PROPERTY INCOME FUND

Interim Report 2023

A render of 90 Devonport Road, Tauranga

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1.0 CHAIRMAN AND MANAGER'S REPORT

Welcome to the interim report for Property Income Fund (PI) for the six months ended 30 September 2023.

The Company commenced operations in November 2020 and has acquired three properties to date.

Our tenants Fonterra and T&G have continued to perform strongly. Value-add opportunities are being explored at both properties.

Management recently visited 1 Fraser Street, Timaru. The property was well maintained, and the tenant indicated operations were going well and were at 100% capacity during peak season. The Manager anticipates that capital works will need to be undertaken to re-asphalt the property's deteriorating access-way. The cost is estimated to be $375,000 and will be shared with the neighbouring landowner.

In December 2021, the Company entered into an agreement to acquire 90 Devonport Road. Once completed, it will be the largest mass timber office building in New Zealand, leading the industry in sustainable building design, construction, and operation.

On completion, the building will have a 15-year net lease to Tauranga City Council and will be subject to annual CPI-related increases.

Construction is well underway with the first two levels now complete.

We anticipate a call of circa 5.4 cents per share (cps) will be payable in January 2024 to fund the next phase of construction.

The directors commissioned a six-month valuation update of our properties, which is reported in these interim financial statements. Our accounting policy is to revalue our properties annually however given the uncertainty in global markets the directors decided a more timely update was justified.

We continue to operate an informal register of parties interested in acquiring or disposing of shares. Please reach out to verity@willisbond.co.nz if you wish to be included on this register.

Financial Results

The Group reported a pre-tax loss of $6.188 million for the period compared to the profit of $1.472 million for the six months ended 30 September 2022. The current year loss includes a revaluation loss of $8.05 million. There was no six-month revaluation last year so on a like-for-like basis

$6.188m operating loss before tax

$2.682m adjusted funds from operations

Left to right: Willis Bond Managing Director (Funds & Finance) Wayne Silver, Tauranga City Council Commissioner Bill Wasley, Tauranga City Council CE Marty Grenfell, and LT McGuinness Director Matt McGuinness breaking ground at 90 Devonport Road

the current operating result was a profit of $1.862 million pre revaluations. The operating expenses for the period included $24,000 of investigation costs, compared to $427,000 in September 2022.

The Manager is continually investigating acquisition opportunities, which largely involve consultant and valuation fees. Approximately $6,615 of investigation costs relating to projects that are still live are carried on the balance sheet.

The Company maintains a strong debt-free position and is exercising patience as it continues to evaluate market conditions, strategy, and market positioning.

As noted above, a mid-year revaluation of the Fund's assets was undertaken as at 30 September 2023. Valuers have adjusted capitalisation rates slightly in response to increased market uncertainty. This resulted in a portfolio yield on valuation of 5.89%.

The property valuation for 1 Fraser Street, Timaru decreased 5.1% from 31 March 2023. Similarly, the valuation for 90 Devonport Road, Tauranga decreased 5.66% in the same six-month period. JLL notes that there is limited comparable sales and leasing evidence within Tauranga.

$172.1m property portfolio value (as at 30 Sept 23)

The valuation for 484 Nayland Road, Nelson has decreased marginally by 1.55% due to the superior triple net lease structure and favourable location. With interest rates on the rise, there is further expectation of an upward movement in yields in 2023, however the exact quantum is yet to be tested.

The NTA per share at 30 September 2023 was $0.39 cents.

Distributions

It is PI's policy to pay 100% of available funds from operations (AFFO) as quarterly distributions to its shareholders.

As at 30 September 2023, there are nil due diligence costs deducted from PI's distribution (31 March 2023: $424,000, 30 September 2023: $424,000).

Three dividends were paid in the current period, comprising 0.444 cps paid in April 2023, 0.516 cps paid July 2023 and 0.556 cps paid in October 2023.

