

# Future-proofing our portfolio, unlocking value

Through our occupier focused, opportunity led approach, we aim to be one of the consistently best performing diversified UK REITs listed on the London Stock Exchange.

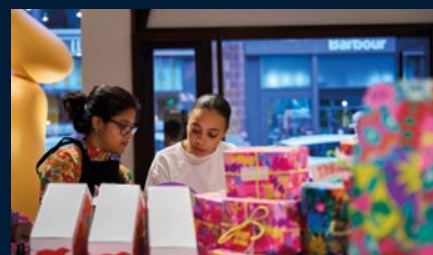
To us this means being a responsible owner of commercial real estate, helping our occupiers succeed and being valued by all our stakeholders.

## Strategic Report

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## Business Overview

## Performance summary

These results demonstrate that we have been able to grow EPRA earnings despite the impacts of inflation, higher interest rates and a weaker economic backdrop.

This year, helped by our industrial exposure and strategy to reposition non-core office assets for alternative uses, our portfolio has outperformed the MSCI UK Quarterly Property Index. This marks our eleventh consecutive year of outperformance and maintains our track record of upper quartile performance since launch in 2005.

We have a resilient business model with long-term fixed rate financing, and we are confident in our ability to capture the significant income upside potential from our portfolio. I am pleased that we were able to announce in April a near 6% dividend increase.

**Lena Wilson CBE**  
Chair

4.0p

EPRA earnings per share

3.5p

Dividends paid per share

114%

Dividend cover

96p

NAV per share



Read more in our Chair's Introduction to the Governance Report on pages 78-79

## Highlights

# Highlights 2023/2024

### Valuable long-term debt structure

28%

Loan to value

93%

Borrowings  
At fixed interest rates

3.9%

Weighted average interest rate

7.2 years

Debt maturity profile

101p

EPRA Net Disposal Value  
(per share)  
Reflecting fair value of debt

### Robust financial performance delivering EPRA earnings growth

£745m

Portfolio valuation

£524m

Net asset value

96p

NAV per share

£22m

EPRA earnings

£19m

Dividends paid

114%

Dividend cover





**Continued sustainability progress towards net zero carbon targets**

**80%**

**EPC ratings A-C**  
Improved from 76% in 2023

**16%**

**Reduction in Scope 1 & 2 emissions**  
compared to 2019 baseline

**184%**

**Increase in solar capacity**  
compared to 2023

**£4.5m**

**Invested into upgrading**  
over 20 assets

**62%**

**Occupier energy data coverage**

**99%**

**Of leases contained green clauses**

**Outperforming property portfolio with improving income and reversionary potential**

**Continued MSCI outperformance for the eleventh consecutive year and long-term upper quartile outperformance since launch**

**Diversified income stream with over**

**99%**

**Rent collection**

**93%**

**Occupancy**  
(Excluding assets held for sale)

**29%**

**Reversionary potential**  
(Above current passing rent)

**3% increase in passing rent, contracted rent and ERV**

**Repositioning our portfolio to improve income and occupancy**

**26**

**Lettings**  
3% ahead of March 2023 ERV

**31**

**Lease renewals/regears**  
2% ahead of March 2023 ERV

**13**

**Rent reviews**  
2% ahead of March 2023 ERV

**4.5% increase in net property income**

All figures are stated as at 31 March 2024 or for the year ended 31 March 2024 unless otherwise stated. Comparative figures are for the year ended 31 March 2023.

The Financial Statements are prepared under IFRS. We use a number of alternative performance measures (APMs) when reporting on the performance of the business and its financial position. In common with many other listed property companies, we report the EPRA performance measures. In the Additional Information section of this report on pages 158–161 we provide more detailed information and reconciliations to IFRS where appropriate.

## Purpose

# Our purpose

Our purpose is to be a responsible owner of commercial real estate, helping our occupiers succeed and being valued by all our stakeholders.

### Our values

#### Principled

We are professional, diligent and strategic.

Demonstrated through our transparent reporting, occupier focused approach, alignment with shareholders, delivery of our Picton Promise, our commitment to sustainability and positive environmental initiatives.

#### Perceptive


We are insightful, thoughtful and intuitive.

Demonstrated through our long-term track record, our gearing strategy, our dynamic positioning of the portfolio, and engagement with our occupiers.

#### Progressive

We are forward-thinking, enterprising, and continually advancing.

Demonstrated through our culture, work ethic, and proactive asset management.

 For more detailed information on our stakeholders, see our Section 172 Statement on pages 90–91

### Creating stakeholder value

#### Shareholders

# £19m

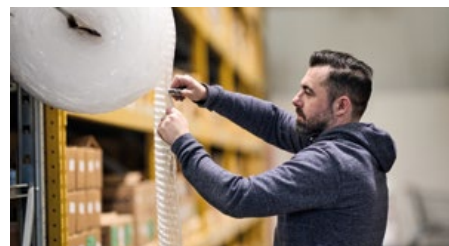
Dividends paid



#### Occupiers

# £4.5m

Invested into upgrading properties



#### Communities

# 15

Charities supported



#### Our people

# 86%

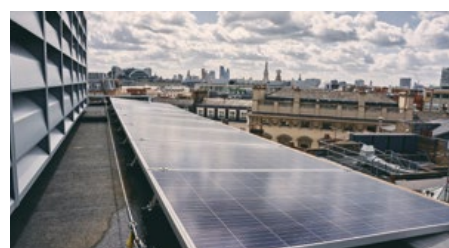
Employee satisfaction score



#### The environment

# 80%

EPC ratings A-C



## Strategy

# Our strategic priorities

Through our occupier focused, opportunity led approach, we aim to be one of the consistently best performing diversified UK REITs, creating value for our shareholders.

Our strategic priorities guide the direction of our business and are reviewed annually.

1

## Portfolio Performance

- / Manage the portfolio to provide income and capital growth
- / Grow occupancy and income profile
- / Enhance asset quality and create space that meets evolving occupier expectations
- / Outperform the MSCI UK Quarterly Property Index

2


## Operational Excellence


- / Run an efficient and innovative operating platform
- / Adapt to market trends with an agile and flexible business model
- / Deliver earnings growth
- / Maintain appropriate capital structure for the market cycle
- / Pursue opportunities for growth to deliver economies of scale


3

## Acting Responsibly

- / Reduce our emissions to become net zero carbon by 2040
- / Actively engage with our occupiers, shareholders, communities and other stakeholders
- / Promote our company values, nurture a positive working culture, and alignment of the team
- / Ensure the long-term success of the business with strong governance and transparent reporting

 For details on the associated risks see pages 42–46

 For details on connected KPIs see pages 20–23

 For details on our strategic progress see the Chief Executive's Review on pages 16–19



## Business Model

# Our business model

### How we create value

Our business model creates value through owning a portfolio that generates a diversified and stable income stream. We have the flexibility to adapt to changing market conditions and so deliver value to our stakeholders through the property cycle.



### This is underpinned by:

#### Risk management

Our diverse portfolio and occupier base spreads risk and generates a stable income stream throughout the property cycle. We adapt our capital structure and use debt effectively to achieve enhanced returns. We maintain a covered dividend policy to generate a surplus which we can invest back into the portfolio.

#### Responsible stewardship

We have a responsible and ethical approach to business and sustainability is embedded within our corporate strategy. We understand the impact of our business on the environment and are committed to acting for the benefit of all our stakeholders.

## 01

### Knowledge, expertise and research led decision making

Our in-depth understanding of the UK commercial property market enables us to identify and source value across different sectors and reposition the portfolio through the property cycle.

## 02

### Asset selection and acquisition – buying into growth assets, locations or sectors

We have established a diversified UK property portfolio and while income focused, we will consider opportunities where we can enhance value and/or income.

## 03

### Creating value through proactive asset management

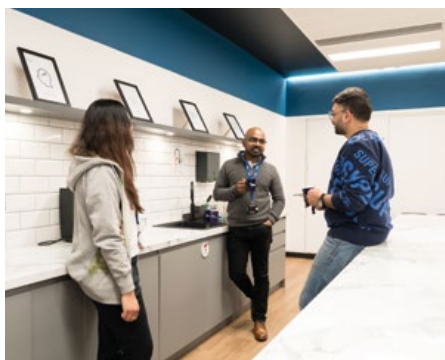
Our diverse occupier base generates a stable income stream, which we aim to grow through active management and capturing market rental uplifts. Our occupier focused, opportunity led approach ensures we create space that meets our occupiers' needs in order to maintain high levels of occupancy across the portfolio.

## 04

### Selling assets to recycle into better opportunities

We identify assets for disposal to maximise value creation. Proceeds are invested into new opportunities, or used elsewhere within the Group.

## What makes us different



### Long-term outperformance through a diversified approach

We have a long-term performance track record, outperforming the MSCI UK Quarterly Property Index for eleven consecutive years. We own a diverse range of assets which enables us to position the portfolio as market conditions dictate and have delivered upper quartile performance over three, five and ten years, and since launch in 2005.

 / Read more on pages 8-15



### Aligned and high performing management team

Our experienced and knowledgeable team has a proven long-term track record of success and is financially aligned. We are internally managed enabling us to unlock efficiencies through growth. Our agile business model provides flexibility to adapt to changing market conditions.

 / Read more on pages 8-15



### Occupier focused, opportunity led

Our collaborative approach ensures we engage with our occupiers to create spaces to help them succeed. Our proactive asset management helps to maintain high occupancy across the portfolio.

 / Read more on pages 32-37



### Sustainable thinking, responsible business

Our responsible approach to business with an increasing environmental focus is essential for the benefit of all our stakeholders and understanding the long-term impact of our decisions helps us to manage risk and continue to generate value.

 / Read more on pages 56-77

## Future-proofing our Portfolio

### Portfolio at a glance

£745m

Portfolio valuation

59%

Industrial weighting

30%

Office weighting

11%

Retail and Leisure weighting

49

Assets

400

Occupiers

# Future-proofing our portfolio, unlocking value

#### Key Our strategic priorities

Portfolio Performance

1

Operational Excellence

2

Acting Responsibly

3

We own a portfolio strategically positioned to capture income and capital growth, currently weighted towards the industrial sector. Our agile business model provides flexibility to adapt to evolving market trends over the long-term as demonstrated by our track record of upper quartile outperformance against the MSCI UK Quarterly Property Index.



Our occupier focused approach ensures we engage with our occupiers to create spaces to meet their evolving requirements, help their businesses succeed and maintain high occupancy across the portfolio.


We are opportunity led and our business model provides flexibility to adapt to evolving market trends. Alongside our proactive asset management and disciplined approach to capital structure, we have delivered outperformance and a consistently higher income return than the MSCI Quarterly Property Index over the long-term.

We are committed to acting responsibly and have a target to become net zero carbon by 2040, which we believe is essential for the benefit of all our stakeholders.



## Unlocking value with alternative use strategies

Recognising the changing office sector landscape, we have made good progress on repositioning our portfolio to secure more valuable alternative uses at some of our office assets.

 / Read more on pages 10-11



Strategic priority

## Investing in our assets to improve sustainability credentials

We are committed to improving the environmental performance of our buildings and ensuring these are future-proofed and meet our evolving occupier requirements.


 / Read more on pages 14-15



Strategic priority

## Capturing reversionary potential with proactive asset management

With occupational demand remaining positive within the industrial sector, we have been able to capture rental growth. Over the year, we have successfully increased income through our proactive approach to asset management.

 / Read more on pages 12-13



Strategic priority



# Office to alternative use strategy – repositioning the portfolio

Since the pandemic, the office sector has evolved, with occupier demands and preferences changing, following remote and hybrid working arrangements and different workplace dynamics. While it is clear that well-located, amenity rich, sustainable space is still in demand, it is building specific, with secondary space struggling to attract occupiers without significant capital expenditure.

Recognising these changes in the office sector, we have made significant progress exploring and securing more valuable alternative uses at selected office assets. Several of our properties have alternative use potential, and we have agreed sales to developers in respect of two of them as well as securing a healthcare occupier at a third following receipt of planning.



Strategic priority

**We have made significant progress securing more valuable alternative uses.**

**Michael Morris**  
Chief Executive



## Longcross, Cardiff

**We have exchanged contracts to sell a partially vacant office building to an experienced student accommodation developer.**

The transaction is conditional on planning permission and vacant possession. The sale price is dependent on the exact planning consent obtained and in particular upon the number of rooms secured. The base price was 16% ahead of the March 2023 valuation and we expect to benefit from an overage payment once planning is secured. We will retain a small income-producing industrial unit and car parking site that will be sold separately in due course. To facilitate the disposal, we have completed a number of transactions that have ensured we can secure vacant possession in 2024.

We expect planning to be secured in the fourth quarter of 2024.

Accounting for

# 12%

Of the total portfolio void

# 16%

Base price ahead of the March 2023 valuation





## Angel Gate, London

During the year, we obtained residential consent via permitted development rights on 30,000 sq ft of vacant office space.

This was made possible during a period when the Article 4 restrictions had lapsed, however, from September 2023, any further conversion of office space to residential was restricted by an updated Article 4 Direction.

We engaged directly with both the local and national planning authorities. As a result of this proactive approach, the new Article 4 Direction was modified to remove the entire 1.7 acre site from this restriction, unlocking a further 34,000 sq ft of space for residential conversion.

Having secured the site's full residential conversion potential, this has enabled us to sell the property to a residential developer. Contracts were exchanged in March with the sale completing post year-end.

While we worked through the planning position, we were able to maintain occupancy at an average of 50%, ensuring positive cash flow from the asset.

Accounting for

# 19%

Of the total portfolio void



## Colchester Business Park

At Colchester Business Park, we have leased a vacant office suite to a healthcare occupier at a rent of £0.1 million per annum, which is in line with ERV. The lease completed following receipt of planning permission for change of use and once the associated conditions were satisfied.





## Future-proofing our Portfolio / Continued



# Creating value through proactive asset management

Our diverse occupier base generates a stable income stream, which we aim to grow through active management and capturing market rental uplifts.

Occupational demand in the industrial sector remains positive and we are continuing to capture rental growth. A lack of supply, especially of multi-let estates, coupled with increasing build costs, means that occupiers have restricted choice when looking for space, which has driven rental growth across the country.



Strategic priority

## Parkbury, Radlett

At our largest asset in Radlett, we have captured rental growth at lease events over the year.

A rent review was settled with a trade supplier to the professional audio, broadcast, light and power industries where the rent was increased by 56% to £0.1 million per annum.

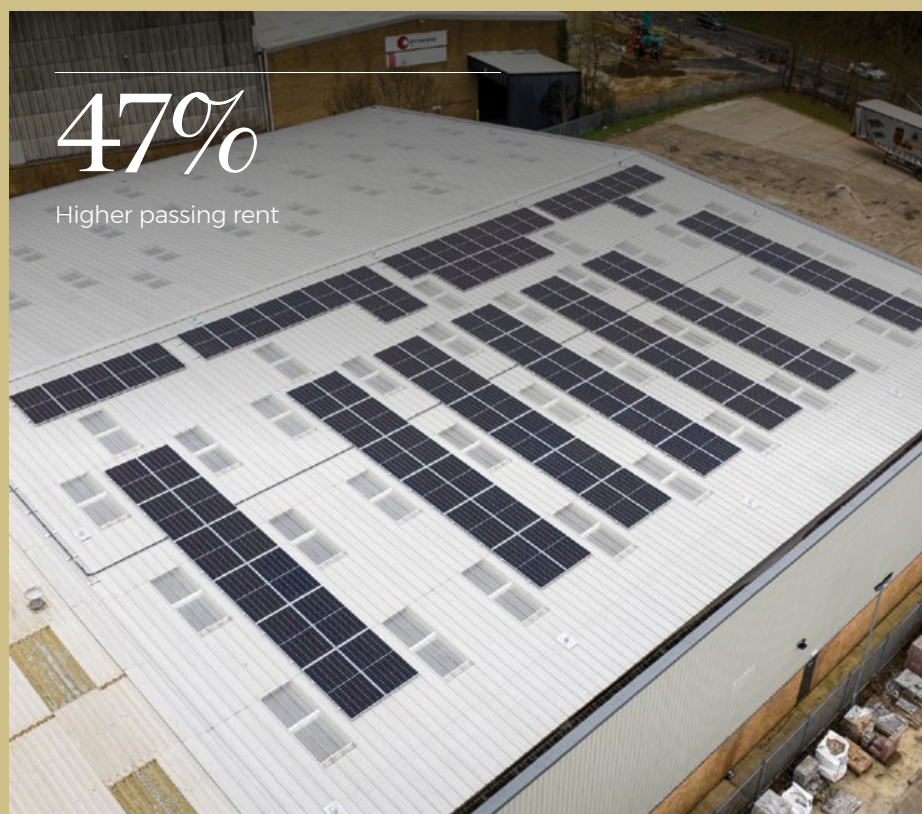
We agreed a renewal with a cosmetics business, who renewed for ten years, subject to break, at a rent of £0.2 million per annum, an uplift of 44% on the previous passing rent. The combined new rent was in line with ERV.

We have relocated an occupier to our estate in Luton, meaning we now have one vacant unit we are refurbishing. This will be the first open market letting since 2019 on the estate and we believe will provide further rental growth. The unit is being refurbished in line with our sustainable refurbishment guidelines.

# 44%

Uplift on the previous passing rent





## River Way, Harlow

In Harlow, we enabled a food packaging provider to expand into an adjoining unit that we had comprehensively refurbished after a previous occupier vacated, improving its environmental credentials and EPC rating from a D to an A.

This secured higher, longer-term income across both units, with the new rent increasing by 47% on their existing unit and 57% ahead of the rent the previous occupier was paying on the additional unit.

Ten-year lease  
at a rent of  
£0.7 million  
per annum



38%

Rent increase to £1.6 million  
per annum

8%

Rent ahead of ERV

## Grantham distribution warehouse

A rent review was settled with a book distributor where the rent was increased by 38% to £1.6 million per annum, 8% ahead of ERV.

We are in discussions with the occupier to extend the lease and carry out sustainability improvements to the unit.



# Sustainable refurbishments: investing in our buildings

## £4.5m

Invested across the portfolio

## 80%

EPC ratings A-C

We are committed to enhancing the environmental performance of our buildings to improve their operational efficiency and to ensure that they meet occupier requirements.

In line with our sustainable refurbishment guidelines, when space becomes vacant, we seek to improve its sustainability credentials in terms of certification, services, structure and building resilience.

Where possible, we aim to remove gas fired systems and install solar on roofs to provide on-site renewable energy, with five projects having been completed this year.



Strategic priority



## Sentinel House, Fleet

In Fleet, which is leased to a serviced office provider, we extended their lease by a further five years, to 2030. We agreed a small rental uplift in 2025 to £0.5 million per annum, 4% ahead of ERV.

The reversionary lease included our standard green lease clauses, and we arranged for solar panels to be installed, with the cost being deducted from the incentive being given to the occupier. In addition, we have added insulation to the property and refurbished the windows. The building achieved an A rated EPC and the works align with our net zero commitments as well as reducing our occupier's running costs.

## 4%

Rent ahead of ERV



# £0.2m

Savings by reusing the air-conditioning equipment from Cardiff



## Easter Court, Warrington

As part of the full refurbishment works at Unit 1, we removed gas heating systems from the warehouse and replaced the roof. The office area, common areas and warehouse area have all been fitted with new LED lighting. We also installed solar panels on the roof to provide on-site renewable energy and allow excess electricity to be fed back into the grid which will help to reduce the operational emissions of the unit. These refurbishments have improved the EPC rating of the building to an A rating.

We subsequently leased the unit to a national car dealership at a rent of £0.1 million per annum, which was in line with ERV.



## The circular economy

As part of our net zero carbon pathway, we are embracing the circular economy principles to reuse, recycle and repurpose where possible.

We have agreed to sell Longcross, Cardiff and as part of the agreement, we are permitted to strip the building of any internal finishes. We are reusing 20,000 sq ft of carpet, a modern air-conditioning system, lights and furniture which will be used in the refurbishment of two other office buildings in Colchester and Bristol.

By reusing the air-conditioning unit, we estimate this will save £0.2 million with further cost savings from repurposing the fixtures and fittings.

## Chief Executive's Review

# Well-positioned and resilient portfolio

■ ■ We have grown rental income, capturing and improving reversionary potential during the year.

**Michael Morris**  
Chief Executive





# We have successfully continued our long-term track record of outperformance through our proactive approach to asset management.

This year, we have increased both rental income and the reversionary potential of our portfolio, despite the impact of higher costs, and we have also been able to grow our EPRA earnings. The business is well-positioned with valuable long-term fixed rate debt and we continue to outperform the MSCI UK Quarterly Property Index.

Despite a challenging economic backdrop we have achieved letting success across all areas of the portfolio and extended or increased income, capturing reversionary potential and demonstrating rental growth within the portfolio. The team has worked incredibly hard and I would like to thank them for their individual and collective contributions over the last 12 months as we have continued to make good progress with our strategic priorities.

## Performance

We have seen considerably more stability in the property market, however, it has not been an easy operating environment with the ongoing impact of rising interest rates affecting sentiment and activity. Our portfolio valuation reduced from £766 million to £745 million or 2.8% over the year, contributing to a decline in net assets of 4.2% to £524 million or 96 pence per share. Encouragingly our net assets showed stability between December 2023 and March 2024, the first time since the 2022 disruption in bond markets.

Despite this, we have improved many key metrics over the year. Most notably, we have increased the passing rent, contracted rent and also the reversionary potential of the portfolio by 3%.

We have operated with a well-covered dividend of 114% (covered for the twelfth consecutive year) and earlier this month we were able to announce a near 6% uplift, increasing the dividend above its pre-pandemic level.

Our share price performance over the year has been weaker, with a total shareholder return of -1%. At the year-end our discount to net asset value was 32%, but encouragingly this has narrowed in recent weeks, in part reflecting some of the positive activity that we have been able to announce.

## Portfolio Performance

### Outperforming property portfolio

We have again outperformed the MSCI UK Quarterly Property Index, now for the eleventh consecutive year and we continue to deliver upper quartile performance since launch in 2005.

Our diversified approach and long-term track record highlight the benefits of being able to adapt the portfolio to changing market conditions.

### Growing occupancy and income

We have taken steps to reposition the portfolio, through our alternative use strategy, looking to reduce our office exposure. During the year, we exchanged contracts to sell two part-vacant office buildings, both at premiums to the preceding valuation. One disposal completed following the year-end and the other is conditional upon planning permission which is expected to be obtained during the next financial year.

Headline occupancy remained stable at 91%. Occupancy in our industrial and retail assets was more than 97%, but offices remained lower, in part due to market conditions, and also the need to obtain vacant possession on some assets in order to maximise disposal proceeds. Excluding the two assets held for sale at the year-end, occupancy rose to 93%.

We have been able to grow rental income and capture some of the reversionary potential in the portfolio through leasing activity and rent reviews during the year, particularly in the industrial assets, and further details are within the Portfolio Review section.

# £745m


Portfolio valuation

# 96p

Net asset value per share

# 4.0p

EPRA earnings per share

 [Click here to watch our Results Video](#)

## Chief Executive's Review / Continued

**We have a valuable debt structure with 100% of our long-term debt fixed for over seven years.**

**Michael Morris**  
Chief Executive

**101p**

EPRA NDV per share

**28%**

Loan to value

### Operational excellence

The long-term success we have had at a property level has also been mirrored with prudent management of our balance sheet.

We have been able to repay our revolving credit facility using proceeds from an asset sale, post year-end. At the time of writing, our revolving credit facility of £50.0 million remains fully undrawn and we will be exploring options to extend this ahead of its maturity next year.

We have a valuable debt structure with 100% of our long-term debt fixed for over seven years and at an average interest rate of 3.7%, well below the prevailing market rate. The fair value of our debt book is not reflected in our reported net assets, but in our EPRA NDV which is 5% higher or 101 pence per share.

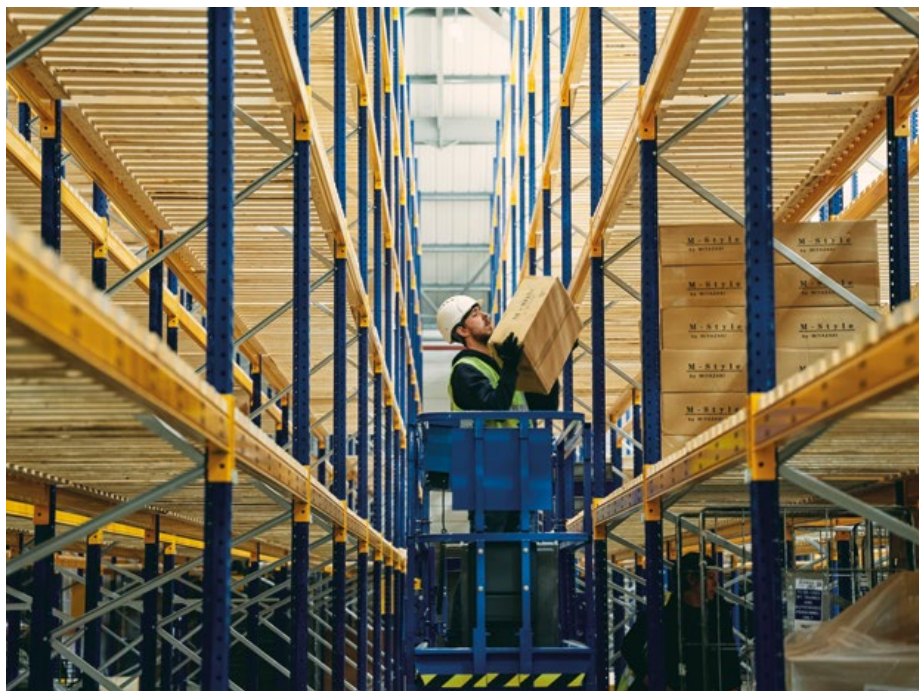
During the year, we incurred a number of non-recurring costs to further develop and improve the operation of the business. Effective from October, we internalised our company secretarial function, which has improved our corporate governance and our overall operational effectiveness.

We have also recruited a new Chief Financial Officer, Saira Johnston, as successor to Andrew Dewhirst who retired at the end of the financial year. Andrew has been with the Company since 2011 and will be greatly missed by the team. We are looking forward to working with Saira who has a proven track record in real estate finance.

Despite the inflationary pressures on costs generally and an increase in these one-off costs, we have been able to grow EPRA earnings by 2.2% over the year.







Our priority is to continue to grow EPRA earnings while focusing on improving our share price rating to be more reflective of the potential of the business.

**Michael Morris**  
Chief Executive

### Acting responsibly

We have continued to invest in our portfolio to ensure not only that it meets the needs of today's occupiers but is also future-proofed and helps us achieve our net zero carbon commitments.

We have invested in our assets and improved our portfolio EPCs with 80% of the portfolio now rated A-C. This is yet another year-on-year improvement and compares with 55% A-C rated in 2020.

We have made good progress in removing gas installations and converting heating to electrical systems across five assets. This is reflected in the 10% reduction in like-for-like Scope 1 emissions in the year. We have installed more on-site renewables in the form of solar this year than in any preceding period; an increase in capacity of 184%.

### Consolidation and growth

The Board and the team are committed to act in the interests of all stakeholders and recognise the need to remain relevant to shareholders. Much has been written about the challenges with the UK listed markets generally. Real estate businesses have been impacted by the rising interest rate environment and wide share price discounts have led to consolidation, acquisitions and managed wind-downs.

We considered multiple opportunities during the year and specifically had extensive discussions in 2023 about a possible combination with UK Commercial Property REIT, which we were disappointed to be unable to progress. We still believe there is merit in consolidation, and equally that there is a place for a well-managed diversified REIT that can adapt to changing market conditions.

While the rationale for merging was to capitalise on our internalised management model and track record, allowing shareholders to benefit from the economies of scale, we believe this corporate activity also had some adverse short-term impact on our share price.

### Outlook

2024 appears to have started with considerably more momentum than the preceding year and this has been apparent in the continued rental growth and stabilisation in capital growth as captured in the MSCI indices. The occupier markets remain more resilient than some had expected and we have a good pipeline of activity across all areas of the portfolio.

Our approach capitalises on real estate being an ever-evolving asset class, with buildings continually adapted, upgraded or repurposed to meet changing occupier demand.

There remains significant income upside within the portfolio, whether that is captured directly at rent review or lease expiry or through the recycling of assets and reinvestment.

Our priority in the short-term is continuing to grow EPRA earnings while focusing on improving our share price rating to be more reflective of the performance and potential of the business.

**Michael Morris**  
Chief Executive  
22 May 2024

Key Performance Indicators

# Measuring the success of the business

We have a range of key performance indicators that we use to measure the performance and success of the business.

Financial KPIs

Total return (%)

-0.9%

2024	-0.9	
2023	-13.9	
2022		28.3

Why we use this indicator

The total return is the key measure of the overall performance of the Group. It is the change in the Group's net asset value, calculated in accordance with IFRS, over the year, plus dividends paid.

The Group's total return is used to assess whether our aim to be one of the consistently best performing diversified UK REITs is being achieved, and is a measure used to determine the annual bonus.



Our performance in 2024

We have grown EPRA earnings this year, but this has been offset by the adverse valuation movements over the year.

Total shareholder return (%)

-1.0%

2024	-1.0	
2023	-26.4	
2022		18.7

Why we use this indicator

The total shareholder return measures the change in our share price over the year, plus dividends paid. We use this indicator because it is the return seen by investors on their shareholdings.

Our total shareholder return relative to a comparator group is a performance metric used in the Long-term Incentive Plan.



Our performance in 2024

In line with the property sector generally, our share price has declined over the year.

Total property return (%)

1.6%

2024		1.6
2023	-8.7	
2022		24.3

Why we use this indicator

The total property return is the combined income and capital return from our property portfolio for the year, as calculated by MSCI. We use this indicator because it shows the success of the portfolio strategy without the impact of gearing and corporate costs.

Our total property return relative to the MSCI UK Quarterly Property Index is a performance condition for both the annual bonus and the Long-term Incentive Plan.



Our performance in 2024

We have outperformed the MSCI UK Quarterly Property Index for the eleventh consecutive year, delivering a return of 1.6% compared to the Index return of -1.0% for the year. We have also delivered upper quartile outperformance against MSCI over three, five and ten years, and since launch in 2005.




We consider that industry standard measures, such as those calculated by MSCI, are appropriate to use alongside certain EPRA measures and others that are relevant to us. In this regard, we consider that the EPRA net tangible asset per share (EPRA NTA), earnings per share and vacancy rate are the most appropriate measures to use in assessing our performance.

Key performance indicators are also used to determine variable remuneration rewards for the Executive Directors and the rest of the Picton team. The indicators used are total return, total shareholder return, total property return and EPRA earnings per share. This is set out more fully in the Remuneration Report.

#### Our strategic priorities

Portfolio Performance	1
Operational Excellence	2
Acting Responsibly	3

 For more information on **EPRA Best Practices Recommendations** see pages **158-161**

 **Remuneration Link**

#### Property income return (%)

# 5.1%

2024	5.1
2023	4.4
2022	4.5

#### Why we use this indicator

The property income return, as calculated by MSCI, is the income return of the portfolio. Income is an important component of total return and our portfolio is biased towards income generation.



#### Our performance in 2024

The income return for the year of 5.1% was ahead of the MSCI UK Quarterly Property Index of 4.7%, and we have also outperformed over three, five and ten years, and since launch in 2005.

#### Loan to value ratio (%)

# 27.9%

2024	27.9
2023	26.7
2022	21.2

#### Why we use this indicator

The loan to value ratio is total Group borrowings, net of cash, as a percentage of the total portfolio value. This is a recognised measure of the Company's level of borrowings and is a measure of financing risk. See the Supplementary Disclosures section for further details.



#### Our performance in 2024

The loan to value ratio has increased slightly over the year with the adverse valuation movements. After the year-end, we have reduced this measure through the repayment of our revolving credit facility.

#### Cost ratio (%)

# 1.2%

2024	1.2
2023	1.0
2022	1.0

#### Why we use this indicator

The cost ratio, recurring administration expenses as a proportion of the average net asset value, shows how efficiently the business is being run, and the extent to which economies of scale are being achieved. See the Supplementary Disclosures section for further details.



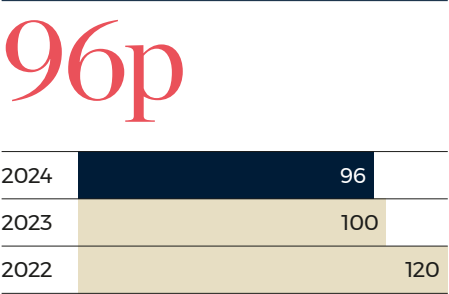
#### Our performance in 2024

The cost ratio has increased over the year, predominantly due to the reduction in net assets over the period, rising staff costs and additional resource.

Key Performance Indicators / Continued

EPRA KPIs

EPRA NTA per share (pence)



Why we use this indicator

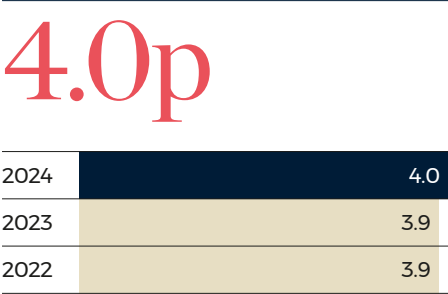
The EPRA net tangible assets (NTA) per share, calculated in accordance with EPRA, measures the value of shareholders' equity in the business. We use this to measure the growth of the business over time and regard this as the most relevant net asset metric for the business.



Our performance in 2024

The EPRA NTA per share has declined slightly this year as a result of the adverse valuation movements, despite earnings growth.

EPRA earnings per share (pence)



Why we use this indicator

The earnings per share, calculated in accordance with EPRA, represents the earnings from core operational activities and excludes investment property revaluations, gains/losses on asset disposals and any exceptional items. We use this because it measures the operating profit generated by the business from the core property rental business.

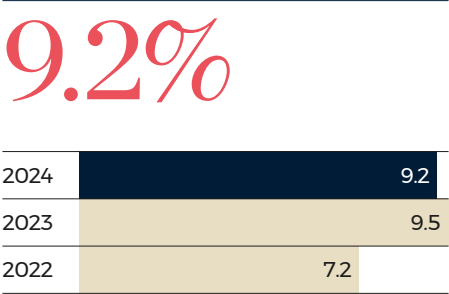
The growth in EPRA earnings per share is also a performance measure used for the annual bonus and the Long-term Incentive Plan.



Our performance in 2024

EPRA earnings per share have grown this year to 4.0 pence per share, reflecting growth in income.

EPRA vacancy rate (%)



Why we use this indicator

The vacancy rate measures the amount of vacant space in the portfolio at the end of each financial period, and over the long-term, is an indication of the success of asset management initiatives undertaken.



Our performance in 2024

Our vacancy rate has remained stable this year. However, it has improved subsequent to the year-end with the sale of a part-vacant office building, in line with our alternative use strategy.



Non-financial KPIs

Retention rate (%)

76%

2024	76
2023	67
2022	37

Why we use this indicator

This provides a measure of income at risk and the retention of that income during the year. This is achieved through lease extensions or removal of break options.



Our performance in 2024

Our significantly higher retention rate reflects our proactive approach to asset management and engagement with our occupiers.

Total ERV at risk due to lease expiries or break options totalled £6.4 million, higher than last year. This excludes office buildings where we have kept space vacant for alternative uses.

EPC rating A-C (%)

80%

2024	80
2023	76
2022	71

Why we use this indicator

Energy Performance Certificates (EPCs) indicate how energy efficient a building could be by assigning a rating from A (very efficient) to G (very inefficient).

From 1 April 2023, Minimum Energy Efficiency Standards (MEES) regulations prohibited leasing space that is F or G rated, unless an exemption certificate applies. The minimum EPC rating is likely to be raised further, with the UK Government consulting on proposals to require a minimum of C by 1 April 2028, and B by 1 April 2030.



Our performance in 2024

The proportion of EPC ratings between A-C has increased against the prior year and makes up 80% of the portfolio. The remaining 20% is rated D or E.

Employee satisfaction (%)

86%

2024	86
2023	82
2022	82

Why we use this indicator

We use this indicator to assess our performance against one of our strategic objectives, to nurture a positive culture reflecting the values and alignment of the team. The indicator is based on the employee survey carried out during the year.



Our performance in 2024

Our employee satisfaction score has increased this year with very positive team sentiment.

## Our Marketplace

# Lower interest rates will fuel economic recovery

### Economic backdrop

After a challenging 2023, the UK economy appears to be improving, with inflation falling and the Bank of England widely anticipated to commence base rate cuts in the second half of 2024. This expected reduction in interest rates should continue the positive momentum in terms of improving business, investor and consumer confidence, as the cost of debt and cost of living pressures continue to ease.

Despite increases in long-term UK Government bond yields over the year, paralleled by similar rises in property yields, there are signs of stabilisation emerging.

The economy has already recovered from the mild technical recession of 2023, with the Office for National Statistics estimating encouragingly strong GDP growth of 0.6% for the first three months of 2024.

In terms of output, both services and production contributed positively to the recovery, recording growth of 0.7% and 0.8% respectively. Output from construction fell -0.9%, which somewhat reflects the bad weather conditions that affected the building sector during this period. In terms of expenditure, increases in the volume of net trade, household and Government spending contributed to economic growth.

Inflation has fallen a long way from its forty-year peak of 11.1% in October 2022, with the annual increase in the consumer prices index in March 2024 at 3.2%. Core inflation (excluding energy, food and tobacco prices), which has been more stubborn, reduced to 4.2% in March 2024.

# 0.6%

Increase in UK GDP in the three months to March 2024

There has recently been some softening within the labour market, with the unemployment level increasing to 4.3%, and job vacancy numbers on a downward trend, however real wage growth is now positive and has remained so since June 2023. As at March 2024, wage growth in real terms was 2.0% per annum for regular pay and 1.7% per annum for total pay.

The housing market has remained resilient in the face of rising interest rates, and house price growth has started to re-emerge, with new mortgage rates down from the peak of summer 2023. According to the Halifax House Price Index, house prices grew 1.1% in the year to April 2024. Widespread loan defaults and forced sales have not been a feature of this downturn, partly due to stricter lending criteria and high levels of employment in comparison to previous market cycles.

According to the ONS, retail sales volumes have been on a downward trajectory since April 2021, whereas retail sales values have been rising, which reflects the impact of inflation. Looking at the quarter to March 2024, retail sales volumes did increase by 1.9% compared to the previous three months, following the low sales volumes over the Christmas period. Going forwards, households benefitting from falling inflation and interest rates should support consumer spending.

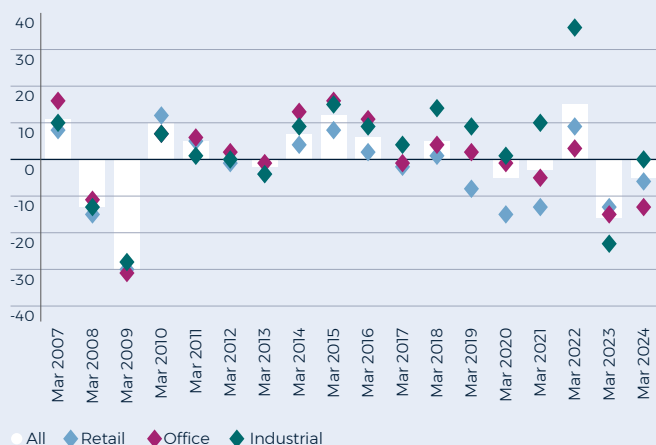
The short to medium-term economic outlook offers signs of cautious optimism. Downside risks remain, particularly in relation to geopolitical instability in the Middle East and eastern Europe, which could potentially fuel inflationary pressures.

The timing of and scale of the Bank of England's interest rate cuts are highly dependent on the trajectory of inflation and strength of the labour market in the coming months.

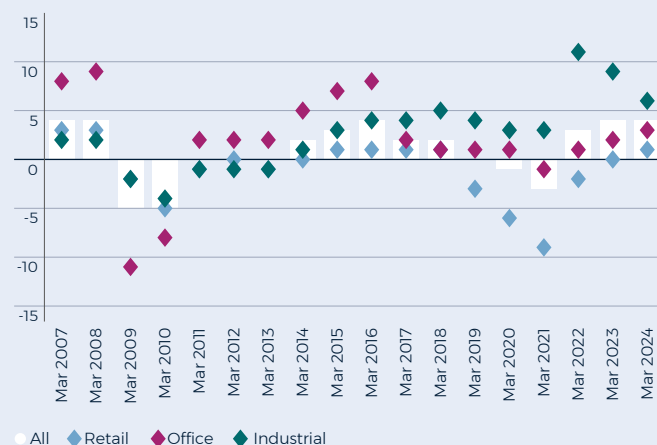




MSCI UK Quarterly Property Index  
Annual Capital Growth (%)



MSCI UK Quarterly Property Index  
Annual Estimated Rental Value Growth (%)



## UK property market

For the year to March 2024, the property market remained subdued as the impact of higher interest rates continued to be felt.

The MSCI UK Quarterly Property Index reported an All Property total return of -1.0%, comprising -5.5% capital growth and 4.7% income return. This was a significant improvement on the -12.6% total return for the year to March 2023. In March 2024, the MSCI All Property equivalent yield was 6.6% (March 2023: 6.2%).

The occupier market has recently shown more resilience than the investment market, with All Property ERV growth for the year to March 2024 recorded at 3.7% (March 2023: 3.5%).

The All Property averages mask nuances at sector and sub-sector levels, with polarisation remaining a key theme.

The charts above show annual capital growth and ERV growth recorded by the MSCI UK Quarterly Property Index, with all property depicted in the bars and the sectors with the markers.

Of the three main sectors, industrial was the best performer, both in terms of investment returns and rental growth. Standard industrial market fundamentals are particularly favourable, with continued healthy demand for well-placed units and low levels of supply.

The MSCI Industrial total return for the year to March 2024 was 4.4%, comprising capital growth of 0.0% and an income return of 4.3%.

Looking at sub-sectors, capital growth ranged from -0.9% for Distribution Warehouses to 1.7% for Standard Industrial – London. In March 2024 the MSCI Industrial equivalent yield was 6.0% (March 2023: 5.7%). Industrial rental growth for the year to March 2024 was 6.5% and strong in all sub-sectors, ranging from 5.7% for Standard Industrial – Rest of UK to 7.0% for Standard Industrial – London.

The office sector is still undergoing a period of recalibration, with increasing refurbishment and upgrading costs, combined with weaker and more selective occupational demand, impacting both pricing and investor sentiment.

The MSCI Office total return for the year to March 2024 was -9.5%, comprising -13.1% capital growth and 4.1% income return. Office capital growth was negative across all sub-sectors, ranging from -18.7% in the Rest of London to -9.9% in Central London. In March 2024 the MSCI Office equivalent yield was 7.6% (March 2023: 6.7%). Office rental growth for the year to March 2024 was 2.8% and positive for all sub-sectors, ranging from 0.5% for the Rest of London to 4.6% in Central London, however, these rental growth numbers do not reflect capital invested into upgrading space.

The retail sector has shown signs of stabilisation, aided by easing inflation and a recovery in real earnings positively impacting consumer confidence. However, store closures and CVAs still remain a feature of the market and not all sub-sectors are recovering at the same pace.

The MSCI Retail total return for the year to March 2024 was -0.2%, comprising capital growth of -5.9% and income return of 6.0%.

Retail capital growth ranged from -8.3% to -1.0% between sub-sectors; Supermarkets experienced the strongest fall in capital values, whereas Out of Town Shopping Centres was the best performer. In March 2024, the MSCI Retail equivalent yield was 6.8% (March 2023: 6.6%). Retail ERV growth was 1.0%, with sub-sectors ranging from -1.6% for Shopping Centres – In Town to 3.7% for Department Stores.

During the year there has been lacklustre transactional activity, due to the increased cost of debt and falling capital values. MSCI recorded £40.1 billion of investment transactions for the year to March 2024, which is 27% down on the £55.4 billion recorded for the year to March 2023 and 51% lower than the £82.1 billion transacted in the year to March 2022. Transactions in the industrial sector had the highest weighting, comprising 24% of the total.

With interest rates anticipated to reduce from the second half of 2024 and increased liquidity in the lending market, it is expected that trading activity will begin to pick up as we head towards the end of the year.

# Market drivers

Theme	Impact on investment markets
<b>Geopolitical drivers:</b> <ul style="list-style-type: none"> <li>/ Conflict</li> <li>/ Uncertainty</li> <li>/ Supply chain disruption</li> <li>/ Energy prices</li> </ul>	<p>High levels of geopolitical uncertainty can have an adverse impact on investment markets. Geopolitical tension and conflict have the potential to create disruption, cause price shocks, and increase the risk premium.</p> <p>However, the UK is an attractive location for investors in a global context, offering high levels of transparency, governance and stability. The UK is ranked first in the latest JLL Global Transparency Index.</p>
<b>Economic drivers:</b> <ul style="list-style-type: none"> <li>/ GDP growth</li> <li>/ Inflation</li> <li>/ Interest rates</li> <li>/ Business and consumer confidence</li> </ul>	<p>The pace at which the Bank of England increased the base rate between January 2022 and August 2023 in response to soaring inflation caused uncertainty in the Government bond markets. CPI inflation reached a peak of 11.1% in October 2022 and remained elevated for longer than expected.</p> <p>Long-term gilt yields rose, which narrowed the gap between the risk-free rate and property yields. A correction followed, causing commercial property values to fall.</p> <p>Investment volumes are adversely impacted by high levels of uncertainty and an increase in the cost of debt. Higher costs increase the hurdle rate an investment is required to achieve, affecting feasibility. During 2023, UK commercial property investment volumes were significantly below average.</p> <p>CPI inflation has fallen to 3.2% as at March 2024 and the Bank of England base rate has been held at 5.25% since August 2023. It is expected that the Bank of England will start to reduce the base rate in the second half of 2024.</p>
<b>Property cycles:</b> <ul style="list-style-type: none"> <li>/ Sector differences</li> <li>/ Stages of recovery</li> </ul>	<p>The commercial property market is cyclical due to a variety of factors, for example demand supply dynamics, economic conditions, the impact of inflation on construction costs, and property yields compared to bond yields.</p> <p>This cyclicality is a driver of capital markets, given that timing of investment decisions can have a significant impact on returns.</p> <p>The different sectors within commercial property can be at different points in the cycle, therefore a diversified approach can bring the benefit of reduced risk over the longer-term.</p>
<b>ESG drivers:</b> <ul style="list-style-type: none"> <li>/ Environmental factors</li> <li>/ Climate change</li> <li>/ Biodiversity</li> <li>/ Social impact</li> <li>/ Governance</li> </ul>	<p>Factors considered under the umbrella term of Environmental, Social and Governance are playing an increasingly vital role in investment pricing and decision making.</p> <p>Assets which are decarbonised, energy efficient, carry a high EPC rating and a low level of physical risk are more likely to command a 'green premium', whereas a 'brown discount' can be applicable to assets of the opposite calibre.</p> <p>Assets which are not decarbonised, carrying physical risks from the impacts of climate change, or transition risks through not conforming with regulation and legislation, are at risk of becoming stranded.</p> <p>Investors are also driven by social issues, and want to be seen to be making a real positive impact rather than greenwashing. Property owners who do not balance different stakeholders' needs, or nature and the built environment risk scrutiny.</p>
<b>Technology drivers:</b> <ul style="list-style-type: none"> <li>/ AI</li> <li>/ PropTech</li> <li>/ Big Data</li> <li>/ Digitalisation of society</li> <li>/ Supply chain optimisation</li> <li>/ Rapid pace of change</li> </ul>	<p>Technology drivers affecting capital markets could be in the form of constructs driving structural changes, like the evolution of General Purpose AI, Machine Learning, Big Data and the digitalisation of society, which have the potential to affect how and where we work, live and spend recreational time, and therefore which property sectors will win or lose as a result.</p> <p>AI and Big Data are likely to give a competitive advantage to those who use these tools to make investment decisions.</p> <p>AI also carries wider risks, for example in the form of cyber insecurity, job losses, social risk and information inaccuracy. Investors who fail to account for these may be compromised in the longer-term.</p> <p>More specifically, assets which have technological capability and supporting infrastructure are likely to be more investable than those that fall short or are reliant on legacy systems.</p>



## Impact on occupational markets

Geopolitical tension has the potential to impact supply chains, increase energy prices, increase import/export costs, cause social unrest and impact business confidence.

Factors affecting occupier decision making relating to property requirements may include changing locations, improving supply chain efficiency, the need to reduce costs and an increased desire for on-site renewable energy.

The state of the economy affects occupiers' outlook for their businesses, in terms of confidence, expansion activity and their need for space.

The different property sectors are typically linked to economic conditions in different ways. For example, retailers are strongly impacted by consumer confidence and retail sales, whereas industrial occupiers may have stronger ties to import/export volumes.

If occupiers are in expansion mode, this is more likely to increase take up/net absorption figures, reduce vacancy rates and generate rental growth. The opposite is true if occupier businesses are struggling.

Structural drivers can impact the occupier markets of property sectors differently, placing them at different phases of the cycle.

E-commerce has had a profound impact on the industrial and retail sectors. Demand for industrial property soared as a result of an increasing proportion of retail spend occurring online. Supply did not keep pace, and as a result, the sector has benefitted from strong increases in rents. The opposite situation occurred in the retail sector, where consolidation, CVAs and insolvencies contributed to rising vacancy rates and falling rents.

Post the Covid-19 pandemic and rise in working from home, the office sector continues to experience a structural change, with occupiers reassessing their requirements. However, as there has been reasonably limited development activity, there is competition for prime space that meets modern ESG requirements, leading to polarisation within the sector.

Occupiers have various motives for engaging with ESG. Ultimately, being more sustainable can increase profitability. Achieving more whilst using fewer resources cuts costs, and occupying a sustainable building aligns with this narrative.

Some occupiers will be motivated by their own pathways to net zero. Occupying technology enabled, energy efficient buildings, signing up to green lease clauses and initiatives like sharing energy usage data, using on-site renewable and adopting green energy tariffs will aid progress.

From a social perspective, buildings containing health and wellness facilities, green spaces, biophilic design and other amenities can improve occupiers' employee satisfaction and retention.

Advances in technology, caused for example by automation, emerging industries and new skills, reshape the employment industry, and require evolution of spaces and places that businesses occupy.

Buildings that are technology enabled, for example with elements of automation and sufficient grid capacity, are likely to be more appealing to occupiers and command a rental premium.

There are sector specific occupational drivers, for example technology to optimise supply chains and the capacity to run fleets of electric vehicles within the logistic sector, or the technological capability of a building to be used as a data centre.

## Our strategic response

We have an agile and flexible business model and so are able to adapt and respond to market trends.

We have been able to keep energy costs down for some of our occupiers through working with our managing agents to offer reduced rates and bulk buying.

We are undertaking a phased roll-out of on-site renewable energy across our portfolio where feasible, which will be available to our occupiers at a reduced rate. Five sites were fitted with solar panels during the year.

For further details see the Principal Risks section of this report on pages 42–46.

We have an appropriate capital structure for the market cycle and have retained our defensive position, with a loan to value ratio of 28% and 93% of borrowings fixed, with 2031/32 maturities. Our weighted average interest rate is less than the base rate at 3.9%.

We have a diverse income base via our 400 occupiers that have proven to be very resilient, operating within a wide variety of industries. Our occupier focused, opportunity led approach enables us to create spaces to help our occupiers succeed.

Proactive asset management drives performance through enhancing asset quality, attracting and retaining occupiers, minimising the cost of vacancy and maximising efficiency.

Our in-depth understanding of the UK commercial property market enables us to identify and source value across different sectors and reposition the portfolio through the property cycle.

Through maintaining a diversified portfolio, we are able to dilute cyclical risks associated with a single sector. Dynamics that cause a downturn or disproportionate shock in one sector have a reduced impact on overall performance.

We have retained our overweight position in the outperforming industrial sector and are seeking alternative uses for selected buildings within our office portfolio.

For further details see the Portfolio Review section of this report on pages 28–37.

We are committed to integrating sustainability within all our business activities, and in a way that makes a positive contribution to society, whilst minimising any negative impact on people, local communities, and the environment.

We are focused on becoming net zero carbon by 2040 through following the UK Green Building Council's net zero carbon hierarchy. We are investing in decarbonising the portfolio, including removing fossil fuel-based systems, installation of on-site renewables and engaging with our occupiers to measure and manage our Scope 3 emissions.

We have carried out risk assessments of our existing assets in line with the TCFD framework, and integrated sustainability-focused due diligence in our investment process.

For further details see the Being Responsible section of this report on pages 56–77.

We are committed to maintaining an efficient operating platform and continue to investigate and invest in PropTech solutions where appropriate.

Wherever possible, we use data to measure, manage and drive progress on our strategy, including our sustainability goals.

For further details see the Principal Risks section of this report on pages 42–46.

## Portfolio Review

Our property portfolio consists of 49 assets.  
Our diverse exposure provides flexibility  
to adapt as market conditions dictate.

