12 November 2019

# PICTON PROPERTY INCOME LIMITED

## (“Picton”, the “Company” or the “Group”)

## LEI: 213800RYE59K9CKR4497

## Half Year Results

Picton announces its half year results for the period to 30 September 2019.

**Continued Growth in Net Assets**

- Profit after tax of £14.5 million
- Total return of 2.8%
- Increase in EPRA net asset value per share of 0.9%, to 94 pence per share

**Strengthened Balance Sheet**

- Raised £7.1 million of new equity at a 1.9% premium to the March net asset value
- Repaid £7.6 million of borrowings
- Loan to value ratio reduced to 24.5%
- Dividend cover of 107%

**Outperforming Property Portfolio**

- Total property return of 3.2%, outperforming the MSCI UK Quarterly Property Index of 0.8%
- Total property return and income return outperforming MSCI over 1, 3, 5 and 10 years
- Like-for-like valuation increase of 1.2%, driven by industrial and office sectors
- 14 lettings completed with a rent roll of £1.5 million per annum
- 20 lease renewals completed with a rent roll of £1.2 million per annum
- 12 rent reviews completed securing an uplift in rent of £0.5 million per annum

**Investing for Income and Capital Growth**

- £2.8 million invested in refurbishment projects
- Occupancy of 88%
- 79% of the void space under refurbishment
- £9.4 million of reversionary potential

| Balance Sheet | 30 Sept 2019 | 31 March 2019 |
|---|---|---|
| Property valuation | £693.4m | £685.3m |
| Net assets | £510.7m | £499.4m |
| EPRA NAV per share | 94p | 93p |

| Income Statement | Six months to 30 Sept 2019 | Six months to 30 Sept 2018 |
|---|---|---|
| Profit after tax | £14.5m | £18.9m |
| EPRA earnings | £10.2m | £11.8m |
| Earnings per share | 2.7p | 3.5p |
| EPRA earnings per share | 1.9p | 2.2p |
| Total return | 2.8% | 3.9% |
| Total shareholder return | 0.3% | 6.4% |
| Total dividend per share | 1.75p | 1.75p |
| Dividend cover | 107% | 125% |

**Picton Chairman, Nicholas Thompson, commented:**

"During the last six months we have been able to further strengthen our balance sheet, increasing net assets and maintaining a covered dividend. Our June fundraising has enabled us to continue to invest into our portfolio, enhancing the quality of our assets for occupiers and shareholders alike."

**Michael Morris, Chief Executive of Picton, commented:**

"There has been an encouraging level of activity in the portfolio over the past six months. With an estimated £9.4 million of reversionary potential to be unlocked, we believe there is significant upside to come from refurbishment and leasing initiatives."

This announcement contains inside information.

**For further information:**

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**Note to Editors**

Picton, established in 2005, is a UK REIT. It owns and actively manages a £693 million diversified UK commercial property portfolio, invested across 49 assets and with around 350 occupiers (as at 30 September 2019). Through an occupier focused, opportunity led approach to asset management, Picton aims to be one of the consistently best performing diversified UK focused property companies listed on the main market of the London Stock Exchange.

www.picton.co.uk

## CHAIRMAN'S STATEMENT

### Introduction

This has been a productive six months for Picton as we continue to deliver against our strategic objectives, and I am pleased to report another increase in our net assets. Through continued investment and proactive asset management we seek to deliver further valuation and income growth.

### Performance

We have delivered another positive set of results which show a total return of 2.8% and a total profit of £14.5 million. Net assets have grown to over £510 million, reflecting approximately 94 pence per share.

We were not surprised that overall returns were lower than for the same period last year, in view of the ongoing political and economic uncertainty in the UK. Moreover, to have delivered such positive results when (according to MSCI) the market has seen negative capital growth for every month throughout 2019, highlights the quality of the portfolio and the work the team is doing to extract value.

EPRA earnings per share were 1.9p, lower than 12 months ago. We expect this to improve as refurbishment projects complete and we achieve further lettings, unlocking the significant income upside.

### Capital Structure

By raising equity on a non-dilutive basis in June this year, we have been able to further strengthen our balance sheet. The proceeds have initially been used to reduce borrowings, with our loan to value ratio currently standing at 24.5%. However, we intend to use the proceeds for identified capital projects within the portfolio over the short-term.

The Employee Benefit Trust acquired shares in the market in September, as a hedge against potential future awards under our Deferred Bonus and Long-Term Incentive Plan. This was undertaken at a discount to net asset value which had the effect of reducing the number of shares in issue, resulting in a small positive impact on the net asset value per share.

### Property Portfolio

The UK commercial property market remains polarised. The industrial, warehouse and logistics sector and, to a lesser extent, the office sector continue to deliver positive results while the retail sector continues to suffer from poor occupational demand and occupier defaults, which is reflected in rental and capital values. As a result of our reshaping of the portfolio over the past few years, we are benefitting from having more than 80% of our portfolio allocated to the stronger performing sectors.

We have had a busy six months managing the property portfolio, delivering some key asset management transactions, and have begun a significant refurbishment programme across key assets. More detail about this is included in the Business Review.

With occupancy at 88%, there is still plenty of scope to increase income upon re-letting. It is worth highlighting that nearly 80% of the void is currently undergoing significant refurbishment and consequently not ready to lease. There is £9.4 million of reversionary income across the portfolio which can be captured through stepped rents, lettings, rent reviews and lease renewals.

### Dividends

Dividend cover over the period was 107% and this surplus also contributed to the growth in net assets. We continue to believe it is appropriate to maintain a fully covered dividend and not to over distribute and undermine the balance sheet.

The Board believes that in the current market conditions and with continued political uncertainty, it is appropriate and in shareholders' interests to maintain a prudent distribution policy, which continues to be reviewed regularly.

### Governance

The process for appointing my successor is well underway and we expect to be able to conclude this before the end of the year.

We are delighted to have been recognised by EPRA with two gold awards this year for the quality of both our financial and sustainability reports and we have recently won the UK Property category at the Citywire Investment Trust Awards for the third year in succession.

### Outlook

There is much political and economic uncertainty at present and a perception that we are in an environment where interest rates are likely to remain low for the foreseeable future, alongside a period of lower returns generally.

Against this backdrop we believe that investing in real assets remains attractive, in particular where there is a strong income stream with further potential for growth through active management. Investing in the right assets where there is good occupational demand will continue to deliver positive results for shareholders.

We have an encouraging pipeline of both leasing and active management activity, which underpins the reversionary potential of the portfolio. Recognising our portfolio composition and balance sheet strength, we believe Picton is well positioned to continue its track record of outperformance.