Future Plans

Market conditions remain highly uncertain and volatile, with elevated interest costs contributing to a fall in asset values.

Since company formation, the 10-year government stock rate has increased from 0.54% to 5.00%, driven by a global increase in inflation rates. PI has adapted to these challenging conditions by adopting a highly cautious acquisition strategy and remaining debt-free.

The risk premium of property yields to the risk-free rate is at a historic low. Assuming interest rates remain elevated, a reversion to the long run average would suggest there is further downside potential in valuations.

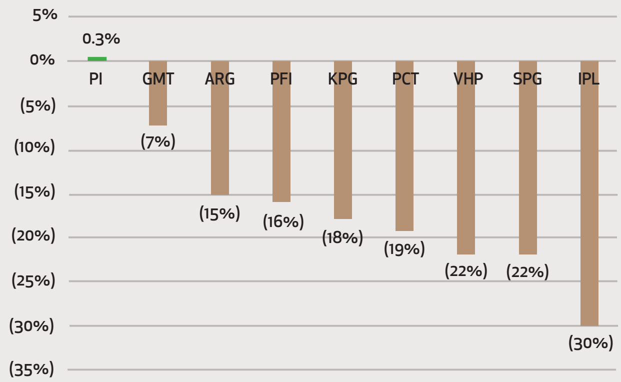
Listed property vehicles are currently trading at significant discounts to underlying asset valuations and sector analysts continue to hold a relatively negative outlook for the sector. PI's total return (current NTA plus cumulative dividends) has outperformed the listed market since establishment.

PI is differentiated through its debt-free position, resilience of the underlying cashflow and its unlisted nature, meaning its share value is not subject to daily volatility.

Management continues to be patient given the current market uncertainty and is confident that attractive buying opportunities will arise as more heavily leveraged asset owners come to the market.

Mark McGuinness
Chairman

Total return since PI inception



Key

PI - Property Income Fund	**PCT** - Precinct Properties NZ & Precinct Properties Investments Ltd
GMT - Goodman Property Trust (NS)	**VHP** - Vital Healthcare Property Trust
ARG - Argosy Property Ltd	**SPG** - Stride Property Ltd & Stride Investment Management Ltd (NS)
PFI - Property for Industry Ltd	**IPL** - Investore Property Ltd (NS)
KPG - Kiwi Property Group	

PI total return = (NTA value + cumulative dividends) / total capital invested −1

LPV total return = (current share price + cumulative dividends) / total capital invested −1

LPV total return assumes each $ invested into PI is invested into listed vehicle at share price on date of each call

Source: NZX, Willis Bond analysis, as at 1 November 2023

A view of 90 Devonport Road, Tauranga, under construction.

2.0 INTERIM FINANCIAL STATEMENTS

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

for the six months ended 30 September 2023

	Note	Unaudited 6 months ended 30 Sep 23 $000	Unaudited 6 months ended 30 Sep 22 $000	Audited 12 months ended 31 Mar 23 $000
Rental income	4	2,262	2,213	4,603
		2,262	2,213	4,603
Operating expenses	5	(365)	(761)	(1,125)
Operating profit		1,897	1,452	3,478
Finance income	6	198	20	107
Finance expense	6	(233)	-	(101)
Net finance (expense)/income		(35)	20	6
Change in fair value of investment property	11	(2,250)	-	(8,958)
Impairment loss on investment property under construction	12	(5,800)	-	(4,693)
Net profit/(loss) before income tax expense		(6,188)	1,472	(10,167)
Income tax expense	3.5	-	-	-
Net profit/(loss) for the period		(6,188)	1,472	(10,167)
Other comprehensive income		-	-	-
Total comprehensive profit/(loss) for the period	15	(6,188)	1,472	(10,167)

The accompanying notes form part of these interim financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the six months ended 30 September 2023

