



PI PROPERTY INCOME FUND

Annual Report 2021





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REPORT FROM CHAIRMAN

Welcome to the first
Property Income Fund (PI) annual report.



This report covers a six-month trading period for the Company. It was an active period for the Company which commenced operations in October 2020 following a successful capital raising. Investors committed a total of \$250 million to the Company, which was a strong endorsement of PI's strategy. The Company was formed to invest in real estate in New Zealand with long-dated stable income characteristics. A portfolio with these attributes should provide a reliable income over the long term.

PI settled its first acquisition in December 2020 – a \$50.5m investment in a sale and leaseback to ENZA (NZ), of a pip fruit pack house, cool store and distribution facility at 484 Nayland Road, Nelson.

Financial results

The group reported a pre-tax profit of \$516,000 for the period, which included an unrealised revaluation gain of \$38,000. JLL conducted the valuation which resulted in a value of \$50.6m being adopted for reporting purposes. The operating expenses for the period included circa \$57,000 of one-off setup costs, in addition to \$77,000 of capital raising costs netted directly against equity in the balance sheet. This was a very economical capital raise. It is also worth noting the acquisition incurred no acquisition fees charged by the manager, consistent with the terms of the Company's management agreement.

The Company currently has no debt, however we anticipate introducing debt when a second acquisition takes place.

Distributions

The Company intends to pay out 100% of its adjusted funds from operations (AFFO) quarterly.

The first distribution was paid on 29 April 2021 and equated to 0.19 cps. This covered the operating period up to 31 March 2021. The intended distribution payment dates are the last week of each of July, October, January and April. The Company is a quarterly PIE. If you need to update your PIR please do so directly with PI's share registrar - Computershare.

Shareholder representative group

The shareholder representative group (SRG), which comprises representatives from the five largest shareholders, was constituted in March 2021.

The purpose of the SRG is to meet three times a year (or more frequently at the manager's request) to provide support and advice to the Company and to approve material related party transactions not already provided for in the management agreement. The members are:

- Sam Morgan (proxy Dave Keen), Jasmine Investment Trust No.2
- Sam Goldwater, Generate KiwiSaver Public Trust Nominee Limited
- Rod Drury (proxy Scott Moran), OTO 60 Nominee Limited
- Jeremy Williamson, Craigs Investment Partners (representing Custodial Services Limited)
- Craig Tyson, ANZ New Zealand Investments Limited (representing The New Zealand Guardian Trust Company Limited)

Mark Verbiest was appointed the chair of the SRG.

Future plans

We continue to look for acquisition opportunities that meet P's criteria and demonstrate value for shareholders. Direct introductions are likely to be the best source of acquisitions, but we will also consider on-market purchases when appropriate. Some recent transactions have indicated the bidding up of asset prices. While we need to compete in a dynamic environment, we will not pay more than what we believe is the intrinsic value of an asset or cashflows. Notwithstanding the above comment, we are currently working on a number of interesting potential transactions.

Annual meeting

We would like to thank you for your support and invite you to join us at the shareholders' annual meeting which will be held at Willis Bond's Auckland offices at 1.30pm on Wednesday, 18 August 2021, with the option for shareholders to participate virtually. There are two resolutions to vote on at the annual meeting, appointing Ernst and Young as auditor and authorising the directors to fix the auditor's fees and expenses for the year ending 31 March 2022.



Mark McGuinness
Chairman



Aerial view 484 Nayland Road, Nelson

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DIRECTORS' REPORT

The Board of Directors is pleased to present the Directors' Report for Property Income Fund Limited, incorporating the Financial Statements and Auditor's Report for the period ended 31 March 2021.

Principal activity of the Company

The Company was incorporated on 30 September 2020 under the Companies Act 1993 and invests in long-term investment opportunities in the New Zealand real estate market.

Board of Directors

The persons holding office as directors of the Company as at 31 March 2021 were:

- Mark McGuinness
- Wayne Silver
- David McGuinness

No directors ceased to hold office during the period ended 31 March 2021.

Subsidiary Company directors

As at 31 March 2021 the Company had one subsidiary as shown in Table 1.

Entries recorded in the interests register

The following interests register entries were recorded for the Company during the period ended 31 March 2021.

Share dealings

The directors subscribed for shares as part of the initial capital raising offer, on the same terms as other subscribers, the quantum of which is noted in Table 2. Other than initial subscription, there were no share dealings by directors during the period ended 31 March 2021.

Directors' interests in the Company's shares

Table 2 shows the directors' interests in shares in the Company as at 31 March 2021.

Interests in transactions

During the period ended 31 March 2021, the directors made general disclosures of interests in the interests register of the Company in accordance with section

140(2) of the Companies Act 1993.

These are set out in Table 3. Each such director is regarded as interested in all transactions between the Company and the disclosed entity.