# 49

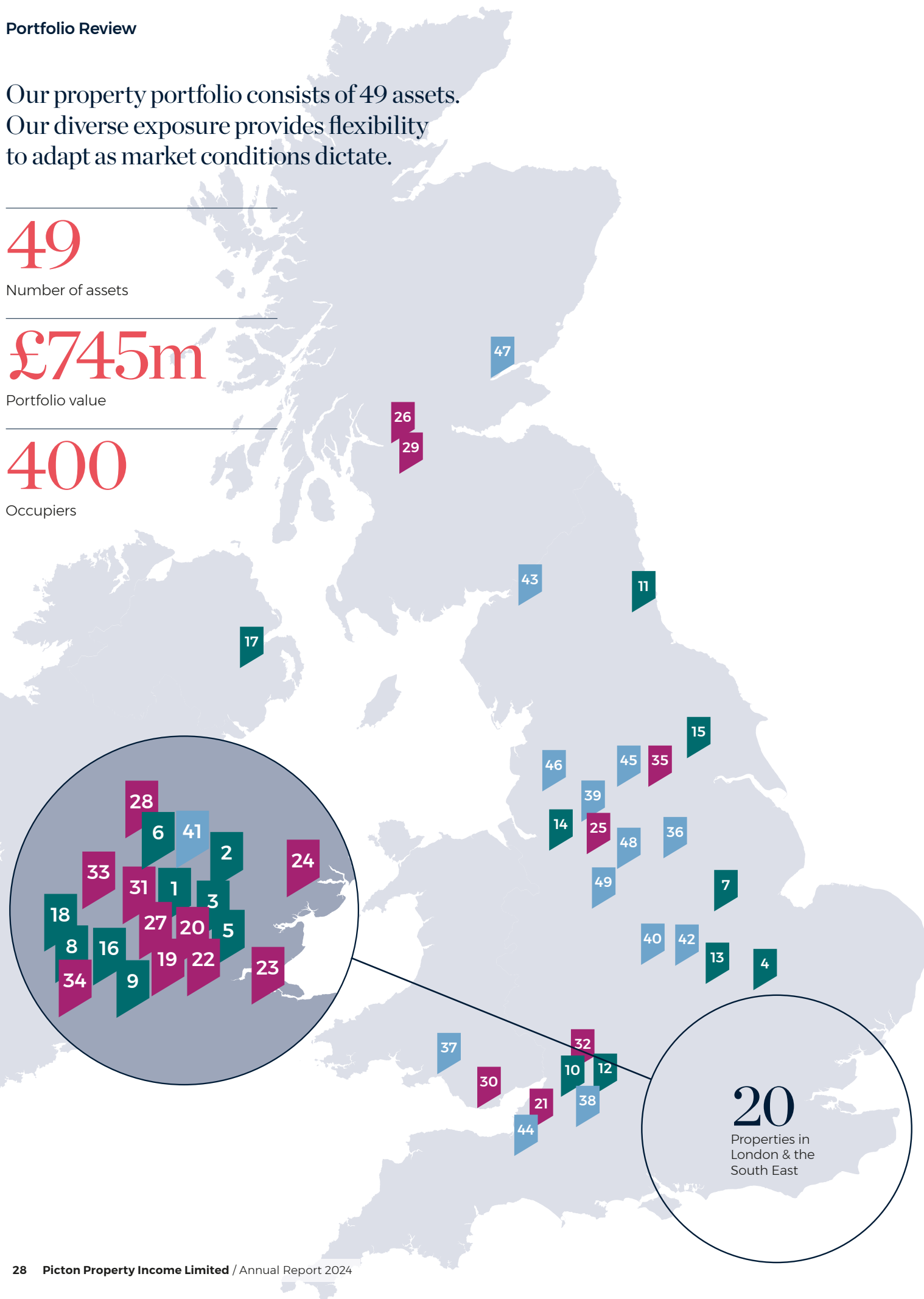
Number of assets

# £745m

Portfolio value

# 400

Occupiers





## Industrial 59%

1	<b>Parkbury Industrial Estate</b> Radlett 340,900 sq ft – Freehold
2	<b>River Way Industrial Estate</b> Harlow 454,800 sq ft – Freehold
3	<b>Datapoint</b> London E16 55,100 sq ft – Leasehold
4	<b>Shipton Way</b> Rushden 312,900 sq ft – Freehold
5	<b>Lyon Business Park</b> Barking 99,400 sq ft – Freehold
6	<b>Sundon Business Park</b> Luton 127,800 sq ft – Freehold
7	<b>Trent Road</b> Grantham 336,100 sq ft – Leasehold
8	<b>The Business Centre</b> Wokingham 96,400 sq ft – Freehold
9	<b>Nonsuch Industrial Estate</b> Epsom 41,400 sq ft – Leasehold
10	<b>Madleaze Trading Estate</b> Gloucester 304,800 sq ft – Freehold
11	<b>Vigo 250</b> Washington 246,800 sq ft – Freehold
12	<b>Mill Place Trading Estate</b> Gloucester 355,200 sq ft – Leasehold
13	<b>Swiftbox</b> Rugby 99,500 sq ft – Freehold
14	<b>Easter Court</b> Warrington 81,800 sq ft – Freehold
15	<b>1 &amp; 2 Kettlestring Lane</b> York 157,800 sq ft – Freehold
16	<b>Downmill Road</b> Bracknell 41,200 sq ft – Freehold
17	<b>Abbey Business Park</b> Belfast 61,500 sq ft – Freehold
18	<b>Magnet Trade Centre</b> Reading 13,700 sq ft – Freehold

## Office 30%

19	<b>Stanford Building</b> London WC2 20,100 sq ft – Freehold
20	<b>Angel Gate*</b> London EC1 64,600 sq ft – Freehold
21	<b>Tower Wharf</b> Bristol 70,600 sq ft – Freehold
22	<b>50 Farringdon Road</b> London EC1 31,300 sq ft – Leasehold
23	<b>30 &amp; 50 Pembroke Court</b> Chatham 86,000 sq ft – Leasehold
24	<b>Colchester Business Park</b> Colchester 150,500 sq ft – Leasehold
25	<b>Metro</b> Manchester 71,000 sq ft – Freehold
26	<b>180 West George Street</b> Glasgow 52,300 sq ft – Freehold
27	<b>Charlotte Terrace*</b> London W14 32,900 sq ft – Freehold
28	<b>401 Grafton Gate</b> Milton Keynes 57,500 sq ft – Freehold
29	<b>Queen's House</b> Glasgow 49,400 sq ft – Freehold
30	<b>Longcross*</b> Cardiff 69,700 sq ft – Freehold
31	<b>Trident House</b> St Albans 19,000 sq ft – Freehold
32	<b>109-117 High Street</b> Cheltenham 16,800 sq ft – Freehold
33	<b>Atlas House</b> Marlow 24,000 sq ft – Freehold
34	<b>Sentinel House</b> Fleet 33,500 sq ft – Freehold
35	<b>Waterside House</b> Leeds 25,200 sq ft – Freehold

\*Assets being repositioned for alternative uses and/or held for sale

## Retail and Leisure 11%

36	<b>Queens Road</b> Sheffield 105,600 sq ft – Freehold
37	<b>Parc Tawe North Retail Park</b> Swansea 116,700 sq ft – Leasehold
38	<b>Gloucester Retail Park</b> Gloucester 113,900 sq ft – Freehold
39	<b>Angouleme Retail Park</b> Bury 76,200 sq ft – Freehold
40	<b>Regency Wharf</b> Birmingham 41,500 sq ft – Leasehold
41	<b>Thistle Express</b> Luton 81,600 sq ft – Leasehold
42	<b>Scots Corner</b> Birmingham 25,500 sq ft – Freehold
43	<b>Crown &amp; Mitre Building</b> Carlisle 25,200 sq ft – Freehold
44	<b>53-57 Broadmead</b> Bristol 13,200 sq ft – Leasehold
45	<b>78-80 Briggate</b> Leeds 7,700 sq ft – Freehold
46	<b>17-19 Fishergate</b> Preston 52,300 sq ft – Freehold
47	<b>72-78 Murraygate</b> Dundee 9,700 sq ft – Freehold
48	<b>7-9 Warren Street</b> Stockport 8,700 sq ft – Freehold
49	<b>6-12 Parliament Row</b> Hanley 17,300 sq ft – Freehold

# Top ten assets

1/Industrial



Parkbury Industrial Estate, Radlett



Approximate area (sq ft) / 340,900

Capital value (£m) / >100

Number of occupiers / 20

Occupancy rate (%) / 98

EPC rating / A-D

2/Industrial



River Way Industrial Estate, Harlow



Approximate area (sq ft) / 454,800

Capital value (£m) / 50-75

Number of occupiers / 9

Occupancy rate (%) / 100

EPC rating / A-D

3/Office



Stanford Building, London WC2



Approximate area (sq ft) / 20,100

Capital value (£m) / 30-50

Number of occupiers / 5

Occupancy rate (%) / 100

EPC rating / B-D

4/Industrial



Datapoint, Cody Road, London E16



Approximate area (sq ft) / 55,100

Capital value (£m) / 20-30

Number of occupiers / 6

Occupancy rate (%) / 100

EPC rating / B-C

5/Industrial



Shipton Way, Rushden



Approximate area (sq ft) / 312,900

Capital value (£m) / 20-30

Number of occupiers / 1

Occupancy rate (%) / 100

EPC rating / C

## 6/Office



Angel Gate, City Road, London EC1\*



Approximate area (sq ft) / 64,600

Capital value (£m) / 20-30

Number of occupiers / 14

Occupancy rate (%) / 52

EPC rating / B-D

\*Asset held for sale

## 7/Industrial



Lyon Business Park, Barking



Approximate area (sq ft) / 99,400

Capital value (£m) / 20-30

Number of occupiers / 8

Occupancy rate (%) / 100

EPC rating / B-E

## 8/Industrial



Sundon Business Park, Luton



Approximate area (sq ft) / 127,800

Capital value (£m) / 20-30

Number of occupiers / 12

Occupancy rate (%) / 100

EPC rating / B-D

## 9/Office



Tower Wharf, Cheese Lane, Bristol



Approximate area (sq ft) / 70,600

Capital value (£m) / 20-30

Number of occupiers / 5

Occupancy rate (%) / 67

EPC rating / B-C

## 10/Office



50 Farringdon Road, London EC1



Approximate area (sq ft) / 31,300

Capital value (£m) / 20-30

Number of occupiers / 4

Occupancy rate (%) / 100

EPC rating / B



# Continued portfolio outperformance

■ ■ We have been working with our occupiers, investing in our properties, and advancing our sustainability priorities.

**Jay Cable**  
Head of Asset Management



# This year we have been able to repurpose assets to unlock value with alternative use potential and continue our property level outperformance.

## £44.7m

Passing rent

## 3%

Increase in ERV

We continue to actively manage the portfolio completing over 80 asset management transactions, increasing both passing rent and estimated rental value (ERV).

At the year-end, the portfolio passing rent was £44.7 million, an increase from the prior year of £1.4 million, or 3%. The contracted rent, which is the gross rent receivable after the expiry of lease incentives, also increased by 3% or £1.2 million.

The March 2024 ERV of the portfolio was £57.6 million, a 3% increase on the prior year. We had ERV growth of 3% in the industrial sector proven by new lettings and active management. The office sector was up 4% with our central London holdings in Farringdon and Covent Garden particularly benefitting from rental growth, and the retail and leisure sector increased by 1%.

Recognising the weak economic backdrop during the year, occupational markets have been remarkably resilient, and there is a noticeable improvement so far in 2024 compared with 2023.

### Top ten occupiers

The largest occupiers, based as a percentage of contracted rent, as at 31 March 2024, are as follows:

Occupier	Contracted rent (£m)	%
Public sector	1.7	3.6
Whistl UK Limited	1.6	3.4
The Random House Group Limited	1.6	3.4
B&Q Plc	1.2	2.6
Snorkel Europe Limited	1.2	2.4
XMA Limited	1.0	2.0
Portal Chatham LLP	0.9	1.8
DHL Supply Chain Limited	0.8	1.6
4 Aces Limited	0.7	1.4
Hi-Speed Services Limited	0.7	1.4
<b>Total</b>	<b>11.4</b>	<b>23.6</b>

Occupational demand remains robust in the industrial sector and in the retail sector it has stabilised for good quality real estate. The office sector is still going through a period of transition, with the very best quality and greener buildings seeing rental growth, while offices requiring greater capital investment or which are in the wrong location, are struggling to attract occupiers.

We have successfully repurposed office assets in Cardiff for student accommodation and in London for residential use, resulting in exchange of contracts to sell both assets at premiums to the preceding quarterly independent valuation. We are also pursuing an alternative use strategy at Charlotte Terrace, London W14.

Our investment into over 20 assets has helped us to retain and secure new occupiers while improving our EPC ratings for the fourth consecutive year.

**Industrial weighting**  
**59%**

South East	<b>42%</b>
Rest of UK	<b>17%</b>

**Office weighting**  
**30%**

Rest of UK	<b>9%</b>
South East	<b>8%</b>
Central London	<b>7%</b>
Alternative use	<b>6%</b>

**Retail and Leisure weighting**  
**11%**

Retail Warehouse	<b>7%</b>
High Street Rest of UK	<b>2%</b>
Leisure	<b>2%</b>

# Portfolio overview

## Performance

Our portfolio comprises 49 assets, with around 400 occupiers, and is valued at £744.6 million with a net initial yield of 5.2% and a reversionary yield of 7.0%. The average lot size of the portfolio is £15.2 million as at 31 March 2024.

Our asset allocation, with 59% in industrial, 30% in office and 11% in retail and leisure, combined with transactional activity, has enabled us to materially outperform the MSCI UK Quarterly Property Index over the year.

Overall, the valuation only decreased by 3%, after a 12% decrease in the prior year. This compares with the MSCI UK Quarterly Property Index recording capital growth of -5.5% over the period.

We believe that the portfolio remains well placed in respect of our overall sector allocations, which are critical to outperformance when there is such a divergence in returns.

## Industrial

We believe that industrial yields, and valuations are now stabilising for some of the best multi-let estates. Due to the level of development of distribution units over the past few years, we are of the opinion that secondary units may struggle to attract occupiers.

Occupational demand in the sector remains good and we are capturing rental growth. A lack of supply of multi-let estates, coupled with high build costs, means that occupiers have restricted choice when looking for a unit, which has driven rental growth across the country.

**Our overweight industrial position and transactional activity has enabled us to outperform the MSCI UK Quarterly Index over the year.**

**Jay Cable**  
Head of Asset Management

Capital values were marginally positive over the year. The passing rent increased by 12% and the ERV grew by 3%, or £0.9 million.

We remain committed to the sector over the medium-term, primarily due to the strength of occupational demand, lack of supply and low capital expenditure requirements.

Our UK-wide distribution warehouse assets total 1.2 million sq ft in five units, which are fully leased with a weighted average unexpired lease term of 3.8 years.

The multi-let estates, of which 88% by value are in the South East, total 2.1 million sq ft and we only have seven vacant units out of 158, with two under offer and one currently undergoing refurbishment.

The industrial portfolio currently has £6.1 million of reversionary income potential, with £0.7 million relating to the void units.

## Office

There is limited appetite for investment in the office sector, due to concerns about occupational demand and capital expenditure requirements. While this is certainly the case in respect of some secondary buildings, prime offices are still attracting occupiers and showing rental growth as reflected in our portfolio.

Asset selection is key. Each building must be viewed independently, in respect of its location and dynamics, sustainability, flexibility of floorplates and occupier amenities. Certain secondary locations lack occupier demand post-pandemic, and are more suited to alternative use strategies.

We have a rolling capital investment programme, which is currently focused on removing natural gas from buildings as we upgrade air-conditioning systems that have reached or are approaching the end of their life.

Capital values decreased by 8%, or £20.4 million. The passing rent decreased by 7%, some of which was related to obtaining vacant possession for alternative uses, and the ERV grew by 4%, or £0.8 million.

Excluding the properties held for sale, the office portfolio currently has £5.9 million of reversionary income potential, with £2.9 million relating to the void units.

# £745m

Portfolio valuation

# 93%

Occupancy  
(excludes assets held for sale)

## Retail and Leisure

The cost of living crisis has further affected the sector, with well-publicised retail failures this year. However, it is again very asset specific and if the location is not significantly oversupplied there is occupational demand for well-configured units. We see opportunities in the sector for certain retail warehouse and prime high street locations off rebased rents.

Our fully leased retail warehouse parks are underpinned by value-led retailers and make up 7% of the total portfolio. They consist of 0.4 million sq ft in 19 units across four parks and are fully leased, with a weighted average unexpired lease term of 4.6 years.

Our high yielding high street portfolio, which makes up 2% of the total portfolio, is fully leased except for two small shops in Carlisle that became available during the second half of the year.

Capital values decreased by 2%, or £1.6 million. The passing rent increased by 2% and the ERV increased by 1%, or £0.1 million.

The retail and leisure portfolio has negative reversion of £0.8 million per annum, primarily relating to the overrenting of some of the high street retail assets.



# Portfolio activity

## Proactive management

It has been an active year in respect of asset management transactions.

We completed:

- / 26 lettings or agreements to lease, 3% ahead of ERV and securing additional contracted rent of £2.4 million
- / 31 lease renewals or regears, 2% ahead of ERV, securing an uplift in contracted rent of £0.4 million
- / 13 rent reviews, 2% ahead of ERV, securing an uplift in passing rent of £0.8 million
- / Five lease variations to remove occupier break options, securing £1.0 million of income
- / Seven lease surrenders to facilitate active management

## Leasing and occupancy

Occupancy has been stable during the year at 91%, rising to 93%, excluding the two office assets which are held for sale at the year-end. This compares to the MSCI UK Quarterly Property Index of 92% as at 31 March 2024. The total void ERV is £3.7 million, excluding the held for sale properties.

Our industrial portfolio is 98% leased with demand remaining high across the country. We have only seven vacant industrial units, with two under offer and one being refurbished.

The office portfolio occupancy is 80%, or 85%, excluding the properties held for sale. Seven of our office buildings are fully leased, two are being sold and we have suites available in the remaining eight buildings with four of these being over 25% vacant by ERV.

In terms of retail and leisure, occupancy is 98%. The retail warehouse portfolio is fully leased, and we have two small vacant high street shops. At Regency Wharf, Birmingham, we have one remaining office suite to lease.

Our largest voids, excluding the two properties held for sale, which account for 31% of the void, are at:

- / Tower Wharf, Bristol – accounting for 13% of the total void. We have agreed terms to upsize an existing occupier, increasing their floorspace by 146%. We will be offering fully fitted suites in respect of the remaining space, which is to be refurbished later this year.
- / Charlotte Terrace, London – accounting for 13% of the total void. We are working through options for alternative uses and are awaiting planning permission.
- / Colchester Business Park, Colchester – accounting for 11% of the total void. The majority relates to an office building that recently became available. We are working up a refurbishment of the property, to include SwiftSpace suites, and already have occupational interest.

## Retention

Over the year, total ERV at risk, due to lease expiries or break options, totalled £6.4 million. This excludes office buildings where we have intentionally kept space vacant for change of use.

We retained 76% of total ERV at risk in the year to March 2024. Of the ERV that was not retained, a further 1% or £0.1 million was re-let to new occupiers during the year.

In addition, a further £2.7 million of ERV was retained by either removing future breaks or extending future lease expiries ahead of the lease event.

## Longevity of income

As at 31 March 2024, expressed as a percentage of contracted rent, the average length of leases to first termination was 4.2 years (2023: 4.6 years). This is summarised as follows:

	%
0 to 1 year	14.3
1 to 2 years	24.1
2 to 3 years	15.2
3 to 4 years	10.7
4 to 5 years	9.0
5 to 10 years	20.3
10 to 15 years	5.3
15 years or more	1.1
<b>Total</b>	<b>100</b>



# Portfolio investment

**» We are continually focused on future-proofing our assets from a sustainability perspective, which has resulted in an improvement in our EPC ratings.**

**Jay Cable**  
Head of Asset Management

## Refurbishment upgrades

Over the year, we have invested £4.5 million into the portfolio across more than 20 projects, with the top five projects accounting for 57% of the spend.

These have all been aimed at enhancing space to retain and attract occupiers, improve sustainability credentials and grow income. All works undertaken are in line with our sustainable refurbishment guidelines, outlining best industry practice. Where appropriate, we remove natural gas from buildings, install solar panels and upgrade insulation, in line with our net zero carbon pathway.

We are continually focused on future-proofing our assets from a sustainability perspective, which has resulted in an improvement in our EPC ratings with 80% of our properties (by rental value) now rated C and above, an increase of 4% on the prior year.

## £4.5m

Invested into the portfolio

## 80%

EPC ratings A-C

## Investment activity

The investment market was subdued throughout 2023, with a low volume of transactions. However, since the start of 2024, we have seen more activity in the market, reflecting greater optimism.

No acquisitions were made during the year, and we exchanged contracts to sell two properties as detailed below.

### Angel Gate, London EC1

Contracts were exchanged at the end of March 2024 to sell Angel Gate, EC1, with completion occurring mid-April. The sale is in line with our strategy to repurpose appropriate office assets and follows the securing of residential planning consents during 2023.

The sale consideration was 5% ahead of the 31 December 2023 valuation of £28.1 million. The property is approximately 50% occupied and represented 19% of the total portfolio void at the year-end.

### Longcross, Cardiff



During the year, we exchanged contracts to sell this almost vacant office building to an experienced student accommodation developer.

The transaction is conditional on planning permission, which will be submitted during Summer 2024. The sale price is dependent on the exact planning consent obtained and, in particular, upon the number of rooms secured. The base price was 16% ahead of the March 2023 valuation and we expect to benefit from an overage payment once planning is secured. We will retain an adjacent small income-producing industrial unit and vacant car parking site.

To facilitate the disposal, we have completed a number of surrenders that ensure we can secure vacant possession in 2024, albeit this has a short-term negative effect on portfolio occupancy and net income.

Currently, the property is approximately 90% vacant and represents 12% of the total portfolio void.



# Looking ahead

## Outlook

The sharp yield correction in 2022/23 caused a widespread repricing of commercial property, but we are now seeing values stabilise and indeed some are increasing. Occupational markets on the whole have continued to remain positive even when values were falling. With interest rates predicted to reduce in the second half of 2024, we can see values rising for prime properties in all three sectors we are invested in.

The quality of our portfolio, which has benefited from significant investment in respect of refurbishments and sustainability upgrades in recent years, means that we have future-proofed properties that are attractive to occupiers.

Our occupiers remain our key focus and we have long-standing relationships with many of them, which enable us to work with and assist businesses as they grow and contract.

As at 31 March 2024, the portfolio had £12.8 million of reversionary income potential; £5.3 million from letting the vacant space, £3.9 million from expiring rent-free periods or stepped rents and £3.6 million where the rent is below market level.

There is a wide disparity in performance across the sectors and it comes back to a building's fundamentals and micro-location. Good quality, well-located real estate will attract occupiers, but secondary assets will remain in less demand. The quality of the portfolio combined with sector weightings are critical to outperformance.

Demand for our multi-let industrial properties continues to be good as proven by our high occupancy, significant rental growth over the year and growing ERVs. Our distribution portfolio remains fully let. With industrial accounting for 59% of the total portfolio by value, we believe it will contribute to our performance, with supply constraints and high building costs likely to lead to further rental growth.

Each office building has to be viewed on its own merits, with the majority of our buildings offering strong fundamentals in terms of amenities, natural light, adaptable floor plates and above average car parking facilities. Our strategy to reduce office exposure, where we believe there is a lack of occupational demand and a higher value alternative use can be created, is successfully moving forward with two sales exchanged and further potential opportunities identified.

The retail sector is now seeing some stability, despite recent retailer closures, for example The Body Shop and Wilko, however, value retailers are taking a lot of the space becoming available. The sector provides an attractive yield and buying opportunities for best-in-class stock.

The portfolio remains well-placed and of a high quality, enabling us to maintain and enhance income through our proven occupier focused approach.

Our focus is on reducing office exposure, which will enable higher occupancy, and improving the overall portfolio income through reinvestment and refurbishment.

## Jay Cable

Head of Asset Management

**The portfolio remains well-placed and of a high quality, enabling us to maintain and enhance income through our proven occupier focused approach.**

## Jay Cable

Head of Asset Management





## Financial Review

# Earnings growth to support dividend increase

---

## 96p

**Net assets per share**

2023: 100p  
2022: 120p

---

## £549m

**EPRA NDV**

2023: £570m  
2022: £650m

---

## £22m

**EPRA earnings**

2023: £21m  
2022: £21m

---

## £524m

**EPRA NTA**

2023: £548m  
2022: £657m

---

## 4.0p

**EPRA earnings per share**

2023: 3.9p  
2022: 3.9p

---

## 3.5p

**Dividends per share**

2023: 3.5p  
2022: 3.4p

---

## 114%

**Dividend cover**

2023: 112%  
2022: 115%

---

## 28%

**Loan to value**

2023: 27%  
2022: 21%



## Our industrial weighting has supported a net property income increase of £1.6 million to £37.9 million

### Saira Johnston

Chief Financial Officer

We have delivered net property income growth and increased EPRA earnings during the year, despite a challenging economic backdrop and high interest rate environment.

EPRA earnings, comprising the operating profit before movement on investments, less the net interest expense, was £21.7 million, an increase of 2.2% during the financial year. This was driven by growth in net property income of 4.5% which was primarily delivered from the industrial assets.

The overall loss for the year was £4.8 million which arose as a result of the negative valuation movements of £26.5 million despite commercial property values stabilising during the last quarter of the financial year.

We have prioritised the divestment of low-income producing office assets in order to support earnings growth over the medium-term which has enabled us to repay our floating rate debt after the year-end. We are focused on delivering a covered and sustainable dividend through our sector and asset allocation alongside asset management that supports dividend progression for our shareholders.

### Net asset value

The Group's net assets as at 31 March 2024 was £524.5 million, or 96 pence per share. This reflected a decrease of 4% or 4 pence per share over the financial year. The analysis of the net asset value movement is set out below.

	£m
March 2023 net asset value	547.6
EPRA earnings	21.7
Valuation movement	(26.5)
Share-based awards	0.8
Dividends paid	(19.1)
<b>March 2024 net asset value</b>	<b>524.5</b>

The following table reconciles the net asset value calculated in accordance with International Financial Reporting Standards (IFRS) with that of the European Public Real Estate Association (EPRA).

	2024 £m	2023 £m	2022 £m
Net assets – IFRS and EPRA net tangible asset value	<b>524.5</b>	547.6	657.1
Fair value of debt	<b>24.7</b>	22.8	(6.7)
EPRA net disposal value	<b>549.2</b>	570.4	650.4
Net asset value per share (pence)	<b>96</b>	100	120
EPRA net tangible asset value per share (pence)	<b>96</b>	100	120
EPRA net disposal value per share (pence)	<b>101</b>	105	119

### Income statement

Net property income increased by £1.6 million during the financial year to £37.9 million, delivering a 4.5% increase year-on-year.

Total revenue from the property portfolio increased by 4% to £45.1 million, excluding service charge income. The increase was primarily driven by rental growth in the property portfolio (£0.9 million) and other income (£0.8 million). The industrial assets contributed to additional rental income of around £1.0 million with notable rent reviews concluding at Grantham and Gloucester, in addition to the incremental income from the acquisition of Cheltenham that completed in the previous financial year. Rent collection has continued to be strong, reflecting the quality of our occupiers and asset management oversight.

Total property and void expenses, excluding service charge costs, have been stable during the financial year. We are focused on reducing these further with the office disposal programme; the two office assets held for sale as at the 31 March 2024 contributed to around 15% of the property costs.

We recognise the importance of cost management and the inflationary pressures on our costs, particularly in relation to administrative costs. These expenses increased by £1.3 million to £7.2 million during the financial year, which includes the following non-recurring items:

- / Costs in relation to abortive corporate activity of £0.2 million;
- / Costs for internalising the company secretarial function and lender consents of £0.3 million; and
- / Chief Financial Officer transition costs of £0.1 million

Staff costs increased year-on-year due to additional headcount and salary reviews agreed at the start of the year.

Our EPRA cost ratio (excluding direct vacancy costs) has increased from 21% to 23% during the financial year in part due to the non-recurring items noted above.

The Group cost ratio has increased from 1.0% to 1.2% which is due to the lower average net asset value over the period and the increased administrative costs.

## Financial Review / Continued

### Net finance costs

Our cost of debt increased from £9.0 million to £9.5 million. This was mainly due to amounts drawn under our revolving credit facility with interest charged at 150bps above SONIA. The revolving credit facility balance outstanding as at 31 March 2024 was £16.4 million which was repaid following the year-end.

Interest income received during the year was £0.6 million, which reflects the higher interest rate environment in addition to amounts received from managing agents in respect of interest on client monies from previous periods.

### Dividends

This year, we maintained our quarterly dividend rate of 0.875 pence per share, equating to an annual rate of 3.5 pence per share. Total dividends paid out were £19.1 million, in line with 2023. Dividend cover for the year was 114%.

Following the year-end we increased our annual dividend rate to 3.7 pence per share, following the sale of Angel Gate, London and subsequent debt repayment.

### Investment properties

As at 31 March 2024, the portfolio comprised 49 assets and the appraised value was £744.6 million.

The negative capital movement on the portfolio was £26.5 million for the year, which was primarily driven by yield movement.

There were no acquisitions or disposals completed during the year, however, we exchanged contracts to sell the following office assets, which are classified as assets held for sale as at 31 March 2024:

- / Longcross, Cardiff
- / Angel Gate, London

We have continued to invest in the property portfolio and incurred £4.5 million in capital expenditure during the financial year to support the rental income increases and capital values over the medium to longer-term.

### Summary of borrowings

	2024	2023	2022
Fixed rate loans (£m)	211.1	212.6	213.9
Drawn revolving facility (£m)	16.4	11.9	4.9
Total borrowings (£m)	227.5	224.5	218.8
Borrowings net of cash (£m)	207.7	204.4	180.3
Undrawn facilities (£m)	33.6	38.1	45.1
Loan to value ratio (%)	27.9	26.7	21.2
Weighted average interest rate (%)	3.9	3.8	3.7
Average duration (years)	7.2	8.4	9.6

In line with last year, the value of the floor that we occupy at Stanford Building, London, has been excluded from the value of Investment Properties and included separately with Property, Plant and Equipment. Any capital movements arising from the revaluation of this element of the property are shown within the Consolidated Statement of Comprehensive Income.

### Borrowings

Total borrowings were £227.5 million at 31 March 2024, with the loan to value ratio at 27.9%. The weighted average interest rate on our borrowings was 3.9% while the average loan duration was 7.2 years.

The fair value of our drawn borrowings at 31 March 2024 was £202.8 million, lower than the book value by some £24.7 million. As a result, our EPRA NDV asset value was £549 million at 31 March 2024, higher than the reported net assets under IFRS. Both lending margins and gilt yields continue to be higher relative to the rates set on our facilities.

At 31 March 2024, we had £16.4 million drawn under revolving credit facility, which was fully repaid in April 2024 with the sale proceeds from Angel Gate, London. The £50.0 million facility matures in May 2025 and we will seek to extend it during the year in order to provide flexibility to execute transactions and manage cash flow. We have strong banking relationships with our lenders; the Group has remained fully compliant with its loan covenants and has made scheduled amortisation payments during the year of £1.4 million.

### Cash flow and liquidity

During the year, our cash balances reduced by £0.3 million. The cash flow from operating activities this year was £20.2 million and we invested £4.5 million in capital expenditure into the property portfolio. Overall borrowings increased by £3.1 million and dividends paid were £19.1 million. Our cash balance at the year-end stood at £19.8 million.

### Share capital

No new ordinary shares were issued during the year.

The Company's Employee Benefit Trust now holds 1,642,440 shares. As the Trust is consolidated into the Group's results, these shares are effectively held in treasury and therefore have been excluded from the net asset value and earnings per share calculations, from the date of purchase.

### Saira Johnston

Chief Financial Officer  
22 May 2024



## EPRA Best Practices Recommendations (BPR)

The EPRA key performance measures for the year are set out here, with more detail provided in the EPRA BPR and Supplementary Disclosures section which starts on page 158.

## Alternative performance measures (APMs)

We use a number of alternative performance measures (APMs) when reporting on the performance of the business and its financial position. These do not always have a standard meaning and may not be comparable to those used by other entities. However, we use industry standard measures and terminology where possible.

In common with many other listed property companies, we report the EPRA performance measures. We have reported these for a number of years in order to provide a consistent comparison with similar companies. In the Additional Information section of this report, we provide more detailed information and reconciliations to IFRS where appropriate.

Our key performance indicators include three of the key EPRA measures but also total return, total property return, property income return, total shareholder return, loan to value ratio, cost ratio, occupier retention rate, employee satisfaction and EPC ratings. The definition of these measures, and the rationale for their use, is set out in the Key Performance Indicators section on pages 20 to 23.

## EPRA's mission

The European Public Real Estate Association's (EPRA) mission is to promote, develop and represent the European public real estate sector. As an EPRA member, we fully support the EPRA Best Practices Recommendations which recognise the key performance indicator measures, as detailed here.

Specific EPRA metrics can also be found within the Key Performance Indicators section of this report on pages 20 to 23, with further disclosures and supporting calculations on pages 158 to 161.

## EPRA measures

# 96p

### EPRA NTA per share

2023: 100p

2022: 120p

# 101p

### EPRA NDV per share

2023: 105p

2022: 119p

# 105p

### EPRA NRV per share

2023: 110p

2022: 131p

# £21.7m

### EPRA earnings

2023: £21.3m

2022: £21.2m

# 4.0p

### EPRA earnings per share

2023: 3.9p

2022: 3.9p

# 9.2%

### EPRA vacancy rate

2023: 9.5%

2022: 7.2%

# 5.4%

### EPRA net initial yield

2023: 5.0%

2022: 4.1%

# 5.9%

### EPRA 'topped-up' net initial yield

2023: 5.5%

2022: 4.8%

# 32.4%

### EPRA cost ratio<sup>1</sup>

2023: 29.9%

2022: 26.0%

# 23.0%

### EPRA cost ratio<sup>2</sup>

2023: 21.3%

2022: 19.9%

# 28.2%

### EPRA LTV

2023: 27.0%

2022: 21.3%

<sup>1</sup> Including direct vacancy costs

<sup>2</sup> Excluding direct vacancy costs

## Principal Risks

# Managing risks

The Board recognises that there are risks and uncertainties that could have a material impact on the Group's results.

Risk management provides a structured approach to the decision-making process such that the identified risks can be mitigated and the uncertainty surrounding expected outcomes can be reduced. The Board has developed a Risk Management Policy which it reviews on a regular basis. The Audit and Risk Committee carries out a detailed assessment of all risks, whether investment or operational, and considers the effectiveness of the risk management and internal control processes. The Executive Committee is responsible for implementing strategy within the agreed Risk Management Policy, as well as identifying and assessing risk in day-to-day operational matters. The Management Committees support the Executive Committee in these matters. The small number of employees and relatively flat management structure allow risks to be quickly identified and assessed. The Group's risk appetite will vary over time and during the course of the property cycle. The principal risks – those with potential to have a material impact on performance and results – are set out here, together with mitigating controls.

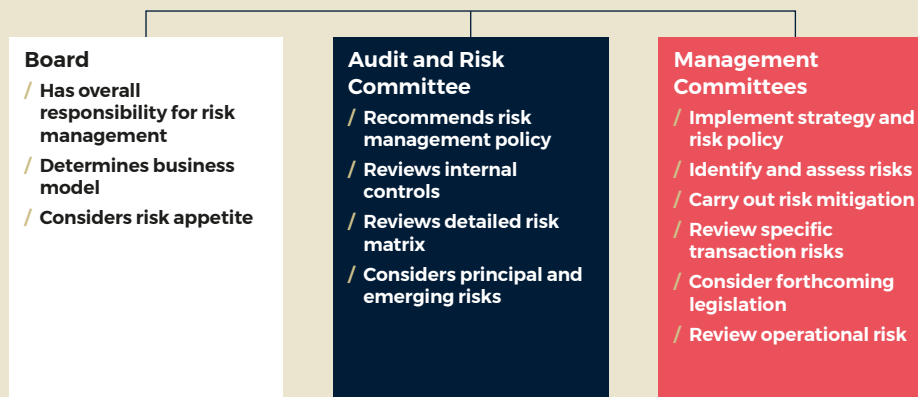
The UK Corporate Governance Code requires the Board to make a Viability Statement. This considers the Company's current position and principal and emerging risks and uncertainties combined with an assessment of the future prospects for the Company, in order that the Board can state that the Company will be able to continue its operations over the period of their assessment. The statement is set out in the Directors' Report on page 129.

### Principal risks and trends

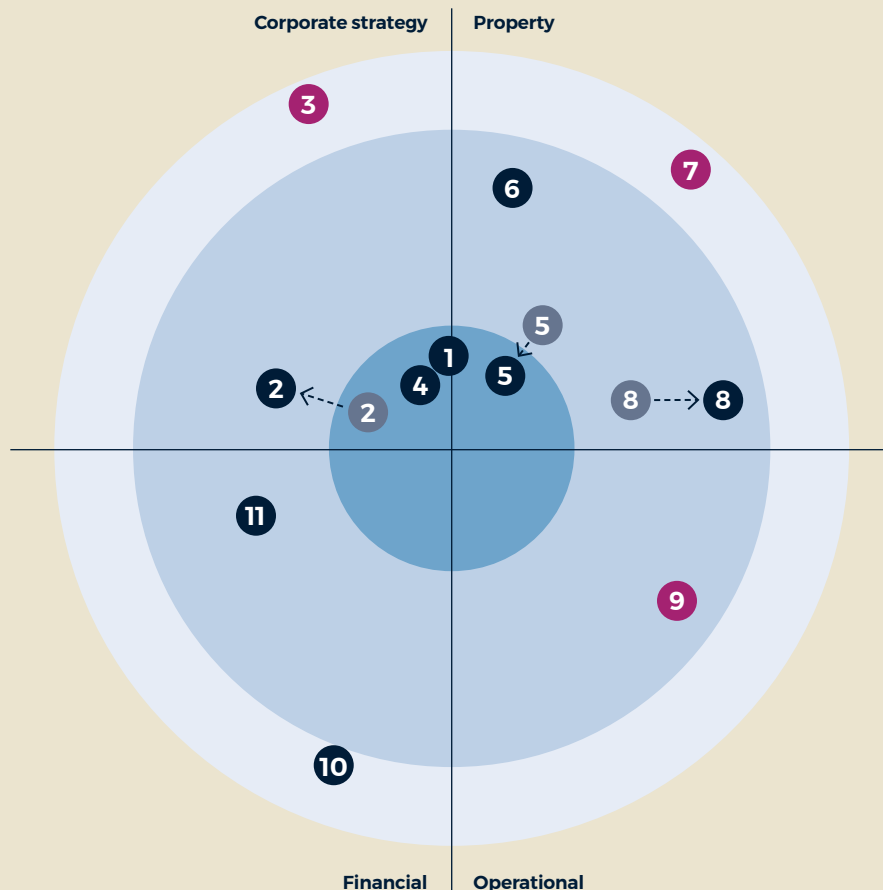
Increasing	▲
No change/stable	▶
Decreasing	▼

①	Political and economic	▶
②	Market cycle	▼
③	Regulatory and tax	▶
④	Climate change resilience	▶
⑤	Portfolio strategy	▲
⑥	Investment	▶
⑦	Asset management	▶
⑧	Valuation	▼
⑨	People	▶
⑩	Finance strategy	▶
⑪	Capital structure	▶


## Risk management framework



The matrix below illustrates the assessment of the impact and likelihood of each of the principal risks and trend since the last year-end.



Principal risk impact	● High ● Medium ● Low
Estimated likelihood of risk	0% to 10% 10% to 33% Greater than 33%

 Read more on pages 44-46

## Emerging risks

During the year, the Board has considered themes where emerging risks or disrupting events may impact the business. These may arise from behavioural changes, political or regulatory changes, advances in technology, environmental factors, economic conditions or demographic changes.

All emerging risks are reviewed as part of the ongoing risk management process.

The principal emerging risks have been identified to be:

- / High and persisting discounts to asset values within the listed property sector adversely impacting investor sentiment;
- / Political uncertainty in the lead-up to a general election in the UK;
- / Cyber security and rapid changes in technology such as AI are causing businesses to reshape their operational activities;
- / Structural changes within the office sector, as businesses continue to reassess their requirements in light of homeworking, technology advances and ESG factors;
- / Changes in regulations are increasing environmental standards and property owners must keep pace to avoid the risk of stranded assets; and
- / Increasing demand on the electrical infrastructure being driven by decarbonisation and the phasing out of fossil fuels.



## Principal Risks / Continued

# Corporate Strategy


### 1 Political and economic

Risk	Mitigation	Commentary	Risk trend
Uncertainty in the UK economy, whether arising from political events or otherwise, brings risks to the property market and to occupiers' businesses. This can result in lower shareholder returns, lower asset liquidity and increased occupier failure.	The Board considers economic conditions and market uncertainty when setting strategy, considering the financial strategy of the business and in making investment decisions.	The UK economy has been more stable this year, after the volatility seen in 2022/23. However, growth has been muted and only limited growth is forecast in the medium-term. Interest rates remain high. The prospect of a general election in the UK this year is also causing uncertainty. Global events, such as the crisis in the Middle East and the continuing war in Ukraine, are also hampering economies.	


### 2 Market cycle

Risk	Mitigation	Commentary	Risk trend
The property market is cyclical and returns can be volatile. There is an ongoing risk that the Company fails to react appropriately to changing market conditions, resulting in an adverse impact on shareholder returns.	The Board reviews the Group's strategy and business objectives on a regular basis and considers whether any change is needed, in light of current and forecast market conditions.	Although interest rates rose during 2023, it appears that these have peaked and are forecast to fall later in the year. Bond yields, however, have remained relatively high and have increased since the start of 2024.	

### 3 Regulatory and tax

Risk	Mitigation	Commentary	Risk trend
The Group could fail to comply with legal, fiscal, health and safety or regulatory matters which could lead to financial loss, reputational damage or loss of REIT status.	<p>The Board and senior management receive regular updates on relevant laws and regulations from the Group's professional advisers.</p> <p>The Group has a Health and Safety Committee which monitors all health and safety issues, including oversight of the Property Manager.</p> <p>The Group is a member of the BPF and EPRA, and management attend industry briefings.</p>	There are no significant changes expected to the regulatory environment in which the Group operates.	

### 4 Climate change resilience

Risk	Mitigation	Commentary	Risk trend
Failure to react to climate change could lead to reputational damage, loss of income and value and being unable to attract occupiers. Physical and transitional risks associated with climate change could give rise to asset obsolescence.	<p>Sustainability is embedded within the Group's business model and strategy.</p> <p>We have published our net zero carbon pathway and have reported on our progress this year.</p> <p>We have addressed the identification and assessment of climate-related risks as identified through the TCFD process.</p>	Adaptation to climate change and asset resilience is an important issue for property owners. This year, the Group has developed its on-site renewable strategy, with the installation of solar panels at a number of properties.	

# Property

## 5 Portfolio strategy

### Risk

The Group has an inappropriate portfolio strategy, as a result of poor sector or geographical allocations, or holding obsolete assets, leading to lower shareholder returns.

### Mitigation

The Group maintains a diversified portfolio in order to minimise exposure to any one geographical area or market sector.

### Commentary

The Group has implemented a strategy to reduce its office sector weighting through exploring higher value alternative uses. The outlook for the industrial and retail sectors is positive over the medium-term.

### Risk trend



## 6 Investment

### Risk

Investment decisions may be flawed as a result of incorrect assumptions, poor research or incomplete due diligence, leading to financial loss.

### Mitigation

The Executive Committee must approve all investment transactions over a threshold level, and significant transactions require Board approval.

A formal appraisal and due diligence process is carried out for all potential purchases, including environmental assessments.

A review of each acquisition is performed within two years of completion.

### Commentary

Uncertainty and high interest rates have impacted investment market volumes in the UK this year. Recessionary pressures have started to ease and interest rates are expected to fall later in 2024.

### Risk trend



## 7 Asset management

### Risk

Failure to properly execute asset business plans or poor asset management could lead to longer void periods, higher occupier defaults, higher arrears and low occupier retention, all having an adverse impact on earnings and cash flow.

### Mitigation

Management prepare business plans for each asset which are reviewed regularly.

The Executive Committee must approve all investment transactions over a threshold level, and significant transactions require Board approval.

Management maintain close contact with occupiers to have early indication of intentions.

Management regularly assess the performance of the Group's Property Manager.

### Commentary

The occupational market has shown positive signs since the beginning of 2024. Rent collection has remained high throughout the year, with limited occupier defaults.

### Risk trend



## 8 Valuation

### Risk

A fall in the valuation of the Group's property assets could lead to lower investment returns and a breach of loan covenants.

### Mitigation

The Group's property assets are valued quarterly by an independent valuer with oversight by the Property Valuation Committee. Market commentary is provided regularly by the independent valuer.

The Board reviews financial forecasts for the Group on a regular basis, including sensitivity and adequate headroom against financial covenants.

### Commentary

Commercial property values have declined to a modest extent over the year. Interest rates have risen in the early part of the year but are considered to have peaked and may fall later in 2024.

There remains good headroom against the Group's lending covenants.


### Risk trend



## Principal Risks / Continued

# Operational

### 9 People


Risk	Mitigation	Commentary	Risk trend
<b>The Group relies on a small team to implement the strategy and run the day-to-day operations. Failure to retain or recruit key individuals with the right blend of skills and experience may result in poor decision making and underperformance.</b>	<p>The Board has a remuneration policy in place which incentivises performance and is aligned with shareholders' interests.</p> <p>All employees receive an annual performance appraisal, including training and development needs.</p> <p>There is a Non-Executive Director responsible for employee engagement who provides regular feedback to the Board.</p>	<p>The Group's Finance Director retired at the end of March, and there has been a transition period with his successor. The Group's company secretarial function has been brought in-house. Feedback from the employee engagement survey remained positive.</p>	

# Financial

### 10 Finance strategy

Risk	Mitigation	Commentary	Risk trend
<b>The Group has a number of loan facilities to finance its activities. Failure to comply with covenants or to manage refinancing events could lead to a funding shortfall for operational activities.</b>	<p>The Board reviews financial forecasts for the Group on a regular basis, including sensitivity against financial covenants.</p> <p>The Group's property assets are valued quarterly by an independent valuer with oversight by the Property Valuation Committee. Market commentary is provided regularly by the independent valuer.</p> <p>The Audit and Risk Committee considers the going concern status of the Group biannually.</p>	<p>The Group has mainly fixed rate long-term borrowings in place with maturities in 2031 and 2032. Covenants are monitored regularly and there is good headroom against these. The revolving credit facility does not mature until 2025.</p>	

### 11 Capital structure

Risk	Mitigation	Commentary	Risk trend
<b>The Group operates a geared capital structure, which magnifies returns from the portfolio, both positive and negative. An inappropriate level of gearing relative to the property cycle could lead to lower investment returns.</b>	<p>The Board regularly reviews its gearing strategy and debt maturity profile, at least annually, in light of changing market conditions.</p> <p>The Group has a revolving credit facility in place which can be repaid if required to reduce the level of gearing.</p>	<p>Following asset sales the Group's revolving credit facility has been fully repaid subsequent to the year-end. As a result the Group's loan to value ratio has reduced.</p>	



## TCFD Statement

# Overview

We are committed to ensuring that sustainability is embedded in everything we do as a business, and we are dedicated to proactively managing our climate-related risks and reporting climate-related financial information publicly and transparently for our stakeholders. Here we firstly, outline our overarching risk management approach and secondly, disclose the climate-related risks and

opportunities we have identified to the business in accordance with the Task Force on Climate-related Financial Disclosures' (TCFD) recommendations. Complying with the LSE Listing Rules published by the Financial Conduct Authority in 2022, all disclosures in this report comply with all 11 TCFD recommendations and recommended disclosures.

Recommendation	Commentary
<b>Governance</b>	
<b>The Board's oversight of climate-related risks and opportunities</b>	<p>The Board has ultimate responsibility for climate-related risk oversight and management, including setting the Group's risk appetite that defines the limits of the Group's activities and reviewing the Group's risk matrix and risk radar. As climate-related risks have been identified as a principal risk to the business, they are directly overseen by the Board and actively monitored across all levels of the business.</p> <p>Our governance structure (see page 94) facilitates continuous oversight by the Board as its members also chair our Board and Management Committees, which have formalised climate-related responsibilities. The Audit and Risk Committee is responsible for updating the Board on the current and planned actions being taken to mitigate material climate-related risks to the Group.</p> <p>In adopting the Risk Management Policy, the Audit and Risk Committee is also formally responsible for identifying, managing and overseeing climate-related risks and wider sustainability issues facing the Group, using qualitative and quantitative metrics as appropriate, and for reviewing the Risk Management Policy at least annually, revising it as necessary to support our agile risk management approach. The Committee normally meets at least three times each year and the Chair, Mark Batten, is responsible for reporting the Committee's findings and recommendations to the Board, including updates on the Group's overall risk appetite, risk profile and risk strategy, accounting for the current and prospective macroeconomic and financial environment, and appropriate climate-related scenarios.</p>
<b>Management's role in assessing and managing climate-related risks and opportunities</b>	<p>The Responsibility Committee meets regularly to consider all aspects of sustainability and is formally responsible for identifying and reporting any emerging climate-related risks and opportunities. The Committee ensures compliance with all relevant ESG standards and legislation and provides regular updates to the Executive Committee. The Committee is also responsible for overseeing the Climate Action Working Group and our progress against our net zero carbon pathway.</p> <p>The Executive Committee is formally responsible for the day-to-day operational application of the Risk Management Policy, including identifying, managing and monitoring all climate-related risks. The Committee ensures that physical and transition climate-related risks are evaluated and recorded in the risk matrix and risk radar on a regular basis, and as appropriate, it escalates risks to the Audit and Risk Committee and Board.</p> <p>The Executive Committee maintains day-to-day management and oversight of all risks identified and their mitigating activities, and reports recommendations to the Audit and Risk Committee or the Board for the Risk Management Policy.</p> <p>In response to recommendations provided through a detailed climate risk governance gap analysis assessment, conducted in collaboration with third-party sustainability consultants, we updated and formalised climate-related issues into our governance structures and risk management procedures at all levels of the business. This will ensure that our governance, oversight and management of climate-related issues is robust, enhancing our ability to respond and adapt to climate change challenges.</p> <p>We have also established a Climate Action Working Group in response to the increasing environmental focus within our business. The Climate Action Working Group's primary purpose is to mitigate the impact of climate change on our portfolio and deliver against our commitment to net zero carbon, overseeing and coordinating sustainability improvements across the portfolio generally.</p> <p>The Climate Action Working Group represents a cross section of the business and includes the property team and members of the Responsibility Committee. In 2023, the Executive Committee approved the group's terms of reference. Its duties extend, but are not limited to, implementing our net zero carbon pathway, assisting with climate change risk and adaptation, monitoring EPCs across the portfolio, sharing best practice on all climate-related issues, and identifying emerging climate issues to escalate as required.</p> <p>The Responsibility Committee maintains oversight of the Climate Action Working Group and is responsible for progressing all of our sustainability priorities. The Climate Action Working Group meets at least bimonthly to discuss and agree actions and associated progress.</p>



A detailed overview of our Governance structure can be found on page **94**

## TCFD Statement / Continued

Recommendation

Strategy

Climate-related risks and opportunities identified over the short, medium and long-term

Many climate-related risks will materialise over the medium to long-term and the assets we acquire and hold will still be here far into the future. Therefore, without appropriate risk management, these risks could have severe financial and reputational implications as well as physical risks to those occupying them. We believe it is vitally important to consider climate risk from multiple angles and timeframes. Therefore, we conducted a rigorous climate risk assessment across the two climate scenarios RCP 4.5 and RCP 8.5 by the Intergovernmental Panel on Climate Change (IPCC) to identify the top climate-related risks and opportunities to our business in the short-term (2020–2029), medium (2030–2039) and long-term (>2040) as well as assess their implications and the necessary actions to manage them. Our in-depth understanding of our material climate risks has enabled informed decision making, allowing us to employ robust risk management processes to address our material climate risks.

**Scenario analysis**

The comprehensive climate risk assessment process covered all relevant climate-related risks, selected as appropriate to the geography of our assets and the asset types in scope, across the decades 2020–2029, 2030–2039 and 2040–2049 under scenarios RCP 4.5 and RCP 8.5. By conducting both qualitative and quantitative climate risk assessments at the business and portfolio level, respectively, we were able to identify the risk profiles of our assets and most at-risk assets, strengthening our ability to make sound strategic decisions on where to focus mitigation actions and harness opportunities.

The portfolio modelling, in collaboration with a leading modelling provider, assessed our assets' susceptibility to climate-related risks, including physical risks, for example flooding, heat stress and extreme weather events, and transition risks, such as market risks and technology, in quantitative terms, exposing the potential financial losses and savings associated.

The business level assessment qualitatively determined the likelihood and impact of a range of physical and transition climate-related risks on a scale of one to five, with consideration of the portfolio modelling results, by rigorously analysing the most up-to-date, peer-reviewed scientific literature. The impact assessment factored in the level of disruption, financial impact and ease/cost of mitigation of the risk, ranging from minimal or no impact (1) to catastrophic impact that threatens the business' future (5). Likelihood was based on the probability, frequency, duration of impact and speed at which the risks materialise, ranging from risks with a short duration that materialise gradually to risks that materialise rapidly and endure over a significant period. High impact opportunities were also identified in relation to our business strategy.

Three assets have been acquired after the assessment exercise in 2021. As part of the acquisition due diligence process, climate risk assessments were completed for these assets. In doing so, we identified potential climate-related risks, which demonstrated that these assets risk profiles were consistent with the rest of our portfolio, meaning our top risks and opportunities remained the same.

We identified our top risks, which are included in the table below.

**Time horizons**

We have selected time horizons aligning with climate policy and available data. We have assessed our time horizons and current business strategy against climate risks over the short, medium and long-term.




Short-term 2020–2029	Medium-term 2030–2039	Long-term >2040
To mitigate the largest impacts in the current decade, plans and resilience measures must be implemented in the immediate term. We are investing in our resilience now and setting short-term targets.	We aim to achieve net zero carbon by 2040, ahead of the UK Government's 2050 target. Aligning this time horizon to our decarbonisation target supports clear stakeholder communications and asset planning, as net zero carbon and climate resilience measures can be executed in parallel.	We recognise that long-term climate risks present near-term challenges, such as reputational damage or reduced asset values. Identifying these risks has guided our investment decision to embed climate resilience across our business and portfolio.

