



PI PROPERTY
INCOME FUND

Interim Report 2024



90 Devonport Road, Tauranga



CONTENTS

1.0	Chairman and Manager's Report	4
2.0	Interim Financial Statements	7
3.0	Notes to the Interim Financial Statements	11
4.0	Directory	24

1.0

CHAIRMAN AND MANAGER'S REPORT

Welcome to the interim report for Property Income Fund (PI) for the six months ended 30 September 2024.

This update gives an overview of the Fund's progress since 31 March 2024 and reports on the financial results for the six months ended 30 September 2024.

Financial Results

The Group reported a pre-tax profit of \$1.865 million for the period. This compares to a commensurate profit of \$1.862 million for the six months ended 30 September 2023.

The reported September 2023 result was a loss of \$6.188 million but this included revaluation losses of \$8.050 million on the portfolio.

The directors have not instructed a six month interim revaluation this period as they believe values have stabilised relative to 31 March.

Rental income for the six months to 30 September increased 2.3% compared to the same period last year (30 September 2024: \$2.315 million, 30 September 2023: \$2.262 million).

The operating expenses for the period totalled \$0.455 million, compared to \$0.365 million for the six month period ending 30 September 2023.

The Company remains in a resilient position with no debt and ability to continue generating distributions.

During the period, the Company continued to progressively settle its 90 Devonport Road property acquisition earning \$2 million of coupon interest for the six months to 30 September 2024 (September 2023: \$0.587 million), which under accounting standards is treated as a reduction in purchase price as noted in Note 15 of the financial statements.

The NTA per share at 30 September 2024 was 57.15cps.

90 Devonport Road

Construction is continuing well, with tenant fit-out works on track and the building on target for completion in March 2025. The Manager is in discussions with Tauranga City Council to finalise the building's operational and management plans prior to handover.

Calls are being made to progressively settle this asset. Details of the next call, forecast for February 2025, are outlined in the calls and distributions section of this update.

484 Nayland Road, Nelson

Management completed a planned inspection of the property in early October and found the buildings to be well maintained. At the time of writing, the tenant was completing some progressive roof repairs for minor leaks, the cost of which are the tenant's responsibility under its triple net lease agreement.

1 Fraser Street, Timaru

The planned upgrade work to the shared access road was completed in August 2024 and the tenant, Fonterra, is very happy with the outcome.

Potential Acquisitions

After a period of subdued economic activity and limited assets coming to market, we are beginning to see a pipeline of attractive acquisition opportunities.

We are assessing several opportunities against the Fund's acquisition criteria while closely monitoring syndicates, the listed market, private property portfolios, and government vendors for potential acquisitions.



A view of the mass timber frame elements during construction at 90 Devonport Road, Tauranga

Calls and Distributions

During the six months to 30 September 2024, the Group made two calls, 5.5cps payable 19 April 2024, and 5.5cps payable 19 July 2024, bringing the total capital called and paid at 30 September to 66.4cps.

A further call of 5.2cps was payable on 17 October 2024 bringing the total called and paid to 71.6cps at the time of writing. These calls were to fund the progressive acquisition of 90 Devonport Road.

The next call, also to fund the acquisition of 90 Devonport Road, is forecast to be 7.0cps, payable in February 2025. We will send out a call notice with the finalised details in due course.

As previously noted, it is the Fund's policy to pay 100% of available funds from operations (AFFO) as quarterly distributions to its shareholders.

The September quarter distribution of 0.856cps was paid on 31 October 2024.

On September NTA, this dividend represents an annualised 5.99% pre-tax yield, or a 7.07% on a PIE tax adjusted basis¹.

As always, thank you for your ongoing support. Please get in touch if you have any queries.

Mark McGuinness
Chairman

FUND METRICS

Dividend Metrics

As at 30 September 2024

September quarter dividend	0.856cps
NTA per share	57.15cps
Annualised pre-tax dividend yield on NTA	5.99%
PIE tax adjusted yield¹	7.07%

¹PIE adjusted yield shows the equivalent pre-tax yield of a non-PIE vehicle, assuming a marginal tax rate of 39%.