Table 1 – Subsidiary Company directors

Subsidiary entity	Directors of subsidiary as at 31 March 2021
Property Income Fund No.1 Limited	Mark McGuinness Wayne Silver David McGuinness

Table 2 – Directors' interests in the Company's shares

Director	Consideration per share	Number of shares	Relevant interest
Mark McGuinness	\$1.00 partly paid	5,000,000	Held by associated trust
Wayne Silver	\$1.00 partly paid	600,000	Held by associated person
	\$1.00 partly paid	200,000	Held beneficially for another person
David McGuinness	\$1.00 partly paid	500,000	Held by associated trust

Table 3 – Directors’ interests in transactions

Mark McGuinness

Director Catalina Bay Investments Limited
Director Catalina Bay No1 (GP) Limited
Director Property Income Fund Management Limited
Director Property Income Fund No.1 Limited
Director Willis Bond and Company Limited
Director Willis Bond and Company (Tauranga) Limited
Director Willis Bond and Company Investments Limited
Director Willis Bond and Company Management No2 Limited
Director Willis Bond and Company Management No3 Limited
Director Willis Bond Capital Partners No2 Investments Limited
Director Willis Bond Capital Partners No2 Limited
Director Willis Bond Capital Partners No3 Limited
Director Willis Bond CB Management Limited
Director Willis Bond Holdings Limited
Director Willis Bond Property Management Limited
Director and shareholder MCG Investment Trustee Limited
Trustee Jasmine Investment Trust No.2

David McGuinness

Director Catalina Bay Investments Limited
Director Catalina Bay No1 (GP) Limited
Director Property Income Fund Management Limited
Director Property Income Fund No.1 Limited
Director Willis Bond and Company (Tauranga) Limited
Director Willis Bond and Company Management No2 Limited
Director Willis Bond and Company Management No3 Limited
Director Willis Bond Capital Partners No2 Investments Limited
Director Willis Bond Capital Partners No2 Limited
Director Willis Bond Capital Partners No3 Limited
Director Willis Bond CB Management Limited
Director Willis Bond Property Management Limited
Trustee McGuinness Jameson Investment Trust

Wayne Silver

Director Catalina Bay Investments Limited
Director Catalina Bay No1 (GP) Limited
Director Property Income Fund Management Limited
Director Property Income Fund No.1 Limited
Alternate Director Willis Bond and Company Limited
Director Willis Bond and Company (Tauranga) Limited
Director Willis Bond and Company Investments Limited
Director Willis Bond and Company Management No2 Limited
Director Willis Bond and Company Management No3 Limited
Director Willis Bond Capital Partners No2 Investments Limited
Director Willis Bond Capital Partners No2 Limited
Director Willis Bond Capital Partners No3 Limited
Director Willis Bond CB Management Limited
Director Willis Bond Holdings Limited



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DIRECTORS' REPORT (continued)



Use of Company information

No director issued a notice requesting to use information received in their capacity as a director of the Company that would not otherwise have been available to the director.

Directors' indemnity and insurance

In accordance with section 162 of the Companies Act 1993 and the constitution of the Company, the Company has paid premiums and taken out insurance cover, including insurance policies that indemnify directors against potential legal liabilities, including fines and legal defence costs. Specifically excluded are fines and penalties which may be imposed for breaches of law and criminal actions. The Board authorised such insurance cover and certified that the cover is fair to the Company.

Directors' fees

Details of the total remuneration and the value of other benefits received by each director of the Company during the period ended 31 March 2021 are shown in Table 4.

Employees

No employees or former employees of the Company received remuneration and benefits in their capacity as employees of the Company, the value of which was or exceeded \$100,000 per annum.

Auditor

Ernst and Young was appointed by the directors of the Company before the first annual meeting to act as auditor of the

Company and has undertaken the audit of the financial statements for the period ended 31 March 2021. The amount payable by the Company to Ernst and Young for audit fees in respect of the period ended 31 March 2021 was \$20,000 (excluding GST). The Company did not engage Ernst and Young for any other services during that period.

Donations

No donations were made by the Company during the period ended 31 March 2021.

Directors' responsibility statement

The directors are responsible for ensuring that the financial statements give a true and fair view of the financial position of the Company as at 31 March 2021 and its financial performance for the period ended on that date. The directors consider that the financial statements of the Company have been prepared using appropriate accounting policies, consistently applied and supported by reasonable judgements and estimates

and that all relevant financial reporting and accounting standards have been followed.

The directors believe that proper accounting records have been kept which enable, with reasonable accuracy, the determination of the financial position of the Company and facilitate compliance of the financial statements with the Financial Reporting Act 2013. The directors consider they have taken adequate steps to safeguard the assets of the Company and to prevent and detect fraud and other irregularities.

Table 4 – Directors' fees

Director	Value of remuneration and other benefits received
Mark McGuinness	Nil
Wayne Silver	Nil
David McGuinness	Nil



484 Nayland Road, Nelson

The financial statements presented on pages 12-27 were adopted by the Board and authorised for issue on 2 July 2021.

This annual report is dated 2 July 2021 and is signed for and on behalf of the Board by:

Mark McGuinness
Chairman

Wayne Silver
Director

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INDEPENDENT AUDITOR'S REPORT

To the Shareholders of
Property Income Fund Limited.



Opinion

We have audited the financial statements of Property Income Fund Limited ("the Company") and its subsidiaries (together "the Group"), which comprise the consolidated statement of financial position of the Group as at 31 March 2021, and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the period then ended of the Group, and the notes to the consolidated financial statements including a summary of significant accounting policies.

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at 31 March 2021 and its consolidated financial performance and cash flows for the period then ended in accordance with New Zealand equivalents to International Financial Reporting Standards Reduced Disclosure Regime.

