12 November 2020

PICTON PROPERTY INCOME LIMITED

("Picton", the "Company" or the "Group")

LEI: 213800RYE59K9CKR4497

Half Year Results

Picton announces its half year results for the period to 30 September 2020.

Financial Highlights

- EPRA earnings of £10.1 million
- Profit of £3.7 million
- Net assets of £506 million, or 93p per share
- Total return of 0.7%
- Dividend cover of 148%
- Loan to value ratio of 22%
- £50 million available through new undrawn revolving credit facility

Operational Highlights

- Total property return of 1.5%, outperforming the MSCI UK Quarterly Property Index of -1.6%
- Occupancy increased to 90%
- Nine lettings completed, securing £1.2 million per annum, 2.8% ahead of March 2020 ERV
- 16 lease renewals / regears completed, retaining £2.3 million per annum, 14.3% above March 2020 ERV
- Five rent reviews completed, securing an uplift of £0.3 million per annum, 16.3% above March 2020 ERV
- Additional income of £1.3 million received from asset management initiatives
- Retail and Leisure exposure reduced to 12% from 18% of the total property portfolio

Rent Collection

- Received 90% of the March quarter's rent, expected to rise to 96% under agreed deferred payment plans
- Received 90% of the June quarter's rent, expected to rise to 93% under agreed deferred payment plans
- To date 93% of the September quarter's rent has been collected or is expected to be received under monthly payment plans

Subsequent Events

- Dividend increased by 12% to 2.8p per share effective November 2020
- Completed a further £0.4 million per annum of lettings, 2.4% above September 2020 ERV, including the first letting at Stanford Building, WC2
- Good leasing pipeline with approximately £0.7 million per annum of transactions agreed, subject to contract, across industrial, office and retail sectors

Balance Sheet	**30 Sept 2020**	**31 March 2020**
Property valuation	£661.6m	£664.6m
Net assets	£505.9m	£509.3m
EPRA NAV per share	93p	93p

Income Statement	**Six months to 30 Sept 2020**	**Six months to 30 Sept 2019**
Profit after tax	£3.7m	£14.5m
EPRA earnings	£10.1m	£10.2m
Earnings per share	0.7p	2.7p
EPRA earnings per share	1.8p	1.9p
Total return	0.7%	2.8%
Total shareholder return	-28.3%	0.3%
Total dividend per share	1.25p	1.75p
Dividend cover	148%	107%

Picton Chairman, Nicholas Thompson, commented:

“Picton has delivered a profit in what has undoubtedly been a challenging period. Cognisant of this performance and the overall strength of the balance sheet, we felt it was appropriate to take the first step in restoring the dividend to pre-Covid levels by announcing a 12% increase, effective November 2020.”

Michael Morris, Chief Executive of Picton, commented:

“We have delivered robust progress at a portfolio level and rent collection in excess of 90%. As well as improving occupancy, generating additional income to offset Covid-19 impacts and completing some key asset management projects, we have also increased our weightings to the better performing industrial and office sectors.”

This announcement contains inside information.

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Note to Editors

Picton, established in 2005, is a UK REIT. It owns and actively manages a £662 million diversified UK commercial property portfolio, invested across 47 assets and with around 350 occupiers (as at 30 September 2020). Through an occupier focused, opportunity led approach to asset management, Picton aims to be one of the consistently best performing diversified UK focused property companies listed on the main market of the London Stock Exchange.

For more information please visit: www.picton.co.uk

CHAIRMAN’S STATEMENT

Introduction

The past six months has been dominated by the Covid-19 pandemic and mitigating its impact. Throughout this unprecedented and challenging period, we have adapted where required and focused on operating as close to normal as possible, whilst supporting our occupiers as appropriate.

Ultimately the business has been resilient with low gearing and a portfolio positioned to those sectors that have been less impacted by measures introduced to limit the virus. Against this backdrop, I am pleased to report a profit for the period of £3.7 million.

Performance

We have delivered a positive total return of 0.7% over the six months and our net assets have dipped only slightly to £506 million, still reflecting a net asset value of 93 pence per share.

