PROPERTY INCOME FUND

Half Year Report 2021

Drystore interior at 1 Fraser Street, Timaru

CONTENTS

1.0
CHAIRMAN AND MANAGER'S REPORT

Welcome to the first half year report for Property Income Fund (PI) for the six months ended 30 September 2021.

The Company commenced operations in November last year and acquired its first property in December 2020. Its annual balance date is 31 March.

During the period a number of opportunities were investigated by the Manager but were discounted either due to value expectations or because completed due diligence revealed unsatisfactory aspects of the property. Two bids were made in the period. One was made on a portfolio of properties but was unsuccessful, the second bid pleasingly was sucessful in securing a property.

The property is a distribution facility leased to Fonterra for a further nine years, situated in Timaru. The details of this acquisition have been previously communicated to shareholders and was the subject of a 12.0cps call made on shareholders, which was fully paid. A desposit was paid prior to 30 September and the property settled on 3 November 2021.

Financial Results

The group reported a pre-tax profit of $1.036m for the period compared to $516,000 for the six months ended 31 March 2021. The operating expenses for the period included $22,000 of investigation costs on projects that have not been pursued. Circa $32,000 of investigation costs relating to projects that are still live have been recognised on the balance sheet.

The Company currently has no debt as the second acquisition has been funded entirely through the call that was payable 15 October 2021. We anticipate introducing bank funding when the next acquisition takes place.

Distributions

During the current six-month period PI commenced paying distributions.
It is PI's policy to pay 100% of available funds from operations (AFFO) as quarterly distributions to its shareholders. Two dividends were paid in the current half year period, comprising 0.19 cents per share (cps) paid 29 April and 0.21cps paid 30 July. A further dividend was subsequently paid on 29 October of 0.20cps.

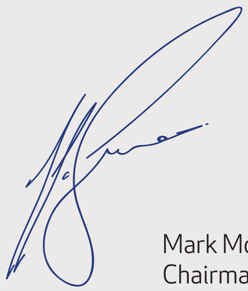
$1.04m operating profit before tax

$1.04m adjusted funds from operations

Future Plans

The Manager notes current rising interest rates and inflationary pressures can have a negative impact on property cap rates. Conversely inflation can have a positive impact on rentals.

Notwithstanding the Manager's caution at this time, interesting opportunities are still available. The Manager is undertaking advanced exclusive due diligence on a significant portfolio acquisition. We hope to advise shareholders on the outcome of this process before the end of the calendar year. The Manager is also in discussions with Willis Bond over potential investment in new high-quality developments with long leases.



Mark McGuinness
Chairman

$83.8m property portfolio value

Aerial view of 1 Fraser Street, Timaru

2.0 FINANCIAL STATEMENTS

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

for the six months ended 30 September 2021

	Note	Unaudited 6 months ended 30-Sep-21 $000	Audited 6 months ended 31-Mar-21 $000
Rental income	4	1,305	709
		1,305	709
Operating expenses	5	(276)	(238)
Operating profit		1,029	471
Finance income	6	7	7
Finance expense		-	-
Net finance income		7	7
Change in fair value of investment property	11	-	38
Net profit before income tax expense		1,036	516
Income tax expense	3 5	-	-
Net profit for the period		1,036	516
Other comprehensive income		-	-
Total comprehensive profit for the period		1,036	516

The accompanying notes form part of these half year financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the six months ended 30 September 2021

	Note	Share capital $000	Retained profit $000	Total $000
Balance at 30 September 2020		-	-	-
Share capital called	14	55,500	-	55,500
Capital raising costs	14	(77)	-	(77)
Net profit for the period		-	516	516
Balance at 31 March 2021		55,423	516	55,939

	Note	Share capital $000	Retained profit $000	Total $000
Balance at 31 March 2021		55,423	516	55,939
Distributions	7	(1,002)	-	(1,002)
Net profit for the period		-	1,036	1,036
Balance at 30 September 2021		54,421	1,552	55,973