	Note	Share capital $000	Accumulated loss $000	Total $000
Opening balance		85,423	3,499	88,922
Share capital called	15	15,000	-	15,000
Dividends		-	(3,745)	(3,745)
Net loss for the year		-	(10,167)	(10,167)
Balance at 31 March 2023		100,423	(10,413)	90,010

	Note	Share capital $000	Retained profit $000	Total $000
Opening balance		100,423	(10,413)	90,010
Share capital called	15	16,000	-	16,000
Dividends	7	-	(2,400)	(2,400)
Net loss for the period		-	(6,188)	(6,188)
Balance at 30 September 2023		116,423	(19,001)	97,422

The accompanying notes form part of these interim financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

as at 30 September 2023

	Note	Unaudited 30 Sep 23 $000	Unaudited 30 Sep 22 $000	Audited 31 Mar 23 $000
Current assets				
Cash and cash equivalents	8	8,089	2,231	4,901
Trade and other receivables	9	59	79	114
Total current assets		8,148	2,310	5,015
Current liabilities				
Trade and other payables	14	1,802	151	2,931
Total current liabilities		1,802	151	2,931
Net current assets		6,346	2,159	2,084
Non-current assets				
Investment properties	11	75,350	86,400	77,600
Investment property under construction	12	23,406	-	17,673
Total non-current assets		98,756	86,400	95,273
Non-current liabilities				
Other non-current payables	19	7,680	-	7,347
Total non-current liabilities		7,680	-	7,347
Net assets		97,422	88,559	90,010
Equity				
Share capital	15	116,423	85,423	100,423
Retained profit/(Accumulated loss)		(19,001)	3,136	(10,413)
Equity attributable to shareholders of the parent		97,422	88,559	90,010

The accompanying notes form part of these interim financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

for the six months ended 30 September 2023

	Note	Unaudited 6 months ended 30 Sep 23 $000	Unaudited 6 months ended 30 Sep 22 $000	Audited 12 months ended 31 Mar 23 $000
Cash flows from operating activities				
Interest received		193	13	91
Cash payments for operating expenditure		(1,391)	(618)	(924)
Rental income received		2,321	2,213	4,445
Net GST inflow/(outflow)		(1)	(1)	3
Net cash inflow from operating activities		1,122	1,607	3,615
Cash flows from investing activities				
Purchase of investment property under construction		(11,534)	-	(12,428)
Net cash outflow from investing activities		(11,534)	-	(12,428)
Cash flows from financing activities				
Proceeds from share calls	15	16,000	-	15,000
Dividends	7	(2,400)	(1,835)	(3,745)
Net cash inflow/(outflow) from financing activities		13,600	(1,835)	11,255
Net increase/(decrease) in cash and cash equivalents		3,188	(228)	2,442
Cash and cash equivalents at beginning of period		4,901	2,459	2,459
Cash and cash equivalents at end of period	8	8,089	2,231	4,901

The accompanying notes form part of these interim financial statements.

3.0

NOTES TO THE INTERIM 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 2023 to 30 September 2023. 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.

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 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.

3.0 NOTES TO THE INTERIM FINANCIAL STATEMENTS

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 11.
- Consideration of impairment of investment property under development in note 12.

4 - Rental income

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

	Unaudited 6 months ended 30 Sep 23 $000	Unaudited 6 months ended 30 Sep 22 $000	Audited 12 months ended 31 Mar 23 $000
Rental income - Industrial	2,262	2,213	4,445
Straight-lining of fixed rental increases	-	-	158
Total rental income	2,262	2,213	4,603

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 through an annual adjustment made at balance date. Where an incentive (such as a rent free period) is given to a tenant, this is also recognised on a straight-line basis over the period of the lease.

During the six months to 30 September revenue from investment property is recognised on an invoice basis.

