron Plastics	100%	-	4.0%	-	269	-	5,000	Colliers	-	6,870	(170)	6,700
6-8 Greenmount Drive	Bridon	100%	100%	4.3%	4.2%	777	758	6,590	CBRE	17,900	166	84	18,150
92-98 Harris Road	GrainCorp	100%	100%	6.2%	5.4%	1,594	1,458	10,687	Colliers	27,000	86	(1,186)	25,900
36 Neales Road	Mainfreight	100%	100%	4.5%	4.4%	1,623	1,623	18,942	CBRE	36,750	13	(813)	35,950
1 Ron Driver Place	Glen Dimplex	100%	100%	5.8%	4.3%	775	553	5,393	JLL	12,800	22	628	13,450
78 Springs Road ¹	Fisher & Paykel Appliances	100%	100%	2.9%	3.7%	4,070	4,070	24,510	JLL	111,050	25,382	4,018	140,450
10c Stonedon Drive	Chemical Freight Services	100%	100%	-	4.9%	-	1,033	8,711	-	-	-	-	-
11 Turin Place	Thermakraft Industries	100%	100%	5.2%	5.0%	1,069	1,069	9,981	Savills	21,500	61	(811)	20,750
12 Zelian Drive	Central Joinery	100%	100%	3.8%	3.9%	778	778	6,098	JLL	20,000	410	(10)	20,400
23 Zelian Drive	Exclusive Tyre Distributors	100%	100%	4.7%	4.5%	498	498	3,811	Colliers	11,100	57	(557)	10,600
		100%	100%	4.1%	4.6%	13,812	14,163	117,695		305,050	33,352	648	339,050

1 Partially under development.

FINANCIAL STATEMENTS

2. PROPERTY CONTINUED

2.1. Investment properties continued

ALL VALUES IN \$000S UNLESS NOTED	KEY TENANT 2024	OCCUPANCY (%)		YIELD ON VALUATION (%)		CONTRACT RENT		LETTABLE AREA (SQM) 2024	VALUER 2024	CARRYING VALUE 2023	CAPITAL MOVEMENTS 2024	FAIR VALUE ADJUSTMENT 2024	CARRYING VALUE 2024
		2024	2023	2024	2023	2024	2023						
Manukau:													
212 Cavendish Drive ¹	Kiwi Logistics	55%	100%	3.2%	4.2%	1,543	2,209	25,898	Savills	52,500	1,014	(5,514)	48,000
232 Cavendish Drive	Fletcher Building Products	100%	100%	4.6%	4.5%	1,532	1,432	16,832	Savills	32,000	159	841	33,000
47 Dalgety Drive	Peter Hay Kitchens	100%	100%	4.1%	4.9%	999	999	10,155	Savills	20,200	(40)	4,340	24,500
47a Dalgety Drive	Shaw	100%	100%	4.9%	4.6%	621	606	4,832	Savills	13,250	(27)	(623)	12,600
59 Dalgety Drive	Store Rite Logistics	100%	100%	5.0%	4.7%	1,331	1,299	11,844	Savills	27,500	19	(1,019)	26,500
12 Hautu Drive	Kiwi Steel	100%	100%	4.9%	4.8%	748	748	6,492	Colliers	15,450	12	(62)	15,400
25 Langley Road	Grayson Engineering	100%	100%	4.6%	4.5%	2,245	2,245	21,248	Colliers	49,400	(35)	(865)	48,500
1 Mayo Road	TDX	100%	100%	5.3%	5.2%	743	743	6,361	Colliers	14,300	117	(417)	14,000
61 McLaughlins Road	MOVE Logistics	100%	100%	4.9%	4.7%	1,314	1,314	13,347	Colliers	27,800	130	(1,030)	26,900
9 Narek Place	Waste Tallow Care	100%	100%	5.2%	5.0%	709	684	3,577	Savills	13,550	(5)	205	13,750
9 Nesdale Avenue	Brambles	100%	100%	4.5%	4.4%	889	889	14,163	CBRE	20,000	20	(320)	19,700
44 Noel Burnside Road	Cottonsoft	100%	100%	4.6%	4.5%	3,488	3,488	32,807	JLL	77,000	(37)	(1,363)	75,600
		93%	100%	4.5%	4.6%	16,162	16,656	167,556		362,950	1,327	(5,827)	358,450
Mt Wellington:													
30-32 Bowden Road ²	Tokyo Food	100%	–	2.1%	–	1,828	–	12,920	Savills	70,700	19,306	(3,106)	86,900
50 Carbine Road	Fletcher Building Products	100%	100%	4.3%	4.3%	239	239	2,592	JLL	5,600	31	(131)	5,500
54 Carbine Road & 6a Donnor Place	Pharmacy Retailing	100%	100%	5.0%	4.8%	2,463	2,299	17,063	JLL	47,500	281	1,819	49,600
76 Carbine Road	Atlas Gentech	100%	100%	5.3%	5.4%	646	646	5,080	JLL	12,050	28	222	12,300
7 Carmont Place	CMI	100%	100%	4.6%	4.7%	759	759	5,776	JLL	16,050	267	333	16,650
6 Donnor Place	Coca-Cola	100%	100%	5.1%	5.3%	1,640	1,640	16,686	JLL	31,000	(19)	1,019	32,000
4-6 Mt Richmond Drive	Iron Mountain	100%	100%	4.0%	3.6%	1,010	918	7,946	CBRE	25,450	24	(124)	25,350
509 Mt Wellington Highway	Fletcher Building Products	100%	100%	4.8%	4.8%	1,190	1,182	8,744	JLL	24,700	54	(104)	24,650

1 Includes development land \$1.50 million.

2 Partially under development.

FINANCIAL STATEMENTS

2. PROPERTY CONTINUED

2.1. Investment properties continued

ALL VALUES IN \$000S UNLESS NOTED	KEY TENANT 2024	OCCUPANCY (%)		YIELD ON VALUATION (%)		CONTRACT RENT		LETTABLE AREA (SQM) 2024	VALUER 2024	CARRYING VALUE 2023	CAPITAL MOVEMENTS 2024	FAIR VALUE ADJUSTMENT 2024	CARRYING VALUE 2024
		2024	2023	2024	2023	2024	2023						
511 Mt Wellington Highway	Stryker	100%	100%	4.6%	4.7%	540	526	3,054	JLL	11,200	(3)	453	11,650
515 Mt Wellington Highway	Kiwi Management Services	100%	100%	4.8%	4.6%	339	333	2,324	Colliers	7,200	1	(101)	7,100
523 Mt Wellington Highway	Motion New Zealand	100%	100%	5.0%	4.4%	317	285	1,677	Savills	6,500	16	(116)	6,400
1 Niall Burgess Road	Bremca Industries	100%	100%	4.2%	4.1%	279	272	1,742	JLL	6,700	(43)	43	6,700
2-6 Niall Burgess Road	McAlpine Hussmann	100%	100%	5.4%	5.7%	1,263	1,263	6,874	CBRE	22,200	72	1,028	23,300
3-5 Niall Burgess Road	Electrolux	100%	100%	4.5%	4.4%	1,368	1,335	13,266	JLL	30,100	(4)	254	30,350
7-9 Niall Burgess Road	DHL Supply Chain	100%	100%	4.5%	4.5%	2,740	2,655	23,565	JLL	59,200	(37)	1,637	60,800
10 Niall Burgess Road	NEP Broadcast Services	100%	100%	4.5%	4.6%	309	309	1,725	CBRE	6,650	-	200	6,850
5 Vestey Drive	PPG Industries	100%	100%	5.5%	5.3%	300	300	1,270	Savills	5,700	22	(222)	5,500
7 Vestey Drive	True North	100%	100%	5.2%	4.9%	848	825	6,075	Savills	16,750	30	(530)	16,250
9 Vestey Drive	Multispares	100%	100%	4.6%	4.3%	243	232	1,600	Savills	5,400	8	(108)	5,300
11 Vestey Drive	N & Z	100%	100%	4.9%	4.7%	541	541	3,470	Savills	11,400	14	(464)	10,950
15a Vestey Drive	Pact Group Holdings	100%	100%	5.5%	5.2%	611	611	3,261	Savills	11,700	11	(611)	11,100
36 Vestey Drive	Motion New Zealand	100%	100%	4.2%	4.2%	187	187	1,120	JLL	4,425	10	65	4,500
		100%	100%	4.3%	4.0%	19,660	17,357	147,830		438,175	20,069	1,456	459,700
North Shore:													
2-4 Argus Place	Pharmapac	100%	100%	4.6%	4.5%	486	486	3,560	CBRE	10,800	54	(354)	10,500
47 Arrenway Drive	Device Technologies	100%	100%	4.9%	5.0%	265	258	1,245	JLL	5,200	82	168	5,450
51 Arrenway Drive	Pacific Hygiene	100%	100%	5.0%	5.2%	469	469	2,680	JLL	9,050	52	348	9,450
15 Omega Street	Wesfarmers	100%	100%	5.1%	5.4%	641	641	3,498	JLL	11,900	35	565	12,500
322 Rosedale Road	BSGi	100%	100%	5.3%	5.2%	1,249	1,231	7,936	CBRE	23,500	(7)	(93)	23,400
41 William Pickering Drive	Innopak Global	100%	100%	5.2%	5.2%	549	541	3,027	Colliers	10,450	64	(14)	10,500
		100%	100%	5.1%	5.1%	3,659	3,626	21,946		70,900	280	620	71,800

FINANCIAL STATEMENTS

2. PROPERTY CONTINUED

2.1. Investment properties continued

ALL VALUES IN \$000S UNLESS NOTED	KEY TENANT 2024	OCCUPANCY (%)		YIELD ON VALUATION (%)		CONTRACT RENT		LETTABLE AREA (SQM) 2024	VALUER 2024	CARRYING VALUE 2023	CAPITAL MOVEMENTS 2024	FAIR VALUE ADJUSTMENT 2024	CARRYING VALUE 2024
		2024	2023	2024	2023	2024	2023						
Penrose:													
4 Autumn Place	Ryco Hydraulics	100%	100%	5.3%	5.4%	242	242	1,210	Colliers	4,500	45	55	4,600
6 Autumn Place	MOTAT	100%	100%	4.2%	3.8%	200	196	1,718	Colliers	5,100	(1)	(299)	4,800
10 Autumn Place	MOTAT	100%	100%	3.9%	3.8%	750	735	7,646	Colliers	19,600	3	(603)	19,000
122 Captain Springs Road	New Zealand Crane Group	100%	100%	6.0%	4.6%	745	577	7,431	Colliers	12,600	11	(111)	12,500
8 Hugo Johnston Drive	Mountcastle	96%	96%	6.8%	7.2%	844	851	4,359	JLL	11,800	8	542	12,350
12 Hugo Johnston Drive	W H Worrall	100%	100%	5.2%	5.5%	480	475	2,639	JLL	8,650	13	487	9,150
16 Hugo Johnston Drive	Newflor Industries	100%	100%	5.8%	5.1%	546	434	2,619	JLL	8,550	19	881	9,450
80 Hugo Johnston Drive	Boxkraft	100%	100%	4.3%	4.1%	544	530	3,872	Colliers	12,900	110	(410)	12,600
102 Mays Road	2 Cheap Cars	100%	100%	4.8%	4.6%	699	679	6,596	CBRE	14,850	(28)	(122)	14,700
304 Neilson Street	Fletcher Building Products	100%	100%	5.0%	4.4%	849	849	13,438	Colliers	19,200	5	(2,205)	17,000
306 Neilson Street	Trade Depot	100%	100%	5.5%	5.3%	1,010	988	6,301	Colliers	18,750	(9)	(241)	18,500
312 Neilson Street	Transport Trailer Services	100%	100%	5.2%	5.1%	472	472	3,862	Colliers	9,250	37	(187)	9,100
314 Neilson Street	Wakefield Metals	100%	100%	4.8%	4.6%	1,049	1,013	9,265	Colliers	21,950	150	(100)	22,000
318 Neilson Street	Hi-Tech Security Disposals	100%	100%	3.3%	3.3%	187	187	4,977	Colliers	5,750	(1)	(49)	5,700
12 Southpark Place	QCD	100%	100%	4.8%	4.6%	667	667	5,477	Savills	14,400	(27)	(373)	14,000
		100%	100%	5.0%	4.7%	9,284	8,895	81,410		187,850	335	(2,735)	185,450
Other Auckland:													
58 Richard Pearse Drive, Mangere	Pharmacy Retailing	100%	100%	4.2%	4.1%	1,255	1,255	12,708	CBRE	30,950	13	(1,013)	29,950
51-61 Spartan Road, Takanini	Action Manufacturing	100%	100%	4.9%	4.8%	1,054	1,025	13,519	CBRE	21,350	55	45	21,450
170 Swanson Road, Swanson	Transportation Auckland	100%	100%	6.0%	3.5%	2,233	1,148	39,676	CBRE	33,000	5	4,095	37,100
		100%	100%	5.1%	4.0%	4,542	3,428	65,903		85,300	73	3,127	88,500

FINANCIAL STATEMENTS

2. PROPERTY CONTINUED

2.1. Investment properties continued

ALL VALUES IN \$000S UNLESS NOTED	KEY TENANT 2024	OCCUPANCY (%)		YIELD ON VALUATION (%)		CONTRACT RENT		LETTABLE AREA (SQM) 2024	VALUER 2024	CARRYING VALUE 2023	CAPITAL MOVEMENTS 2024	FAIR VALUE ADJUSTMENT 2024	CARRYING VALUE 2024
		2024	2023	2024	2023	2024	2023						
North Island (outside Auckland):													
124 Hewletts Road, Mt Maunganui	RMD Bulk Storage	100%	100%	5.6%	5.6%	3,937	3,845	34,802	CBRE	69,200	30	1,370	70,600
124a Hewletts Road, Mt Maunganui	Ballance Agri-Nutrients	100%	100%	5.1%	4.7%	1,157	1,157	10,497	CBRE	24,500	(21)	(1,679)	22,800
124b Hewletts Road, Mt Maunganui	Ballance Agri-Nutrients	100%	100%	5.5%	5.3%	1,109	1,066	8,867	CBRE	20,000	–	–	20,000
3 Hocking Street, Mt Maunganui	BR & SL Porter	100%	100%	5.0%	5.4%	186	186	2,374	CBRE	3,450	10	240	3,700
143 Hutt Park Road, Wellington	Masterpet	100%	100%	5.9%	6.2%	1,477	1,477	11,372	JLL	23,750	9	1,241	25,000
8 McCormack Place, Wellington	Fletcher Building Products	100%	100%	6.0%	5.9%	814	805	6,686	CBRE	13,750	(14)	(86)	13,650
28 Paraitē Road, New Plymouth	MOVe Logistics	100%	100%	7.9%	7.9%	1,366	1,366	15,636	CBRE	17,250	11	(11)	17,250
Shed 22, 23 Cable Street, Wellington ³	Shed 22 Hospo	100%	100%	8.1%	7.9%	975	951	2,809	CBRE	12,000	(31)	81	12,050
2 Smart Road, New Plymouth	New Zealand Post	100%	100%	7.7%	7.7%	370	370	2,359	CBRE	4,800	17	(42)	4,775
558 Te Rapa Road, Hamilton	DEC Manufacturing	100%	100%	6.0%	6.0%	550	550	5,026	Savills	9,100	522	(422)	9,200
22 Whakatu Road, Hastings	Enzafruit New Zealand	100%	100%	5.6%	5.5%	3,659	3,659	52,718	Bayleys	66,750	43	(1,543)	65,250
		100%	100%	5.9%	5.6%	15,600	15,432	153,146		264,550	576	(851)	264,275

³ Included in the 2024 balance is a right-of-use asset of \$4.00 million (2023: \$4.13 million) primarily in relation to a ground lease, representing the value of the land, with an associated immaterial lease liability.