## Recommendation

## Commentary

## Strategy / Continued

## Physical and transition climate-related risks

Time horizon	Risk	Risk description	Risk impacts	Mitigating controls
<b>Short-term</b> 2020-2029 	<b>Changes in market and occupier expectations and demand</b>	As markets shift to meet growing demand for low or zero carbon alternatives, climate resilient assets could achieve 'green premiums' by outperforming unsustainable assets. Failure to adapt could create competitive risk and occupier default risk, while demand may also shift away from certain geographies or sectors.	<ul style="list-style-type: none"> <li>/ Lower demand for inefficient assets, creating lower rental and asset values</li> <li>/ Stranded asset risk in high-risk geographies</li> <li>/ Occupier default risk for occupiers with carbon intensive operations</li> </ul>	<ul style="list-style-type: none"> <li>/ Regularly review market and occupier demand</li> <li>/ Regularly review regulation and building standards legislation</li> <li>/ Monitor the macroeconomic and financial environmental on an ongoing basis</li> <li>/ Implement a policy of continual improvement</li> </ul>
	<b>Increased building standards requirements</b>	Policy mandates buildings to adhere to higher standards, to improve efficiencies and operational practice, and to embed climate resilience on-site. Non-compliant assets could experience reputational risk and reduced occupier demand.	<ul style="list-style-type: none"> <li>/ Capital expenditure cost to meet new standards</li> <li>/ Stranded asset risk and increased void period for non-compliance</li> </ul>	<ul style="list-style-type: none"> <li>/ Implement our net zero carbon pathway</li> <li>/ Implement refurbishment guidelines that incorporate transition risk mitigation measures</li> </ul>
	<b>Financial market impacts</b>	Macroeconomic instability could transpire as market preferences shift towards low carbon solutions and climate resilience, or due to sustained damage from climate-related physical impacts, potentially affecting our ability to secure financial capital, acquisition activities and asset values.	<ul style="list-style-type: none"> <li>/ Rises in interest rates and a decrease in economic growth leading to higher financial capital costs</li> <li>/ Economic downturn reducing rental income and asset value and increasing occupancy risk</li> </ul>	<ul style="list-style-type: none"> <li>/ Conduct renewable energy feasibility studies across our portfolio</li> </ul>
<b>Medium-term</b> 2030-2039 	<b>Decarbonisation and increased energy demand/cost</b>	Increasing the share of renewable energy sources and decarbonising energy-intensive industries could intensify other transition risks associated with reputation damage, financial impacts and litigation risk.	<ul style="list-style-type: none"> <li>/ Rise in energy prices due to support for low carbon generation and taxation</li> <li>/ Increased operational costs, fuelled by price increases and rising demand for cooling</li> <li>/ Increase in material and procurement costs due to supply chain disruptions and carbon tax on embodied carbon</li> </ul>	
	<b>Flooding</b>	Increased duration and intensity of precipitation, snow melt and rising sea levels will exacerbate all types of flooding. Our current portfolio is exposed to fluvial and pluvial flooding risk, with limited exposure to coastal flooding.	<ul style="list-style-type: none"> <li>/ Repair costs and loss of access to asset</li> <li>/ Capital expenditure to install mitigation measures</li> <li>/ Reduced regional investment and footfall</li> <li>/ Decline in asset value or stranded asset risk</li> </ul>	<ul style="list-style-type: none"> <li>/ Annual asset business plans consider all material physical climate risks</li> <li>/ Assess asset resilience to material climate risks</li> <li>/ Implement resilience measures, prioritising our most at-risk assets</li> <li>/ Implement our net zero carbon pathway, including implementing on-site renewables and implementing software to track embodied carbon from 'in use' standing assets</li> </ul>
	<b>Heat stress</b>	Rising mean temperature and extreme temperature highs puts pressure on both our assets and people. Our concentration of assets in Southern England increases our susceptibility to this risk and to associated costs.	<ul style="list-style-type: none"> <li>/ Degradation of plant and equipment leading to capital expenditure associated with replacement</li> <li>/ Increased operational costs</li> <li>/ Reduced occupier demand for spaces lacking sufficient cooling and/or ventilation</li> </ul>	<ul style="list-style-type: none"> <li>/ Implement our refurbishment guidelines that incorporate physical risk mitigation measures</li> </ul>
	<b>Extreme weather events</b>	Extreme weather events, including storms, heavy winds, heavy precipitation, drought and snow could become more frequent and severe, exacerbated by shifting sea temperatures and seasonal patterns.	<ul style="list-style-type: none"> <li>/ Repair costs and loss of access to asset</li> <li>/ Capital expenditure to install mitigation measures</li> <li>/ Decline in asset value or stranded asset risk</li> </ul>	
<b>Long-term</b> >2040 	<b>Drought and water stress</b>	Water becomes increasingly scarce, with supply unable to meet demand. As temperatures rise, average drought lengths could increase, with implications on water costs, supply chains and public health.	<ul style="list-style-type: none"> <li>/ Increased operational costs</li> <li>/ Decline in asset value for water inefficient asset</li> <li>/ Capital expenditure to improve efficiency</li> </ul>	



## TCFD Statement / Continued

### Recommendation

### Commentary

#### Strategy / Continued

Climate-related risk matrix



#### Short-term 2020-2029



- Changes in market and occupier expectations and demand
- Increased building standards/requirements
- Financial market impacts

#### Medium-term 2030-2039



- Decarbonisation and increased energy demand/cost
- Flooding (fluvial and pluvial)
- Heat stress
- Extreme weather events

#### Long-term >2040



- Drought and water stress

Additionally, we have identified opportunities that we can leverage to deliver outstanding climate-related performance to our occupiers. These include investment into low-carbon technologies and climate adaptation measures to achieve our net zero carbon ambitions, secure premium occupiers, enhance asset values, enhance our reputation and future-proof our business.

## Recommendation

## Commentary

## Strategy / Continued

**Impact of climate-related risks and opportunities on the organisation's businesses, strategy and financial planning**

We recognise that climate change will impact our business and that we must play our part in tackling this global challenge. Therefore, we integrate sustainable thinking across our activities and accordingly, climate-related issues inform our business, strategy and financial planning decisions and processes.

Our pathway to achieve net zero carbon by 2040 aligns with the Better Building Partnership's (BBP) Net Zero Carbon Pathway Framework and the UK Green Building Council's (UKGBC) net zero carbon hierarchy. To achieve our ambitious sustainability targets, including net zero, and enhance our resilience to climate change impacts, climate-related risks have been embedded into our business strategy and planning processes at all stages of the property life cycle.

During the acquisition process, we undertake environmental assessments to identify climate and environmental-related risks associated with the property and ground conditions, including flooding. We have formally defined our risk appetite for acquisition due diligence in respect to ESG and climate risk. For example, all acquisitions must consider our net zero carbon pathway, and how the acquisition could impact its aims and timeline, including financial implications. Additionally, we set minimum criteria addressing physical and transition climate risks, such as flooding (fluvial and pluvial), building fabric and EPCs. This helps us identify and implement opportunities to strengthen our net zero readiness and make conscientious investment decisions. If an acquisition does not meet our minimum criteria there has to be a clear financial rationale to proceed, which considers the size of the asset relative to the risk and portfolio.

Refurbishments provide an opportunity to undertake climate resilience and net zero carbon upgrades, therefore, we have created net zero carbon guides for all asset types (industrial, office, retail and leisure) in our portfolio, which outline best practice measures that should be assessed for installation to improve energy efficiency and enhance the asset's climate resilience. Measures include, for example, on-site renewable energy generation and low-carbon heating and lighting alternatives. As we recognise that industry knowledge, technology and mitigation interventions are constantly improving, these guides will evolve to reflect market innovations, as well as our changing net zero carbon goals. These guides support our existing sustainable refurbishment guidelines, which integrate a range of climate-related minimum criteria. For example, medium refurbishments must meet minimum EPC B standards and building certification standards are defined for each asset type, such as BREEAM for our office portfolio, supporting our overall sustainability performance and resilience to climate-related risks. Additionally, we have appointed an in-house building surveyor to support our asset managers on all capital works projects to ensure they have access to sustainability expertise.

Our asset managers proactively engage on sustainability and climate-related issues with our occupiers, identifying opportunities to enhance the portfolio's resilience to material risks and improve building performance. When such opportunities are identified, our asset managers escalate proposed initiatives to the Climate Action Working Group and where appropriate to the Transactions and Finance Committee for approval, which then informs our strategy and financial planning for the asset in question. For example, one of our asset managers identified the opportunity to replace an asset's gas-fired equipment and install on-site solar panels, which will enable a reduction in carbon emissions and yield energy efficiency improvements.

Effective collaboration with our occupiers is essential if we are to achieve our net zero commitment. Therefore, we created occupier fit-out principles that outline a series of measures and criteria our occupiers should engage with during fit-out works to improve the asset's sustainability performance and climate resilience. Principles are established relating to, but not limited to, occupier engagement, low energy use, EPCs, minimising and omitting fossil fuels, embodied carbon and waste, aligning with our strategic sustainability goals.

In the last three years, our actions have changed how we address climate-related issues and our mission to future-proof our business and portfolio continues. This year, we formalised a Biodiversity Policy as we recognise the importance of biodiversity for the wellbeing of our planet and the communities in which we operate. As a responsible owner of commercial real estate, we are committed to integrating biodiversity considerations into our business practices to ensure our actions serve to preserve and enhance biodiversity, promote awareness among our stakeholders and support our targets. Our policy sets key objectives around compliance, awareness, assessment, integration, restoration and reporting, as well as five implementation areas, including engaging stakeholders, setting targets, making improvements, communicating with communities, and monitoring and evaluation. We will review this policy annually to ensure its effectiveness and relevance, amending as necessary in line with the business environment, regulations and best practice.

Our sustainability action plan roadmap sets out key actions we intend to undertake in future to ensure we can continue to operate in a world with increasing climate change impacts. As a BBP member, underpinning our strategy are climate mitigation and climate adaptation, which we consider as equally necessary to achieve holistic climate resilience.

## TCFD Statement / Continued

### Recommendation

### Commentary

#### Strategy / Continued

**Resilience of the organisation's strategy, taking into consideration different climate-related scenarios, including a 2°C or lower scenario**

Having conducted comprehensive business and portfolio climate risk assessments across the IPCC's RCP 4.5 and RCP 8.5 scenarios, we have a clear understanding of our material climate-related risks and opportunities. This knowledge has enabled us to proactively implement management, mitigation and adaptation measures to improve our resilience and act early to harness opportunities. Additionally, our net zero carbon pathway is aligned with targets for a 1.5°C scenario. In achieving these targets, we will simultaneously be managing several climate risks material to the business, particularly transition risks associated with a shift to a low-carbon economy and physical risks associated with flooding, heat stress and drought.

Our chosen scenarios align with industry best practice and cover the most likely range of average global temperature rise in the coming decades. The RCP 4.5 climate scenario is characterised by significant policy action and market forces to decarbonise and meet the Paris Agreement. Our resilience to risks presented by the low-carbon transition is being secured by implementing our net zero carbon pathway and related activities described in this TCFD disclosure. The RCP 8.5 scenario is characterised by significant changes in weather patterns and severe physical hazards. Our resilience against risks associated with this high emissions scenario is being secured by embedding stringent mitigation measures to support climate adaption and resilience across each stage of the property life cycle and our proactive approach to assessing and managing risks.

Analysing these distinct climate scenarios has enabled us to understand the wide scope of climate-related risks and opportunities and inform actions to support our resilience.

#### Our scenarios

# RCP 4.5

# 1.7–3.2°C

**Low emissions scenario** **by 2100**

**Transition:** Lower emissions scenario where there is increasing policy action to meet the Paris Agreement. Transition risks dominate.

#### Scenario impact

**Economic:** Substantial regulatory and market pressure to decarbonise and associated costs to meet these demands.

**Environmental:** Less physical risk, although a 2°C warming still presents substantial physical climate risks.

# RCP 8.5

# 3.2–5.4°C

**High emissions scenario** **by 2100**

**Transition:** Higher emissions, business-as-usual scenario where policy action is negligible and warming rises drastically. Physical risks dominate.

#### Scenario impact

**Economic:** Permanently stunted GDP growth and severe economic and social shifts.

**Environmental:** Chronic changes to weather patterns and ecosystems causing severe impacts on a global scale.



## Recommendation

## Commentary

## Risk management

**The organisation's processes for identifying and assessing climate-related risks**

In recognition of the threat climate change poses to our business, sector and global economy, in early 2022 we conducted a rigorous climate risk assessment. At both the business and portfolio level, we identified our material climate-related risks and assessed their potential likelihood and significance, quantitatively and qualitatively, relative to each other. These results have been integrated into our risk matrix, containing all of our material corporate risks, and given probability, impact and residual impact ratings ranging from low to high to demonstrate the relative significance of climate-related risks to other risks. Furthermore, last year, we transformed our emerging risk dashboard into an upgraded risk radar that identifies the principal and emerging risks to the business. Our risk radar recognises 'climate change' as a top principal risk to the business, and therefore embeds climate-related considerations into all our risk management and decision-making processes. Climate-related risks are reviewed on an ongoing basis by the Executive Committee and presented to the Board as part of the annual Risk Management Policy review, or as necessary.

Results from the climate risk assessments highlighted that flooding is a key physical risk facing our existing portfolio. Therefore, in 2022, we completed asset-level desktop assessments for our entire portfolio to understand our exposure to this climate risk at a more granular level, addressing flooding from rivers, surface water, reservoirs and sea. This helped us to assign a risk ranking to each asset, ranging from very low to high, whereby mitigation action is required at assets with a medium or high rank where flooding exposure is material. It is important to note that although we have prioritised certain assets as medium and high priority for resilience, this ranking is informed by our risk appetite thresholds. It does not imply that high priority assets are considered 'high risk' in terms of the UK's overall exposure to flooding, which is significant in certain areas of the country. We have subscribed to flood warnings and alerts for high and medium priority properties, where feasible.

At our top priority assets, this year we conducted in-depth evaluations to assess flood risk at an asset level, including site visits to assess factors such as elevation and existing flood defence measures. We found that pluvial flooding presented the greatest material risk, while fluvial flooding risk was minimal. Additionally, we assessed the resilience of local flood defences to withstand potential flooding events, using open source Government data. For example, we have reviewed flood alleviation schemes in Luton and Carlisle, two higher risks zones in our portfolio, to understand their long-term resilience capacity. By assessing asset-level risk and local resilience capacity, we gain a holistic understanding of the residual risk we face, enhancing our ability to make informed capital expenditure decisions. It also facilitates effective collaboration with property management teams, equipping them with knowledge of flood defences and operating procedures to mitigate risks. This exercise has and will continue to inform our investment into flood resilience measures.

## TCFD Statement / Continued

Recommendation	Commentary
<b>Risk management / Continued</b>	
<p><b>The organisation's processes for managing climate-related risks</b></p>	<p>Our risk matrix and risk radar are reviewed and updated regularly by the Executive Committee to ensure that we remain attentive to the changing nature of these risks and to reflect evolving stakeholder requirements and the wider macroeconomic and geopolitical landscape. The risk matrix identifies individual climate-related risks with a residual risk ranking (low, medium and high) and mitigating controls and individual responsibility are determined to ensure risks are managed appropriately. Based on ranking, risks are communicated across relevant levels of our business. We do not accept any risk that exceeds our established risk thresholds that cannot be mitigated, transferred or controlled.</p> <p>From developing a comprehensive understanding of the material climate-related risks to our portfolio, last year we began undertaking asset resilience inspections to measure each asset's resilience to its material climate-related risks. Continuing this in 2023, we commenced multiple projects to enhance the adaptive capacity of our assets to mitigate against material climate-related risks. We have replaced heating and cooling systems in three of our multi-let office buildings, ensuring adequate temperature control and thermal comfort for our occupiers as heat stress risk becomes increasingly material to the UK. In addition, we have an ongoing plant replacement project in the construction phase and four further projects are currently in the design phase. We acknowledge that this investment is vital to maintain the value of our assets and to remain attractive to occupiers seeking climate change resilience.</p> <p>We will continue to inspect properties on an ongoing basis to ensure the asset level strategy evolves with changing risks, information and technology, helping us to understand our portfolio's baseline resilience to climate risk impacts and informing our asset resilience planning and capital expenditure requirements. This ensures that our most at-risk assets are prioritised, building our climate resilience where it matters most first. We also remain focused on the long-term nature of climate change and are in the initial stages of investigating water supply risks across our portfolio. While recognising this is a long-term risk to our portfolio, we believe it is important to build resilience now to ensure our portfolio can withstand any potential acceleration of climate trends, unforeseen climate extremes and potential short-term risks, such as reputation damage. In doing so, we are committed to future-proofing our portfolio and retaining its value.</p> <p>We have created a TCFD and net zero carbon action tracker that is utilised across the business to record the actions being taken to manage physical and transition climate-related risks at the portfolio level and asset level. This document is monitored centrally and reviewed by the Executive Committee to guarantee our climate resilience strategy is progressing as intended.</p> <p>To enhance our management of climate-related risks in occupier-controlled spaces, we have introduced green lease clauses and have updated our template to align with the new BBP Green Lease Toolkit. We proactively engage with our occupiers on sustainability and climate-related topics, tailoring our approach for our multi-let and single-let occupiers. Our property managers host regular meetings with our occupiers at our larger buildings. Sustainability and climate-related items are featured on the agenda, which include items such as data collection and sharing, energy saving initiatives, on-site renewables and waste.</p> <p>Sustainability and climate-related considerations are integrated across our engagement with occupiers at multiple levels, including in all commercial discussions, when conducting refurbishment works and through collaboration with external consultants. Furthermore, we conduct occupier surveys to gain greater insight into our occupiers' user experiences, identify areas for improvement and to understand their comprehension of material sustainability and climate-related issues. The surveys have highlighted valuable opportunities to enhance our portfolio's performance and climate-related resilience, plus have highlighted which of our occupiers are willing to engage and learn more about enhancing the sustainability of their buildings. In response, we are currently developing initiatives that will provide our occupiers with greater knowledge and expertise to optimise sustainability performance of their buildings.</p> <p>Conducting ESG audits has enabled us to identify opportunities to reduce energy consumption and improve efficiencies, supporting our ability to make informed decisions during our investment and capital allocation activities, as well as acquisition and divestment decisions to maximise the overall performance and resilience of our portfolio. This year we prepared thermal models of three of our multi-let office buildings to understand energy efficiency, loads and external factors. This information is valuable for optimising building performance, identifying areas of improvement and implementing effective strategies to maximise occupant comfort. We have also used thermographic imaging technology to assist with energy efficiency improvements. Our actions are yielding tangible results, including EPC rating improvements across our portfolio. Since 2021, the share of our portfolio achieving EPC A-C has grown from 64% to 80%.</p> <p>We remain committed to achieving our 2040 net zero carbon target, which will be key to support our resilience against transition climate risk impacts. We have published our net zero carbon pathway, which sets out our priority actions towards decarbonising the portfolio. As part of our action plan, we have implemented solar installations at multiple assets, with the capacity to generate 400 kWp, and conducted feasibility studies at others. Our feasibility studies consider energy analysis, system design, financial modelling and a net zero impact assessment, which, if deemed viable, informs our delivery approach to solar installations. In total, these activities cover 18% of our portfolio, in terms of floor area. Where feasible, we aim to optimise the solar energy generation capacity.</p> <p>This year, we transformed how we collect and manage our climate-related data by moving from a third-party managed system to an internal system. This has enhanced our ability to access data and real-time updates across the portfolio, assisting our management of climate-related issues.</p> <p>We meet regularly – usually monthly – with our insurance advisers and periodically, we cover climate-related issues to ensure we remain aligned and aware of their position on these matters.</p>

Recommendation	Commentary
<b>Risk management / Continued</b>	
<p><b>The processes for identifying, assessing and managing climate-related risks are integrated into the organisation's overall risk management</b></p>	<p>The Risk Management Policy we have in operation has enabled us to integrate the climate-related risks we have identified and assessed (see Strategy section) into our overall risk management processes effectively such that sustainability and climate-related issues are considered across all our activities. We are committed to conducting business responsibly and in a way that creates a positive impact on society. Therefore, we will continue to ensure climate-related risks are identified, assessed and managed appropriately to fulfil our role in tackling climate change.</p>
<b>Metrics and targets</b>	
<p><b>Metrics used by the organisation to assess climate-related risks and opportunities in line with its strategy and risk management processes</b></p>	<p>We report in line with EPRA Sustainability Best Practices Recommendations for sustainability reporting and publish our EPRA tables annually. We use a range of metrics to inform our stakeholders of our climate-related performance and activities, including:</p> <ul style="list-style-type: none"> <li>/ Total and like-for-like Scope 1 and 2 emissions and total Scope 3 emissions;</li> <li>/ Total and like-for-like electricity consumed in kWh, including energy intensity in kWh/m<sup>2</sup>;</li> <li>/ Energy intensities for Scope 1 and 2 emissions using the metric tCO<sub>2</sub>e/m<sup>2</sup>;</li> <li>/ Total renewable energy generated in kWh;</li> <li>/ Total and like-for-like water consumption, including occupier water consumption in absolute terms, for each asset type; and</li> <li>/ Total and like-for-like waste disposal in tonnes, split into recycling, composting, recovery, incineration and landfill.</li> </ul> <p>To supplement our quantitative measures, we also assess key qualitative measures, including EPC ratings and building certifications to build a holistic view of our portfolio's performance.</p> <p>Metrics included in our net zero carbon pathway include:</p> <ul style="list-style-type: none"> <li>/ Portfolio on-site renewable energy capacity (MW)</li> <li>/ Renewable energy procurement (%)</li> <li>/ High quality renewable energy procurement (%)</li> <li>/ Major refurbishment embodied carbon intensity (tCO<sub>2</sub>e/m<sup>2</sup> GIA)</li> <li>/ Minor development and fit-out embodied carbon intensity (tCO<sub>2</sub>e/m<sup>2</sup> GIA)</li> <li>/ Total portfolio embodied carbon development (tCO<sub>2</sub>e)</li> <li>/ Total carbon emissions offset (tCO<sub>2</sub>e)</li> </ul> <p>In the coming year, we intend to track and publicly report additional metrics relating to our climate adaptation activities to support transparent communication of our progress to our stakeholders and investors. These will be included in our next TCFD report.</p>
<p><b>Scope 1, Scope 2 and if appropriate, Scope 3 greenhouse gas (GHG) emissions, and the related risks</b></p>	<p>We disclose Scope 1, 2 and 3 greenhouse gas emissions in our Annual Report and Sustainability Data Performance Report. We provide trend analysis since 2019 to show progress and historical performance.</p> <p>We calculate and report our emissions in line with the GHG Protocol Corporate Accounting and Reporting Standard.</p>
<p><b>Targets used by the organisation to manage climate-related risks and opportunities and performance against targets</b></p>	<p>In recognition of the escalating concerns around climate change and our awareness that the real estate industry is a key contributor to global GHG emissions, we have developed a 1.5°C aligned net zero carbon pathway with a target year of 2040.</p> <p>We are currently developing interim/short-term reduction targets for our Scope 1, Scope 2 and Scope 3 emissions, as we believe this will guide more focused actions to reduce emissions across our operations. We intend to focus on defining our Scope 1 and Scope 2 targets initially, followed by our Scope 3 targets, which we will disclose in our future reports once confirmed. To set our targets we are using the UKGBC's targets for offices and the Carbon Risk Real Estate Monitor (CRREM) 1.5°C Global Pathways' aligned targets for all other asset types. These targets will support our net zero carbon guides.</p> <p>We are pursuing an embodied carbon target of 300 kgCO<sub>2</sub>e/m<sup>2</sup> by 2040 for major refurbishments, aligning with the LETI 2030 Design Target for upfront embodied carbon (A1-A5).</p> <p>To increase our accountability and culturally embed climate risk management throughout the organisation, we have set remuneration-linked annual objectives applicable to Executive Directors' bonus opportunities for sustainability performance.</p>



## Being Responsible

# Sustainable thinking: our responsible approach to business

We are committed to integrating sustainability within all our business activities and in a way that makes a positive contribution to society, whilst minimising any negative impact on people, local communities and the environment.



Acting responsibly is a key strategic priority and sustainability is embedded within our day-to-day activities involving the whole of the team.

We are committed to clear and transparent sustainability reporting. We have contributed to GRESB for a number of years and are members of the Better Buildings Partnership.

During the year, we have continued to make progress against our sustainability priorities. We have significantly increased our on-site renewable capacity, we have reduced our like-for-like Scope 1 emissions and continued our policy of occupier engagement.

We have been collaborating with our occupiers with regard to their emissions created using our buildings. We are focused on capturing energy use data to help us make informed decisions to ensure we prioritise efficiencies that reduce emissions.

During the year, we have been focused on the installation of on-site renewables, in the form of solar energy at our buildings. This has predominantly been where we have been improving buildings ahead of leasing, to ensure that they are more attractive to those occupiers who are also seeking to meet their own net zero commitments.

We have also introduced a Biodiversity Policy to ensure that we are thinking more holistically around the environment in addition to focusing on climate risks and decarbonisation. As part of this we have agreed to support Youngwilders, a community interest company, focused on engaging young people in nature recovery projects across the UK.

We are a small team, but are ambitious in respect of what we can achieve both with regard to reducing our impact on the environment, and also having a positive impact more widely.

**Michael Morris**  
Chief Executive

## Global trends driving sustainability

As we navigate the dynamic landscape of environmental and social challenges impacting the world today, there is a widely acknowledged need to balance traditional corporate objectives with a more holistic approach, incorporating environmental and social objectives, nature-based solutions and circular economy principles.

There has been some positive global sustainability progress reported over the last 12 months. We are transitioning away from single use plastics, vast sums have been invested into cleaner energy procurement and COP28 drove the climate change agenda forwards.

However, the World Meteorological Organization confirmed that 2023 was the warmest year on record, with the average global temperature approaching 1.5°C above pre-industrial levels. Each month from June to December 2023 was warmer than the corresponding month in any prior year.

This is particularly relevant given the Paris Agreement's goal of limiting the rise in the average global temperature to 1.5°C above pre-industrial levels over the long-term. The level and pace of action on a global scale must increase if this goal is to be achieved and irreversible climate tipping points avoided. With the warming effects of El Niño still prevalent, it is anticipated that new records will continue to be set in 2024.

With this rise in temperatures came record-breaking extreme weather events throughout 2023, including drought, flooding and wildfires. Such events repeatedly have a disproportionate effect on disadvantaged communities, who are more vulnerable to the consequences of climate change.

The intrinsic links between biodiversity loss and climate change are now widely recognised. In 2023, biodiversity and the Nature Positive movement became more prominent, with the launch of the final Taskforce on Nature-related Financial Disclosures (TNFD) recommendations and reporting framework. Although not yet mandatory in the UK, TNFD aims to

mitigate nature-related business risk and contribute to reversing nature loss by 2030. In 2024, the UK Government introduced new Biodiversity Net Gain (BNG) legislation, specifying that developments over a certain size must deliver BNG of at least +10% to the site, aiming to ensure wildlife habitats are left in a better state post-development than they were before.

According to the World Economic Forum's latest Global Risk Perception Survey, risks in the geopolitical and social categories dominated the top ten listed short-term risks perceived by global leaders. Interstate armed conflict, involuntary migration, social polarisation, and lack of economic opportunity were all amongst the top concerns for the next two years. By mid-2023, it was estimated by the United Nations Refugee Agency that there were 110 million forcibly displaced people worldwide, including over 30 million refugees, with ongoing and new conflicts bringing the resulting humanitarian crisis to profound levels.

By capitalising on the high levels of awareness, society is now better placed to drive positive change. The property industry has an important role to play and through transparency, collaboration and innovation, it can contribute to progressing global sustainability targets.

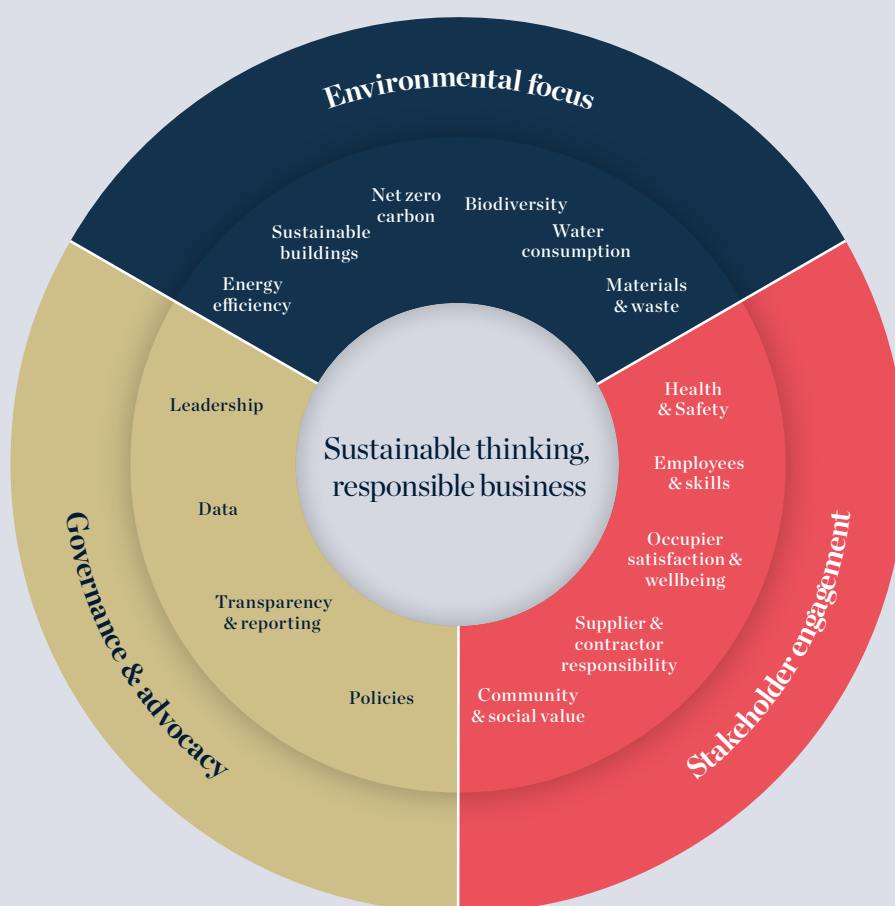
## Our approach

A responsible and ethical approach to business is essential for the benefit of all our stakeholders and understanding the long-term impact of our decisions will help us to manage risk and continue to generate value.

Sustainable thinking is integrated within all our business activities. We are committed to making a positive contribution to society, whilst minimising any negative impact on people, local communities and the environment.

Our Sustainability Policy guides our long-term sustainability priorities.

We have in place a sustainability framework based on our key material issues and continue to review these key priorities annually.



# 16%

Reduction in Scope 1 & 2 emissions compared to our 2019 baseline

# 62%

Occupier data coverage

# Performance dashboard

Our sustainability priorities	Key objectives
Environmental focus	<ul style="list-style-type: none"><li>Meet net zero target across the portfolio by 2040</li><li>Measure and reduce embodied carbon</li><li>Measure and reduce our operational carbon</li><li>Maximise renewable opportunities</li><li>Develop a carbon offsetting strategy</li></ul>
Stakeholder engagement	<ul style="list-style-type: none"><li>Engage with our shareholders to update on performance and continue to ensure clear and transparent reporting</li><li>Develop occupier engagement strategy and plan to deliver on our key Picton Promise commitments around Action, Community, Technology, Support and Sustainability</li><li>Actively promote our values and nurture a positive team culture</li></ul>
Governance and advocacy	<ul style="list-style-type: none"><li>Maintain high standards of sustainability governance, management and reporting</li><li>Continue to improve GRESB rating</li></ul>

## 2023/24 progress

16% reduction in absolute Scope 1 and 2 emissions compared to the 2019 baseline

18% reduction in Scope 1 energy intensity compared to 2019 baseline

53% reduction in Scope 2 energy intensity compared to 2019 baseline

57 leases completed containing green lease clauses

Engaged with occupiers and achieved occupier energy data coverage of 62%

Progressed decarbonisation strategy across the portfolio

Increased solar capacity by 184% with installation of solar arrays on five assets

# 80%

EPCs rated A-C – improved from 76% in March 2023

Carried out annual occupier survey at office and industrial properties

# 91%

Of occupiers would recommend us as a landlord (2023: 85%)

Developed our occupier engagement strategy and launched our occupier app across eight multi-let office buildings

Commissioned a health and safety regulatory risk review

Carried out annual employee engagement survey with an improved overall employee satisfaction score of 86% (2023: 82%)

# £25,000

Charitable donations, supporting 15 charities

Third party data assurance of GRESB submission data

Maintained EPRA Gold awards for both Annual Report and sustainability reporting

Maintained our GRESB rating of three green star status

Reported in line with Task Force on Climate-related Financial Disclosures

Reviewed and updated our Sustainability Policy

Published Biodiversity Policy

## Key priorities for the year ahead

Set new interim targets to progress decarbonisation strategy

Create a BBP aligned climate adaptation plan

Continue to decarbonise the portfolio in line with the UK Green Building Council's net zero carbon hierarchy

/ Invest in our assets in line with our sustainable refurbishment guidelines to improve operational efficiency

/ Continue to remove fossil fuel-based systems from our buildings

/ Continue to install on-site renewables

Work with occupiers to further improve overall energy data collection

Develop our carbon offsetting strategy

Continue to actively engage with occupiers on sustainability initiatives

Consider roll-out of occupier apps across a selection of industrial properties

Maintain our high level of health and safety compliance

Extend third party data assurance on sustainability reporting

Maintain clear and transparent reporting

Improve GRESB rating



# Sustainable thinking, practical solutions: our progress towards net zero carbon





# Environmental focus

## Sustainable thinking, practical solutions

As a responsible owner of commercial real estate, we are committed to enhancing the environmental performance of our buildings and reducing our emissions.

Sustainable thinking is embedded into our business, as both a top-down strategic priority and from a bottom-up asset level perspective. In practical terms, all our assets have a plan in place to measure, monitor and reduce carbon emissions, setting out the steps required to progress along our net zero carbon pathway.

## Net zero carbon pathway Our 2040 commitment

To ensure credibility and transparency in our approach, we have developed our net zero carbon pathway so that it aligns with the Better Buildings Partnership Net Zero Carbon Pathway Framework and The UK Green Building Council's (UKGBC) net zero carbon hierarchy.

We have committed to be net zero carbon for our operational and embodied emissions by 2040.

By then, all operational emissions will be reduced as much as possible through energy efficiency measures and renewable energy, with any residual emissions offset.

From 2040 onwards, all completed refurbishment projects will have reduced their embodied and operational carbon as much as possible, with any residual emissions offset upon practical completion.

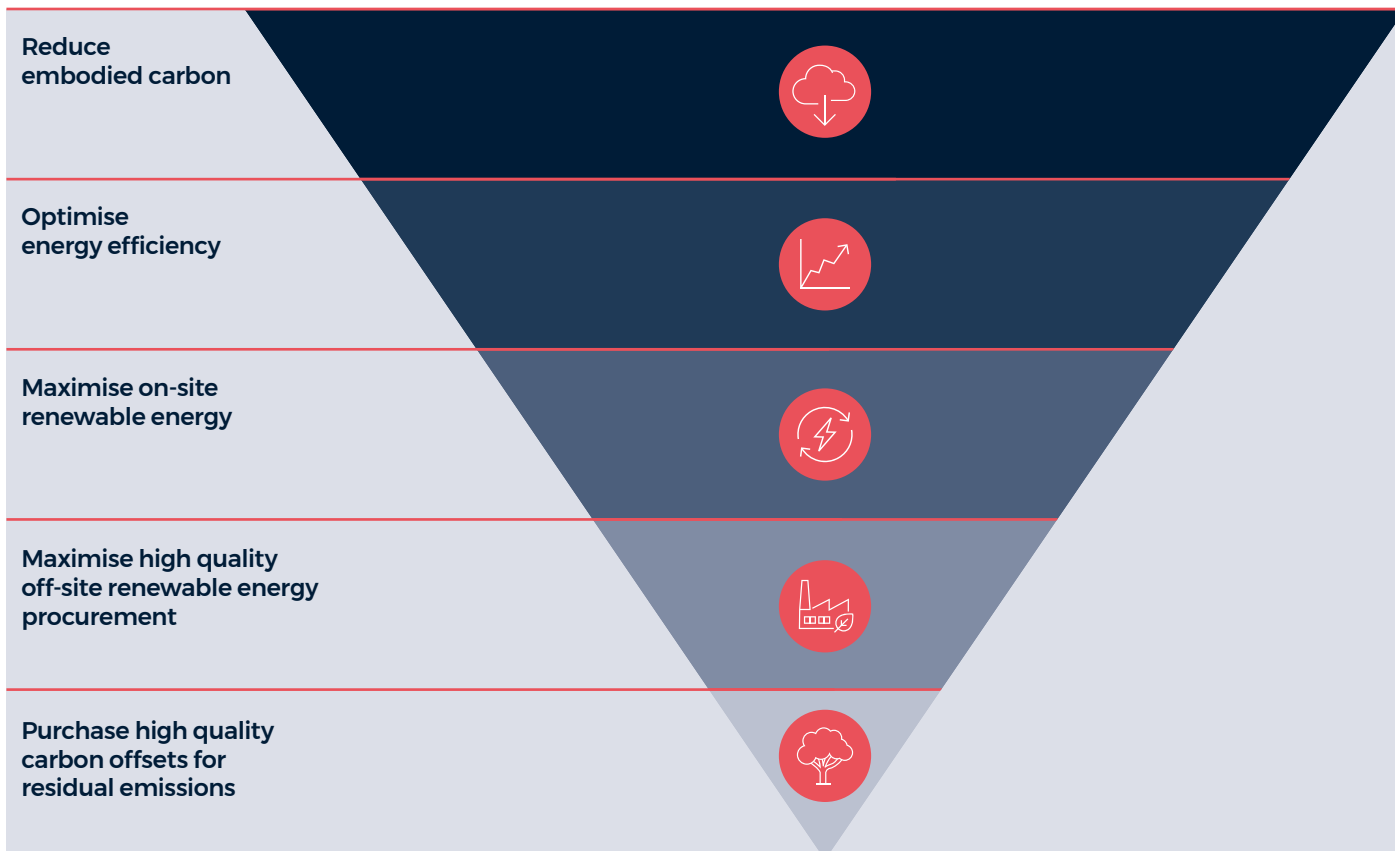
We have defined our portfolio's baseline carbon footprint, using 2019 as the most representative recent year, to map the emissions reductions required to meet our 2040 target.

As with similar property companies, the majority of our emissions relate to the energy consumption of our occupiers.

## Net zero governance

Our Climate Action Working Group was established in 2022 to mitigate climate change risks and implement our net zero carbon pathway, through overseeing and coordinating sustainability improvements across the portfolio.

Now in its second year, the Climate Action Working Group continues to make progress against key priorities.



## Environmental Focus / Continued

We have recently decided to seek independent external expertise through the appointment of a specialist environmental consultant. This will enable us to gain regular access to strategic advice, updates on industry best practice and guidance, as we further develop interim targets on our net zero carbon pathway.

This year, we have updated our sustainable refurbishment guidelines, in line with the latest guidance from the Better Buildings Partnership.

We continue to incorporate net zero carbon criteria into our acquisition due diligence process.


### Our net zero carbon progress Measuring and reducing embodied carbon

Our target for major refurbishment embodied carbon intensity is 300kgCO<sub>2</sub>e/m<sup>2</sup> by 2040. The majority of our development activity comprises refurbishments and retrofit works, for which there are no industry benchmarks thus far. We will conduct whole life carbon assessments for all major refurbishments (above £1.5 million) and fit-outs in pursuing an embodied carbon target for our major refurbishments.

To achieve the maximum embodied carbon savings, our sustainable refurbishment guidelines define our expectations for each project from the outset.

This year, we continued to undertake refurbishment activity across the portfolio to improve and enhance the buildings' sustainability credentials through making alterations to structure, mechanical and electrical maintenance or landscaping.

As the contract value of each refurbishment has been under £1.5 million, in line with our refurbishment guidelines we did not carry out any embodied net zero carbon assessments, but we endeavoured to repurpose, recycle and reuse materials where possible, minimising site waste.

 Read more on our GHG emissions on pages **64-65**



## Net zero carbon progress

	Aims	Progress	Metrics
Embodied carbon	Minimise the embodied carbon cost of developments, major refurbishments and occupier fit-outs.	No whole life carbon assessments were required during the year, as individual asset refurbishment activity did not exceed £1.5 million.	Target embodied performance of less than 300kgCO <sub>2</sub> e/m <sup>2</sup> for major renovations.
Operational carbon	Ensure operational carbon performance and efficiency across the portfolio is improved.	We have worked on engaging with our occupiers on automated data sharing to streamline the energy data collection process.	16% reduction in operational carbon emissions for Scope 1 and 2, relative to our 2019 baseline.
On-site generation	Maximise amount of on-site renewable generation.	We have continued to install solar panels on our industrial assets where feasible.	This year, we have completed the installation of solar arrays at a further five properties, increasing the generation capacity by 184% to 0.5 MWp.
Renewables procurement	Procure high quality renewable energy.	No existing energy contracts were due for renewal during the period.	100% of our purchased electricity is from REGO backed renewable sources.
Offsetting	Acquire high quality offsets to neutralise residual emissions.	We intend to develop our strategy for high quality offsets post net zero carbon target year of 2040 in the coming year.	
Third party verification	Maintain credibility and transparency of our emissions data.	Annual independent third-party assurance of energy data.	Certification of energy, water, and waste data by third-party assurance.

## Measuring and reducing operational carbon

Over the year, we have been introducing energy efficiency measures across the portfolio to help reduce occupier energy consumption, including:

- / Improving energy efficiency during refurbishment works, in line with our updated refurbishment guidelines
- / Continuing to decarbonise assets through removal of gas fuelled systems
- / Continuing to install on-site renewables
- / Increasing our use of an environmental data management system to include Scope 3 and monitoring of emissions at a more granular level
- / Engaging with occupiers to encourage sharing of data, enhancing our ability to measure and manage emissions

/ Continuing to include green lease clauses within our leases, with 57 completed this year

## Maximising renewable opportunities

To reduce the carbon footprint of our operational emissions, we are focusing on increasing our on-site renewable energy opportunities across our assets.

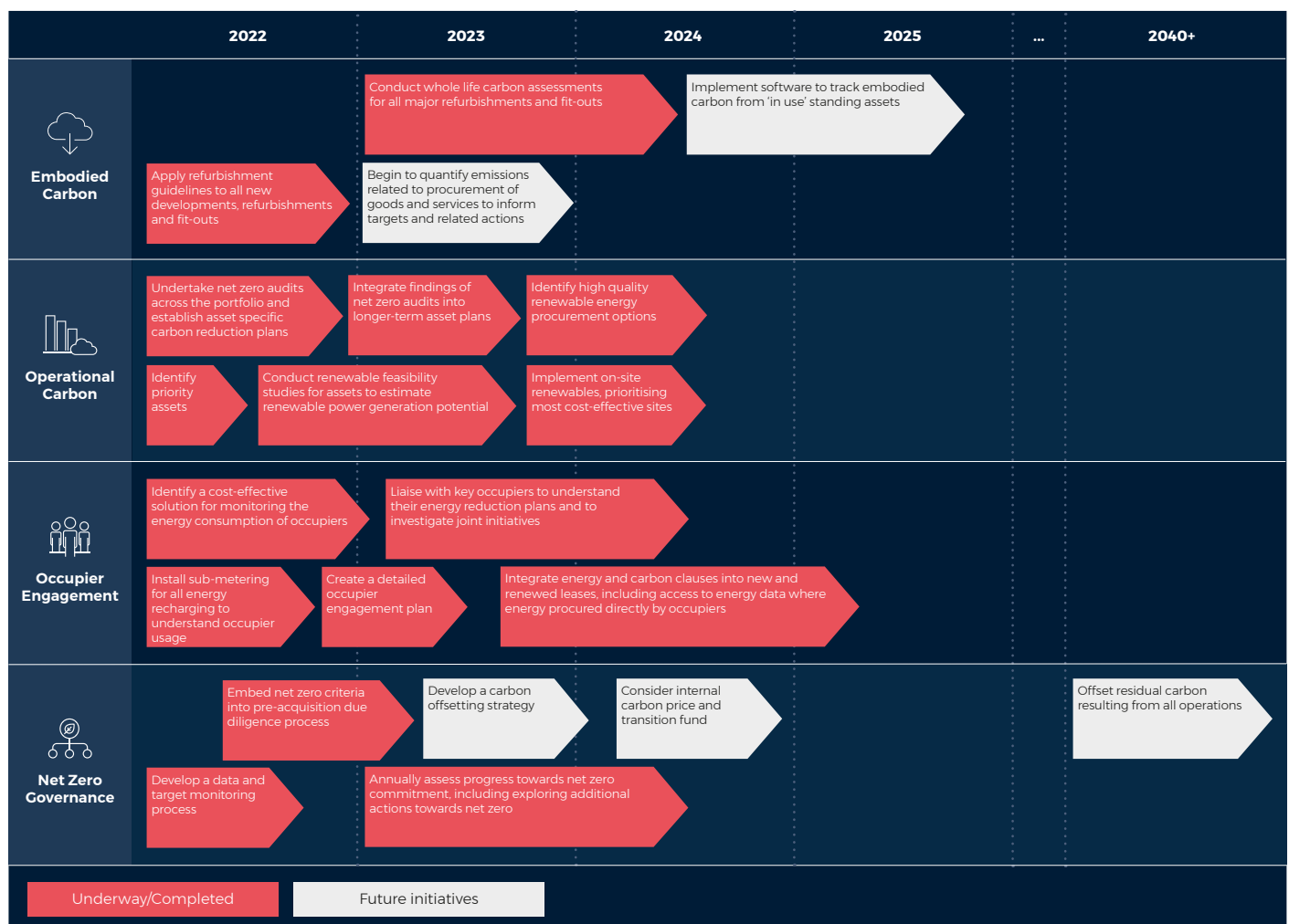
This year, we have installed five schemes and undertaken a further five renewable energy feasibility studies to identify asset-specific opportunities across the portfolio.

## Maximising off-site renewable procurement

Within our portfolio, currently 100% of landlord procured electricity is REGO backed (Renewable Energy Guarantees of Origin).

When our electricity contracts expire, we will seek to procure high quality renewables in line with the UKGBC guidance on renewable energy procurement.

We seek to follow three main criteria on renewable energy procurement. It must be from renewable non-fossil fuel energy sources; create additional capacity in the grid; and have exclusive ownership and claims of the energy attributes.





## Environmental Focus / Continued

### Energy usage

In line with EPRA best practice, we report energy usage data on an absolute GHG emissions (tCO<sub>2</sub>e) and GHG intensity (tCO<sub>2</sub>e/m<sup>2</sup>) basis, both absolute and like-for-like under Scopes 1, 2 and 3. Absolute data provides the entire picture without taking any changes to portfolio composition into account, whereas like-for-like data enables us to compare usage across the same properties year-on-year. Energy intensity measures normalise consumption by floor area to give a comparative measure of efficiency.

Sustainability data collection and quality poses a key challenge for the industry as a whole, and we are working to improve the accuracy, timeliness and transparency of our energy usage data.

Post-data assurance and publication of our 2022 emissions data, revisions have since been made at two properties where reconciliation has identified meter reading errors, therefore requiring amendments to Scope 1 emissions. Changes have been reflected in the table below.

This year the UK Government raised the grid carbon emission factor (which converts electricity consumption into GHG equivalent units) resulting in a GHG consumption increase nationally. This is reflected in the increase in our Scope 2 emissions detailed below.

Compared to our 2019 baseline, our total absolute Scope 1 and 2 GHG emissions decreased by 16% to 2,899 tCO<sub>2</sub>e. We are working with our occupiers to increase Scope 3 data coverage and have collected 62% of 2023 data to date, which shows a 13% decrease in Scope 3 intensity compared to 2022.

### Greenhouse gas emissions

#### Scope 1

Our like-for-like Scope 1 emissions for the period were 1,005 tCO<sub>2</sub>e, a decrease of 10% compared to the previous year.

Our like-for-like Scope 1 energy intensity has decreased by 11% over the year.

Our absolute Scope 1 emissions for the period were 1,161 tCO<sub>2</sub>e, which is 3% higher than the previous year. The increase is partly due to an acquired property providing a full year of emissions data for the first time in 2023.

Absolute Scope 1 emissions in 2023 were flat in comparison to the 2019 baseline, however the composition of the portfolio has changed since 2019.

Our Scope 1 energy intensity has increased by 1% over the year but has decreased by 18% compared to our 2019 baseline.

#### Scope 2

Our like-for-like Scope 2 emissions for the period were 1,429 tCO<sub>2</sub>e, an increase of 3% compared to the previous year. This is partly due to the amended UK Government emissions factor as explained above.

Our like-for-like Scope 2 energy intensity has increased by 1% over the year, again attributable to the changing emissions factor.

Our absolute Scope 2 emissions for the period were 1,731 tCO<sub>2</sub>e, which is 4% higher than the previous year. This reflects both the emissions factor change and acquired property providing a full year of emissions data for the first time in 2023. Absolute Scope 2 emissions in 2023 were 25% lower than the 2019 baseline.

Our Scope 2 energy intensity has increased by 3% over the year but has decreased by 53% compared to our 2019 baseline.

#### Scope 3

Due to the composition of our portfolio, the majority of our total GHG emissions are Scope 3 emissions from our occupiers, therefore accurately recording this data is key to our net zero carbon strategy. This year, to date we have collected 62% of the portfolio data. We have achieved this via direct meter readings as well as ongoing engagement with our occupiers. Our Scope 3 collection process is continuing and we will provide an update within our Sustainability Data Performance Report.

Our like-for-like Scope 3 emissions for the period of the data collected to date are 6,965 tCO<sub>2</sub>e, a 15% reduction on the prior year. However, this figure is likely to be amended as further data is collected and will be re-stated using assured data in the GRESB and EPRA data tables published in June.

Our like-for-like Scope 3 energy intensity has increased by 3% in the year.

On an absolute basis, our Scope 3 emissions collected to date are 7,226 tCO<sub>2</sub>e, a 26% reduction on the previous year. Again, this is subject to change as further occupier data is collected.

Using data available, our Scope 3 energy intensity has reduced by 13% over the year to 0.022 tCO<sub>2</sub>e/m<sup>2</sup>.

Emission source	GHG Scope	2023		2022		2021	
		Absolute GHG emissions (tCO <sub>2</sub> e)	GHG intensity (tCO <sub>2</sub> e/m <sup>2</sup> )	Absolute GHG emissions (tCO <sub>2</sub> e)	GHG intensity (tCO <sub>2</sub> e/m <sup>2</sup> )	Absolute GHG emissions (tCO <sub>2</sub> e)	GHG intensity (tCO <sub>2</sub> e/m <sup>2</sup> )
Combustion of fuel and operation of facilities	1	1,161	0.020	1,132	0.019	1,020	0.019
Electricity, heat, steam and cooling purchased for own use	2	1,731	0.020	1,665	0.019	1,448	0.028
Office premises	2	7	0.023	8	0.026	5	0.018
<b>Total Scope 1 and 2</b>		<b>2,899</b>	<b>0.029</b>	<b>2,805</b>	<b>0.028</b>	<b>2,473</b>	<b>0.044</b>
Business travel	3	9	N/A	3	N/A	2	N/A
Occupier data	3	7,189	0.030	9,664	0.033	10,455	0.039
Landlord water and treatment	3	18	0.000	21	0.002	6	0.000
Landlord waste	3	10	0.000	16	0.003	8	0.000
<b>Total Scope 3</b>		<b>7,226</b>	<b>0.022</b>	<b>9,703</b>	<b>0.026</b>	<b>10,471</b>	<b>0.032</b>
<b>Total all Scopes</b>		<b>10,125</b>	<b>N/A</b>	<b>12,508</b>	<b>N/A</b>	<b>12,944</b>	<b>N/A</b>

Please note 2022 numbers are re-stated

## Methodology

We collect all of our landlord controlled energy data via automatic meter readings, achieving 62% coverage to date. The aim is to reach 100% coverage of our portfolio and we continue to work with our occupiers and data providers to achieve this.

All our large supplies work from automatic meter reads, with any void unit meter data being aggregated to an asset level. This means that 100% of landlord controlled data is meter read and not estimated. We are working towards rolling out automatic meter reads across the whole portfolio to increase coverage and reliability of our data and reporting accuracy.

We have reported on all the emission sources required under the core requirements of EPRA Best Practices Recommendations and have voluntarily disclosed business travel, occupier, and own premises consumption emissions. An operational control approach has been adopted and all our properties are included. Figures presented are absolute for utility and waste consumption and relate only to landlord-obtained utilities and waste removal. Occupier-obtained consumption is included where possible. We have calculated and reported our emissions in line with the GHG Protocol Corporate Accounting and Reporting Standard (revised edition) and used emission factors from UK Government's GHG Conversion Factors for Company Reporting 2023.

# 10%

Like-for-like reduction  
in Scope 1 emissions

# 62%

Scope 3 occupier energy  
data collection

## We are committed to increasing our Scope 3 data coverage with automated data collection.

**Tim Hamlin**

Director of Asset Management

We continue to report on a calendar year basis to ensure there is sufficient time to collect occupier consumption data.

We have calculated our intensity measurements based on the area served by each meter, for example whole site, common area or a specific floor within an asset. External supplies have been excluded from the intensity calculations. So that an accurate comparison can be made between reporting years, this approach has been backdated to 2019 figures.