**Nicholas Thompson**
**Chairman**
11 November 2019

**MARKET OVERVIEW**

**Economic Backdrop**

The UK economy has been sluggish as evidenced by the Office for National Statistics estimate of 0.4% GDP growth for the six months to June 2019. This has more than halved since December 2018.

Between June 2019 and August 2019, the unemployment rate stood at 3.9%. This is lower than a year earlier but 0.1% higher than the previous three months. In nominal terms, average weekly earnings increased by 3.8% for both total pay and regular pay compared with a year earlier.

CPI inflation has stayed close to the Bank of England's 2% target for the 12 months to September 2019, standing at 1.7% per annum. This compares to 2.4% a year earlier. Annual RPI Inflation was 2.4% per annum in September 2019 (September 2018: 3.3% per annum).

Consumer spending has been resilient off the back of solid growth in household income, and retail sales volumes grew 0.6% in the three months to September 2019. Despite this, retail failures and CVAs continue to be the theme affecting the retail sector, where the impact of online sales is increasing. The latest businesses affected include Thomas Cook, Arcadia and Mothercare.

The Bank of England has held the base rate at 0.75% since August 2018. There is a possibility of a rate cut in the short-term, dependant on the outcome of events in Westminster. A reduction in long-term interest rate expectations have caused the ten-year Gilt yield to fall over the last six months to reach 0.50% at September 2019.

Economic forecasts vary depending on possible Brexit scenarios, but the forthcoming general election may provide a clearer direction for businesses and consumers.

**UK Property Market**

Despite this challenging economic backdrop, the All Property total return for the six months to September 2019 was positive. The UK commercial property market nevertheless is feeling the effects of political and economic uncertainty surrounding Brexit.

The MSCI Monthly Index shows a total return for All Property for the six months to September 2019 of 1.3%, with an income return of 2.6%. Capital growth for the six months to September 2019 was negative at -1.2% compared to -1.0% for the six months to March 2019. Rental growth was positive at 0.3% for the six months to September 2019, higher than the 0.0% for the six months to March 2019. Initial yields have moved out from 5.0% in March 2019 to 5.1% in September 2019.

According to Property Data, total investment for the six months to September 2019 was £20.9 billion, a decrease of 26% compared to £28.2 billion in the six months to March 2019. Of total investment in the period, 46% was from overseas investors.

The industrial and office sectors have enjoyed positive month-on-month total returns during the past six months, whereas the declining returns of the retail sector have intensified, resulting in widening variations in performance at a sector level. The retail sector continues to undergo structural change, with failing retailers, declining rental values and poor investor demand showing no sign of abating.

Industrial and office sector total returns were positive for the six months to September, at 3.5% and 2.4% respectively. Retail total returns were negative at -2.4%.

Occupancy in the wider market was broadly stable, with MSCI recording an occupancy rate of 92.4% in September 2019 (March 2019: 92.5%).

According to the MSCI Monthly Index, the market performance was as follows.

In the industrial sector, total returns comprised 2.3% income and 1.2% capital growth. Rental growth was 1.8%. In terms of capital growth by segment, growth ranged from -0.2% in Midlands & Wales to 2.6% in London. Rental growth ranged from 0.5% in South West to 3.9% for Inner South East.

In the office sector, total returns comprised 2.3% income and 0.1% capital growth. Rental growth was 1.1%. In terms of capital growth by segment, growth ranged from -1.4% in Midlands & Wales to 2.9% in South West. Rental growth ranged from -0.5% for Scotland to 2.2% for South West.

In the retail sector, total returns comprised 3.2% income and -5.4% capital growth. Rental growth was -1.8%. In terms of capital growth by segment, growth ranged from -11.8% for Standard Retail Yorkshire & Humberside to -1.5% for Standard Retail Central London. Rental growth ranged from -5.6% for Standard Retail Outer South East to 0.1% for Standard Retail Central London.

## BUSINESS REVIEW

### Valuation

The independent portfolio valuation, as provided by CBRE Limited, was £693.4 million, reflecting a net initial yield of 4.9% and a reversionary yield of 6.3%.

The portfolio valuation increased by 1.2% on a like-for-like basis over the period to September 2019, reflecting investment into the portfolio and active management. The industrial portfolio increased by 3.8% and the office portfolio by 1.9%, while the retail and leisure portfolio declined by 6.1%, primarily reflecting weakness in this sector and corresponding rental declines.

| Sector | Portfolio Weightings | Sept 19 Valuation | Like-for-like change |
|---|---|---|---|
| **Industrial** | **46.8%** | **£324.7m** | **3.8%** |
| South East | 33.3% | | 4.0% |
| Rest of UK | 13.5% | | 3.4% |
| **Office** | **34.6%** | **£239.6m** | **1.9%** |
| London City and West End | 4.1% | | 0.0% |
| Inner and Outer London | 8.2% | | 1.0% |
| South East | 11.4% | | 3.1% |
| Rest of UK | 10.9% | | 2.1% |
| **Retail and Leisure** | **18.6%** | **£129.1m** | **-6.1%** |
| Retail warehouse | 7.4% | | -8.0% |
| High Street – Rest of UK | 4.5% | | -8.3% |
| High Street – South East | 4.9% | | -2.7% |
| Leisure | 1.8% | | -1.1% |
| **Total** | **100%** | **£693.4m** | **1.2%** |

For the six months to September, the portfolio returned 3.2%, outperforming the MSCI UK Quarterly Property Index which delivered 0.8%. The income return was 2.4%, 0.1% ahead of the Index.

Our continued overweight position to the better performing sectors, combined with portfolio activity, contributed to the outperformance.

Passing rent increased on a like-for-like basis by 0.4% to £37.9 million per annum. The increase takes into account the significant activity over the period, offsetting the decline in occupancy through lease events and surrenders which reduced income by £1.1 million per annum.

We completed 14 lettings securing £1.5 million per annum, in line with ERV. This includes three back-to-back surrenders and new lettings securing £0.7 million per annum, 7% above the previous passing rent. There were also 20 lease renewals for £1.2 million per annum, increasing the previous passing rent by 11%, and 9% above ERV. 12 rent reviews were concluded securing a £0.5 million per annum uplift in income, 6% above ERV.

Encouragingly, the portfolio's like-for-like ERV increased by 0.9% to £47.3 million per annum due to rental growth in the industrial and office portfolios, albeit this is offset by declines in the retail portfolio where the market has considerable oversupply, depressing values generally.

### Investment Activity

There has been a slowdown in investment activity in the market generally and this has also impacted availability of suitable opportunities. With a disciplined acquisition approach and a current desire to maintain a prudent gearing level, no acquisitions were made during the period. As recently announced, an asset was sold following the period end and the proceeds will be deployed into capital expenditure initiatives across the portfolio.