Call Metrics

As at 31 October 2024

Capital called to date	71.6cps
Next forecast call (Feb 2025)	7.0cps



90 Devonport Road, Tauranga

2.0 INTERIM FINANCIAL STATEMENTS

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

for the six months ended 30 September 2024

	Note	Unaudited 6 months ended 30 Sep 24 \$000	Unaudited 6 months ended 30 Sep 23 \$000	Audited 12 months ended 31 Mar 24 \$000
Rental income	4	2,315	2,262	4,604
		2,315	2,262	4,604
Operating expenses	5	(455)	(365)	(802)
Operating profit		1,860	1,897	3,802
Finance income	6	246	198	444
Finance expense	6	(241)	(233)	(505)
Net finance income/(expense)		5	(35)	(61)
Change in fair value of investment property	11	-	(2,250)	(4,509)
Impairment loss on investment property under construction	12	-	(5,800)	(4,800)
Net profit/(loss) before income tax expense		1,865	(6,188)	(5,568)
Income tax expense	3.5	-	-	-
Net profit/(loss) for the period		1,865	(6,188)	(5,568)
Other comprehensive income		-	-	-
Total comprehensive profit/(loss) for the period	15	1,865	(6,188)	(5,568)

The accompanying notes form part of these interim financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the six months ended 30 September 2024

	Note	Share capital \$000	Accumulated loss \$000	Total \$000
Opening balance		100,423	(10,413)	90,010
Share capital called	15	38,000	-	38,000
Dividends		-	(5,340)	(5,340)
Net loss for the year		-	(5,568)	(5,568)
Balance at 31 March 2024		138,423	(21,321)	117,102

	Note	Share capital \$000	Retained profit \$000	Total \$000
Opening balance		138,423	(21,321)	117,102
Share capital called	15	27,500	-	27,500
Dividends		-	(3,600)	(3,600)
Net profit for the period		-	1,865	1,865
Balance at 30 September 2024		165,923	(23,056)	142,867

The accompanying notes form part of these interim financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

as at 30 September 2024

	Note	Unaudited 30 Sep 24 \$000	Unaudited 30 Sep 23 \$000	Audited 31 Mar 24 \$000
Current assets				
Cash and cash equivalents	8	5,422	8,089	4,974
Trade and other receivables	9	120	59	55
Total current assets		5,542	8,148	5,029
Current liabilities				
Trade and other payables	14	11,140	1,802	13,692
Total current liabilities		11,140	1,802	13,692
Net current assets/(liabilities)		(5,598)	6,346	(8,663)
Non-current assets				
Investment properties	11	73,335	75,350	73,150
Investment property under construction	12	77,287	23,406	54,174
Total non-current assets		150,622	98,756	127,324
Non-current liabilities				
Other non-current payables	14	2,157	7,680	1,559
Total non-current liabilities		2,157	7,680	1,559
Net assets		142,867	97,422	117,102
Equity				
Share capital	15	165,923	116,423	138,423
Retained losses		(23,056)	(19,001)	(21,321)
Equity attributable to shareholders of the parent		142,867	97,422	117,102

The accompanying notes form part of these interim financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

for the six months ended 30 September 2024

	Note	Unaudited 6 months ended 30 Sep 24 \$000	Unaudited 6 months ended 30 Sep 23 \$000	Audited 12 months ended 31 Mar 24 \$000
Cash flows from operating activities				
Interest received		247	193	437
Cash payments for operating expenditure		(84)	(1,391)	(749)
Rental income received		2,267	2,321	4,531
Net GST inflow/(outflow)		2	(1)	(1)
Net cash inflow from operating activities		2,432	1,122	4,218
Cash flows from investing activities				
Purchase of investment property under construction		(25,884)	(11,534)	(36,805)
Net cash outflow from investing activities		(25,884)	(11,534)	(36,805)
Cash flows from financing activities				
Proceeds from share calls	15	27,500	16,000	38,000
Dividends	7	(3,600)	(2,400)	(5,340)
Net cash inflow from financing activities		23,900	13,600	32,660
Net increase in cash and cash equivalents		448	3,188	73
Cash and cash equivalents at beginning of period		4,974	4,901	4,901
Cash and cash equivalents at end of period	8	5,422	8,089	4,974

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 2024 to 30 September 2024. 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.