This report is made solely to the Company's shareholders, as a body. Our audit has been undertaken so that we might state to the Company's shareholders those matters 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.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (New Zealand). 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 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) issued by the New Zealand Auditing and Assurance Standards Board, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

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

Other than in our capacity as auditor we have no relationship with, or interest in, the Group. Partners and employees of our firm may deal with the Group on normal terms within the ordinary course of trading activities of the business of the Group.

Information other than the financial statements and auditor's report

The Directors of the Company are responsible for the Annual Report, which includes information other than the consolidated financial statements and auditor's report.

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

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



If, based upon the work we have performed on the other information 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.

Directors' responsibilities for the financial statements

The Directors are responsible, on behalf of the Company, for the preparation and fair presentation of the consolidated financial statements in accordance with New Zealand equivalents to International Financial Reporting Standards Reduced Disclosure Regime, and for such internal control as the Directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the Directors are responsible for assessing on behalf of the entity 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 cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated 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 International Standards on Auditing (New Zealand) 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 consolidated financial statements.

A further description of our responsibilities for the audit of the consolidated financial statements is

located at the External Reporting Board website:

<https://www.xrb.govt.nz/standards-for-assurance-practitioners/auditors-responsibilities/auditreport-7/>. This description forms part of our auditor's report.

A stylized signature of 'Ernst & Young' in a cursive, grey font.

Chartered Accountants
Auckland

2 July 2021

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FINANCIAL STATEMENTS

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CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

for the period 30 September 2020 to 31 March 2021

	Note	2021 Group 6 month \$000
Rental income	4	709
		709
Operating expenses	5	(238)
Operating profit		471
Finance income	6	7
Finance expense		-
Net finance income		7
Change in fair value of investment property	10	38
Net profit before income tax expense		516
Income tax expense	3.5	-
Net profit for the period		516
Other comprehensive income		-
Total comprehensive profit for the period		516

The accompanying notes form part of these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the period 30 September 2020 to 31 March 2021

	Note	Share capital \$000	Retained profit \$000	Total \$000
2021				
Opening balance		-	-	-
Issue of share capital	13	55,500	-	55,500
Capital raising costs	13	(77)	-	(77)
Net profit for the period		-	516	516
Balance at 31 March 2021		55,423	516	55,939

The accompanying notes form part of these financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

as at 31 March 2021

	Note	2021 Group \$'000
Current assets		
Cash and cash equivalents	8	5,517
Total current assets		5,517
Current liabilities		
Trade and other payables	12	178
Total current liabilities		178
Net current assets		5,339
Non-current assets		
Investment properties	10	50,600
Total non-current assets		50,600
Net assets		55,939
Equity		
Share capital	13	55,423
Retained profit		516
Equity attributable to shareholders of the parent		55,939

The accompanying notes form part of these financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

for the period 30 September 2020 to 31 March 2021

	Note	2021 Group \$'000
Cash flows from operating activities		
Interest received		7
Cash payments for operating expenditure		(114)
Rental income received		709
Net GST inflow/(outflow)		54
Net cash flows from operating activities		656
Cash flows from investing activities		
Purchase of investment property	10	(50,562)
Net cash flows from investing activities		(50,562)
Cash flows from financing activities		
Proceeds from share calls	13	55,500
Capital raising costs	13	(77)
Net cash flows from financing activities		55,423
Net increase in cash and cash equivalents		5,517
Cash and cash equivalents at beginning of period		-
Cash and cash equivalents at end of period	8	5,517

The accompanying notes form part of these financial statements.

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NOTES TO THE FINANCIAL STATEMENTS

1 - General information

The financial statements presented are those of Property Income Fund Limited (the 'Company') and its subsidiary (the 'Group') as detailed in note 9 as at and for the period 30 September 2020 to 31 March 2021. The reporting entity is Property Income Fund Limited. The Company was incorporated under the Companies Act 1993 on 30 September 2020 and has its registered office at Level 4, 12 Viaduct Harbour Avenue, Auckland. The Group is a reporting entity for the purposes of the Financial Reporting Act 2013. This is the first set of financial statements and as such there is no comparative information.

The Group is primarily involved in long-term investment opportunities in the New Zealand real estate market.

These financial statements have been approved for issue by the Board of Directors on 2 July 2021.

2 - Statement of compliance

The financial statements of Property Income Fund Limited have been prepared in accordance with Generally Accepted Accounting Practice in New Zealand ("NZ GAAP") and the requirements of the Financial Reporting Act 2013. They comply with the New Zealand equivalents to International Financial Reporting Standards - Reduced Disclosure Regime ("NZ IFRS (RDR)") and other applicable Financial Reporting Standards, as appropriate for profit-oriented entities.

The Group is a Tier 2 For-profit entity and has elected to report in accordance with Tier 2 For-profit Accounting Standards as issued by the New Zealand External Reporting Board (XRB) and has applied disclosure concessions. The Group has elected to report in accordance with Tier 2 For-profit Accounting Standards on the basis that it does not have public accountability and is not a large for-profit public sector entity.

3 - Summary of accounting policies

The significant accounting policies that have been used in the preparation of these financial statements are summarised below.