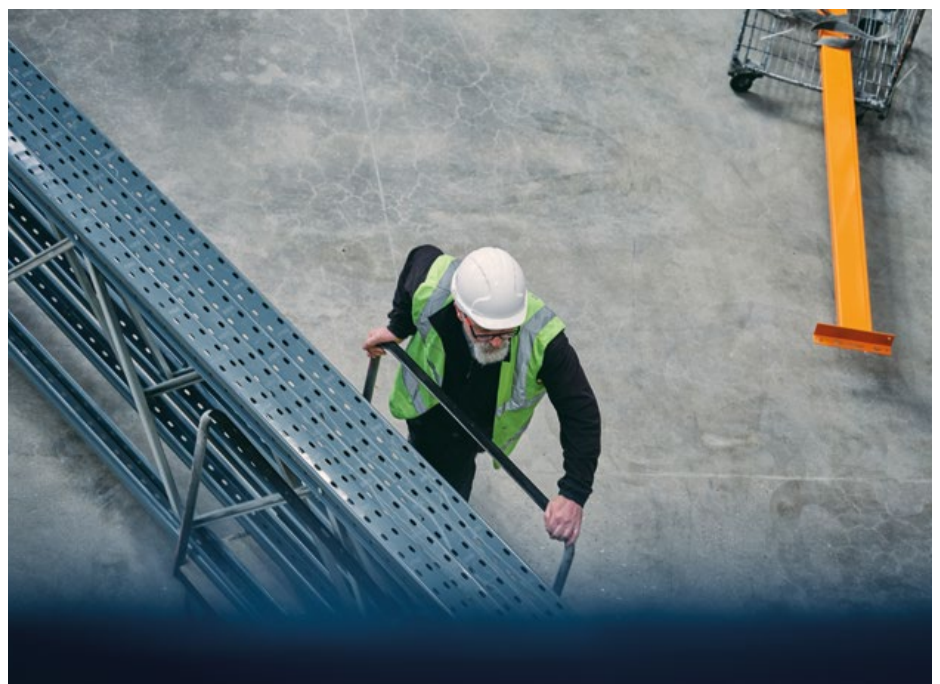
We have continued to voluntarily report on Scope 3 vehicle emissions. Vehicle emissions were calculated using our vehicle expenses reports and the vehicle emission factors from the UK Government GHG Conversion Factors for Company Reporting 2023. Year-on-year, we will continue to update previous reported figures if applicable to remove estimates and ensure actual data is captured and reported. We occupy a floor within one of our assets under management and as such, have apportioned out our consumption based on floor area and this is reported as a separate line item.

## Head office

We started collecting and reporting our head office data in 2016, and while it is only a small part of our overall footprint, we believe it is important to provide a holistic view where possible. Our office is located on a floor within Stanford Building, London, which is one of our own assets. This is a refurbished space, providing the latest technology and energy efficiency measures. This has allowed us to obtain more reliable data. In turn, we have optimised our office heating/cooling and lighting systems to minimise our emissions. In 2023, our energy usage reduced by 11%.

## Business travel

Our business travel footprint has increased over the year as a result of increased activity across the portfolio requiring physical attendance to optimise outcomes. We continue to encourage sustainable forms of travel and virtual meetings where practical.



## Environmental Focus / Continued

### Electric vehicle charging points

During the year, we continued to support our occupiers who wished to install electric vehicle charging points.

We have also installed charging points across several sites, including Western Industrial Estate, Bracknell, Angel Gate, London and Waterside House, Leeds.

Safe installation and operation of these charging points is of primary importance to us, and with the support of our insurers we have developed a comprehensive list of safety requirements which all EV installations at our buildings have to comply with before consent for installation can be given.

We are reassessing the feasibility of installation of electrified parking bays at our retail warehouse sites in conjunction with an electric vehicle infrastructure operator.



### We have been working with occupiers during refurbishment projects to ensure greater efficiencies and the reduction of waste.

**Andy Lynch**  
Head of Building Surveying

### Sustainable buildings

We are committed to monitoring and enhancing the environmental performance of our buildings and ensuring they are resilient to changes in both climate and the regulatory environment.

It is important that we ensure our buildings meet changes in occupier requirements, and our approach to our portfolio management adheres to best practice with respect to data collection, communication and implementation.

In line with our net zero carbon commitment, we aim to remove fossil fuel supplies where practical, introduce on-site renewable energy, increase the efficiency of existing equipment and support our occupiers with their own sustainability strategies.

### Sustainable action plans

We maintain bespoke sustainability action plans for each of our multi-let assets, incorporating energy, environment, health, wellbeing and biodiversity improvement measures, which are reviewed annually.

Opportunities have been identified for technology to reduce electrical consumption within multi-let office buildings, supply chain management and building certification schemes. We have also refined our refurbishment guidelines to ensure alignment with our net zero carbon goals.

### Sustainable refurbishments

Our sustainable refurbishment guidelines were updated in 2023 and now include targets around energy use transparency, supply chain management, legislative requirements and the collection of building data and records. The guidelines continue to underpin our aims and objectives for sustainable refurbishments.

The guidelines have been the catalyst for progress this year in several areas, including:

- / The completion of four property level decarbonisation feasibility studies, which, through working with occupiers, have resulted in property upgrades that achieved common goals
- / Adoption of circular economy principles, including the reuse of equipment, materials, fixtures and fittings within the portfolio, thereby reducing costs and waste
- / Completing renewable energy feasibility studies on three industrial sites
- / Increased collaboration with occupiers during refurbishment projects to increase efficiency and reduced waste
- / Improvements to EPC ratings of refurbished space. During the year, the weighted average improvement in EPC rating on an ERV basis was from a D to a B rating
- / Increased fitting of energy efficiency measures, for example LED lighting and motion sensors throughout the portfolio where appropriate
- / We have also installed motion sensor lighting at Trident House, St Albans and Parkbury Industrial Estate, Radlett

Looking ahead, we will continue to improve the portfolio in accordance with our sustainable refurbishment guidelines, and also seek to implement new technology where appropriate.

# 184%

Increase in solar generation capacity



## Net zero carbon building audits

Last year we reported undertaking net zero carbon building audits at five representative assets across our portfolio including:

- / At our office assets; Pembroke Court, Chatham and 401 Grafton Gate, Milton Keynes
- / At our retail warehouse asset in Bury
- / At our industrial estates in Luton and Radlett

The output from the reports has been valuable in helping define our decarbonisation strategy for multi-let office assets.

We have undertaken a comprehensive metering survey across our service charge sites to ensure effective metering and improve energy reporting which is seen in the current year's data.

Whilst our strategy is to decarbonise our multi-let office assets, we continue to utilise the Asset IQ building management system to monitor and optimise energy efficiency at assets awaiting decarbonisation: 401 Grafton Gate, Milton Keynes, Pembroke Court, Chatham and 180 West George Street, Glasgow.



## Solar

We have in place a strategy to consider installing solar panels when undertaking refurbishment projects, so that the building has a renewable energy source which will also enhance letting prospects. A building's EPC rating will also be improved with solar energy capacity in place.

We have focused on utilising solar installations at our industrial assets due to the larger available roof space and usage and power considerations. The larger roof space can provide the opportunity to generate greater levels of electricity and so make a more significant contribution to reducing reliance on fossil fuels.

We have also worked with our occupiers who are considering solar installations to help assess the viability of any schemes.

The installation of solar panels provides a source of sustainable energy for a building, and has financial benefits. On-site solar generation can be used within the property, while excess energy can potentially be fed back to the grid.

The feasibility of solar installations can depend on a range of factors. The property's roof must be in a good condition and be able to carry the extra weight of a solar array. The ability to export electricity back to the grid has a number of constraints at a local level. No export capacity changes the financial modelling and business case for the installation.

At the start of the year, we had five operational solar arrays across the portfolio with a capacity of 0.176 MWp.

This year, we have completed the installation of solar arrays at a further five properties, increasing the generation capacity by 184% to 0.5 MWp. We now have solar generation at ten properties,

**In an ever-evolving market with new technology and expertise available, we actively seek opportunities to improve sustainability.**

**Andy Lynch**  
Head of Building Surveying

including our industrial assets at Bracknell, Gloucester, Harlow, Radlett and Warrington.

We are continuing to assess the viability of solar installations on a case-by-case basis. Installations are currently taking place at our office building in Chatham as part of a decarbonisation project, and at another industrial unit at Radlett. We also have feasibility studies in hand at a further five properties.

## Building certifications

Whilst our net zero carbon pathway is focused on reducing carbon emissions, we also recognise the value of building certifications to provide third party validation.

We have three certified office buildings in our portfolio, at Metro, Manchester and Tower Wharf, Bristol, which were both awarded BREEAM 'Excellent' when they were constructed and Angel Gate, London, which has ISO 14001 certification.

Further to this and recognising the importance of promoting sustainable travel choices, we have undertaken Active Score certifications (which measure provision of facilities for cyclists) at six assets this year: Farringdon Road, London, Pembroke Court, Chatham, 401 Grafton Gate, Milton Keynes and Angel Gate, London as well as at two of our industrial assets at Parkbury Industrial Estate, Radlett, and Grantham.

Angel Gate and Farringdon offices received gold and silver ratings, respectively.

Looking ahead, we plan to undertake further BREEAM or NABERS assessments at assets where it is appropriate to do so.

Asset type	Green building certification 2024*
Office	43%
Industrial, Business Parks	17%
Industrial, Distribution Warehouse	29%
Hotel	0%
Leisure	0%
Retail High Street	0%
Retail Warehouse	0%
<b>% of total portfolio</b>	<b>22%</b>

\*By floor area



## Environmental Focus / Continued

**Our green lease clauses continue to be successfully incorporated in new lettings and renewals. We are now fully aligned with the updated Better Buildings Partnership best practice.**

**Jay Cable**  
Head of Asset Management

### Green lease clauses

Green leasing continues to be an important tool to enable us and our occupiers to improve the performance of a building.

A green lease will help enhance the environmental performance of a building, mitigate any environmental legislative and market risk and foster improvements in data collection. Over the year, 99% of our leases completed included green lease clauses.

In January 2024, the Better Buildings Partnership released updated guidance on green leasing. As at April 2024, we have updated our standard form lease and heads of terms to align with the new best practice and moving forward all leases will align with the Better Buildings Partnership Green Lease Essentials.

We will continue to use lease events and letting of vacant units to drive further take up.

### Minimum Energy Efficiency Standards (MEES)

We continue to improve the EPC profile of the portfolio. Looking at the percentage of EPC ratings by estimated rental value (ERV) of our portfolio, 80% have an EPC rating of A-C, this is an improvement on the 76% A-C recorded for the year to March 2023.

We continue to be fully compliant with MEES and have no F or G rated space in the portfolio.

Over the year, we reassessed 43 EPCs. Using the same reporting basis as above, 88% have been reassessed to an A-C rating, 12% to a D or E rating, and none were F or G rated. The weighted average score of the EPCs completed in the year improved from a D to a B rating.

**80%**

EPC ratings A-C

**57**

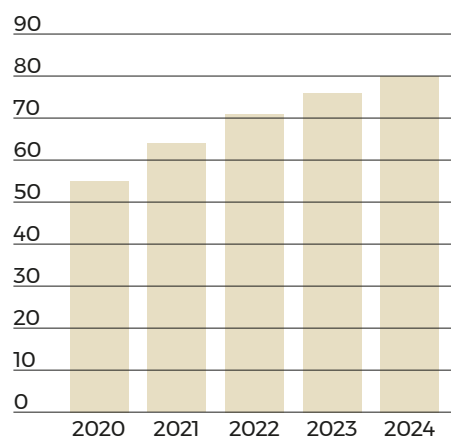
Green leases completed

We continue to use lease events, common area works and EPC renewals to implement improvement works with the overall aim of continually improving our EPC score and ensuring compliance with MEES.

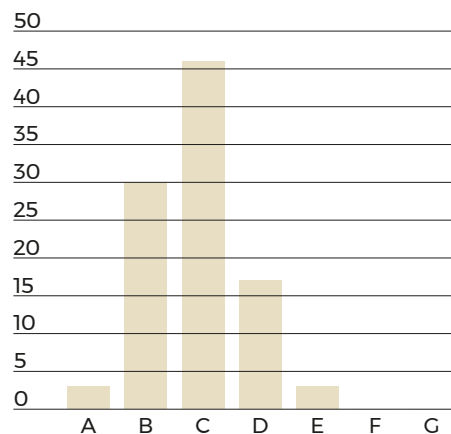
Whilst there has been no change to MEES regulations following the UK Government consultation in 2021 on raising the minimum EPC level to a B by 2030, we are committed to improving our EPC ratings to a B or better wherever it is economic and appropriate to do so.

Alignment with MEES regulations is integral to our net zero carbon pathway, occupier engagement strategy, and environmental focus. We will continue to proactively manage the portfolio on this basis.

Percentage of portfolio EPC ratings A-C by ERV (%)



EPC ratings as a percentage of portfolio by ERV (%)



## Biodiversity

We have created a new Biodiversity Policy in which we recognise the importance of biodiversity for the wellbeing of the planet and the communities in which we operate.

As a responsible owner of commercial real estate, we are committed to integrating biodiversity considerations into our business practices. Our policy outlines our commitment to preserving and enhancing biodiversity and outlines the steps we will take to achieve our targets.

We plan to enact our policy through:

- / Raising awareness with our stakeholders. For example, by discussing ideas for biodiversity improvements with our occupiers at our occupier meetings and ensuring our contractors take biodiversity into account within their activities
  - / Setting realistic targets which can be cost effectively achieved. Many of our industrial estates now have a range of biodiversity measures in place, and in conjunction with our managing agents and contractors we will regularly review how successful these are and implement appropriate changes accordingly
  - / Making improvements to meet our targets, including, for example expanding on any existing measures such as no mow zones, bird and bat boxes or beehives, or through the introduction of different initiatives, such as wildflower meadows or introducing rules to make the products we use in our office buildings more biodiverse
- In addition, we have this year partnered with a community interest company, called Youngwilders, who are focused on biodiversity and nature recovery-led projects.

# 100%

Waste diverted from landfill from property management activities

## Water consumption

This year, we have been able to receive the benefit of the automatic data collection readers previously installed across our multi-let portfolio. This has led to greater accuracy in data collection, and we now collect 44% of our landlord water data from these meters.

Over the year, we have seen a reduction in landlord water consumption of 4% on both an absolute and intensity basis. This reflects the improved data accuracy, as well as water efficiency measures carried out at some of our buildings.

Due to the nature of the retail portfolio and distribution warehouse portfolio (which have very few communal areas or utility supplies), the water consumption figures of these are insignificant at a portfolio level (comprising less than 6% of the total landlord-controlled water consumption).

Going forward, we will continue to use building refurbishments, and our sustainability action plans to improve water efficiency across the portfolio.

## Materials and waste

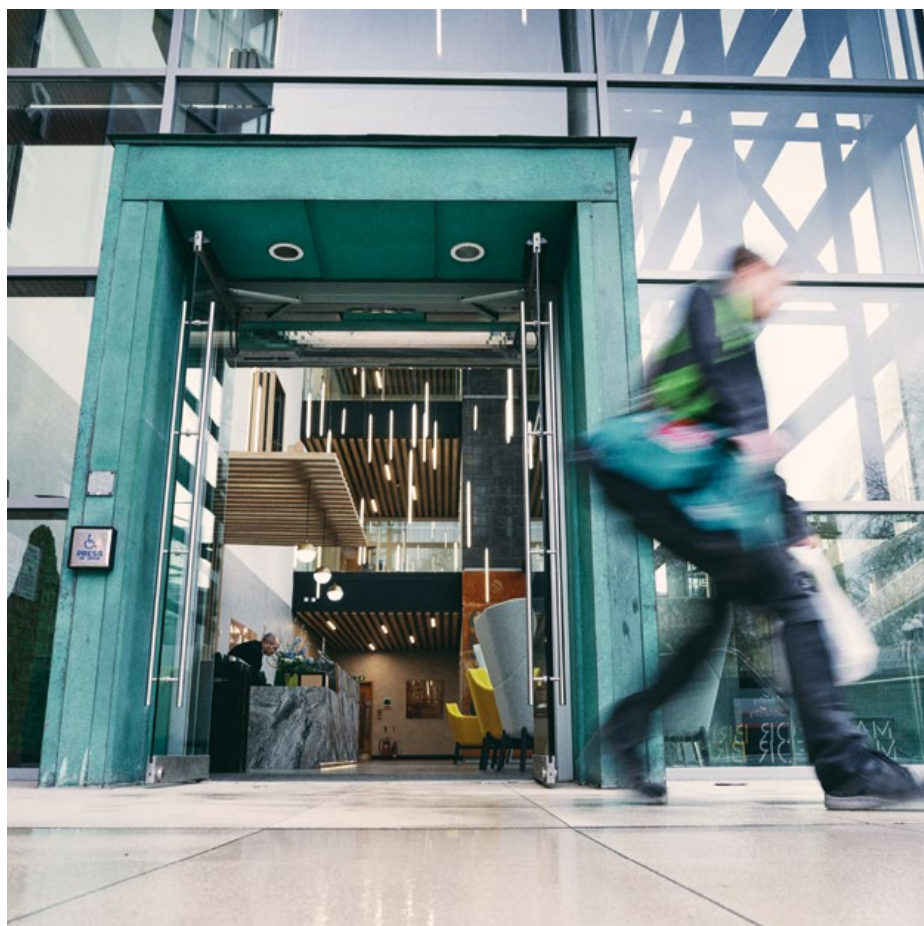
We recognise the importance of sustainable waste disposal and remain committed to eliminating landfill waste disposal across the portfolio. We are also amending our leases to ensure our occupiers are obligated to avoid waste to landfill.

This year, we have again successfully diverted 100% of waste from landfill across property management activities, using either recycling or heat recovery.

Overall waste generation reduced by 39% over the year, which reflects improved management practices across our managed property assets. Of the waste produced 74% was recycled and 26% recovered.

We continue to engage with our waste providers and occupiers with the aim of improving the sorting and filtering of waste at our properties.

The benefit of this is to make the downstream sorting and filtering, recycling and recovery process more efficient.



## Stakeholder Engagement

# Stakeholder engagement

## Occupier engagement, wellbeing and satisfaction

Working with our occupiers is at the heart of what we do. Understanding their evolving requirements and working collaboratively to reduce our environmental impact is key for us.

We aim to continually improve our occupiers' experience. We created the Picton Promise to bring together our five key commitments to our occupiers: Action, Community, Technology, Support and Sustainability. These are at the core of our engagement strategy.

During 2023, we developed our placemaking strategy and continued to roll-out our occupier app which forms a key part of this strategy. The app is now in place at nine of our office locations with over 1,200 regular users evenly spread across all locations.

The app is used to communicate and engage regularly with our office occupiers. At Colchester Business Park, we used it to support the successful start up of a local business group called Severalls Connect.

The app has facilitated a range of placemaking initiatives and events at our multi-let buildings, which have proven a popular way for our occupiers to meet, share ideas and promote their businesses within the community.

Building on the success of our app roll-out we intend to further develop the app by:

- / Encouraging occupiers to share and promote their services
- / Utilising the app to collect sustainability-related data
- / Exploring uses for access control and visitor management
- / Linking up to digital screens in building receptions
- / Extending beyond office buildings, primarily investigating potential benefits to industrial locations

During the year, we also undertook our annual occupier survey across our multi-let offices and industrial estates. Single let properties and those properties being disposed of were excluded from the survey carried out by our property management team at CBRE.

For the first time this year, we additionally published the survey via our building apps which helped to drive a significantly higher response rate across our office occupiers.

The results of the survey indicated an improvement on last year's results across key areas of service we provide:

- / 83% of respondents were happy with our communication
- / 78% of respondents were happy with our responsiveness
- / 81% of respondents were happy with the level of services we provided

Most notably, we were pleased to see that 91% of respondents would recommend us as a landlord to others, compared with 85% of respondents last year.



All individual comments and building specific issues raised in the survey have been promptly acted upon and followed up through direct communication with the occupiers by our managing agents and Head of Occupier Services. The valuable feedback we obtain from these annual surveys helps to shape our ongoing occupier engagement strategy.

Last year, we set out to broaden our collaboration with occupiers on sustainability matters either through direct dialogue or within the regular occupier meetings held at our multi-let offices. Over the course of the year, we have held a range of successful sustainability themed events at our office buildings including:

- / A 'Stop Food Waste' initiative
- / Mental health awareness and Happiness at Work week
- / Yoga classes, bike workshops and voucher giveaways
- / World Environment Day
- / Plastic-free July

In alignment with our placemaking strategy and taking into account the positive feedback we have received from our occupiers, we will continue to offer a varied programme of events across our sites.

We remain focused on collaborating with our occupiers to reduce energy costs, improve the effectiveness of waste removal and share utilities consumption data. Over the year, we have made good progress with energy data sharing with our occupiers through the introduction of Deepki, an energy data collection and reporting platform.

**Jay, Andy and the team were a pleasure to work with from day one, and whilst a lot of landlords talk of co-operation, being proactive and building relationships, Picton are already embodying all of this.**

**Ellen Peters**  
Property Director, Lush



We also hold individual building occupier forums on sustainability to share ideas on waste removal and energy efficiency initiatives.

We will continue to focus on growing the number of businesses sharing their energy data on Deepki. Furthermore, in the coming year we are seeking to collaborate with and provide support to occupiers wishing to enhance their health and wellbeing strategies.

### Occupier health and safety

We are committed to making our buildings a healthy and safe environment for our occupiers and their visitors, our employees, contractors, and the public. We therefore ensure that they comply with the relevant health and safety legislation and guidelines.

Health and safety is embedded within the management culture of our organisation.

Our Health and Safety Committee meets every other month and reviews all aspects of health and safety across our portfolio and in our own office. The Committee reports directly to the Responsibility Committee and health and safety is a standing item on the Board's agenda.

Our health and safety record continued to be strong in 2023 with no reportable accidents, near misses or other health and safety incidents during the year. We were 98.3% compliant in all critical and 97.9% compliant in all secondary health and safety documentation.

During the year, we made the following progress in health and safety:

- / Our asset management team completed a training course in asbestos awareness provided by an accredited UKATA (UK Asbestos Training Association) member and compliant with Regulation 10 of the Control of Asbestos Regulations 2012
- / Commenced a RAAC assessment across our portfolio which has not revealed any concerns or reasons to believe that RAAC is present
- / Commissioned a regulatory risk review by Willis Tower Watson (WTW) to follow up the review they did in 2021
- / Reviewed health and safety measures as part of the property management audit undertaken by BDO LLP (BDO)
- / Completed a series of health and safety-related works across some of our buildings focusing on roof safety access equipment, fire suppression measures and fire door improvements
- / Focused on safety measures associated with electric vehicle charging points, ebikes and PV panels to ensure these are used safely at our buildings
- / We have made improvements to security and lighting at several industrial sites, including Parkbury Industrial Estate, Radlett and Nonsuch Industrial Estate, Epsom

We were pleased with the results of the WTW and BDO reviews.

The WTW review noted that:

"The overall score of 91% (70% in 2021) represents a good ability to defend regulatory action. We note and are pleased that Picton have taken on board most of our recommendations from our previous report (dated January 2021). This is reflected in the overall high score achieved. Picton's commitment to improving their position since our last report cannot be understated."

The BDO report noted that:

"Picton has appropriate measures in place across property management activities (including health and safety). The roles and responsibilities of the managing agents have been defined and Picton is able to demonstrate that it maintains oversight on each of the three agents."

In 2024, we plan to adopt the recommendations of the WTW review to further improve our robust approach to health and safety. We will ensure we also adopt the recommendations of the BDO review on how to improve the structure of reporting from our managing agents by focusing this on the big six health and safety issues: gas, fire, electricity, legionella, lifts and asbestos.

We will continue to focus on PV, EV and ebike safety measures and engagement with our managing agents and occupiers on this. We will also aim to undertake more training, for example by receiving briefings on current health and safety topics from our managing agents' health and safety experts.

We have noted the increased focus of the Health and Safety Executive (HSE) on asbestos as a risk so we will review our asbestos management plans to make sure all are fully up to date, both where we or our occupiers are responsible for putting measures in place.





Stakeholder Engagement / Continued



Employee engagement

We have a strong and open company culture with shared values co-created by our employees. We value the contributions made by the whole team and aim to nurture a positive working environment.

We have once more this year carried out an employee engagement survey across the whole team, excluding the Directors. This year's survey was carried out independently by a third-party consultant, who helped to develop and refine the survey and provided more context around the results. Positive sentiment remains strong, and overall satisfaction had risen since last year. Feedback from the team indicated they were very content and that they had a good understanding of what is expected of them and of Picton's values and strategic objectives.

The overall satisfaction score was 86%. Issues that were raised by the team included:

- / Flexible working arrangements were highly valued
- / Continuing to look for growth opportunities
- / Time and resource needed to achieve objectives

86%

Employee satisfaction score

This year's team off-site was held near Reading. We discussed many issues and challenges facing the business and what actions and improvements could be made. The team also visited a number of assets in the Thames Valley.

Diversity and inclusion

We value the contributions made by all of our employees and believe that a diverse workforce is key to maximising business effectiveness. We aim to select, recruit, develop and promote the very best people and are committed to creating a workplace where everyone is treated with dignity and respect, and where individual difference is valued.

We recognise the benefits of diversity and the value this brings to the Group. We aim to maintain the right blend of skills, experience and knowledge within the Group.

The numbers of men and women employed by the Group as at 31 March are:

	Men	Women
Picton Board	4	2
Rest of team	5	5
Total	9	7



## Wellbeing and benefits

We believe that having a happy and healthy team is important to the success of the business. Our commitment to providing a safe and healthy working environment for our employees is achieved by:

- / Adhering to the appropriate health and safety standards
- / Providing a working environment that enables employees to work effectively and free from unnecessary anxiety, stress and fear
- / Ensuring employees can report inappropriate behaviour or concerns through the whistleblowing policy
- / Having appropriate family friendly policies

We offer health benefits to all employees, and they also all participate in the Deferred Bonus and Long-term Incentive Plans, providing alignment with shareholders.

The absentee rate for the year was 1.8%. There were no fatalities or work-related injuries during the year.

The turnover of employees during the year was:

	Number	% of average number during year
Joiners	3	27
Leavers	1	9

Our joiners during the year were Kathy Thompson, our new Company Secretary, Lucinda Christopherson, who has replaced Melissa Ricardo as Office Manager, and Saira Johnston, our new Chief Financial Officer.



## Training and development

We want to encourage our employees to realise their full potential by giving them access to development and training opportunities.

Employee development is based on the following key principles:

- / Development should be continuous; employees should always be actively seeking to improve performance
- / Regular investment of time in learning is seen as an essential part of working life
- / Development needs are met by a mix of activities, which include internal and external training courses, structured 'on-the-job' experience and through interaction with professional colleagues

We have an Employee Handbook which includes our study leave policy, which is a maximum of 15 days per annum, in addition to compliance policies such as whistleblowing, modern slavery and gifts and hospitality.

All our employees have a formal performance appraisal on an annual basis, together with a mid-year review of their progress against objectives set at the start of the year.

This year, the amount of training carried out by the team was 1.9%, based on the number of hours spent on training as a percentage of the total working hours of all employees. This year, members of the team have completed a cyber security awareness training programme.



# 320

Training hours for the year



## Stakeholder Engagement / Continued



### Community and social value

As a responsible owner of commercial property, we are committed to maximising the social value we deliver to our stakeholders, communities, and wider society.

We acknowledge the importance of social responsibility and our role in providing places which improve quality of life, enhance wellbeing, and generate a positive social outcome, whilst minimising any negative impacts our buildings have on society and the environment.

We recognise that we are a small team, however through our relationships with suppliers, contractors, and occupiers we have the capacity to indirectly have a wider influence.

### Community engagement programme

Site type	Building coverage (assets)
Office	100%
Retail, High Street	100%
Retail, Warehouse	100%
Industrial, Business Parks	100%
Industrial, Distribution Warehouse	100%
Hotel	100%

This year, we created a Social Value Framework, aligned with the Better Buildings Partnership and UK Green Building Council's guidance. Under the following four themes of employment and skills, supporting growth of responsible business, healthier, safer and more resilient communities, and decarbonisation and protecting habitats, the framework outlines our objectives and how progress is measured.

### Employment and skills

- / We provide training opportunities and career progression for all our employees, remaining committed to developing our talent pipeline and enabling all our employees to reach their full potential and career goals
- / On average, 1.9% of employees' time was spent training in the year to March 2024
- / The majority of the team have completed the BBP Sustainability for Real Estate Professionals course
- / Two of the team have completed the University of Cambridge Certificate in Business and Climate Change Towards Net Zero Emissions
- / Through our partnership with Coram, we continue to offer young people from their Young Citizen programme opportunities to take part in work experience, CV workshops and mentoring

### Supporting growth of responsible business

- / We support local economies through creating employment opportunities in our buildings and local communities
- / We continue to procure goods and services locally where possible, through transparent, ethical and sustainable supply chains
- / We ensure that our suppliers adhere to our Supplier Code of Conduct
- / We promote health and wellness initiatives across our team and to our occupiers through occupier apps and various on-site events
- / We have established partnerships with national and local charities
- / We support local and national charities within our communities as set out in our Charitable Giving Policy
- / We continue to be a member of The Fostering Network's Fostering Friendly Employers scheme
- / Our occupier led charity matched giving initiative continues to support occupiers within our portfolio in their local community-based fundraising efforts



## Healthier, safer and more resilient communities

- / Our Picton Promise brings together the five main commitments to our occupiers: Action, Community, Technology, Support and Sustainability
- / We continue to maintain a strong health and safety record across all our buildings
- / We have trained our employees in areas including the Building Safety Act, first aid, asbestos management, regulatory defensibility and RAAC awareness
- / We contribute to safer communities through investment in security and surveillance technology on our sites
- / We have conducted a series of investor and occupier sustainability briefings to share knowledge and help drive change in the industry
- / We have supported occupiers to create a community support group at our Business Park in Colchester
- / Our occupier app provides a platform for us to communicate with our occupiers and share community initiatives



## Decarbonisation and protecting habitats

- / We have committed to be net zero carbon for operational and embodied emissions by 2040
- / During the year, we saw a 16% reduction in absolute Scope 1 and 2 emissions compared to 2019 baseline
- / We also saw a 53% reduction in Scope 2 energy intensity compared to 2019 baseline
- / We have now installed solar panels at ten of our buildings, with further feasibility studies underway across the portfolio
- / We continue to improve the EPC profile of our portfolio, with 80% now rated A-C by ERV
- / We are committed to continuing to improve our overall energy data coverage
- / In 2024 we published our Biodiversity Policy
- / We have installed beehives, bat and bird boxes and bug hotels across our sites where appropriate
- / We continue to evolve our approach to landscaping to promote wild vegetation
- / In 2024, we partnered with Youngwilders, a community interest company who will help us gain a greater understanding of biodiversity issues generally and at some of our sites

By adhering to this framework, and through continuous collaboration, innovation, and evolution, we aim to foster sustainable communities, demonstrate our environmental commitment, and create a long-lasting positive impact on society.

## Charitable giving and partnerships

This year, we supported 15 charities and donated a total of £25,000. In accordance with our Charitable Giving Policy, our objective is to invest in our communities at a grassroots level, aiming to make a positive difference to the local areas in which our occupiers operate. This is achieved either through providing benefits directly to local areas or supporting local people with services or activities.

We seek to support charities which:

- / Drive positive social change
- / Respond to specific local needs
- / Create a positive community impact
- / Are committed to improving the local area

We continue to offer our occupier led charitable matched giving initiative, whereby our occupiers are invited to apply for a donation of up to £100 per year to boost their fundraising efforts for a registered UK charity.

This year, we were delighted to extend our charity partnerships and begin working with Youngwilders, a not-for-profit community interest company which formed to accelerate the rewilding of the UK with youth-led nature recovery projects. A key element to Youngwilders' approach is involving young people in the nature recovery movement, providing people ages 18-30 with practical experience and opportunities to feel more connected to nature. We look forward to working with Youngwilders to support their progress and exchange advice on biodiversity within our portfolio.

We continue to support The Funding Network, Coram, The Fostering Network and Future Youth Zone through our established charity partnerships. We do this through providing regular funding, volunteers and event spaces where required. We also continue to support LandAid annually through their Christmas Card Alternative campaign.

This year, the team spent some time volunteering at Coram's central London facility, helping to prepare outside space on their campus grounds for an adoption activity day. Coram's adoption days are crucial for children from a neglected background to potentially be matched with their future families. The space is also used for creative therapies, to support the children post-adoption.

# 15

Charities supported

## Governance

# Governance and advocacy

### Supplier and contractor responsibility

We are committed to conducting our business in a fair and honest manner and ensuring our suppliers operate in an ethical way and share our business principles in observing relevant laws and regulations. We seek to maintain productive and long-term relationships with our business partners.

We have in place a Supplier Code of Conduct. This is designed to promote safe and fair working conditions and the responsible management of social, ethical and environmental issues in our supply chain.

We are committed to ensuring supplier responsibility and particularly the issue of modern slavery within our supply chain.

We have assessed the level of risk in our supplier base of exposure to modern slavery and human trafficking as low, as the vast majority of our suppliers are based in the UK.

However, we recognise that there are certain activities within the real estate sector that are more susceptible to modern slavery risks, including construction and maintenance.

New supplier terms now incorporate additional clauses reflecting the perceived level of risk. We are also using our supplier due diligence questionnaire for new suppliers.

### Sustainable thinking, positive change

We aim to have in place high standards of sustainability governance and management and will undertake initiatives to promote greater environmental responsibility. This also includes a focus on business practices, which are activities relating to the way the business is run, including business ethics, compliance and tax principles.

### Leadership

The Board has responsibility for the long-term success of the business, providing leadership and direction with due regard and consideration to all of our stakeholders. The Board comprises the Chair, two Executive Directors and three independent Non-Executive Directors. They have a range of skills and experience that are complementary and relevant to the business. The tables below set out the Board's composition, tenure and diversity characteristics as at 31 March 2024.

Function	Number	%
Non-Executive Chair	1	17
Executive Directors	2	33
Independent Non-Executive Directors	3	50
Diversity	Number	%
Male	4	67
Female	2	33
Tenure	Number	%
3 to 6 years	4	67
6 to 9 years	2	33
Age	Number	%
50 to 54 years	1	17
60 to 64 years	4	67
65 to 69 years	1	16

The Board has full responsibility for the direction and control of the business, and sets and implements strategy within a framework of internal controls and risk management. The Board has established four Committees, comprising entirely Non-Executive Directors, to carry out specific functions on its behalf. In addition, there are three Management Committees with responsibility for certain operational matters, chaired by one of the Executive Directors and including other members of the Picton team. One of these Management Committees is the Responsibility Committee, which oversees all sustainability-related matters.

As a Company listed on the London Stock Exchange, we apply the principles of the UK Corporate Governance Code and report against the Code each year.

More detail on the role and activities of the Board, including their biographies, and its Committees is set out in the Governance section.

 Read more in the Governance section on pages **78-130**

### Transparency and reporting

We recognise that it is important to be transparent on sustainability issues, so that our stakeholders can make informed decisions. Also, we aim to ensure our data collection and management is in line with best practice to assist with our GRESB and EPRA reporting requirements.

We have been reporting to GRESB since 2017. Our score for 2023 remained at 77, and three green stars. We scored in line with or ahead of the GRESB average in each of the Environmental, Social and Governance categories, and overall were ahead of the GRESB average.

We have identified areas of improvement going forward, particularly around data coverage and certifications.

We have continued to report in line with the EPRA Sustainability Best Practices Recommendations and received a Gold award for our 2023 reporting.

 Our Sustainability Data Performance Report is available on our **website**



**G R E S B**  
★ ★ ★ ☆ ☆ 2023

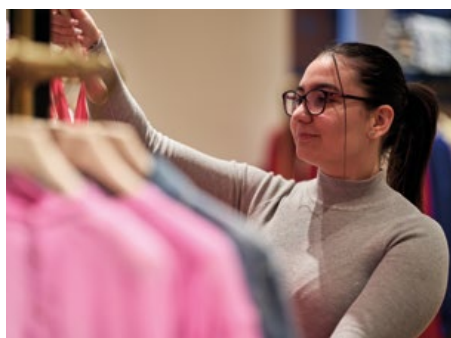


### Better Buildings Partnership

The Better Buildings Partnership (BBP) is a collaboration of the UK's leading commercial property owners. We joined the BBP in 2020 and are a signatory to the BBP Climate Commitment.

This year, the team have continued to participate in BBP projects such as the ESG Training Course for Real Estate Professionals.

We have continued to report our portfolio's energy data in the BBP Real Estate Environmental Benchmark.



### Policies

We have in place an overriding Sustainability Policy. This sets out our approach to sustainability issues and how they are embedded into all of our activities. We believe that a responsible and ethical approach to business is essential for the benefit of all our stakeholders and within our policy we seek to:

- / Meet the highest standards of corporate governance
- / Tackle environmental challenges
- / Provide safe and sustainable buildings for our occupiers
- / Focus on our employees
- / Engage with all our stakeholders

Our Responsibility Committee guides, defines and leads our focus on these priorities. Our Sustainability Policy is supported by specific sustainability strategies and initiatives including:

- / Net zero carbon pathway
- / Community and Social Value Policy
- / Charitable Giving Policy
- / Biodiversity Policy
- / Modern Slavery Statement
- / Supplier Code of Conduct
- / Sustainable refurbishment guidelines



All our ESG Policies are set out on our **website**

### Data management

We are committed to the responsible and secure handling of data and our data management practices adhere to relevant regulatory requirements.

We strive to provide timely and accurate data to our stakeholders, in a format that is easily understandable. We continuously evaluate and enhance our data reporting processes to meet the evolving needs of our stakeholders.

Recognising how important being able to use accurate energy data is to achieve our sustainability objectives, we have taken steps during the year to broaden our understanding of energy use at our buildings.

This year, we have continued to integrate an ESG data management and monitoring system designed to help real estate stakeholders gain a better understanding of their sustainability performance and achieve their sustainability goals.

For Scope 3 data, we have increased our dialogue with our occupiers on sustainability and energy management and aim to improve the level of energy data sharing as part of this, either through obtaining data directly from occupiers or by installing a link to their meters to receive energy data automatically.



## Chair's Introduction

# Introduction to the Corporate Governance Report



### Dear Shareholder

On behalf of the Board, I am pleased to introduce our 2024 Corporate Governance Report.

### Board activities

The Board has been engaged throughout the year focusing on a range of topics. This included continued exploration of various opportunities aimed at increasing the scale of the business to bring both financial and non-financial benefits to our shareholders. We had significantly advanced discussions with the Board of UK Commercial Property REIT and their advisers, and although encouraged by the positive feedback from our shareholders, we were disappointed that their key shareholder was unwilling to engage or support a transaction.

We considered Board composition and succession with a particular focus on diversity and inclusion.

We have kept our portfolio strategy under review, which this year has culminated in the successful repositioning of one of our largest office assets, Angel Gate, London.

The Board has also overseen the progress made towards delivering on our sustainability priorities.

Further detail on the activities of the Board and its Committees is included under the Leadership and Purpose section of this report.

### Board composition and diversity

There were no changes in the composition of the Board during this financial year. However, following Andrew Dewhurst's decision to retire during 2024 and after conducting a comprehensive recruitment process, the Board was pleased to be able to announce the appointment of Saira Johnston as Andrew's successor in October 2023.

I am delighted to welcome Saira, who brings a wealth of experience and complementary skills to Picton, which will ensure we maintain our disciplined approach to capital allocation, with a focus on earnings growth.

On behalf of the Board, I would also like to take this opportunity to thank Andrew for his commitment and excellent financial leadership since 2011. We warmly wish him well in retirement.

Following Saira's appointment with effect from 1 April 2024, the Board is now fully compliant with the FCA Listing Rules on diversity and inclusion.

I would also like to congratulate Maria Bentley following her recent appointment as Chair of Daiwa Capital Markets Europe Limited, where she has been a Non-Executive Director for a number of years. In March, Maria informed the Board of her intention to step down as a Director and as a result Maria will not be standing for re-election at the forthcoming Annual General Meeting.

The Board has already commenced a search for a suitable successor and we will provide further updates to shareholders in due course.

Finally, I would like to express my gratitude to Maria, on behalf of the Board, for her considerable contribution to the Company, particularly in her role as Remuneration Committee Chair and also for her work on employee engagement and sustainability. The Board wishes her every success in her new role.

## Governance

Following last year's decision to bring the company secretarial function in-house, Kathy Thompson joined the Company in May 2023 and subsequently oversaw the transfer of responsibilities from Northern Trust up until her appointment as Company Secretary on 1 October 2023. As a result of this change, Kathy has been able to support both myself and the Board on a range of governance related matters and has overseen improvements made to Board governance processes and across the Company generally.

In relation to our Statement of Compliance with the Corporate Governance Code, this is set out within the Directors' Report and I am pleased to report that we have fully complied with the Code this year.

The workings of the Board and the Committees and how these interact with the provisions of the Corporate Governance Code are described in this and the following sections of the Corporate Governance Report.

## Board evaluation

This year, our Board evaluation was carried out internally, in line with our three-year annual review cycle, with the process being supported by our new Company Secretary. The Board discussed the review findings and I am delighted to report that whilst there were suggestions for improvements, the overall conclusion was that the Board and its Committees continue to operate very effectively.

During the year, the Board also oversaw the actions taken in response to the recommendations from last year's external review conducted by Boardroom Review Limited, which included the review of our company secretarial and governance arrangements.

Further details are provided in the Nomination Committee Report.

## Remuneration

Our current Directors' Remuneration Policy was approved by shareholders in 2021 and is due to be presented to shareholders for approval at our Annual General Meeting this year. We have reviewed and updated the Policy based on external advice from our remuneration consultants, Deloitte, to ensure it remains appropriate and in accordance with best practice. We will consult with our largest shareholders to confirm their support to the changes proposed. Further detail is included in the Remuneration Report.

## Annual General Meeting

Our Annual General Meeting was held in September 2023, with all of the resolutions being approved with at least 94% of votes in favour and I would like to thank our shareholders for their support.

The Board has reviewed the timing of our 2024 Annual General Meeting and decided to bring forward the date this year to 30 July, to be closer to the announcement of our annual results and in line with market practice.

This year, in addition to the routine business considered each year and the request for approval of the new 2024 Remuneration Policy, shareholders will be asked to consider and approve new Articles of Incorporation for the Company. The principal change relates to a proposed increase in the Non-Executive Directors' fee cap, which was previously increased in 2012.

## Our people and culture

The Board recognises the importance of its people to the successful delivery of strategy and welcomes the opportunities during the year when the Directors are able to meet in person with the team as part of the quarterly Board meeting programme. This regular contact supports the strong and open culture and shared values across the Company.

The results of this year's employee engagement survey were discussed at our Board meeting in March and Maria Bentley, who has responsibility for employee engagement, feedback to the team in person. The survey results showed that team sentiment remains very positive and overall satisfaction has risen since last year. More detail is provided in the Being Responsible section on page 72.

## Our stakeholders

Our occupier focused approach continues to be embedded within our purpose, values and business model. This year we carried out two occupier surveys, one for our offices using our occupier app, which facilitated a greater response rate than in previous years, and another for our industrial assets. The overall results discussed by the Board, were very pleasing and the valuable feedback received will be used to help shape our engagement strategy in 2024. Further details can be found on page 70.

## Reporting

I am pleased to report that last year's Annual Report and sustainability reporting both maintained EPRA Gold awards, reflecting our aim to report our activities and results clearly and concisely. The progress that we have made against our net zero carbon pathway is set out in the Being Responsible section on pages 60–69.

In line with previous years, we will publish all of our sustainability data in a separate report online, which will be available shortly.

In what has been a busy and productive year, I now look forward to working with my new and existing Board colleagues in the year ahead.

**Lena Wilson CBE**

Chair

22 May 2024

# Governance at a glance

## Focus areas for 2023/2024

- / Earnings growth and scale
- / Board composition and succession
- / New Remuneration Policy
- / Internalisation of company secretarial function

## Key priorities for 2024/2025

- / Board succession
- / Shareholder total return

## Director changes

- / Andrew Dewhirst, stepped down from the Board on 31 March 2024
- / Saira Johnston, appointed to the Board on 1 April 2024
- / Maria Bentley, stepping down from the Board in Summer 2024

## Compliance with the UK Corporate Governance Code 2018 (the Code)

The Company complied with the relevant provisions set out in the 2018 version of the Code, which applied throughout the financial year ended 31 March 2024.

The Code is available on the FRC's website: [www.frc.org.uk](http://www.frc.org.uk). Further detail on how the Code principles have been applied can be found on the pages noted in the table below.

### Board Leadership and Company Purpose

78-79	Effective Board
86	Purpose, values and strategy
94	Governance framework
90-93	Stakeholder engagement
72-73	Workforce Policies and practices

### Division of Responsibilities

94	Board leadership and roles
95	Division of responsibilities
87, 99	Conflicts of interest and external appointments
88-89	Key activities of the Board

### Composition, Succession, Evaluation

99-100	Board appointments
81-83	Board skills and experience
100-102	Board evaluation

### Audit, Risk and Internal Control

105-106	Financial reporting and review of the 2024 Annual Report
105-106	External and internal auditor effectiveness
105-106	Risk management and Internal controls framework

### Remuneration

110-112	Remuneration aligned to purpose, values and strategy
116-119	Directors' Remuneration Policy
120-125	Remuneration outcomes in 2024



## Governance at a glance

### Board attendance as at 31 March 2024

>98%

Board attendance

### Board independence as at 31 March 2024

50%

Of our Board is independent

Independent	3
Non-independent	2
Chair	1

### Board gender balance as at 31 March 2024

33%

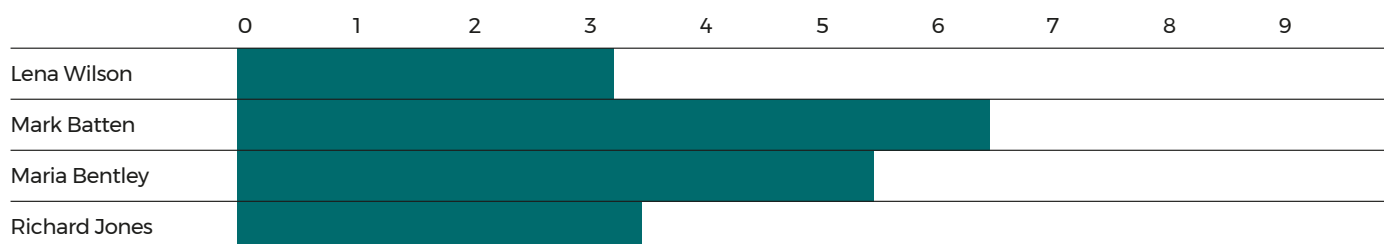
Of our Board are women  
(50% after 31 March 2024)

Men	4
Women	2

### Board tenure

Non-Executive Director average tenure as at 31 March 2024

4.7 years



## Demonstrating our skills

The skills matrix shows the level of expertise of our Board across a range of disciplines.

	Lena Wilson	Mark Batten	Maria Bentley	Richard Jones	Michael Morris	Andrew Dewhirst
Skills						
Leadership and strategy	/	/	/	/	/	/
Real estate		/		/	/	/
Accounting/finance and risk	/	/	/			/
Remuneration	/		/		/	/
People, talent and culture	/	/	/		/	/
Other listed Board experience	/		/			
Corporate finance		/				
Governance	/	/	/	/	/	/
CEO or other operational experience	/	/	/	/	/	/
Sustainability	/				/	
Technology leadership	/					

## Board of Directors

# We have the relevant skills and experience for future growth.



**Lena Wilson CBE**  
Chair  
Chair of the Nomination Committee

### Appointed to the Board

January 2021

Responsible for ensuring the Board is effective in setting and implementing the Company's direction and strategy, including reviewing and evaluating the performance of the CEO.

### Key strengths and skills

- / Over 15 years of Non-Executive, Senior Independent Director and Chair experience, including FTSE 100 companies across the financial and industrial sectors
- / Multi-disciplinary global career across private and public sectors
- / Experienced CEO leading organisations with an international footprint

### Principal external commitments

- / Non-Executive Director and Chair of the Group Performance and Remuneration Committee NatWest Group plc
- / Member of the European Advisory Board of Workday Inc.

### Previous experience and appointments

- / Chair, Chiene + Tait LLP
- / Chief Executive, Scottish Enterprise
- / Senior Investment Advisor at the World Bank
- / Non-Executive Director, Intertek PLC
- / Non-Executive Director, Scottish Power Renewables
- / Non-Executive Director and Senior Independent Director, Argentex Group PLC
- / Chair, AGS Group



**Mark Batten**  
Chair of the Audit and Risk Committee  
Senior Independent Director

### Appointed to the Board

October 2017

Responsible for financial reporting and accounting policies, audit strategy and the evaluation of internal controls and risk management systems.

### Key strengths and skills

- / Chartered Accountant and restructuring specialist
- / Extensive experience in banking, insurance, real estate, debt structuring and restructuring
- / Broad real estate knowledge, covering most sub-sectors

### Principal external commitments

- / Chair, Assured Guaranty UK Limited
- / Non-Executive Director, Assured Guaranty Ltd.
- / Senior Independent Director and Chair of the Audit and Risk Committee, Weatherby Bank Limited
- / Chair, Governing Body, Westminster School

### Previous experience and appointments

- / Partner, PricewaterhouseCoopers LLP (restructuring and corporate valuation practices)
- / Non-Executive Director, L&F Indemnity
- / Senior adviser, UK Government Investments
- / Non-Executive adviser and Chair of the Finance Committee, Royal Brompton and Harefield NHS Clinical Group



**Maria Bentley**  
Chair of the Remuneration Committee

### Appointed to the Board

October 2018

Responsible for leading on the recommendation of remuneration policies and levels, for effective succession planning and employee engagement.

### Key strengths and skills

- / Business head leading change across global teams
- / Expertise in human resources
- / Extensive experience in financial services

### Principal external commitments

- / Non-Executive Director and Chair of the Human Resources Committee, RBC Global Asset Management (UK) Limited (formerly BlueBay Asset Management LLP)
- / Chair (from 1 April 2024), Non-Executive Director and Chair of the Remuneration Committee, Daiwa Capital Markets Europe Limited
- / Senior Independent Director and Chair of Remuneration Committee, Peel Hunt Limited

### Previous experience and appointments

- / Senior Managing Director & Global Head of HR, Wholesale & Head of HR EMEA, Nomura International plc
- / Group Managing Director & Global Head of HR, UBS Investment Bank
- / Managing Director, Global Head of HR for Equities and Fixed Income, Goldman Sachs International

The Board is responsible for the long-term success of the business, providing leadership and direction with due regard and consideration to all stakeholders in the business.



**Richard Jones**  
Chair of the Property Valuation Committee

#### Appointed to the Board

September 2020

Responsible for overseeing the review of the quarterly valuation process and making recommendations to the Board as appropriate.

#### Key strengths and skills

- / Significant real estate investment experience
- / Broad experience of property asset management
- / Extensive experience of property valuation

#### Principal external commitments

- / Investment Committee, Henley Secure Income Property Unit Trust
- / Investment Committee, Henley Secure Income Property Unit Trust II
- / Special Advisor, Clearbell UK Strategic Trust

#### Previous experience and appointments

- / UK Managing Director on Aviva's Investors' Global Real Estate Board
- / Special Director, Ribston UK Industrial Property Unit Trust
- / Non-Executive Director, Royal Brompton and Harefield Hospital NHS Foundation Trust
- / Transport for London's Commercial Property Advisory Group



**Michael Morris**  
Chief Executive

#### Appointed to the Board

October 2015

Responsible for overall strategic direction and execution of the Group's business model.

#### Key strengths and skills

- / Successful track record of driving investment strategy and delivering results for shareholders
- / Proven leadership skills
- / In-depth understanding of real estate equity capital markets

#### Principal external commitments

/ None

#### Previous experience and appointments

- / Over 25 years' wide-ranging commercial real estate market experience
- / Senior Director and Fund Manager, ING Real Estate Investment Management



**Saira Johnston**  
Chief Financial Officer

#### Appointed to the Board

1 April 2024

Responsible for strategic financial planning and reporting for the Group.

#### Key strengths and skills

- / Chartered accountant with over 20 years' experience in finance and management roles
- / In-depth knowledge of financial services, capital markets and real estate funds
- / Expertise in debt and equity financing

#### Principal external commitments

/ None

#### Previous experience and appointments

- / Chief Financial Officer, Gravis Capital Management Limited
- / Group Financial Controller Moorfield Group,
- / Director of Finance, CBRE Global Investors/ING Real Estate
- / Investment Controller, Morgan Stanley Real Estate Fund



## Our Team

With extensive experience across real estate management and financial services, our team have an in-depth knowledge and understanding of the UK commercial property market.



**Michael Morris**  
Chief Executive

Michael has over 25 years of experience within the UK commercial property sector and is responsible for the strategic direction and effective execution of the Group's business model. Michael is Chair of the Executive Committee and of the Transaction and Finance Committee and leads the Company's Climate Action Working Group.



**James Forman**  
Director of Accounting

James is a Certified Accountant and has worked with the Group since its launch in 2005 and has over 20 years of experience in the real estate sector. He is responsible for all the accounting and financial reporting for the Group and is a member of the Transaction and Finance Committee.



**Saira Johnston**  
Chief Financial Officer

Saira is a Chartered Accountant with over 20 years of experience working in the real estate sector in a range of financial and operational related roles. From 1 April 2024, Saira assumed responsibility for the financial strategy and reporting for the Group. Saira is also Chair of the Responsibility Committee and a member of the Transaction and Finance Committee.



**Andrew Dewhirst**  
Director of Finance

Andrew has over 30 years of experience within the financial services and real estate sectors. Andrew stepped down from the Board on 31 March 2024. He will be retiring shortly following a smooth transition and handover period with Saira and delivery of the 2024 Annual Report and Accounts.



**Mark Alder**  
Head of Occupier Services

Mark joined in 2020 and is a Chartered Surveyor with over 30 years of property management experience. He is responsible for delivering effective property management and strengthening our relationship with our occupiers. Mark is a member of the Responsibility Committee and the Health and Safety Committee.



**Lucinda Christopherson**  
Executive Assistant to Chief Executive and Office Manager

Lucinda joined in December 2023 as Executive Assistant to the Chief Executive, Michael Morris, and is responsible for the day-to-day management of the office and for overseeing the administrative aspects of the Company. She is a member of the Health and Safety Committee.