Our focus has been on the portfolio, with £2.8 million invested over the period to refurbish and reposition buildings, which will attract and retain occupiers. Projects have been completed in Marlow and Manchester, where space is either under offer or we have good interest, and we are currently carrying out works on a further 11 buildings which will also improve the capital and income position.

### Occupancy

As anticipated, there was a further reduction in occupancy over the period from 90% to 88%. The decrease was primarily due to two voids in Chatham and Rugby (currently under refurbishment) with a combined ERV of £0.9 million per annum, but also where we surrendered leases and received a further £0.8 million of additional income.

We have a total void ERV of £5.8 million of which nearly 80% is currently under refurbishment.

**Portfolio and Asset Management**

Industrial Portfolio

The industrial portfolio has performed well over the half-year. Tight supply, limited development and continued demand, especially in the South East and multi-let sector, have resulted in further rental growth, which we are capturing through asset management activity. On a like-for-like basis capital values increased by 3.8% or £11.9 million, the passing rent increased by 1.2% or £0.2 million per annum and the ERV grew by 2.7% or £0.5 million.

The UK wide distribution warehouse assets total 1.3 million sq ft in six units, five of which are fully income producing and our 100,000 sq ft unit in Rugby, with an ERV of £0.6 million, is currently being refurbished prior to re-letting. At 3220, Magna Park, Lutterworth we moved the break option out by three years in return for a nominal rent-free period and at the same time settled a forthcoming rent review, securing an 11% uplift to £1.0 million per annum.

The multi-let estates, of which 96% by value are in the South East, total 1.4 million sq ft and are 97% let. Six units are vacant out of 126, five of which are currently under offer with a combined ERV of £0.3 million per annum.

Occupational demand remains robust and four multi-let units were let in Belfast, Epsom and Radlett during the period, securing £0.2 million per annum, 5% ahead of ERV. We are actively pursuing surrenders where we can secure a premium and re-let at higher rents.

We have secured £0.4 million of additional income from eight rent reviews settled over the period, 6% ahead of ERV. Four occupiers have been retained at renewal increasing the passing rent by 32% to £0.3 million per annum, 6% above ERV and occupier break options have been varied in three leases.

The industrial portfolio currently has £3.0 million of reversionary income potential, with £0.9 million relating to the void units. We can look to capture this reversion principally through the letting of Rugby, active management and lease events. Looking to the end of 2020, we have 25 lease events with an ERV of £3.8 million per annum, £0.2 million above the current passing rent.

Office Portfolio

The office portfolio performed positively over the half-year. The regional markets outperformed London, with occupiers seeking buildings that provide Grade A space with amenities for their staff. On a like-for-like basis, capital values increased by 1.9% or £4.5 million. Also, on a like-for-like basis the passing rent decreased by 2.2% or £0.3 million per annum primarily due to a unit coming back in Chatham, which is currently being refurbished, with an ERV of £0.3 million. The office portfolio ERV increased by 2.3% over the period or £0.4 million with the regional assets growing by 2.7%, with London at 0.8%.

The office portfolio is 85% let, with lettings completing in Colchester, Croydon, Glasgow and St. Albans during the period. The most notable transaction was at Citylink, Croydon where, in a back-to-back transaction, a lease over the entire west block that was due to expire in November 2019 was surrendered, for a premium of £0.4 million. The building was simultaneously let to the sub tenant (without requiring refurbishment) on a four-year lease, subject to a mutual break, at a rent of £0.6 million per annum, 10% ahead of the previous passing rent. This transaction also had a positive valuation impact over the period and the property was subsequently sold after the period end at a 7% premium to the March 2019 valuation.

13 occupiers have been retained at renewal increasing the passing rent by 16% to £0.7 million per annum, 14% above ERV and we have secured £0.1 million of additional income from one rent review settled over the period.

The office portfolio currently has £4.7 million of reversionary income potential, with £2.9 million relating to the void units. Our three largest voids, accounting for 48% of the total office void, are in Bristol, London (Angel Gate) and Manchester. We will look to capture this reversion through these key lettings, active management and lease events such as those noted above. Looking to the end of 2020, we have 37 lease events with an ERV of £3.2 million per annum, £0.4 million above the current passing rent.

Retail and Leisure Portfolio

The retail property market has continued to weaken, and our portfolio has not been immune from the decline in investment and occupational demand. On a like-for-like basis capital values reduced by 6.1% or £8.4 million, principally driven by the retail warehouse sector. The retail portfolio passing rent on a like-for-like basis increased by 3.9% or £0.3 million per annum and the ERV declined by 4.7% or £0.5 million over the period with declines being seen across the board.

Against this difficult occupational backdrop, we have had success, seeing an increase of 3.9% in respect of the retail passing rent and have identified opportunities to increase occupancy and rental income. Four units were let in Bury, Carlisle and Swansea securing £0.5 million per annum, 2% below ERV. The most notable transaction was the renewal of Argos's lease at Angouleme Retail Park in Bury for a further ten years at a rent of £0.2 million per annum, 16% ahead of ERV. On the same park we let a vacant unit for five years, subject to break, at a rent of £0.1 million per annum, in line with ERV. Both transactions follow ongoing refurbishment works to improve the external appearance of the units and common areas which are due to complete in November.

We have secured a 42% uplift from a hotel rent review in Carlisle to £0.2 million per annum, 8% ahead of ERV. In Bristol one occupier break option has been removed, maintaining £0.1 million per annum of income until 2025.

Our largest void, accounting for 79% of the total retail void, is in Covent Garden, and comprises a prime Grade II listed building on Long Acre. By ERV 47% of the building is retail, with 53% being office and residential. We are proposing a substantial refurbishment and works have now been instructed with a view to completing them in early 2020. We have already identified a retailer for the lower floors, subject to contract, and we will start marketing the offices closer to completion.

The void ERV is £2.0 million, with the Covent Garden building accounting for £1.6 million of this. The overall reversionary income is £1.7 million, with an element of over-renting in the portfolio. We can look to capture this principally through the lettings, active management and lease events as demonstrated above. Looking to the end of 2020, we have six lease events with an ERV of £0.4 million per annum, £0.1 million above the current passing rent.

## Looking Ahead

Our focus going forward is capturing the reversionary income potential embedded within the portfolio, alongside value creation through further refurbishment and active management.

In summary there is £9.4 million per annum of upside from the current passing rent. This includes £2.9 million per annum which follows expiries of rent-free periods and further stepped rent increases. There is a further £5.8 million per annum from leasing currently vacant space. Finally, there is a further £0.7 million where ERVs are higher than the contracted rent.

Recognising the strength of the portfolio in terms of its location, sector and asset quality, we are confident in our ability to unlock further upside.