We are mindful that the shareholder total return has dislocated from the accounting return, but this is unfortunately a feature that is currently prevalent across most of the listed real estate sector. This discount may partially reflect concerns over rent collection levels across the market, which have not been helped by emergency Government legislation prohibiting owners from escalating recovery options where there is non-payment. However, we have continued to engage constructively with our occupiers and consequently have collected 90% of the rent due for the March and June quarters. Rent collection levels for September are currently 93%, including monthly payment plans, and this is expected to improve as the quarter progresses. These results also include provisions made against rent outstanding as set out in the Financial Overview.

Our EPRA earnings for the period are similar to last year. Despite lower than usual rent collection we have been able to offset this with additional one-off income from active management initiatives, whilst reducing both property and administrative costs relative to this period last year.

Property Portfolio

We have once again outperformed the MSCI UK Property Quarterly Index for the period, which continues our long-term track record of outperformance. In particular, our industrial portfolio has demonstrated its defensive qualities with a valuation increase over this period.

In line with market practice, our independent valuer has also removed the material uncertainty clause that was included in the March and June 2020 valuations.

We have continued to invest into the portfolio by upgrading assets and I am pleased to report completion of the office and retail scheme at Stanford Building in London WC2, where we have already welcomed our first occupier post period end.

A combination of the forthcoming disposal of a retail asset announced on 21 September, pleasingly 30% ahead of the March and June 2020 valuations, and a reclassification of the Stanford Building, post refurbishment, means that we have increased the weighting of the portfolio towards industrial and office assets, with almost 90% of the portfolio now allocated to these more resilient sectors.

We have been able to increase occupancy, which now stands at 90%, as a result of a number of key lettings, principally in the industrial sector. It is clearly harder and is likely to take longer to capture the reversionary potential in the retail and office sectors as leasing demand is generally weaker and reflects the uncertainties the economy is facing. Despite this, many of our assets continue to attract occupational interest and we have only had £0.1 million per annum of income lost from occupiers vacating. A more detailed portfolio review is set out below.

Capital Structure

We have maintained a relatively low loan-to-value ratio throughout the period, which has remained constant at 22%. Our lower distribution policy has provided short-term support to ensure that our balance sheet is not undermined. As previously announced, we completed the refinancing of our revolving credit facilities during the period, which now means we have a single facility that remains fully undrawn and provides £50 million for appropriate investment opportunities should they arise.

Dividends

In April we reacted swiftly to mitigate the impact of the pandemic and concluded that it was in the interest of our stakeholders to reduce the dividend to provide more operational flexibility with the expectation of a worsening economic backdrop. Over the period, we have been able to secure additional income, which, combined with a lower level of distributions, has supported dividend cover of 148%. Excluding the additional income, this reduces to 129% over the six-month period.

As announced at the end of last month, we have taken the first steps in rebuilding the dividend to its prior level, recognising the current position but also the prevailing economic environment. This higher dividend, reflecting a 12% increase or 2.8 pence on an annualised basis, will be effective for the dividend payable this month.

Governance

I would like to thank Roger Lewis, who retired on 30 September, for the significant contribution he has made to the Company over the last decade and would also like to welcome Richard Jones who joined the Board on 1 September as an independent Non-Executive Director and also as Chair of our Property Valuation Committee.

On 13 October, we announced the appointment of Lena Wilson CBE as my successor and she will be joining the Company next year and taking over from me as Chair in February. Lena will bring a wealth of experience from both her executive and non-executive career and I look forward to working with her prior to my departure next February. I wish her and my colleagues future success in taking the Company forward.

In light of Covid-19 restrictions, our AGM will be held as a closed meeting later this month, but I would encourage shareholders to vote by proxy and ask questions of the Board as detailed in the proxy form.

Sustainability

This remains a key area of focus as we develop our sustainability commitments within our corporate strategy and establish the key metrics and targets to measure our sustainability performance and success.

As part of this commitment, we have also joined the Better Buildings Partnership, which is a collaboration of leading businesses from across the real estate sector. As a member, we will be able to participate in the debate around the environmental impact of real estate and the direction the industry is taking in respect of sustainability.

In August, we published our 2020 Sustainability Report and I am pleased to note that it has again been recognised with a Gold award from EPRA.

Outlook

Although encouraged by the recent news of a vaccine breakthrough, we are mindful that a second national lockdown, together with the end of the Brexit transition period, are contributing to further economic uncertainties. Despite this, we have a strong business model and a clear strategy focused on Operational Excellence, Portfolio Performance and Acting Responsibly. I am confident that this approach will help to guide us through these more difficult times.