These financial statements have been approved for issue by the Board of Directors on 7 November 2024.

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.

As at 30 September 2024, the Group's current liabilities exceed current assets by \$5.6 million. This primarily related to deferred land settlement and construction costs payable to a related party to the Group.

In assessing the going concern assumption for the Group's financial statements, the Directors have considered the Group's ability to meet short-term obligations based on the following assumption:

- As of 30 September 2024, the Group has \$84 million of uncalled equity, representing 33.6 cents per share.

Subsequent to period-end, a call was made on investors for 5.2 cps (\$13 million). All investors met this call. Refer to Note 20.

3.0 NOTES TO THE INTERIM FINANCIAL STATEMENTS

Based on the above, the Directors are comfortable that there are sufficient funds to maintain liquidity of the Group, there is no material uncertainty in respect of repayment of current liabilities, and that the going concern basis of preparation is appropriate.

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.

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 24 \$000	Unaudited 6 months ended 30 Sep 23 \$000	Audited 12 months ended 31 Mar 24 \$000
Rental income - Industrial	2,315	2,262	4,545
Straight-lining of fixed rental increases	-	-	59
Total rental income	2,315	2,262	4,604

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/(loss) before income tax expense includes the following expenses:

	Note	Unaudited 6 months ended 30 Sep 24 \$000	Unaudited 6 months ended 30 Sep 23 \$000	Audited 12 months ended 31 Mar 24 \$000
Accounting and tax advice		(15)	(10)	(28)
Audit fees		(21)	(19)	(43)
Consultant fees		(27)	(18)	(43)
Insurance		(28)	(13)	(27)
Investigation costs		-	(24)	(30)
Legal fees		-	(2)	(9)
Fund management fees	19	(339)	(244)	(524)
Other		(25)	(19)	(50)
Valuation fees		-	(16)	(48)
Total operating expenses		(455)	(365)	(802)

Accounting policy

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

As at 31 March 2024, the auditor was Grant Thornton. No other services were provided by Grant Thornton.

6 - Finance income and expenditure

Finance income and expenditure comprise the following:

	Unaudited 6 months ended 30 Sep 24 \$000	Unaudited 6 months ended 30 Sep 23 \$000	Audited 12 months ended 31 Mar 24 \$000
Interest income	246	198	444
Total finance income	246	198	444
Interest on deferred settlement	(241)	(233)	(505)
Total finance expense	(241)	(233)	(505)

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 2024:

- On 29 April 2024, 0.68 cps, total value \$1,700,000.
- On 29 July 2024, 0.76 cps, total value \$1,900,000.

8 - Cash and cash equivalents

Cash and cash equivalents include the following components:

	Unaudited 30 Sep 24 \$000	Unaudited 30 Sep 23 \$000	Audited 31 Mar 24 \$000
Cash at bank and on call deposits	5,422	8,089	4,974
Total cash and cash equivalents	5,422	8,089	4,974

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 24 \$000	Unaudited 30 Sep 23 \$000	Audited 31 Mar 24 \$000
Accounts receivable & prepayments	75	31	27
Recoverable expenses	14	6	-
GST refund	4	-	1
Resident withholding tax	3	-	2
Interest accrual	24	22	25
Total trade and other receivables	120	59	55

The net carrying value of trade receivables is considered to be a reasonable approximation of fair value using the expected loss model.

No impairment provision was allowed for as at 30 September 2024, (31 March 2024: nil; 30 September 2023: nil).

3.0 NOTES TO THE INTERIM FINANCIAL STATEMENTS

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.