**Tim Hamlin**  
**Director of Asset Management**

Tim is a Chartered Surveyor with over 15 years of real estate experience and is responsible for creating and implementing asset level business plans in line with the portfolio's strategic direction and is a member of the Responsibility Committee.



**Kathy Thompson**  
**Company Secretary**

Kathy joined in May 2023 and was appointed Company Secretary to the Group on 1 October 2023. Kathy is a Chartered Secretary with over ten years of experience within the financial services sector, having previously qualified as a Chartered Accountant with PwC.



**Jay Cable**  
**Senior Director and  
Head of Asset Management**

A Chartered Surveyor with over 20 years of real estate experience, Jay has worked with the Group since its launch in 2005. He is responsible for the proactive asset management of the portfolio and overseeing its strategic direction and is a member of the Executive Committee, the Transaction and Finance Committee and is Chair of the Health and Safety Committee.



**Lucy Stearman**  
**Assistant Accountant**

Lucy has over ten years of experience within financial services and joined the Group in April 2019 to assist with the accounting and financial reporting.



**Andy Lynch**  
**Head of Building Surveying**

Andy is a Chartered Surveyor with over 15 years of experience within the commercial real estate sector. Andy joined the Group in November 2022 and oversees refurbishment projects and other building matters across the portfolio, with a particular focus on environmental improvements.



**Louisa McAleenan**  
**Senior Analyst – Research, Strategy  
and Sustainability**

Louisa has over 15 years of experience in real estate research and is responsible for all aspects of research and analysis, contributing to the direction of the Group's investment strategy. She is a member of the Responsibility Committee and the Climate Action Working Group.

## Leadership and Purpose

# Leadership and purpose

### Purpose

Our purpose is to be a responsible owner of commercial real estate, helping our occupiers succeed and being valued by all our stakeholders.

#### Our culture and values Principled

We are professional, diligent and strategic.

Demonstrated through our transparent reporting, occupier focused approach, alignment with shareholders, delivery of our Picton Promise, our commitment to sustainability and positive environmental initiatives.

#### Perceptive

We are insightful, thoughtful and intuitive.

Demonstrated through our long-term track record, our dynamic positioning of the portfolio, gearing strategy and engagement with our occupiers.

#### Progressive

We are forward-thinking, enterprising, and continually advancing.

Demonstrated through our culture, work ethic, and proactive asset management.

#### The role of the Board

The Board is responsible for the long-term success of the business. It provides leadership and direction, with due regard to the views of all of the stakeholders in the business. The Board operates in an open and transparent way, and seeks to engage with its shareholders, employees, occupiers and local communities.

The Board has full responsibility for the direction and control of the business, and sets and implements strategy, within a framework of strong internal controls and risk management. It establishes the culture and values of the Company.

The Board has a schedule of matters reserved for its attention. This includes all acquisitions and significant disposals, significant leasing transactions, dividend policy, gearing and major expenditure.

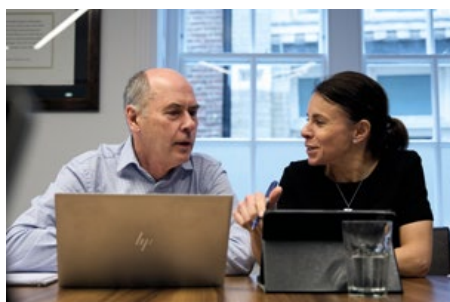
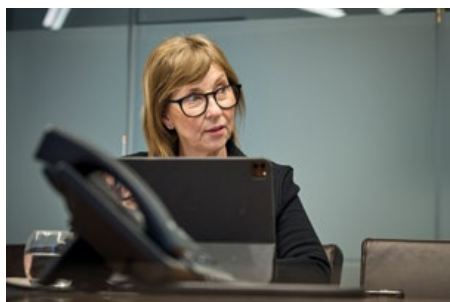
The Board has collectively a range of skills and experience that are complementary and relevant to the business.

These are set out in the biographies of the individual Directors on pages 82 and 83 and illustrated in the skills matrix on page 81.

#### Board meetings

The Board has a regular timetable of meetings throughout the year, which includes two Board meetings scheduled each quarter. The first shorter meeting is usually held virtually, to deal with the approval of the dividend and to review key portfolio activity. The second meeting is held in person and includes consideration of strategic and operational matters with time set aside for thematic discussions, as required. There are also two meetings held each year to approve the annual and the half-year results. Finally, in March, there is an annual strategy day, which provides the Board with an opportunity to reflect on the previous year's activities and achievements and to plan for the upcoming year.

Board education sessions are included in the schedule, and external advisers are invited to attend Board meetings on a regular basis.







### Board Committees

The Board has established four Committees:

Audit and Risk, Remuneration, Property Valuation and Nomination. These are comprised entirely of Non-Executive Directors and operate within defined terms of reference, which are available on the Company's website.

 Committee Terms of Reference

### Conflicts of interest

Directors are required to notify the Company of any potential conflicts of interest that they may have. Any conflicts are recorded and reviewed by the Board at each meeting. No conflicts have been recorded during the year.

The process for obtaining Board approval for external appointments is included in the Nomination Committee Report.

### Attendance at Board and Committee meetings

Board members	Date appointed	Board	Audit and Risk	Remuneration	Property Valuation	Nomination
Lena Wilson	01.01.2021	10/10	–	6/6	4/4	3/3
Michael Morris	01.10.2015	10/10	–	–	–	–
Andrew Dewhirst	01.10.2018	10/10	–	–	–	–
Mark Batten	01.10.2017	10/10	4/4	6/6	4/4	3/3
Maria Bentley <sup>1</sup>	01.10.2018	10/10	3/4	5/6	4/4	3/3
Richard Jones	01.09.2020	10/10	4/4	6/6	4/4	3/3
<b>Total number of meetings</b>		<b>10</b>	<b>4</b>	<b>6</b>	<b>4</b>	<b>3</b>

1. Maria Bentley was unable to attend the 2 May 2023 Audit and Risk Committee and Remuneration Committee meetings due to illness. Mark Batten, as Senior Independent Director, chaired the Remuneration Committee meeting in Maria's absence.


The above meetings were the scheduled Board and Committee meetings. Additional meetings were held to deal with other matters as required and are not included above.

## Leadership and Purpose / Continued

### Board activities

The Board met formally on ten occasions during the year, as well as holding a more informal strategy day in March. A wide range of matters were considered by the Board and key Board activities and approvals over the year are set out here.

How the Board has engaged with all its stakeholders is set out on pages 92 and 93, and consideration of Section 172 matters is described on pages 90 and 91.

	Impacted stakeholders
Strategy and management	 
Financials/financial reporting and performance	 
Risk management and internal controls	  
People, culture and values	
Governance	   
Stakeholder engagement	  
Sustainability	  

## Our stakeholders



Our people



Local communities and charities



Our occupiers



Our investors



Suppliers

## Activity

- / Annual and mid-year strategy review
  - / Consideration of a number of corporate opportunities
  - / Consideration of the operational performance of the business
  - / Review of portfolio strategy and activity
  - / Review of operational matters, including health and safety
- / Approval of the Annual Report and Interim Results and related Stock Exchange announcements
  - / Review of portfolio and financial forecasts
  - / Review of quarterly management accounts
  - / Approval of operating budget for the 2024 financial year-end
  - / Approval of quarterly dividends and related Stock Exchange announcements
  - / Consideration of macroeconomic updates from external advisers
- / Review and approval of Risk Management Policy, including risk appetite
  - / Review of risk radar and risk matrix
  - / Agreement of internal audit programme
  - / Review of the internal audit reports
  - / Review of internal controls report for Property Manager
  - / Evaluation of external auditor
- / Approval of the 2024 Remuneration Policy
  - / Review of independent benchmarking report on market remuneration levels, both for employees and Directors
  - / Approval of Deferred Bonus and LTIP share awards for the team
  - / Approval of the salary and bonus awards
  - / Discussion of the outcomes and actions from the employee engagement survey
- / Consideration of reports from the Chairs of each Board Committee on key areas of Committee discussion and focus
  - / Consideration of report from the Company Secretary and governance update
  - / Discussion of Board diversity and succession including Chief Financial Officer
  - / Discussion of progress made against the action plans from the 2023 Board evaluation
  - / Discussion of feedback from 2023/24 internal Board evaluation
  - / Acceptance of the quarterly independent valuations
  - / Approval of the appointment of new Guernsey Trustee and registered office provider
  - / Approval of Modern Slavery Statement
  - / Approval of Health and Safety Policy Statement
  - / Approval of asset disposals
  - / Review and approval of updated Committee Terms of Reference
- / Planning for the forthcoming Annual General Meeting
  - / Annual General Meeting and shareholder engagement
  - / Review of feedback from shareholders following annual and half-year results
  - / Market update from the Company's brokers
  - / Review of feedback received on corporate opportunity possibilities
  - / Discussion of the outcomes and actions from the occupier engagement survey
- / Review of progress against sustainability priorities
  - / Approval of the Sustainability Policy
  - / Approval of the Biodiversity Policy




# Section 172

## Statement


As the Company is registered in Guernsey, the UK Companies Act 2006 does not apply. However, in accordance with the UK Corporate Governance Code 2018 and as a matter of good governance, the Directors, individually and collectively as the Board, act as they consider most likely to promote the success of the Company for the benefit of shareholders as a whole.

### The Directors have regard to:


The likely long-term consequences of decisions

 / Read more on pages **86-93**


The interests of its employees

 / Read more on page **72**


The Company's relationships with its suppliers, customers and others

 / Read more on pages **70-75**


The impact of the Company's operations on the community and the environment

 / Read more on pages **56-69**

The Company's reputation and maintaining a reputation for high standards of business conduct

 / Read more on pages **78-95**

The need to act fairly towards shareholders

 / Read more on pages **88-93**

Consideration of these factors and other relevant matters is embedded into all Board decision making, strategy development and risk assessment throughout the year. We consider our key stakeholders to be our shareholders, our occupiers, our people, our communities, and our suppliers. Working closely with our stakeholders is a key strategic priority. The primary ways in which the Board engages directly or delegates responsibility for engagement to management are set out below.

### Board engagement with stakeholders

#### Our shareholders

We rely on the support of our shareholders and their views are important to us. The long-term success of the business will deliver value for shareholders. The Chair and Chief Executive hold regular meetings with shareholders and feedback from these meetings is reported back to the Board. This feedback may be on macro trends, share price performance, our growth strategy, operational matters, financing strategy or dividend policy, as examples. There are also investor presentations arranged following our Annual General Meeting and after release of our interim results, which provide an opportunity for investors to raise questions. Other Non-Executive Directors will engage with shareholders on specific matters as appropriate and all of the Directors normally attend the Annual General Meeting to meet with shareholders and to answer any questions they may have.

## Our occupiers

One of our key priorities is to work with our occupiers, so that we can understand their needs and aim to meet their current and future requirements. The Board has delegated responsibility for engaging with occupiers to the asset management team, who have ongoing communication with occupiers, and use this information when making proposals to the Board on investment transactions, such as refurbishment projects or leasing events.

## Our people

Our people are key to our success and we want them to succeed both as individuals and as a team. One of our Non-Executive Directors, Maria Bentley, has responsibility for employee engagement. We carried out our annual employee survey this year using an independent third-party consultant which provided a more insightful view of the feedback

given which was then discussed by the Board. The Board has also been able to meet with the whole team informally when the quarterly in-person Board meetings have been held at Stanford Building.

## Local communities and environment

We are committed to improving the impact of our buildings on local communities, whether providing space to local businesses, improving local areas or minimising the environmental impact of buildings themselves. The Board has established a Responsibility Committee, which is chaired by one of the Executive Directors, to manage sustainability initiatives on its behalf. The Board reviews progress on sustainability matters and against our net zero carbon pathway, and at this year's strategy day received a presentation from the Better Buildings Partnership.

## Suppliers

We have in place a framework for conducting business across the Group in a way that makes a positive contribution to society, while minimising any negative impact on people and the environment. The Board has agreed the overall business framework and delegated its implementation to the management team.

## Considering stakeholders in key Board decision making

The table below sets out several examples of important decisions taken by the Board during the year. These decisions are not only material to the Group but are also significant to any of our key stakeholders. As part of the decision making process, the Board considers the feedback from stakeholder engagement as well as the need to act fairly between shareholders and to maintain high standards of business conduct.

## Actions

<b>Evaluation of growth opportunities</b>	The Board considered a number of potential corporate opportunities that would have enabled both earnings growth and provided increased scale. Growth would also bring further benefits to the team in the form of career progression.
<b>Evolving occupational demand</b>	The Board has considered the changes in occupier demand within the office sector and where appropriate approved a strategy to secure more valuable alternative uses at selected office assets. The post-year-end sale of Angel Gate, London brings financial benefits to our shareholders allowing the Company to repay our debt and increase the dividend.
<b>Review of dividend</b>	The Board is aware of the value of regular dividend payments to shareholders and reviews the level of dividend each quarter. Whilst the dividend level was maintained throughout the year, following the sale of Angel Gate, the Board approved an increase in the dividend to shareholders in April.
<b>Occupier engagement</b>	The Board agreed that occupier surveys should be carried out again this year to better understand the evolving requirements and areas of concern for our occupiers to ensure that satisfaction levels can be met or exceeded.
<b>Sustainability and Biodiversity Policy</b>	The Board reviewed the Company's Sustainability Policy and approved a new Biodiversity Policy this year, as part of our commitment to the wellbeing of the local communities in which we operate and to minimising the environmental impact of our buildings.
<b>Remuneration Policy</b>	The Board has approved a new Remuneration Policy for recommendation to shareholders at our Annual General Meeting, with the changes proposed consistent with our objective of providing remuneration packages for our Executive Directors which are fair and reasonable.
<b>Annual General Meeting</b>	The Board considered the timing of our Annual General Meeting and decided to bring forward the date to July 2024, being closer to the release of our Annual Results which the Board felt would be beneficial to shareholders.

## Leadership and Purpose / Continued

### Engagement with stakeholders

We believe that taking into account the views of our key stakeholders is critical to the long-term success of the business. We engage with all of our stakeholders to understand what is important to them. The following table sets out our key stakeholders and why and how we effectively engage with them.

Our Section 172 Statement for the year ended 31 March 2024 is available on the previous pages and sets out how some of the key decisions made by the Board during the year were guided by stakeholder engagement.

### Stakeholders and what is important to them

### Why we engage



#### Our people

- / Fair and equal treatment
- / Career development
- / Fair pay and conditions
- / Good work/life balance
- / Positive work culture and values

We seek our employees' views on our working arrangements and practices, our purpose, values and activities, which all support our continued strong and open culture.



#### Local communities and charities

- / Local employment opportunities
- / Positive contribution to local economy
- / Safe and clean environment

We seek to inform our social value related activity which aims to deliver positive social outcomes and enhanced wellbeing for the communities and charities located near our assets.



#### Our occupiers

- / Cost-effective space suited to their needs
- / Fair lease terms
- / Well-managed, efficiently run and sustainable buildings
- / Good relationships

We are occupier focused in our approach and aim to understand our occupiers' evolving requirements to continually improve their occupier experience and create spaces in which they will succeed.



#### Our investors

- / Clear strategy
- / Regular dividends
- / Financial performance
- / Clear and transparent reporting

Engaging with our investors helps to inform our strategic decision making, communicate clearly and report on both our financial and sustainability performance.



#### Suppliers

- / Prompt payment
- / Fair terms of business
- / Long-term relationships

Engaging with our suppliers ensures we are operating in an ethical way in accordance with relevant laws and regulations and in line with our own business principles.



## How we engage

We have a small team and engage regularly with them. We have an appraisal process where each member of the team will discuss their performance and objectives with their line manager twice a year. We carry out an annual employee survey, and the results of this are discussed by the Board. The Board also meets with the whole team informally when in-person Board meetings are held at Stanford Building.

We are committed to improving local communities where we own buildings, whether providing space to local businesses, improving local areas or minimising the environmental impact of buildings themselves. We engage through our charity and community initiatives and through our occupier engagement programme.

One of our key priorities is to work with our occupiers, so that we can understand their needs and aim to meet their current and future requirements. Our asset managers, guided by our Picton Promise, maintain regular contact with occupiers and discuss with them any issues regarding the buildings and any future plans we have. Our Head of Occupier Services has developed an occupier engagement programme and attends occupier meetings and other events. We send out an occupier newsletter regularly with relevant and helpful information.

We value the views of all our shareholders and senior management hold regular meetings to update shareholders on progress and activity. We issue regular investor updates with key financial highlights and updates on the portfolio. Our website provides investors with up-to-date information about the Group. This year our Annual General Meeting was at Stanford Building in September and we also held a webinar for shareholders for those unable to attend in person.

We seek to maintain productive and long-term relationships with our business partners. We have in place a framework for conducting business across the Group in a way that makes a positive contribution to society, while minimising any negative impact on people and the environment.

## What we have done this year

The Board discussed the results of the employee engagement survey which reflected the high level of positive sentiment amongst the team. The Board noted the continued support for our flexible working arrangements and will follow up on other issues raised.

Our charitable donations for the year were £25,000, and we supported over 15 different charities. We have maintained our long-standing partnerships with Coram and The Funding Network and further strengthened our charity partnerships with The Fostering Network and Future Youth Zone. Additionally, our new partnership with Youngwilders, a not-for-profit organisation, was approved in February 2024, which aligns with our policy on biodiversity.

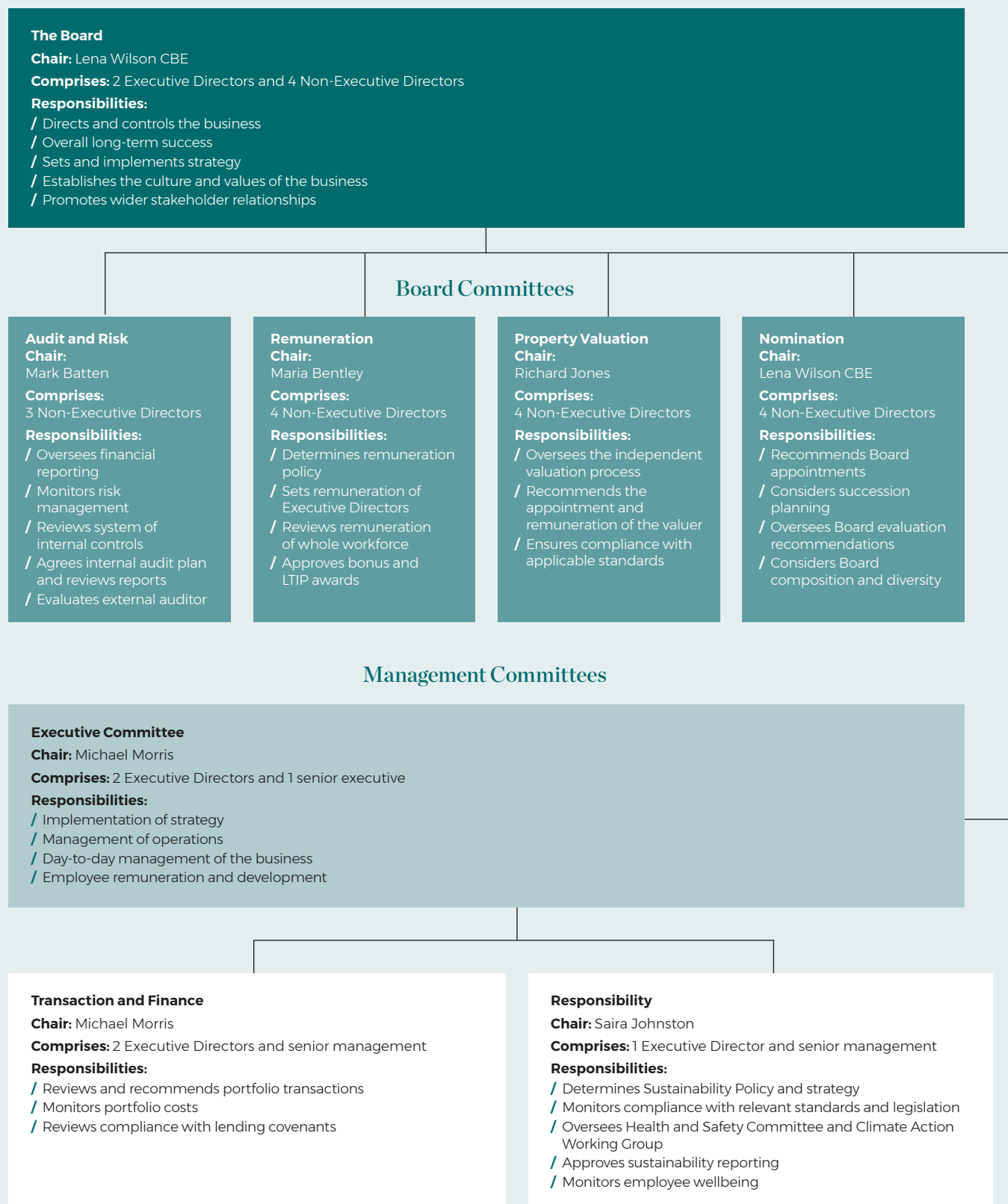
This year, we have undertaken occupier surveys at our offices and industrial properties. The results from the surveys were positive, and any specific issues raised regarding buildings have been addressed by our property managers. We also continued the roll-out of our occupier app at a further nine properties, with over 1,200 regular users across all our locations. We will continue this roll-out programme over the course of the year.

The Chair and Chief Executive have held meetings with major shareholders this year to receive feedback on issues important to the strategic direction and growth of the business. The Chair of the Remuneration Committee has sought consultation from our shareholders in respect of the Remuneration Policy ahead of this year's Annual General Meeting.

We have continued to ensure that our suppliers are paid promptly and within payment terms. We continue to ensure that new suppliers comply with our modern slavery terms.

## Division of Responsibilities

### The role of the Board and its Committees



## Responsibilities of the Directors

The roles and responsibilities of each of the Directors are explained below:

Role	Responsibilities
<b>Chair</b> Lena Wilson CBE	/ Leads the Board / Responsible for overall Board effectiveness / Promotes Company culture and values / Sets the agenda and tone of Board discussions / Ensures that all Directors receive full and timely information to enable effective decision making / Promotes open debate at meetings / Ensures effective communication with stakeholders / Fosters productive relationships between Executive and Non-Executive Directors
<b>Chief Executive</b> Michael Morris	/ Develops and recommends strategy to the Board / Responsible for the implementation of strategy set by the Board / Manages the business on a day-to-day basis / Manages communication with shareholders and ensures that their views are represented to the Board
<b>Senior Independent Director</b> Mark Batten	/ Leads the evaluation of the Chair / Oversees appointment of new Chair / Available for communication with shareholders when other channels are not appropriate / Acts as alternate to the Chair when unable to act
<b>Non-Executive Directors</b> Mark Batten Maria Bentley Richard Jones	/ Bring independent judgement and scrutiny to the decisions of the Board / Bring a range of skills and experience to the deliberations of the Board / Monitor business progress against agreed strategy / Review the risk management framework and the integrity of financial information / Determine the Remuneration Policy for the Group and approve performance targets in line with strategy
<b>Executive Director</b> Andrew Dewhirst (to 31 March 2024) and Saira Johnston (from 1 April 2024)	/ Supports the Chief Executive in the formulation of strategy / Manages the financial operations of the Group / Develops and maintains the system of financial controls within the Group / Recommends the risk management framework to the Audit and Risk Committee and the Board



## Composition, Succession and Evaluation

# Board composition and diversity

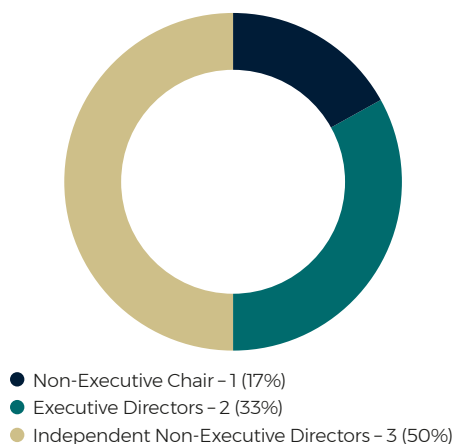
These charts set out the Board's composition, tenure and diversity characteristics as at 31 March 2024.

The Board currently comprises the Chair, two Executive Directors and three independent Non-Executive Directors. The Non-Executive Directors bring a variety of skills and business experience to the Board. Their role is to bring independent judgement and scrutiny to the recommendations of the Executive Directors. Each of the Non-Executive Directors is considered to be independent in character and judgement.

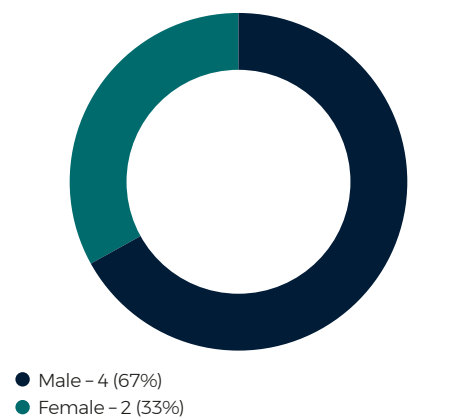
As at 31 March 2024 the Board comprised 50% independent Non-Executive Directors, excluding the Chair.

The biographies of the Directors can be found on pages 82 and 83, which set out their skills and experience, and their membership of each of the Committees.

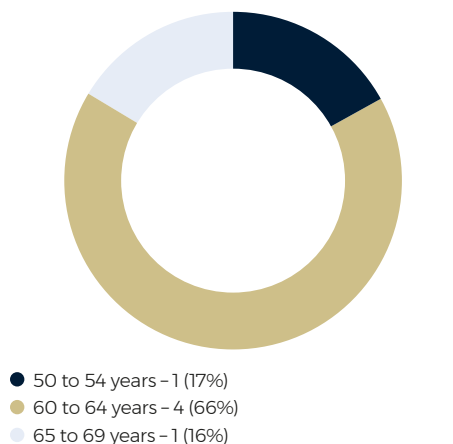
### Function



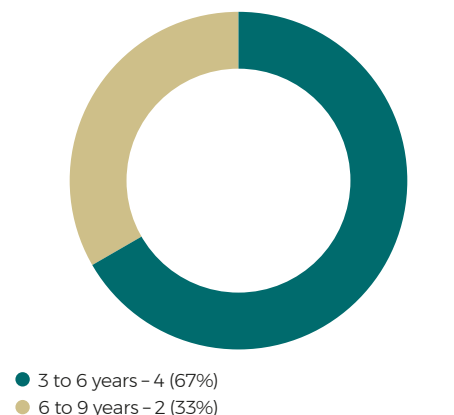
### Diversity



### Age



### Tenure



### Ethnic representation

	Number of Board members	Percentage of the Board	Number of senior Board positions	Number in executive management	Percentage of executive management
White British	6	100%	4	3	100%

### Sex/gender representation

	Number of Board members	Percentage of the Board	Number of senior Board positions	Number in executive management	Percentage of executive management
Men	4	67%	3	3	100%
Women	2	33%	1	0	0%

### FCA Listing Rule Requirements

Following Saira Johnston's appointment to the Board with effect from 1 April 2024, the Company will meet the FCA Listing rule requirements regarding Gender and Ethnicity.



Andrew Dewhirst stepped down from the Board on 31 March 2024 and will be shortly retiring.

Saira Johnston joined as his successor and was appointed to the Board on 1 April 2024.

### What attracted you to Picton?

**Saira:** I was impressed by their track record and property level performance, as well as their internal management structure and the size of business.

As a company they offer a unique blend of professionalism, working within a listed environment yet with a real entrepreneurial feel. The team clearly have a passion for what they do.

### What do you think will be key challenges or differences in this role than your previous roles?

**Saira:** A key difference is the internal management structure which is unique in the way it aligns management to performance.

There has been a lot of activity in the listed real estate market and gilt yields have been a challenge to REITs. I was impressed by their disciplined approach to capital structure with a long maturity and fixed interest debt book.

### What are you most looking forward to?

**Saira:** I am looking forward to joining the team and making a valuable contribution. With over 20 years' experience across real estate investments I am excited to play a part in the next stage of Picton's journey.

### What is your most used app?

**Saira:** Life 360 to keep an eye on the family! Or Strava for logging my activity, mainly running.

My favourite time of day is the morning and being outdoors doing some exercise is a great start to my day, although my husband might dispute that when the alarm goes off at 5.30! Over the last three years I have run over 1,000 km each year to raise money for cancer charities, which is a great motivator and a chance to give something back doing something I love.

### What has been the highlight of your time at Picton?

**Andrew:** There have been many!

It's been great being part of a small team and seeing it develop and evolve, while being able to work without the bureaucracy and politics of big organisations.

At the start we were in an empty office working from second hand desks and had to set everything up from scratch – everything from stationery to IT and systems. So seeing the business grow from its humble beginnings to where it is now, a well-regarded and outperforming UK REIT has been very rewarding.

Key achievements include the early re-financing back in 2012 and then the REIT conversion in 2018.

It's been great to build relationships with key advisers and I will miss working with the team, it never felt like a chore coming in to work.

I won't miss the aborted landings coming in to Guernsey Airport though – 'we'll just go round again'!

### Do you have any advice for Saira?

**Andrew:** Be patient, speak your mind, always try to improve how things are done.

### What is your most used app?

**Andrew:** Spotify probably. I enjoy live music and listening to what's new. I am looking forward to hitting a few more festivals in my retirement.



Saira Johnston



Andrew Dewhirst

# Nomination Committee

## Focus areas for 2023/2024

/ Succession planning

/ Appointment of Saira Johnston as Chief Financial Officer

The Nomination Committee is chaired by Lena Wilson. The other members of the Committee are Mark Batten, Maria Bentley and Richard Jones. There have been no changes to the composition of the Committee during the year.

Lena Wilson CBE  
Chair of the  
Nomination Committee



The Committee's main responsibilities include reviewing the composition of the Board to ensure it has the right balance of skills, knowledge, experience and diversity to carry out its duties and provide effective leadership. The Committee also leads the selection process and the nomination of candidates for appointment to the Board, ensuring the process is formal, rigorous and transparent and there are appropriate succession plans in place for both the Board and senior management. It is also the Committee's role to review the results of the annual Board evaluation taking particular regard to feedback relating to composition and succession.

The Committee makes recommendations to the Board regarding the composition of the Audit and Risk, Remuneration, Nomination and Property Valuation Committees, taking into account individuals' time commitments and experience.

### Terms of reference

The Committee's terms of reference include consideration of the following:

- / Review and make recommendations regarding the size and composition of the Board;
- / Consider and make recommendations regarding succession planning for the Board and senior management;
- / Identify and nominate candidates to fill Board vacancies as they arise;
- / Review the results of the Board evaluation relating to composition and succession;
- / Review the time and independence requirements for Directors; and
- / Recommend the membership of Board Committees.

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### Activity

The Committee met five times during the year ended 31 March 2024, which included the three scheduled meetings and two ad hoc meetings.

A key focus of activity for the Committee has been on succession planning, including commencing and completing the search for a new Chief Financial Officer to succeed Andrew Dewhurst in the first half of the year; and commencing the search for a new Non-Executive Director and Remuneration Committee Chair to succeed Maria Bentley. The selection process for each Board role fully takes into consideration the FCA Listing Rules on diversity targets. For further details see page 100.

The Committee has also kept under review both existing and new external appointments of the current Directors to ensure that the time commitments arising from these external roles would not affect their continued ability to discharge their duties effectively; and to ensure Directors are not over-boarded and continue to meet the required standards concerning independence. As part of this review, consideration was also given to any charitable or other not-for-profit positions held by the Non-Executive Directors, given that this could also impact their time availability.

During the year, the following external appointments were approved:

- / Mark Batten's appointment as Non-Executive Director, Chair of the Audit Committee and Senior Independent Director of Weatherbys Bank Limited, as Chair of Assured Guaranty UK Limited where he was already a Non-Executive Director, and as a Non-Executive Director of the parent company, Assured Guaranty Ltd
- / Maria Bentley's appointment as Senior Independent Director of Peel Hunt Limited and as Non-Executive Chair of Daiwa Capital Markets Europe Limited, where, for both companies she was already a Non-Executive Director

Routine matters considered by the Committee included reviewing the performance and constitution of the Committee and reviewing its Terms of Reference. Following a detailed review, the Terms of Reference were updated to bring them in line with the UK Corporate Governance Code and best practice and were subsequently approved by the Board. The Committee also oversaw the actions taken in response to the recommendations from the external Board evaluation, carried out in 2023, and considered the feedback from the internal Board evaluation carried out at the beginning of the year, and agreed the actions to be taken in response. See pages 101 to 102 for further detail.



**The internal review concluded that the Board, its Committees and the individual Directors continue to operate very effectively.**

**Lena Wilson CBE**

Chair of the Nomination Committee

### **Recruitment and succession planning**

The Committee's main focus during the year was on the selection and appointment of a new Chief Financial Officer to succeed Andrew Dewhirst, following his planned retirement in 2024.

For this role, independent executive search consultants, Teneo People Advisory, were appointed to assist with identifying a shortlist of candidates from which the Committee selected Saira as the preferred candidate. Following the Committee's recommendation the Board approved Saira's appointment in October 2023.

Following Maria Bentley informing the Board of her intention to step down from the Board, and as Chair of the Remuneration Committee at the end of the Annual General Meeting, the Company commenced a search for a suitable successor. After a tender process conducted by the Chair, Chief Executive and Company Secretary, Teneo were again selected to undertake the search for a successor. The recruitment process will follow a similar format to that followed previously and progress will be monitored by the Committee.

Board succession will therefore continue to be a key focus for the Committee in the year ahead.

### **Induction**

An induction programme is in place for new Board members and is overseen by the Chair and the Company Secretary. As part of the induction programme, the Chief Financial Officer spent time with fellow Board members at strategy, Board and Committee meetings, prior to formally being appointed to the Board on 1 April 2024. In addition, the Chief Financial Officer has had meetings with a range of key stakeholders, including our brokers, bankers and external and internal auditors whilst working closely with the retiring Finance Director for a smooth transition.

### **Diversity and inclusion**

The Company believes that diversity amongst our employees is essential for our sustained business success. We value the contributions made by all of our team and are committed to treating all employees equally.

Despite being a small team, we ensure that equity, diversity and inclusion are key considerations for our recruitment partners as part of their candidate recommendations. All candidates are then considered on merit but having regard to the right blend of skills, experience and knowledge.

---

**50%**

Board gender balance  
as at 1 April 2024

## Board evaluation

In accordance with the requirements of the Code, the Board undertakes a review of the effectiveness of its performance and that of its Committees every year. An external review is normally carried out every three years, with internal reviews in the intervening years.

In 2023, an external review of the Board's effectiveness was carried out by Boardroom Review Limited. The following table sets out key actions that were identified following the review together with the progress made since the review.

Action	Progress
1. Ensure opportunities for growth and increasing scale are fully considered	The Chair and the Chief Executive have regularly provided status updates. In addition, ad hoc meetings were arranged as appropriate throughout the year to discuss strategic initiatives as they were progressed.
2. Establish clear parameters on risk appetite	The Risk Management Policy (which includes the risk parameters) is reviewed annually by the Audit and Risk Committee. The risk radar and risk matrix, which form part of the risk management framework, are reviewed at each meeting of the Audit and Risk Committee.
3. Maintain occupier focus, especially around office working and technology	The roll-out of our occupier app at office properties has continued as a primary focus in the year. This has significantly enhanced our occupier engagement as evidenced by the recent survey.
4. Encourage more external perspectives, particularly ESG and technology	Several external presentations were arranged for the Board strategy day. These included an overview of economic outlook and trends given by Capital Economics and an insight into ESG initiatives and occupier engagement from the Better Buildings Partnership.
5. Consider future Board composition	Succession planning is included as a standing agenda item for the Nomination Committee for consideration annually or more frequently if required.
6. Improve diversity at Board level (and within the team)	The consideration of diversity and inclusion factors form part of our succession planning processes.
7. Consider expertise and resource within the team	Widening the depth and experience of the team is an ongoing consideration, and contributed to the appointment of our new in-house Company Secretary, Kathy Thompson in May 2023, and to the expansion of the office manager role to include the provision of executive assistant support to our Chief Executive, with the appointment of Lucinda Christopherson in December.
8. Develop talent within the team	This is an ongoing consideration for management as part of the annual review process for all employees.
9. Review existing company secretarial arrangements	The plans to transition from Northern Trust to in-house provision of our company secretarial arrangements were completed successfully on 30 September 2023.
10. Optimising internal audit	BDO have been appointed as outsourced provider of Internal Audit services and have completed their second year of audit reviews covering asset, lease and property management. Recommendations from these reviews and from the first year round of audit reviews on cyber security and key financial controls have been progressed during the year.
11. Review cyber security and data	BDO carried out a review of cyber security with several recommendations being actioned as a result, which included the Company achieving Cyber Essentials accreditation during the year.

## Composition, Succession and Evaluation / Continued

This year, our Board evaluation was carried out internally, in line with the three-year review cycle. This consisted of a questionnaire prepared by the Company Secretary following discussion with the Chair. The questionnaire covered the following areas:

- / Board roles and responsibilities
- / Board composition, skills, knowledge and development
- / Board meeting conduct and operations

The questionnaire was completed by each of the Directors and the overall conclusions were that the Board and the Committees continued to operate very effectively.

The key themes and actions arising from the review were:

1. Continue to consider opportunities for growth and increasing scale on Board agenda
2. Review and update the risk management framework
3. Review Board meeting schedule and allocation of topics for each meeting
4. Include a lessons learned Board agenda item on a regular basis, to cover both strategic and operational matters
5. Increase focus of Board reporting on what has changed since the previous Board meeting
6. Review how the Board considers stakeholders as part of its routine business and in the decision-making process
7. Ensure succession planning and diversity are regularly included for discussion at Nomination Committee meetings
8. Review Director induction and ongoing Director training ensuring this covers key areas such as sustainability

### Tenure and re-election

The tenure of Non-Executive Directors, including the Chair, is limited to nine years in accordance with the Corporate Governance Code.

The provisions of the Corporate Governance Code recommend that all Directors be subject to annual re-election at the Annual General Meeting. The Board will follow this recommendation and all Directors with the exception of Maria Bentley, who will step down from the Board in July, will be proposed for re-election, or election in the case of Saira Johnston, at the Annual General Meeting in July 2024.

#### Lena Wilson CBE

Chair of the Nomination Committee  
22 May 2024

## Audit, Risk and Internal Control

# Audit, risk and internal control

The Board has established procedures to manage risk, oversee the framework of internal controls and determine its risk appetite to achieve its long-term strategic objectives.

The Board and the Audit and Risk Committee are responsible for ensuring that the Group has an effective internal control and risk management system and that the Annual Report provides a fair reflection of the Group's activities during the year.

The Property Valuation Committee has oversight of the independent valuers and the valuation process. It recommends the adoption of the quarterly valuations by the Board, following its review of the methodology and assumptions used by CBRE Limited, the Group's external valuers.

### Internal control and risk management

The Board is responsible for establishing and maintaining the Group's system of internal controls and reviewing its effectiveness. These systems are designed to ensure effective and efficient operations, internal control and compliance with laws and regulations. In establishing the systems of internal control, regard is paid to the materiality of relevant risks, the likelihood of costs being incurred and costs of control. It follows, therefore, that the systems of internal control can only provide reasonable, and not absolute, assurance against material misstatement or loss. The Board have therefore established an ongoing process designed to meet the particular needs of the Group in managing the risks to which it is exposed, consistent with the FRC's Guidance on Risk Management, Internal Control and Related Financial and Business Reporting.

Such review procedures have been in place throughout the full financial year, and up to the date of the approval of the financial statements, and the Board is satisfied with their effectiveness.

This process includes a review by the Board of the control environment within the Group's service providers to ensure that the Group's requirements are met.

The Board has appointed BDO LLP (BDO) to provide internal audit and assurance services to the Group. The Board considers that this provides it with assurance that the Group's internal controls are robust and are operating effectively. The annual programme of testing carried out by BDO is agreed in advance by the Audit and Risk Committee. Details of the reviews carried out by BDO are set out in the Audit and Risk Committee Report.

The effectiveness of the internal control systems is reviewed annually by the Audit and Risk Committee and the Board. The Audit and Risk Committee has a discussion annually with the external auditor to ensure that there are no issues of concern in relation to the audit of the financial statements and representatives of senior management are excluded from that discussion.



# Audit and Risk Committee

## Focus areas for 2023/2024

/ Annual and Interim Reports

/ Internal audit reviews

/ Risk management

The Audit and Risk Committee is chaired by Mark Batten. The other members of the Committee are Maria Bentley and Richard Jones.

**Mark Batten**  
Chair of the Audit  
and Risk Committee



## The Committee was satisfied that the 2024 Annual Report is fair, balanced and understandable.

**Mark Batten**

Chair of the Audit and Risk Committee

Meetings of the Audit and Risk Committee are attended by the Group's Finance Director and other members of the finance team, the internal auditor and the external auditor. The external auditor is given the opportunity to discuss matters without management present.

### Terms of reference

The Committee's terms of reference include consideration of the following issues:

- / Financial reporting, including significant accounting judgements and accounting policies;
- / Development of a comprehensive Risk Management Policy for the adoption by the Group;
- / Evaluation of the Group's risk profile and risk appetite, and whether these are aligned with its investment objectives;
- / Ensuring that key risks, including climate-related risks, are being effectively identified, measured, managed, mitigated and reported;
- / Internal controls, controls testing and risk management systems;
- / The Group's relationship with the external auditor, including effectiveness and independence;
- / Internal audit and assurance services, including review of any report and assessment of control weaknesses; and
- / Reporting responsibilities.

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### Activity

The Audit and Risk Committee met four times during the year ended 31 March 2024 and considered the following matters:

- / External audit strategy and plan;
- / Audit and accounting issues of significance;
- / The Annual and Interim Reports of the Group;
- / Reports from the external auditor;
- / The effectiveness of the audit process and the independence of KPMG Channel Islands Limited;
- / Review of the Group's Risk Management Policy and appetite;
- / Review of the risk matrix and mitigating controls;
- / Internal audit reports and programme; and
- / Stock Exchange announcements.

### Financial reporting and significant reporting matters

The Committee considers all financial information published in the annual and half-year financial statements and considers accounting policies adopted by the Group, presentation and disclosure of the financial information and the key judgements made by management in preparing the financial statements.

The Directors are responsible for preparing the Annual Report. At the request of the Board, the Committee considered whether the 2024 Annual Report was fair, balanced and understandable and whether it provided the necessary information for shareholders to assess the Group's strategy, business model and performance.

The key area of judgement that the Committee considered in reviewing the financial statements was the valuation of the Group's investment properties.

The valuation is conducted on a quarterly basis by external valuers and is subject to oversight by the Property Valuation Committee. It is a key component of the annual and half-year financial statements and is inherently subjective, requiring significant judgement. Members of the Property Valuation Committee, together with members of the Picton team, meet with the external valuer on a quarterly basis to review the valuations and underlying assumptions, including the year-end valuation process. The Chair of the Property Valuation Committee reported to the Audit and Risk Committee at its meeting on 30 April 2024 and confirmed that the following matters had been considered in discussions with the external valuers:

- / Property market conditions;
- / Yields on properties within the portfolio;
- / Letting activity and vacant properties;
- / Covenant strength and lease lengths;
- / Estimated rental values; and
- / Comparable market evidence.

The Audit and Risk Committee reviewed the report from the Chair of the Property Valuation Committee, including the assumptions applied to the valuation and considered their appropriateness, as well as considering current market trends and conditions, and valuation movements compared to previous quarters. The Committee considered the valuation and agreed that this was appropriate for the financial statements.

The external auditor has presented their findings to the Committee; no areas of concern were raised in respect of management judgements exercised in the preparation of the financial statements or matters that needed additional work.

## Audit, Risk and Internal Control / Continued

The Committee was satisfied that the 2024 Annual Report is fair, balanced and understandable and included the necessary information as set out here, and it has confirmed this to the Board.

### Risk Management Policy

The Committee has considered and developed a comprehensive Risk Management Policy which has been adopted by the Group.

The purpose of the Risk Management Policy is to strengthen the proper management of risks through proactive risk identification, measurement, management, mitigation and reporting in respect of all activities undertaken by the Group. The Risk Management Policy is intended to:

- / Ensure that major risks are reported to the Board for review;
- / Result in the management of those risks that may significantly affect the pursuit of the stated strategic goals and objectives;
- / Embed a culture of risk awareness and evaluation and identify risks at multiple levels within the Group; and
- / Meet legal and regulatory requirements.

### Internal control and internal audit

The Board is responsible for the Company's internal control system and for reviewing its effectiveness. It has therefore established a process designed to meet the particular needs of the Company in managing the risks to which it is exposed.

As part of this process, a risk matrix has been prepared that identifies the Company's key functions and the individual activities undertaken within those functions. From this, the Board has identified the Company's principal risks and the controls employed to manage those risks. These are reviewed at each Audit and Risk Committee meeting. The Board monitors the performance of the Company against its strategy and receives regular reports from management covering all business activities.

The Committee has received and reviewed a copy of CBRE Limited's Real Estate Accounting Services – Service Organisation Control Report as at 31 December 2023, prepared in accordance with International Standard on Assurance Engagements 3402, in respect of the suitability of the design and operating effectiveness of controls of the property management accounting services provided to Picton Property Income Limited.

BDO provides internal audit and assurance services to the Group. The Committee agreed a programme of reviews for 2023/24, which covered asset management, lease management and property management. The Committee has considered the review reports and the recommendations arising, which had been discussed with management. The Committee also considered and agreed the review plan for 2024/25 which will cover capital expenditure, IT controls and a follow up on previous recommendations.

### Independence of auditor

It is the policy of the Group that non-audit work will not be awarded to the external auditor if there is a risk their independence may be compromised. The Committee monitors the level of fees incurred for non-audit services to ensure that this is not material, and obtains confirmation, where appropriate, that separate personnel are involved in any non-audit services provided to the Group. The Committee must approve in advance all non-audit assignments to be carried out by the external auditor.

The fees payable to the Group's auditor and its member firms are as follows:

	2024 £000	2023 £000
Audit fees	223	179
Interim review fees	25	16
Non-audit fees	–	–
	<b>248</b>	195

### Annual auditor assessment

On an annual basis, the Committee assesses the qualifications, expertise and independence of the Group's external auditor, as well as the effectiveness of the audit process. It does this through discussion and enquiry with senior management, review of a detailed assessment questionnaire and confirmation from the external auditor. The Committee also considers the external audit plan, setting out the auditor's assessment of the key audit risk areas and reporting received from the external auditor in respect of both the half-year and year-end reports and accounts.

As part of the review of auditor independence and effectiveness, KPMG Channel Islands Limited have confirmed that:

- / They have internal procedures in place to identify any aspects of non-audit work which could compromise their role as auditor and to ensure the objectivity of their work and audit report;
- / The total fees paid by the Group during the year do not represent a material part of their total fee income; and
- / They consider that they have maintained their independence throughout the year.

In evaluating KPMG Channel Islands Limited, the Committee completed its assessment of the external auditor for the financial period under review. It has satisfied itself as to their qualifications and expertise and remains confident that their objectivity and independence are not in any way impaired by reason of any non-audit services which they provide to the Group.

KPMG Channel Islands Limited have been auditor to the Group since the year ended 31 December 2009. They were reappointed as the Group's auditor following a tender process in February 2020. The current audit engagement partner, Steve Stormonth, has completed two years as audit partner.

The Committee recommends that KPMG Channel Islands Limited are recommended for reappointment at the next Annual General Meeting.

### Mark Batten

Chair of the Audit and Risk Committee  
22 May 2024

# Property Valuation Committee

## Focus areas for 2023/2024

- / Quarterly external valuer reports
- / New RICS rules on valuer rotation
- / Review of valuer performance

The Property Valuation Committee is chaired by Richard Jones. The other members of the Committee are Mark Batten, Maria Bentley and Lena Wilson.

**Richard Jones**  
Chair of the Property  
Valuation Committee





## We are encouraged to see values stabilising as the year has progressed.

**Richard Jones**

Chair of the Property Valuation Committee

### Terms of reference

The Committee shall review the quarterly valuation reports produced by the external valuers before their submission to the Board, looking in particular at:

- / Significant adjustments from previous quarters;
- / Individual property valuations;
- / Commentary from management;
- / Significant issues that should be raised with management;
- / Material and unexplained movements in the Company's net asset value;
- / Compliance with applicable standards and guidelines;
- / Reviewing findings or recommendations of the valuers; and
- / The appointment, remuneration and removal of the Company's valuers, making such recommendations to the Board as appropriate.

 Visit our [website picton.co.uk](https://www.picton.co.uk)

### Activity

The Committee met four times during the year ended 31 March 2024. Members of the Property Valuation Committee, together with management, met with the external valuer each quarter to review the valuations and considered the following matters:

- / Property market conditions and trends;
- / Movements compared to previous quarters;
- / Yields on properties within the portfolio;
- / Letting activity and vacant properties;
- / Covenant strength and lease lengths;
- / Estimated rental values; and
- / Comparable market evidence.

The Committee has considered the market trends that have been evident over the course of the year and are confident that these were fully reflected by the external valuer. The Committee was satisfied with the valuation process throughout the year.

### External valuer

CBRE Limited are appointed as the external valuer of the Group and they carry out a valuation of the Group's property assets each quarter, the results of which are incorporated into the Group's half-year and annual financial statements, and the quarterly net asset statements. The valuations are undertaken in accordance with the Royal Institution of Chartered Surveyors Red Book valuation standards.

The Committee reviewed the performance of the valuer and recommended that the appointment be continued for a further 12 months.

The Committee is cognisant of the new RICS rules requiring the periodic rotation of valuers in the UK, which will come into force on 1 May 2024 and require a change to the Company's valuer every ten years. The Committee intends to appoint a new valuer in good time to allow for a period of overlap and a smooth handover, with the appointment process due to be commenced later this year.

**Richard Jones**

Chair of the Property Valuation Committee  
22 May 2024

# 2.2%

Relative Capital Growth  
outperformance compared to MSCI

## Remuneration Report

# Remuneration Committee

**Focus areas for 2023/2024**

- / New Remuneration Policy
- / Bonus and LTIP awards
- / Remuneration package for new Chief Financial Officer

The Remuneration Committee is chaired by Maria Bentley. The other members of the Committee are Mark Batten, Richard Jones and Lena Wilson.

Other attendees at Committee meetings during the year were Michael Morris and Andrew Dewhirst. Neither participated in discussions relating to their own remuneration.

**Maria Bentley**  
Chair of the  
Remuneration Committee



## Remuneration Report / Continued

**Our objective is to provide straightforward remuneration packages for our Executive Directors, to fairly reward delivery of strategic priorities and enhanced shareholder value.**

**Maria Bentley**

Chair of the Remuneration Committee

### Terms of reference

The principal functions of the Committee as set out in the terms of reference include the following matters:

- / Review the ongoing appropriateness and relevance of the Directors' Remuneration Policy;
- / Determine the remuneration of the Chair, Executive Directors and such members of the executive management as it is designated to consider;
- / Review the design of all share incentive plans for approval by the Board; and
- / Appoint and set the terms of reference for any remuneration consultants.

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### Advisers

During the year, Deloitte LLP has provided independent advice in relation to market data, share valuations, share plan administration and content of the Remuneration Report. Total fees for the year were £54,580 (calculated on a time spent basis). Deloitte LLP is a founding member of the Remuneration Consultants Group and, as such, voluntarily operates under the Code of Conduct in relation to executive remuneration consulting in the UK. In addition, Deloitte also provided taxation services and advice to the Company during the year. The Committee has reviewed the nature of this additional advice and is satisfied that it does not compromise the independence of the advice that it has received.

**100%**

Team aligned through bonus deferral and LTIP

### Annual statement

Dear Shareholders

#### Introduction

On behalf of the Board, I am pleased to introduce the Remuneration Committee Report for the year ended 31 March 2024.

This report comprises three sections:

- / This annual statement;
- / The proposed new Directors' Remuneration Policy; and
- / The Annual Report on Remuneration for the year ended 31 March 2024.

The Committee met six times during the year and set out below is a summary of its activity.

#### Revised Remuneration Policy

Our objective is to provide straightforward remuneration packages for our Executive Directors, fair and reasonable for all stakeholders, which are designed so as to attract and retain the right talent and to fairly reward delivery of strategic priorities and enhanced shareholder value.

The current Directors' Remuneration Policy was set in 2021 and approved by shareholders at the Annual General Meeting that year. It is now approaching the end of its three-year life, and we are putting forward a revised Policy for approval by shareholders this year. Our existing Policy is already compliant with the Corporate Governance Code so there are only minor changes being made in the proposed new Policy. A summary of the changes is set out on page 113.

#### New Executive Director

During the year, the Committee considered and approved the remuneration of Saira Johnston, who joined the Board as Chief Financial Officer on 1 April 2024, replacing Andrew Dewhirst. The Committee agreed that the base salary for Saira Johnston would be £240,000. Details of her entitlement to incentives in 2024/25 are set out in the Implementation of Policy section of this statement. In addition, the Committee agreed that she would receive buy-out awards of £240,000 under the Deferred Bonus Plan in June 2024, payable in shares and vesting in two years' time, and a cash payment of £35,000, both as compensation for the forfeit of awards from her previous employment.

## Group performance and alignment

We have set out on pages 20 to 23, the Key Performance Indicators (KPIs) that we currently use to monitor the success of the business. In order to appropriately align executive remuneration with business performance we incorporate KPIs within our incentive schemes. For both 2023/24 and 2024/25, the KPIs that we are using to determine variable remuneration are set out in the table above.

The remaining 40% of the annual bonus is determined by corporate objectives.