Nicholas Thompson
Chairman
11 November 2020

MARKET OVERVIEW

Economic Backdrop

During the last six months, global economies including the UK have been damaged by the disruption caused by the impacts of the Covid-19 pandemic.

The latest IMF forecasts indicate that the UK economy will contract by nearly 10% in 2020 and rank fifth out of the G7 economies in terms of adverse impact. The quarterly contraction in UK GDP of -19.8% recorded by the Office for National Statistics for the three months to June 2020 was the largest fall on record.

To mitigate the impact of Covid-19, there has been a large response both in terms of UK Government policy and measures introduced by the Bank of England, including the furlough scheme, record low interest rates (0.1% since March 2020) and quantitative easing.

The range of support provided by the UK Government has been relatively generous and comprehensive. The furlough scheme has cushioned the blow to households by supporting incomes and encouraging businesses to retain employees. However due to this support, the UK Government's debt to GDP ratio reached a 57-year high and is likely to increase further off the back of additional quantitative easing announced in November. The 'Eat Out to Help Out' scheme has been widely cited as being responsible for the sharp fall in the Consumer Price Index (CPI) in August. CPI fell to 0.2% in August 2020, down from 1.0% in July and now stands at 0.5%.

As businesses adapted to social distancing measures, the economy showed signs of recovery following the first national lockdown. In September 2020, the ONS recorded the fifth consecutive month of growth for retail sales volumes, which are now 5.5% above February's pre-pandemic level. The proportion of online spending peaked during lockdown and now stands at 27.5%, up from 20.1% in February.

Positively, the Household Savings Ratio increased to 29.1% in the second quarter of 2020, the highest level on record and the Stamp Duty holiday introduced in July has reinvigorated the UK housing market.

While less restrictive, the recently introduced second lockdown now in force in England will still cause major disruption to all those businesses directly or indirectly impacted, particularly in retail, hospitality and travel. It is anticipated that over the short-term, the economic recovery will be intermittent and disproportionately focused upon digital commerce.

Although the second lockdown is scheduled to last just one month, a tiered approach is likely to remain in effect until a Covid-19 vaccine is in circulation. The above, coupled with uncertainty arising from the UK's post Brexit transition period which ends in December, and speculation as to the pace of future trade deals, adds further to a short-term challenging outlook.

With UK Government bond yields currently at very low or even negative levels, the expectation is for lower investment returns generally. As recently announced, further quantitative easing and a continued low interest rate environment are considered supportive for the property market, despite weaker occupational demand. Against this backdrop, UK commercial property investment looks favourable with the MSCI UK Quarterly Property Index All Property Net Initial Yield standing at 4.7% in September 2020.

UK Property Market

The MSCI Monthly UK Property Index shows a total return for All Property for the six months to September 2020 of -1.6%, with an income return of 2.7% and capital growth of -4.2%. Rental growth was -1.7% for the six months to September 2020, compared to -0.5% for the six months to March 2020. Initial yields have moved from 5.2% in March 2020 to 5.1% in September 2020.

Of the three main property sectors, industrial was the only sector to produce a positive total return for the period. The market performance for the six months to September 2020 for the three main sectors was as follows:

In the industrial sector, the six-month total return was 1.7%, comprising 2.4% income return and -0.7% capital growth. In terms of capital growth by segment, this ranged from -2.7% in the South West to 0.9% in London. London industrial was the only industrial segment to show positive capital growth. All Industrial rental growth was 0.6%. Rental growth was positive across all segments, ranging from 0.1% in Eastern to 1.1% in Inner South East.

In the office sector, the six-month total return was -0.8%, comprising 2.4% income return and -3.2% capital growth. Capital growth was negative across all office segments. The range was from -5.7% in Scotland to -1.8% in Outer South East. All Office rental growth was -0.7%. Rental growth by segment ranged from -1.7% for Rest of London to 1.0% in South West. Three office market segments had positive rental value growth; South West, Eastern and Midlands & Wales.

The All Retail total return was -5.8%, comprising 3.6% income return and -9.1% capital growth. Capital growth was negative across all segments, ranging from -17.1% for Standard Retail Yorkshire & Humberside to -4.5% for Retail Warehouse London. All Retail rental growth was -5.0%. Rental growth was negative for all segments, ranging from -8.8% for Standard Retail Eastern to -2.0% for Standard Retail North East.