## Top Ten Assets

The largest assets in the portfolio as at 30 September 2019, ranked by capital value, represent 50% of the total portfolio valuation and are detailed below:

| | **Sector** | **Tenure** | **Approximate Area (sq ft)** | **Appraised Value** |
|---|---|---|---|---|
| Parkbury Industrial Estate, Radlett, Herts. | Industrial | Freehold | 336,700 | >£40m |
| River Way Industrial Estate, Harlow, Essex | Industrial | Freehold | 454,800 | >£40m |
| Angel Gate, City Road, London EC1 | Office | Freehold | 64,500 | £30m-£40m |
| Stanford House, Long Acre, London WC2 | Retail | Freehold | 19,700 | £30m-£40m |
| 50 Farringdon Road, London EC1 | Office | Leasehold | 31,000 | £20m-£30m |
| Tower Wharf, Cheese Lane, Bristol | Office | Freehold | 70,800 | £20m-£30m |
| Belkin Unit, Shipton Way, Rushden, Northants. | Industrial | Leasehold | 312,900 | £20m-£30m |
| Lyon Business Park, Barking, Essex | Industrial | Freehold | 99,400 | £20m-£30m |
| 30 & 50 Pembroke Court, Chatham, Kent | Office | Leasehold | 86,300 | £20m-£30m |
| Colchester Business Park, Colchester, Essex | Office | Leasehold | 150,700 | £20m-£30m |

A full portfolio listing is available on the Company’s website: **www.picton.co.uk**

Top Ten Occupiers
The top ten occupiers, based as a percentage of annualised contracted rental income, after lease incentives, as at 30 September 2019, are summarised below:

| | Occupier | % |
|---|---|---|
| 1 | Belkin Limited | 4.2 |
| 2 | DHL Supply Chain Limited | 3.9 |
| 3 | Public Sector | 3.2 |
| 4 | B&Q PLC | 3.1 |
| 5 | The Random House Group Limited | 2.9 |
| 6 | Snorkel Europe Limited | 2.8 |
| 7 | Portal Chatham LLP | 2.2 |
| 8 | TK Maxx | 1.8 |
| 9 | Canterbury Christ Church University | 1.7 |
| 10 | XMA Limited | 1.7 |
| | | **27.5** |

**Financial Overview**

Income Statement
For the six months to 30 September our total profit was £14.5 million, representing earnings per share of 2.7 pence. This is lower than we reported at our previous half year results, largely due to the lower capital growth environment we are operating in. The revaluation gains on the portfolio were £4.3 million for the half year, a like-for-like increase in the portfolio valuation of 1.2%. Although lower than in 2018 it is well ahead of the MSCI Monthly Index capital return of -1.2%.

Our EPRA earnings, so the recurring income and costs in running the business, were £10.2 million for the period, or 1.9 pence per share. We have had lower occupancy across the portfolio this period, which has been discussed in more detail in the Business Review section. As well as impacting our revenue for the period, it has also led to greater property holding costs.

Administrative expenses for the period were £2.9 million, some 6% lower than the previous period.

Finance costs are reduced, as a result of the early loan repayment that we made in July 2018. Our average interest rate across all of our borrowings is 4.1%.

Following conversion to a UK REIT there is no tax liability on our property business. A small refund relating to a prior year has been received.

During the period we paid out two interim dividends as Property Income Distributions, each of 0.875 pence per share, or £9.5 million in total. Dividend cover for the six months was 107%.

Balance Sheet
Following the issue of new equity in June, and the valuation gains, the net assets of the Group rose by £11.3 million over the period, to £510.7 million, an increase of 2.3%.

The appraised value of the property portfolio stood at £693.4 million at 30 September. No acquisitions or disposals were made, but we have invested £2.8 million in capital projects undertaken across the portfolio.

Borrowings have reduced to £187.1 million, representing a loan to value ratio of 24.5%. Initially the proceeds from the equity raise were used to reduce borrowings, thereby avoiding cash drag ahead of being utilised for future capital expenditure projects.

## DIRECTORS' RESPONSIBILITIES

### STATEMENT OF PRINCIPAL RISKS AND UNCERTAINTIES

The Company's assets comprise direct investments in UK commercial property. Its principal risks are therefore related to the commercial property market in general and its investment properties. Other risks faced by the Company include economic, investment and strategic, regulatory, management and control, operational and financial risks.

These risks, and the way in which they are managed, are described in more detail under the heading 'Managing Risk' within the Strategic Report in the Company's Annual Report for the year ended 31 March 2019. The Company's principal risks and uncertainties have not changed materially since the date of that report.

### STATEMENT OF GOING CONCERN

The directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. Therefore, they continue to adopt the going concern basis in preparing the financial statements.

### STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE INTERIM REPORT

We confirm that to the best of our knowledge:

a. the condensed set of consolidated financial statements has been prepared in accordance with IAS 34 'Interim Financial Reporting';
b. the Chairman's Statement and Business Review (together constituting the Interim Management Report) together with the Statement of Principal Risks and Uncertainties above include a fair review of the information required by the Disclosure Guidance and Transparency Rules ('DTR') 4.2.7R, being an indication of important events that have occurred during the first six months of the financial year, a description of principal risks and uncertainties for the remaining six months of the year, and their impact on the condensed set of consolidated financial statements; and
c. the Chairman's Statement together with the condensed set of consolidated financial statements include a fair review of the information required by DTR 4.2.8R, being related party transactions that have taken place in the first six months of the current financial year and that have materially affected the financial position or performance of the Company during that period, and any changes in the related party transactions described in the last Annual Report that could do so.

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website, and for the preparation and dissemination of financial statements. Legislation in Guernsey governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

By Order of the Board

**Andrew Dewhirst**
Director
11 November 2019

## INDEPENDENT REVIEW REPORT TO PICTON PROPERTY INCOME LIMITED

### CONCLUSION

We have been engaged by Picton Property Income Limited (the “Company”) to review the condensed set of financial statements in the Half Year Report for the six months ended 30 September 2019 of the Company and its subsidiaries (together the “Group”) which comprises the Condensed Consolidated Statement of Comprehensive Income, Condensed Consolidated Statement of Changes in Equity, Condensed Consolidated Balance Sheet, Condensed Consolidated Statement of Cash Flows and the related explanatory notes.

Based on our review, nothing has come to our attention that causes us to believe that the condensed set of financial statements in the Half Year Report for the six months ended 30 September 2019 is not prepared, in all material respects, in accordance with IAS 34 Interim Financial Reporting and the Disclosure Guidance and Transparency Rules (“the DTR”) of the UK’s Financial Conduct Authority (“the UK FCA”).