The key performance highlights noted by the Committee included:

/ The total property return was ahead of the MSCI UK Quarterly Property Index for the year, and our long-term record of outperformance has been maintained over one, three, five and ten years, and since launch in 2005;

/ EPRA earnings rose by 2.2% compared to 2022/23;

/ The portfolio ERV increased by 3% over the year;

/ Net property income rose by 4.5% compared to the previous year;

/ Further progress on the installation of on-site renewables, increasing capacity by 184%;

/ Contracts exchanged on the disposal of two part vacant office assets, facilitating loan repayment and dividend increase;

/ The proportion of the portfolio's EPC ratings (A-C) has increased to 80% from 76% last year; and

/ Scope 1 and 2 greenhouse gas emissions are 16% below the 2019 baseline.

Measure	Comparator	Annual bonus	Long-term Incentive Plan
<b>Total return</b>	Relative to comparator group	✓ (30% weighting)	
<b>Total property return</b>	Relative to MSCI UK Quarterly Property index	✓ (30% weighting)	✓ (33% weighting)
<b>Total shareholder return</b>	Relative to comparator group		✓ (33% weighting)
<b>EPRA EPS</b>	Absolute target range		✓ (33% weighting)

### Annual bonus awards for 2023/24

The Executive Directors were set a number of challenging targets for this year, comprising a combination of financial measures and corporate and personal objectives.

The two financial measures were total return and total property return. The actual outcomes are set out in the Annual Report on Remuneration, but the overall result was that the Directors earned an estimated 46% of the maximum award available under these financial measures.

The corporate objectives were set to ensure that specific key strategic targets were focused on. These included targets relating to improving income and occupancy, the disposal of assets in line with the alternative use strategy, identification and evaluation of growth opportunities and sustainability, including progress against the net zero carbon pathway. The Committee considered the extent to which the Executive Directors had met the objectives, and concluded that good progress had been made against many, but noted that occupancy had remained stable and that operating costs had increased significantly this year. Overall, the Committee considered that an outcome of 65% of the maximum award for each of the two Executive Directors were merited against the corporate objectives.

In aggregate, annual bonus awards for the two Executive Directors are 54% of the maximum award (2022/23: 77% of maximum).

The Committee considered the overall bonus awards against the reported financial results and determined that the proportion of the bonus deferred be set at a higher than standard 55% for the Executive Directors.

The Committee considered the formulaic bonus outcome in the context of the Group's overall performance for the year. The key highlights of performance for the year are set out earlier in this statement.

The Committee concluded that it was satisfied the formulaic bonus outcome was a fair reflection of overall Group performance during the past financial year.

### Long-term Incentive Plan awards (performance period to 31 March 2024)

The LTIP provides the link between the long-term success of the Company and the remuneration of the whole team. The awards made under the Long-term Incentive Plan (LTIP) in June 2021 were based on three performance conditions measured over the three-year period ended on 31 March 2024. The Committee has assessed the extent to which these three performance conditions have been met.

The three equally weighted performance conditions were total shareholder return, total property return and growth in EPRA earnings per share. The actual outcomes for these conditions are set out in the Annual Report on Remuneration and give rise to an overall award of 49.2% of the maximum granted. As explained above, the Committee concluded that it was satisfied the formulaic outcome was a fair reflection of overall Group performance over the performance period.



## Remuneration Report / Continued

### Employee remuneration and engagement

As in prior years, the Committee received an independent benchmarking report covering each of the roles, which detailed market trends. Having considered the report, the Committee determined that, for the team as a whole (excluding the Executive Directors), there would be an overall average rise of 3.2% in base salaries with effect from 1 April 2024. The average employee bonus (excluding the Executive Directors) fell by 15.6%, reflecting our continued outperformance but also the more difficult economic and property market conditions.

I have met informally with the team on a number of occasions this year, and we have also carried out our annual employee engagement survey. This is discussed in more detail elsewhere, but the results continue to demonstrate a high level of satisfaction among the team.

### UK Corporate Governance Code

We have considered the provisions of the Code in respect of remuneration and believe that our approach remains compliant. In particular, we operate a consistent level of pension provision across our workforce; LTIP awards are only released to Executive Directors five years after award; and malus and clawback provisions apply to all incentive awards. We have provisions in the rules of our remuneration share plans that prevent, other than in exceptional circumstances, accelerated vesting of awards when an employee leaves Picton. We also have post-employment shareholding guidelines in place.

The remuneration arrangements provide alignment with shareholders through the use of financial metrics and corporate objectives. All members of the team participate in the annual bonus and LTIP, not just the Executive Directors. The Remuneration Policy and its components are clearly set out in this report and the rules of the variable remuneration schemes are available to the whole team. We use standard performance metrics, which are also key performance indicators for the business, to determine awards. There are clear target and maximum levels for each metric.

The Committee believes that the variable remuneration schemes in place are fair and proportionate and align the remuneration of the team with the Group's performance. We are also satisfied that the remuneration structure does not encourage inappropriate risk-taking. The Committee does retain discretion over formulaic outcomes if it considers that these are not a fair reflection of the Group's performance.

### Implementation of Policy

Our remuneration structure will be in accordance with the Policy for the year to 31 March 2025.

For 2024/25 the Committee agreed that there would be no increases in base salaries for the Executive Directors. The maximum annual bonus potential for 2024/25 will remain at 145% of base salary for the Executive Directors. As in previous years the annual bonus will be determined 60% by financial metrics and 40% by corporate objectives. For 2024/25 we will continue to use two financial metrics, being total return, relative to a comparator group, and total property return, relative to the MSCI UK Quarterly Property Index.

The award for the Chief Executive under the Long-term Incentive Plan has remained at last year's level to reflect the lower share price and discount to net asset value, and to avoid any windfall gains arising on vesting. This year no award has been made to the Chief Financial Officer due to the buy-out awards granted on her appointment as set out on page 110. For the awards to be made in June 2024 for the three-year period to 31 March 2027, we will retain the three performance measures used previously, being:

- / Total shareholder return, compared to a comparator group
- / Total property return, compared to the MSCI UK Quarterly Property Index
- / Growth in EPRA earnings per share

For the growth in EPRA earnings per share, we intend to use an absolute range of targets based on forecasts over the performance period.

The Committee is satisfied that the significant deferral element to the annual bonus combined with the Long-term Incentive Plan opportunity plus shareholding guidelines ensures that Executive Directors are aligned with and focused on delivering long-term growth.

The Committee agreed that fee levels for the Chair and Non-Executive Directors would be increased by an average of 2.0% from 1 April 2024, and that an additional fee of £8,000 per annum for the role of Senior Independent Director be introduced.

As a Committee, we are committed to ongoing dialogue with our shareholders and welcome any feedback regarding our remuneration practices ahead of the Annual General Meeting. We look forward to receiving your continued support at the forthcoming Annual General Meeting.

### Maria Bentley

Chair of the Remuneration Committee  
22 May 2024







# Revised Policy Overview

The below table summarises the revised Directors' Remuneration Policy which will be put forward to shareholders at the 2024 AGM.

 The full Policy can be found on pages **116-119**

The current Directors' Remuneration Policy was approved by our shareholders at the Annual General Meeting in 2021. The Remuneration Committee has reviewed the continued appropriateness of the current Policy relative to our strategic priorities, governance requirements and evolving market practice. Input was sought from the Chief Executive and Finance Director whilst ensuring that conflicts of interest were suitably mitigated. An external perspective was provided by our independent advisers, Deloitte, and previous feedback from shareholders.

Shareholder approval will be sought at the forthcoming Annual General Meeting for the updated Policy and key changes to the Policy are summarised below with the full Policy set out on pages 116-119. Subject to shareholder approval, the updated Policy will take effect immediately after the Annual General Meeting and will apply to the 2024/25 financial year.

	Current Policy	Proposed changes and why
 <b>Base salary</b>	Base salaries are normally reviewed annually with changes effective on 1 April.	No changes
 <b>Benefits</b>	This principally comprises private medical insurance, life assurance and permanent health insurance, and other benefits may be provided as appropriate.	No changes
 <b>Pension contributions</b>	The Company has established defined contribution pension arrangements for all employees. A consistent rate of pension provision of 15% applies to all employees, including Executive Directors.	No changes
 <b>Annual bonus</b>	The annual bonus is based on a range of targets (measured over a period of up to one year) set by the Committee. The maximum bonus permitted under the Policy will be 175% of base salary. At least 50% of the annual bonus will be paid in the Company's shares and deferred for two years, although the Committee has discretion to amend the required level of deferral upwards or downwards.	No changes
 <b>LTIP</b>	Awards under the LTIP are granted annually usually in the form of a conditional share award and will vest after three years subject to meeting performance conditions, determined by the Committee. The maximum value of awards is 150% of base salary. A further holding period of two years after vesting is normally applied.	No changes
 <b>Non-Executive Directors fees</b>	Annual fee for the Chair, and annual base fees for other Non-Executive Directors. Additional fees for those Directors chairing a Board Committee.	Additional fees may also be paid for acting as Senior Independent Director or where there is a significant additional time commitment.  The annual limit for Non-Executive Directors' remuneration will increase to £425,000, subject to approval by shareholders at the Annual General Meeting.
<b>Shareholding guidelines</b>	Executive Directors are expected to build up and maintain a minimum shareholding equivalent to 200% of base salary, and remain compliant for a period of two years post-employment.	No changes

# Remuneration at a glance

The components of remuneration for 2023/24 are:

## Fixed pay




Base salary



Benefits

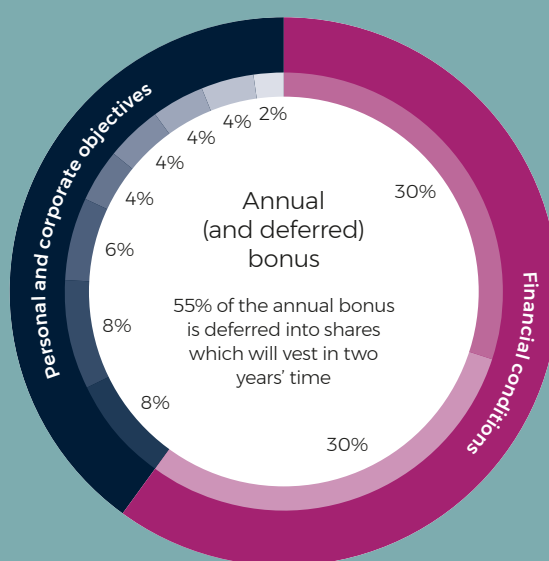


Pension contributions

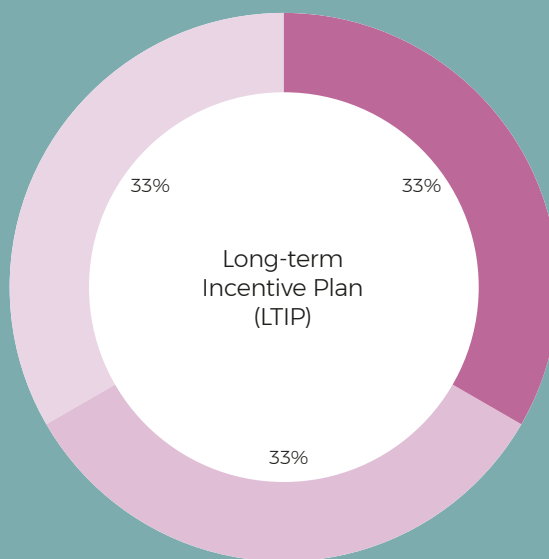
 Read more on pages **120-126**

## Variable pay

The annual bonus for 2023/24 is determined by:



The LTIP is based on three financial metrics, each measured over three years:



### Personal and corporate objectives

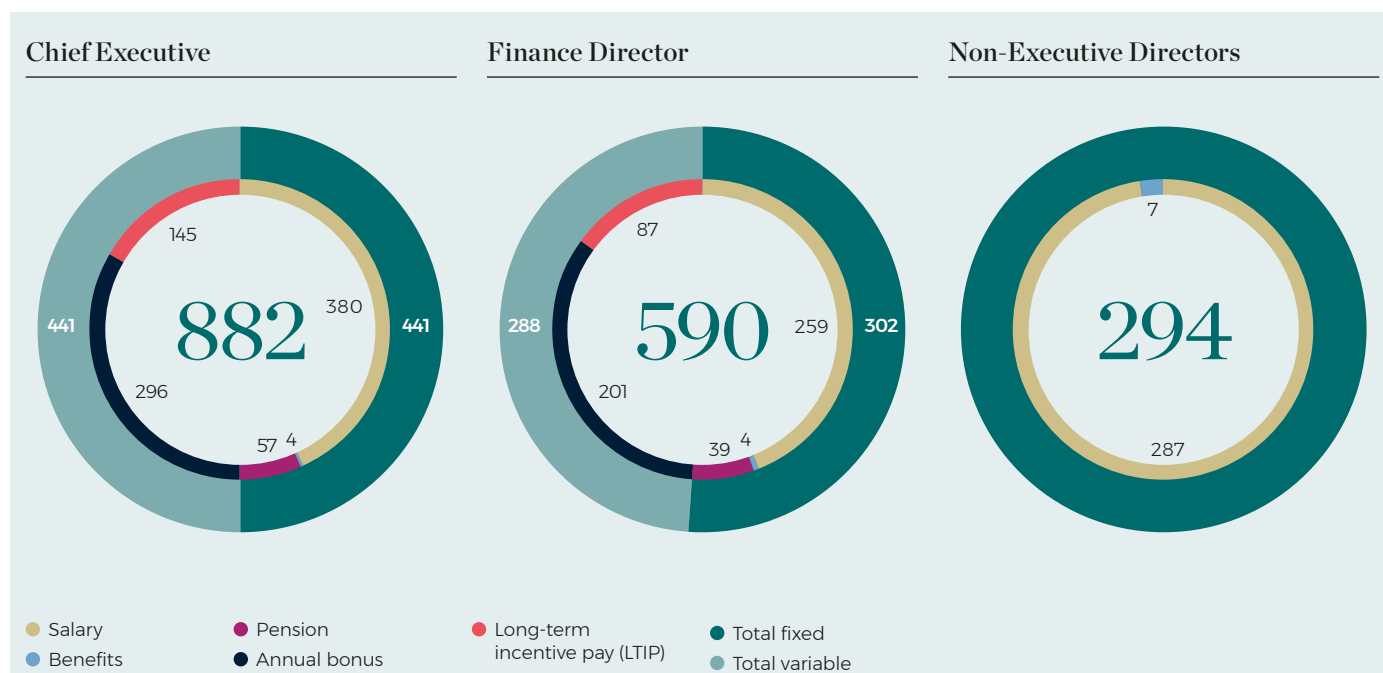
- Improve net income
- Identify and evaluate growth opportunities
- Make progress against net zero carbon pathway
- Reduce portfolio void
- Make asset disposals
- Positive stakeholder engagement
- Successful CFO succession planning and transition
- Successful internalisation of company secretarial function

### Financial conditions

- Total return
- Total property return
- Growth in EPRA earnings per share
- Total shareholder return

 See page **121** for Performance conditions and assessment

## The single figure of remuneration for the Directors for the year 2023/24 (in £ thousands) is:



## The potential remuneration of the Executive Directors, excluding buy-out awards, for the year to 31 March 2025 is:

### The following charts show the composition of the Executive Directors' remuneration at three performance levels:

/ Fixed pay – base salary from 1 April 2024, benefits and pension salary supplement of 15% of base salary

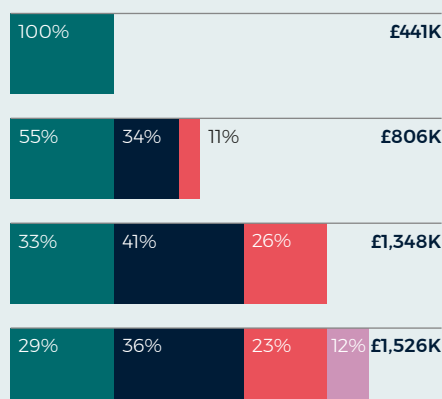
/ On target – fixed pay plus target vesting for the annual bonus (at 50% of maximum opportunity for illustrative purposes) and threshold vesting for the LTIP (at 25% of maximum award)

/ Maximum – fixed pay plus maximum vesting for both the annual bonus (145% of base salary) and the LTIP (93.75% (Chief Executive) of base salary)

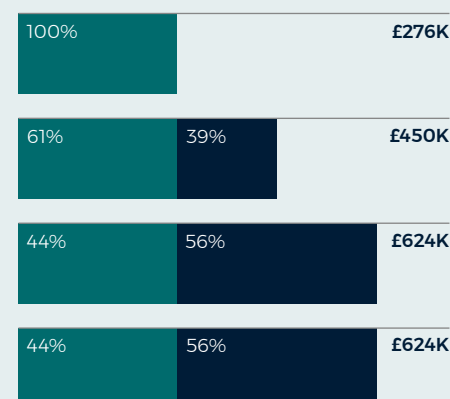
/ Maximum with share price growth – maximum scenario incorporating assumption of 50% share price growth during LTIP vesting period

Other than where stated, the charts do not incorporate share price growth or dividend equivalent awards.

### Chief Executive



### Chief Financial Officer



● Total fixed      ● Annual bonus      ● Long-term incentive pay (LTIP)      ● Share growth



## Remuneration Report / Continued

# Directors' Remuneration Policy

The current Directors' Remuneration Policy was approved by our shareholders at the Annual General Meeting in 2021. Subject to shareholder approval, the updated Remuneration Policy will take effect immediately after the Annual General Meeting and will apply to the 2024/25 financial year.

The updated Policy is essentially consistent with the Policy approved in 2021.

The new Policy contains flexibility to pay additional fees to Non-Executive Directors for additional responsibilities such as Senior Independent Director or if their responsibilities incur significant additional time commitment. Subject to shareholder approval, the annual limit for Non-Executive Director fees will be increased for the first time since 2012 to £425,000.

### Principles

The objective of the Group's Remuneration Policy is to have a simple and transparent remuneration structure aligned with the Group's strategy.

The Group aims to provide a remuneration package which will retain Directors who possess the skills and experience necessary to manage the Group and maximise shareholder value on a long-term basis. The Remuneration Policy aims to incentivise Directors by rewarding performance through enhanced shareholder value.

### Executive Directors' Remuneration Policy Table

#### Base salary

<b>Purpose</b>	A base salary to attract and retain Executives of appropriate quality to deliver the Group's strategy.
<b>Operation</b>	Base salaries are normally reviewed annually with changes effective on 1 April. When setting base salaries the Committee will consider relevant market data, as well as the scope of the role and the individual's skills and experience.
<b>Maximum</b>	<p>No absolute maximum has been set for Executive Director base salaries.</p> <p>Any annual increase in salaries is set at the discretion of the Remuneration Committee taking into account the factors stated in this table and the following principles:</p> <ul style="list-style-type: none"> <li>/ Salaries would typically be increased at a rate no greater than the average employee salary increase</li> <li>/ Larger increases may be considered appropriate in certain circumstances (including, but not limited to, a change in an individual's responsibilities or in the scale of their role or in the size and complexity of the Group)</li> <li>/ Larger increases may also be considered appropriate if a Director has been initially appointed to the Board at a lower than typical salary</li> </ul>
<b>Performance measures</b>	None
<b>Clawback</b>	None

#### Pension

<b>Purpose</b>	Part of competitive remuneration package.
<b>Operation</b>	The Company has established defined contribution pension arrangements for all employees. For Executive Directors the Company currently pays a monthly salary supplement in lieu of Company pension contributions, although retains discretion to alternatively offer the defined contribution arrangements.
<b>Maximum</b>	A consistent rate of pension provision applies to all employees, including Executive Directors. In 2024/25, this is 15% of base salary.
<b>Performance measures</b>	None
<b>Clawback</b>	None

**Benefits**

<b>Purpose</b>	Part of a competitive remuneration package.
<b>Operation</b>	<p>This principally comprises:</p> <ul style="list-style-type: none"> <li>/ Private medical insurance</li> <li>/ Life assurance</li> <li>/ Permanent health insurance</li> </ul> <p>The Committee may agree to provide other benefits as it considers appropriate.</p>
<b>Maximum</b>	Benefits are provided at market rates.
<b>Performance measures</b>	None
<b>Clawback</b>	None

**Annual bonus**

<b>Purpose</b>	A short-term incentive to reward Executive Directors on meeting the Company's annual financial and strategic targets and on their personal performance.
<b>Operation</b>	At least 50% of the annual bonus will be paid in the Company's shares and deferred for two years. The Committee has discretion to amend the required level of deferral upwards or downwards as appropriate including discretion to waive the requirement for deferral for a departing Executive Director as outlined in the loss of office section or where dealing restrictions prevent share awards being granted. Any use of this discretion would be clearly disclosed and explained in the relevant Remuneration Report. Dividend equivalents will be paid at the end of the deferral period (in the form of shares or cash).
<b>Maximum</b>	The maximum bonus permitted under the Policy will be 175% of base salary. The level of bonus opportunity within this maximum will be determined by the Committee each year. In 2024/25, the maximum opportunity will be limited to 145% of base salary.
<b>Performance measures</b>	<p>The annual bonus is based on a range of financial, strategic, ESG, operational and individual targets (measured over a period of up to one year) set by the Committee. The weightings will also be determined annually to ensure alignment with the Company's strategic priorities, although at least 50% of the award will usually be assessed on corporate financial measures.</p> <p>For corporate financial measures, 50% of the maximum bonus opportunity will be payable for on-target performance and, if applicable, up to 25% for threshold performance.</p>
<b>Clawback</b>	Malus and clawback provisions may be applied in the event (within two years of bonus determination/grant of the deferred bonus shares) of a material misstatement of the audited financial results, an error in assessing a performance condition applicable to the award or in the information or assumptions on which the award was granted or is released, a material failure of risk management, material misconduct on the part of the award holder or a corporate failure.

**Long-term Incentive Plan**

<b>Purpose</b>	A Long-term Incentive Plan to align Executive Directors' interests with those of shareholders and to promote the long-term success of the Company.
<b>Operation</b>	<p>Awards are granted annually usually in the form of a conditional share award or nil cost option. Awards will normally vest at the end of a three-year period subject to meeting the performance conditions and continuing employment.</p> <p>The Remuneration Committee may award dividend equivalents (in the form of shares or cash) on awards that vest.</p> <p>The Committee will usually apply a holding period of a further two years to awards that vest.</p>
<b>Maximum</b>	Annual awards with a maximum value of up to 150% of base salary may be made.
<b>Performance measures</b>	<p>Vesting will be subject to performance conditions, aligned to the corporate strategy, as determined by the Committee on an annual basis. In 2024/25, there will be three equally weighted performance conditions, each usually measured over a three-year performance period. The Committee has the flexibility to vary the number of conditions and their weighting for each award.</p> <p>For threshold levels of performance up to 25% of the award vests, rising usually on a straight-line basis to 100% for maximum performance.</p>
<b>Clawback</b>	Malus and clawback provisions may be applied in the event (within five years of grant) of a material misstatement of the audited financial results, an error in assessing a performance condition applicable to the award or in the information or assumptions on which the award was granted or is released, a material failure of risk management, material misconduct on the part of the award holder or a corporate failure.

## Remuneration Report / Continued

### Shareholding guidelines

<b>Purpose</b>	To align Executive Directors with the interests of shareholders.
<b>Operation</b>	<p>Whilst in employment, Executive Directors are expected to build up and thereafter maintain a minimum shareholding equivalent to 200% of base salary.</p> <p>The Committee will review progress towards the guideline on an annual basis and has the discretion to adjust the guideline in what it feels are appropriate circumstances.</p> <p>Executive Directors will also be expected to remain compliant with the above guideline for a period of two years post-employment. This requirement applies to shares from incentive awards released subsequent to the 2021 Annual General Meeting. The Committee retains discretion to waive this guideline if it is not considered appropriate in the specific circumstances.</p>
<b>Maximum</b>	Not applicable
<b>Performance measures</b>	Not applicable
<b>Clawback</b>	Not applicable

### Non-Executive Directors' Policy Table

#### Fees

<b>Purpose</b>	To provide competitive Director fees.
<b>Operation</b>	<p>Annual fee for the Chair, and annual base fees for other Non-Executive Directors.</p> <p>Additional fees for those Directors with additional responsibilities such as chairing a Board Committee, acting as Senior Independent Director or where a Director incurs significant additional time commitment. Additional fees would also be payable in the event a Non-Executive Director temporarily took on an Executive Director role. All fees will be payable monthly in arrears in cash.</p> <p>Fees will usually be reviewed independently every three years.</p> <p>The independent Non-Executive Directors are not eligible to receive share options or other performance-related elements or receive any other benefits other than where travel to the Company's registered office is recognised as a taxable benefit in which case a Non-Executive Director may receive the grossed-up costs of travel as a benefit. Non-Executive Directors are entitled to reimbursement of reasonable expenses.</p>
<b>Maximum</b>	The Company's Articles set an annual limit for the total of Non-Executive Directors' remuneration of £425,000, subject to the approval of shareholders at the 2024 Annual General Meeting.
<b>Performance measures</b>	None
<b>Clawback</b>	None

#### Notes to table:

- The Committee may amend or substitute any performance condition(s) if one or more events occur which cause it to determine that an amended or substituted performance condition would be more appropriate, provided that any such amended or substituted performance condition would not be materially less difficult to satisfy than the original condition (in its opinion). The Committee may adjust the calculation of performance targets and vesting outcomes (for instance, for material acquisitions, disposals or investments and events not foreseen at the time the targets were set) to ensure they remain a fair reflection of performance over the relevant period. The Committee also retains discretion to make downward or upward adjustments resulting from the application of the performance measures if it considers that an adjustment is appropriate (for example, if the outcomes are not deemed by the Committee to be a fair and accurate reflection of business performance). In the event that the Committee was to make an adjustment of this sort, a full explanation would be provided in the next Remuneration Report.
- Performance measures – annual bonus. The annual bonus measures are reviewed annually and chosen to focus executive rewards on delivery of key financial targets for the forthcoming year as well as key strategic or operational goals relevant to an individual. Specific targets for bonus measures are set at the start of each year by the Remuneration Committee based on a range of relevant reference points, including for Group financial targets, and the Company's business plan and are designed to be appropriately stretching.
- The Committee may amend the terms of awards granted under the share schemes referred to above in accordance with the rules of the relevant plans. This includes the flexibility to settle equity awards in cash.
- Performance measures – LTIP. The LTIP performance measures will be chosen to provide alignment with our longer-term strategy of growing the business in a sustainable manner that will be in the best interests of shareholders and other key stakeholders in the Company. Targets are considered ahead of each grant of LTIP awards by the Remuneration Committee taking into account relevant external and internal reference points and are designed to be appropriately stretching.
- The Committee reserves the right to make any remuneration payments and/or payments for loss of office (including exercising any discretions available to it in connection with such payments) notwithstanding that they are not in line with the Policy set out above where the terms of the payment were agreed (i) before the Policy set out above came into effect, provided that the terms of the payment were consistent with the shareholder-approved Remuneration Policy in force at the time they were agreed; or (ii) at a time when the relevant individual was not a Director of the Company and, in the opinion of the Committee, the payment was not in consideration for the individual becoming a Director of the Company. For these purposes 'payments' includes the Committee satisfying awards of variable remuneration and, in relation to an award over shares, the terms of the payment are 'agreed' at the time the award is granted.
- The Committee may make minor amendments to the Remuneration Policy for regulatory, exchange control, tax or administrative purposes or to take account of a change in legislation, without obtaining shareholder approval for that amendment.
- The Non-Executive Directors' fee cap has not been adjusted since 2012.

## Service contracts

Executive Directors will have service contracts, comprising the remuneration elements set out within this Policy. There will be no fixed length of service but the contracts can be terminated by either party by giving the other notice in writing for a period not exceeding 12 months.

On termination the applicable payments for each element of remuneration are set out below.

The Executive Director service contracts will be available for inspection at the Company's registered office.

## Letters of appointment

Each independent Non-Executive Director has a letter of appointment which sets out the terms and conditions. They have a six-month notice period and their appointment would terminate without compensation if not re-elected at the Annual General Meeting. The independent Directors have no service contracts or interests in any material contracts with the Group.

## Recruitment

The remuneration package for a new Executive Director would follow, as far as practicable, the above Policy Table. Salaries would reflect the skills and experience of the individual and may be set at a level to allow progression and performance in the role. The structure of the variable remuneration elements would reflect those in the Policy Table. However, the Committee may flex the balance between annual and long-term incentives and the measures used to assess performance. If appropriate, different measures and targets may be applied to a new appointment's annual bonus and/or LTIP in their year of joining. Variable pay would be subject to the maximums set out in the Policy Table.

Where necessary the Committee may approve the payment of relocation expenses to facilitate recruitment, and flexibility is retained to pay for legal fees and other costs incurred by the individual in relation to their appointment.

Where an Executive Director is an internal promotion, the normal policy is that any legacy arrangements would be honoured in line with the original terms and conditions. Similarly, if an Executive Director is appointed following the Company's acquisition of or merger with another company, legacy terms and conditions would be honoured.

Remuneration arrangements for a new Non-Executive Director would be consistent with the above Policy. In the event that a Non-Executive Director is required to temporarily take on the role of an Executive Director, their remuneration may include any of the elements listed in the Policy Table for Executive Directors.

The Committee may agree to make compensatory payments for any remuneration arrangements subject to forfeit on leaving a previous employer. This would be considered for each specific case, taking into account any relevant factors relating to the recruitment. There is no limit on such payments, but the Committee would not intend to pay more than the commercial value forfeited. If necessary, the Committee may grant such awards under Listing Rule 9.4.2 R.

## Policy for other employees

Remuneration for other employees broadly follows the same principles as for Executive Directors. A significant element of remuneration is linked to performance measures. All employees usually participate in the Long-term Incentive Plan and in the annual bonus. The weighting of individual and corporate measures is dependent on an individual's role.

The Committee does not formally consult with employees when determining Executive Director pay. However, the Committee is kept informed of general management decisions made in relation to employee pay and is conscious of the importance of ensuring that its pay decisions for Executive Directors are regarded as fair and reasonable within the business.

## Policy for payment on loss of office

On cessation of employment of an Executive Director, the Committee will honour any contractual arrangements in place. The Committee may make any other payments in connection with loss of office in discharge of legal obligations or by way of a compromise or settlement of any claim arising. This may include reasonable amounts for outplacement assistance and professional or legal advice. In some cases, a departing Director may receive a modest leaving gift.

The Committee may, at its discretion, make an annual bonus payment for the year of cessation depending on the reason for leaving. The Committee will take into consideration appropriate performance measures which may include the individual's performance and contribution during the year, and the Group's financial results. The bonus would usually be time pro-rated and may be settled wholly in cash.

The treatment of outstanding deferred bonus and Long-term Incentive Plan awards will be governed by the relevant plan rules. In both cases unvested awards will normally lapse unless the participant is determined to be a good leaver. The vesting date for a good leaver's awards will normally be the original vesting date, but the Committee has the flexibility to determine that awards may vest at an earlier date. The Committee's determination of the extent to which a good leaver's LTIP awards should vest will take into account the extent to which performance conditions are met either at the date of cessation of employment or the end of the original performance period and, unless the Committee determines otherwise, will be adjusted on a time pro-rated basis. Where an individual leaves after the vesting date but before the end of any holding period, they will retain their LTIP awards unless summarily dismissed with awards being released at the normal date unless the Committee determines that they should be released at an earlier date.



## Remuneration Report / Continued

# Annual Report on Remuneration

The table below sets out the total remuneration receivable by each of the Directors who held office during the year to 31 March 2024, with a comparison to the previous financial year:

		Salary/fees £000	Benefits £000	Pension salary supplement £000	Total fixed £000	Annual bonus £000	Deferred bonus £000	Long-term Incentive Plan £000	Total variable £000	Total £000
<b>Executive</b>										
Michael Morris	2024	380	4	57	<b>441</b>	133	163	145	<b>441</b>	<b>882</b>
	2023	331	3	50	<b>384</b>	157	236	125	<b>518</b>	<b>902</b>
Andrew Dewhirst	2024	259	4	39	<b>302</b>	90	111	87	<b>288</b>	<b>590</b>
	2023	225	3	34	<b>262</b>	107	160	75	<b>342</b>	<b>604</b>
<b>Non-Executive</b>										
Lena Wilson	2024	122	6	-	<b>128</b>	-	-	-	-	<b>128</b>
	2023	117	5	-	<b>122</b>	-	-	-	-	<b>122</b>
Mark Batten	2024	55	-	-	<b>55</b>	-	-	-	-	<b>55</b>
	2023	53	-	-	<b>53</b>	-	-	-	-	<b>53</b>
Maria Bentley	2024	55	1	-	<b>56</b>	-	-	-	-	<b>56</b>
	2023	53	-	-	<b>53</b>	-	-	-	-	<b>53</b>
Richard Jones	2024	55	-	-	<b>55</b>	-	-	-	-	<b>55</b>
	2023	53	-	-	<b>53</b>	-	-	-	-	<b>53</b>
<b>Total (audited)</b>	2024	926	15	96	<b>1,037</b>	223	274	232	<b>729</b>	<b>1,766</b>
	2023	832	11	84	<b>927</b>	264	396	200	<b>860</b>	<b>1,787</b>

Benefits for the Executive Directors comprise private medical insurance and life assurance. Non-Executive Directors are reimbursed expenses incurred in connection with travel and attendance at Board meetings. These expenses are taxable where the meetings take place at the Company's main office. The Company settles the tax on behalf of the Non-Executive Directors.

Executive Directors receive a salary supplement of 15% of base salary in lieu of Company pension contributions.

The above figures for 2023 for the Executive Directors for annual bonus and LTIP awards have been re-stated. The estimated figures for annual bonus included in last year's report were £301,000 (Michael Morris) and £205,000 (Andrew Dewhirst). The estimates included an outcome of 0% for the relative total return metric. The final outcome was determined to be 60% and the awards were adjusted to £393,000 (Michael Morris) and £267,000 (Andrew Dewhirst). The Company's total return for the year of (13.9)% was above the median return of (14.2)% but below the upper quartile return of (11.6)%. The above 2023 LTIP figures for the Executive Directors have been restated to reflect the actual share price at vesting (65.5 pence) rather than the average for the quarter ended 31 March 2023 (74.41 pence). This restatement represents a decrease in the value of the 2023 LTIP awards of £12,000 for Michael Morris and of £7,000 for Andrew Dewhirst.

The value of LTIP awards for 2024 is based on the number of shares to be awarded to the Executive Directors in respect of the June 2021 LTIP awards and the average share price over the quarter ended 31 March 2024 of 62.63 pence, and the estimated value of dividend equivalents.

## Annual bonus for 2023/24

The annual bonus for the year ended 31 March 2024 for the Executive Directors was based on a combination of financial metrics (60%) and corporate objectives (40%).

The targets set for the year ended 31 March 2024 and the assessment of actual performance achieved are set out in the table below.

The financial metrics comprised two equally weighted components: total return relative to a comparator group of similar companies, set out later in this report; and total property return compared to the MSCI UK Quarterly Property Index.

At the date of this report, not all of the companies in the total return comparator group had announced their results to 31 March 2024 and the Committee has estimated, based on the results to date, that this condition will not be met, resulting in an award of 0%. The Committee will determine the actual outcome of this condition once all companies have reported, and any adjustment required between the estimate and actual will be made in next year's Remuneration Report. There will be no payout of the bonus until a finalised result can be confirmed.

Performance condition	Basis of calculation	Range	Actual	Awarded (% of maximum)	Awarded (% of salary)
Total return versus comparator group <b>Bonus weighting: 30%</b>	Less than median – 0% Equal to median – 50% Equal to upper quartile – 100%	Not yet available	(0.1)%	0% (estimate)	0% (estimate)
Total property return versus MSCI Index <b>Bonus weighting: 30%</b>	Less than median – 0% Equal to median – 50% Equal to upper quartile – 100%	Median 0.1% Upper quartile 1.9%	1.6%	92.1%	40.1%

The corporate objectives for the Executive Directors for the year to 31 March 2024 were determined by the Remuneration Committee and accounted for 40% of the maximum award.

The corporate objectives applying to both Executives, and the assessment of performance against these, are as follows:

Performance condition	Assessment	Awarded (% of maximum)	Awarded (% of salary)
Improve net income <b>Bonus weighting: 8%</b>	A number of key income metrics moved positively over the year. There were 3% increases in both passing and contracted rent, and ERV growth. Net property income grew by 4.5% compared to the previous year. However operating costs rose by 21%, albeit including many one-off items. EPRA earnings increased by 2%.	60%	7.0%
Identify and evaluate growth opportunities <b>Bonus weighting: 8%</b>	A number of opportunities were considered during the year and extensive due diligence performed. The proposed merger with another UK REIT progressed significantly to a point where both Boards were in a position to recommend it to shareholders. However, as announced on 21 November 2023, the largest shareholder of the counterparty did not support the transaction.	50%	5.8%
Make progress against net zero carbon pathway <b>Bonus weighting: 6%</b>	Significant progress was made in respect of the roll-out of solar installations with an increase in capacity of 184%, with new installations at five properties. Data collection is continuing but has not reached last year's level. Like-for-like Scope 1 emissions have reduced compared to the previous year, although absolute Scope 1 emissions have risen due to the impact of one asset acquired during 2022.	60%	5.2%
Reduce portfolio void <b>Bonus weighting: 4%</b>	The overall void rate at 31 March 2024 has remained at 91%. This has reduced subsequent to the year-end following the sale of Angel Gate Office Village, and will reduce further when the agreed sale of Longcross, Cardiff completes. Excluding these two properties the void rate would be 93%.	25%	1.5%
Make asset disposals <b>Bonus weighting: 4%</b>	The key disposals identified were those of Angel Gate Office Village and Longcross, Cardiff, in order to progress the alternative use strategy. Both sales exchanged contracts prior to the year-end, with Angel Gate completing shortly afterwards and Longcross due to complete later in 2024, subject to planning consent.	95%	5.5%
Positive stakeholder engagement <b>Bonus weighting: 4%</b>	All resolutions at the 2023 Annual General Meeting were passed with a minimum of 94% in favour. The employee satisfaction score has increased from 82% to 86%. Staff turnover was very low for the year. However the share price discount to net assets has widened over the year. Feedback from the occupier surveys was positive, and satisfaction higher than the previous year.	70%	4.1%
Successful CFO succession planning and transition <b>Bonus weighting: 4%</b>	A new Chief Financial Officer was identified following a suitable recruitment process. A successful and orderly transition has taken place in respect of this key position.	100%	5.8%
Successful internalisation of company secretarial function <b>Bonus weighting: 2%</b>	The transfer of this function took place on 1 October. As well as identification and appointment of new Guernsey based providers, the transition was also dependent on obtaining lender consent across three facilities for the change of Trustee.	100%	2.9%

## Remuneration Report / Continued

As discussed in the Committee Chair's statement on pages 109 to 112, the Committee considered the formulaic bonus outcome in the context of the Group's overall performance for the year and concluded that it was satisfied that the formulaic bonus outcome was a fair reflection of overall Group performance during the year. The Committee was also satisfied that the above performance was achieved within an acceptable risk profile, as confirmed by the Audit and Risk Committee.

Subject to the estimated total return component noted above, the overall annual bonus outcome for the Executive Directors is, therefore, as follows:

	Financial metrics (out of maximum 60%)	Corporate objectives (out of maximum 40%)	Overall bonus % of maximum	Bonus % of salary	Total bonus £
Michael Morris	27.6	26.0	53.6	77.8	295,700
Andrew Dewhurst	27.6	26.0	53.6	77.8	201,100

This year, the Committee has determined that the proportion of the bonus deferred be set at 55% of the annual bonuses awarded to the Executive Directors and payable in shares in two years' time. Dividend equivalents will accrue on the shares and these will be paid in cash when the awards vest.

### Long-term Incentive Plan

The LTIP awards granted on 22 June 2021 were subject to performance conditions for the three years ended 31 March 2024. The performance conditions and the actual performance for these were as follows:

Performance condition	Basis of calculation	Range	Actual	Weighting (% of award)	Awarded (% of maximum)
Total shareholder return versus comparator group	Less than median – 0% Equal to median – 25% Equal to upper quartile – 100%	Median – (2.1)% Upper quartile – 17.8%	(15.7)%	33.3%	0%
Total property return versus MSCI Index	Less than median – 0% Equal to median – 25% Equal to upper quartile – 100%	Median – 1.8% Upper quartile – 3.5%	4.9% (above upper quartile)	33.3%	100%
Growth in EPRA EPS	Less than 3.85 pence per share for the year ended 31 March 2024 – 0% Equal to 3.85 pence per share for the year ended 31 March 2024 – 25% Equal or greater than 4.25 pence per share for the year ended 31 March 2024 – 100%		3.97p	33.3%	47.5%

The Committee was satisfied that the above performance was achieved within an acceptable risk profile. As discussed in the Committee Chair's statement on pages 109 to 112, the Committee considered the formulaic LTIP outcome in the context of the Group's overall performance over the performance period and concluded that it was satisfied the formulaic outcome was a fair reflection of overall Group performance during the period. Based on the vesting percentage above, the shares awarded and their estimated values, using an average share price of 62.63 pence for the quarter ended 31 March 2024, are:

Director	Maximum number of shares at grant	Number of shares vesting	Number of lapsed shares	Estimated value <sup>1,2</sup> £
Michael Morris	403,339	198,321	205,018	145,000
Andrew Dewhurst	241,358	118,675	122,683	86,800

1. The estimated value includes dividend equivalent awards which will be made in relation to vested LTIP awards at the point of vesting. The value of the dividend equivalent awards is £20,820 (Michael Morris) and £12,500 (Andrew Dewhurst).

2. The average share price for the quarter ended 31 March 2024 is lower than the share price at grant so there has been no share price growth in the estimated value of the awards.

The following awards in the Long-term Incentive Plan were granted to the Executive Directors on 14 June 2023:

	Number of shares	Basis (% of salary)	Face value per share (£)	Award face value (£)	Performance period	Threshold vesting
Michael Morris	456,408	93.75%	0.7810	356,450	1 April 2023 to 31 March 2026	25%
Andrew Dewhurst	273,114	82.5%	0.7810	213,300	1 April 2023 to 31 March 2026	25%

The face value is based on a weighted average price per share, being the average of the closing share prices over the three business days immediately preceding the award date. Awards will vest after three years subject to continued service and the achievement of three equally weighted performance conditions (relative total shareholder return, relative total property return and EPRA EPS). The vesting schedule for the relative measures will be as applied to the June 2021 LTIP set out above. The EPS element will vest at 25% for achievement of EPRA EPS of 4.20 pence in the year ended 31 March 2026 increasing on a straight-line basis to 100% vesting for EPRA EPS of 4.55 pence.

Any LTIP vesting will also be subject to the Remuneration Committee confirming that, in its assessment, the vesting outcome was achieved within an acceptable risk profile.

The Executive Directors have the following outstanding share awards under the Long-term Incentive Plan and Deferred Bonus Plan:

	Date of grant	Performance period	Market value on date of grant	At 1 April 2023	Granted in year	Exercised in year	Lapsed in year	As at 31 March 2024
<b>Michael Morris</b>								
2020 LTIP	29 June 2020	1 April 2020 to 31 March 2023	70.73p	309,275	-	(162,524)	(146,751)	-
2021 LTIP	22 June 2021	1 April 2021 to 31 March 2024	89.10p	403,339	-	-	-	<b>403,339</b>
2022 LTIP	17 June 2022	1 April 2022 to 31 March 2025	94.47p	437,473	-	-	-	<b>437,473</b>
2023 LTIP	14 June 2023	1 April 2023 to 31 March 2026	78.10p	-	456,408	-	-	<b>456,408</b>
2021 DBP	22 June 2021	1 April 2020 to 31 March 2021	89.10p	186,666	-	(186,666)	-	-
2022 DBP	17 June 2022	1 April 2021 to 31 March 2022	94.47p	159,555	-	-	-	<b>159,555</b>
2023 DBP	14 June 2023	1 April 2022 to 31 March 2023	78.10p	-	301,997	-	-	<b>301,997</b>
				<b>1,496,308</b>	<b>758,405</b>	<b>(349,190)</b>	<b>(146,751)</b>	<b>1,758,772</b>
<b>Andrew Dewhurst</b>								
2020 LTIP	29 June 2020	1 April 2020 to 31 March 2023	70.73p	185,070	-	(97,254)	(87,816)	-
2021 LTIP	22 June 2021	1 April 2021 to 31 March 2024	89.10p	241,358	-	-	-	<b>241,358</b>
2022 LTIP	17 June 2022	1 April 2022 to 31 March 2025	94.47p	261,784	-	-	-	<b>261,784</b>
2023 LTIP	14 June 2023	1 April 2023 to 31 March 2026	78.10p	-	273,114	-	-	<b>273,114</b>
2021 DBP	22 June 2021	1 April 2020 to 31 March 2021	89.10p	126,933	-	(126,933)	-	-
2022 DBP	17 June 2022	1 April 2021 to 31 March 2022	94.47p	108,498	-	-	-	<b>108,498</b>
2023 DBP	14 June 2023	1 April 2022 to 31 March 2023	78.10p	-	205,359	-	-	<b>205,359</b>
				<b>923,643</b>	<b>478,473</b>	<b>(224,187)</b>	<b>(87,816)</b>	<b>1,090,113</b>

Awards under the Long-term Incentive Plan normally vest three years after the grant date and are subject to a further two-year holding period. Awards under the Deferred Bonus Plan normally vest two years after the grant date.



## Remuneration Report / Continued

### Comparator group

The Committee has agreed that the following companies will be used as a comparator group for the total shareholder return and total return metrics in determining variable remuneration for 2024/25 awards. A smaller group is used for the total return metric due to the different reporting periods of some companies.

Company	Total shareholder return	Total return
abrdn Property Income Trust Limited	✓	✓
AEW UK REIT plc	✓	✓
Balanced Commercial Property Trust Limited	✓	✓
Custodian REIT plc	✓	✓
NewRiver REIT PLC	✓	✓
Regional REIT Limited	✓	
Schroder Real Estate Investment Trust Limited	✓	✓
Supermarket Income REIT PLC	✓	
Urban Logistics REIT plc	✓	✓
Warehouse REIT plc	✓	✓
Workspace Group PLC	✓	✓

The above group was also used for previous awards with the following amendments:

- / Supermarket Income REIT and Warehouse REIT were added to the group for awards made from 2019 onwards;
- / McKay Securities PLC was included in the group for awards made up to and including 2021;
- / CT Property Trust Limited, Ediston Property Investment Company PLC and UK Commercial Property REIT Limited were additionally included in the group for awards made up to and including 2023; and
- / LondonMetric Property PLC and RDI REIT plc were additionally included in the group for awards made up to and including 2020.

### Statement of Directors' shareholdings

Directors and employees are encouraged to maintain a shareholding in the Company's shares to provide alignment with investors.

The numbers of shares beneficially held by each Director (including connected persons) as at 31 March 2024 were as follows:

	Beneficial holding 2024	Beneficial holding 2023	Holding as a % of salary	Outstanding LTIP awards	Outstanding DBP awards
Michael Morris	925,454	740,717	159	1,297,220	461,552
Andrew Dewhirst	590,364	471,758	149	776,256	313,857
Lena Wilson	30,000	30,000			
Mark Batten	38,000	-			
Maria Bentley	74,436	74,436			
Richard Jones	53,845	53,845			

The percentage holding for the Executive Directors is based on base salaries as at 31 March 2024 and a share price of £0.652. The beneficial holdings of shares include any held by connected persons.

Executive Directors are required to maintain a shareholding of 200% of base salary and both Directors are currently in the process of building up to that level. The Executive Directors intend to retain at least 50% of any share awards (post-tax) until the guidelines are met.

There have been no changes in these shareholdings between the year-end and the date of this report.

### Payments to past Directors or payments for loss of office

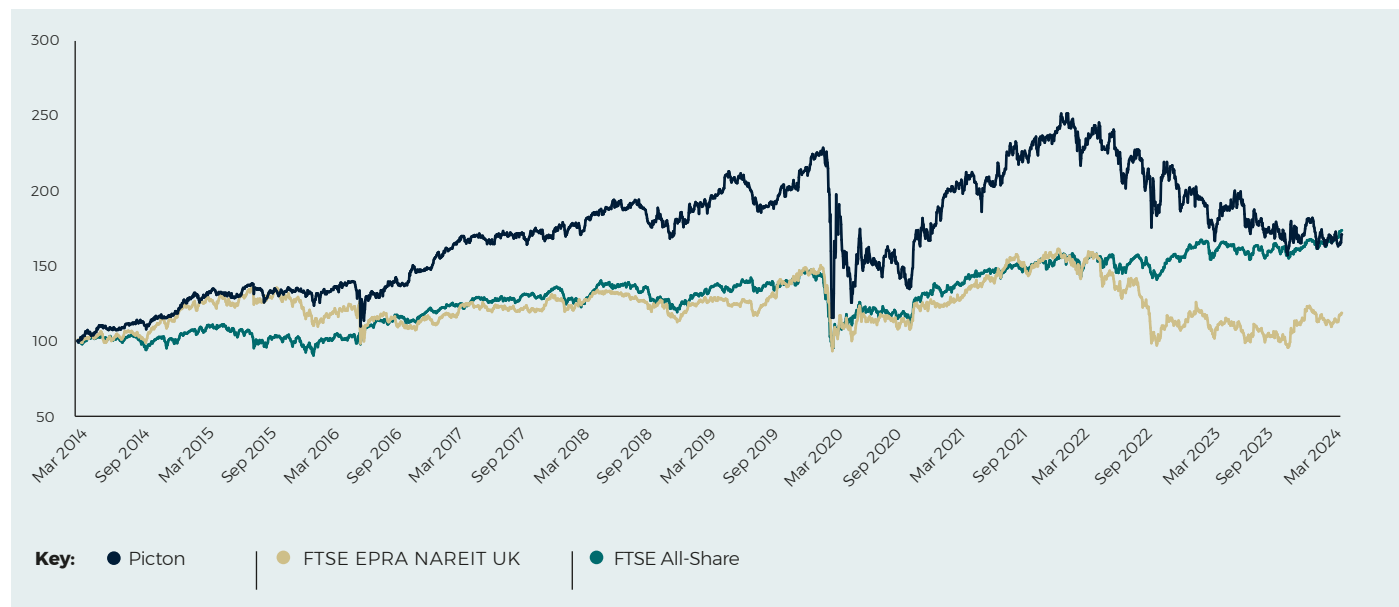
There were no payments to past Directors or payments for loss of office to Directors during the year ended 31 March 2024.

Andrew Dewhirst retired from the Board on 31 March 2024. He has been retained by the Company on a short-term employment contract until 30 June 2024, to ensure an orderly transition with Saira Johnston. At the end of this contract, assuming all conditions are satisfied, he will receive a final payment of £30,000 as compensation for termination of his employment and no other payments in relation to his outstanding notice period. The Remuneration Committee has determined that his outstanding share awards, as set out in the above table, will vest in accordance with the good leaver provisions in the relevant Plan rules. He will also receive costs relating to legal expenses of up to £750 (plus VAT).

## Historical total shareholder return performance

The graph below shows the Company's total shareholder return (TSR) since 31 March 2014 as represented by share price growth with dividends reinvested, against the FTSE All-Share Index and the FTSE EPRA NAREIT UK Index. These indices have been chosen as they provide comparison against relevant sectoral and pan-sectoral benchmarks.

### TSR chart



The table below shows the remuneration of the Chief Executive for the past six years, together with the annual bonus percentage and LTIP vesting level. The Company has only had a Chief Executive since 1 October 2018 and therefore the table below shows his remuneration for the past six years.

	Total remuneration (£000)	Annual bonus (% of maximum)	LTIP vesting (% of maximum award)
2024	882	54%	49%
2023	902	77%	52%
2022	816	64%	54%
2021	836	76%	67%
2020	769	70%	67%
2019	920	79%	83%

### Relative importance of spend on pay

The table below shows the expenditure and percentage change in staff costs compared to other key financial indicators.

	31 March 2024 £000	31 March 2023 £000	% change
Employee costs	4,191	3,487	20.2%
Dividends	19,089	19,091	0%
EPRA earnings	21,745	21,285	2.2%

## Remuneration Report / Continued

### Implementation of Remuneration Policy in 2024/25

Change from prior year

Executive Directors		
Base salaries	Michael Morris (Chief Executive) – £380,219 Saira Johnston (Chief Financial Officer) – £240,000	There is no change in the Executive Director base salaries for 2024/25. The average increase for the rest of the workforce is 3.2%.
Pension and benefits	15% salary supplement in lieu of pension plus standard other benefits.	No change. All employees receive Company pension contributions at the rate of 15% of base salary or 15% salary supplement in lieu of Company contributions.
Annual bonus*	Maximum bonus of 145% of salary with at least 50% of any bonus deferred in shares for two years. 60% of bonus to be determined by corporate financial metrics of relative total return and relative total property return (using the same performance target ranges as in 2023/24) with the remaining 40% determined by corporate and personal measures.	No change. The maximum bonus potential for the Executive Directors will remain at 145%.
LTIP*	Award of shares worth: / Michael Morris (Chief Executive) 93.75% of salary / Saira Johnston (Chief Financial Officer) 0% of salary Shares released after three-year performance and two-year holding period. Vesting of shares based equally on relative total shareholder return, relative total property return and growth in EPRA earnings per share measures. Target ranges for the relative measures are as set out on page 122. Targets for the EPS measure for the year ended 31 March 2027 are: Less than 4.20 pence per share – 0% Equal to 4.20 pence per share – 25% Greater than 4.60 pence per share – 100% A result between 4.20 pence and 4.60 pence will be calculated on a straight-line basis between 25% and 100%.	There is no change in the award to Michael Morris. Saira Johnston, who became a Director on 1 April 2024, does not receive an LTIP award this year as explained in the annual statement.
Non-Executive Directors		
Fees	Chair – £124,500 Director – £48,000 Supplementary fee for Committee Chairs and for the Senior Independent Director – £8,000	The fees payable from 1 April 2024 have increased by an average of 2.0%.

\*The Remuneration Committee has discretion to override the formulaic outcomes in both the annual bonus and LTIP.