Occupancy at an All Property level fell by 1% over the six months, with the MSCI Monthly UK Property Index recording an occupancy rate of 90.8% for September 2020 (March 2020: 91.8%).

According to Property Data, total investment for the six months to September 2020 was £11.8 billion, a decrease of -64% compared to £33.0 billion in the six months to March 2020. Of the total investment in the period, 40% was from overseas.

BUSINESS REVIEW

Valuation

The independent portfolio valuation on 30 September, as provided by CBRE Limited, was £661.6 million, reflecting a net initial yield of 5.0% and a reversionary yield of 6.5%. There was a modest decrease in the value of the portfolio of -0.5% over the six months, principally reflecting the impact of Covid-19.

Sector	Portfolio weightings	Sept 20 valuation	Like-for-like change
Industrial	**49.5%**	**£327.6m**	**2.9%**
South East	37.0%		3.9%
Rest of UK	12.5%		0.3%
Office	**38.2%**	**£252.4m**	**-2.6%**
London City and West End	9.2%		-3.4%
Inner and Outer London	5.5%		-5.0%
South East	11.3%		-2.9%
Rest of UK	12.2%		-0.7%
Retail and Leisure	**12.3%**	**£81.6m**	**-6.4%**
Retail warehouse	6.9%		-5.3%
High Street – Rest of UK	3.8%		-7.4%
Leisure	1.6%		-8.3%
Total	**100%**	**£661.6m**	**-0.5%**

Performance

For the six months to September, the portfolio returned 1.5%, outperforming the MSCI UK Quarterly Property Index, which delivered -1.6%. The income return was 2.3%, 0.2% ahead of the Index.

Again, there has been a divergence of valuation movements between the sectors, with the impact of the Covid-19 pandemic and lockdown restrictions affecting sectors differently. All sectors outperformed the benchmark, with the industrial portfolio increasing by 2.9%, the office portfolio decreasing by -2.6% and the retail and leisure portfolio declining by -6.4%.

The overweight position to the industrial sector, accounting for 50% of the portfolio, and the low retail and leisure weighting, now accounting for 12%, combined with leasing and asset management activity, contributed to this outperformance.

We only have 7% of our portfolio invested in retail warehouses, under 4% in high street retail and under 2% in the leisure sector, all of which have been more affected by the pandemic.

We completed nine lettings securing income of £1.2 million per annum, 2.8% ahead of ERV. This included the upsizing of three existing occupiers reflecting our Picton Promise; five key commitments that underpin every aspect of the occupier experience we provide. There were also 16 lease renewals or regears retaining income of £2.3 million per annum, an increase on the previous passing rent of 12.1%, and 14.3% above ERV. Break options were removed or pushed back in three leases, securing £0.5 million per annum for a further period. Five rent reviews were concluded, securing a £0.3 million per annum uplift in income, 16.3% above ERV.

Contractual passing rent increased by 1.7% to £36.8 million per annum. The increase reflects the letting activity, combined with higher rents being secured overall on lease events and various other asset management transactions.

Encouragingly, the portfolio's ERV increased by 0.2% to £45.3 million per annum, due to rental growth of 2.6% in the industrial portfolio, offset by a nominal decline of -0.6% in the office portfolio and a -3.7% decline in the retail portfolio.

Of the transactions undertaken, lettings were on average 2.8% ahead of March 2020 ERVs, rent reviews and lease renewals were 14.8% ahead of March 2020 ERVs and the one disposal agreed was 30% ahead of the March 2020 independent valuation.

Managing the impact of Covid-19

Our occupier focused approach means we have built good relationships with our occupiers and, with an understanding of their businesses, have been able to work closely with those requiring support. Each situation is different and we have agreed bespoke solutions depending on individual circumstances, including switching to monthly payments, deferred payments in part or in full and extending lease terms and income in return for upfront incentives to assist short-term cash flow.

Examples include an office occupier at 50 Farringdon Road, London where we removed a 2022 break option, securing £0.2 million per annum, subject to review, until 2027 in return for an additional four-months' rent free. At Briggate, Leeds, where a retail occupier had an expiry in October 2021, we re-based the rent from March 2020 and provided three months' rent free. In return we secured a five-year renewal lease at £0.1 million per annum, ahead of ERV.