### SCOPE OF REVIEW

We conducted our review in accordance with International Standard on Review Engagements (UK and Ireland) 2410 *Review of Interim Financial Information Performed by the Independent Auditor of the Entity* issued by the Auditing Practices Board for use in the UK. A review of interim financial information consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. We read the other information contained in the Half Year Report and consider whether it contains any apparent misstatements or material inconsistencies with the information in the condensed set of financial statements.

A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (UK) and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

### DIRECTORS’ RESPONSIBILITIES

The Half Year Report is the responsibility of, and has been approved by, the directors. The directors are responsible for preparing the Half Year Report in accordance with the DTR of the UK FCA.

As disclosed in note 2, the annual financial statements of the Group are prepared in accordance with International Financial Reporting Standards. The directors are responsible for preparing the condensed set of financial statements included in the Half Year Report in accordance with IAS 34.

### OUR RESPONSIBILITY

Our responsibility is to express to the Company a conclusion on the condensed set of financial statements in the Half Year Report based on our review.

### THE PURPOSE OF OUR REVIEW WORK AND TO WHOM WE OWE OUR RESPONSIBILITIES

This report is made solely to the Company in accordance with the terms of our engagement letter to assist the Company in meeting the requirements of the DTR of the UK FCA. Our review has been undertaken so that we might state to the Company those matters we are required to state to it in this report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company for our review work, for this report, or for the conclusions we have reached.

**Deborah Smith**
**For and on behalf of KPMG Channel Islands Limited**
*Chartered Accountants, Guernsey*
11 November 2019

**CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**
**FOR THE HALF YEAR ENDED 30 SEPTEMBER 2019**

| | Note | **6 months ended 30 Sept 2019 unaudited Total £000** | 6 months ended 30 Sept 2018 unaudited Total £000 | Year ended 31 March 2019 audited Total £000 |
|---|---|---|---|---|
| **Income** | | | | |
| Revenue from properties | 3 | 23,399 | 24,537 | 47,733 |
| Property expenses | 4 | (6,190) | (4,297) | (9,433) |
| **Net property income** | | **17,209** | **20,240** | **38,300** |
| **Expenses** | | | | |
| Administrative expenses | | (2,879) | (3,068) | (5,842) |
| **Total operating expenses** | | **(2,879)** | **(3,068)** | **(5,842)** |
| **Operating profit before movement on investments** | | **14,330** | **17,172** | **32,458** |
| **Investments** | | | | |
| Profit on disposal of investment properties | 9 | - | 379 | 379 |
| Investment property valuation movements | 9 | 4,341 | 9,961 | 10,909 |
| **Total profit on investments** | | **4,341** | **10,340** | **11,288** |
| **Operating profit** | | **18,671** | **27,512** | **43,746** |
| **Financing** | | | | |
| Interest income | | 3 | 16 | 38 |
| Interest expense | | (4,235) | (4,936) | (9,126) |
| Debt prepayment fees | | - | (3,245) | (3,245) |
| **Total finance costs** | | **(4,232)** | **(8,165)** | **(12,333)** |
| **Profit before tax** | | **14,439** | **19,347** | **31,413** |
| Tax | | 68 | (445) | (458) |
| **Profit after tax and total comprehensive income for the period** | | **14,507** | **18,902** | **30,955** |
| **Earnings per share** | | | | |
| Basic and diluted | 7 | 2.7p | 3.5p | 5.7p |

All income is attributable to the equity holders of the Company. There are no minority interests. Notes 1 to 15 form part of these condensed consolidated financial statements.

**CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**
**FOR THE HALF YEAR ENDED 30 SEPTEMBER 2019**

| | Note | Share Capital £000 | Other Reserves £000 | Retained Earnings £000 | Total £000 |
|---|---|---|---|---|---|
| **Balance as at 31 March 2018** | | **157,449** | **(251)** | **330,157** | **487,355** |
| Profit for the period | | – | – | 18,902 | 18,902 |
| Share based awards | | – | 319 | – | 319 |
| Dividends paid | 6 | – | – | (9,432) | (9,432) |
| **Balance as at 30 September 2018** | | **157,449** | **68** | **339,627** | **497,144** |
| Profit for the period | | – | – | 12,053 | 12,053 |
| Dividends paid | 6 | – | – | (9,428) | (9,428) |
| Share based awards | | – | 44 | – | 44 |
| Purchase of shares held in trust | | – | (398) | – | (398) |
| **Balance as at 31 March 2019** | | **157,449** | **(286)** | **342,252** | **499,415** |
| Profit for the period | | – | – | 14,507 | 14,507 |
| Dividends paid | 6 | – | – | (9,493) | (9,493) |
| Issue of ordinary shares | 11 | 7,137 | – | – | 7,137 |
| Issue costs of shares | | (186) | – | – | (186) |
| Vesting of shares held in trust | | – | 54 | (54) | – |
| Share based awards | | – | 146 | – | 146 |
| Purchase of shares held in trust | | – | (844) | – | (844) |
| **Balance as at 30 September 2019** | | **164,400** | **(930)** | **347,212** | **510,682** |

Notes 1 to 15 form part of these condensed consolidated financial statements.

**CONDENSED CONSOLIDATED BALANCE SHEET**
**AS AT 30 SEPTEMBER 2019**

| | Note | **30 September 2019 unaudited £000** | 30 September 2018 unaudited £000 | 31 March 2019 audited £000 |
|---|---|---|---|---|
| **Non-current assets** | | | | |
| Investment properties | 9 | 683,208 | 673,870 | 676,102 |
| Tangible assets | | 23 | 25 | 25 |
| **Total non-current assets** | | **683,231** | **673,895** | **676,127** |
| **Current assets** | | | | |
| Accounts receivable | | 17,765 | 16,420 | 14,309 |
| Cash and cash equivalents | | 17,125 | 20,130 | 25,168 |
| **Total current assets** | | **34,890** | **36,550** | **39,477** |
| **Total assets** | | **718,121** | **710,445** | **715,604** |
| **Current liabilities** | | | | |
| Accounts payable and accruals | | (21,062) | (20,113) | (22,400) |
| Loans and borrowings | 10 | (860) | (808) | (833) |
| Obligations under finance leases | | (108) | (109) | (109) |
| **Total current liabilities** | | **(22,030)** | **(21,030)** | **(23,342)** |
| **Non-current liabilities** | | | | |
| Loans and borrowings | 10 | (183,699) | (190,559) | (191,136) |
| Obligations under finance leases | | (1,710) | (1,712) | (1,711) |
| **Total non-current liabilities** | | **(185,409)** | **(192,271)** | **(192,847)** |
| **Total liabilities** | | **(207,439)** | **(213,301)** | **(216,189)** |
| **Net assets** | | **510,682** | **497,144** | **499,415** |
| **Equity** | | | | |
| Share capital | 11 | 164,400 | 157,449 | 157,449 |
| Retained earnings | | 347,212 | 339,627 | 342,252 |
| Other reserves | | (930) | 68 | (286) |
| **Total equity** | | **510,682** | **497,144** | **499,415** |
| **Net asset value per share** | 13 | 94p | 92p | 93p |

These condensed consolidated financial statements were approved by the Board of Directors on 11 November 2019 and signed on its behalf by:

**Andrew Dewhirst**
Director

Notes 1 to 15 form part of these condensed consolidated financial statements.

**CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS**
**FOR THE HALF YEAR ENDED 30 SEPTEMBER 2019**

| | Note | **6 months ended 30 September 2019 unaudited £000** | 6 months ended 30 September 2018 unaudited £000 | Year ended 31 March 2019 audited £000 |
|---|---|---|---|---|
| **Operating activities** | | | | |
| Operating profit | | 18,671 | 27,512 | 43,746 |
| Adjustments for non-cash items | 12 | (4,191) | (10,018) | (10,918) |
| Interest received | | 3 | 16 | 38 |
| Interest paid | | (4,073) | (4,603) | (8,668) |
| Tax received/ (paid) | | 11 | (80) | (845) |
| (Increase)/ decrease in accounts receivables | | (3,456) | (1,715) | 396 |
| (Decrease)/ increase in payable and accruals | | (1,260) | (1,566) | 1,532 |
| **Cash inflows from operating activities** | | **5,705** | **9,546** | **25,281** |
| **Investing activities** | | | | |
| Capital expenditure on investment properties | 9 | (2,765) | (275) | (1,559) |
| Disposal of investment properties | | – | 11,837 | 11,837 |
| Purchase of tangible assets | | (2) | (23) | (27) |
| **Cash (outflows)/ inflows from investing activities** | | **(2,767)** | **11,539** | **10,251** |
| **Financing activities** | | | | |
| Borrowings repaid | | (7,595) | (34,288) | (34,871) |
| Borrowings drawn | | – | 14,500 | 15,500 |
| Debt prepayment fees | | – | (3,245) | (3,245) |
| Issue of ordinary shares | 11 | 7,137 | – | – |
| Issue costs of ordinary shares | | (186) | – | – |
| Purchase of shares held in trust | | (844) | – | (398) |
| Dividends paid | 6 | (9,493) | (9,432) | (18,860) |
| **Cash outflows from financing activities** | | **(10,981)** | **(32,465)** | **(41,874)** |
| **Net decrease in cash and cash equivalents** | | **(8,043)** | **(11,380)** | **(6,342)** |
| Cash and cash equivalents at beginning of period/year | | 25,168 | 31,510 | 31,510 |
| **Cash and cash equivalents at end of period/year** | | **17,125** | **20,130** | **25,168** |

Notes 1 to 15 form part of these condensed consolidated financial statements.

**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**
**FOR THE HALF YEAR ENDED 30 SEPTEMBER 2019**

## 1. GENERAL INFORMATION

Picton Property Income Limited (the "Company" and together with its subsidiaries the "Group") was established in Guernsey on 15 September 2005 and entered the UK REIT regime on 1 October 2018.

The financial statements are prepared for the period from 1 April to 30 September 2019, with unaudited comparatives for the period from 1 April to 30 September 2018. Comparatives are also provided from the audited financial statements for the year ended 31 March 2019.

## 2. SIGNIFICANT ACCOUNTING POLICIES

These financial statements have been prepared in accordance with IAS 34 'Interim Financial Reporting'. They do not include all of the information required for full annual financial statements and should be read in conjunction with the financial statements of the Group as at and for the year ended 31 March 2019.

The accounting policies applied by the Group in these financial statements are the same as those applied by the Group in its financial statements as at and for the year ended 31 March 2019.

The annual financial statements of the Group are prepared in accordance with International Financial Reporting Standards ('IFRS') as adopted by the IASB. The Group's annual financial statements for the year ended 31 March 2019 refer to new Standards and Interpretations none of which has a material impact on these financial statements. There have been no significant changes to management judgements and estimates as disclosed in the last annual report and financial statements for the year ended 31 March 2019.

## 3. REVENUE FROM PROPERTIES

| | **6 months ended 30 September 2019 £000** | 6 months ended 30 September 2018 £000 | Year ended 31 March 2019 £000 |
|---|---|---|---|
| Rents receivable (adjusted for lease incentives) | 19,369 | 20,825 | 40,942 |
| Surrender premiums | 363 | 342 | 682 |
| Dilapidation receipts | 413 | 230 | 269 |
| Other income | 82 | 79 | 122 |
| Service charge income | 3,172 | 3,061 | 5,718 |
| | 23,399 | 24,537 | 47,733 |

Rents receivable includes lease incentives recognised of £0.8 million (30 September 2018: £0.5 million, 31 March 2019: £0.8 million).

## 4. PROPERTY EXPENSES

| | **6 months ended 30 September 2019 £000** | 6 months ended 30 September 2018 £000 | Year ended 31 March 2019 £000 |
|---|---|---|---|
| Property operating costs | 1,342 | 848 | 2,342 |
| Property void costs | 1,676 | 388 | 1,373 |
| Recoverable service charge costs | 3,172 | 3,061 | 5,718 |
| | 6,190 | 4,297 | 9,433 |

## 5. OPERATING SEGMENTS

The Board is charged with setting the Group's business model and strategy. The key measure of performance used by the Board to assess the Group's performance is the total return on the Group's net asset value. As the total return on the Group's net asset value is calculated based on the net asset value per share calculated under IFRS as shown at the foot of the Balance Sheet, assuming dividends are reinvested, the key performance measure is that prepared under IFRS. Therefore, no reconciliation is required between the measure of profit or loss used by the Board and that contained in the financial statements.

The Board has considered the requirements of IFRS 8 'Operating Segments'. The Board is of the opinion that the Group, through its subsidiary undertakings, operates in one reportable industry segment, namely real estate investment, and across one primary geographical area, namely the United Kingdom, and therefore no segmental reporting is required. The portfolio consists of 49 commercial properties, which are in the industrial, office, retail, retail warehouse and leisure sectors.