10 - Subsidiaries

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

	Unaudited 30 Sep 24 Holding %	Unaudited 30 Sep 23 Holding %	Audited 31 Mar 24 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	100.0
Property Income Investments Limited	100.0	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 24 \$000	Unaudited 6 months ended 30 Sep-23 \$000	Audited 12 months ended 31 Mar 24 \$000
Opening carrying value	73,150	77,600	77,600
Additions	185	-	-
Straight-line adjustment	-	-	59
Change in fair value	-	(2,250)	(4,509)
Closing carrying value	73,335	75,350	73,150

Investment property comprises of the following properties:

	Unaudited 30 Sep 24 \$000	Unaudited 30 Sep 23 \$000	Audited 31 Mar 24 \$000
484 Nayland Road, Nelson	46,400	47,650	46,400
1 Fraser Street, Timaru	26,935	27,700	26,750
Total investment properties	73,335	75,350	73,150

Accounting policy

Investment property is property (land or buildings) held to earn rent 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 value 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. As at 31 March 2024, a valuation was prepared by an independent valuer who is a member of the New Zealand Institute of Valuers. No interim valuation was carried out during the period to 30 September 2024.

12 - Investment property under construction

Investment property under construction is as follows:

	Unaudited 6 months ended 30 Sep 24 \$000	Unaudited 6 months ended 30 Sep 23 \$000	Audited 12 months ended 31 Mar 24 \$000
90 Devonport Road, Tauranga			
Opening carrying value	54,174	17,673	17,673
Purchases	23,113	11,533	41,301
Impairment loss	-	(5,800)	(4,800)
Closing carrying value	77,287	23,406	54,174

The agreement to acquire 90 Devonport Road, Tauranga went unconditional in January 2023. As at 30 September 2024 the total cost before impairment recognised as investment property was \$86.8 million. The Group has a remaining net capital commitment not yet brought onto the balance sheet of \$20.4 million (31 March 2024: \$43.5 million, 30 September 2023: \$73.3 million). This property is currently under construction and is expected to be completed in March 2025.

As at 30 September 2024, the total impairment loss recognised to date is \$9.5 million (31 March 2024: \$9.5 million, 30 September 2023: \$10.5 million), bringing the net carrying value to \$77.3 million, at 30 September 2024 (31 March 2024: \$54.2 million, 30 September 2023: \$23.4 million).

3.0 NOTES TO THE INTERIM FINANCIAL STATEMENTS

Accounting policy

Under IAS 40.53 the Group has determined that as the investment property is under 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 24 \$000	Unaudited 30 Sep 23 \$000	Audited 31 Mar 24 \$000
Within 1 year	4,618	4,596	4,649
1 to 5 years	18,014	18,086	18,011
After 5 years	19,456	23,998	21,742
Total lease payments due	42,088	46,680	44,402

14 - Trade and other payables

Trade and other payables consist of the following:

(i) Current	Note	Unaudited 30 Sep 24 \$000	Unaudited 30 Sep 23 \$000	Audited 31 Mar 24 \$000
GST payable		115	107	110
Trade payables		30	10	42
Related party payables & accruals	19	10,351	1,645	13,488
Other payables		429	-	-
Sundry accruals		215	40	52
Total trade and other payables		11,140	1,802	13,692

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

(ii) Non-current	Note	Unaudited 30 Sep 24 \$000	Unaudited 30 Sep 23 \$000	Audited 31 Mar 24 \$000
Related party payables	19	2,157	7,680	1,559
Total non-current payables		2,157	7,680	1,559

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.

Retentions payable are initially recognised at fair value and are not discounted due to immateriality. The Group is expected to pay the retentions over a period of more than 12 months from the end of the reporting period, as such, the retentions payable are split between current and non-current liabilities.