Whilst these types of transaction have reduced income in the short-term, they have secured longer term leases which are positively reflected in the relative valuation movements.

At the same time, we have actively looked to reduce costs at our buildings. This has included a number of initiatives, such as reducing service charges by between 10% and 40% at ten properties, deferring works if not essential, moving to remote security and reducing landscaping visits.

Business activity in the industrial portfolio has remained high during the period, with sites generally operating at or around their normal levels.

Whilst all our offices have robust Covid-19 occupancy plans and detailed risk assessments, actual occupation over the period has remained relatively low. Following the Government's encouragement to return to the office and schools reopening, we saw a gradual increase in staff returning over the summer, particularly in regional locations with many businesses having up to 50% of their workforce back. We expect the number of people in the office will continue to ebb and flow as Covid-19 restrictions change.

Our retail warehousing has remained busy due to parking availability, large units allowing social distancing and shoppers being able to click and collect. This sub-sector has outperformed high street retail, where footfall has been lower over the period, whilst the leisure and hotel sectors have been most affected.

Our rent collection for the March and June quarters now stands at 90% and will increase further on receipt of deferred payments. Including monthly payment plans, the September quarter is higher, currently at 93%. Further detail is provided in the Financial Overview.

Occupancy

Capital investment was £2.5 million for the period, with nearly 60% of the void portfolio under refurbishment, predominantly in the office sector.

As at 30 September 2020 we had a total void ERV of £4.4 million and have increased occupancy from 89% to 90% through a number of initiatives, including securing several key lettings, principally in the industrial sector, and incurring minimal occupier departures, having regeared many 2020 lease expiries last year.

Around half the increase in occupancy relates to the short-term letting of our distribution unit in Rugby to UPS. The industrial portfolio currently only has two small vacant multi-let units, one of which is under offer.

Industrial Portfolio

The industrial portfolio has performed well over the half-year. Resilient occupational demand, a shortage of supply and limited development, especially in the South East and multi-let sector, has resulted in further rental growth, which we are capturing through asset management activity.

Capital values increased by 2.9%, or £9.3 million. The passing rent increased by 4.5%, or £0.7 million per annum, and the ERV grew by 2.6%, or £0.5 million.

The UK-wide distribution warehouse assets total 1.2 million sq ft in five units, which are fully income-producing with a weighted average unexpired lease term of 6.2 years.

The multi-let estates, of which 96% by value are in the South East, total 1.4 million sq ft and are 99.6% let. Only two units are vacant out of 126, both of which came back at the end of the period and one is already under offer.

Five units, including our distribution unit in Rugby, were let during the period, securing £1.0 million per annum, 3.5% ahead of ERV. We are actively pursuing surrenders where we can secure a premium and re-let at higher rents.

We have secured £0.2 million of additional income from three rent reviews settled over the period, 19.6% ahead of ERV. Three occupiers have been retained at renewal, increasing the passing rent by 35.4% to £0.3 million per annum, 11.3% above ERV.
The industrial portfolio currently has £2.3 million of reversionary income potential, with £0.1 million relating to the void units.

Office Portfolio

There was a divergence of performance across our offices, with the regional offices declining in value by -1.7%, and the smaller component of central London offices declining in value by -4.0%, reflecting the tougher leasing conditions and the greater impact of Covid-19 disruption. Occupational demand has been muted, with the ongoing uncertainty surrounding working from home resulting in occupiers deferring decisions and wanting to retain flexibility in the short-term.

We are, however, beginning to see occupational interest where occupiers are looking for best-in-class Grade A space, for example at Stanford Building, London WC2, where we pre-let an office floor after the period end. Our offices, all of which are low-rise, have remained operational throughout the period with Covid-19 occupancy plans in place and we are liaising closely with our occupiers.

Capital values declined by -2.6% or £6.8 million. Notwithstanding this, the passing rent increased by 1.6%, or £0.2 million per annum, with only two small suites coming back over the period with an ERV of £40,000 per annum. The office portfolio ERV declined by -0.6% over the period, or £0.1 million, with the regional assets being stable and London declining by -1.6%.