### 6. DIVIDENDS

| Declared and paid: | **6 months ended 30 September 2019 £000** | 6 months ended 30 September 2018 £000 | Year ended 31 March 2019 £000 |
|---|---|---|---|
| Interim dividend for the period ended 31 March 2018: 0.875 pence | – | 4,716 | 4,716 |
| Interim dividend for the period ended 30 June 2018: 0.875 pence | – | 4,716 | 4,716 |
| Interim dividend for the period ended 30 September 2018: 0.875 pence | – | – | 4,716 |
| Interim dividend for the period ended 31 December 2018: 0.875 pence | – | – | 4,712 |
| Interim dividend for the period ended 31 March 2019: 0.875 pence | 4,712 | – | – |
| Interim dividend for the period ended 30 June 2019: 0.875 pence | 4,781 | – | – |
| | 9,493 | 9,432 | 18,860 |

The interim dividend of 0.875 pence per ordinary share in respect of the period ended 30 September 2019 has not been recognised as a liability as it was declared after the period end. A dividend of £4,773,000 will be paid on 29 November 2019.

### 7. EARNINGS PER SHARE

Basic and diluted earnings per share is calculated by dividing the net profit for the period attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares in issue during the period, excluding the average number of shares held by the Employee Benefit Trust. The diluted number of shares also reflects the contingent shares to be issued under the Long-term Incentive Plan.

The following reflects the profit and share data used in the basic and diluted profit per share calculation:

| | **6 months ended 30 September 2019** | 6 months ended 30 September 2018 | Year ended 31 March 2019 |
|---|---|---|---|
| Net profit attributable to ordinary shareholders of the Company from continuing operations (£000) | 14,507 | 18,902 | 30,955 |
| Weighted average number of ordinary shares for basic profit/(loss) per share | 542,883,818 | 538,983,660 | 538,815,550 |
| Weighted average number of ordinary shares for diluted profit/(loss) per share | 545,054,006 | 541,093,417 | 541,035,348 |

### 8. FAIR VALUE MEASUREMENTS

The fair value measurement for the financial assets and financial liabilities are categorised into different levels in the fair value hierarchy based on the inputs to valuation techniques used. The different levels have been defined as follows:

Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities that the Group can access at the measurement date.

Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly. The fair value of the Group's secured loan facilities, as disclosed in note 10, are included in Level 2.

Level 3: unobservable inputs for the asset or liability. The fair value of the Group's investment properties is included in Level 3.

The Group recognises transfers between levels of the fair value hierarchy as of the end of the reporting period during which the transfer has occurred. There were no transfers between levels for the period ended 30 September 2019.

The fair value of all other financial assets and liabilities is not materially different from their carrying value in the financial statements.

The Group's financial risk management objectives and policies are consistent with those disclosed in the consolidated financial statements for the year ended 31 March 2019.

**9. INVESTMENT PROPERTIES**

| | **6 months ended 30 September 2019 £000** | 6 months ended 30 September 2018 £000 | Year ended 31 March 2019 £000 |
|---|---|---|---|
| Fair value at start of period/year | 676,102 | 674,524 | 674,524 |
| Capital expenditure on investment properties | 2,765 | 275 | 1,559 |
| Disposals | - | (11,269) | (11,269) |
| Realised gains on disposal | - | 379 | 379 |
| Unrealised gains on investment properties | 4,341 | 9,961 | 10,909 |
| **Fair value at the end of the period/year** | 683,208 | 673,870 | 676,102 |
| **Historic cost at the end of the period/year** | 650,809 | 646,759 | 648,044 |

The fair value of investment properties reconciles to the appraised value as follows:

| | **30 September 2019 £000** | 30 September 2018 £000 | 31 March 2019 £000 |
|---|---|---|---|
| Appraised value | 693,355 | 682,950 | 685,335 |
| Valuation of assets held under finance leases | 1,519 | 1,623 | 1,565 |
| Lease incentives held as debtors | (11,666) | (10,703) | (10,798) |
| **Fair value at the end of the period/year** | 683,208 | 673,870 | 676,102 |

As at 30 September 2019, all of the Group's properties are Level 3 in the fair value hierarchy as it involves the use of significant inputs and there were no transfers between levels during the period. Level 3 inputs used in valuing the properties are those which are unobservable, as opposed to Level 1 (inputs from quoted prices) and Level 2 (observable inputs either directly, i.e. as prices, or indirectly, i.e. derived from prices).

The investment properties were valued by CBRE Limited, Chartered Surveyors, as at 30 September 2019 on the basis of fair value in accordance with the RICS Valuation – Global Standards 2017 which incorporate the International Valuation Standards and the UK national supplement 2018. There were no significant changes to the inputs into the valuation process (ERV, net initial yield, reversionary yield and true equivalent yield), or assumptions and techniques used during the period, further details on which were included in note 13 of the consolidated financial statements of the Group for the year ended 31 March 2019.

The Group's borrowings (note 10) are secured by a first ranking fixed charge over the majority of investment properties held.

**10. LOANS AND BORROWINGS**

| | Maturity | **30 September 2019 £000** | 30 September 2018 £000 | 31 March 2019 £000 |
|---|---|---|---|---|
| **Current** | | | | |
| Aviva facility | – | 1,231 | 1,178 | 1,204 |
| Capitalised finance costs | – | (371) | (370) | (371) |
| | | 860 | 808 | 833 |
| **Non-current** | | | | |
| Santander revolving credit facility | 18 June 2021 | 4,500 | 10,500 | 11,500 |
| Santander revolving credit facility | 20 June 2021 | 14,500 | 14,500 | 14,500 |
| Canada Life facility | 24 July 2027 | 80,000 | 80,000 | 80,000 |
| Aviva facility | 24 July 2032 | 86,843 | 88,074 | 87,465 |
| Capitalised finance costs | – | (2,144) | (2,515) | (2,329) |
| | | 183,699 | 190,559 | 191,136 |
| **Total loans and borrowings** | | 184,559 | 191,367 | 191,969 |

The Group has a loan with Canada Life Limited for £80 million which matures in July 2027. Interest is fixed at 4.08% over the life of the loan.

Additionally, the Group has a loan facility agreement with Aviva Commercial Finance Limited for £95.3 million, which was fully drawn on 24 July 2012. The loan matures in 2032, with approximately one-third repayable over the life of the loan in accordance with a scheduled amortisation profile. Interest on the loan is fixed at 4.38% over the life of the loan.

The fair value of the secured loan facilities at 30 September 2019, estimated as the present value of future cash flows discounted at the market rate of interest at that date, was £225.2 million (30 September 2018: £210.9 million, 31 March 2019: £219.5 million). The fair value of the secured loan facilities is classified as Level 2 under the hierarchy of fair value measurements.

The Group has two revolving credit facilities ("RCF") with Santander Corporate & Commercial Banking which expire in June 2021. In total the Group has £49.0 million available under both facilities, of which £19.0 million has been drawn. Interest is payable on the drawn balance at LIBOR plus margins of 175 or 190 basis points.