The Committee also confirms that performance has been achieved within an acceptable risk profile before payouts are made. Incentive payouts are subject to malus and clawback provisions.

## Percentage change in remuneration

The table below shows the percentage change in total remuneration for each of the Directors compared to the average remuneration of the employees of the Group.

	Change from 31/3/23 to 31/3/24			Change from 31/3/22 to 31/3/23		
	Salary/fees	Benefits	Bonus	Salary/fees	Benefits	Bonus
Michael Morris	15.0%	15.0%	(24.8)%	15.0%	16.0%	30.4%
Andrew Dewhirst	15.0%	15.0%	(24.8)%	15.0%	16.4%	30.4%
Lena Wilson	4.5%	-	-	0.0%	-	-
Mark Batten	4.8%	-	-	0.0%	-	-
Maria Bentley	4.8%	-	-	0.0%	-	-
Richard Jones	4.8%	-	-	0.0%	-	-
Average of all other employees	10.1%	12.5%	(15.6)%	8.8%	21.1%	(5.9)%

	Change from 31/3/21 to 31/3/22			Change from 31/3/20 to 31/3/21		
	Salary/fees	Benefits	Bonus	Salary/fees	Benefits	Bonus
Michael Morris	15.0%	15.8%	(9.4)%	0.0%	0.6%	9.2%
Andrew Dewhirst	15.0%	16.1%	(9.4)%	0.0%	0.8%	3.6%
Lena Wilson	11.2%	-	-	N/A	N/A	N/A
Mark Batten	10.5%	-	-	0.0%	-	-
Maria Bentley	16.7%	-	-	0.0%	-	-
Richard Jones	16.7%	-	-	N/A	N/A	N/A
Average of all other employees	6.4%	15.0%	13.2%	4.6%	8.1%	20.7%

## Statement of voting at the last Annual General Meeting

The following table sets out the voting for the Remuneration Report, which was approved by shareholders at the Annual General Meeting held on 7 September 2023, representing 58% of the issued share capital of the Company, and also for the Remuneration Policy, which was approved by shareholders at the Annual General Meeting held on 17 November 2021, representing 63% of the issued share capital of the Company.

	Remuneration Report		Remuneration Policy	
	Votes cast	%	Votes cast	%
For	306,662,660	97.0	333,280,593	96.5
Against	9,455,133	3.0	12,044,009	3.5
<b>Votes cast</b>	<b>316,117,793</b>	<b>100.0</b>	<b>345,324,602</b>	<b>100.0</b>
Withheld	2,151,871		304,835	

### Maria Bentley

Chair of the Remuneration Committee

22 May 2024



## Directors' Report

# Directors' Report

The Directors of Picton Property Income Limited present the Annual Report and audited financial statements for the year ended 31 March 2024.

The Company is registered under the provisions of the Companies (Guernsey) Law, 2008.

### Principal activity

The principal activity of the Group is commercial property investment in the United Kingdom.

### Results and dividends

The results for the year are set out in the Consolidated Statement of Comprehensive Income.

The Company is a UK Real Estate Investment Trust (REIT) and must distribute to its shareholders at least 90% of the profits on its property rental business for each accounting period as a Property Income Distribution (PID).

As set out in Note 10 to the consolidated financial statements, the Company has paid four interim dividends in the year at 0.875 pence per share, making a total dividend for the year ended 31 March 2024 of 3.5 pence per share (2023: 3.5 pence). All four interim dividends were paid as PIDs.

### Directors

The Directors of the Company who served throughout the year are:

- / Lena Wilson
- / Maria Bentley
- / Mark Batten
- / Andrew Dewhirst
- / Richard Jones
- / Michael Morris

Andrew Dewhirst resigned as a Director on 31 March 2024. His successor, Saira Johnston, was appointed to the Board on 1 April 2024 and a resolution proposing her election to the Board will be put forward at the Annual General Meeting.

The Directors' interests in the shares of the Company as at 31 March 2024 are set out in the Remuneration Report.

Lena Wilson, Mark Batten, Richard Jones and Michael Morris will offer themselves for re-election at the forthcoming Annual General Meeting.

### 2018 UK Corporate Governance Code Compliance Statement

The Board confirms that for the year ended 31 March 2024 the principles of good corporate governance contained in the 2018 UK Corporate Governance Code have been consistently applied.

The Company is fully compliant with the Code.

### Listing

The Company is listed on the main market of the London Stock Exchange.

### Share capital

The issued share capital of the Company as at 31 March 2024 was 547,605,596 (2023: 547,605,596) ordinary shares of no par value, including 1,642,440 ordinary shares which are held by the Trustee of the Company's Employee Benefit Trust (2023: 2,388,694 ordinary shares).

The Directors have authority to buy back up to 14.99% of the Company's ordinary shares in issue, subject to the renewal of this authority from shareholders at each Annual General Meeting. Any buy-back of ordinary shares is, and will be, made subject to Guernsey law, and the making and timing of any buy-backs are at the absolute discretion of the Board. No ordinary shares were purchased under this authority during the year.

At the 2023 Annual General Meeting, shareholders gave the Directors authority to issue up to 54,760,558 shares (being 10% of the Company's issued share capital as at 1 August 2022) without having to first offer those shares to existing shareholders. No ordinary shares have been issued under this authority, which expires at this year's Annual General Meeting and resolutions will be proposed for its renewal.

### Shares held in the Employee Benefit Trust

The Trustee of the Picton Property Income Limited Long-term Incentive Plan holds 1,642,440 ordinary shares in the Company in a trust to satisfy awards made under the Long-term Incentive Plan and the Deferred Bonus Plan. The Trustee has waived its right to receive dividends on the shares it holds.

### Statement of going concern

The Directors have focused on assessing whether the going concern basis remains appropriate for the preparation of the financial statements for the year ended 31 March 2024. In making their assessment the Directors have considered the principal and emerging risks relating to the Group, its loan covenants, access to funding and liquidity position. They have also considered a number of scenarios, in particular regarding the impact of different levels of rent collection across the portfolio and over varying timescales, and the potential consequences on financial performance, asset values, capital projects and loan covenants. Leasing and investment transactions have been assumed to be curtailed throughout the assessment period. Future lease events over the assessment period have been considered on a case-by-case basis to determine the range of most likely outcomes. More details regarding the Group's business activities, together with the factors affecting performance, investment activities and future development, are set out in the Strategic Report.

Further information on the financial position of the Group, including its liquidity position, borrowing facilities and debt maturity profile, is set out in the Financial Review and in the consolidated financial statements.

Under all of these scenarios the Group has sufficient cash resources to continue its operations, and remain within its loan covenants, for a period of at least 12 months from the date of these financial statements.

Based on their assessment and knowledge of the portfolio and market, the Directors have therefore continued to adopt the going concern basis in preparing the financial statements.

### Viability assessment and statement

The UK Corporate Governance Code requires the Board to make a 'viability statement' which considers the Company's current position and principal and emerging risks and uncertainties combined with an assessment of the future prospects for the Company, in order that the Board can state that the Company will be able to continue its operations over the period of their assessment.

The Board conducted this review over a five-year timescale, considered to be the most appropriate for long-term investment in commercial property. The assessment has been undertaken taking into account the principal and emerging risks and uncertainties faced by the Group which could impact its investment strategy, future performance, financing and liquidity.

The major risks identified were those relating to market risk in relation to persistent inflation, high interest rates, other recessionary pressures and the lead up to a general election over the period of the assessment as well as financing, liquidity and other operational risks.

In the ordinary course of business, the Board reviews quarterly forecasts, including forecast market returns. The forecasts include assumptions regarding lease expiries, breaks and incentives and capital expenditure. For the purposes of the viability assessment of the Group, the model covers a five-year period and is stress tested under various scenarios.

The Board considered a number of scenarios and their impact on the Group's property portfolio and financial position. These scenarios included different levels of rent collection, occupier defaults, void periods and incentives within the portfolio, and the consequential impact on property costs and loan covenants. All lease events and assumptions were reviewed over the period under the different scenarios, including their impact on revenue and cash flow. Forecast movements in capital values, based on input from external economic consultants, were included in these scenarios, including their potential impact on the Group's loan covenants. The Group's long-term loan facilities are contracted to be in place throughout the assessment period, while the Board has assumed that the Group will continue to have access to, but is not reliant on, its revolving credit facility which expires in 2025. The Board considered the impact of these scenarios on its ability to continue to pay dividends at different rates over the assessment period.

These matters were assessed over the period to 31 March 2029 and will continue to be assessed over rolling five-year periods.

The Directors consider that the scenario testing performed was sufficiently robust and that even under stressed conditions the Company remains viable.

Based on their assessment, and in the context of the Group's business model and strategy, the Directors expect that the Group will be able to continue in operation and meet its liabilities as they fall due over the five-year period to 31 March 2029.

### Substantial shareholdings

Based on notifications received and on information provided by the Company's brokers, the Company understands the following shareholders held a beneficial interest of 3% or more of the Company's issued share capital as at 3 May 2024.

	% of issued share capital
Rathbones Group plc	17.7
Columbia Threadneedle Investments	9.0
BlackRock Inc.	5.8
The Vanguard Group Inc.	4.6
Premier Miton Investors (UK)	3.6
RBC Brewin Dolphin Limited	3.4
Goldman Sachs International (UK)	3.3

### Disclosure of information to auditor

The Directors who held office at the date of approval of this Directors' Report confirm there is no relevant audit information of which the Company's auditor is unaware and each Director has taken all the steps that he or she ought to have taken as a Director to make themselves aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

### Auditor

KPMG Channel Islands Limited (the 'Auditor') has expressed its willingness to continue in office as the Company's auditor and a resolution proposing its reappointment will be submitted at the Annual General Meeting.

## Directors' Report / Continued

### Statement of Directors' responsibilities

The Directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare financial statements for each financial year. Under that law they are required to prepare the financial statements in accordance with International Financial Reporting Standards, as issued by the IASB, and applicable law.

Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of its profit or loss for that period.

In preparing these financial statements, the Directors are required to:

- / Select suitable accounting policies and then apply them consistently;
- / Make judgements and estimates that are reasonable, relevant and reliable;
- / State whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- / Assess the Group and Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- / Use the going concern basis of accounting unless they either intend to liquidate the Group or the Company or to cease operations, or have no realistic alternative but to do so.

The Directors are responsible for keeping proper accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that its financial statements comply with the Companies (Guernsey) Law, 2008. They are responsible for such internal controls as they determine are necessary to enable the preparation of the financial statements that are free from material misstatement, whether due to fraud or error, and have a general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Group and to prevent and detect fraud and other irregularities.

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.

### Directors' responsibility statement in respect of the Annual Report and financial statements

We confirm that to the best of our knowledge:

- / The financial statements, prepared in accordance with the applicable set of accounting standards, give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company; and
- / The Strategic Report includes a fair review of the development and performance of the business and the position of the Issuer, together with a description of the principal risks and uncertainties that they face.

We consider the Annual Report and accounts, taken as a whole, are fair, balanced and understandable and provide the information necessary for shareholders to assess the Company's position and performance, business model and strategy.

By Order of the Board

**Saira Johnston**  
22 May 2024

Financial Statements

Independent Auditor’s Report to the Members of Picton Property Income Limited

Our opinion is unmodified

We have audited the consolidated financial statements of Picton Property Income Limited (the ‘Company’) and its subsidiaries (together, the ‘Group’), which comprise the consolidated balance sheet as at 31 March 2024, the consolidated statements of comprehensive income, changes in equity and cash flows for the year then ended, and notes, comprising material accounting policies and other explanatory information.

In our opinion, the accompanying consolidated financial statements:

/ Give a true and fair view of the financial position of the Group as at 31 March 2024, and of the Group’s financial performance and cash flows for the year then ended;

/ Are prepared in accordance with International Financial Reporting Standards; and  
/ Comply with the Companies (Guernsey) Law, 2008.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (‘ISAs (UK)’) and applicable law. Our responsibilities are described below. We have fulfilled our ethical responsibilities under, and are independent of the Company and Group in accordance with, UK ethical requirements including the FRC Ethical Standard as required by the Crown Dependencies’ Audit Rules and Guidance. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion.

Key audit matters: our assessment of the risks of material misstatement

Key audit matters are those matters that, in our professional judgment, were of most significance in the audit of the consolidated financial statements and include the most significant assessed risks of material misstatement (whether or not due to fraud) identified by us, including those which had the greatest effect on: the overall audit strategy; the allocation of resources in the audit; and directing the efforts of the engagement team. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. In arriving at our audit opinion above, the key audit matter was as follows (unchanged from 2023):

Valuation of Investment Properties within non-current assets	The risk	Our response
<p>£688 million (2023: £746 million)</p> <p>Refer to page 105 of the Audit and Risk Committee Report, Note 2 material accounting policies and Note 13 investment properties disclosures.</p>	<p><b>Basis:</b></p> <p>The Group’s investment properties accounted for 89% (2023: 94%) of the Group’s total assets as at 31 March 2024. The fair value of investment properties at 31 March 2024 was assessed by the Board of Directors based on independent valuations prepared by the Group’s third party independent valuer (the ‘Valuer’). The Valuer performed the valuations based on the Royal Institution of Chartered Surveyors (‘RICS’) Valuation – Global Standards and the requirements of IFRS.</p> <p>In determining the valuation of a property, the Valuer takes into account property specific information such as the current tenancy agreements and rental income and apply assumptions for yields and estimated market rent, which are influenced by prevailing market yields and comparable market transactions, to arrive at the final valuation.</p> <p><b>Risk:</b></p> <p>The valuation of the Group’s investment properties is considered a significant area of our audit in view of the significance of the estimates and judgements that may be involved in the determination of their fair value and given that it represents the majority of the total assets of the Group.</p> <p>The valuation is inherently subjective due to property specific factors which include, but are not limited to, the individual nature of the property, the location and condition of the property and the expected future rental streams for that particular property.</p>	<p><b>Our audit procedures included:</b></p> <p><i>Control Evaluation:</i></p> <p>We assessed the design, implementation and operating effectiveness of controls over the valuation of investment properties including the capture and recording of information contained in the lease database for investment properties.</p> <p><b>Evaluating experts engaged by management:</b></p> <p>We assessed the competence, capabilities and objectivity of the Valuer. We also assessed the independence of the Valuer by considering the scope of their work and the terms of their engagement.</p> <p><b>Evaluating assumptions and inputs used in the valuation:</b></p> <p>With the assistance of our own Real Estate valuation specialist we assessed the valuations prepared by the Valuer by:</p> <p>/ Evaluating the appropriateness of the valuation methodologies and assumptions used</p> <p>/ Critically evaluating key subjective valuation inputs and assumptions, on a judgemental sample of properties, against market information such as industry benchmarks and our own knowledge and understanding of the property market.</p> <p>We also compared a sample of the key inputs used to calculate the valuations such as annual rent and tenancy contracts for consistency with other audit findings.</p> <p>We verified that the fair values as derived by the Valuer for the entire property portfolio were correctly included in the financial statements.</p> <p><b>Assessing disclosures:</b></p> <p>We also considered the Group’s investment property valuation policies and their application as described in the notes to the consolidated financial statements for compliance with IFRS in addition to the adequacy of disclosures in Note 13 in relation to fair value of the investment properties.</p>



## Financial Statements / Continued

# Independent Auditor's Report to the Members of Picton Property Income Limited / Continued

### Our application of materiality and an overview of the scope of our audit

Materiality for the consolidated financial statements as a whole was set at £7.74million, determined with reference to a benchmark of group total assets of £773.9 million, of which it represents approximately 1.0% (2023: 1.0%).

In line with our audit methodology, our procedures on individual account balances and disclosures were performed to a lower threshold, performance materiality, so as to reduce to an acceptable level the risk that individually immaterial misstatements in individual account balances add up to a material amount across the consolidated financial statements as a whole. Performance materiality for the Group was set at 75% (2023: 75%) of materiality for the consolidated financial statements as a whole, which equates to £5.8million. We applied this percentage in our determination of performance materiality because we did not identify any factors indicating an elevated level of risk.

We reported to the Audit Committee any corrected or uncorrected identified misstatements exceeding £387,000, in addition to other identified misstatements that warranted reporting on qualitative grounds.

Our audit of the Group was undertaken to the materiality level specified above, which has informed our identification of significant risks of material misstatement and the associated audit procedures performed in those areas as detailed above.

The group team performed the audit of the Group as if it was a single aggregated set of financial information. The audit was performed using the materiality level set out above and covered 100% of total group revenue, total group profit before tax, and total group assets and liabilities.

### Going concern

The Directors have prepared the consolidated financial statements on the going concern basis as they do not intend to liquidate the Group or the Company or to cease their operations, and as they have concluded that the Group and the Company's financial position means that this is realistic. They have also concluded that there are no material uncertainties that could have cast significant doubt over their ability to continue as a going concern for at least a year from the date of approval of the consolidated financial statements (the 'going concern period').

In our evaluation of the Directors' conclusions, we considered the inherent risks to the Group and the Company's business model and analysed how those risks might affect the Group and the Company's financial resources or ability to continue operations over the going concern period. The risks that we considered most likely to affect the Group and the Company's financial resources or ability to continue operations over this period were:

- / Availability of capital to meet operating costs and other financial commitments;
- / The ability to successfully refinance or repay debt; and
- / The ability of the Company to comply with debt covenants;

We considered whether these risks could plausibly affect the liquidity in the going concern period by comparing severe, but plausible downside scenarios that could arise from these risks individually and collectively against the level of available financial resources indicated by the Company's financial forecasts.

We considered whether the going concern disclosure in Note 2 to the financial statements gives a full and accurate description of the Directors' assessment of going concern.

Our conclusions based on this work:

- / We consider that the Directors' use of the going concern basis of accounting in the preparation of the consolidated financial statements is appropriate;

/ We have not identified, and concur with the Directors' assessment that there is not, a material uncertainty related to events or conditions that, individually or collectively, may cast significant doubt on the Group and the Company's ability to continue as a going concern for the going concern period; and

/ We have nothing material to add or draw attention to in relation to the Directors' statement in the notes to the consolidated financial statements on the use of the going concern basis of accounting with no material uncertainties that may cast significant doubt over the Group and the Company's use of that basis for the going concern period, and that statement is materially consistent with the consolidated financial statements and our audit knowledge.

However, as we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the above conclusions are not a guarantee that the Group and the Company will continue in operation.

### Fraud and breaches of laws and regulations – ability to detect Identifying and responding to risks of material misstatement due to fraud

To identify risks of material misstatement due to fraud ('fraud risks') we assessed events or conditions that could indicate an incentive or pressure to commit fraud or provide an opportunity to commit fraud. Our risk assessment procedures included:

- / Enquiring of management as to the Group's policies and procedures to prevent and detect fraud as well as enquiring whether management have knowledge of any actual, suspected or alleged fraud;
- / Reading minutes of meetings of those charged with governance; and
- / Using analytical procedures to identify any unusual or unexpected relationships.

As required by auditing standards, we perform procedures to address the risk of management override of controls, in particular the risk that management may be in a position to make inappropriate accounting entries. On this audit we do not believe there is a fraud risk related to revenue recognition because the Group's revenue streams are simple in nature with respect to accounting policy choice, and are easily verifiable to external data sources or agreements with little or no requirement for estimation from management. We did not identify any additional fraud risks.

We performed procedures including

- / Identifying journal entries and other adjustments to test based on risk criteria and comparing any identified entries to supporting documentation; and
- / Incorporating an element of unpredictability in our audit procedures.

### Identifying and responding to risks of material misstatement due to non-compliance with laws and regulations

We identified areas of laws and regulations that could reasonably be expected to have a material effect on the consolidated financial statements from our sector experience and through discussion with management (as required by auditing standards), and from inspection of the Group's regulatory and legal correspondence, if any, and discussed with management the policies and procedures regarding compliance with laws and regulations. As the Group is regulated, our assessment of risks involved gaining an understanding of the control environment including the entity's procedures for complying with regulatory requirements.

The Group is subject to laws and regulations that directly affect the consolidated financial statements including financial reporting legislation and taxation legislation and we assessed the extent of compliance with these laws and regulations as part of our procedures on the related financial statement items.

The Group is subject to other laws and regulations where the consequences of non-compliance could have a material effect on amounts or disclosures in the consolidated financial statements, for instance through the imposition of fines or litigation or impacts on the Group and the Company's ability to operate. We identified financial services regulation as being the area most likely to have such an effect, recognising the regulated nature of the Group's activities and its legal form. Auditing standards limit the required audit procedures to identify non-compliance with these laws and regulations to enquiry of management and inspection of regulatory and legal correspondence, if any. Therefore if a breach of operational regulations is not disclosed to us or evident from relevant correspondence, an audit will not detect that breach.

### Context of the ability of the audit to detect fraud or breaches of law or regulation

Owing to the inherent limitations of an audit, there is an unavoidable risk that we may not have detected some material misstatements in the consolidated financial statements, even though we have properly planned and performed our audit in accordance with auditing standards. For example, the further removed non-compliance with laws and regulations is from the events and transactions reflected in the consolidated financial statements, the less likely the inherently limited procedures required by auditing standards would identify it.

In addition, as with any audit, there remains a higher risk of non-detection of fraud, as this may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls. Our audit procedures are designed to detect material misstatement. We are not responsible for preventing non-compliance or fraud and cannot be expected to detect non-compliance with all laws and regulations.

### Other information

The Directors are responsible for the other information. The other information comprises the information included in the annual report but does not include the consolidated financial statements and our auditor's report thereon. Our opinion on the consolidated financial statements does not cover the other information and we do not express an audit opinion or any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

### Disclosures of emerging and principal risks and longer term viability

We are required to perform procedures to identify whether there is a material inconsistency between the Directors' disclosures in respect of emerging and principal risks and the viability statement, and the consolidated financial statements and our audit knowledge we have nothing material to add or draw attention to in relation to:

- / The Directors' confirmation within the Viability assessment and statement (page 129) that they have carried out a robust assessment of the emerging and principal risks facing the Group, including those that would threaten its business model, future performance, solvency or liquidity;
- / The emerging and principal risks disclosures describing these risks and explaining how they are being managed or mitigated;

# Independent Auditor's Report to the Members of Picton Property Income Limited / Continued

/ The Directors' explanation in the Viability assessment and statement (page 129) as to how they have assessed the prospects of the Group, over what period they have done so and why they consider that period to be appropriate, and their statement as to whether they have a reasonable expectation that the Group will be able to continue in operation and meet its liabilities as they fall due over the period of their assessment, including any related disclosures drawing attention to any necessary qualifications or assumptions.

We are also required to review the Viability assessment and statement, set out on page 129 under the Listing Rules. Based on the above procedures, we have concluded that the above disclosures are materially consistent with the consolidated financial statements and our audit knowledge.

## Corporate governance disclosures

We are required to perform procedures to identify whether there is a material inconsistency between the Directors' corporate governance disclosures and the consolidated financial statements and our audit knowledge.

Based on those procedures, we have concluded that each of the following is materially consistent with the consolidated financial statements and our audit knowledge:

/ The Directors' statement that they consider that the annual report and consolidated financial statements taken as a whole is fair, balanced and understandable, and provides the information necessary for shareholders to assess the Company's position and performance, business model and strategy;

/ The section of the annual report describing the work of the Audit Committee, including the significant issues that the audit committee considered in relation to the financial statements, and how these issues were addressed; and

/ The section of the annual report that describes the review of the effectiveness of the Company's risk management and internal control systems.

We are required to review the part of Corporate Governance Statement relating to the Company's compliance with the provisions of the UK Corporate Governance Code specified by the Listing Rules for our review. We have nothing to report in this respect.

## We have nothing to report on other matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies (Guernsey) Law, 2008 requires us to report to you if, in our opinion:

/ The Company has not kept proper accounting records; or

/ The consolidated financial statements are not in agreement with the accounting records; or

/ We have not received all the information and explanations, which to the best of our knowledge and belief are necessary for the purpose of our audit.

## Respective responsibilities Directors' responsibilities

As explained more fully in their statement set out on page 130, the Directors are responsible for: the preparation of the consolidated financial statements including being satisfied that they give a true and fair view; such internal control as they determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error; assessing the Group and Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting unless they either intend to liquidate the Group or the Company or to cease operations, or have no realistic alternative but to do so.

## Auditor's responsibilities

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue our opinion in an auditor's report. Reasonable assurance is a high level of assurance, but does not guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the consolidated financial statements.

A fuller description of our responsibilities is provided on the FRC's website at [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities).

The purpose of this report and restrictions on its use by persons other than the Company's members as a body.

This report is made solely to the Company's members, as a body, in accordance with section 262 of the Companies (Guernsey) Law, 2008. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members, as a body, for our audit work, for this report, or for the opinions we have formed.

## Steven Stormonth

For and on behalf of KPMG Channel Islands Limited  
Chartered Accountants and  
Recognised Auditors  
Guernsey  
22 May 2024

## Consolidated statement of comprehensive income

for the year ended 31 March 2024

	Notes	2024 £000	2023 £000
<b>Income</b>			
Revenue from properties	3	<b>54,690</b>	51,816
Property expenses	4	<b>(16,799)</b>	(15,566)
<b>Net property income</b>		<b>37,891</b>	36,250
<b>Expenses</b>			
Administrative expenses	6	<b>(7,219)</b>	(5,955)
<b>Total operating expenses</b>		<b>(7,219)</b>	(5,955)
<b>Operating profit before movement on investments</b>		<b>30,672</b>	30,295
<b>Investments</b>			
Revaluation of owner-occupied property	14	<b>223</b>	(382)
Investment property valuation movements	13	<b>(26,757)</b>	(110,433)
<b>Total loss on investments</b>		<b>(26,534)</b>	(110,815)
<b>Operating profit/(loss)</b>		<b>4,138</b>	(80,520)
<b>Financing</b>			
Interest income	8	<b>604</b>	24
Interest expense	8	<b>(9,531)</b>	(9,034)
<b>Total finance costs</b>		<b>(8,927)</b>	(9,010)
<b>Loss before tax</b>		<b>(4,789)</b>	(89,530)
Tax	9	<b>-</b>	-
<b>Loss after tax</b>		<b>(4,789)</b>	(89,530)
<b>Other comprehensive income</b>			
Revaluation of owner-occupied property	14	<b>-</b>	(434)
<b>Total other comprehensive loss for the year</b>		<b>-</b>	(434)
<b>Total comprehensive loss for the year</b>		<b>(4,789)</b>	(89,964)
<b>Earnings per share</b>			
Basic	11	<b>(0.9)p</b>	(16.5)p
Diluted	11	<b>(0.9)p</b>	(16.5)p

All items in the above statement derive from continuing operations.

All of the loss and total comprehensive loss for the year is attributable to the equity holders of the Company.

Notes 1 to 27 form part of these consolidated financial statements.



## Financial Statements / Continued

### Consolidated statement of changes in equity

for the year ended 31 March 2024

	Notes	Share capital £000	Retained earnings £000	Other reserves £000	Revaluation reserve £000	Total £000
<b>Balance as at 31 March 2022</b>		<b>164,400</b>	<b>493,027</b>	<b>(731)</b>	<b>434</b>	<b>657,130</b>
Loss for the year		-	(89,530)	-	-	(89,530)
Dividends paid	10	-	(19,091)	-	-	(19,091)
Share-based awards		-	-	675	-	675
Purchase of shares held in trust	7	-	-	(1,126)	-	(1,126)
Other comprehensive loss for the year	14	-	-	-	(434)	(434)
<b>Balance as at 31 March 2023</b>		<b>164,400</b>	<b>384,406</b>	<b>(1,182)</b>	<b>-</b>	<b>547,624</b>
Loss for the year		-	(4,789)	-	-	(4,789)
Dividends paid	10	-	(19,089)	-	-	(19,089)
Share-based awards		-	-	729	-	729
<b>Balance as at 31 March 2024</b>		<b>164,400</b>	<b>360,528</b>	<b>(453)</b>	<b>-</b>	<b>524,475</b>

Notes 1 to 27 form part of these consolidated financial statements.

## Consolidated balance sheet

as at 31 March 2024

	Notes	2024 £000	2023 £000
<b>Non-current assets</b>			
Investment properties	13	<b>688,310</b>	746,342
Property, plant and equipment	14	<b>3,499</b>	3,415
<b>Total non-current assets</b>		<b>691,809</b>	749,757
<b>Current assets</b>			
Investment properties held for sale	13	<b>35,733</b>	–
Accounts receivable	15	<b>26,601</b>	22,749
Cash and cash equivalents	16	<b>19,773</b>	20,050
<b>Total current assets</b>		<b>82,107</b>	42,799
<b>Total assets</b>		<b>773,916</b>	792,556
<b>Current liabilities</b>			
Accounts payable and accruals	17	<b>(20,622)</b>	(19,471)
Loans and borrowings	18	<b>(1,194)</b>	(1,129)
Obligations under leases	22	<b>(114)</b>	(114)
<b>Total current liabilities</b>		<b>(21,930)</b>	(20,714)
<b>Non-current liabilities</b>			
Loans and borrowings	18	<b>(224,940)</b>	(221,635)
Obligations under leases	22	<b>(2,571)</b>	(2,583)
<b>Total non-current liabilities</b>		<b>(227,511)</b>	(224,218)
<b>Total liabilities</b>		<b>(249,441)</b>	(244,932)
<b>Net assets</b>		<b>524,475</b>	547,624
<b>Equity</b>			
Share capital	20	<b>164,400</b>	164,400
Retained earnings		<b>360,528</b>	384,406
Other reserves		<b>(453)</b>	(1,182)
Revaluation reserve		–	–
<b>Total equity</b>		<b>524,475</b>	547,624
<b>Net asset value per share</b>	23	<b>96p</b>	100p

These consolidated financial statements were approved by the Board of Directors on 22 May 2024 and signed on its behalf by:

**Saira Johnston**

Chief Financial Officer

22 May 2024

Notes 1 to 27 form part of these consolidated financial statements.

## Financial Statements / Continued

### Consolidated statement of cash flows

for the year ended 31 March 2024

	Notes	2024 £000	2023 £000
<b>Operating activities</b>			
Operating profit/(loss)		<b>4,138</b>	(80,520)
Adjustments for non-cash items	21	<b>27,406</b>	111,655
Interest received		<b>102</b>	24
Interest paid		<b>(9,085)</b>	(7,937)
(Increase)/decrease in accounts receivable		<b>(3,350)</b>	101
Increase/(decrease) in accounts payable and accruals		<b>996</b>	(291)
<b>Cash inflows from operating activities</b>		<b>20,207</b>	23,032
<b>Investing activities</b>			
Purchase of investment properties	13	-	(20,613)
Capital expenditure on investment properties	13	<b>(4,458)</b>	(6,135)
Purchase of property, plant and equipment	14	<b>(4)</b>	(13)
<b>Cash outflows from investing activities</b>		<b>(4,462)</b>	(26,761)
<b>Financing activities</b>			
Borrowings repaid	18	<b>(1,433)</b>	(6,368)
Borrowings drawn	18	<b>4,500</b>	12,000
Financing costs	18	-	(183)
Purchase of shares held in trust	7	-	(1,126)
Dividends paid	10	<b>(19,089)</b>	(19,091)
<b>Cash outflows from financing activities</b>		<b>(16,022)</b>	(14,768)
<b>Net decrease in cash and cash equivalents</b>		<b>(277)</b>	(18,497)
Cash and cash equivalents at beginning of year		<b>20,050</b>	38,547
<b>Cash and cash equivalents at end of year</b>	16	<b>19,773</b>	20,050

Notes 1 to 27 form part of these consolidated financial statements.

# Notes to the consolidated financial statements

for the year ended 31 March 2024

## 1. General information

Picton Property Income Limited (the 'Company' and together with its subsidiaries the 'Group') was established in Guernsey on 15 September 2005. It has a premium listing on the London Stock Exchange as a commercial company and entered the UK REIT regime on 1 October 2018. The consolidated financial statements are prepared for the year ended 31 March 2024 with comparatives for the year ended 31 March 2023.

## 2. Material accounting policies

### Basis of accounting

The financial statements have been prepared on a going concern basis and adopt the historical cost basis, except for the revaluation of investment properties, share-based awards and property, plant and equipment. Historical cost is generally based on the fair value of the consideration given in exchange for the assets. The financial statements, which give a true and fair view, are prepared in accordance with International Financial Reporting Standards (IFRS Accounting Standards) as issued by the IASB and the Companies (Guernsey) Law, 2008.

The Directors have assessed whether the going concern basis remains appropriate for the preparation of the financial statements. They have reviewed the Group's principal and emerging risks, existing loan facilities, access to funding and liquidity position and then considered different adverse scenarios impacting the portfolio and the potential consequences on financial performance, asset values, dividend policy, capital projects and loan covenants. Under all these scenarios the Group has sufficient resources to continue its operations, and remain within its loan covenants, for the foreseeable future and in any case for a period of at least 12 months from the date of these financial statements.

Based on their assessment and knowledge of the portfolio and market, the Directors have therefore continued to adopt the going concern basis in preparing the financial statements.

The financial statements are presented in pounds sterling, which is the Company's functional currency. All financial information presented in pounds sterling has been rounded to the nearest thousand, except when otherwise indicated.

### New or amended standards issued

The accounting policies adopted are consistent with those of the previous financial period, as amended to reflect the adoption of new standards, amendments and interpretations which became effective in the year as shown below.

- / IFRS 17 Insurance Contracts
- / Disclosure of Accounting Policies (Amendments to IAS 1 and IFRS Practice Statement 2)
- / Definition of Accounting Estimates (Amendments to IAS 8)
- / Deferred Tax Related to Assets and Liabilities Arising from a Single Transaction – Amendments to IAS 12 Income Taxes

The adoption of these standards has had no material effect on the consolidated financial statements of the Group. At the date of approval of these financial statements, there are a number of new and amended standards in issue but not yet effective for the financial year ended 31 March 2024 and thus have not been applied by the Group.

- / Lease Liability in a Sale and Leaseback (Amendments to IFRS 16)
- / Non-current Liabilities with Covenants (Amendments to IAS 1)
- / Sale or Contributions of Assets between an Investor and its Associate or Joint Venture (Amendments to IFRS 10 and IAS 28)
- / Amendments to IAS 7 and IFRS 7 – Supplier Finance Arrangements
- / Amendments to IAS 21 – Lack of Exchangeability
- / IFRS 18 Presentation and Disclosure in Financial Statements
- / IFRS 19 Subsidiaries without Public Accountability

The adoption of these new and amended standards, together with any other IFRSs or IFRIC interpretations that are not yet effective, are not expected to have a material impact on the financial statements of the Group other than IFRS 18 (Presentation and Disclosure in Financial Statements) that the Group is in the process of assessing.

### Use of estimates and judgements

The preparation of financial statements in conformity with IFRS requires management to make judgements, estimates and assumptions that affect the application of policies and the reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of estimates about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates. The estimates and underlying assumptions are reviewed on an ongoing basis.



## Financial Statements / Continued

# Notes to the consolidated financial statements / Continued

## 2. Material accounting policies / Continued

### Significant judgements and estimates

Judgements made by management in the application of IFRSs that have a significant effect on the financial statements and major sources of estimation uncertainty are disclosed in Note 13.

The critical estimates and assumptions relate to the investment property and owner-occupied property valuations applied by the Group's independent valuer. Revisions to accounting estimates are recognised in the year in which the estimate is revised if the revision affects only that year, or in the year of the revision and future years if the revision affects both current and future years.

### Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company at the reporting date. The Group controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect these returns through its power over the entity.

Subsidiaries are consolidated from the date on which control is transferred to the Group and cease to be consolidated from the date on which control is transferred out of the Group. These financial statements include the results of the subsidiaries disclosed in Note 12. All intra-group transactions, balances, income and expenses are eliminated on consolidation.

### Fair value hierarchy

The fair value measurement for the Group's assets and liabilities is 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.

Level 3: unobservable inputs for the asset or liability.

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.

### Investment properties

Freehold property held by the Group to earn income or for capital appreciation, or both, is classified as investment property in accordance with IAS 40 'Investment Property'. Property held under head leases for similar purposes is also classified as investment property. Investment property is initially recognised at purchase cost plus directly attributable acquisition expenses and subsequently measured at fair value. The fair value of investment property is based on a valuation by an independent valuer who holds a recognised and relevant professional qualification and who has recent experience in the location and category of the investment property being valued.

The fair value of investment properties is measured based on each property's highest and best use from a market participant's perspective and considers the potential uses of the property that are physically possible, legally permissible and financially feasible.

The fair value of investment property generally involves consideration of:

- / Market evidence on comparable transactions for similar properties;
- / The actual current market for that type of property in that type of location at the reporting date and current market expectations;
- / Rental income from leases and market expectations regarding possible future lease terms;
- / Hypothetical sellers and buyers, who are reasonably informed about the current market and who are motivated, but not compelled, to transact in that market on an arm's length basis; and
- / Investor expectations on matters such as future enhancement of rental income or market conditions.

Gains and losses arising from changes in fair value are included in the Consolidated Statement of Comprehensive Income in the year in which they arise. Purchases and sales of investment property are recognised when contracts have been unconditionally exchanged and the significant risks and rewards of ownership have been transferred.

## 2. Material accounting policies / Continued

An investment property is derecognised for accounting purposes upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the item) is included in the Consolidated Statement of Comprehensive Income in the year the asset is derecognised. Investment properties are not depreciated.

The majority of the investment properties are charged by way of a first ranking mortgage as security for the loans made to the Group; see Note 18.

### Property, plant and equipment

#### Owner-occupied property

Owner-occupied property is stated at its revalued amount, which is determined in the same manner as investment property. It is depreciated over its remaining useful life (in this case 40 years) with the depreciation included in administrative expenses. On revaluation, any accumulated depreciation is eliminated against the gross carrying amount of the property concerned, and the net amount restated to the revalued amount. Subsequent depreciation charges are adjusted based on the revalued amount. Any difference between the depreciation charge on the revalued amount and that which would have been charged under historic cost is transferred between the revaluation reserve and retained earnings as the property is used. Any gain arising on this remeasurement is recognised in profit or loss to the extent that it reverses a previous impairment loss on the specific property, with any remaining gain recognised in other comprehensive income and presented in the revaluation reserve. Any loss is recognised in profit or loss. However, to the extent that an amount is included in the revaluation surplus for that property, the loss is recognised in other comprehensive income and reduces the revaluation surplus within equity.

#### Plant and equipment

Plant and equipment is depreciated on a straight-line basis over the estimated useful lives of each item of plant and equipment. The estimated useful lives are between three and five years.

### Leases

Where the Group holds interests in investment properties other than as freehold interests (e.g. as a head lease), these are accounted for as right of use assets, which is recognised at its fair value on the Balance Sheet, within the investment property carrying value. Upon initial recognition, a corresponding liability is included as a lease liability. Minimum lease payments are apportioned between the finance charge and the reduction of the outstanding liability so as to produce a constant periodic rate of interest on the remaining lease liability. Contingent rent payable, being the difference between the rent currently payable and the minimum lease payments when the lease liability was originally calculated, are charged as expenses within property expenditure in the years in which they are payable.

The Group leases its investment properties under commercial property leases which are held as operating leases. An operating lease is a lease other than a finance lease. A finance lease is one where substantially all the risks and rewards of ownership are passed to the lessee. Lease income is recognised as income on a straight-line basis over the lease term. Direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised as an expense over the lease term on the same basis as the lease income. Upon receipt of a surrender premium for the early termination of a lease, the profit, net of dilapidations and non-recoverable outgoings relating to the lease concerned, is immediately reflected in revenue from properties if there are no relevant conditions attached to the surrender.

### Cash and cash equivalents

Cash includes cash in hand and cash with banks. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash with original maturities in three months or less and that are subject to an insignificant risk of change in value.

### Income and expenses

Income and expenses are included in the Consolidated Statement of Comprehensive Income on an accruals basis. All of the Group's income and expenses are derived from continuing operations.

Lease incentive payments are amortised on a straight-line basis over the period from the date of lease inception to the end of the lease term and presented within accounts receivable. Lease incentives granted are recognised as a reduction of the total rental income, over the term of the lease.

Property operating costs include the costs of professional fees on letting and other non-recoverable costs.

The income charged to occupiers for property service charges and the costs associated with such service charges are shown separately in Notes 3 and 4 to reflect that, notwithstanding this money is held on behalf of occupiers, the ultimate risk for paying and recovering these costs rests with the property owner.

## Financial Statements / Continued

# Notes to the consolidated financial statements / Continued

## 2. Material accounting policies / Continued

### Employee benefits

#### Defined contribution plans

A defined contribution plan is a retirement benefit plan under which the Company pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution pension plans are recognised as an expense in the Consolidated Statement of Comprehensive Income in the periods during which services are rendered by employees.

#### Short-term benefits

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided. A liability is recognised for the amount expected to be paid under short-term cash bonus or profit-sharing plans if the Company has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

#### Share-based payments

The fair value of the amounts payable to employees in respect of the Deferred Bonus Plan, when these are to be settled in cash, is recognised as an expense with a corresponding increase in liabilities, over the period that the employees become unconditionally entitled to payment. Where the awards are equity settled, the fair value is recognised as an expense, with a corresponding increase in equity. The liability is remeasured at each reporting date and at settlement date. Any changes in the fair value of the liability are recognised under the category staff costs in the Consolidated Statement of Comprehensive Income.

The grant date fair value of awards to employees made under the Long-term Incentive Plan is recognised as an expense, with a corresponding increase in equity, over the vesting period of the awards. The amount recognised as an expense is adjusted to reflect the number of awards for which the related non-market performance conditions are expected to be met, such that the amount ultimately recognised is based on the number of awards that meet the related non-market performance conditions at the vesting date. For share-based payment awards subject to market conditions, the grant date fair value of the share-based awards is measured to reflect such conditions and there is no adjustment between expected and actual outcomes.

The cost of the Company's shares held by the Employee Benefit Trust is deducted from equity in the Consolidated Balance Sheet. Any shares held by the Trust are not included in the calculation of earnings or net assets per share.

### Dividends

Dividends are recognised in the period in which they are declared.

### Accounts receivable

Accounts receivable are stated at their nominal amount as reduced by appropriate allowances for estimated irrecoverable amounts. The Group applies the IFRS 9 simplified approach to measuring expected credit losses, which uses a lifetime expected impairment provision for all applicable accounts receivable. Bad debts are written off when identified.

### Loans and borrowings

All loans and borrowings are initially recognised at cost, being the fair value of the consideration received net of issue costs associated with the borrowing. After initial recognition, loans and borrowings are subsequently measured at amortised cost using the effective interest method. Amortised cost is calculated by taking into account any issue costs, and any discount or premium on settlement. Gains and losses are recognised in profit or loss in the Consolidated Statement of Comprehensive Income when the liabilities are derecognised for accounting purposes, as well as through the amortisation process.

### Assets classified as held for sale

Any investment properties on which contracts for sale have been exchanged but which had not completed at the period end are disclosed as properties held for sale as control over the properties is still retained over the period end. Investment properties included in the held for sale category continue to be measured in accordance with the accounting policy for investment properties.

### Other assets and liabilities

Other assets and liabilities, including trade creditors, accruals, other creditors, and deferred rental income, which are not interest bearing are stated at their nominal value.

## 2. Material accounting policies / Continued

### Share capital

Ordinary shares are classified as equity.

### Revaluation reserve

Any surplus or deficit arising from the revaluation of owner-occupied property is taken to the revaluation reserve. A revaluation deficit is only taken to retained earnings when there is no previous revaluation surplus to reverse.

### Taxation

The Group elected to be treated as a UK REIT with effect from 1 October 2018. The UK REIT rules exempt the profits of the Group's UK property rental business from UK corporation and income tax. Gains on UK properties are also exempt from tax, provided they are not held for trading. The Group is otherwise subject to UK corporation tax.

### Principles for the Consolidated Statement of Cash Flows

The Consolidated Statement of Cash Flows has been drawn up according to the indirect method, separating the cash flows from operating activities, investing activities and financing activities. The net result has been adjusted for amounts in the Consolidated Statement of Comprehensive Income and movements in the Consolidated Balance Sheet which have not resulted in cash income or expenditure in the related period.

The cash amounts in the Consolidated Statement of Cash Flows include those assets that can be converted into cash without any restrictions and without any material risk of decreases in value as a result of the transaction.

## 3. Revenue from properties

	2024 £000	2023 £000
Rents receivable (adjusted for lease incentives)	<b>43,910</b>	42,964
Surrender premiums	<b>102</b>	147
Dilapidation receipts	<b>952</b>	170
Other income	<b>124</b>	107
Service charge income	<b>9,602</b>	8,428
	<b>54,690</b>	51,816

Rents receivable have been adjusted for lease incentives recognised of £nil (2023: £1.2 million).

## 4. Property expenses

	2024 £000	2023 £000
Property operating costs	<b>3,075</b>	3,491
Property void costs	<b>4,122</b>	3,647
Recoverable service charge costs	<b>9,602</b>	8,428
	<b>16,799</b>	15,566

## 5. Operating segments

The Board is responsible for setting the Group's strategy and business model. 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 Consolidated 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 and leisure sectors.



## Financial Statements / Continued

# Notes to the consolidated financial statements / Continued

## 6. Administrative expenses

	2024 £000	2023 £000
Director and staff costs	4,191	3,487
Auditor's remuneration	248	195
Other administrative expenses	2,780	2,273
	<b>7,219</b>	<b>5,955</b>

Auditor's remuneration comprises:	2024 £000	2023 £000
<b>Audit fees:</b>		
Audit of Group financial statements	120	92
Audit of subsidiaries' financial statements	103	87
<b>Audit-related fees:</b>		
Review of interim financial statements	25	16
	<b>248</b>	<b>195</b>

## 7. Director and staff costs

	2024 £000	2023 £000
Wages and salaries	2,422	1,879
Non-Executive Directors' fees	287	275
Social security costs	435	425
Other pension costs	47	34
Share-based payments – cash settled	189	142
Share-based payments – equity settled	811	732
	<b>4,191</b>	<b>3,487</b>

Employees participate in two share-based remuneration arrangements: the Deferred Bonus Plan and the Long-term Incentive Plan (the 'LTIP').

For all employees, a proportion of any discretionary annual bonus will be an award under the Deferred Bonus Plan. With the exception of Executive Directors, awards are cash settled and vest after two years. The final value of awards is determined by the movement in the Company's share price and dividends paid over the vesting period. For Executive Directors, awards are equity settled and also vest after two years. On 14 June 2023, awards of 834,885 notional shares were made which vest in June 2025 (2023: 500,905 notional shares). The next awards are due to be made in June 2024 for vesting in June 2026.

The table below summarises the awards made under the Deferred Bonus Plan. Employees have the option to defer the vesting date of their awards for a maximum of seven years.

Vesting date	Units at 31 March 2022	Units granted in the year	Units cancelled in the year	Units redeemed in the year	Units at 31 March 2023	Units granted in the year	Units cancelled in the year	Units redeemed in the year	Units at 31 March 2024
29 June 2022	599,534	–	–	(589,779)	9,755	–	–	(9,755)	–
22 June 2023	531,108	–	–	–	531,108	–	–	(391,152)	<b>139,956</b>
17 June 2024	–	500,905	–	–	500,905	–	(2,117)	–	<b>498,788</b>
14 June 2025	–	–	–	–	–	834,885	(2,305)	–	<b>832,580</b>
	1,130,642	500,905	–	(589,779)	1,041,768	834,885	(4,422)	(400,907)	<b>1,471,324</b>

The Group also has a Long-term Incentive Plan for all employees which is equity settled. Awards are made annually and vest three years from the grant date. Vesting is conditional on three performance metrics measured over each three-year period. Awards to Executive Directors are also subject to a further two-year holding period. On 14 June 2023, awards for a maximum of 1,219,010 shares were granted to employees in respect of the three-year period ending on 31 March 2026. In the previous year, awards of 1,174,589 shares were made on 17 June 2022 for the period ending 31 March 2025.

## 7. Director and staff costs / Continued

The metrics are:

- / Total shareholder return (TSR) of Picton Property Income Limited, compared to a comparator group of similar listed companies;
- / Total property return (TPR) of the property assets held within the Group, compared to the MSCI UK Quarterly Property Index; and
- / Growth in EPRA earnings per share (EPS) of the Group.

The fair value of share grants is measured using the Monte Carlo model for the TSR metric and a Black-Scholes model for the TPR and EPS metrics. The fair value is recognised over the expected vesting period. For the awards made during this year and the previous year the main inputs and assumptions of the models, and the resulting fair values, are:

### Assumptions

	14 June 2023	17 June 2022
Grant date	<b>76.2p</b>	92.6p
Share price at date of grant	<b>Nil</b>	Nil
Exercise price	<b>3 years</b>	3 years
Expected term	<b>4.8%</b>	2.28%
Risk-free rate – TSR condition	<b>27.4%</b>	28.3%
Share price volatility – TSR condition	<b>27.2%</b>	32.4%
Median volatility of comparator group – TSR condition	<b>38.6%</b>	25.0%
Correlation – TSR condition	<b>7.0%</b>	(2.5)%
TSR performance at grant date – TSR condition	<b>2.3%</b>	2.2%
Median TSR performance of comparator group at grant date – TSR condition	<b>35.0p</b>	46.0p
Fair value – TSR condition (Monte Carlo method)	<b>76.2p</b>	92.6p
Fair value – TPR condition (Black-Scholes model)	<b>76.2p</b>	92.6p
Fair value – EPS condition (Black-Scholes model)		

The Trustee of the Company's Employee Benefit Trust did not acquire any ordinary shares during the year (2023: 1,250,000 shares for £1,126,000).

The Group employed 12 members of staff at 31 March 2024 (2023: ten). The average number of people employed by the Group for the year ended 31 March 2024 was 11 (2023: nine).

## 8. Interest expense and interest income

Interest paid	2024 £000	2023 £000
Interest payable on loans	<b>9,146</b>	8,576
Interest on obligations under finance leases	<b>174</b>	175
Non-utilisation fees	<b>211</b>	283
	<b>9,531</b>	9,034

The loan arrangement costs incurred to 31 March 2024 are £3,328,000 (2023: £3,328,000). These are amortised over the duration of the loans with £304,000 amortised in the year ended 31 March 2024 and included in interest payable on loans (2023: £304,000).

Interest income of £604,000 (2023: £24,000) includes £502,000 received from managing agents in respect of interest earned on client monies in respect of the current and previous financial periods.

## Financial Statements / Continued

# Notes to the consolidated financial statements / Continued

## 9. Tax

The charge for the year is:

	2024 £000	2023 £000
Tax expense in year	-	-
<b>Total tax charge</b>	<b>-</b>	<b>-</b>

A reconciliation of the tax charge applicable to the results at the statutory tax rate to the charge for the year is as follows:

	2024 £000	2023 £000
Loss before taxation	<b>(4,789)</b>	(89,530)
Expected tax (credit)/charge on ordinary activities at the standard rate of taxation of 25% (2023: 19%)	<b>(1,197)</b>	(17,011)
Less:		
UK REIT exemption on net income	<b>(5,437)</b>	(4,044)
Revaluation movement not taxable	<b>6,634</b>	21,055
Total tax charge	-	-

As a UK REIT, the income profits of the Group's UK property rental business are exempt from corporation tax, as are any gains it makes from the disposal of its properties, provided they are not held for trading. The Group is otherwise subject to UK corporation tax at the prevailing rate.

As the principal company of the REIT, the Company is required to distribute at least 90% of the income profits of the Group's UK property rental business. There are a number of other conditions that are also required to be met by the Company and the Group to maintain REIT tax status. These conditions were met in the year and the Board intends to conduct the Group's affairs such that these conditions continue to be met for the foreseeable future. Accordingly, deferred tax is no longer recognised on temporary differences relating to the property rental business.

## 10. Dividends

	2024 £000	2023 £000
<b>Declared and paid:</b>		
Interim dividend for the period ended 31 March 2022: 0.875 pence	-	4,774
Interim dividend for the period ended 30 June 2022: 0.875 pence	-	4,775
Interim dividend for the period ended 30 September 2022: 0.875 pence	-	4,771
Interim dividend for the period ended 31 December 2022: 0.875 pence	-	4,771
Interim dividend for the period ended 31 March 2023: 0.875 pence	<b>4,771</b>	-
Interim dividend for the period ended 30 June 2023: 0.875 pence	<b>4,770</b>	-
Interim dividend for the period ended 30 September 2023: 0.875 pence	<b>4,771</b>	-
Interim dividend for the period ended 31 December 2023: 0.875 pence	<b>4,777</b>	-
	<b>19,089</b>	19,091

The interim dividend of 0.925 pence per ordinary share in respect of the period ended 31 March 2024 has not been recognised as a liability as it was declared after the year-end. This dividend of £5,050,000 will be paid on 31 May 2024.

## 11. Earnings per share

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

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

	2024	2023
Net loss attributable to ordinary shareholders of the Company from continuing operations (£000)	<b>(4,789)</b>	(89,964)
Weighted average number of ordinary shares for basic earnings per share	<b>545,437,264</b>	545,378,286
Weighted average number of ordinary shares for diluted earnings per share	<b>547,092,154</b>	546,856,450

## 12. Investments in subsidiaries

The Company had the following principal subsidiaries as at 31 March 2024 and 31 March 2023:

Name	Place of incorporation	Ownership proportion
Picton UK Real Estate Trust (Property) Limited	Guernsey	100%
Picton (UK) REIT (SPV) Limited	Guernsey	100%
Picton (UK) Listed Real Estate	Guernsey	100%
Picton UK Real Estate (Property) No 2 Limited	Guernsey	100%
Picton (UK) REIT (SPV No 2) Limited	Guernsey	100%
Picton Capital Limited	England & Wales	100%
Picton (General Partner) No 2 Limited	Guernsey	100%
Picton (General Partner) No 3 Limited	Guernsey	100%
Picton No 2 Limited Partnership	England & Wales	100%
Picton No 3 Limited Partnership	England & Wales	100%
Picton Financing UK Limited	England & Wales	100%
Picton Financing UK (No 2) Limited	England & Wales	100%
Picton Property No 3 Limited	Guernsey	100%

The results of the above entities are consolidated within the Group financial statements.