Stanford Building, London WC2, has been reclassified as an office following the planning application to convert the first floor from retail to office space. Due to this building being vacant at the period end the office portfolio occupancy is 81%. Our second largest void is at 50 Pembroke Court, Chatham, where we have leased part of the vacant space post period end. Third is Angel Gate, London EC1, where we are introducing a flexi-leasing strategy to secure occupiers.

Eight occupiers have been retained at renewal, increasing the passing rent by 22.8% to £0.8 million per annum, 5.4% above ERV and we have secured a 37.4% uplift at one rent review to £0.2 million per annum.

The office portfolio currently has £5.9 million of reversionary income potential, with £3.7 million relating to the void units.

Retail and Leisure Portfolio

The retail and leisure property market has been hit by the Government lockdown and non-essential retailers being forced to close for a period. Combined with retailer failures across the market, this has continued to weaken sentiment towards the sector with high street retail and leisure suffering more than the retail warehouse parks.

Our portfolio has not been immune to the decline in investment and occupational demand and capital values reduced by -6.4% or -£5.6 million. This was principally driven by declining ERVs although no occupiers vacated over the period and the portfolio has a weighted average unexpired lease term of 8.9 years. The passing rent declined by -4.5% or -£0.3 million per annum and the ERV declined by -3.7% or -£0.3 million over the period with declines being seen across all sub-sectors.

Against this difficult backdrop, we have worked with our occupiers where assistance was needed and been successful in extending leases in return for re-basing rents or providing upfront incentives in Bury, Leeds and Stockport.

The void ERV is only £0.6 million, reflecting a higher level of occupancy of 91%, with two retail warehouse units in Bury accounting for over 40% of the total, one of which is under offer. The overall reversionary income is £0.3 million, reflecting the level of over-renting in the portfolio.

Investment Activity

As recently announced, we exchanged contracts on the disposal of a high street retail asset in Peterborough for £4.0 million, reflecting a 30% premium to the March 2020 valuation.

The property comprises two retail units, with one let to TK Maxx who intend to vacate in March 2021 and the other vacant and previously occupied by New Look. We had reviewed alternative use options and made a pre-application in respect of converting the upper floors to residential use. The purchaser, Peterborough City Council, intends to convert the building into a new city library and community hub. We will keep the rental income until completion, which is due on or before 22 December 2020.

The proceeds will be deployed into other identified asset enhancement projects across the portfolio.

In terms of acquisition opportunities, these have been more muted, reflecting the reduced liquidity in the property investment market for much of the period. We are starting to see more opportunities, particularly since the summer and will continue to take a disciplined approach to acquisitions, especially given the current environment. We believe that opportunities are likely to arise, especially where vendors may have redemptions, occupier defaults or to ensure loan covenant compliance.

Looking Ahead

Our focus is on continuing to work with our occupiers through this difficult period, whilst capturing the reversionary income potential embedded within the portfolio, principally through leasing vacant space and further value creation through active asset management.

In summary there is £8.5 million per annum of upside from the current passing rent. This includes £3.3 million per annum which follows expiries of rent-free periods. There is a further £4.4 million per annum potentially available from leasing currently vacant space. Finally, there is £0.8 million of potential income where ERVs are higher than the passing rent, providing scope for rental uplifts at either review or lease expiry.

Recognising the strength of the portfolio in terms of its location, sector, asset quality and diversified income, we remain confident in our ability to unlock upside over the medium-term.

Top Ten Assets

The largest assets in the portfolio as at 30 September 2020, ranked by capital value, represent 54% of the total portfolio valuation and are detailed below:

	Sector	Approximate area (sq ft)	Appraised value
Parkbury Industrial Estate, Radlett, Herts.	Industrial	336,700	>£40m
River Way Industrial Estate, Harlow, Essex	Industrial	454,800	>£40m
Angel Gate, City Road, London EC1	Office	64,500	£30m-£40m
Stanford Building, Long Acre, London WC2	Office	19,700	£30m-£40m
Tower Wharf, Cheese Lane, Bristol	Office	70,800	£20m-£30m
50 Farringdon Road, London EC1	Office	31,000	£20m-£30m
Shipton Way, Rushden, Northants.	Industrial	312,900	£20m-£30m
Datapoint, Cody Road, London E16	Industrial	55,500	£20m-£30m
Lyon Business Park, Barking, Essex	Industrial	99,400	£20m-£30m
Colchester Business Park, Colchester, Essex	Office	150,700	£20m-£30m