FINANCIAL STATEMENTS

2. PROPERTY CONTINUED

2.1. Investment properties continued

ALL VALUES IN \$000S UNLESS NOTED	KEY TENANT 2024	OCCUPANCY (%)		YIELD ON VALUATION (%)		CONTRACT RENT		LETTABLE AREA (SQM) 2024	VALUER 2024	CARRYING VALUE 2023	CAPITAL MOVEMENTS 2024	FAIR VALUE ADJUSTMENT 2024	CARRYING VALUE 2024
		2024	2023	2024	2023	2024	2023						
South Island:													
15 Artillery Place, Nelson	MOVE Logistics	100%	100%	-	7.3%	-	617	18,052	-	-	-	-	-
41 & 55 Foremans Road, Christchurch	MOVE Logistics	100%	100%	6.2%	6.2%	838	838	14,710	CBRE	13,500	5	(5)	13,500
44 Mandeville Street, Christchurch	Fletcher Building Products	100%	100%	7.9%	8.0%	1,016	984	11,154	CBRE	12,300	(4)	554	12,850
		100%	100%	7.0%	9.5%	1,854	2,439	43,916		25,800	1	549	26,350
Investment properties - total		99%	100%	4.9%	4.8%	99,699	96,480	904,229		1,998,325	56,366	(4,166)	2,050,525

FINANCIAL STATEMENTS

2. PROPERTY CONTINUED

2.1. Investment properties continued

Recognition and Measurement

Investment properties are held to earn rental income and for long-term capital appreciation. After initial recognition on the settlement date at cost, including directly attributable acquisition costs, investment properties are measured at fair value, on the basis of valuations made by independent valuers on at least an annual basis. Gains or losses arising from changes in the fair value of investment properties are included in the Consolidated Statement of Comprehensive Income in the period in which they arise.

Subsequent expenditure is charged to the asset's carrying amount only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably.

The fair value of investment property reflects the Directors' assessment of the highest and best use of each property and amongst other things, rental income from current leases and assumptions about rental income from future leases in light of the current market conditions. The fair value also reflects the cash outflows that could be expected in respect of the property.

No depreciation or amortisation is provided for on investment properties for accounting purposes. However, for tax purposes, depreciation was claimed on building fit-out and building structure for the six month period ended 30 June 2024 and in the comparative 12 month period ended 31 December 2023. Deferred tax is recognised to the extent that tax depreciation recovery gain or loss on disposal is calculated on the fit-out and building structure components separately. See section 5.2 for more details.

Investment properties under construction are carried at cost until it is possible to reliably determine their fair value, from which point they are carried at fair value less costs to complete.

Gains or losses on the disposal of investment properties are recognised in the Consolidated Statement of Comprehensive Income in the period in which the investment properties are derecognised when they have been disposed.

Borrowing costs are capitalised if they are directly attributable to the acquisition or construction of a qualifying property. Capitalisation of borrowing costs commences when the activities to prepare the asset are in progress and expenditures and borrowing costs are being incurred. Capitalisation of borrowing costs will continue until the asset is substantially ready for its intended use. The rate at which borrowing costs are capitalised is determined by reference to the weighted average borrowing costs of the Group and the average level of borrowings by the Group.

Key estimates and assumptions: Investment properties and the impact of climate change

The fair value of investment properties are determined from valuations prepared by independent valuers.

All investment properties were valued as at 30 June 2024 and 31 December 2023 by Bayleys Valuation Limited (Bayleys), CBRE Limited (CBRE), CVAS (NZ) Limited (Colliers), Jones Lang LaSalle Limited (JLL) or Savills (NZ) Limited (Savills). Bayleys, CBRE, Colliers, JLL and Savills are independent valuers and members of the New Zealand Institute of Valuers.

PFI's investment property valuation policy notes that: PFI will not use the same independent valuer for a property for more than three consecutive year end valuations, however for the six-month period ended 30 June 2024, the Group made an exemption to this policy for three properties. This exemption was applied to the properties with live developments to maintain the specialist knowledge needed for these valuations due to the complexity and time consuming valuation process. For the period ended 31 December 2023, the Group made an exemption to this policy for four properties to cater for certain properties adjacent to each other, for example, the Company's Neilson Street properties, to be valued by the same valuer, and to allocate the Company's portfolio more evenly across the valuers.

As part of the valuation process, the Group's management verifies all major inputs to the independent valuation reports, assesses movements in individual property values and holds discussions with the independent valuers.

FINANCIAL STATEMENTS

2. PROPERTY CONTINUED

2.1. Investment properties continued

The fair value was determined using Level 3 valuation techniques via a combination of the following approaches:

- **Direct Capitalisation:** The subject property rental is divided by a market derived capitalisation rate to assess the market value of the asset. Further adjustments are then made to the market value to reflect under or over renting, additional revenue and required capital expenditure.
- **Discounted Cash Flow:** Discounted cash flow projections for the subject property are based on estimates of future cash flows, supported by the terms of any existing lease and by external evidence such as market rents for similar properties in the same location and condition, and using discount rates that reflect current market assessments of the uncertainty in the amount and timing of the cash flows.
- **Residual Approach:** The subject property is valued based on what the property is expected to be worth on completion of the works and deducting all expected costs to complete the works, including a profit and risk allowance and holding costs. This approach relates to the development properties at 78 Springs Road and 30-32 Bowden Road, refer to Note 5.12 for committed costs to complete.

Below are the significant inputs used in the valuations, together with the impact on the fair value of a change in the inputs:

	VALUATION METHOD	RANGE OF SIGNIFICANT UNOBSERVABLE INPUTS		MEASUREMENT SENSITIVITY	
		JUNE 2024	DECEMBER 2023	INCREASE IN INPUT	DECREASE IN INPUT
Market capitalisation rate (%) ¹	Direct Capitalisation	4.00 - 8.00	4.25 - 8.13	Decrease	Increase
Net Market rental (\$ per sqm) ²	Direct Capitalisation & Discounted Cash Flow	54 - 297	33 - 316	Increase	Decrease
Discount rate (%) ³	Discounted Cash Flow	7.00 - 9.25	6.25 - 9.25	Decrease	Increase
Rental growth rate (%) ⁴	Discounted Cash Flow	1.00 - 3.50	2.00 - 3.75	Increase	Decrease
Terminal capitalisation rate (%) ⁵	Discounted Cash Flow	4.00 - 8.25	4.50 - 8.38	Decrease	Increase
Profit and risk allowance (%) ⁶	Residual Approach	2.50	3.75 - 7.50	Decrease	Increase

1 The capitalisation rate applied to the market rental to assess a property's value, determined through analysis of similar transactions taking into account location, weighted average lease term, tenant covenant, size and quality of the property.

2 The valuer's assessment of the net market income which a property is expected to achieve under a new arm's length leasing transaction. Includes both leased and vacant areas.

3 The rate applied to future cash flows reflecting transactional evidence from similar properties.

4 The rate applied to the market rental over the future cash flow projection.

5 The rate used to assess the terminal value of the property.

6 The profit and risk allowance reflects the current stage of the development and estimated completion date of the development, taking into account any risks surrounding the construction works.

FINANCIAL STATEMENTS

2. PROPERTY CONTINUED

2.1. Investment properties continued

The estimated sensitivity of the fair value of investment property to changes in the market capitalisation rate (under the Direct Capitalisation valuation approach) and discount rate (under the Discounted Cash Flows valuation approach) is set out in the table below:

ALL VALUES IN \$000S	FAIR VALUE JUNE 2024	MARKET CAPITALISATION RATE		DISCOUNT RATE	
		+ 0.25%	- 0.25%	+ 0.25%	- 0.25%
Valuation	2,050,525				
Change		(84,000)	92,000	(63,000)	67,000
Change (%)		(4%)	4%	(3%)	3%

ALL VALUES IN \$000S	FAIR VALUE DECEMBER 2023	MARKET CAPITALISATION RATE		DISCOUNT RATE	
		+ 0.25%	- 0.25%	+ 0.25%	- 0.25%
Valuation	1,998,325				
Change		(85,000)	93,000	(64,000)	68,000
Change (%)		(4%)	5%	(3%)	3%

Generally, a change in the assumption made for the adopted market capitalisation rate is accompanied by a directionally similar change in the adopted terminal capitalisation rate. The adopted market capitalisation rate forms part of the direct capitalisation approach and the adopted terminal capitalisation rate forms part of the discounted cash flow approach. Both valuation methodologies are considered when determining an investment property's fair value.

When calculating the direct capitalisation approach, the market rental has a strong interrelationship with the adopted market capitalisation rate given the methodology involves assessing the total market rental income receivable from the property and capitalising this in perpetuity to derive a capital value. In theory, an increase in the market rent and an increase in the adopted market capitalisation rate could potentially offset the impact to the fair value. The same can be said for a decrease in the market rent and a decrease in the adopted market capitalisation rate. A directionally opposite change in the market rent and the adopted market capitalisation rate could potentially magnify the impact to the fair value.

When assessing a discounted cash flow, the adopted discount rate and adopted terminal capitalisation rate have a strong interrelationship in deriving a fair value given the discount rate will determine the rate at which the terminal value is discounted to the present value. In theory, an increase in the adopted discount rate and a decrease in the adopted terminal capitalisation rate could potentially offset the impact to the fair value. The same can be said for a decrease in the discount rate and an increase in the adopted terminal capitalisation rate. A directionally similar change in the adopted discount rate and the adopted terminal capitalisation rate could potentially magnify the impact to the fair value.

FINANCIAL STATEMENTS

2. PROPERTY CONTINUED

2.1. Investment properties continued

The impact of climate change

The Group continues to assess the impact of climate change on the business and portfolio regularly and is taking steps to manage and address climate-related risks and opportunities.

During the period, the Group had committed to and invested in various sustainability initiatives which includes solar installation, power metering to help the Group to understand the energy use of its buildings, preventative maintenance measures, and the Green Star development projects. All these projects and works are included in the capital expenditure for the six month period ended 30 June 2024.

The valuers have considered the impact of climate change on investment property values but have made no explicit adjustments in respect of climate change matters. However, the Group and valuers anticipate that climate change could have a greater influence on valuations in the future as owners and occupiers place a greater emphasis on this topic.

2.2. Non-current assets classified as held for sale

Key estimates and assumptions: Non-current assets classified as held for sale

Non-current assets classified as held for sale comprises investment properties actively marketed for sale. The carrying value of the property is the contracted sale price or the most recent valuation if the investment property is not contracted for sale.

ALL VALUES IN \$000S	JUNE 2024	DECEMBER 2023
10c Stonedon Drive, Auckland ¹	–	20,900
15 Artillery Place, Nelson ¹	–	8,500
Total non-current assets classified as held for sale	–	29,400

1 In the prior year, a revaluation gain of \$10,546 was recorded for 10c Stonedon Drive and a revaluation loss of \$1,164,101 for 15 Artillery Place when revaluing the properties based on their actual contracted sales prices of \$20,900,000 and \$8,500,000 respectively.

FINANCIAL STATEMENTS

2. PROPERTY CONTINUED

2.3. Rental and management fee income

	JUNE 2024 6 MONTHS	DECEMBER 2023 12 MONTHS
ALL VALUES IN \$000S		
Gross rental receipts	48,984	95,911
Service charge income recovered from tenants	8,304	19,118
Fixed rental income adjustments	(21)	577
Capitalised lease incentive adjustments	(526)	(1,438)
Impact of rental income deferred and abated due to the COVID-19 pandemic	(54)	(168)
Management fee income	395	787
Total rental and management fee income	57,082	114,787

Recognition and Measurement

Rental income from investment properties is recognised in the Consolidated Statement of Comprehensive Income on a straight line basis over the term of the lease. Fixed rental income adjustments are accounted for to achieve straight-line income recognition. Lease incentives are capitalised to investment properties in the Consolidated Statement of Financial Position and amortised on a straight line basis in the Consolidated Statement of Comprehensive Income over the length of the lease to which they relate, as a reduction to rental income.

Rental abatements are usually offered by a landlord as an incentive for tenants to sign longer lease terms. In the prior period, rental abatements were offered to assist tenants that were struggling from the impact of the COVID-19 pandemic. Rental abatements are accounted for as a lease modification under NZ IFRS 16 'Leases' and the expense is spread over the remaining life of the lease, effectively accounted for as a lease incentive. Management fee income is recognised in the Consolidated Statement of Comprehensive Income in the period in which the services are rendered.

Income generated from service charges recovered from tenants is included in the gross rental income with the service charge expenses to tenants shown in Property costs. Such revenue is recognised in the accounting period the underlying expenses are incurred in accordance with the contractual terms.

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

	JUNE 2024	DECEMBER 2023
ALL VALUES IN \$000S		
Within one year	92,725	87,012
After one year but not more than five years	261,785	247,856
More than five years	108,587	120,224
Total	463,097	455,092

FINANCIAL STATEMENTS

2. PROPERTY CONTINUED

2.4. Property costs

ALL VALUES IN \$000S	JUNE 2024 6 MONTHS	DECEMBER 2023 12 MONTHS
Rates & insurance	(5,226)	(9,881)
Property maintenance costs	(2,953)	(9,213)
Utilities	(182)	(504)
Bad and doubtful debts expense	(42)	(28)
Lease incentives amortisation	(336)	(660)
Other non-recoverable property costs	(1,157)	(2,409)
Total property costs	(9,896)	(22,695)

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

2.5. Net rental income

ALL VALUES IN \$000S	JUNE 2024 6 MONTHS	DECEMBER 2023 12 MONTHS
Gross rental income		
Gross rental receipts	48,984	95,911
Service charge income recovered from tenants	8,304	19,118
Fixed rental income adjustments	(21)	577
Capitalised lease incentive adjustments	(526)	(1,438)
Impact of rental income deferred and abated due to the COVID-19 pandemic	(54)	(168)
Total gross rental income	56,687	114,000
Service charge expenses		
Rates & insurance	(5,226)	(9,881)
Property maintenance costs	(2,953)	(9,213)
Utilities	(182)	(504)
Total service charge expenses	(8,361)	(19,598)
Net rental income	48,326	94,402

2.6. Insurance income

A small number of the Group's properties suffered damage in the extreme weather events during the year ended 31 December 2023. As a result, the Group 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.

FINANCIAL STATEMENTS

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) Borrowings

ALL VALUES IN \$000S	JUNE 2024	DECEMBER 2023
Current		
Fixed Rate Bond (PFI010)	100,000	100,000
Syndicated Bank Facility C	50,000	–
Total current borrowings	150,000	100,000
Non-current		
Bilateral CBA Bank Facility	125,000	125,000
Syndicated Bank Facility A	125,485	73,400
Syndicated Bank Facility C	–	100,000
ANZ & CBA Green Facility D1	50,000	40,200
BNZ Green Facility D2	25,000	25,000
Westpac Green Facility D3	75,000	60,301
Prcoa Facility	25,000	25,000
Fixed Rate Bond (PFI020)	100,000	100,000
Unamortised borrowings establishment costs	(1,545)	(1,852)
Total non-current borrowings	523,940	547,049
Total borrowings	673,940	647,049
Weighted average interest rate for drawn debt (inclusive of current interest rate swaps, margins and line fees)	5.72%	5.70%
Weighted average term to maturity (years)	2.25	2.40

Recognition and Measurement

All borrowings are initially measured at fair value, plus directly attributable transaction costs, and subsequently measured at amortised cost using the effective interest rate method. Under this method, directly attributable fees and costs are capitalised and spread over the expected life of the facility. All other interest costs and bank fees are expensed in the period they are incurred.