3.1 - Overall consideration

The financial statements have been prepared using the measurement bases specified by NZ IFRS for each type of asset, liability, income and expense. The measurement bases are more fully described in the accounting policies below.

3.2 - Basis of preparation

The financial statements have been prepared on the basis of historical cost, as modified by the fair value measurement of investment property. Cost is based on the fair value of the consideration given in exchange for assets.

The financial statements have been prepared under the assumption that the Group operates on a going concern basis.

In early 2020 COVID-19 was designated a global pandemic by the World Health Organisation. As a consequence New Zealand entered into a nationwide lockdown on 25 March 2020. The Government established lockdown levels determining the level of business and movement that could be undertaken at various levels of lockdown. Alert Level 4 was designated the most stringent with all persons staying at home except essential service workers. Alert Level 3 permitted some food retailers to commence operating along with some businesses as long as social distancing was strictly enforced. Alert Level 2 permitted schools and other retailers to open and trade again, subject to contact tracing and social distancing. Alert Level 1 removed all previous restrictions except our borders remain closed.

During the current financial period the country moved up and down these levels as required. Management continues to review the Group's activities and exercise judgement as to the impacts of COVID-19. The pandemic continues to have an impact on the key estimates and judgements used in these financial statements particularly relating to investment property valuation, as detailed in note 10.

3.3 - Basis of consolidation

The consolidated financial statements comprise Property Income Fund Limited and its subsidiary company.

In preparing the consolidated financial statements, all inter-company balances and transactions have been eliminated in full.

5.0 NOTES TO THE FINANCIAL STATEMENTS

3.4 - Presentation of financial statements

The financial statements are presented in New Zealand dollars (\$), which is the Company's functional currency, rounded to the nearest thousand.

3.5 - Income tax expense

For tax purposes, the Company elected to be a Portfolio Investment Entity (PIE). Under the PIE tax rules, the Company pays tax on behalf of its members. As such, from the date at which the Company became a PIE, no tax expense or deferred tax balances are recognised in the financial statements.

The current income tax asset or liability recognised in the statement of financial position represents the current income tax balance due from or to the Inland Revenue at balance date.

Other taxes

Revenues, expenses and assets are recognised net of the amount of GST except:

- when the GST incurred on a purchase of goods and services is not recoverable from the taxation authority, in which case the GST is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable; and
- receivables and payables, which are stated with the amount of GST included.

The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the statement of financial position.

Commitments and contingencies are disclosed net of the amount of GST recoverable from, or payable to, the taxation authority.

3.6 - Fair value measurement

The Group classifies its fair value measurement using a fair value hierarchy that reflects the significance of the inputs used in making the measurements.

The fair value hierarchy is as follows:

- Level 1 - Quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2 - Valuation techniques for which the lowest level input significant to the fair value measurement is directly or indirectly unobservable.
- Level 3 - Valuation techniques for which the lowest level input significant to the fair value measurement is unobservable.

3.7 - Significant management judgements and estimation uncertainties

In the application of the Company's accounting policies, the directors are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised, if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

In the process of applying the Group's accounting policies, management has made the following judgements, estimates and assumptions that have had the most significant impact on the amounts recognised in these financial statements:

- Reviewing and adopting the valuation of investment property in note 10.
- COVID-19 impact assessment as noted in 3.2 Basis of preparation. COVID-19 is a continuing worldwide pandemic that could have an impact on property valuations should the virus re-emerge and the country is forced back up the Alert Level system.

4 - Rental income

Rental income comprises of the following, disaggregated by major product line:

	2021 Group 6 months \$000
Rental income - industrial	709
Total rental income	709

Accounting policy

Revenue is recognised to the extent that control is transferred for an amount that reflects the consideration to which the Group expects to be entitled in exchange for these services.

To determine whether to recognise revenue, the Group follows a 5 step process:

1. Identifying the contract with a customer
2. Identifying the performance obligations
3. Determining the transaction price
4. Allocating the transaction price to the performance obligations
5. Recognising revenue when / as performance obligations are satisfied

Recognition of revenue from investment property

Rental revenue from investment property is recognised on a straight-line basis over the period of the lease.

Where an incentive (such as a rent free period) is given to a tenant, the carrying value of the investment property excludes any amount reported as a separate asset as a result of recognising rental income on this basis.

5.0 NOTES TO THE FINANCIAL STATEMENTS

5 - Operating expenses

Net profit before income tax expense includes the following expenses:

	Note	2021 Group 6 months \$000
Accounting and tax advice		(62)
Audit fees		(20)
Consultant fees		(21)
Insurance		(16)
Investigation costs		(11)
Legal fees		(3)
Management fees	17	(69)
Other		(17)
Valuation fees		(19)
Total operating expenses		(238)

The auditor of the Company is Ernst and Young. No other services were provided by Ernst and Young.

Accounting policy

Operating expenses are recognised in profit and loss upon utilisation of the service.

6 - Finance income and expenditure

Finance income and expenditure comprise the following:

	2021 Group 6 months \$000
Interest income	7
Total finance income	7

Accounting policy

Finance income comprises interest income on funds invested. Interest income is recognised as it accrues in profit or loss, using the effective interest method.

7 - Dividends declared and paid

No dividend was declared and paid by the Group, prior to the period ended 31 March 2021.