3.0 NOTES TO THE INTERIM FINANCIAL STATEMENTS

5 - Operating expenses

Net profit before income tax expense includes the following expenses:

	Note	Unaudited 6 months ended 30 Sep 23 $000	Unaudited 6 months ended 30 Sep 22 $000	Audited 12 months ended 31 Mar 23 $000
Accounting and tax advice		(10)	(23)	(32)
Audit fees		(19)	(12)	(34)
Consultant fees		(18)	(18)	(36)
Insurance		(13)	(20)	(41)
Investigation costs		(24)	(427)	(436)
Legal fees		(2)	(16)	(21)
Management fees	19	(244)	(216)	(450)
Other		(19)	(23)	(39)
Valuation fees		(16)	(6)	(36)
Total operating expenses		(365)	(761)	(1,125)

The Manager is continually investigating investment acquisition opportunities which often involves services from other consultants and valuers. The fees for these services are expensed if the Manager decides not to proceed with the investment acquisition.

Accounting policy

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

As at 31 March 2023, the auditor was Ernst & Young. No other services were provided by Ernst & Young.

6 - Finance income and expenditure

Finance income and expenditure comprise the following:

	Unaudited 6 months ended 30 Sep 23 $000	Unaudited 6 months ended 30 Sep 22 $000	Audited 12 months ended 31 Mar 23 $000
Interest income	198	20	107
Total finance income	198	20	107
Interest on deferred settlement	(233)	-	(101)
Total finance expense	(233)	-	(101)

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 dividends were declared and paid by the Group during the period to 30 September 2023:

- On 28 April 2023, 0.444 cps, total value $1,110,000
- On 28 July 2023, 0.516 cps, total value $1,290,000

8 - Cash and cash equivalents

Cash and cash equivalents include the following components:

	Unaudited 30 Sep 23 $000	Unaudited 30 Sep 22 $000	Audited 31 Mar 23 $000
Cash at bank and on call deposits	8,089	2,231	4,901
Total cash and cash equivalents	8,089	2,231	4,901

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 23 $000	Unaudited 30 Sep 22 $000	Audited 31 Mar 23 $000
Accounts receivable & prepayments	31	47	90
Recoverable expenses	6	24	7
Interest accrual	22	8	17
Total trade and other receivables	59	79	114

Accounting policy

Preliminary project costs are capitalised when it is likely that future economic benefits associated with the costs will flow to the entity. Such costs are presented as recoverable expenses and included in other receivables. If it becomes apparent these future economic benefits are unlikely to flow, the costs are expensed through the profit and loss.

3.0 NOTES TO THE INTERIM FINANCIAL STATEMENTS

10 - Subsidiaries

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

	Unaudited 30 Sep 23 Holding %	Unaudited 30 Sep 22 Holding %	Audited 31 Mar 23 Holding %
Property Income Fund No.1 Limited	100.0	100.0	100.0
Property Income Fund No.2 Limited	100.0	100.0	100.0
Property Income Fund No.99 Limited	100.0	-	100.0
Property Income Investments Limited	100.0	-	100.0

The principal activity of the subsidiaries is investment in long-term commercial property, or the acquisition of funding to assist the Group's 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 properties

Investment properties held by the Group are as follows:

	Unaudited 6 months ended 30 Sep 23 $000	Unaudited 6 months ended 30 Sep-22 $000	Audited 12 months ended 31 Mar 23 $000
Opening carrying value	77,600	86,400	86,400
Purchases	-	-	-
Straight-line adjustment	-	-	158
Revaluation	(2,250)	-	(8,958)
Closing carrying value	75,350	86,400	77,600

Investment property comprises of the following properties:

	Unaudited 30 Sep 23 $000	Unaudited 30 Sep 22 $000	Audited 31 Mar 23 $000
484 Nayland Road, Nelson	47,650	53,100	48,400
1 Fraser Street, Timaru	27,700	33,300	29,200
Total investment properties	75,350	86,400	77,600

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 and adjusted for at balance date. 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 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.

In accordance with the valuation policy of the Group, property valuations are carried out at least annually by independent registered valuers. An interim independent valuation was completed for investment properties as at 30 September 2023.