FINANCIAL STATEMENTS

3. FUNDING CONTINUED

3.1. Borrowings continued

(ii) Composition of borrowings

ALL VALUES IN \$000S AS AT 30 JUNE 2024	ISSUE DATE	MATURITY DATE	INTEREST RATE	FACILITY DRAWN / AMOUNT	UNDRAWN FACILITY	FAIR VALUE
Fixed Rate Bond (PFI010)	28-Nov-17	28-Nov-24	4.59%	100,000	–	99,475
Syndicated Bank Facility C	–	31-Mar-25	Floating	50,000	–	50,000
Syndicated Bank Facility A	–	02-Jul-25	Floating	125,485	24,515	125,485
Fixed Rate Bond (PFI020)	01-Oct-18	01-Oct-25	4.25%	100,000	–	98,189
Syndicated Bank Facility B	–	02-Jul-26	Floating	–	150,000	–
ANZ & CBA Green Facility D1	–	18-Jul-26	Floating	50,000	–	50,000
BNZ Green Facility D2	–	18-Jul-27	Floating	25,000	–	25,000
Westpac Green Facility D3	–	18-Jul-27	Floating	75,000	–	75,000
Bilateral CBA Bank Facility	–	16-Apr-28	Floating	125,000	–	125,000
Pricoa Facility	–	15-Dec-29	Floating	25,000	–	25,465
CBA Bank Facility	–	31-May-31	Floating	–	50,000	–
Total borrowings				675,485	224,515	673,614

ALL VALUES IN \$000S AS AT 31 DECEMBER 2023	ISSUE DATE	MATURITY DATE	INTEREST RATE	FACILITY DRAWN / AMOUNT	UNDRAWN FACILITY	FAIR VALUE
Fixed Rate Bond (PFI010)	28-Nov-17	28-Nov-24	4.59%	100,000	–	98,648
Syndicated Bank Facility C	–	31-Mar-25	Floating	100,000	–	100,000
Syndicated Bank Facility A	–	02-Jul-25	Floating	73,400	76,600	73,400
Fixed Rate Bond (PFI020)	01-Oct-18	01-Oct-25	4.25%	100,000	–	97,561
Syndicated Bank Facility B	–	02-Jul-26	Floating	–	150,000	–
ANZ & CBA Green Facility D1	–	18-Jul-26	Floating	40,200	9,800	40,200
BNZ Green Facility D2	–	18-Jul-27	Floating	25,000	–	25,000
Westpac Green Facility D3	–	18-Jul-27	Floating	60,301	14,699	60,301
Bilateral CBA Bank Facility	–	16-Apr-28	Floating	125,000	–	125,000
Pricoa Facility	–	15-Dec-29	Floating	25,000	–	25,420
Total borrowings				648,901	251,099	645,530

FINANCIAL STATEMENTS

3. FUNDING CONTINUED

3.1. Borrowings continued

(ii) Composition of borrowings continued

The Group has long-term revolving facilities (A and B) with a banking syndicate comprising ANZ, BNZ, CBA and Westpac (each providing \$75 million), for \$300 million. BNZ provides the Group with a further \$50 million facility (C) and CBA, providing facilities totalling \$175 million.

In accordance with the Group's Green Finance Framework, the Group has also established \$150 million of Green Loan facilities during the period to fund its committed development projects. The Green Loan facilities consists of ANZ & CBA green facility (D1) providing \$50 million, BNZ green facility (D2) providing \$25 million and Westpac green facility (D3) providing \$75 million.

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 the balance date and is classified as Level 1 in the fair value hierarchy (2023: 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.

The fair value of the Pricoa facility is classified as Level 2 and is measured using a present value calculation of the future cash flows using the relevant term swap rate as the discount factor. The discount curve will incorporate both the credit spreads and risk free rate.

(iii) Security

The bank facilities, fixed rate bonds and the Pricoa facility 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 \$1,800,000,000 (31 December 2023: \$1,800,000,000). In addition to this, the bank facility agreements, fixed rate bond terms and Pricoa facility agreement also contain a negative pledge. The Company and PFI No. 1 are guarantors to the facility, fixed rate bonds, and Pricoa facility. As at 30 June 2024, investment properties totalling \$2,050,525,000 (31 December 2023: \$2,027,725,000) were mortgaged as security for the Group's borrowings.

3.2. Derivative financial instruments

(i) Fair values

ALL VALUES IN \$000S	JUNE 2024	DECEMBER 2023
Current assets	267	739
Non-current assets	22,815	20,973
Current liabilities	(1,090)	(3,509)
Non-current liabilities	(3,692)	(3,515)
Total	18,300	14,688

FINANCIAL STATEMENTS

3. FUNDING CONTINUED

3.2. Derivative financial instruments continued

(ii) Notional principal values, maturities and interest rates

	JUNE 2024	DECEMBER 2023
Notional value of interest rate swaps – fixed rate payer – start dates commenced (\$000s)	400,000	370,000
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)	175,000	165,000
Total (\$000s)	775,000	735,000
Percentage of borrowings fixed (%)	59%	57%
Fixed rate payer swaps:		
Average period to expiry – start dates commenced (years)	2.57	2.69
Average period to expiry – forward starting (years from commencement)	3.57	3.79
Average (years)	2.87	3.03
Fixed rate payer swaps:		
Average interest rate ² – start dates commenced (%)	2.64%	2.35%
Average interest rate ² – forward starting (% during effective period)	4.05%	3.89%
Average (%)	3.07%	2.82%

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.

(iii) Fair value gain/(loss) on derivative financial instruments

	JUNE 2024 6 MONTHS	DECEMBER 2023 12 MONTHS
ALL VALUES IN \$000S		
Interest rate swaps	3,611	(10,151)
Total fair value gain/(loss) on derivative financial instruments	3,611	(10,151)

Recognition and Measurement

The Group is exposed to changes in interest rates and uses derivative financial instruments, principally interest rate swaps, to mitigate this risk. The Group does not apply hedge accounting. Derivative financial instruments are entered into to economically hedge the risk exposure.

Such derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently re-measured to fair value at each reporting date. Transaction costs are expensed on initial recognition and recognised in the Consolidated Statement of Comprehensive Income. The fair value of derivative financial instruments is based on valuations prepared by independent treasury advisers and is the estimated amount that the Group would receive or pay to terminate the derivative contract at reporting date, taking into account current interest rates and creditworthiness of the derivative contract counterparties.

Key estimates and assumptions: Derivatives

The fair values of derivative financial instruments are determined from valuations prepared by independent treasury advisers using Level 2 valuation techniques (31 December 2023: 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 2024 of between 5.63% for the 90 day BKBM (31 December 2023: 5.64%) and 4.49% for the 10 year swap rate (31 December 2023: 4.14%). There were no changes to these valuation techniques during the reporting period.

FINANCIAL STATEMENTS

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

	JUNE 2024 6 MONTHS	DECEMBER 2023 12 MONTHS
Total comprehensive (loss) / income for the period attributable to the shareholders of the Company (\$000s)	21,181	(97,792)
Weighted average number of ordinary shares (shares)	502,177,801	502,118,817
Basic earnings per share (cents)	4.22	(19.48)

(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 184,006 (2023: 71,070) rights issued under the Group's LTI Plan as at 30 June 2024. This adjustment has been calculated using the treasury share method. Refer to note 5.8 "Share-based payments" for further details.

	JUNE 2024 6 MONTHS	DECEMBER 2023 12 MONTHS
Total comprehensive (loss) / income for the period attributable to the shareholders of the Company (\$000s)	21,181	(97,792)
Weighted average number of shares for purpose of diluted earnings per share (shares)	502,361,807	502,189,887
Diluted earnings per share (cents)¹	4.22	(19.47)

1 As the Group has recorded a total comprehensive loss in the prior year, diluted earnings per share is deemed to be equal to basic earnings per share (2024: (19.48) cents).

4.2. Net tangible assets per share

	JUNE 2024	DECEMBER 2023
Net assets (\$000s)	1,359,495	1,360,269
Net tangible assets (\$000s)	1,359,495	1,360,269
Closing shares on issue (shares)	502,199,351	502,129,313
Net tangible assets per share (cents)	271	271

FINANCIAL STATEMENTS

5. OTHER

IN THIS SECTION

This section includes additional information that is considered less significant in understanding of the financial performance and position of the Group, but is disclosed to comply with New Zealand Equivalents to International Financial Reporting Standards.

5.1. Administrative expenses

ALL VALUES IN \$000S	NOTE	JUNE 2024 6 MONTHS	DECEMBER 2023 12 MONTHS
Auditor remuneration			
Audit or review of the financial statements		(250)	(263)
Other services ¹		(58)	(5)
Depreciation		(243)	(569)
Directors' fees	5.7	(352)	(665)
Employee benefits		(3,212)	(5,369)
Facilities management project		–	(456)
IT - licence fees and support		(249)	(474)
IT - implementation costs		(16)	(97)
Office expenses		(596)	(1,076)
Other expenses		(1,008)	(1,275)
Sustainability		(113)	(87)
Total administrative expenses		(6,097)	(10,336)

1 In the six month period ended 30 June 2024, PwC were engaged to provide an evaluation of whether the preconditions for assurance exist in preparation for assurance over greenhouse gas emissions. In December 2022, PwC were engaged to provide market remuneration data relating to executive levels for a fee of \$4,000. This engagement was delivered in the FY2023 financial year. The other services of \$1,000 relate to the purchase of PwC's 2023 Property Supplement Report.

5.2. Taxation

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

ALL VALUES IN \$000S	JUNE 2024 6 MONTHS	DECEMBER 2023 12 MONTHS
Profit / (loss) before income tax	25,475	(98,756)
Prima facie income tax calculated at 28%	(7,133)	27,652
<i>Adjusted for:</i>		
Non-tax deductible revenue and expenses	(37)	(18)
Fair value loss on investment properties	(1,166)	(39,432)
Loss on disposal of investment properties	(147)	(521)
Depreciation	2,636	5,560
Disposal of depreciable assets	33	1,153
Deductible capital expenditure	2,088	2,972
Lease incentives, fees and fixed rental income	116	(4)
Gain / (loss) on derivative financial instruments	1,015	(2,835)
Impairment gain / (allowance)	6	(8)
Current tax prior period adjustment	(30)	151
Other	34	(271)
Current taxation expense	(2,585)	(5,601)
Depreciation	(547)	3,610
Lease incentives, fees and fixed rental income	–	4
(Gain) / loss on derivative financial instruments	(1,015)	2,835
Impairment (allowance) / gain	(6)	8
Other	(141)	108
Deferred taxation (expense) / benefit	(1,709)	6,565
Total income tax (expense) / benefit reported in Consolidated Statement of Comprehensive Income	(4,294)	964

FINANCIAL STATEMENTS

5. OTHER CONTINUED

5.2. Taxation continued

(ii) Deferred tax

	DECEMBER 2022	DECEMBER 2023 12 MONTHS	DECEMBER 2023	JUNE 2024 6 MONTHS	JUNE 2024
ALL VALUES IN \$000S	AS AT	RECOGNISED IN PROFIT	AS AT	RECOGNISED IN PROFIT	AS AT
Deferred tax assets					
Impairment allowance	–	(8)	(8)	6	(2)
Office lease liability ¹	(606)	3	(603)	34	(569)
Other	(164)	(205)	(369)	78	(291)
Gross deferred tax assets	(770)	(210)	(980)	118	(862)
Deferred tax liabilities					
Investment properties	24,543	(3,614)	20,929	547	21,476
Derivative financial instruments	6,913	(2,835)	4,078	1,015	5,093
Office lease asset ¹	598	(70)	528	(39)	489
Gross deferred tax liabilities	32,054	(6,519)	25,535	1,523	27,058
Share-based payment reserve	–	164	–	68	–
Net deferred tax liability	31,284	(6,565)	24,555	1,709	26,196

1 The deferred tax on the office lease liability and office lease asset have been reallocated from the 'Other' line item and disclosed separately within this note. There is no change to the overall deferred tax position in the respective periods.

(iii) Imputation credit account

The amounts below represent the balance of the imputation credit account as at the end of the reporting period, adjusted for imputation credits that will arise from the payment of taxation payable represented in the Consolidated Statement of Financial Position.

ALL VALUES IN \$000S	JUNE 2024	DECEMBER 2023
Opening balance	433	2,299
Taxation paid / payable	2,537	5,490
Imputation credits attached to dividends paid	(3,194)	(7,356)
Additional period end adjustment ²	224	–
Closing balance available to shareholders for use in subsequent periods	–	433

2 The imputation credit account balance is in debit for the period ended 30 June 2024. The expectation is that the imputation credit account would never remain in a debit position, and additional payment will be made to ensure the imputation credit account balance is in credit as at 31 March 2025.

FINANCIAL STATEMENTS

5. OTHER CONTINUED

5.2. Taxation continued

(iii) **Imputation credit account** continued

Recognition and Measurement

The Company and Group are a listed Portfolio Investment Entity (PIE) for the purposes of the Income Tax Act 2007. Tax is accounted for on a consolidated Group basis and the Group is required to pay tax to the IRD as required by the Income Tax Act 2007. Income tax expense comprises current and deferred tax and is recognised in the Consolidated Statement of Comprehensive Income for the year.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years. Deferred tax is provided for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes.

Deferred tax is recognised on all temporary differences, including:

- The tax liability arising from accumulated depreciation claimed on investment properties, where applicable;
- The tax asset arising from the allowance for impairment;
- The tax liability arising from certain prepayments and other assets; and
- The tax asset / liability arising from the unrealised gains / losses on the revaluation of interest rate swaps.

Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date. Deferred tax is not recognised for:

- Temporary differences on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss;
- Temporary differences relating to investments in subsidiaries to the extent that it is probable that they will not reverse in the foreseeable future; and
- Taxable temporary differences arising on the initial recognition of goodwill.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different entities, but they intend to settle current tax assets and liabilities on a net basis.

A deferred tax asset is recognised to the extent that it is probable that future taxable profits will be available against which temporary differences can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Additional income tax arising from distribution of dividends is recognised at the same time as the liability to pay the dividend is recognised.

Key estimates and assumptions: Deferred tax

Investment properties are valued each year by independent valuers (as outlined in note 2.1). These values include an allocation of the valuation between the land and building components. The calculation of deferred tax on depreciation recovered places reliance on the land and building split in the valuation provided by the valuers. The building value is then split between fit-out and structure based on the proportion of the tax book values of each.

FINANCIAL STATEMENTS

5. OTHER CONTINUED

5.3. Accounts receivable, prepayments and other assets

ALL VALUES IN \$000S	JUNE 2024	DECEMBER 2023
Accounts receivable	4,642	4,702
Provision for doubtful debts	(8)	(28)
Prepayments and other assets	3,180	5,132
Total accounts receivable, prepayments and other assets	7,814	9,806

Recognition and Measurement

Accounts receivable are recognised at fair value and subsequently measured at amortised cost using the effective interest rate method. Receivables are assessed on an ongoing basis for impairment. The group applies the simplified approach to providing for expected credit losses prescribed by NZ IFRS 9 'Financial Instruments', which permits the use of lifetime expected loss provision for all trade receivables.

5.4. Accounts payable, accruals and other liabilities

ALL VALUES IN \$000S	JUNE 2024	DECEMBER 2023
Accounts payable	466	10,887
Accrued interest expense and bank fees	3,836	4,365
Accruals and other liabilities in respect of investment properties	9,650	5,614
Accrued employee benefits	261	182
Accruals and other liabilities	5,574	1,253
Total accounts payable, accruals and other liabilities	19,787	22,301

Recognition and Measurement

Expenses are recognised on an accruals basis and, if not paid at the end of the reporting period, are reflected as a payable in the Consolidated Statement of Financial Position.