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

Top Ten Occupiers

The top ten occupiers, based as a percentage of annualised contracted rental income, after lease incentives, as at 30 September 2020, are summarised below:

	Occupier	%
1	Public Sector	4.6
2	Belkin Limited	4.1
3	B&Q PLC	3.0
4	The Random House Group Limited	2.9
5	Snorkel Europe Limited	2.7
6	XMA Limited	2.4
7	Portal Chatham LLP	1.9
8	DHL Supply Chain Limited	1.9
9	TK Maxx	1.7
10	Canterbury Christ Church University	1.7
		26.9

Financial Overview

Income Statement

For the six months to 30 September our total profit was £3.7 million, representing earnings per share of 0.7 pence. Given the exceptional circumstances over the last six months, we believe this is a positive result. There was a small decline in the portfolio valuation for the period, principally across the retail assets, continuing the theme of last year.

Our EPRA earnings, being recurring income less costs of running the business, were £10.1 million for the period, or 1.8 pence per share. This is very similar to last year's results, but achieved in much more challenging circumstances. Our property revenue is lower this period compared to a year ago, reflecting the difficult leasing market as well as the impact of increased provisions being made against income receivable. During the period, we have included £1.3 million of additional income arising from active asset management, principally dilapidations settlements. We also successfully reduced our property costs and administrative expenses, thus offsetting the lower rental income.

Throughout the period, we have focused on rent collection, which given the circumstances has been positive, helped by our lower exposure to the more problematic retail and hospitality sectors. The following table shows our collection rates for the last three quarters. Including agreed monthly payment plans, the September quarter figures are higher than the March and June quarters and we expect this to increase further as the quarter progresses.

	Sept 2020	June 2020	March 2020
Collected	86%	90%	90%
Moved to monthly	7%	-	-
Deferred	-	3%	6%
Concessions agreed	1%	1%	1%
Outstanding	6%	6%	3%

We have made prudent provisions of £2.2 million against these recent three quarters, and will keep this under review and remain in active dialogue with our occupiers.

Administrative expenses for the period were £2.3 million, some 19% lower than the previous period. This reduction is largely due to lower staff costs, where the variable elements of remuneration are aligned with the Company's performance and share price. We have not required any form of Government support nor needed to furlough any employees.

Finance costs are broadly unchanged at £4.1 million for the half year. Our average interest rate across all our borrowings is 4.2% which is unchanged since year end.

In the early stages of the pandemic we took the difficult decision to reduce the dividend by 30%, in order to provide us with extra headroom and flexibility during such a period of uncertainty. We have paid two interim dividends at this lower rate of 0.625 pence per share, or £6.8 million in total.

Dividend cover for the six months was 148%, or 129% excluding additional income. Recognising our rent collection performance and high dividend cover we have decided to increase the dividend by 12% to 0.7 pence per quarter, effective from the November payment which is a first step in restoring the dividend to its previous level.

Balance Sheet

The net assets of the Group declined slightly over the period by -£3.4 million, to £505.9 million, a decrease of -0.7%.

The external valuation of the property portfolio stood at £661.6 million at 30 September. We have exchanged contracts on the disposal of one small retail asset for gross proceeds of £4.0 million, and additionally we have invested £2.5 million in capital projects undertaken across the portfolio.

Borrowings now stand at £166.8 million, representing a loan to value ratio of 22%. We have met all of our loan covenants throughout the period and have ample headroom against them. In the period we have refinanced our £50 million revolving credit facility, for a three-year term to June 2023, and with the option of two one-year extensions. This gives us operational flexibility to fund potential future projects and investment opportunities.

DIRECTORS' RESPONSIBILITIES

STATEMENT OF PRINCIPAL RISKS AND UNCERTAINTIES

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

These risks, and the way in which they are managed, are described in more detail under the heading 'Managing Risk' within the Strategic Report in the Company's Annual Report for the year ended 31 March 2020. The Company's principal risks and uncertainties have not changed materially since the date of that Report.

STATEMENT OF GOING CONCERN

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

STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE INTERIM REPORT

We confirm that to the best of our knowledge:

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

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

By Order of the Board

Andrew Dewhirst
Director
11 November 2020

INDEPENDENT REVIEW REPORT TO PICTON PROPERTY INCOME LIMITED

CONCLUSION

We have been engaged by Picton Property Income Limited (the "Company") to review the condensed set of financial statements in the half-yearly financial report for the six months ended 30 September 2020 of the Company and its subsidiaries (together the "Group") which comprises the condensed consolidated balance sheet and the condensed consolidated statements of comprehensive income, changes in equity and cash flows, and the related explanatory notes.