The weighted average interest rate on the Group's borrowings as at 30 September 2019 was 4.1% (30 September 2018: 4.0%, 31 March 2019: 4.0%).

### 11. SHARE CAPITAL AND OTHER RESERVES

On 21 June 2019 the Company raised £7.1 million through the issue of 7,551,936 new ordinary shares of no par value at 94.5 pence per share. The Company now has 547,605,596 ordinary shares in issue of no par value (30 September 2018: 540,053,660, 31 March 2019: 540,053,660).

The balance on the Company's share premium account as at 30 September 2019 was £164,400,000 (30 September 2018: £157,449,000, 31 March 2019: £157,449,000).

| | **30 September 2019** | 30 September 2018 | 31 March 2019 |
|---|---|---|---|
| Ordinary share capital | 547,605,596 | 540,053,660 | 540,053,660 |
| Number of shares held in Employee Benefit Trust | (2,103,683) | (1,070,000) | (1,542,000) |
| **Number of ordinary shares** | 545,501,913 | 538,983,660 | 538,511,660 |

The fair value of awards made under the Long-term Incentive Plan is recognised in other reserves.

Subject to the solvency test contained in the Companies (Guernsey) Law, 2008 being satisfied, ordinary shareholders are entitled to all dividends declared by the Company and to all of the Company's assets after repayment of its borrowings and ordinary creditors. The Trustee of the Company's Employee Benefit Trust has waived its right to receive dividends on the 2,103,683 shares it holds but continues to hold the right to vote. Ordinary shareholders have the right to vote at meetings of the Company. All ordinary shares carry equal voting rights.

### 12. ADJUSTMENT FOR NON-CASH MOVEMENTS IN THE CASH FLOW STATEMENT

| | **6 months ended 30 September 2019 £000** | 6 months ended 30 September 2018 £000 | Year ended 31 March 2019 £000 |
|---|---|---|---|
| Profit on disposal of investment properties | - | (379) | (379) |
| Investment property valuation movements | (4,341) | (9,961) | (10,909) |
| Share based provisions | 146 | 319 | 363 |
| Depreciation of tangible assets | 4 | 3 | 7 |
| | (4,191) | (10,018) | (10,918) |

### 13. NET ASSET VALUE

The net asset value per share calculation uses the number of shares in issue at the period end and excludes the actual number of shares held by the Employee Benefit Trust at the period end; see note 11.

At 30 September 2019, the Company had a net asset value per ordinary share of £0.94 (30 September 2018: £0.92, 31 March 2019: £0.93).

### 14. RELATED PARTY TRANSACTIONS

There have been no changes in the related party transactions described in the last annual report that could have a material effect on the financial position or performance of the Group in the first six months of the current financial year.

The Company has no controlling parties.

### 15. EVENTS AFTER THE BALANCE SHEET DATE

A dividend of £4,773,000 (0.875 pence per share) was approved by the Board on 23 October 2019 and is payable on 29 November 2019.

On 4 November 2019 the Group completed on the sale of Citylink, Croydon for proceeds of £18,200,000.

## SHAREHOLDER INFORMATION

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Nicholas Thompson (Chairman)
Mark Batten
Maria Bentley
Andrew Dewhirst
Roger Lewis
Michael Morris

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**SHAREHOLDER ENQUIRIES**
All enquiries relating to holdings in Picton Property Income Limited, including notification of change of address, queries regarding dividend/interest payments or the loss of a certificate, should be addressed to the Company's registrar.

**WEBSITE**
The Company has a corporate website which contains more detailed information about the Group **www.picton.co.uk**

**GLOSSARY**

| | |
|---|---|
| **Contracted rent** | The contracted gross rent receivable which becomes payable after all the occupier incentives in the letting have expired. |
| **DTR** | Disclosure and Transparency Rules, issued by the United Kingdom Listing Authority. |
| **Dividend cover** | Income profit after tax divided by dividends paid. |
| **Earnings per share (EPS)** | Profit for the period attributable to equity shareholders divided by the average number of shares in issue during the period. |
| **EPRA** | European Public Real Estate Association, the industry body representing listed companies in the real estate sector. |
| **Estimated rental value (ERV)** | The external valuers' opinion as to the open market rent which, on the date of the valuation, could reasonably be expected to be obtained on a new letting or rent review of a property. |
| **Fair value** | The estimated amount for which a property should exchange on the valuation date between a willing buyer and a willing seller in an arm's length transaction after the proper marketing and where parties had each acted knowledgeably, prudently and without compulsion. |
| **Fair value movement** | An accounting adjustment to change the book value of an asset or liability to its fair value. |
| **FRI lease** | A lease which imposes full repairing and insuring obligations on the tenant, relieving the landlord from all liability for the cost of insurance and repairs. |
| **Gearing** | Total borrowings, less cash, as a proportion of gross property asset value. |
| **Group** | Picton Property Income Limited and its subsidiaries. |
| **IASB** | International Accounting Standards Board. |
| **IFRS** | International Financial Reporting Standards. |
| **Initial yield** | Annual cash rents receivable (net of head rents and the cost of vacancy), as a percentage of gross property value, as provided by the Group's external valuers. Rents receivable following the expiry of rent-free periods are not included. |
| **Lease incentives** | Incentives offered to occupiers to enter into a lease. Typically this will be an initial rent-free period, or a cash contribution to fit-out. Under accounting rules the value of the lease incentives is amortised through the Income Statement on a straight-line basis until the lease expiry. |
| **MSCI** | An organisation supplying independent market indices and portfolio benchmarks to the property industry. |
| **NAV** | Net Asset Value is the equity attributable to shareholders calculated under IFRS. |
| **Over-rented** | Space where the passing rent is above the ERV. |
| **Passing rent** | Cash rents passing at the Balance Sheet date. |
| **PID** | Property Income Distribution |
| **Property income return** | The ungeared income return of the portfolio as calculated by MSCI. |
| **Rack-rented** | Where the passing rent is the same as the ERV. |
| **RCF** | Revolving Credit Facility |
| **REIT** | Real Estate Investment Trust |
| **Reversionary income** | Where the passing rent is different to the estimated rental value. The increase or decrease of rent arises on rent reviews and letting of vacant space or re-letting of expiries. |
| **Reversionary yield** | The estimated rental value as a percentage of the gross property value. |
| **Weighted average debt maturity** | Each tranche of Group debt is multiplied by the remaining period to its maturity and the result is divided by total Group debt in issue at the period end. |
| **Weighted average interest rate** | The Group loan interest per annum at the period end, divided by total Group debt in issue at the period end. |
| **Weighted average lease term** | The average lease term remaining to first break, or expiry, across the portfolio weighted by contracted rental income. |

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**END**