5.5. Financial instruments

The following financial assets and liabilities, that potentially subject the Group to financial risk, have been recognised in the financial statements:

ALL VALUES IN \$000S	JUNE 2024	DECEMBER 2023
Financial Assets		
<i>Financial assets at amortised cost:</i>		
Cash at bank	1,481	1,187
Accounts receivable and other assets	4,634	4,674
Total – Financial assets at amortised cost	6,115	5,861
<i>Financial assets at fair value through profit or loss:</i>		
Derivative financial instruments	23,082	21,712
Total – Financial assets at fair value through profit or loss	23,082	21,712
Total Financial Assets	29,197	27,573
Financial Liabilities		
<i>Financial liabilities at amortised cost:</i>		
Accounts payable, accruals and other liabilities	19,272	21,875
Lease liabilities	2,032	2,153
Borrowings	673,940	647,049
Total - Financial liabilities at amortised cost	695,244	671,077
<i>Financial liabilities at fair value through profit or loss:</i>		
Derivative financial instruments	4,782	7,024
Total – Financial liabilities at fair value through profit or loss	4,782	7,024
Total Financial Liabilities	700,026	678,101

FINANCIAL STATEMENTS

5. OTHER CONTINUED

5.6. Financial risk management

The Group's activities expose it to a variety of financial risks, including interest rate risk, credit risk and liquidity risk. The Group's overall financial risk management strategy focuses on minimising the potential negative economic impact of unpredictable events on its financial performance.

(a) Interest rate risk

The Group's exposure to the risk of changes in interest rates relates primarily to the Group's borrowings with a floating interest rate. The Group has an interest rate hedging policy which has been reviewed by an external firm with expertise in this area. The policy calls for a band of the Group's borrowings to be at fixed interest rates, with a greater proportion of the near term to be fixed and a lesser percentage of the far dated to be fixed.

The Group uses derivative financial instruments, principally fixed rate payer interest rate swaps, to exchange its floating short-term interest rate exposure for fixed long-term interest rate exposure in accordance with its policy bands. As the Group holds derivative financial instruments, there is a risk that their fair value will fluctuate because of underlying changes in market interest rates. This is accepted as a by-product of the Group's interest rate hedging policy, however this risk is partially mitigated by the Group's holding of fixed rate receiver interest rate swaps. The fair value of derivative financial instruments is disclosed in the Consolidated Statement of Financial Position (refer to note 3.2).

The following sensitivity analysis shows the effect on (loss) / profit before tax and equity if interest rates at balance date had been 50 basis points (0.50%) higher or lower with all other variables held constant.

	JUNE 2024		DECEMBER 2023	
	GAIN/(LOSS) ON INCREASE OF 0.50%	GAIN/(LOSS) ON DECREASE OF 0.50%	GAIN/(LOSS) ON INCREASE OF 0.50%	GAIN/(LOSS) ON DECREASE OF 0.50%
ALL VALUES IN \$000S				
Impact on profit before tax	3,704	(3,748)	3,478	(3,370)
Impact on equity	2,667	(2,699)	2,504	(2,426)

(b) Credit risk

Credit risk represents the risk that the counterparty to a financial instrument will fail to discharge its obligations and the Group will suffer financial loss as a result. Financial instruments which potentially subject the Group to credit risk consist of cash and cash equivalents, accounts receivable and other assets and interest rate swap agreements.

With respect to the credit risk arising from cash and cash equivalents, there is limited credit risk as cash is deposited with ANZ Bank New Zealand Limited, a registered bank in New Zealand with a credit rating of AA- (Standard & Poor's). The Group considers both historical analysis and forward-looking information in determining any expected credit loss, and infers from this strong credit rating that no loss allowance is deemed necessary.

With respect to the credit risk arising from accounts receivable, the Group only enters into lease arrangements over its investment properties with parties whom the Group assesses to be creditworthy. It is the Group's policy to subject all potential tenants to credit verification procedures and monitor accounts receivable balances. As the Group has a wide spread of tenants over many industry sectors, it is not exposed to any significant concentration of credit risk. Credit risk does not arise on property sale proceeds to be settled as title will not transfer until settlement.

With respect to the credit risk arising from interest rate swap agreements, there is limited credit risk as all counterparties are registered banks in New Zealand. The credit ratings of these banks are all AA- (Standard & Poor's).

The carrying amount of financial assets as per note 5.5 approximates the Group's maximum exposure to credit risk. For certain receivables the Group holds bank guarantees, parent company guarantees or personal guarantees.

FINANCIAL STATEMENTS

5. OTHER CONTINUED

5.6. Financial risk management continued

(c) Liquidity risk

Liquidity risk is the risk that the Group will experience difficulty in either realising assets or otherwise raising sufficient funds to meet its obligations arising from its financial liabilities.

The Group manages its liquidity risk by ensuring that it has committed funding facilities at a minimum of 105% of the projected peak debt level over the next twelve months (excluding business acquisitions).

The maturities of the Group's borrowings based on the remaining period is 2.2 years (31 December 2023: 2.4 years). All borrowings are due later than one year except for the PFI010 fixed rate bond and the Syndicated Bank Facility C, which the Group expects to repay (31 December 2023: later than one year except for the PFI010 fixed rate bond, maturing on 28 November 2024). Further details of the Group's borrowings, including the maturities of the Group's borrowings and undrawn facilities, are disclosed in note 3.1.

The table below analyses the contractual undiscounted cash flows of the Group's financial liabilities (principal and interest) by the relevant maturity groupings based on the remaining period as at 30 June 2024 and 31 December 2023.

ALL VALUES IN \$000S	CARRYING AMOUNT	CONTRACTUAL CASH FLOWS				TOTAL
		0 - 1 YEAR	1 - 2 YEARS	2 - 5 YEARS	> 5 YEARS	
Financial liabilities						
Accounts payable, accruals and other liabilities	19,272	19,272	–	–	–	19,272
Lease liabilities	2,032	254	275	1,342	161	2,032
Derivative financial instruments ¹	(18,300)	(6,699)	(5,962)	(7,414)	(618)	(20,693)
Borrowings	673,940	195,015	250,609	302,388	25,893	773,905
Total as at 30 June 2024	676,944	207,842	244,922	296,316	25,436	774,516
Accounts payable, accruals and other liabilities	21,875	21,875	–	–	–	21,875
Lease liabilities	2,153	244	265	1,291	353	2,153
Derivative financial instruments ¹	(14,688)	(5,538)	(4,090)	(6,658)	(241)	(16,527)
Borrowings	647,049	148,044	305,081	286,739	26,857	766,721
Total as at 31 December 2023	656,389	164,625	301,256	281,372	26,969	774,222

1 The carrying amount of derivative financial instruments shown is the net position of both derivative financial instrument assets and derivative financial instrument liabilities.

FINANCIAL STATEMENTS

5. OTHER CONTINUED

5.6. Financial risk management continued

(d) Capital risk management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern whilst maximising the return to shareholders through maintaining an optimal balance of debt and equity to optimise the cost of capital. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares, buy back shares, or sell assets to reduce debt.

The Group's capital structure includes borrowings and shareholders' equity. The Group monitors capital on the basis of the loan to value ratio and borrowing covenant compliance. The loan to value ratio is calculated as borrowings divided by investment properties. The Group's strategy is to maintain a loan to value ratio of no more than 40%. The covenants on all borrowings require a loan to value ratio of no more than 50%, and this was complied with during the period.

The Group operates a Dividend Reinvestment Scheme (DRS) which allows eligible shareholders to reinvest dividends in shares. The Board, at its sole discretion, may suspend the DRS at any time and/or apply a discount to which shares are issued under the DRS.

5.7. Related party transactions

(i) Key management personnel and directors compensation

	JUNE 2024 6 MONTHS	DECEMBER 2023 12 MONTHS
ALL VALUES IN \$000S		
Key management personnel ¹		
Short-term employee benefits	1,277	2,388
Post-employment benefits	78	111
Share-based payments	175	349
Directors' fees ²	352	665
Total	1,882	3,513

- 1 The figures above represent amounts processed in the Statement of Comprehensive Income in the current and previous financial period. In the 2023 financial statements, the amounts shown in this note disclosure for other long-term benefits represented the fair value of the vested Long Term Incentive awards recognised in the financial statements. If the same methodology was applied in the current financial period, total other long-term benefits would be nil.
- 2 In 2024, there were changes to the composition of the Board of Directors of the Group. Jeremy Simpson was appointed as an independent director effective from 24 February 2024. Anthony Beverley retired from his role as Chair of the Board of Directors on 3 April 2024 but remains on the Board as an independent director. Following this change, Dean Bracewell stepped down from his role as People Committee Chair to take on the role as Chair of the Board of Directors and David Thomson took on the role of People Committee Chair. (2023: Angela Bull as appointed as an independent director effective from 20 February 2023, and as a new member of the People Committee effective from 5 May 2023 following Anthony Beverley's retirement from the People Committee role).

FINANCIAL STATEMENTS

5. OTHER CONTINUED

(ii) Other related party transactions

The Group also has related party relationships with the following parties:

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 the related party took place:

	RELATED PARTY	JUNE 2024 6 MONTHS	DECEMBER 2023 12 MONTHS
Valuation fees paid	Bayleys	22	18
Valuation fees owing ²	Bayleys	7	11

2 Amounts owing as at 30 June 2024 and 31 December 2023 are included in the line item 'Accounts payable, accruals and other liabilities' in the Consolidated Statement of Financial Position.

NUMBER	RELATED PARTY	JUNE 2024	DECEMBER 2023
Shares held beneficially in the company	Directors	240,708	195,708
Shares held non-beneficially in the company	Directors	–	–

No related party debts have been written off or forgiven during the period (2023: NIL).

5.8. Share-based payments

Long-term incentive plan (Equity settled)

PFI operates a long-term incentive plan (LTI Plan) for all members of the key management personnel in the Group. Under the LTI Plan, Performance Share Rights (PSRs) are issued to members of the key management personnel which give them the right to receive ordinary shares in the Group after a 1-3 year period, subject to achieving the performance hurdles outlined below. These are at-risk payments designed to align the reward of the key management personnel with the Company's performance over a multi-year period. Grants of PSRs and outstanding PSRs at the end of the current or prior financial period were made on 22 February 2021 (2021 Grant), on 21 February 2022 (2022 Grant), on 22 August 2023 (2023 Grant), and on 6 March 2024 (2024 Grant).

The key terms and conditions related to the PSRs under the LTI Plan are as follows:

- The PSRs are granted for nil consideration and have a nil exercise price.
- The participant must remain an employee of the Group as at the relevant vesting date for each tranche of PSRs.
- The 2021 Grant and 2022 Grant under the LTI Plan had or have three tranches with two separate performance hurdles applying to each tranche. The three tranches enable a third of the PSRs to vest after one year, two years and three years from the commencement dates of 1 January 2021 and 1 January 2022. For each tranche:
 - 50% of the PSRs are subject to a performance hurdle of the Company's rolling three year Funds From Operations (FFO) growth equalling or exceeding the three year CPI growth to September immediately prior to the vesting date (Part A); and
 - 50% of the PSRs are subject to a performance hurdle of the Company's Total Shareholder Returns (TSR) outperforming the TSR of a property peer group (comprising other listed property issuers) over the period from the commencement date to the vesting date for the relevant tranche (Part B).

FINANCIAL STATEMENTS

5. OTHER CONTINUED

- The 2023 Grant and 2024 Grant under the LTI Plan have three tranches with one performance hurdle applying to each tranche. The three tranches enable a third of the PSRs to vest after one year, two years and three years from the commencement dates of 1 January 2023 and 1 January 2024. 100% of the PSRs are subject to a performance hurdle of the Company's Total Shareholder Returns (TSR) outperforming the TSR of a property peer group (comprising other listed property issuers) over the period from the commencement date to the vesting date for the relevant tranche (Part B).
- At vesting, subject to meeting performance hurdles, each PSR is converted to one ordinary share. The LTI Plan is a dividend protected LTI Plan and the participants will receive additional shares representing the value of dividends paid over the vesting period. The participants are liable for tax on the shares received at this point but may elect to receive a net number of shares on exercise of the PSRs to account for the tax which is then paid by PFI on the participant's behalf.

FINANCIAL STATEMENTS

5. OTHER CONTINUED

5.8. Share-based payments continued

The following table reconciles the opening PSR balance as at 1 January 2024 to the closing PSR balance as at 30 June 2024. Please note that due to the change in the Company's balance date to 30 June, there were no shares eligible for vesting in the six-month period to 30 June 2024.

GRANT YEAR	2023	2023	2023	2023	2023	2024	2024	2024	2024
	OPENING (PSRS)	GRANTED (PSRS)	VESTED (PSRS)	LAPSED (PSRS)	CLOSING / 2024 OPENING (PSRS)	GRANTED (PSRS)	VESTED (PSRS)	LAPSED (PSRS)	CLOSING (PSRS)
2024	-	-	-	-	-	274,338			274,338
2023	-	246,840	(61,713)	(20,570)	164,557	-	-	-	164,557
2022	111,273	-	(20,862)	(34,773)	55,638	-	-	-	55,638
2021	51,724	-	(25,862)	(25,862)	-	-	-	-	-
Total	162,997	246,840	(108,437)	(81,205)	220,195	274,338	-	-	494,533

The PSRs outstanding at 30 June 2024 had a weighted - average contractual life of 1.22 years (31 December 2023: 1.37 years).

The LTI Plan has resulted in a share-based payment reserve totalling \$570,000 as at 30 June 2024 (31 December 2023: \$754,000).

Fair value measurement of LTI Plan

The fair value of the PSRs have been measured using a Monte Carlo simulation model. Service and non-market performance conditions were not taken into account in measuring fair value. The TSR performance metric is a market condition and has been factored into the fair value of the PSRs at the grant date. However, the FFO performance metric is a non-market condition and is not factored into the fair value of the PSRs.

The inputs used in the measurement of the fair values at the grant date were as follows.

	PERFORMANCE SHARE RIGHTS			
	2024 GRANT	2023 GRANT	2022 GRANT	
	Part B	Part B	Part A	Part B
Weighted average fair value at grant date	\$1.28	\$1.38	\$2.80	\$1.66
Share price at grant date	\$2.23	\$2.34	\$2.80	\$2.80
Expected volatility (weighted-average)	15.4%	15.4%	N/A	11.8%
Expected life (weighted-average)	21 months	16 months	22 months	22 months
Risk-free interest rate	5.04%	5.67%	N/A	2.23%

FINANCIAL STATEMENTS

5. OTHER CONTINUED

5.8. Share-based payments continued

The expected volatility and correlation measures are based on the standard deviation and correlation of weekly returns of the property peer group, over a two year period (2023: two year period).

The risk-free rate was based on government bond yields over a period of 1.82 years (2023: 1.36 years).

Recognition and Measurement

The PSRs are measured at fair value at the grant date and expensed over the period during which the participant becomes unconditionally entitled to the shares, based on an estimate of shares that will eventually vest. The corresponding entry of the expense is equity. The fair value of the PSRs which are vested - and the corresponding shares which are issued - are transferred from the share-based payment reserve to share capital on issue of the shares.

Key estimates and assumptions: Long-term incentive plan

It has been assumed that all key management personnel will remain employed with the Company on each of the vesting dates and that the non-market performance conditions will be met.

5.9. 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	JUNE 2024	DECEMBER 2023
Right-of-use assets¹		
Properties	1,748	1,884
Total right-of-use assets	1,748	1,884

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

There were no additions to the right-of-use assets during the 2024 financial period (31 December 2023: Nil).

ALL VALUES IN \$000S	JUNE 2024	DECEMBER 2023
Lease liabilities		
Current ²	254	244
Non-current ³	1,778	1,909
Total lease liabilities	2,032	2,153

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.

FINANCIAL STATEMENTS

5. OTHER CONTINUED

5.9. 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	JUNE 2024 6 MONTHS	DECEMBER 2023 12 MONTHS
Depreciation charge of right-of-use assets⁴		
Properties	(136)	(320)
Total depreciation charge of right-of-use assets	(136)	(320)

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

ALL VALUES IN \$000S	JUNE 2024 6 MONTHS	DECEMBER 2023 12 MONTHS
Interest cost ⁵	(53)	(116)

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 the six month period ended 30 June 2024 was \$174,000 (31 December 2023: \$196,000).