The accompanying notes form part of these half year financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

as at 30 September 2021

	Note	Unaudited 30-Sep-21 $000	Audited 31-Mar-21 $000
Current assets			
Cash and cash equivalents	8	3,692	5,517
Trade and other receivables	9	50	-
Total current assets		3,742	5,517
Current liabilities			
Trade and other payables	13	31,584	178
Total current liabilities		31,584	178
Net current assets		(27,842)	5,339
Non-current assets			
Investment properties	11	83,815	50,600
Total non-current assets		83,815	50,600
Net assets		55,973	55,939
Equity			
Share capital	14	54,421	55,423
Retained earnings		1,552	516
Total equity		55,973	55,939

The accompanying notes form part of these half year financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

for the six months ended 30 September 2021

	Note	Unaudited 6 months ended 30-Sep-21 $000	Audited 6 months ended 31-Mar-21 $000
Cash flows from operating activities			
Interest received		6	7
Cash payments for operating expenditure		(283)	(114)
Rental income received		1,256	709
Net GST inflow/(outflow)		(2)	54
Net cash flows from operating activities		977	656
Cash flows from investing activities			
Purchase of investment property		(3,335)	(50,562)
Net cash flows from investing activities		(3,335)	(50,562)
Cash flows from financing activities			
Proceeds from share calls		-	55,500
Advance proceeds from share calls		1,535	-
Capital raising costs		-	(77)
Distributions	7	(1,002)	-
Net cash flows from financing activities		533	55,423
Net (decrease)/increase in cash and cash equivalents		(1,825)	5,517
Cash and cash equivalents at beginning of period		5,517	-
Cash and cash equivalents at end of period	8	3,692	5,517

The accompanying notes form part of these half year financial statements.

3.0 NOTES TO THE FINANCIAL STATEMENTS

1 - General information

The financial statements presented are those of Property Income Fund Limited (the 'Company') and its subsidiaries (the 'Group') as detailed in note 10 as at and for the period 1 April 2021 to 30 September 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.

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

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 values 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 and as a consequence 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.

3.0 NOTES TO THE FINANCIAL STATEMENTS

3.3 - Basis of consolidation

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

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

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 one thousand dollar.

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:

- 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.

4 - Rental income

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

	Unaudited 6 months ended 30-Sep-21 $000	Audited 6 months ended 31-Mar-21 $000
Rental income - Industrial	1,305	709
Total rental income	1,305	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.

3.0 NOTES TO THE FINANCIAL STATEMENTS

5 - Operating expenses

Net profit before income tax expense includes the following expenses:

	Note	Unaudited 6 months ended 30-Sep-21 $000	Audited 6 months ended 31-Mar-21 $000
Accounting and tax advice		(57)	(62)
Audit fees		(11)	(20)
Consultant fees		(18)	(21)
Insurance		(15)	(16)
Investigation costs		(22)	(11)
Legal fees		(2)	(3)
Management fees	18	(127)	(69)
Other		(23)	(17)
Valuation fees		(1)	(19)
Total operating expenses		(276)	(238)

Accounting policy

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

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

6 - Finance income and expenditure

Finance income and expenditure comprise the following:

	Unaudited 6 months ended 30-Sep-21 $000	Audited 6 months ended 31-Mar-21 $000
Interest income	7	7
Total finance income	7	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

The following distributions were declared and paid by the Group during the period to 30 September 2021:

- 29 April 2021, 0.19 cps, total value $475,000
- 30 July 2021, 0.21 cps, total value $527,000

8 - Cash and cash equivalents

Cash and cash equivalents include the following components:

	Unaudited 30-Sep-21 $000	Audited 31-Mar-21 $000
Cash at bank and on call deposits	3,692	5,517
Total cash and cash equivalents	3,692	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 - Trade and other receivables

Trade and other receivables consist of the following:

	Unaudited 30-Sep-21 $000	Audited 31-Mar-21 $000
Accounts receivable & prepayments	15	-
Interest accrual	1	-
Other assets	34	-
Total trade and other receivables	50	-

3.0 NOTES TO THE FINANCIAL STATEMENTS

10 - Subsidiary

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

	Unaudited 30-Sep-21 Holding %	Audited 31-Mar-21 Holding %
Property Income Fund No.1 Limited	100.0	100.0
Property Income Fund No.2 Limited	100.0	-

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

11 - Investment property

Investment properties held by the Group are as follows:

	Unaudited 6 months ended 30-Sep-21 $000	Audited 6 months ended 31-Mar-21 $000
Opening carrying value	50,600	-
Purchases	33,215	50,562
Revaluation	-	38
Closing carrying value	83,815	50,600

Investment property comprises of the following properties:

	Unaudited 30-Sep-21 $000	Audited 31-Mar-21 $000
484 Nayland Road, Nelson	50,600	50,600
1 Fraser Street, Timaru	33,215	-
Total investment property	83,815	50,600

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

Accounting policy continued

and loss in the year in which they arise. Investment properties are derecognised either when they have 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.

12 - Lessor revenue

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

	Unaudited 30-Sep-21 $000	Audited 31-Mar-21 $000
Within 1 year	4,242	2,621
1 to 5 years	18,499	11,065
After 5 years	33,439	27,890
Total lease payments due	56,180	41,576

13 -Trade and other payables

Trade and other payables consist of the following:

	Note	Unaudited 30-Sep-21 $000	Audited 31-Mar-21 $000
GST payable		51	54
Trade payables		86	69
Related party payables & accruals	18	1	2
Calls received in advance		1,535	53
Investment property purchase		29,880	-
Sundry accruals		31	-
Total trade and other payables		31,584	178

The investment property purchase will be funded by the proceeds from the call detailed in note 19.

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.

3.0 NOTES TO THE FINANCIAL STATEMENTS

14 - 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 distributions and to any surplus on winding up.

	Unaudited 30-Sep-21 Units 000	2021 31-Mar-21 Units 000
Shares issued	250,000	250,000
Paid share capital	55,500	55,500
Unpaid share capital	194,500	194,500
	250,000	250,000

	Unaudited 6 months ended 30-Sep-21 Units $000	Audited 6 months ended 31-Mar-21 Units $000
Opening balance	55,423	-
Share capital contributed during the period	-	55,500
Distributions	(1,002)	
Capital raising costs	-	(77)
Total share capital	54,421	55,423

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

There were no calls made during the period.

A call notice of 12 cents per share was issued prior to quarter end, payable in the next quarter of $30,000,000

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.

15 - 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.

30 September 2021	Amortised cost $000	FVTPL $000	Total $000
Financial assets			
Cash and cash equivalents	3,692	-	3,692
Trade and other receivables	50	-	50
	3,742	-	3,742
Financial liabilities			
Trade and other payables	31,533	-	31,533
	31,533	-	31,533

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'.

Accounting policy continued

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. 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.

16 - Capital commitments

There were no capital commitments at 30 September 2021 (31 March 2021: nil).

17 - Contingent assets and liabilities

There are no contingent assets or liabilities at 30 September 2021 (31 March 2021: nil).

18 - Related parties

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

The Company incurred $126,500 of management fees to Property Income Fund Management Limited, a related party for the period to 30 September 2021 (31 March 2021: $69,379).

At 30 September 2021 the Group has related party payables and accruals of $555 owing to Willis Bond and Company Limited (31 March 2021: $2,308). The Company is related to Property Income Fund Management Limited (the "Manager"), 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 30 September 2021 (31 March 2021: $1,398,600), representing calls paid 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.

19- Subsequent events

Subsequent to 30 September 2021, a distribution of 0.202 cps, equating to $505,000 was declared on 27 October 2021 and paid on 29 October 2021.