Picton UK Real Estate Trust (Property) Limited and Picton (UK) REIT (SPV) Limited own 100% of the units in Picton (UK) Listed Real Estate, a Guernsey Unit Trust (the 'GPUT'). The GPUT holds a 99.9% interest in both Picton No 2 Limited Partnership and Picton No 3 Limited Partnership and the remaining balances are held by Picton (General Partner) No 2 Limited and Picton (General Partner) No 3 Limited, respectively.

## 13. Investment properties

The following table provides a reconciliation of the opening and closing amounts of investment properties classified as Level 3 recorded at fair value.

	2024 £000	2023 £000
Fair value at start of year	746,342	830,027
Capital expenditure on investment properties	4,458	6,135
Acquisitions	-	20,613
Unrealised movement on investment properties	(26,757)	(110,433)
<b>Fair value at the end of the year</b>	<b>724,043</b>	746,342
<b>Historic cost at the end of the year</b>	<b>685,576</b>	681,118

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

	2024 £000	2023 £000
<b>Current</b>		
Appraised value of properties held for sale	35,900	-
Lease incentives held as debtors of properties held for sale	(167)	-
	<b>35,733</b>	-
<b>Non-current</b>		
Appraised value	708,740	766,235
Valuation of assets held under head leases	2,046	2,081
Owner-occupied property	(3,391)	(3,248)
Lease incentives held as debtors	(19,085)	(18,726)
	<b>688,310</b>	746,342
<b>Fair value at the end of the year</b>	<b>724,043</b>	746,342

As at 31 March 2024, contracts have been exchanged to sell Angel Gate, London EC1 and Longcross, Cardiff so these assets have been classified as assets held for sale, net of lease incentives. The sale of Angel Gate completed in April 2024 and the sale of Longcross is due to complete towards the end of the year. As at 31 March 2023, there were no assets classified as held for sale.

The investment properties were valued by independent valuers, CBRE Limited, Chartered Surveyors, as at 31 March 2024 and 31 March 2023 on the basis of fair value in accordance with the version of the RICS Valuation – Global Standards (incorporating the International Valuation Standards) and the UK national supplement (the Red Book) current as at the valuation date. The total fees earned by CBRE Limited from the Group are less than 5% of their total UK revenue.



## Financial Statements / Continued

# Notes to the consolidated financial statements / Continued

### 13. Investment properties / Continued

The fair value of the Group's investment properties has been determined using an income capitalisation technique, whereby contracted and market rental values are capitalised with a market capitalisation rate. The resulting valuations are cross-checked against the equivalent yields and the fair market values per square foot derived from comparable market transactions on an arm's length basis.

In addition, the Group's investment properties are valued quarterly by CBRE Limited. The valuations are based on:

- / Information provided by the Group, including rents, lease terms, revenue and capital expenditure. Such information is derived from the Group's financial and property systems and is subject to the Group's overall control environment
- / Valuation models used by the valuers, including market-related assumptions based on their professional judgement and market observation

The assumptions and valuation models used by the valuers, and supporting information, are reviewed by senior management and the Board through the Property Valuation Committee. Members of the Property Valuation Committee, together with senior management, meet with the independent valuer on a quarterly basis to review the valuations and underlying assumptions, including considering current market trends and conditions, and changes from previous quarters. The Board will also consider whether circumstances at specific investment properties, such as alternative uses and issues with occupational tenants, are appropriately reflected in the valuations. The fair value of investment properties is measured based on each property's highest and best use from a market participant's perspective and considers the potential uses of the property that are physically possible, legally permissible and financially feasible.

As at 31 March 2024 and 31 March 2023, all of the Group's properties, including owner-occupied property, are Level 3 in the fair value hierarchy as it involves use of significant judgement. There were no transfers between levels during the year and the prior year. 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, as derived from prices).

Information on these significant unobservable inputs per sector of investment properties is disclosed as follows:

	2024			2023		
	Office	Industrial	Retail and Leisure	Office	Industrial	Retail and Leisure
Appraised value (£000)	224,885	439,945	79,810	245,260	439,570	81,405
Area (sq ft, 000s)	874	3,240	692	877	3,240	692
<b>Range of unobservable inputs:</b>						
Gross ERV (sq ft per annum)						
- range	£6.00 to £87.81	£3.79 to £27.95	£3.35 to £21.53	£11.00 to £84.12	£3.30 to £27.83	£3.23 to £26.05
- weighted average	£38.26	£13.37	£11.63	£35.33	£13.16	£11.66
<b>Net initial yield</b>						
- range	-4.85% to 10.73%	2.30% to 7.75%	6.80% to 42.40%	-0.68% to 11.65%	2.28% to 7.75%	3.51% to 30.85%
- weighted average	5.22%	4.63%	9.17%	5.32%	4.30%	8.56%
<b>Reversionary yield</b>						
- range	5.09% to 15.01%	4.82% to 8.05%	7.00% to 12.72%	4.76% to 13.55%	4.83% to 8.17%	6.87% to 12.18%
- weighted average	8.81%	5.86%	8.20%	7.87%	5.78%	7.98%
<b>True equivalent yield</b>						
- range	4.85% to 10.83%	4.75% to 8.00%	7.25% to 12.25%	4.57% to 10.38%	4.75% to 7.98%	7.00% to 12.17%
- weighted average	7.75%	5.66%	8.29%	7.23%	5.51%	8.11%

An increase/decrease in ERV will increase/decrease valuations, while an increase/decrease to yield decreases/increases valuations. We have reviewed the ranges used in assessing the impact of changes in unobservable inputs on the fair value of the Group's property portfolio and concluded these were still reasonable. The table below sets out the sensitivity of the valuation to changes of 50 basis points in yield.

Sector	Movement	2024 Impact on valuation	2023 Impact on valuation
Industrial	Increase of 50 basis points	<b>Decrease of £35.7m</b>	Decrease of £36.7m
	Decrease of 50 basis points	<b>Increase of £43.1m</b>	Increase of £44.5m
Office	Increase of 50 basis points	<b>Decrease of £14.6m</b>	Decrease of £16.1m
	Decrease of 50 basis points	<b>Increase of £16.5m</b>	Increase of £18.0m
Retail and Leisure	Increase of 50 basis points	<b>Decrease of £4.3m</b>	Decrease of £4.5m
	Decrease of 50 basis points	<b>Increase of £4.9m</b>	Increase of £5.1m

## 14. Property, plant and equipment

Property, plant and equipment principally comprises the fair value of owner-occupied property. The fair value of these premises is based on the appraised value at 31 March 2024.

	Owner Occupied Property £000	Plant and equipment £000	Total £000
At 1 April 2022	4,168	215	4,383
Additions	–	13	13
Depreciation	(104)	(61)	(165)
Revaluation	(816)	–	(816)
<b>At 31 March 2023</b>	<b>3,248</b>	<b>167</b>	<b>3,415</b>
Additions	–	4	4
Depreciation	(80)	(63)	(143)
Revaluation	223	–	223
<b>At 31 March 2024</b>	<b>3,391</b>	<b>108</b>	<b>3,499</b>

## 15. Accounts receivable

	2024 £000	2023 £000
Tenant debtors (net of provisions for bad debts)	5,279	2,855
Lease incentives	19,252	18,726
Other debtors	2,070	1,168
	<b>26,601</b>	<b>22,749</b>

The estimated fair values of receivables are the discounted amount of the estimated future cash flows expected to be received and the approximate value of their carrying amounts.

Amounts are considered impaired using the lifetime expected credit loss method. Movement in the balance considered to be impaired has been included in the Consolidated Statement of Comprehensive Income. As at 31 March 2024, tenant debtors of £193,000 (2023: £92,000) were considered impaired and provided for.

## 16. Cash and cash equivalents

	2024 £000	2023 £000
Cash at bank and in hand	19,747	20,045
Short-term deposits	26	5
	<b>19,773</b>	<b>20,050</b>

Cash at bank and in hand earns interest at floating rates based on daily bank deposit rates. Short-term deposits are made for varying periods of between one day and one month depending on the immediate cash requirements of the Group and earn interest at the respective short-term deposit rates. The carrying amounts of these assets approximate to their fair value.

## 17. Accounts payable and accruals

	2024 £000	2023 £000
Accruals	4,839	4,712
Deferred rental income	7,963	8,654
VAT liability	1,899	1,782
Trade creditors	631	515
Other creditors	5,290	3,808
	<b>20,622</b>	<b>19,471</b>

## Financial Statements / Continued

# Notes to the consolidated financial statements / Continued

## 18. Loans and borrowings

	Maturity	2024 £000	2023 £000
<b>Current</b>			
Aviva facility	–	<b>1,497</b>	1,433
Capitalised finance costs	–	<b>(303)</b>	(304)
		<b>1,194</b>	1,129
<b>Non-current</b>			
Canada Life facility	24 July 2031	<b>129,045</b>	129,045
Aviva facility	24 July 2032	<b>80,591</b>	82,089
NatWest revolving credit facility	26 May 2025	<b>16,400</b>	11,900
Capitalised finance costs	–	<b>(1,096)</b>	(1,399)
		<b>224,940</b>	221,635
		<b>226,134</b>	222,764

The following table provides a reconciliation of the movement in loans and borrowings to cash flows arising from financing activities.

	2024 £000	2023 £000
Balance at start of year	<b>222,764</b>	216,832
<b>Changes from financing cash flows</b>		
Proceeds from loans and borrowings	<b>4,500</b>	12,000
Repayment of loans and borrowings	<b>(1,433)</b>	(6,368)
Financing costs paid	–	(183)
	<b>3,067</b>	5,449
<b>Other changes</b>		
Amortisation of financing costs	<b>303</b>	304
Change in accrued financing costs	–	179
	<b>303</b>	483
<b>Balance as at 31 March</b>	<b>226,134</b>	222,764

The Group has a £129.0 million loan facility with Canada Life which matures in July 2031. Interest is fixed at 3.25% per annum over the remaining life of the loan. The loan agreement has a loan to value covenant of 65% and an interest cover test of 1.75. The loan is secured over the Group's properties held by Picton No 2 Limited Partnership and Picton UK Real Estate Trust (Property) No 2 Limited, valued at £348.1 million (2023: £353.2 million).

Additionally, the Group has a £95.3 million term loan facility with Aviva Commercial Finance Limited which matures in July 2032. The loan is for a term of 20 years and was fully drawn on 24 July 2012 with approximately one-third repayable over the life of the loan in accordance with a scheduled amortisation profile. The Group has repaid £1.4 million in the year (2023: £1.4 million). Interest on the loan is fixed at 4.38% per annum over the life of the loan. The facility has a loan to value covenant of 65% and a debt service cover ratio of 1.4. The facility is secured over the Group's properties held by Picton No 3 Limited Partnership and Picton Property No 3 Limited, valued at £184.3 million (2023: £193.6 million).

The Group also has a £50.0 million revolving credit facility (RCF) with National Westminster Bank Plc which matures in May 2025. As at 31 March there was £16.4 million drawn under the facility, interest is charged at 150 basis points over SONIA on drawn balances and there is an undrawn commitment fee of 60 basis points. The facility is secured on properties held by Picton UK Real Estate Trust (Property) Limited, valued at £138.7 million (2023: £143.4 million).

The fair value of the drawn loan facilities at 31 March 2024, estimated as the present value of future cash flows discounted at the market rate of interest at that date, was £202.8 million (2023: £201.7 million). The fair value of the drawn loan facilities is classified as Level 2 under the hierarchy of fair value measurements.

There were no transfers between levels of the fair value hierarchy during the current or prior years.

The weighted average interest rate on the Group's borrowings as at 31 March 2024 was 3.9% (2023: 3.8%).

## 19. Contingencies and capital commitments

The Group has entered into contracts for the refurbishment of eight properties with commitments outstanding at 31 March 2024 of approximately £4.2 million (2023: £2.9 million). No further obligations to construct or develop investment property or for repairs, maintenance or enhancements were in place as at 31 March 2024 (2023: £nil).

## 20. Share capital and other reserves

	2024 £000	2023 £000
<b>Authorised:</b>		
Unlimited number of ordinary shares of no par value	-	-
<b>Issued and fully paid:</b>		
547,605,596 ordinary shares of no par value (31 March 2023: 547,605,596)	-	-
Share premium	<b>164,400</b>	164,400

The Company has 547,605,596 ordinary shares in issue of no par value (2023: 547,605,596).

No new ordinary shares were issued during the year ended 31 March 2024.

	2024 Number of shares	2023 Number of shares
Ordinary share capital	<b>547,605,596</b>	547,605,596
Number of shares held in Employee Benefit Trust	<b>(1,642,440)</b>	(2,388,694)
<b>Number of ordinary shares</b>	<b>545,963,156</b>	545,216,902

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 1,642,440 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.

The Directors have authority to buy back up to 14.99% of the Company's ordinary shares in issue, subject to the annual renewal of the authority from shareholders. Any buy-back of ordinary shares will be made subject to Guernsey law, and the making and timing of any buy-backs will be at the absolute discretion of the Board.

## 21. Adjustment for non-cash movements in the cash flow statement

	2024 £000	2023 £000
Movement in investment property valuation	<b>26,757</b>	110,433
Revaluation of owner-occupied property	<b>(223)</b>	382
Share-based provisions	<b>729</b>	675
Depreciation of tangible assets	<b>143</b>	165
	<b>27,406</b>	111,655



## Financial Statements / Continued

# Notes to the consolidated financial statements / Continued

## 22. Obligations under leases

The Group has entered into a number of head leases in relation to its investment properties. These leases are for fixed terms and subject to regular rent reviews. They contain no material provisions for contingent rents, renewal or purchase options nor any restrictions outside of the normal lease terms.

Lease liabilities in respect of rents on leasehold properties were payable as follows:

	2024 £000	2023 £000
<b>Future minimum payments due:</b>		
Within one year	<b>185</b>	185
In the second to fifth years inclusive	<b>740</b>	740
After five years	<b>8,712</b>	8,898
	<b>9,637</b>	9,823
Less: finance charges allocated to future periods	<b>(6,952)</b>	(7,126)
<b>Present value of minimum lease payments</b>	<b>2,685</b>	2,697

The present value of minimum lease payments is analysed as follows:

	2024 £000	2023 £000
<b>Current</b>		
Within one year	<b>114</b>	114
	<b>114</b>	114
<b>Non-current</b>		
In the second to fifth years inclusive	<b>409</b>	405
After five years	<b>2,162</b>	2,178
	<b>2,571</b>	2,583
	<b>2,685</b>	2,697

## Operating leases where the Group is lessor

The Group leases its investment properties under commercial property leases which are held as operating leases.

At the reporting date, the Group's future income based on the unexpired lease length was as follows (based on annual rentals):

	2024 £000	2023 £000
Within one year	<b>43,818</b>	43,824
One to two years	<b>38,530</b>	39,548
Two to three years	<b>33,085</b>	34,806
Three to four years	<b>28,687</b>	29,506
Four to five years	<b>24,411</b>	25,454
After five years	<b>98,539</b>	105,675
	<b>267,070</b>	278,813

These properties are measured under the fair value model as the properties are held to earn rentals. Commercial property leases typically have lease terms between five and ten years and include clauses to enable periodic upward revision of the rental charge according to prevailing market conditions. Some leases contain options to break before the end of the lease term.

## 23. Net asset value

The net asset value per share calculation uses the number of shares in issue at the year-end and excludes the actual number of shares held by the Employee Benefit Trust at the year-end; see Note 20.

## 24. Financial instruments

The Group's financial instruments comprise cash and cash equivalents, accounts receivable, secured loans, obligations under head leases and accounts payable that arise from its operations. The Group does not have exposure to any derivative financial instruments. Apart from the secured loans, as disclosed in Note 18, the fair value of the financial assets and liabilities is not materially different from their carrying value in the financial statements.

### Categories of financial instruments

	Notes	Held at fair value through profit or loss £000	Financial assets and liabilities at amortised cost £000	Total £000
<b>31 March 2024</b>				
<b>Financial assets</b>				
Debtors	15	-	<b>7,349</b>	<b>7,349</b>
Cash and cash equivalents	16	-	<b>19,773</b>	<b>19,773</b>
		-	<b>27,122</b>	<b>27,122</b>
<b>Financial liabilities</b>				
Loans and borrowings	18	-	<b>226,134</b>	<b>226,134</b>
Obligations under head leases	22	-	<b>2,685</b>	<b>2,685</b>
Creditors and accruals	17	-	<b>10,760</b>	<b>10,760</b>
		-	<b>239,579</b>	<b>239,579</b>
<b>31 March 2023</b>				
<b>Financial assets</b>				
Debtors	15	-	4,023	4,023
Cash and cash equivalents	16	-	20,050	20,050
		-	24,073	24,073
<b>Financial liabilities</b>				
Loans and borrowings	18	-	222,764	222,764
Obligations under head leases	22	-	2,697	2,697
Creditors and accruals	17	-	9,035	9,035
		-	234,496	234,496

## 25. Risk management

The Group invests in commercial properties in the United Kingdom. The following describes the risks involved and the risk management framework applied by the Group. Senior management reports regularly both verbally and formally to the Board, and its relevant Committees, to allow them to monitor and review all the risks noted below.

### Capital risk management

The Group aims to manage its capital to ensure that the entities in the Group will be able to continue as a going concern while maximising the return to stakeholders through optimising its capital structure. The Board's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain the future development of the business.

The capital structure of the Group consists of debt, as disclosed in Note 18, cash and cash equivalents and equity attributable to equity holders of the Company, comprising issued share capital, reserves, retained earnings and revaluation reserve. The Group is not subject to any external capital requirements.

The Group monitors capital primarily on the basis of its gearing ratio. This ratio is calculated as the principal borrowings outstanding, as detailed under Note 18, divided by the gross assets. There is a limit of 65% as set out in the Articles of Association of the Company. Gross assets are calculated as non-current and current assets, as shown in the Consolidated Balance Sheet.

## Financial Statements / Continued

# Notes to the consolidated financial statements / Continued

## 25. Risk management / Continued

At the reporting date the gearing ratios were as follows:

	2024 £000	2023 £000
Total borrowings	227,533	224,467
Gross assets	773,916	792,556
<b>Gearing ratio (must not exceed 65%)</b>	<b>29.4%</b>	28.3%

The Board of Directors monitors the return on capital as well as the level of dividends to ordinary shareholders. The Group has managed its financing risk by entering into long-term loan arrangements with different maturities, which will enable the Group to manage its borrowings in an orderly manner over the long-term. The Group also has a revolving credit facility which provides greater flexibility in managing the level of borrowings.

The Group's net debt to equity ratio at the reporting date was as follows:

	2024 £000	2023 £000
Total liabilities	249,441	244,932
Less: cash and cash equivalents	(19,773)	(20,050)
<b>Net debt</b>	<b>229,668</b>	224,882
<b>Total equity</b>	<b>524,475</b>	547,624
<b>Net debt to equity ratio at end of year</b>	<b>0.44</b>	0.41

## Credit risk

The following tables detail the balances held at the reporting date that may be affected by credit risk:

	Notes	Held at fair value through profit or loss £000	Financial assets and liabilities at amortised cost £000	Total £000
<b>31 March 2024</b>				
<b>Financial assets</b>				
Tenant debtors	15	-	5,279	5,279
Cash and cash equivalents	16	-	19,773	19,773
		-	25,052	25,052
<b>31 March 2023</b>				
<b>Financial assets</b>				
Tenant debtors	15	-	2,855	2,855
Cash and cash equivalents	16	-	20,050	20,050
		-	22,905	22,905

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Group. The Group has adopted a policy of only dealing with creditworthy counterparties and obtaining collateral where appropriate, as a means of mitigating the risk of financial loss from defaults.

Tenant debtors consist of a large number of occupiers, spread across diverse industries and geographical areas. Ongoing credit evaluations are performed on the financial condition of tenant debtors and, where appropriate, credit guarantees or rent deposits are acquired. As at 31 March 2024, tenant rent deposits held by the Group's managing agents in segregated bank accounts totalled £2.5 million (2023: £2.6 million). The Group does not have access to these rent deposits unless the occupier defaults under its lease obligations. Rent collection is outsourced to managing agents who report regularly on payment performance and provide the Group with intelligence on the continuing financial viability of occupiers. The Group does not have any significant concentration risk whether in terms of credit risk exposure to any single counterparty or any group of counterparties having similar characteristics. The credit risk on liquid funds is limited because the counterparties are banks with strong credit ratings assigned by international credit rating agencies.

## 25. Risk management / Continued

The carrying amount of financial assets recorded in the financial statements, net of any allowances for losses, represents the Group's maximum exposure to credit risk. The Board continues to monitor the Group's overall exposure to credit risk.

The Group has a panel of banks with which it makes deposits, based on credit ratings assigned by international credit rating agencies and with set counterparty limits that are reviewed regularly. The Group's main cash balances are held with National Westminster Bank Plc (NatWest), Nationwide International Limited (Nationwide), Santander plc (Santander) and Lloyds Bank Plc (Lloyds). Insolvency or resolution of the bank holding cash balances may cause the Group's recovery of cash held by them to be delayed or limited. The Group manages its risk by monitoring the credit quality of its bankers on an ongoing basis. NatWest, Nationwide, Santander and Lloyds are rated by all the major rating agencies. If the credit quality of any of these banks were to deteriorate, the Group would look to move the relevant short-term deposits or cash to another bank. Procedures exist to ensure that cash balances are split between banks to reduce overall exposure to credit risk. At 31 March 2024 and at 31 March 2023, Standard & Poor's short-term credit rating for each of the Group's bankers was A-1.

There has been no change in the fair values of cash or receivables as a result of changes in credit risk in the current or prior periods, due to the actions taken to mitigate this risk, as stated above.

### Liquidity risk

Ultimate responsibility for liquidity risk management rests with the Board, which has put in place an appropriate liquidity risk management framework for the management of the Group's short, medium and long-term funding and liquidity management requirements. The Group's liquidity risk is managed on an ongoing basis by senior management and monitored on a quarterly basis by the Board by maintaining adequate reserves and loan facilities, continuously monitoring forecasts, loan maturity profiles and actual cash flows and matching the maturity profiles of financial assets and liabilities for a period of at least 12 months.

The table below has been drawn up based on the undiscounted contractual maturities of the financial assets/(liabilities), including interest that will accrue to maturity.

	Less than 1 year £000	1 to 5 years £000	More than 5 years £000	Total £000
<b>31 March 2024</b>				
Cash and cash equivalents	<b>20,366</b>	-	-	<b>20,366</b>
Debtors	<b>7,349</b>	-	-	<b>7,349</b>
Obligations under head leases	<b>(185)</b>	<b>(740)</b>	<b>(8,712)</b>	<b>(9,637)</b>
Fixed interest rate loans	<b>(9,262)</b>	<b>(37,049)</b>	<b>(224,367)</b>	<b>(270,678)</b>
Floating interest rate loans	<b>(1,117)</b>	<b>(16,571)</b>	-	<b>(17,688)</b>
Creditors and accruals	<b>(10,760)</b>	-	-	<b>(10,760)</b>
	<b>6,391</b>	<b>(54,360)</b>	<b>(233,079)</b>	<b>(281,048)</b>
<b>31 March 2023</b>				
Cash and cash equivalents	20,652	-	-	20,652
Debtors	4,023	-	-	4,023
Obligations under head leases	(185)	(740)	(8,898)	(9,823)
Fixed interest rate loans	(9,262)	(37,049)	(233,629)	(279,940)
Floating interest rate loans	(690)	(12,696)	-	(13,386)
Creditors and accruals	(9,035)	-	-	(9,035)
	5,503	(50,485)	(242,527)	(287,509)

The Group expects to meet its financial liabilities through the various available liquidity sources, including a secure rental income profile, asset sales, undrawn committed borrowing facilities and, in the longer-term, debt refinancing.



## Financial Statements / Continued

# Notes to the consolidated financial statements / Continued

## 25. Risk management / Continued

### Market risk

The Group's activities are primarily within the real estate market, exposing it to very specific industry risks.

The yields available from investments in real estate depend primarily on the amount of revenue earned and capital appreciation generated by the relevant properties, as well as expenses incurred. If properties do not generate sufficient revenues to meet operating expenses, including debt service costs and capital expenditure, the Group's operating performance will be adversely affected.

Revenue from properties may be adversely affected by the general economic climate, local conditions such as oversupply of properties or a reduction in demand for properties in the market in which the Group operates, the attractiveness of the properties to occupiers, the quality of the management, competition from other available properties and increased operating costs.

In addition, the Group's revenue would be adversely affected if a significant number of occupiers were unable to pay rent or its properties could not be rented on favourable terms. Certain significant expenditure associated with investment in real estate (such as external financing costs and maintenance costs) is generally not reduced when circumstances cause a reduction in revenue from properties. By diversifying in regions, sectors, risk categories and occupiers, senior management expects to mitigate the risk profile of the portfolio effectively. The Board continues to oversee the profile of the portfolio to ensure these risks are managed.

The valuation of the Group's property assets is subject to changes in market conditions. Such changes are taken to the Consolidated Statement of Comprehensive Income and thus impact on the Group's net result. A 5% increase or decrease in property values would increase or decrease the Group's net result by £37.2 million (2023: £38.3 million).

### Interest rate risk management

Interest rate risk arises on interest payable on the revolving credit facility only. The Group's senior debt facilities have fixed interest rates over the terms of the loans. The amount drawn under the revolving credit facility makes up a small proportion of the overall debt; the Group therefore has limited exposure to interest rate risk on its borrowings and no sensitivity is presented. The Group manages its interest rate risk by entering into long-term fixed rate debt facilities.

### Interest rate risk

The following table sets out the carrying amount, by maturity, of the Group's financial assets/(liabilities).

	Less than 1 year £000	1 to 5 years £000	More than 5 years £000	Total £000
<b>31 March 2024</b>				
<b>Floating</b>				
Cash and cash equivalents	<b>19,773</b>	-	-	<b>19,773</b>
Secured loan facilities	-	<b>(16,400)</b>	-	<b>(16,400)</b>
<b>Fixed</b>				
Secured loan facilities	<b>(1,497)</b>	<b>(6,686)</b>	<b>(202,950)</b>	<b>(211,133)</b>
Obligations under leases	<b>(114)</b>	<b>(409)</b>	<b>(2,162)</b>	<b>(2,685)</b>
	<b>18,162</b>	<b>(23,495)</b>	<b>(205,112)</b>	<b>(210,445)</b>
<b>31 March 2023</b>				
<b>Floating</b>				
Cash and cash equivalents	20,050	-	-	20,050
Secured loan facilities	-	(11,900)	-	(11,900)
<b>Fixed</b>				
Secured loan facilities	(1,433)	(6,401)	(204,733)	(212,567)
Obligations under leases	(114)	(405)	(2,178)	(2,697)
	18,503	(18,706)	(206,911)	(207,114)

## 25. Risk management / Continued

### Concentration risk

As discussed above, all of the Group's investments are in the UK and therefore the Group is exposed to macroeconomic changes in the UK economy. Furthermore, the Group derives its rental income from around 400 occupiers, although the largest occupier accounts for only 3.6% of the Group's annual contracted rental income.

### Currency risk

The Group has no exposure to foreign currency risk.

## 26. Related party transactions

The total fees earned during the year by the Non-Executive Directors of the Company amounted to £287,000 (2023: £275,000). As at 31 March 2024, the Group owed £nil to the Non-Executive Directors (2023: £nil).

The remuneration of the Executive Directors is set out in Note 7 and in the table on page 120 in the Annual Remuneration Report.

Picton Property Income Limited has no controlling parties.

## 27. Events after the Balance Sheet date

The sale of Angel Gate, London EC1 completed on 16 April 2024 for £29,600,000.

The £16,400,000 drawn under the revolving credit facility with National Westminster Bank Plc was repaid in full on 18 April 2024.

A dividend of £5,050,000 (0.925 pence per share) was approved by the Board on 30 April 2024 and will be paid on 31 May 2024.

## Additional Information

### EPRA BPR and supplementary disclosures (unaudited)

for the year ended 31 March 2024

The European Public Real Estate Association (EPRA) is the industry body representing listed companies in the real estate sector. EPRA publishes Best Practices Recommendations (BPR) to establish consistent reporting by European property companies. Further information on the EPRA BPR can be found at [www.epra.com](http://www.epra.com).

#### EPRA performance measures

Measure	Definition for EPRA measure	2024	2023
EPRA earnings	Earnings from core operational activities.	<b>£21.7m</b>	£21.3m
EPRA earnings per share	EPRA earnings per weighted number of ordinary shares.	<b>4.0p</b>	3.9p
EPRA net reinstatement value (NRV)	Assumes assets are never sold and aims to represent the value required to rebuild the entity.	<b>105p</b>	110p
EPRA net tangible assets (NTA)	Assumes entities buy and sell assets, thereby crystallising certain levels of deferred tax liability.	<b>96p</b>	100p
EPRA net disposal value (NDV)	Represents the shareholders' value under a disposal scenario.	<b>101p</b>	105p
EPRA net initial yield	Annualised rental income based on the cash rents passing at the balance sheet date, less non-recoverable property operating expenses, divided by the market value of the property.	<b>5.4%</b>	5.0%
EPRA 'topped up' net initial yield	This measure incorporates an adjustment to the EPRA NIY in respect of the expiration of rent-free periods (or other unexpired lease incentives).	<b>5.9%</b>	5.5%
EPRA vacancy rate	Estimated Market Rental Value (ERV) of vacant space divided by ERV of the whole portfolio.	<b>9.2%</b>	9.5%
EPRA cost ratio	Administrative & operating costs (including costs of direct vacancy) divided by gross rental income.	<b>32.4%</b>	29.9%
	Administrative & operating costs (excluding costs of direct vacancy) divided by gross rental income.	<b>23.0%</b>	21.3%
EPRA LTV	Debt divided by market value of the property.	<b>28.2%</b>	27.0%

#### EPRA earnings per share

EPRA earnings represents the earnings from core operational activities, excluding investment property revaluations and gains/losses on asset disposals. It demonstrates the extent to which dividend payments are underpinned by operational activities.

	2024 £000	2023 £000	2022 £000
(Loss)/profit for the year after taxation	<b>(4,789)</b>	(89,530)	146,986
Exclude:			
Investment property valuation movement	<b>26,757</b>	110,433	(129,801)
Gains on disposal of investment properties	-	-	(42)
Revaluation of owner-occupied property	<b>(223)</b>	382	-
Debt prepayment fees	-	-	4,045
<b>EPRA earnings</b>	<b>21,745</b>	21,285	21,188
Weighted average number of shares in issue (000s)	<b>545,437</b>	545,378	545,904
<b>EPRA earnings per share</b>	<b>4.0p</b>	3.9p	3.9p

#### EPRA NRV per share

The EPRA net reinstatement value measure highlights the value of net assets on a long-term basis. Assets and liabilities that are not expected to crystallise in normal circumstances, such as the fair value of financial derivatives and deferred taxes on property valuation surpluses, are therefore excluded. Since the aim of the metric is to also reflect what would be needed to recreate the Company through the investment market based on its current capital and financing structure, related costs such as real estate transfer taxes should be included.

	2024 £000	2023 £000	2022 £000
Balance Sheet net assets	<b>524,475</b>	547,624	657,130
Purchasers' costs	<b>50,287</b>	52,759	57,449
Fair value of debt	-	-	-
Deferred tax	-	-	-
<b>EPRA NRV</b>	<b>574,762</b>	600,383	714,579
Shares in issue (000s)	<b>545,963</b>	545,217	545,631
<b>EPRA NRV per share</b>	<b>105p</b>	110p	131p

## EPRA NTA per share

The EPRA net tangible assets calculation assumes entities buy and sell assets, thereby crystallising certain levels of deferred tax liability. EPRA NTA is regarded as the most relevant metric for the business as this focuses on reflecting a company's tangible assets.

	2024 £000	2023 £000	2022 £000
Balance Sheet net assets	<b>524,475</b>	547,624	657,130
Fair value of financial instruments	-	-	-
Deferred tax	-	-	-
<b>EPRA NTA</b>	<b>524,475</b>	547,624	657,130
Shares in issue (000s)	<b>545,963</b>	545,217	545,631
<b>EPRA NTA per share</b>	<b>96p</b>	100p	120p

## EPRA NDV per share

The EPRA net disposal value shows the impact to shareholder value if Company assets are sold and/or liabilities are not held until maturity.

	2024 £000	2023 £000	2022 £000
Balance Sheet net assets	<b>524,475</b>	547,624	657,130
Fair value of debt	<b>24,714</b>	22,793	(6,766)
<b>EPRA NDV</b>	<b>549,189</b>	570,417	650,364
Shares in issue (000s)	<b>545,963</b>	545,217	545,631
<b>EPRA NDV per share</b>	<b>101p</b>	105p	119p

## EPRA net initial yield (NIY)

EPRA NIY is calculated as the annualised rental income based on the cash rents passing at the Balance Sheet date, less non-recoverable property operating expenses, divided by the gross market valuation of the properties.

	2024 £000	2023 £000	2022 £000
Investment property valuation	<b>744,640</b>	766,235	849,325
Allowance for estimated purchasers' costs	<b>50,284</b>	52,759	57,449
<b>Gross up property portfolio valuation</b>	<b>794,924</b>	818,994	906,774
Annualised cash passing rental income	<b>44,745</b>	43,336	38,676
Property outgoings	<b>(1,669)</b>	(2,125)	(1,721)
<b>Annualised net rents</b>	<b>43,076</b>	41,211	36,955
<b>EPRA net initial yield</b>	<b>5.4%</b>	5.0%	4.1%

## EPRA 'topped-up' net initial yield

The EPRA 'topped-up' NIY is calculated by making an adjustment to the EPRA NIY in respect of the expiration of rent-free periods (or other unexpired lease incentives such as discounted rent periods and step rents).

	2024 £000	2023 £000	2022 £000
EPRA NIY annualised net rents	<b>43,076</b>	41,211	36,955
Annualised cash rent that will apply at expiry of lease incentives	<b>3,947</b>	4,057	6,415
<b>Topped-up annualised net rents</b>	<b>47,023</b>	45,268	43,370
<b>EPRA 'topped-up' NIY</b>	<b>5.9%</b>	5.5%	4.8%



## Additional Information / Continued

### EPRA BPR and supplementary disclosures (unaudited) / Continued

for the year ended 31 March 2024

#### EPRA vacancy rate

The EPRA vacancy rate is the estimated rental value (ERV) of vacant space divided by the ERV of the whole property, expressed as a percentage. There are no significant distorting factors influencing the EPRA vacancy rate.

	2024 £000	2023 £000	2022 £000
Annualised potential rental value of vacant premises	5,276	5,311	3,594
Annualised potential rental value for the complete property portfolio	57,578	55,774	49,776
<b>EPRA vacancy rate</b>	<b>9.2%</b>	9.5%	7.2%

#### EPRA cost ratio

The EPRA cost ratio reflects the overheads and operating costs as a percentage of the gross rental income.

	2024 £000	2023 £000	2022 £000
Property operating costs	3,075	3,491	2,477
Property void costs	4,122	3,647	2,409
Administrative expenses	7,219	5,955	5,755
Less:			
Ground rent costs	(257)	(376)	(283)
<b>EPRA costs (including direct vacancy costs)</b>	<b>14,159</b>	12,717	10,358
Property void costs	(4,122)	(3,647)	(2,409)
<b>EPRA costs (excluding direct vacancy costs)</b>	<b>10,037</b>	9,070	7,949
Gross rental income	43,910	42,964	40,133
Less ground rent costs	(257)	(376)	(283)
<b>Gross rental income</b>	<b>43,653</b>	42,588	39,850
<b>EPRA cost ratio (including direct vacancy costs)</b>	<b>32.4%</b>	29.9%	26.0%
<b>EPRA cost ratio (excluding direct vacancy costs)</b>	<b>23.0%</b>	21.3%	19.9%

The Company has not capitalised any overhead or operating expenses in the accounting years disclosed above.

Only costs directly associated with the purchase or construction of properties as well as subsequent value-enhancing capital expenditure are capitalised.

#### Capital expenditure

The table below sets out the capital expenditure incurred over the financial year, in accordance with EPRA Best Practices Recommendations.

	2024			2023		
	Group £000	Joint ventures £000	Total Group £000	Group £000	Joint ventures £000	Total Group £000
Acquisitions	-	-	-	20,613	-	20,613
Development	-	-	-	-	-	-
Investment properties						
Incremental lettable space	-	-	-	-	-	-
No incremental lettable space	4,458	-	4,458	6,135	-	6,135
Tenant incentives	-	-	-	-	-	-
Other material non-allocated types of expenditure	-	-	-	-	-	-
<b>Total capital expenditure</b>	<b>4,458</b>	-	<b>4,458</b>	26,748	-	26,748
Conversion from accrual to cash basis	-	-	-	-	-	-
<b>Total capital expenditure on cash basis</b>	<b>4,458</b>	-	<b>4,458</b>	26,748	-	26,748

## EPRA like-for-like rental growth

The table below sets out the like-for-like rental growth of the portfolio, by sector, in accordance with EPRA Best Practices Recommendations.

	Rental income from like-for-like portfolio 2024 £000	Rental income from like-for-like portfolio 2023 £000	Like-for-like rental growth £000	Like-for-like rental growth %
Industrial	23,047	20,706	<b>2,341</b>	<b>11.3</b>
Office	15,910	17,098	<b>(1,188)</b>	<b>(6.9)</b>
Retail and Leisure	7,869	7,781	<b>88</b>	<b>1.1</b>
<b>Total</b>	<b>46,826</b>	<b>45,585</b>	<b>1,241</b>	<b>2.7</b>

The like-for-like rental growth is based on changes in rental income for those properties which have been held for the duration of both the current and prior reporting years. This represents a portfolio valuation, as assessed by the valuer, of £744.6 million (2023: £766.2 million).

## EPRA LTV

EPRA loan to value's aim is to assess the gearing of the shareholder equity within a real estate company.

	2024 £000	2023 £000	2022 £000
Loans and borrowings	<b>226,134</b>	222,764	216,832
Less:			
Cash and cash equivalents	<b>(19,773)</b>	(20,050)	(38,547)
<b>Net debt</b>	<b>206,361</b>	202,714	178,285
Investment properties (excluding head lease right of use asset)	<b>721,997</b>	744,261	827,790
Property, plant and equipment	<b>3,499</b>	3,415	4,383
Net receivable <sup>1</sup>	<b>5,979</b>	3,278	3,712
<b>Total property value</b>	<b>731,475</b>	750,954	835,885
<b>EPRA LTV</b>	<b>28.2%</b>	27.0%	21.3%

1 Net receivable is calculated as the net position of the following line items shown on the Balance Sheet: accounts receivable and accounts payable and accruals.

## Loan to value

The loan to value ratio (LTV) is calculated by taking the Group's total borrowings, net of cash, as a percentage of the total portfolio value.

	2024 £000	2023 £000	2022 £000
Total borrowings	<b>227,533</b>	224,467	218,835
Less:			
Cash and cash equivalents	<b>(19,773)</b>	(20,050)	(38,547)
<b>Total net borrowings</b>	<b>207,760</b>	204,417	180,288
Investment property valuation	<b>744,640</b>	766,235	849,325
<b>Loan to value</b>	<b>27.9%</b>	26.7%	21.2%

## Cost ratio

The cost ratio provides shareholders with an indication of the likely level of cost of managing the Group. The cost ratio uses the annual recurring administrative expenses as a percentage of the average net asset value over the period.

	2024 £000	2023 £000	2022 £000
Administrative expenses	<b>7,219</b>	5,955	5,755
Less:			
Internalisation of company secretarial function	<b>(296)</b>	-	-
Abortive corporate activity	<b>(194)</b>	-	-
CFO transition costs	<b>(89)</b>	-	-
<b>Total</b>	<b>6,640</b>	5,955	5,755
Average net asset value over the year	<b>531,921</b>	602,822	598,022
<b>Cost ratio</b>	<b>1.2%</b>	1.0%	1.0%

## Additional Information / Continued

### Property portfolio

#### Properties valued in excess of £100 million

- / Parkbury Industrial Estate, Radlett, Herts.

#### Properties valued between £50 million and £75 million

- / River Way Industrial Estate, River Way, Harlow, Essex

#### Properties valued between £30 million and £50 million

- / Stanford Building, Long Acre, London WC2.

#### Properties valued between £20 million and £30 million

- / Datapoint, Cody Road, London E16
- / Express Business Park, Shipton Way, Rushden, Northants.
- / Angel Gate, City Road, London EC1
- / Lyon Business Park, Barking, Essex
- / Sundon Business Park, Dencora Way, Luton, Beds.
- / Tower Wharf, Cheese Lane, Bristol
- / 50 Farringdon Road, London EC1

#### Properties valued between £10 million and £20 million

- / Grantham Book Services, Trent Road, Grantham, Lincs.
- / 30 & 50 Pembroke Court, Chatham, Kent
- / The Business Centre, Molly Millars Lane, Wokingham, Berks.
- / Colchester Business Park, The Crescent, Colchester, Essex
- / 180 West George Street, Glasgow
- / Madleaze Trading Estate, Bristol Road, Gloucester
- / B&Q, Queens Road, Sheffield
- / Nonsuch Industrial Estate, Kiln Lane, Epsom, Surrey
- / Parc Tawe North Retail Park, Link Road, Swansea
- / Vigo 250, Birtley Road, Washington, Tyne and Wear
- / Gloucester Retail Park, Eastern Avenue, Gloucester
- / Metro, Salford Quays, Manchester
- / Charlotte Terrace, 99-119 Hammersmith Road, London W14
- / Mill Place Trading Estate, Bristol Road, Gloucester
- / Easter Court, Europa Boulevard, Warrington
- / Units 1 & 2, Kettlestring Lane, York
- / Swiftbox, Haynes Way, Rugby, Warwickshire
- / 401 Grafton Gate East, Milton Keynes, Bucks.

#### Properties valued between £5 million and £10 million

- / Units 1 & 2, Western Industrial Estate, Downmill Road, Bracknell, Berks.
- / Angouleme Retail Park, George Street, Bury, Greater Manchester
- / Longcross, Newport Road, Cardiff
- / Queen's House, St Vincent Place, Glasgow
- / Regency Wharf, Broad Street, Birmingham
- / Thistle Express, The Mall, Luton, Beds.
- / 109-117 High Street, Cheltenham

#### Properties valued under £5 million

- / Crown & Mitre Complex, English Street, Carlisle, Cumbria
- / Abbey Business Park, Mill Road, Newtownabbey, Belfast
- / Scots Corner, High Street, Kings Heath, Birmingham
- / Trident House, Victoria Street, St Albans, Herts.
- / Sentinel House, Harvest Crescent, Fleet, Hants.
- / Atlas House, Third Avenue, Marlow, Bucks.
- / Waterside House, Kirkstall Road, Leeds
- / Magnet Trade Centre, 6 Kingstreet Lane, Reading
- / 53-57 Broadmead, Bristol
- / 78-80 Briggate, Leeds
- / 17-19 Fishergate, Preston, Lancs.
- / 7-9 Warren Street, Stockport
- / 72-78 Murraygate, Dundee
- / 6-12 Parliament Row, Hanley, Staffs.

## Five year financial summary

	2024	2023	2022	2021	2020
<b>Income statements</b>					
Net property income	<b>37.9</b>	36.3	35.4	33.5	33.6
Administrative expenses	<b>(7.2)</b>	(6.0)	(5.7)	(5.4)	(5.6)
	<b>30.7</b>	30.3	29.7	28.1	28.0
Net finance costs	<b>(8.9)</b>	(9.0)	(8.5)	(8.0)	(8.2)
<b>Income profit before tax</b>	<b>21.8</b>	21.3	21.2	20.1	19.8
Tax	<b>-</b>	-	-	-	0.1
<b>Income profit</b>	<b>21.8</b>	21.3	21.2	20.1	19.9
Property gains and losses	<b>(26.8)</b>	(110.4)	129.8	13.7	2.6
Revaluation of owner-occupied property	<b>0.2</b>	(0.8)	0.4	-	-
Debt prepayment fee	<b>-</b>	-	(4.0)	-	-
<b>Profit/loss after tax</b>	<b>(4.8)</b>	(89.9)	147.4	33.8	22.5
Dividends paid	<b>19.1</b>	19.1	18.4	15.0	19.0
	<b>2024</b>	<b>2023</b>	<b>2022</b>	<b>2021</b>	<b>2020</b>
<b>Balance Sheets</b>					
Investment properties	<b>724.0</b>	746.3	830.0	665.4	654.5
Borrowings	<b>(226.1)</b>	(222.8)	(216.8)	(166.2)	(167.5)
Other assets and liabilities	<b>26.6</b>	24.1	43.9	29.0	22.3
<b>Net assets</b>	<b>524.5</b>	547.6	657.1	528.2	509.3
Net asset value per share (pence)	<b>96</b>	100	120	97	93
EPRA net tangible asset per share (pence)	<b>96</b>	100	120	97	93
Earnings per share (pence)	<b>(0.9)</b>	(16.5)	27.0	6.2	4.1
Dividends per share (pence)	<b>3.5</b>	3.5	3.4	2.8	3.5
Dividend cover (%)	<b>114</b>	112	115	134	105
Share price (pence)	<b>65.2</b>	69.3	98.3	85.8	89.0

All figures are in £ million unless otherwise stated.



## Additional Information / Continued

### Glossary

<b>Asset IQ</b>	A CBRE product that monitors the use of building systems.
<b>Better Buildings Partnership (BBP)</b>	A collaboration of UK commercial property owners working to improve sustainability of building stock.
<b>BMS (Building Management System)</b>	A computer-based control system installed in buildings that control and monitor the building's mechanical and electrical equipment such as ventilation, lighting, power systems, fire systems and security systems.
<b>BREEAM (Building Research Establishment Environmental Assessment Method)</b>	An established sustainability rating assessment for projects, infrastructure and buildings. It assesses assets across their life cycle, from new construction to in-use and refurbishment. <a href="http://www.breeam.com">www.breeam.com</a>
<b>CO<sub>2</sub> (carbon dioxide)</b>	The most abundant greenhouse gas in our planet's atmosphere. It is often the benchmark gas measured for defining a company's emissions.
<b>Contracted rent</b>	The contracted gross rent receivable which becomes payable after all the occupier incentives in the letting have expired.
<b>Cost ratio</b>	Total operating expenses, excluding one-off costs, as a percentage of the average net asset value over the period.
<b>CRREM (Carbon Risk Real Estate Monitor)</b>	Provides the real estate industry with transparent, science-based decarbonisation pathways aligned with the Paris Climate Goals of limiting global temperature rise to 2°C, with ambition towards 1.5°C.
<b>Dividend cover</b>	EPRA earnings divided by dividends paid.
<b>DTR</b>	Disclosure Guidance and Transparency Rules, issued by the United Kingdom Listing Authority.
<b>Earnings per share (EPS)</b>	Profit for the period attributable to equity shareholders divided by the average number of shares in issue during the period.
<b>EPC (Energy Performance Certificate)</b>	A certificate which provides a rating based on set criteria to measure the energy efficiency of a lettable unit. The scale ranges from A-G.
<b>EPRA</b>	European Public Real Estate Association, the industry body representing listed companies in the real estate sector.
<b>ESG (Environmental, Social, Governance)</b>	A framework that socially conscious investors use to screen potential investments. Environmental criteria consider how a company performs as a steward of nature. Social criteria examine how it manages relationships with employees, suppliers, customers, and the communities where it operates. Governance deals with a company's leadership, executive pay, audits, internal controls, and shareholder rights.
<b>Estimated rental value (ERV)</b>	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.
<b>EUI (Energy Use Intensity)</b>	Amount of energy used per square foot annually.
<b>EV (electric vehicle)</b>	A vehicle powered using a battery, solar panels, fuel cells or electric generator.
<b>Fair value</b>	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.
<b>Fair value movement</b>	An accounting adjustment to change the book value of an asset or liability to its fair value.
<b>FRI lease</b>	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.
<b>GHG</b>	Greenhouse gas.
<b>GHG absolute</b>	Total GHG emissions.
<b>GHG intensity</b>	A normalised metric set against an economic output such as number of employees, revenue or area. Allows for an emission reduction target to be set which accounts for economic growth.
<b>GRESB (Global Real Estate Sustainability Benchmarking)</b>	An investor-driven organisation assessing the sustainability performance of the real estate sector, through detailed analysis of ESG metrics from the corporate to the individual asset level. <a href="http://www.gresb.com">www.gresb.com</a>

<b>Grid decarbonisation</b>	Refers to the changing methods of grid power generation which rely less on fossil fuels and more on renewable/sustainable energy sources resulting in fewer emissions per unit of electricity generated.
<b>Group</b>	Picton Property Income Limited and its subsidiaries.
<b>IASB</b>	International Accounting Standards Board.
<b>IFRS</b>	International Financial Reporting Standards.
<b>Initial yield</b>	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.
<b>ISO (International Organization for Standardization)</b>	An independent, non-governmental international organisation with a membership of 164 national standards bodies, that develops voluntary, consensus-based, market relevant international standards that support innovation and provide solutions to global challenges.
<b>kg/CO<sub>2</sub>/m<sup>2</sup></b>	A measure of emissions intensity.
<b>kWh (kilowatt hour)</b>	A standard unit for measuring electricity consumption.
<b>kWh/m<sup>2</sup>/year</b>	A unit of measure of a property based on the annual electricity consumption by a single square metre. The aggregation of energy in this way allows for a direct comparison between properties.
<b>Lease incentives</b>	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.
<b>LED (light emitting diode)</b>	An energy efficient type of light bulb.
<b>MEES (Minimum Energy Efficiency Standards)</b>	A piece of legislation set by the UK Government. From April 2018 a landlord is unable to renew or grant a new tenancy (over six months) if the property has an Energy Performance Certificate (EPC) rating of F or G.
<b>MSCI</b>	An organisation supplying independent market indices and portfolio benchmarks to the property industry.
<b>MWp (megawatt peak)</b>	A unit of measurement for the output of power from a source such as solar or wind where the output may vary.
<b>NABERS</b>	A commercial energy rating system that measures and assesses the performance of a building.
<b>NAV</b>	Net asset value is the equity attributable to shareholders calculated under IFRS.
<b>Net zero carbon</b>	The point at which the amount of carbon being released into the atmosphere is equal to the amount removed from the atmosphere.
<b>Offsetting</b>	The process of removing carbon from the atmosphere to balance emissions into the atmosphere.
<b>Over-rented</b>	Space where the passing rent is above the ERV.
<b>Passing rent</b>	The annual rental income currently receivable as at the Balance Sheet date. Excludes rental income where a rent-free period is in operation.
<b>PIR (passive infrared sensor)</b>	A device used to allow automatic lighting control.
<b>PRI (Principles for Responsible Investment)</b>	A global proponent of responsible investment that supports an international network of investors to incorporate ESG factors into their investment and ownership decisions.
<b>Property income return</b>	The ungeared income return of the portfolio as calculated by MSCI.
<b>PV (photovoltaic)</b>	Photovoltaic (PV) materials and devices that convert sunlight into electrical energy.
<b>RAAC</b>	Reinforced Autoclaved Aerated Concrete (RAAC) is a form of lightweight concrete used in construction in many buildings between the 1950s and 1990s.
<b>RCP (Representative Concentration Pathway)</b>	Four pathways developed for the climate modelling community to assess a number of different climate scenarios.
<b>REGO (Renewable Energy Guarantees of Origin)</b>	A scheme which demonstrates that electricity has been generated from renewable sources.

## Additional Information / Continued

## Glossary / Continued

<b>Reversionary yield</b>	The estimated rental value as a percentage of the gross property value.
<b>Scope 1 emissions</b>	Direct emissions from owned or controlled sources, for example from gas and oil.
<b>Scope 2 emissions</b>	Scope 2 emissions are indirect emissions from the generation of purchased energy, for example from electricity.
<b>Scope 3 emissions</b>	All indirect emissions (not included in Scope 2) that occur in the value chain of the reporting company, including both upstream and downstream emissions (e.g. occupier emissions).
<b>TCFD (Task Force on Climate-related Financial Disclosures)</b>	A framework to help public companies disclose climate-related risks.
<b>tCO<sub>2</sub>e</b>	Tonnes of carbon dioxide equivalent, which is a measure that allows you to compare the emissions of other greenhouse gases relative to one unit of CO <sub>2</sub> . It is calculated by multiplying the greenhouse gas's emissions by its 100-year global warming potential.
<b>Total property return</b>	Combined income and capital return from the property portfolio.
<b>Total return</b>	The change in the Group's net asset value, in accordance with IFRS, plus dividends paid.
<b>Total shareholder return</b>	Measures the change in share price over the year plus dividends paid.
<b>UKGBC (UK Green Building Council)</b>	A charity launched by the construction industry to promote sustainability across the built environment value chain.
<b>Weighted average debt maturity</b>	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.
<b>Weighted average interest rate</b>	The Group loan interest per annum at the period end, divided by total Group debt in issue at the period end.
<b>Weighted average lease term</b>	The average lease term remaining to first break, or expiry, across the portfolio weighted by contracted rental income.

## Financial calendar

Annual results announced	23 May 2024
Annual results posted to shareholders	June 2024
June 2024 NAV announcement	July 2024
Annual General Meeting	30 July 2024
2024 half-year results to be announced	November 2024
December 2024 NAV announcement	January 2025
Dividend payment dates	August/November/February/May



## Additional Information / Continued

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Richard Jones  
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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 payments or the loss of a certificate, should be addressed to the Company's registrars.

#### Website

The Company has a corporate website which contains more detailed information about the Group.  
**[www.picton.co.uk](http://www.picton.co.uk)**

Printed by a CarbonNeutral® Company certified to ISO 14001 environmental management system.

This product is made using recycled materials limiting the impact on our precious forest resources, helping reduce the need to harvest more trees.

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