5.10. 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 the year ended 31 December 2023 which resulted in an increase of \$1,070,000 for the works, over and above the initial costings estimated at the date of sale. Following the reassessment, an agreed lump sum payment for the total seismic works was made to the purchaser in lieu of the Group undertaking the seismic works and any further obligations. The additional seismic costs of \$1,070,000 from the reassessment is presented in the Consolidated Statement of Comprehensive Income.

5.11. 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.

5.12. Capital commitments

As at 30 June 2024, the Group had capital commitments totalling \$35,975,000 (31 December 2023: \$80,358,000) as follows:

ALL VALUES IN \$000S	JUNE 2024	DECEMBER 2023
Development capital commitments	33,469	72,990
Other capital commitments	2,506	7,368
Total capital commitments	35,975	80,358

Development capital commitments

ALL VALUES IN \$000S	JUNE 2024	DECEMBER 2023
30-32 Bowden Road		
Design and build (Green Star)		
Land value on commencement	32,500	32,500
Development cost ¹	67,914	64,114
Less: spend to date	(57,676)	(39,190)
Committed costs to complete	10,238	24,924

FINANCIAL STATEMENTS

5. OTHER CONTINUED

5.12. Capital commitments continued

ALL VALUES IN \$000S	JUNE 2024	DECEMBER 2023
78 Springs Road - Stage 1 Design and build (Green Star)		
Land value on commencement	37,817	37,817
Development cost ¹	76,562	76,562
Less: spend to date	(53,331)	(28,496)
Committed costs to complete	23,231	48,066
Total development capital commitments	33,469	72,990

¹ Excluding land value

Other capital commitments

ALL VALUES IN \$000S	JUNE 2024	DECEMBER 2023
Address		
Project		
212 Cavendish Drive	1,550	–
12 Zelanian Drive	956	1,338
45 Cryers Road	–	6,030
Total other capital commitments	2,506	7,368

On 9 October 2023, the Group had entered into a conditional contract to purchase two lots (approximately 5.8 hectares of land) within the proposed industrial subdivision at Spedding Road, Auckland, located at the end of the Northwestern motorway, for \$40.57 million. The Group expects to pay a 5% deposit once subdivision consent has been obtained (no later than 30 November 2024), and an initial settlement of 45% of the purchase price on titles being received and works being complete (expected in mid-2025). The remaining two deferred settlement sums of 25% each are due 12 and 24 months following the initial settlement date. Based on the nature of this transaction and the number of conditions and sunset dates included in the contract, no commitment value has been recorded as at 30 June 2024.

5.13. Subsequent events

On 2 July 2024, the Group made a second \$25 million drawdown on the Group's uncommitted Note Purchase and Private Shelf Agreement with PGIM, Inc (also known as Pricoa). The drawdown is for 8.5 years and is on a float-rate basis, with the margin fixed for the duration of the drawdown. The proceeds have been used to repay and cancel a further \$25 million of the Group's BNZ facility (also known as Syndicated Bank Facility C).

On 14 August 2024, the Group refinanced its \$300 million syndicated bank facility by extending the term of the two existing syndicate tranches, Syndicated Bank Facility A and Syndicated Bank Facility B (\$150 million each), by four to five years from 2 July 2025 and 2026 to 14 August 2028 and 2029 respectively. In addition, the Group has refinanced the \$25 million short term Syndicated Bank Facility C with BNZ into a new \$100 million three-year facility with an expiry date of 14 August 2027. These syndicated bank facilities are provided by ANZ, BNZ, CBA and Westpac, each providing \$100 million. Finally, the expiry of the Bilateral CBA Bank Facility has also been extended from April 2028 to August 2029, a five-year term.

On 9 August 2024, the Group entered into a Design and Build Agreement to Lease with MiTek New Zealand Limited, who have pre-committed to a 12-year lease over a ~6,500 sqm warehouse facility. As a result of this pre-commitment, the PFI Board has approved Stage 2 of the redevelopment of 78 Springs Road. Stage 2 will deliver a 'dual-unit' warehouse facility with the balance of the development (4,800 sqm of warehouse) to be completed on a speculative basis. Early works are expected to begin in December 2024, with the project expected to complete in July 2026.

On 26 August 2024, the Board of Directors of the Company approved the payment of a cash dividend of 2.2 cents per share to be paid on 11 September 2024. There will be no imputation credits attached to this final dividend for the six months period ending 30 June 2024. 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 2024 in respect of this dividend.

FINANCIAL STATEMENTS

INDEPENDENT AUDITOR'S REPORT



Independent auditor's report

To the shareholders of Property for Industry Limited

Our opinion

In our opinion, the accompanying consolidated financial statements (the financial statements) of Property for Industry Limited (the Company), including its subsidiaries (the Group), present fairly, in all material respects, the financial position of the Group as at 30 June 2024, its financial performance and its cash flows for the six month period then ended in accordance with New Zealand Equivalents to International Financial Reporting Standards (NZ IFRS) and International Financial Reporting Standards Accounting Standards (IFRS Accounting Standards).

What we have audited

The Group's financial statements comprise:

- the consolidated statement of financial position as at 30 June 2024;
- the consolidated statement of comprehensive income for the six month period then ended;
- the consolidated statement of changes in equity for the six month period then ended;
- the consolidated statement of cash flows for the six month period then ended; and
- the notes to the financial statements, comprising material accounting policy information and other explanatory information.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (New Zealand) (ISAs (NZ)) and International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the financial statements* section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Group in accordance with Professional and Ethical Standard 1 *International Code of Ethics for Assurance Practitioners (including International Independence Standards) (New Zealand)* (PES 1) issued by the New Zealand Auditing and Assurance Standards Board and the *International Code of Ethics for Professional Accountants (including International Independence Standards)* issued by the International Ethics Standards Board for Accountants (IESBA Code), and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Our firm has provided other services to the Group. This involved an evaluation of whether the preconditions for assurance exist in preparation for assurance over greenhouse gas emissions. The provision of these services have not impaired our independence as auditor of the Group.

FINANCIAL STATEMENTS

INDEPENDENT AUDITOR'S REPORT CONTINUED

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Description of the key audit matter	How our audit addressed the key audit matter
<p>Valuation of investment properties</p> <p>As disclosed in note 2.1 of the financial statements, the Group's investment property portfolio was valued at \$2,050.5 million as at 30 June 2024. The valuation of the Group's investment property portfolio is inherently subjective due to, amongst other factors, the individual nature of each property, location and the expected future rental income for each property. A small percentage difference in any one of the key individual assumptions used in the property valuations, when aggregated, could result in a material misstatement of the overall valuation of investment properties and considering the significance of investment property to the Group, this is a key audit matter.</p> <p>The valuations were performed by independent registered valuers (the Valuers). The Valuers are experienced in the markets in which the Group operates and are rotated across the portfolio on a three-year end cycle, with the exception of certain properties as disclosed in note 2.1 of the financial statements.</p> <p>In determining a property's valuation, the Valuers predominantly used two approaches to determine the fair value of an investment property: the direct capitalisation approach and the discounted cash flow approach to arrive at a range of valuation outcomes, from which the Valuers derive a point estimate. For properties under development, the residual approach was used as this is a common approach for properties under development.</p> <p>For each property, the Valuers take into account property specific information such as the current tenancy agreements and rental income earned by the asset. They then apply assumptions in relation to market capitalisation rate, net market rental, discount rate, rental growth rate and terminal capitalisation rate. For properties under development, the valuation incorporates deductions for estimated costs to complete and a profit and risk allowance.</p> <p>Due to the unique nature of each property, the assumptions applied take into consideration the individual property characteristics at a granular tenant by tenant level, as well as the qualities of the property as a whole.</p>	<p>Given the inherent subjectivity and that there are alternative assumptions and valuation methods that may result in a range of values, we performed the following procedures.</p> <p>We held discussions with management to understand the movements in the Group's investment property portfolio; changes in the condition of any property; and the controls in place over the valuation process.</p> <p>In assessing the individual valuations, we read the valuation reports for all properties. We also held separate discussions with each of the Valuers in order to gain an understanding of the assumptions and estimates used and the valuation methodology applied. We also sought to understand and consider restrictions imposed on the valuation process (if any) and the market conditions at balance date.</p> <p>We confirmed with the Valuers that the valuation approach for each property was in accordance with accounting standards and suitable for use in determining the fair value of investment properties as at 30 June 2024.</p> <p>Our work over the assumptions focused on a sample of properties in the portfolio where the assumptions used and/or year-on-year fair value movement suggested a possible outlier versus market data. We engaged our own in-house valuation expert to critique and independently assess the work performed and assumptions used by the Valuers on a sample basis. In particular, we obtained an understanding of the key inputs in the valuation, agreed contractual rental and lease terms to lease agreements with tenants, considered whether seismic assessments and/or capital maintenance requirements had been taken into account in the valuations with reference to supporting documentation and that changes in tenant occupancy risks were also incorporated. In addition, for properties under development, we obtained evidence to support the estimated cost to complete and assessed the reasonableness of profit and risk allowance deducted from the 'as if complete' valuation.</p> <p>With regards to the impact of climate-related risks on the property valuations, while the Valuers confirmed in our discussions that these were considered, the Valuers made no explicit adjustments to their valuations as at 30 June 2024 in respect of climate-related matters.</p> <p>We considered whether or not there was a bias in determining significant assumptions in individual valuations and found no evidence of bias.</p> <p>We also assessed the Valuers' qualifications, expertise and their objectivity and we found no evidence to suggest that the objectivity of any Valuer, in their performance of the valuations, was compromised.</p> <p>It was also evident from our discussions with management and the Valuers and from our review of the valuation reports that close attention had been paid to each property's individual characteristics and its overall quality, geographic location and desirability as a whole.</p> <p>We considered the appropriateness of the disclosures made in the financial statements.</p>

FINANCIAL STATEMENTS

INDEPENDENT AUDITOR'S REPORT CONTINUED

Our audit approach

Overview



Overall Group materiality: \$1.3 million, which represents approximately 5% of profit before tax excluding fair value movements relating to investment properties and derivative financial instruments.

We chose this benchmark because, in our view, it is reflective of the metric against which the performance of the Group is most likely to be measured by users.

We selected transactions and consolidated balances to audit based on the overall Group materiality rather than determining the scope of procedures to perform by auditing only specific subsidiaries or the Company.

As reported above, we have one key audit matter, being valuation of investment properties.

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the financial statements. In particular, we considered where management made subjective judgements; for example, in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits, we also addressed the risk of management override of internal controls, including among other matters, consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud.

Materiality

The scope of our audit was influenced by our application of materiality. An audit is designed to obtain reasonable assurance about whether the financial statements are free from material misstatement. Misstatements may arise due to fraud or error. They are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

Based on our professional judgement, we determined certain quantitative thresholds for materiality, including the overall Group materiality for the financial statements as a whole as set out above. These, together with qualitative considerations, helped us to determine the scope of our audit, the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements, both individually and in aggregate, on the financial statements as a whole.

How we tailored our group audit scope

We tailored the scope of our audit in order to perform sufficient work to enable us to provide an opinion on the financial statements as a whole, taking into account the structure of the Group, the accounting processes and controls, and the industry in which the Group operates.

Other information

The Directors are responsible for the other information. The other information comprises the information included in the Annual Report, but does not include the financial statements and our auditor's report thereon, and the Climate-Related Disclosures report to be published at a later date. Other than the Climate-Related Disclosures report which we will receive at a later date, we have received all the other information expected to be included in the Annual Report.

Our opinion on the financial statements does not cover the other information and we do not and will not express any form of audit opinion or assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed on the other information that we obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

When we read the Climate-Related Disclosures report, if we conclude that there is a material misstatement therein, we are required to communicate the matter to the Directors and use our professional judgement to determine the appropriate action to take.

Responsibilities of the Directors for the financial statements

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

In preparing the financial statements, the Directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

FINANCIAL STATEMENTS

INDEPENDENT AUDITOR'S REPORT CONTINUED

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements, as a whole, are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (NZ) and ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located at the External Reporting Board's website at:

<https://www.xrb.govt.nz/assurance-standards/auditors-responsibilities/audit-report-1/>

This description forms part of our auditor's report.

Who we report to

This report is made solely to the Company's shareholders, as a body. Our audit work has been undertaken so that we might state those matters which we are required to state to them in an auditor's 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 and the Company's shareholders, as a body, for our audit work, for this report or for the opinions we have formed.

The engagement partner on the audit resulting in this independent auditor's report is Samuel Shuttleworth.

For and on behalf of:



Chartered Accountants
26 August 2024

Auckland

FINANCIAL STATEMENTS

FIVE-YEAR PERFORMANCE SUMMARY

FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2024

PERIOD ENDED	30 JUNE 2024 ¹	31 DECEMBER 2023	31 DECEMBER 2022	31 DECEMBER 2021	31 DECEMBER 2020
ALL VALUES IN \$M UNLESS OTHERWISE NOTED					
FINANCIAL PERFORMANCE					
Net property income	47.2	92.8	93.3	92.1	81.4
Profit before finance income/(expenses), other gains/(losses) and income tax	41.1	82.4	84.8	84.6	75.5
Fair value (loss)/gain on investment properties and non-current assets classified as held for sale	(4.2)	(140.8)	(56.7)	392.5	72.5
(Loss)/profit before income tax	25.5	(98.8)	(6.5)	472.8	135.7
Income tax benefit/(expense)	(4.3)	1.0	(7.4)	(20.0)	(22.2)
(Loss)/profit and total comprehensive income after income tax	21.2	(97.8)	(13.9)	452.8	113.5
Weighted average number of ordinary shares ('000 shares)	502,178	502,119	504,719	503,302	499,650
IFRS basic earnings per share (cents per share)	4.22	(19.48)	(2.76)	89.97	22.71
DISTRIBUTIONS					
Total comprehensive income after tax	21.2	(97.8)	(13.9)	452.8	113.5
Distribution adjustments	1.8	142.6	58.5	(406.1)	(73.4)
Adjusted Funds From Operations (AFFO)	23.0	44.8	44.6	46.7	40.1
AFFO per share (cents per share)	4.58	8.92	8.83	9.29	8.03
Gross dividends paid relating to the year reported (cents per share)	4.46	9.67	10.19	9.99	9.73
Net dividends paid relating to the year reported (cents per share)	4.15	8.30	8.10	7.90	7.70
AFFO pay-out ratio (%)	90.7%	93.1%	91.7%	85.1%	95.9%

1 The results presented are for the six month period ended and as at 30 June 2024 and comparative period covers the 12 months ended and as at 31 December in respective periods. Accordingly, the amounts presented may not be directly comparable.