8 - Cash and cash equivalents

Cash and cash equivalents include the following components:

	2021 Group \$000
Cash at bank and on call deposits	5,517
Total cash and cash equivalents	5,517

Accounting policy

Cash and cash equivalents in the statement of financial position comprise cash at bank and in hand and short term deposits with an original maturity of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

9 - Subsidiary

The Group comprises the following subsidiaries which represent investments of the Parent:

	2021 holding %
Property Income Fund No.1 Limited	100

The principal activity of the subsidiary is investment in long-term commercial property. The subsidiary is New Zealand based, has a balance date of 31 March, and has been included in these consolidated financial statements.

5.0 NOTES TO THE FINANCIAL STATEMENTS

10 - Investment property

Investment properties held by the Group are as follows:

Property	Valuer	Net lettable area sqm	Discount rate	Capitalisation rate
484 Nayland Road	JLL	39,673	6.75%	5.25%

	Opening carrying value \$000	Additions/ (disposals) \$000	Revaluation gain \$000	Closing carrying value \$000
484 Nayland Road	-	50,562	38	50,600

In arriving at the independent valuers assessment of fair value they have considered both the capitalisation and discounted cashflow approaches to the valuation. The sales comparison approach informed the basis of the appropriate capitalisation and discount rates to be used.

The two approaches used resulted in a valuation range of \$49.9m - \$51.2m with a value of \$50.6m being adopted.

Capitalisation rate sensitivity analysis:

	-0.25% bp \$000	Actual \$000	+0.25% bp \$000
484 Nayland Road	52,300	49,900	47,600

Discount rate sensitivity analysis:

	-0.25% bp \$000	Actual \$000	+0.25% bp \$000
484 Nayland Road	52,100	51,200	50,300

Accounting policy

Investment property is property (land or buildings) held to earn rental or for capital appreciation, rather than for use by the Company in the ordinary course of business or held for sale.

Investment properties are initially measured at cost, including transaction costs. Subsequent annual measurement is based on the fair value model. Fair value is based on active market prices, adjusted if necessary, for any difference in the nature, location or condition of the specific asset at the reporting date.

Gains or losses arising from changes in the fair values of investment properties are recognised in profit and loss in the year in which they arise. Investment properties are derecognised either when they have

Accounting policy - continued

been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal.

Any gains or losses on the retirement or disposal of an investment property are recognised in profit or loss in the year of retirement or disposal.

Fair value measurement, valuation techniques and inputs

The Group's investment property was revalued as at 31 March 2021 by an independent valuer who is a member of the New Zealand Institute of Valuers. As at 31 March 2021 the New Zealand real estate market continues to see some uncertainty as a result of the COVID-19 pandemic. On that basis, the valuers have noted within their valuation report that the valuation of the property is based on circumstances prevailing at the current time and as such the values may change "significantly and unexpectedly over a relatively short period of time".

The investment property has been determined to be Level 3 in the fair value hierarchy because all significant inputs that determine fair value are not based on observable market data (See note 3.6 for further information).

Key unobservable inputs relating to the valuation of the Group's investment property are as follows:

• Gross market rent (per sqm)	\$3 - \$119
• Capitalisation rate	5.25%
• Discount rate	6.75%
• Terminal yield	5.50%
• Average rental growth rate (per annum)	2.10%

Income capitalisation approach

Determines fair value by capitalising the net income at a capitalisation rate reflecting the nature, location and tenancy profile of the asset. Subsequent capital adjustments are then made which typically include letting-up allowances for vacancy and pending expiries, capital expenditure allowances and under/over renting reversions.

Discounted cash flow approach

A financial modelling methodology assessing the long-term return that is likely to be derived from an asset. Explicit assumptions are required for rental income growth, leasing up metrics on expiries along with terminal value at the end of the cash flow period, typically a 10 year horizon. A market-derived discount rate is then applied to the assessed cash flows and discounted to a present value to determine fair value.

Sales comparison approach

Fair value is determined by applying positive and negative adjustments to recently transacted assets of a similar nature.

5.0 NOTES TO THE FINANCIAL STATEMENTS

11 - Lessor revenue

The Group has entered into an investment property lease (as lessor) which has a non cancellable lease term of 15 years.

The following table sets out a maturity analysis of lease payments, showing the undiscounted lease payments to be received after the reporting date.

	2021 \$'000
Within 1 year	2,621
1 to 5 years	11,065
After 5 years	27,890
Total lease payments due	41,576

12 - Trade and other payables

	Note	2021 Group \$'000
GST payable		54
Trade payables		69
Related party payables & accruals	17	2
Sundry accruals		53
Total trade and other payables		178

Accounting policy

Trade and other payables are carried at amortised cost and are not discounted due to their short-term nature. They represent liabilities for goods and services provided to the Group prior to the end of the financial period that are unpaid and arise when the Group becomes obliged to make future payments in respect of the purchase of these goods and services. The amounts are unsecured and are usually paid within 30 days of recognition.

13 - Share capital

The authorised share capital of the Company consists of 250,000,000 ordinary shares. All ordinary shares have an equal right to vote, to dividends and to any surplus on winding up.