12 - Investment property under construction

Investment property under construction is as follows:

	Unaudited 6 months ended 30 Sep 23 $000	Unaudited 6 months ended 30 Sep 22 $000	Audited 12 months ended 31 Mar 23 $000
90 Devonport Road, Tauranga			
Opening carrying value	17,673	-	-
Purchases	11,533	-	22,366
Impairment loss	(5,800)	-	(4,693)
Closing carrying value	23,406	-	17,673

2023 90 Devonport Road, Tauranga	Valuer	Net lettable area sqm	Discount rate	Capitalisation rate
31-Mar-23	JLL	10,452	7.250%	5.625%
30-Sep-23	JLL	10,452	7.500%	6.000%

3.0 NOTES TO THE INTERIM FINANCIAL STATEMENTS

The agreement to acquire 90 Devonport Road, Tauranga went unconditional in January 2023. As at 30 September 2023 the net amount recognised as investment property was $33.9m. The Group has a remaining net capital commitment not yet brought onto the balance sheet of $73.3m. This property is currently under construction and is expected to be completed in March 2025.

Per the interim valuation at 30 September 2023, the 'as if complete' value was $96.7m compared to the 'as if complete' value at 31 March 2023 of $102.5m. As such, an additional impairment loss of $5.8m was recognised in the period ended 30 September 2023, totalling $10.5m of impairment loss recognised to date.

Accounting policy

Under IAS 40.53 the Group has determined that since they have only recently acquired the investment property and the property has only recently commenced construction, the fair value of the property is not reliably measurable on a continuing basis due to the market for comparable property being inactive and alternative reliable measurements of fair value (such as discounted cash flow projections) not being available. For this reason, the property has been measured using the cost model under IAS 16 and will continue to be measured in this manner until either its fair value becomes reliably measurable, or the development is completed (whichever is earlier). Whilst the cost model basis is applied the Group will continue to assess the 'as if complete' value against the net purchase price for impairment loss at least annually.

13 - 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 23 $000	Unaudited 30 Sep 22 $000	Audited 31 Mar 23 $000
Within 1 year	4,596	4,500	4,545
1 to 5 years	18,086	18,231	18,163
After 5 years	23,998	28,476	26,234
Total lease payments due	46,680	51,207	48,942

14 -Trade and other payables

Trade and other payables consist of the following:

	Note	Unaudited 30 Sep 23 $000	Unaudited 30 Sep 22 $000	Audited 31 Mar 23 $000
GST payable		107	106	110
Trade payables		10	28	18
Related party payables & accruals	19	1,645	-	2,653
Sundry accruals		40	17	150
Total trade and other payables		1,802	151	2,931

The amounts are unsecured and are usually paid within 30 days of recognition.

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.

15 - Share capital and profits for distributions

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 23 000 Units	Unaudited 30 Sep 22 000 Units	Audited 31 Mar 23 000 Units
Shares issued	250,000	250,000	250,000

	$000	$000	$000
Paid share capital	116,500	85,500	100,500
Unpaid share capital	133,500	164,500	149,500
	250,000	250,000	250,000

Share capital contributed	$000	$000	$000
Opening balance	100,423	85,423	85,423
Share capital contributed during the period	16,000	-	15,000
Total share capital	116,423	85,423	100,423

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

During the period, the Group made the following calls:

- On 11 April 2023, a call of 2.6 cps ($6,500,000) which was fully paid on the 9 May 2023.
- On 28 June 2023, a call of 3.8 cps ($9,500,000) which was fully paid on the 20 July 2023.

As at 30 September 2023, 46.60 cents per share has been called.