15 - Share capital and profits for distribution

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 24 000 Units	Unaudited 30 Sep 23 000 Units	Audited 31 Mar 24 000 Units
Shares issued	250,000	250,000	250,000
	\$000	\$000	\$000
Paid share capital	166,000	116,500	138,500
Unpaid share capital	84,000	133,500	111,500
	250,000	250,000	250,000
	\$000	\$000	\$000
Share capital contributed			
Opening balance	138,423	100,423	100,423
Share capital contributed during the period	27,500	16,000	38,000
Total share capital	165,923	116,423	138,423

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

During the period, the Group made the following calls:

- On 18 March 2024, a call of 5.5 cps (\$13,750,000) which was fully paid on the 19 April 2024.
- On 25 June 2024, a call of 5.5 cps (\$13,750,000) which was fully paid on the 19 July 2024.

The calls made during the period were paid in full. As at 30 September 2024, 66.4 cents per share has been called (31 March 2024: 55.4 cents per share, 30 September 2023: 46.6 cents per share).

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 24 \$000	Unaudited 6 months ended 30 Sep 23 \$000	Audited 12 months ended 31 Mar 24 \$000
Profit/(loss) and total comprehensive income after income tax attributable to the shareholders of the Group		1,865	(6,188)	(5,568)
Adjusted for:				
Straight lining of fixed rental increases	4	-	-	(59)
Fair value (gain)/loss on investment properties	11	-	2,250	4,509
Impairment loss on investment property under construction	12	-	5,800	4,800
Interest on deferred land settlement on the purchase of 90 Devonport Road	6	241	233	505
Deferred purchase price adjustment of 90 Devonport Road		2,049	587	1,760
Others		(98)	-	-
Adjusted Funds From Operations (AFFO)		4,057	2,682	5,947
AFFO per share (cents)		1.62	1.07	2.38
Dividends paid/payable in relation to period (cents)		1.62	1.07	2.38

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 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	1,695	-	1,695
Deferred settlement	7,680	-	7,680
	9,375	-	9,375
31 March 2024	Amortised cost \$000	FVTPL \$000	Total \$000
Financial assets			
Cash and cash equivalents	4,974	-	4,974
Trade and other receivables	52	-	52
	5,025	-	5,025
Financial liabilities			
Trade and other payables	7,794	-	7,794
Deferred settlement	7,347	-	7,347
	15,141	-	15,141
30 September 2024	Amortised cost \$000	FVTPL \$000	Total \$000
Financial assets			
Cash and cash equivalents	5,422	-	5,422
Trade and other receivables	113	-	113
	5,535	-	5,535
Financial liabilities			
Trade and other payables	4,988	-	4,988
Deferred settlement	8,194	-	8,194
	13,182	-	13,182

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 \$20.4 million noted in Note 12 (31 March 2024: \$43.5 million, 30 September 2023: \$73.3 million), there were no capital commitments at 30 September 2024 (31 March 2024: nil, 30 September 2023: nil).

18 - Contingent assets and liabilities

There are no other contingent assets or liabilities at 30 September 2024 (31 March 2024: nil, 30 September 2023: 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 24 \$000	Unaudited 6 months ended 30 Sept 23 \$000	Audited 12 months ended 31 Mar 24 \$000
Property Income Fund Management Limited			
- Fund management fees	339	244	524
90 Devonport Road Limited Partnership			
- Receivables at the period end	7	4	-
- Accrued management fee	-	-	8
- Accrued deferred interest on land purchase	846	333	606
- Accrued investment acquisition costs for work completed	4,315	1,645	7,085
- Accrued deferred land settlement	7,347	7,347	7,347

The Company is related to Property Income Fund Management Limited (the "Manager"), Willis Bond and Company Limited and 90 Devonport Road Limited Partnership 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.

M McGuinness, D McGuinness and W Silver are directors of 90 Devonport Road (GP) Limited.

The Company's directors and associated persons to the directors collectively have invested \$3,984,000 as at 30 September 2024 (31 March 2024: \$3,324,000, 30 September 2023: \$2,796,000), 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 2024:

- A distribution of 0.856 cps, equating to \$2,140,000 was declared and paid on 31 October 2024.
- On 25 September 2024, a call of 5.2 cps (\$13,000,000) payable on 17 October 2024 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:

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BOND**

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PI PROPERTY
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Grant Thornton



Grant Thornton

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