	2021 Group Units 000
Shares issued	250,000
Paid share capital	55,500
Unpaid share capital	194,500
	250,000
	€000
Opening balance	-
Share capital contributed during the period	55,500
Capital raising costs	(77)
Total share capital	55,423

The Company has 250,000,000 partly paid \$1.00 shares on issue.

The following calls were made during the period:

- November 2020, an initial call of \$0.05 per share
- December 2020, a call of \$0.172 per share

All calls made during the period were paid. As at 31 March 2021 \$0.222 per share has been called.

Capital raising costs included legal costs of \$50,269, tax consultants of \$19,125 and \$7,790 of other IPO costs.

Accounting policy

Share capital represents the ordinary shares that have been issued.

Incremental costs directly attributable to the issue of ordinary shares have been recognised as a deduction from equity.

Capital management

Capital includes share capital, retained earnings and other equity reserves. The primary objectives of the Group's capital management policy is to ensure healthy capital ratios are maintained in order to support business operations and to maximise shareholder value. The Company manages its capital structure and makes adjustments to it, in light of changes in the economic and trading conditions within its markets. To maintain or adjust the capital structure, the Company may adjust the dividends paid to shareholders or call or return capital to shareholders.

5.0 NOTES TO THE FINANCIAL STATEMENTS

14 - Financial instruments

The table below sets out the Company's classification of each class of financial assets and liabilities and their fair values.

Trade and other payables excludes non-financial liabilities such as GST payable.

2021	Amortised cost \$000	FVTPL \$000	Total \$000
Financial assets			
Cash and cash equivalents	5,517	-	5,517
	5,517	-	5,517
Financial liabilities			
Trade and other payables	125	-	125
	125	-	125

Accounting policy

Financial assets and liabilities are recognised when the Company becomes a party to the contractual right or obligation of the financial instrument.

Financial assets are derecognised when the contractual rights to the cash flows from the financial asset expire, or when the financial asset and all substantial risks and rewards are transferred. A financial liability is derecognised when it is extinguished, discharged, cancelled or expired.

Except for those trade receivables that do not contain a significant financing component and are measured at the transaction price in accordance with NZ IFRS 15, all financial assets are initially measured at fair value adjusted for transaction costs (where applicable).

Subsequent measurement of financial assets

Financial assets at fair value through profit or loss (FVTPL)

Financial assets that are held within a different business model other than 'hold to collect' or 'hold to collect and sell' are categorised at fair value through profit and loss. Further, irrespective of business model financial assets whose contractual cash flows are not solely payments of principal and interest are accounted for at FVTPL.

Impairment of financial assets

NZ IFRS 9's impairment requirements use more forward-looking information to recognise expected credit losses – the 'expected credit loss (ECL) model'.

Trade and other receivables and contract assets

The Group makes use of a simplified approach in accounting for trade and other receivables and records the loss allowance as lifetime expected credit losses. These are the expected shortfalls in contractual cash flows, considering the potential for default at any point during the life of the financial instrument.

Accounting policy - continued

In calculating, the Group uses its historical experience, external indicators and forward-looking information to calculate the expected credit losses using a provision matrix. The Group assesses impairment of trade receivables on a collective basis. As they possess shared credit risk characteristics they have been grouped based on the days past due.

Classification and measurement of financial liabilities

The Group's financial liabilities include any borrowings and trade and other payables.

Financial liabilities are initially measured at fair value, and, where applicable, adjusted for transaction costs.

Subsequently, financial liabilities are measured at amortised cost using the effective interest method.

All interest-related charges and, if applicable, changes in an instrument's fair value that are reported in profit or loss are included within finance costs or finance income.

15 - Capital commitments

There were no capital commitments at 31 March 2021.

16 - Contingent assets and liabilities

There are no contingent assets or liabilities at 31 March 2021.

17 - Related parties

The Company's related parties include entities with common directors.

The Company incurred \$69,379 of management fees to Property Income Fund Management Limited, a related party for the period to 31 March 2021.

At 31 March 2021 the Group has related party payables and accruals of \$2,308 owing to Willis Bond and Company Limited. The Company is related to Property Income Fund Management Limited and Willis Bond and Company Limited through Property Income Fund Limited directors.

M McGuinness is a director of, and W Silver an alternate director of, Willis Bond and Company Limited.

M McGuinness, D McGuinness and W Silver are directors of Property Income Fund Management Limited.

The Company's directors and associated persons to the directors collectively have invested \$1,398,600 as at 31 March 2021 representing calls made to date on 6,300,000 shares in the Company. No preferential treatment has been received.

No amounts owed by related parties have been written off or forgiven during the period.

18 - Subsequent events

Subsequent to 31 March 2021 a dividend of 0.19cps, equating to \$475,000 was declared on 27 April 2021 and paid on 29 April 2021.

6.0

NOTICE OF ANNUAL MEETING

Notice is given that the annual meeting of the shareholders of Property Income Fund Limited (the 'Company') will be held on Wednesday 18 August 2021 at 1:30pm at the offices of Willis Bond, Level 4, 12 Viaduct Harbour Avenue, Auckland (and as a virtual meeting) to consider and if thought fit, to pass the following resolutions:

Resolution 1:

To appoint Ernst and Young as auditor of the Company.

Resolution 2:

To authorise the directors to fix the auditor's fees and expenses for the year ending 31 March 2022.