FINANCIAL STATEMENTS
FIVE-YEAR PERFORMANCE SUMMARY CONTINUED

PERIOD ENDED	30 JUNE 2024 ¹	31 DECEMBER 2023	31 DECEMBER 2022	31 DECEMBER 2021	31 DECEMBER 2020
ALL VALUES IN \$M UNLESS OTHERWISE NOTED					
FINANCIAL POSITION					
Investment properties	2,050.5	1,998.3	2,096.2	2,158.9	1,524.8
Goodwill	–	–	–	29.1	29.1
Other assets	35.6	65.6	66.6	29.0	133.5
Total assets	2,086.1	2,063.9	2,162.8	2,217.0	1,687.4
Borrowings	673.9	647.0	601.5	598.7	487.6
Other liabilities	52.7	56.6	60.9	55.6	63.2
Total liabilities	726.6	703.6	662.4	654.3	550.8
Total equity	1,359.5	1,360.3	1,500.3	1,562.7	1,136.6
Closing shares on issue ('000 shares)	502,199	502,129	502,051	505,494	501,303
Net tangible (excluding goodwill) assets (cents per share)	270.7	270.9	298.8	303.4	220.9
Gearing (%)	32.9%	32.0%	28.5%	27.7%	30.0%
PROPERTY PORTFOLIO METRICS					
Number of properties (#)	91	92	94	97	94
Number of tenants (#)	126	126	132	136	148
Contract rent	99.7	96.4	98.2	95.6	89.8
Occupancy (%)	98.6%	100.0%	100.0%	100.0%	99.4%
Net lettable area including yard (sqm)	904,229	923,511	930,453	940,204	838,403
Weighted average lease term (years)	5.07	5.06	5.08	5.40	5.28
Portfolio market capitalisation rate (%)	5.8%	5.6%	5.0%	4.4%	5.5%

1 The results presented are for the six month period ended and as at 30 June 2024 and comparative period covers the 12 months ended and as at 31 December in respective periods. Accordingly, the amounts presented may not be directly comparable.

OTHER DISCLOSURES



_ Stage 1 Springs
Road Development.

OTHER DISCLOSURES

COMPANY STRUCTURE AND STATUTORY INFORMATION

PRINCIPAL ACTIVITY

Property for Industry Limited (PFI, the Company) is a listed industrial property investment company. PFI and its subsidiaries, P.F.I. Property No. 1 Limited and P.F.I. Cover Limited¹ (collectively, the Group), invest solely in New Zealand. There has not been any change in the nature of the Company's or Group's business in the six-month period to 30 June 2024 (Financial Period 2024, or FP24), nor in the classes of business in which the Company has an interest.

NZX WAIVERS

On 4 June 2024, PFI was granted a waiver from NZX Listing Rules 3.8.1(a), 3.8.1(b) and 3.8.1(d), to the extent that the NZX Listing Rules would otherwise require PFI to prepare full disclosures regarding its compliance with the NZX Code in its FP24 Annual Report. A copy of this waiver is available at <https://www.propertyforindustry.co.nz/investor-centre/company-announcements/>

GOVERNANCE

A copy of PFI's Annual Report for the year ended 31 December 2023 (FY23) is available on the PFI website at <https://www.propertyforindustry.co.nz/investor-centre/reports-and-presentations/> and contains:

- a statement on the extent to which PFI has followed the recommendations of the NZX Corporate Governance Code (the NZX Code) during FY23, as required by NZX Listing Rules 3.8.1(a) and 3.8.1(b). A description of PFI's corporate governance policies, practices, and processes by reference to the NZX Code's eight key principles and supporting recommendations can be found in pages 73-93 of PFI's FY23 Annual Report.
- an evaluation from the Board on PFI's performance with respect to its diversity policy, as required by NZX Listing Rule 3.8.1(d), which can be found on page 79 of PFI's FY23 Annual Report.

During FP24, PFI has continued to apply the same corporate governance practices as those set out in the FY23 Annual Report.

PFI's Board has continued to evaluate the Company's performance against its Diversity and Inclusion Policy and formed the same conclusion as to performance against that policy for FP24 as set out in the FY23 Annual Report.

(1) P.F.I. Cover Limited was incorporated in the Cook Islands during the six-month period to 30 June 2024, for the purpose of establishing a captive insurance programme for the Group.

BOARD COMPOSITION

As at 30 June 2024, there were six Directors of the Company, all of whom are independent. The Directors of the Company who held office during FP24 and their status is as follows:

DIRECTOR	STATUS
Dean Bracewell	Independent Director Board Chair ¹ People Committee Chair ²
Anthony Beverley	Independent Director Board Chair ¹
Angela Bull	Independent Director
Carolyn Steele	Independent Director Audit and Risk Committee Chair
David Thomson	Independent Director People Committee Chair ²
Gregory Reidy ³	Independent Director
Jeremy Simpson ⁴	Independent Director

SUBSIDIARY COMPANIES – DIRECTORS

All current Directors of the Company are also Directors of P.F.I. Property No.1 Limited; Dean Bracewell, Anthony Beverley, Angela Bull, Carolyn Steele, David Thomson, and Jeremy Simpson.

As at 30 June 2024, Simon Woodhams, Craig Peirce, and Fronzuance Tiseli were Directors of P.F.I. Cover Limited. Simon Woodhams and Craig Peirce are also officers of PFI.

(1) Dean Bracewell replaced Anthony Beverley as Chair of the Board effective 3 April 2024. Anthony Beverley remains on the Board as an Independent Director.
 (2) David Thomson replaced Dean Bracewell as Chair of the People Committee effective 3 April 2024.
 (3) Independent Director Gregory Reidy retired from the Board effective 3 April 2024. Gregory Reidy also retired as a director of P.F.I. Property No.1 Limited on that date.
 (4) Jeremy Simpson joined the Board effective 27 February 2024.

OTHER DISCLOSURES

COMPANY STRUCTURE AND STATUTORY INFORMATION

DIRECTOR INDEPENDENCE

Director independence is determined in accordance with the requirements of the NZX Listing Rules. The Board has determined that, as at 30 June 2024, all Directors of the Company were independent: Anthony Beverley, Angela Bull, Carolyn Steele, David Thomson, Dean Bracewell, and Jeremy Simpson. This assessment considered a range of factors, including those described in Table 2.4 of the NZX Code, that may impact director independence.

Anthony Beverley has served on the Board of PFI for 23 years and had been Chair of the Board for five years until stepping down from that role on 3 April 2024. When assessing independence, the Board considered the effect of Anthony Beverley's length of tenure, and has concluded that his length of tenure has not in practice impacted his ability to bring an independent view to decisions in relation to the Company, act in the best interests of the Company, and represent the interests of the Company's financial product holders generally, having regard to, amongst other things, the other factors described in the NZX Code that may impact Director independence.

DIVERSITY AND INCLUSION

The breakdown of the gender composition of PFI's Directors, Officers and Senior Leadership Team as at the end of the previous two financial periods is as follows:

FINANCIAL YEAR	MALE			FEMALE			GENDER DIVERSE		
	DIRECTORS	OFFICERS	SENIOR LEADERS ⁽¹⁾	DIRECTORS	OFFICERS	SENIOR LEADERS	DIRECTORS	OFFICERS	SENIOR LEADERS
FY23	4	3	3	2	0	1	0	0	0
FP24	4	3	3	2	0	1	0	0	0

(1) Includes officers.

DIRECTORS' RELEVANT INTERESTS

Directors had no dealings in the Company's financial products during FP24.

Details of Directors' relevant interests in the Company's financial products as at 30 June 2024 are as follows:

DIRECTOR	NATURE OF RELEVANT INTEREST	NUMBER OF SHARES
Dean Bracewell	Beneficial owner	40,000
Gregory Reidy ¹	Registered holder	155,708
Jeremy Simpson	Beneficial owner	45,000

No Director had a relevant interest in the Company's bonds.

(1) Gregory Reidy, having ceased to be a director of the Company with effect from 3 April 2024, remains subject to the disclosure requirements under section 297 of the Financial Markets Conduct Act 2013 until 3 October 2024 (being the date which is 6 months following the date that he ceased being a director of the Company).

OTHER DISCLOSURES

COMPANY STRUCTURE AND STATUTORY INFORMATION

Directors' Interests Register

During the period, the Board authorised the renewal of the Directors' and Officers' insurance cover as at 30 June 2024 for a period of 12 months and has certified, in terms of section 162 of the Companies Act 1993, that this cover is fair to the Company.

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

Please refer to the Directors' Relevant Interests section above for information regarding the acquisition and disposal of relevant interests in the Company's financial products by its Directors.

No Director has sought authorisation to use Company information.

Section 140(1) of the Companies Act 1993 requires a director of a company to disclose certain interests. Under subsection (2) a director can make disclosure by giving a general notice in writing to the company of a position held by a director in another named company or entity. The following are details of Directors' general disclosures entered in the Interests Register for the Company during FP24. Any entry added by notices given by the Directors during FP24 is denoted with a *. Any entry removed by notices given by the Directors during FP24 is denoted with a ~.

DIRECTOR	POSITION	COMPANY
Angela Bull	Director	Bayley Corporation Limited
	Director	Foodstuffs (N.Z.) Limited
	Director	Foodstuffs South Island Limited
	Director	Foodstuffs (South Island) Properties Limited
	Director	Fulton Hogan Limited
	Director	Fulton Hogan Land Development Limited
	Director	Murdoch Manufacturing Limited
	Director	Northwest Healthcare Properties Management Limited
	Director	Realestate.co.nz Limited
	Trust Board Member	St Cuthbert's College
	Director	Stevenson Aggregates Limited
	Director	Stevenson Concrete Limited
Director	Vital Healthcare Property Trust	
Anthony Beverley	Director; Chair of Board	Arvida Group Limited
	Director and Shareholder	Carbon Systems (NZ) Limited
	Director and Shareholder	DC One H1 Limited
	Director and Shareholder	DC One H2 Limited
	Director and Shareholder	Dryland Carbon Limited
	Director and Shareholder	Dryland Manuka Limited
	Director and Shareholder	Dryland Native Limited
	Director and Shareholder	Glazebrook Capital Limited

OTHER DISCLOSURES

COMPANY STRUCTURE AND STATUTORY INFORMATION

DIRECTOR	POSITION	COMPANY
Carolyn Steele	Director; Chair of Audit and Risk Committee	Green Cross Health Limited
	Director; Chair of the Board	Halberg Foundation
	Director	Infratec New Zealand Limited (subsidiary of WEL Networks Limited)
	Director	Newpower Energy Limited (subsidiary of WEL Networks Limited)
	Director	Newpower Energy Services Limited (subsidiary of WEL Networks Limited)
	Director; Investment Committee Member	Oriens Capital GP 2 Limited
	Director; Chair of Audit and Risk Committee	Vulcan Steel Limited
	Director; Chair of Audit and Risk Committee	WEL Networks Limited
Dean Bracewell	Director	Air New Zealand Limited
	Director and Shareholder	Ara Street Investments Limited
	Director and Shareholder	Dean Bracewell Limited
	Executive Board Member	Halberg Foundation
	Director	Port of Tauranga Limited
	Director	Tainui Group Holdings Limited~
Jeremy Simpson	Trustee	Pinc & Steel Cancer Rehabilitation Foundation NZ*
	Sole Director and Shareholder	Southern Land Enterprises Limited*

Other than noted in this report, there were no other entries recorded in the interest register for the Company or any of its subsidiaries during FP24.

Substantial Product Holders as at 30 June 2024

As at 30 June 2024, the total number of ordinary shares on issue was 502,199,351. The Company's ordinary shares are the only quoted voting products the Company has on issue.

According to the Company's records and notices received by the Company under the Financial Markets Conduct Act 2013 (FMC Act), the persons, who, for the purposes of section 293 of the FMC Act, were substantial product holders as at 30 June 2024 are:

SECURITY HOLDER	NO. OF SHARES WHEN NOTICE WAS FILED	% WHEN NOTICE WAS FILED
ANZ New Zealand Investments Limited, ANZ Bank New Zealand Limited and ANZ Custodial Services New Zealand Limited	41,932,219	8.328%
Accident Compensation Corporation (ACC)	37,489,726	7.425%
FirstCape Group Limited	26,072,628	5.192%

OTHER DISCLOSURES

COMPANY STRUCTURE AND STATUTORY INFORMATION

CLIMATE-RELATED DISCLOSURES

PFI is a climate-reporting entity under the FMC Act. The Group will publish its Climate-related Disclosures for FP24 in compliance with the Aotearoa New Zealand Climate Standards issued by the External Reporting Board (XRB) as is required by the FMC Act. The Group's Climate-related Disclosures for FP24 will be accessible on PFI's website by 31 October 2024 via <https://www.propertyforindustry.co.nz/sustainability/>.¹

DONATIONS

The Company made the following donations during FP24:

- \$5,000 donation to the Sir John Kirwan Foundation
- \$2,000 donation to the Gut Foundation
- \$500 donation to Level Playing Field

The Company is a sponsor of Keystone New Zealand Property Education Trust and paid the Trust \$10,500 by way of sponsorship during the year.

PFI's subsidiaries did not make any donations during FP24.

(1) As per clause 7 of the Financial Markets Conduct (Requirement to Include Climate Statements in Annual Report) Exemption Notice 2023.

OTHER DISCLOSURES

COMPANY STRUCTURE AND STATUTORY INFORMATION

20 LARGEST REGISTERED SHAREHOLDERS AS AT 31 JULY 2024

HOLDER	HOLDING	% HOLDING
Custodial Services Limited	67,113,036	13.36%
Accident Compensation Corporation – NZCSD	38,695,196	7.71%
ANZ Wholesale Trans-Tasman Property Securities Fund – NZCSD	25,586,457	5.09%
BNP Paribas Nominees (NZ) Limited – NZCSD	24,325,555	4.84%
FNZ Custodians Limited	22,997,337	4.58%
New Zealand Depository Nominee Limited	15,953,783	3.18%
Forsyth Barr Custodians Limited	14,790,776	2.95%
Tea Custodians Limited, Client Property Trust Account – NZCSD	12,932,199	2.58%
HSBC Nominees (New Zealand) Limited – NZCSD	12,301,540	2.45%
Citibank Nominees (New Zealand) Limited – NZCSD	9,642,999	1.92%
Investment Custodial Services Limited	7,642,568	1.52%
Wildermoth Investment	6,948,605	1.38%
Admins Custodial Nominees Limited	6,086,980	1.21%
MFL Mutual Fund Limited – NZCSD	5,949,885	1.18%
PT (Booster Investments) Nominees Limited	5,852,384	1.17%
Mr. Mckee and Ms. Mckee	5,566,373	1.11%
ANZ Wholesale Property Securities – NZCSD	5,501,973	1.10%
Generate Kiwisaver Public Trust Nominees Limited	5,463,316	1.09%
Simplicity Nominees Limited	4,924,772	0.98%
Masfen Securities Limited	4,767,744	0.95%
Shares held by top 20 shareholders	303,043,478	60.34%
Balance of shares	199,155,873	39.66%
Total of issued shares	502,199,351	100.00%

SHAREHOLDER STATISTICS

Shareholder spread AS AT 31 JULY 2024

ORDINARY SHARES	NUMBER OF HOLDERS	HOLDING	% HOLDING
Up to 4,999	1,213	3,017,530	0.60%
5,000 - 9,999	975	6,942,575	1.38%
10,000 - 49,999	1,869	39,220,882	7.81%
50,000 - 99,999	288	19,379,915	3.86%
100,000 - 499,999	246	49,352,394	9.83%
500,000 and above	82	384,286,055	76.52%
	4,673	502,199,351	100.00%

Geographical spread AS AT 31 JULY 2024

ORDINARY SHARES	HOLDING	% HOLDING
Auckland & Northern Region	173,676,916	34.57%
Hamilton & Surrounding Districts	112,269,759	22.36%
Wellington & Central Districts	143,103,739	28.50%
Dunedin & Southland	24,115,603	4.80%
Nelson, Marlborough & Christchurch	12,496,603	2.49%
Overseas	36,536,731	7.28%
Total	502,199,351	100.00%