A call notice was issued prior to 30 September 2021 for 12 cps, payable 15 October 2021. The proceeds of which will be used to fund the purchase of the new investment property acquired at 1 Fraser Street, Timaru.

4.0 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, 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

Manager

Property Income Fund Management Limited

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

Telephone: 09 307 0722
www.propertyincomefund.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

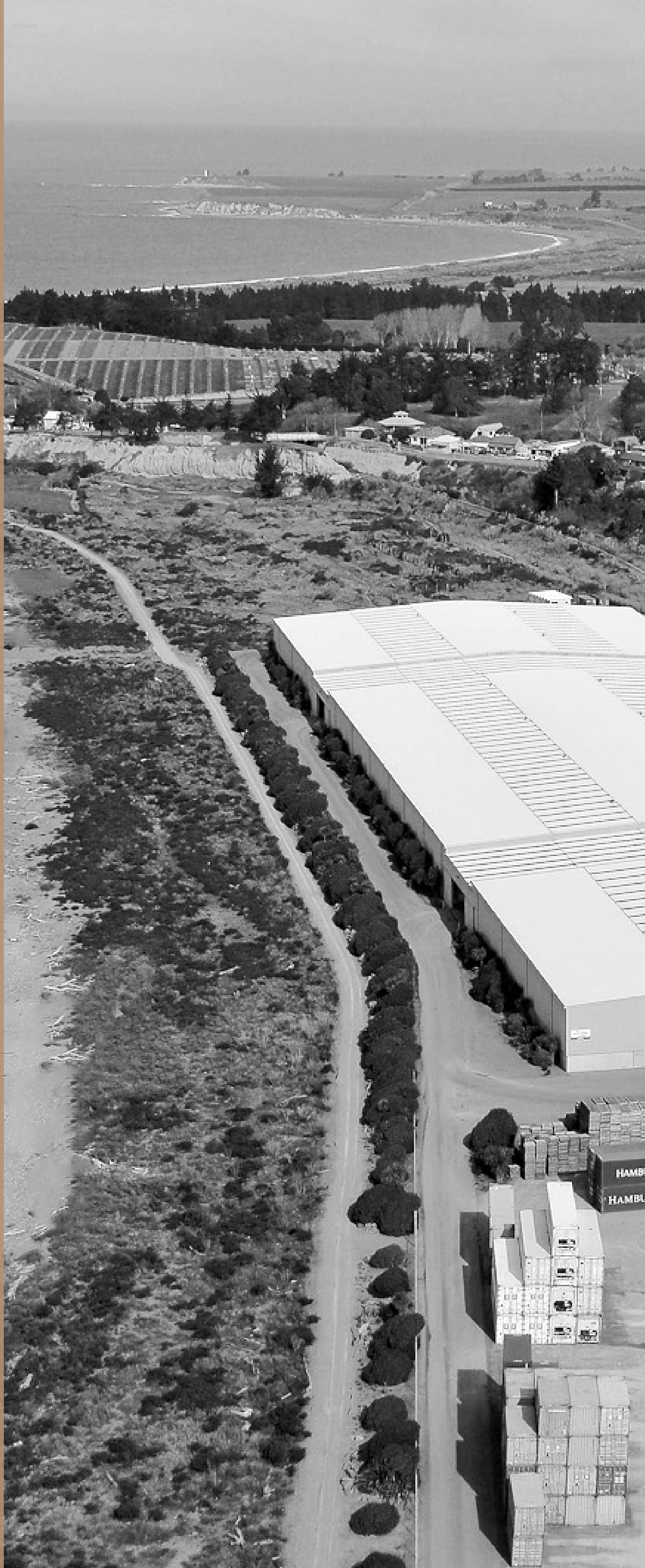
Solicitors

Chapman Tripp

Level 35,
23 Albert Street
PO Box 2206, Auckland 1140
New Zealand

Telephone: 09 357 9000
Fax: 09 357 9099
www.chapmantripp.com

Image: Aerial view of 1 Fraser Street, Timaru



Property Income Fund

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

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