Further information relating to these resolutions is set out in the explanatory notes on the next page.

The Board recommends that you vote in favour of the above resolutions.

Other business:

To receive the Directors' Report, Financial Statements, and Auditor's Report for the Company for the period ended 31 March 2021.

To consider any other matter that may properly be brought before the meeting.

By order of the Board of Directors



Wayne Silver
Director
2 July 2021

EXPLANATORY NOTES

Explanatory Note 1:

Auditor's appointment, fees and expenses (Resolutions 1 and 2)

Ernst and Young was appointed by the directors of the Company before the first annual meeting to act as the auditor of the Company.

Ernst and Young has indicated its willingness to continue in office. The Companies Act 1993 provides that a company's auditor is automatically reappointed at an annual meeting as auditor of the company, other than an auditor appointed by the directors of the company before the first annual meeting. In this case the company must appoint the auditor at the annual meeting.

The Companies Act 1993 further provides that the fees and expenses of the auditor are to be fixed in such manner as the company determines at the annual meeting.

The Board recommends that Ernst and Young be appointed as the auditor of the Company and, consistent with commercial practice, that the auditor's fees and expenses be fixed by the directors.

Explanatory Note 2:

Voting

Voting at the annual meeting shall be decided by a show of hands of the Company's shareholders entitled to vote and voting.

You may exercise your right to vote at the meeting:

- in person; or
- by appointing a proxy to attend and vote on your behalf; or
- by representative (if the shareholder is a body corporate); or
- by casting a postal vote.

Required votes

In order for resolutions 1 and 2 to be passed, they must be approved by a majority of the votes of shareholders who are entitled to vote and vote on the resolution in person or by proxy/representative or by casting a postal vote.

Quorum

The quorum for the meeting is present if 5 or more shareholders are present in person or by proxy.

Voting by proxy/representative

A Proxy Form can be found on page 31 of this annual report. If you propose not to attend the meeting but wish to be represented by proxy, or if you propose to attend as a representative on behalf of a company or other body corporate, please complete the Proxy Form and return it to the Company.

The Proxy Form must be received by the Company no later than 1:30pm on Monday, 16 August 2021.

Postal voting

Shareholders entitled to attend and vote at the annual meeting may cast a postal vote instead of attending in person or appointing a proxy/representative to attend. The Company Secretary has been authorised by the Board to receive and count postal votes at the annual meeting. A Postal Voting Form can be found on page 31 of this annual report.

You may cast a postal vote on all or any of the matters to be voted on at the meeting by completing the Postal Voting Form in the manner in which your shares are to be voted and returning it to the Company Secretary.

The Postal Voting Form must be received by the Company Secretary no later than 1:30pm on Monday, 16 August 2021.

How to return the Proxy and Postal Voting Form

The Proxy or Postal Voting Form may be completed and returned to the Company in one of the following ways:

- by delivering it to Level 4, 12 Viaduct Harbour Avenue, Auckland; or
- by sending it to PO Box 2007, Auckland 1140; or
- by scanning and emailing it to: reception@willisbond.co.nz

Explanatory Note 3:

Virtual attendance by electronic communication

The Board has agreed that shareholders may attend and participate in the annual meeting virtually by electronic communication. Details on how to access and participate in the meeting virtually by electronic communication will be provided to shareholders nearer the time of the meeting.

Shareholders may attend the meeting virtually by electronic communication even if they have appointed a proxy (although they will not be able to vote if a proxy has been appointed).

Shareholder questions and answers

Shareholders present at the meeting will have the opportunity to ask questions at the end of the meeting.

Following the meeting

Shareholders are invited to join the directors and management for refreshments following the meeting.



T&S

T&S

7.0

PROXY OR POSTAL VOTING FORM

The 2021 annual meeting of shareholders of Property Income Fund Limited will be held on Wednesday, 18 August 2021 at 1:30pm at the offices of Willis Bond, Level 4, 12 Viaduct Harbour Avenue, Auckland (and as a virtual meeting).

Section 1: Shareholder details (please print clearly)

Full name:

Full address:

If shares are held jointly, please enter details of ALL other joint holders:

Full name:

Full address:

Section 2: Postal Voting Form

(Please use if you will NOT be attending the annual meeting in person and do not wish to appoint a proxy or representative to attend on your behalf.)

I wish to vote by postal vote. (Please tick the box and complete section 4 (Resolutions) and section 5 (Signatures) overleaf.) My voting intentions are indicated in section 4 (Resolutions) overleaf.

Section 3: Appointment of proxy/corporate representative

(Please use if you will NOT be attending the annual meeting but wish to appoint a proxy to attend and vote on your behalf at the meeting, or if you are attending as a representative on behalf of a company or other body corporate.)

I/We, the above-named shareholder/shareholders of Property Income Fund Limited, hereby appoint:*

Full name of proxy/representative:

of (full address of proxy/representative):

or failing that person:

Full name of proxy/representative:

of (full address of proxy/representative):

*The Chairman of the meeting is willing to act as proxy for any shareholder who may wish to appoint him for that purpose.

as my/our proxy/representative to vote for me/us on my/our behalf as directed below and on any other matter to be put to the annual meeting of shareholders of the Company to be held on Wednesday, 18 August 2021 at 1:30pm at the offices of Willis Bond, Level 4, 12 Viaduct Harbour Avenue, Auckland (and as a virtual meeting) and at any adjournment or postponement thereof.