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COMPANY STRUCTURE AND STATUTORY INFORMATION

20 LARGEST REGISTERED BONDHOLDERS AS AT 31 JULY 2024

HOLDER	PFI 010 HOLDING	PFI010 % HOLDING	PFI 020 HOLDING	PFI020 % HOLDING
Custodial Services Limited	24,013,000	24.01%	34,923,000	34.92%
Forsyth Barr Custodians Limited	19,800,000	19.80%	15,905,000	15.91%
FNZ Custodians Limited	8,290,000	8.29%	10,608,000	10.61%
Citibank Nominees (New Zealand) Limited - NZCSD	–	0.00%	11,592,000	11.59%
Tea Custodians Limited Client Property Trust Account - NZCSD	6,776,000	6.78%	2,810,000	2.81%
NZPT Custodians (Grosvenor) Limited - NZCSD	8,467,000	8.47%	780,000	0.78%
HSBC Nominees (New Zealand) Limited - NZCSD	4,075,000	4.08%	3,920,000	3.92%
Generate Kiwisaver Public Trust Nominees Limited	2,000,000	2.00%	5,813,000	5.81%
Investment Custodial Services Limited	2,145,000	2.15%	1,328,000	1.33%
Public Trust - NZCSD	2,599,000	2.60%	–	0.00%
Forsyth Barr Custodians Limited	1,286,000	1.29%	1,056,000	1.06%
Forsyth Barr Custodians Limited	1,197,000	1.20%	513,000	0.51%
FNZ Custodians Limited	930,000	0.93%	567,000	0.57%
NZX WT Nominees Limited	420,000	0.42%	372,000	0.37%
JBWere (Nz) Nominees Limited	730,000	0.73%	–	0.00%
FNZ Custodians Limited	405,000	0.41%	244,000	0.24%
ANZ Bank New Zealand Limited	–	0.00%	622,000	0.62%
JML Capital Limited	–	0.00%	600,000	0.60%
Sandore Limited	500,000	0.50%	–	0.00%
Forsyth Barr Custodians Limited	442,000	0.44%	–	0.00%
Custodial Services Limited	185,000	0.19%	238,000	0.24%
Craig Paul Werner and Lea Lynn Werner	418,000	0.42%	–	0.00%
Bank of New Zealand - Treasury Support	357,000	0.36%	–	0.00%
Kiwigold.co.nz Limited	–	0.00%	300,000	0.30%
Dunedin Diocesan Trust Board	–	0.00%	250,000	0.25%
Forsyth Barr Custodians Limited	–	0.00%	246,000	0.25%
Bonds held by top 20 Bondholders	85,035,000	85.04%	92,687,000	92.69%
Total Remaining Holders Balance	14,965,000	14.97%	7,313,000	7.31%
Total of issued Bonds	100,000,000	100.00%	100,000,000	100.00%

OTHER DISCLOSURES

COMPANY STRUCTURE AND STATUTORY INFORMATION

BONDHOLDER STATISTICS

Bondholder spread: PFI010 AS AT 31 JULY 2024

BONDS	NO. OF HOLDERS	HOLDING	% HOLDING
5,000 - 9,999	66	363,000	0.36%
10,000 - 49,999	395	7,379,000	7.38%
50,000 - 99,999	46	2,773,000	2.77%
100,000 - 499,999	39	6,677,000	6.68%
500,000 - 999,999	3	2,160,000	2.16%
1,000,000 and above	11	80,648,000	80.65%
Total	560	100,000,000	100.00%

Bondholder spread: PFI020 AS AT 31 JULY 2024

BONDS	NO. OF HOLDERS	HOLDING	% HOLDING
5,000 - 9,999	40	231,000	0.23%
10,000 - 49,999	190	3,952,000	3.95%
50,000 - 99,999	27	1,530,000	1.53%
100,000 - 499,999	20	3,250,000	3.25%
500,000 - 999,999	5	3,082,000	3.08%
1,000,000 and above	9	87,955,000	87.96%
Total	291	100,000,000	100.00%

REMUNERATION REPORT

PFI is pleased to present its remuneration report for the six-month period ended 30 June 2024 (FP24). This report addresses the remuneration of PFI's Directors and Senior Leadership Team, with a particular focus on the remuneration outcomes for PFI's Chief Executive Officer in respect of FP24.

The members of PFI's Senior Leadership Team are Simon Woodhams (Chief Executive Officer), Craig Peirce (Chief Finance and Operating Officer), Ewan Cameron (Portfolio Manager) and Sarah Beale (Head of Sustainability and Operations).

The Directors of the Company who held office during FP24 and their status can be found on page 63.

REMUNERATION GOVERNANCE

Remuneration governance framework

PFI's remuneration governance framework is overseen by the People Committee on behalf of the Board. The purpose of the People Committee is to assist the Board to oversee Director and Senior Leadership Team appointment and remuneration policies and practices, Senior Leadership Team performance and development, and succession planning.

Throughout the later stages of 2023 and early 2024, a review of the Group's employee remuneration framework was undertaken to ensure it remains appropriate and supports the delivery of our strategy, whilst rewarding employees fairly and in line with investor expectations. A revised framework was put in place during the financial period and the People Committee is of the view that the revised framework supports the strategic priorities of the business and creation of sustained long-term value for shareholders.

PFI last reviewed its remuneration policy in November 2023, a copy of which is available on the Company's website, together with the People Committee's Charter, at: <https://www.propertyforindustry.co.nz/about-pfi/governance/>.

PFI's People Committee

The People Committee's role is set out in the People Committee's Charter. With regards to PFI's remuneration governance, the People Committee is responsible for establishing remuneration policies and practices, reviewing and recommending to the Board the remuneration of PFI's Senior Leadership Team and Directors and providing oversight of the remuneration of PFI's wider team of employees.

OTHER DISCLOSURES

REMUNERATION REPORT

The People Committee must comprise at least two members, all of whom must be Independent Directors. At 30 June 2024, the members of the People Committee were David Thomson (Chair of the People Committee), Angela Bull and Dean Bracewell. David Thomson, Angela Bull and Dean Bracewell were members of the People Committee at all times during FP24 having joined the People Committee in March 2020, December 2022, and May 2023 respectively. Effective from 3 April 2024, Dean Bracewell retired from his role as People Committee Chair to take up the role of Board Chair. David Thomson became People Committee Chair from 3 April 2024. All members of the People Committee during FP24 were Independent Directors.

EXECUTIVE REMUNERATION POLICY

Remuneration principles

The People Committee and Board support a remuneration strategy that is aligned to our investors' interests and encourages the achievement of our strategic objectives and demonstration of our purpose. The remuneration of the Senior Leadership Team is designed to attract and retain the most talented and effective individuals whilst ensuring appropriate alignment with employee and shareholder interests.

Packages include fixed remuneration, together with a short-term incentive (STI) and a long-term incentive (LTI) (together, Total Target Remuneration). Both the STI and LTI are at risk remuneration because the outcome is determined by performance against a combination of pre-determined financial and non-financial objectives.

Fixed remuneration

Fixed remuneration consists of a package of base salary and standard employment-associated benefits. This is benchmarked annually against a group of companies that are comparable to PFI in terms of activity, portfolio size, market capitalisation and other relevant entity characteristics. This enables us to track actual market remuneration levels for entities that offer a similar risk profile and investment portfolio performance opportunities.

Short Term Incentive (STI)

STI awards are set as a fixed amount which reflects between 14% and 24% of Total Target Remuneration. The STI earned may be between 0% and 100% of the amount awarded based on the People Committee's assessment of performance and subject to the Board's approval. Any STI earned is paid in cash.

For the STI, participants' performance against an agreed set of financial and non-financial metrics is monitored on an ongoing basis throughout the financial year by the People Committee.

Long Term Incentive (LTI)

LTIs are at-risk payments designed to align the reward of members of the Senior Leadership Team with changes in shareholder value over a multi-year period.

The current LTI plan commenced in the year ended 31 December 2019, and is a dividend protected Performance Share Rights (PSR) plan (LTI Plan). Under the LTI Plan, PSRs are issued to members of the Senior Leadership Team which gives them the right to receive ordinary shares in the Company after a 1-3 year period, subject to achieving certain performance hurdles. The performance hurdles that are currently used for the LTI Plan are a relative TSR hurdle and a rolling three year Funds From Operations (FFO) hurdle.

A detailed description of the performance hurdles applied under the LTI Plan can be found on pages 74 and 75. The value of PSRs awarded to participants in the LTI Plan is set at a fixed amount which reflects between 12% and 21% of Total Target Remuneration. The number of PSRs issued under each grant is then determined based on the market value of PFI's shares using a volume weighted average price over the 20 trading days up to and including the commencement date of the grant.

As at the date of this report, all members of the Senior Leadership Team are participants in the LTI Plan, and these are the only individuals participating in the LTI Plan.

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REMUNERATION REPORT

FP24 REMUNERATION OUTCOMES

Senior Leadership Team

The People Committee recommended, and the Board approved, the Senior Leadership Team's FP24 remuneration.

Following the preparation of the results for FP24, the People Committee reviewed the Senior Leadership Team's performance for the year against the STI and LTI Plans' terms and conditions. Disclosure of the STI and LTI targets set for the Chief Executive Officer, as well as the actual performance against them, is included in this remuneration report.

Payment of the STI earned in FY23 was made on 26 February 2024. STI payments for FP24 will be made in August 2024 after the release of the FP24 annual results.

While the STI and LTI Plans offer the People Committee discretion with regard to outcomes, the People Committee considered that remuneration outcomes were appropriate and as such determined that no discretion would be applied.

Team members excluding the Senior Leadership Team

The Senior Leadership Team set team members' (excluding the Senior Leadership Team) FP24 remuneration, and this was approved by the People Committee and Board via the annual budgeting process.

External advice

PFI engages external consultants to provide market data and benchmarks in regard to employment packages and pay practices. In respect of FP24 remuneration, the following external consultants were engaged:

- PricewaterhouseCoopers provided market remuneration data relating to executive levels in 2023 that was taken into account when setting FP24 remuneration for the Senior Leadership Team.
- KPMG were engaged to provide consulting advice on the LTI Plan; and
- Strategic Pay were engaged to provide benchmarking on remuneration for team members (excluding the Senior Leadership Team).

KEY PERFORMANCE SUMMARY

PFI's key performance indicators relevant to the Senior Leadership Team's STI and LTI Plans over the past five financial periods are as follows:

	FP24	FY23	FY22	FY21	FY20
Occupancy	98.6%	100.0%	100.0%	100.0%	99.4%
Weighted Average Lease Term	5.07 years	5.06 years	5.08 years	5.40 years	5.28 years
FFO ¹	5.03 cps	10.03 cps	10.21 cps	11.07 cps	9.67 cps
One year TSR ² (%)	N/A ³	-2%	-17%	4%	27%
Two year TSR ² (%)	N/A ³	-19%	-14%	30%	78%
Three year TSR ² (%)	N/A ³	-15%	7%	83%	N/A

CEO REMUNERATION ARRANGEMENTS & OUTCOMES

CEO Remuneration Arrangements

Alignment between the interests of shareholders, delivery on PFI's strategy, and performance is at the heart of the Company's remuneration framework for the Chief Executive Officer. The Chief Executive Officer's Total Target Remuneration includes 45% at risk remuneration comprising STI and LTI awards. The STI awards take account of performance against annual targets and the LTI against performance-based metrics across multiple years.

- (1) Funds From Operations (FFO) is non-GAAP financial information and is a common property investor metric, which has been calculated in accordance with the guidelines issued by the Property Council of Australia. Please refer to the relevant period's annual results announcement, released to the NZX, for more detail as to how this measure was calculated. Please note that FFO for FP24 is for a six-month period ended 30 June 2024.
- (2) Total Shareholder Return (TSR) is calculated as the total return received by investors from the change in the market value of a PFI share (using a volume weighted average price over the 20 trading days prior to the beginning and end of the financial year) and the receipt of cash dividends and other distributions paid in respect of a PFI share over the financial year or the two or three financial year period as applicable. TSR is only shown for those periods where the LTI Plan was in operation, where it was not in operation, N/A has been entered.
- (3) Whilst the LTI Plan was in operation during FP24, no portion of the LTI Plan was due to vest. Accordingly, N/A has been entered for the one, two and three year TSR in FP24. The next vesting of the LTI Plan is in relation to the year ended 31 December 2024.

OTHER DISCLOSURES

REMUNERATION REPORT

The Chief Executive Officer's remuneration is benchmarked and reviewed annually by the People Committee and approved by the Board. In summary, the components of the Chief Executive Officer's remuneration are as follows:

CASH		EQUITY
Fixed remuneration	Short Term Incentive	Long Term Incentive
Reviewed annually	Set annually	Grants made annually covering 1, 2 and 3 years period

Fixed Remuneration

The fixed remuneration paid to the Chief Executive Officer (including any standard employment-associated benefits) during the six-month period to 30 June 2024 was \$368,372.

There is no commitment to making a severance payment in the Chief Executive Officer's contract.

Short Term Incentive (STI)

The Chief Executive Officer's STI award is set as a fixed amount which reflects approximately 24% of Total Target Remuneration. The STI earned may be between 0% and 100% of the amount awarded based on the People Committee's assessment of performance and subject to the Board's approval.

For the STI, the Chief Executive Officer's performance against an agreed set of financial and non-financial metrics is monitored on an ongoing basis throughout the financial year by the People Committee. The Chief Executive Officer's STI is assessed against achievement of these annual targets which are aligned to the delivery of PFI's key strategic and operational objectives.

The STI payments are at risk payments and subject to assessment of performance. STI payments are reviewed by the People Committee and recommended for approval by the Board. In FP24 and FY23, the People Committee recommended, and the Board approved, the payment of 100% of the potential STI payable to the Chief Executive Officer. The STI awarded for FP24 was adjusted to reflect the six-month period from 1 January 2024 to 30 June 2024, with the value of the STI awarded in FP24 of \$152,080 being approximately half of the value of the STI awarded in FY23. The Chief Executive Officer's FP24 STI was assessed as earned in FP24 but will be paid after release of the FP24 annual results.

The Chief Executive Officer's key performance indicators for the FP24 STI award are outlined below:

MEASURE	WEIGHTING	DESCRIPTION
Leadership	10%	Health and safety related targets.
Strategy	15%	Strategy implementation and divestment related targets.
Portfolio & Operations	15%	Maintenance of key portfolio statistics, including Occupancy and Weighted Averaged Lease Term, and adherence to delivery targets for key projects.
Sustainability	10%	Sustainability-related targets.
Earnings	40%	Achievement of budgeted earnings outcome.
Financial	10%	Liquidity and debtor days related targets.

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REMUNERATION REPORT

Long Term Incentive (LTI)

The value of the PSRs awarded to the Chief Executive Officer under each LTI Plan grant is set at a fixed amount which since inception has represented between 18% and 21% of the Chief Executive Officer's Total Target Remuneration.

Grants of PSRs under PFI's LTI Plan with vesting dates on or after 30 June 2024 were made on 21 February 2022 (FY22 Grant), on 22 August 2023 (FY23 Grant) and on 6 March 2024 (FY24 Grant)⁽¹⁾.

The key terms and conditions related to the PSRs under the LTI Plan are as follows:

- The PSRs are granted for nil consideration and have a nil exercise price.
- The participant must remain an employee of the Group as at the relevant vesting date for each tranche of PSRs.
- The FY22 Grant has three tranches with two separate performance hurdles applying to each tranche. The three tranches enable a third of the PSRs to vest after one year, two years and three years from the commencement date for those grants of 1 January 2022. For each tranche:
 - 50% of the PSRs are subject to a performance hurdle of the Company's rolling three year FFO growth equalling or exceeding the three year CPI growth to September immediately prior to the vesting date; and
 - 50% of the PSRs are subject to a performance hurdle of the Company's TSR outperforming the TSR of a property peer group (comprising other listed property issuers) over the period from the commencement date to the vesting date for the relevant tranche.