3.0 NOTES TO THE INTERIM FINANCIAL STATEMENTS

Reconciliation of total comprehensive profit/(loss) for the period to net adjusted funds from operations (AFFO):

	Note	Unaudited 6 months ended 30 Sep 23 $000	Unaudited 6 months ended 30 Sep 22 $000	Unaudited 12 months ended 31 Mar 23 $000
Profit/(loss) and total comprehensive income after income tax attributable to the shareholders of the Group		(6,188)	1,472	(10,167)
Adjusted for:				
Straight lining of fixed rental increases	4	-	-	(158)
Fair value (gain)/loss on investment properties	11	2,250	-	8,958
Impairment loss on investment property under construction	12	5,800	-	4,693
Interest on deferred land settlement on the purchase of 90 Devonport Road	6	233	-	101
Interest income on deferred purchase of 90 Devonport Road		587	-	127
Others		-	424	424
Adjusted Funds From Operations (AFFO)		2,682	1,896	3,978
AFFO per share (cents)		1.07	0.76	1.59
Dividends paid/payable in relation to period (cents)		1.07	0.76	1.59

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 capital from/return capital to shareholders.

16 - 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 2022	Amortised cost $000	FVTPL $000	Total $000
Financial assets			
Cash and cash equivalents	2,231	-	2,231
Trade and other receivables	79	-	79
	2,310	-	2,310
Financial liabilities			
Trade and other payables	151	-	151
	151	-	151

31 March 2023	Amortised cost $000	FVTPL $000	Total $000
Financial assets			
Cash and cash equivalents	4,901	-	4,901
Trade and other receivables	114	-	114
	5,015	-	5,015
Financial liabilities			
Trade and other payables	2,931	-	2,931
Deferred settlement	7,347	-	7,347
	10,278	-	10,278

30 September 2023	Amortised cost $000	FVTPL $000	Total $000
Financial assets			
Cash and cash equivalents	8,089	-	8,089
Trade and other receivables	59	-	59
	8,148	-	8,148
Financial liabilities			
Trade and other payables	1,802	-	1,802
Deferred settlement	7,680	-	7,681
	9,482	-	9,483

3.0 NOTES TO THE INTERIM FINANCIAL STATEMENTS

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.

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.

17 - Capital commitments

Other than the $73.3 million noted in note 12 (31 March 2023: $84.8 million), there were no capital commitments at 30 September2023 (31 March 2023: nil, 30 September 2022: nil).

18 - Contingent assets and liabilities

There are no other contingent assets or liabilities at 30 September 2023 (31 March 2023: nil, 30 September 2022: nil).

19 - Related parties

The Company's related parties include entities with common directors. The Company paid the following fees to related parties:

	Unaudited 6 months ended 30 Sept 23 $000	Unaudited 6 months ended 30 Sept 22 $000	Audited 12 months ended 31 Mar 23 $000
Property Income Fund Management Limited			
- Management fees	244	216	450
Willis Bond and Company Limited			
- Insurance, due diligence and marketing fees	4	37	40
90 Devonport Road Limited Partnership			
- Receivables	4	-	79
- Accrued investment acquisition costs for work completed	1,645	-	2,653
- Accrued deferred land settlement	7,680	-	7,347

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 $2,796,000 as at 30 September 2023 (31 March 2023: $2,412,000, 30 September 2022: $2,052,000), representing calls paid to date on 6,000,000 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.

20 - Subsequent events

Subsequent to 30 September 2023:

- A distribution of 0.556 cps, equating to $1,390,000 was declared and paid on 27 October 2023.
- On 3 October 2023, a call of 3.4 cps ($8,500,000) payable on 31 October 2023 was made.

4.0 DIRECTORY

Board of Directors of Property Income Fund Limited

- Mark McGuinness, Chairman
- 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
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PO Box 24137, Wellington 6011
New Zealand

Telephone: 04 805 0000
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Manager

Property Income Fund Management Limited

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

Auditor

Ernst and Young

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Telephone: 09 377 4790
Fax: 09 309 8137
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Solicitors

Morrison Kent

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Fax: 04 472 7017
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Solicitors

Chapman Tripp

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South Beach Dairy Store at 1 Fraser Street, Timaru

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