If your proxy/representative will be attending the meeting virtually by electronic communication, please ensure that you provide their contact details (phone and email address). If this information is not provided, we cannot guarantee remote admission to the virtual meeting for your proxy/representative.

Proxy/representative phone: _____

Proxy/representative email: _____

Section 4: Resolutions for postal and proxy voting

(Cast a postal vote, or instruct a proxy/representative to vote, by placing a tick in the relevant box.)

I/We direct my/our proxy/representative to vote in the following manner:^{***}

I/We wish to cast a postal vote in the following manner:^{***}

^{***} Delete as appropriate

1. **Resolution 1:** To appoint Ernst and Young as auditor of the Company.

For Against

2. **Resolution 2:** To authorise the directors to fix the auditor's fees and expenses for the year ending 31 March 2022.

For Against

Section 5: Signatures

Please sign and date this form below and return to the Company at the address provided in the notes below. All shareholders named on the share register must sign this form for it to be valid (including all trustees where the shareholding is in each of their names).

Signed this _____ day of _____ 2021

Signature of shareholder(s) _____ Signature of shareholder(s) _____

Signature of shareholder(s) _____ Signature of shareholder(s) _____

Notes on the completion of your postal vote or proxy appointment

Postal vote

- As a shareholder entitled to vote at the annual meeting, you are entitled to vote by postal vote. The Company Secretary has been authorised by the Board to receive and count postal votes at the annual meeting.
- If you return your postal vote without indicating on any resolution how you wish to vote, you will be deemed to have abstained from voting on that resolution.
- If you complete the postal vote section and also appoint a proxy, your postal vote will take priority over your proxy appointment.
- For your postal vote to be valid, you must return this Postal Voting Form, completed and signed, to be received by the Company Secretary no later than 1:30pm on Monday, 16 August 2021. Instructions on how to return this form are set out below.
- If you are joint holders of shares, each of you must sign this Proxy Form.
- If you are a body corporate, this form must be signed on behalf of the body corporate by a person acting under the body corporate's express or implied authority. If it has been signed under a power of attorney, a copy of the power of attorney (unless already deposited with the Company) and a signed certificate of non-revocation of the power of attorney must be provided with this Proxy Form.
- If you wish, you may appoint the Chairman of the meeting as your proxy. To do so, please write "Chairman of the meeting" on the line marked "Full name of proxy". The Chairman will vote according to your instructions. If the Chairman is not instructed how to vote, he will vote as he thinks fit.
- If you return this form without directing the proxy how to vote on any particular resolution, you will be deemed to have given your proxy discretion as to whether and how to vote on that resolution.
- Shareholders may attend the meeting virtually even if they have appointed a proxy (although they will not be able to vote if a proxy has been appointed).
- For your proxy appointment to be valid, you must return this Proxy Form, completed and signed, to be received by the Company no later than 1:30pm on Monday, 16 August 2021. Instructions on how to return this form are set out below.

How to return the Proxy or Postal Voting Form

- The Proxy or Postal Voting Form may be completed and returned to the Company in one of the following ways:
 - by delivering it to: Level 4, 12 Viaduct Harbour Avenue, Auckland; or
 - by posting it to: PO Box 2007, Auckland 1140; or
 - by scanning and emailing it to: reception@willisbond.co.nz

Proxy/Representative appointment

- As a shareholder you may attend and vote at the annual meeting, or you may appoint a proxy, or in the case of a corporate shareholder, a representative, to attend and vote instead of you. A proxy or representative need not be a shareholder of the Company.

If you have any questions regarding your voting or completion of this form, please call Willis Bond on +64 9 307 0722.

8.0

DIRECTORY

Board of Directors of Property Income Fund Limited

- Mark McGuinness
- Wayne Silver
- David McGuinness

The directors of Property Income Fund Limited can be contacted at Willis Bond below:

WILLIS BOND

Willis Bond, Auckland
Level 4,
12 Viaduct Harbour Avenue,
PO Box 2007, Auckland 1140
New Zealand

Telephone: 09 307 0722
www.willisbond.co.nz

Willis Bond, Wellington
Level 2, Free Ambulance Building
5 Cable Street,
PO Box 24137, Wellington 6011
New Zealand

Telephone: 04 805 0000
www.willisbond.co.nz

PI PROPERTY INCOME FUND

Manager
**Property Income Fund
Management Limited**
Level 4,
12 Viaduct Harbour Avenue
PO Box 2007, Auckland 1140
New Zealand

Telephone: 09 307 0722
www.willisbond.co.nz

Auditor
Ernst and Young
2 Takutai Square,
Auckland CBD,
Auckland 1010
PO Box 2146, Auckland 1140
New Zealand

Telephone: 09 377 4790
Fax: 09 309 8137
www.ey.com



Solicitors
Morrison Kent
Level 19, Morrison Kent House
105 The Terrace
PO Box 10035, Wellington 6143
New Zealand

Telephone: 04 472 0020
Fax: 04 472 7017
www.morrisonkent.com

Solicitors
Chapman Tripp
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Fax: 09 357 9099
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