- For the FY23 Grant and FY24 Grant, there are three tranches with one performance hurdle applying to each tranche. The three tranches enable a third of the PSRs to vest after one year, two years and three years from the commencement dates of those grants of 1 January 2023 and 1 January 2024. 100% of the PSRs are subject to a performance hurdle of the Company's TSR outperforming the TSR of a property peer group (comprising other listed property issuers) over the period from the commencement date to the vesting date for the relevant tranche.
- Note that in respect of the FY22, FY23 and FY24 Grants, PFI does not intend to change the vesting dates for these grants despite the change in balance date from 31 December to 30 June.
- TSR is measured as the change in the value of an ordinary share from the commencement date to the vesting date for the relevant tranche of a grant (using a volume weighted average price over the 20 trading days prior to the commencement date and the vesting date) together with dividends or other distributions paid during the relevant measurement period.
- The TSR performance hurdle requires that PFI's TSR for the vesting period must rank equal or greater to 6th place against a property peer group. The members of the property peer group are Asset Plus Limited, Argosy Property Limited, Goodman Property Trust, Investore Property Limited, Kiwi Property Group Limited, Precinct Properties New Zealand Limited & Precinct Properties Investments Limited (stapled), Property for Industry Limited, Stride Property Limited & Stride Investment Management Limited (stapled) and Vital Healthcare Property Trust.
- The LTI Plan uses a progressive vesting scale for determining the percentage of PSRs that become eligible for vesting:

(1) Please note that the FY24 Grant is for the period 1 January 2024 to 31 December 2024. This is different to FP24, which covers the period 1 January 2024 to 30 June 2024.

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REMUNERATION REPORT

– The percentage of PSRs under the FY22 Grant that become eligible for vesting is determined as follows:

% OF PSRS UNDER THE GRANT ELIGIBLE FOR VESTING	THREE YEAR ROLLING FFO GROWTH EQUALS OR EXCEEDS	PFI'S TSR PLACING EQUALS OR EXCEEDS THE TSR IN THE PROPERTY PEER GROUP PLACED
12.5%	–	6th
25%	Three year rolling CPI growth	5th
37.5%	Three year rolling CPI growth by 12.5 basis points	4th
50%	Three year rolling CPI growth by 25 basis points	3rd

– The percentage of PSRs under the FY23 Grant and FY24 Grant that become eligible for vesting is determined as follows:

% OF PSRS UNDER THE GRANT ELIGIBLE FOR VESTING	PFI'S TSR PLACING EQUALS OR EXCEEDS THE TSR IN THE PROPERTY PEER GROUP PLACED
25%	6th
50%	5th
75%	4th
100%	3rd

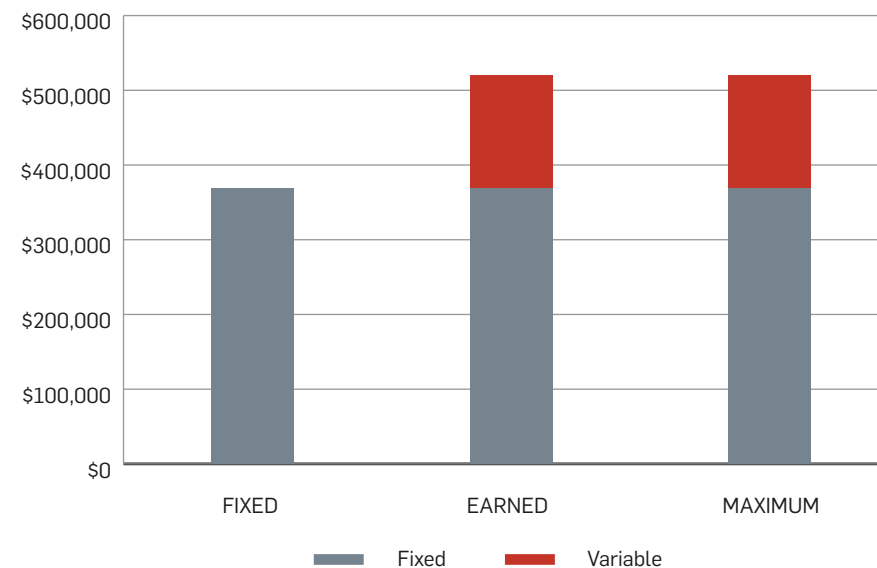
- On the vesting date, subject to achieving performance hurdles, each PSR entitles the Chief Executive Officer to one ordinary share. The LTI Plan is a dividend protected LTI Plan and the Chief Executive Officer will receive additional shares representing the value of dividends paid over the vesting period. The Chief Executive Officer is liable for tax on the shares received at this point but may elect to receive a net number of shares on exercise of the PSRs to account for the tax which is then paid by PFI on the Chief Executive Officer's behalf.

CEO REMUNERATION OUTCOMES

The following section sets out how the components of the Chief Executive Officer's remuneration applied in FP24.

Remuneration mix

The chart below illustrates the elements of the Chief Executive Officer's remuneration design for FP24:



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REMUNERATION REPORT

Total FP24 CEO remuneration

The Chief Executive Officer's total remuneration for the six-month period ended 30 June 2024, along with the Chief Executive Officer's historical total remuneration, is as follows:

YEAR ENDING	FIXED REMUNERATION			PAY FOR PERFORMANCE				TOTAL REMUNERATION	
	SALARY	BENEFITS ¹	SUBTOTAL	STI		LTI ²			SUBTOTAL
				EARNED	AMOUNT EARNED AS A % OF MAXIMUM AWARD	EARNED	AMOUNT EARNED AS A % OF MAXIMUM AWARD		
FY19	\$450,000	\$31,711	\$481,711	\$200,000	100%	\$71,810	100%	\$271,810	\$753,521
FY20	\$500,000	\$30,824	\$530,824	\$225,000	100%	\$162,391	100%	\$387,391	\$918,215
FY21	\$550,000	\$40,199	\$590,199	\$250,000	100%	\$238,164	100%	\$488,164	\$1,078,363
FY22	\$576,640	\$44,939	\$621,579	\$263,250	100%	\$134,208	67%	\$397,458	\$1,019,037
FY23	\$628,538	\$50,529	\$679,067	\$286,943	100%	\$115,137	57%	\$402,079	\$1,081,146
FP24	\$333,125	\$35,247	\$368,372	\$152,080	100%	\$0	N/A	\$152,080	\$520,452

Note: the FP24 reporting period reflects a six-month period from 1 January 2024 to 30 June 2024 as a result of PFI changing its balance date to 30 June with effect in FP24.

FP24 STI Outcomes (Earned)

A breakdown of the amount earned by the Chief Executive Officer for achievement of the FP24 STI key performance indicators is as follows:

	STI AWARDED	EARNED	% EARNED OF AWARDED
Leadership	10%	\$15,208	100%
Strategy	15%	\$22,812	100%
Portfolio & Operations	15%	\$22,812	100%
Sustainability	10%	\$15,208	100%
Earnings	40%	\$60,832	100%
Financial	10%	\$15,208	100%

Note: The quantum of the STI awarded for FP24 was adjusted to reflect the six-month period from 1 January 2024 to 30 June 2024.

FP24 LTI Outcomes (Vested)

Due to the change in the Company's balance date to 30 June, there were no shares eligible for vesting in the six-month period to 30 June 2024. Accordingly, the tables that track the Company's performance against the FFO and TSR performance hurdles in FP24 and show the percentage and number of shares vested have not been included in this report.

- (1) Benefits include KiwiSaver and insurance.
- (2) The LTI amounts earned are based on the market value of the vested awards, being the number of PSRs vested multiplied by the closing PFI share price at the end of year.

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REMUNERATION REPORT

PSRs granted to the CEO as at 30 June 2024

A summary of the outstanding PSRs granted to the Chief Executive Officer under the FY22 Grant, FY23 Grant and FY24 Grant as at 30 June 2024 is as follows:

PSR AWARD DATE	VESTING DATE	BALANCE OF PSRS AT 31 DECEMBER 2023	AWARDED DURING THE REPORTING PERIOD		PSRS VESTED/LAPSED IN RELATION TO THE REPORTING PERIOD		SHARES ISSUED/TRANSFERRED IN RELATION TO THE REPORTING PERIOD			BALANCE OF PSRS AT 31 DECEMBER 2023
			PSRS AWARDED	MARKET PRICE AT AWARD	PSRS LAPSED	PSRS VESTED	SHARES TO BE ISSUED / TRANSFERRED BASED ON VESTING OUTCOMES	MARKET PRICE AT THE VESTING DATE	ISSUE / TRANSFER DATE	
21 Feb 2022	31 Dec 2024	26,624	0	N/A	0	0	0	N/A	N/A	26,624
22 Aug 2023	31 Dec 2024 & 2025	72,358	0	N/A	0	0	0	N/A	N/A	72,358
6 March 2024	31 Dec 2024, 2025 & 2026	0	121,719	\$270,364	0	0	0	N/A	N/A	121,719

PFI intends to make a new grant of 62,364 PSRs to the CEO on or about the date of this remuneration report (the FY25 Grant). The number of PSRs to be awarded under the FY25 Grant has been adjusted to reflect that the FY24 Grant was made earlier during 2024, with the value of the PSRs to be issued under the FY25 Grant being approximately half of the value of the PSRs issued under the FY24 Grant.

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REMUNERATION REPORT

EMPLOYEE REMUNERATION BANDS

The following table notes the number of employees or former employees of the Company, not being directors of the Company, who, during the six-month period of FP24, received remuneration and any other benefits in their capacity as employees, the value of which was or exceeded \$100,000 per annum, in brackets of \$10,000:

REMUNERATION RANGE	FP24
\$100,001 - \$110,000	2
\$120,001 - \$130,000	1
\$170,001 - \$180,000	1
\$230,001 - \$240,000	1
\$420,001 - \$430,000	1
\$520,001 - \$530,000	1

Note: Due to the change in the Company's balance date to 30 June, there were no shares eligible for vesting in the six-month period to 30 June 2024, therefore the above figures do not include any LTI awards vested.

There are no employees of the Company's subsidiaries.

DIRECTOR REMUNERATION

Director remuneration arrangements

Director remuneration was approved by shareholders at the 2023 annual meeting on a role basis, and prior to that, Director fees were last adjusted by PFI at the 2021 annual meeting. Director fees are reviewed every second year by the Board in advance of the annual meeting with any adjustment put to shareholders for approval. No further increase was sought at the 2024 annual meeting.

In setting the proposed Director remuneration put to shareholders at the 2023 annual meeting the Board considered the performance of the Company and the need to attract and retain directors of a strong calibre and commissioned an independent benchmarking review of the then current Directors' fees by Ernst & Young (EY). A summary of EY's report was made available prior to the 2023 annual meeting at which shareholders were asked to approve the current Director remuneration.

The table below sets out the Director remuneration that was approved by shareholders at the 2023 annual meeting:

ROLE	PLUS GST (IF ANY)
Board Chair	\$175,000
Independent Director / Non-Executive Director	\$92,500
Audit and Risk Committee Chair	\$15,000
Audit and Risk Committee Member	\$7,500
People Committee Chair	\$13,500
People Committee Member	\$6,750
Hourly rates for abnormal and particularly time intensive projects or transactions outside the scope of typical Board work (note: use of this allowance will be capped at \$50,000 per annum.)	\$350 per hour

Simon Woodhams and Craig Peirce do not receive any director fees in respect of their directorships of the Company's subsidiary, P.F.I. Cover Limited.

Other than as noted in this report, neither the Company nor its subsidiaries have provided additional remuneration or benefits to a director in respect of their directorships or in any other capacity during FP24. Neither the Company nor its subsidiaries have made loans to a Director or guaranteed any debts incurred by a Director. Directors do not qualify for any performance-based compensation. All Director remuneration is paid in cash and no PFI securities are issued to Directors as part of their remuneration.

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REMUNERATION REPORT

Director remuneration outcomes

A breakdown of Board and Committee fees paid during the six-month period of FP24 are set out in the table below (exclusive of GST, if any). Please note that the fees paid reflect changes to Board composition during the financial period.

DIRECTOR	BASE FEE	FEE FOR AUDIT & RISK COMMITTEE	FEE FOR PEOPLE COMMITTEE	TOTAL REMUNERATION RECEIVED
Anthony Beverley ¹	\$67,442	\$1,813		\$69,254
Angela Bull	\$46,000		\$3,375	\$49,375
Carolyn Steele ²	\$46,000	\$7,500		\$53,500
David Thomson ³	\$46,000	\$3,750	\$5,006	\$54,756
Dean Bracewell ⁴	\$66,058		\$3,488	\$69,546
Gregory Reidy ⁵	\$23,767			\$23,767
Jeremy Simpson ⁶	\$31,775			\$31,775
Total	\$327,042	\$13,063	\$11,869	\$351,973

(1) Anthony Beverley stepped down from his role as Chair of the Board with effect 3 April 2024.

(2) Carolyn Steele served as Chair of the Audit and Risk Committee for the duration of FP24.

(3) David Thomson was appointed Chair of the People Committee with effect 3 April 2024.

(4) Dean Bracewell stepped down from his role as Chair of the People Committee and was appointed as Chair of the Board effective from 3 April 2024.

(5) Gregory Reidy ceased to be a Director on 3 April 2024.

(6) Jeremy Simpson was appointed to the Board with effect 27 February 2024.

OTHER DISCLOSURES

DIRECTORY

ISSUER OF SHARES AND BONDS

Property for Industry Limited
Level 4, Hayman Kronfeld Building
15 Galway Street
PO Box 1147
Auckland 1140
Tel: +64 9 303 9450
propertyforindustry.co.nz
info@propertyforindustry.co.nz

DIRECTORS

Dean Bracewell (Board Chair)
Angela Bull
Anthony Beverley
Carolyn Steele
David Thomson
Jeremy Simpson

CHIEF EXECUTIVE OFFICER

Simon Woodhams
Tel: +64 9 303 9652
woodhams@propertyforindustry.co.nz

**CHIEF FINANCE AND
OPERATING OFFICER**

Craig Peirce
Tel: +64 9 303 9651
peirce@propertyforindustry.co.nz

AUDITOR

PricewaterhouseCoopers
Level 27, PwC Tower
15 Customs Street West
Private Bag 92162
Auckland 1142
Tel: +64 9 355 8000
Fax: +64 9 355 8001

CORPORATE LEGAL ADVISOR

Chapman Tripp
Level 34, PwC Tower
15 Customs Street West
PO Box 2206
Auckland 1140
Tel: +64 9 357 9000

VALUATION PANEL

Bayleys Valuation Limited
CBRE Limited
Colliers International New Zealand Limited
Jones Lang LaSalle Limited
Savills (NZ) Limited

LENDERS

ANZ Bank New Zealand Limited
Bank of New Zealand
Commonwealth Bank of Australia
Westpac New Zealand Limited
PGIM, Inc (Pricoa)

SECURITY TRUSTEE

New Zealand Permanent
Trustees Limited
SAP Tower, Level 16,
151 Queen Street,
Auckland 1010
PO Box 1598
Auckland 1140
Tel: 0800 371 471

BOND SUPERVISOR

Public Trust
SAP Tower, Level 16,
151 Queen Street,
Auckland 1010
PO Box 1598
Auckland 1140
Tel: +64 9 985 5300

REGISTRAR

Computershare Investor Services
159 Hurstmere Road
Private Bag 92119
Auckland 1142
Tel: +64 9 488 8700
Fax: +64 9 488 8787
investorcentre.com/nz

This Annual Report is dated
26 August 2024 and signed
on behalf of the Board by:



Dean Bracewell
Chair, Board of
Directors



Carolyn Steele
Chair, Audit and Risk
Committee



CALENDAR

AUGUST

- FP24 Financial Period announcement
- FP24 Annual report released

SEPTEMBER

- FP24 Final dividend payment
- FP24 Climate-related Disclosures released

OCTOBER

- Annual meeting

NOVEMBER

- FY25 First-quarter announcement
- FY25 First-quarter dividend payment

2025

FEBRUARY

- FY25 Half-year announcement
- FY25 Interim financial statements released

MARCH

- FY25 Half-year dividend payment

MAY

- FY25 Third-quarter announcement

JUNE

- FY25 Third-quarter dividend payment

AUGUST

- FY25 Full-year announcement
- FY25 Annual report released



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