Based on our review, nothing has come to our attention that causes us to believe that the condensed set of financial statements in the half-yearly financial report for the six months ended 30 September 2020 is not prepared, in all material respects, in accordance with IAS 34 Interim Financial Reporting and the Disclosure Guidance and Transparency Rules ("the DTR") of the UK's Financial Conduct Authority ("the UK FCA").

SCOPE OF REVIEW

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

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

DIRECTORS' RESPONSIBILITIES

The half-yearly financial report is the responsibility of, and has been approved by, the directors. The directors are responsible for preparing the half-yearly financial report in accordance with the DTR of the UK FCA.

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

OUR RESPONSIBILITY

Our responsibility is to express to the Company a conclusion on the condensed set of financial statements in the half-yearly financial report based on our review.

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

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

Deborah Smith
For and on behalf of KPMG Channel Islands Limited
Chartered Accountants, Guernsey
11 November 2020

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE HALF YEAR ENDED 30 SEPTEMBER 2020

	Note	**6 months ended 30 Sept 2020 unaudited Total £000**	6 months ended 30 Sept 2019 unaudited Total £000	Year ended 31 March 2020 audited Total £000
Income				
Revenue from properties	3	21,653	23,399	45,664
Property expenses	4	(5,120)	(6,190)	(12,027)
Net property income		**16,533**	**17,209**	**33,637**
Expenses				
Administrative expenses		(2,342)	(2,879)	(5,563)
Total operating expenses		**(2,342)**	**(2,879)**	**(5,563)**
Operating profit before movement on investments		**14,191**	**14,330**	**28,074**
Investments				
Profit on disposal of investment properties	9	–	–	3,478
Investment property valuation movements	9	(6,392)	4,341	(882)
Total (loss)/ profit on investments		**(6,392)**	**4,341**	**2,596**
Operating profit		**7,799**	**18,671**	**30,670**
Financing				
Interest income		3	3	9
Interest expense		(4,122)	(4,235)	(8,295)
Total finance costs		**(4,119)**	**(4,232)**	**(8,286)**
Profit before tax		**3,680**	**14,439**	**22,384**
Tax		–	68	124
Profit after tax and total comprehensive income for the period/ year		**3,680**	**14,507**	**22,508**
Earnings per share				
Basic and diluted	7	0.7p	2.7p	4.1p

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

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE HALF YEAR ENDED 30 SEPTEMBER 2020

	Note	Share Capital £000	Other Reserves £000	Retained Earnings £000	Total £000
Balance as at 31 March 2019		**157,449**	**(286)**	**342,252**	**499,415**
Profit for the period		–	–	14,507	14,507
Dividends paid	6	–	–	(9,493)	(9,493)
Issue of ordinary shares		7,137	–	–	7,137
Issue costs of shares		(186)	–	–	(186)
Vesting of shares held in trust		–	54	(54)	–
Share based awards		–	146	–	146
Purchase of shares held in trust		–	(844)	–	(844)
Balance as at 30 September 2019		**164,400**	**(930)**	**347,212**	**510,682**
Profit for the period		–	–	8,001	8,001
Dividends paid	6	–	–	(9,546)	(9,546)
Share based awards		–	146	–	146
Balance as at 31 March 2020		**164,400**	**(784)**	**345,667**	**509,283**
Profit for the period		–	–	3,680	3,680
Dividends paid	6	–	–	(6,819)	(6,819)
Share based awards		–	388	–	388
Purchase of shares held in trust		–	(643)	–	(643)
Balance as at 30 September 2020		**164,400**	**(1,039)**	**342,528**	**505,889**

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

CONDENSED CONSOLIDATED BALANCE SHEET
AS AT 30 SEPTEMBER 2020

	Note	**30 September 2020 unaudited £000**	30 September 2019 unaudited £000	31 March 2020 audited £000
Non-current assets				
Investment properties	9	646,668	683,208	654,486
Tangible assets		17	23	20
Total non-current assets		**646,685**	**683,231**	**654,506**
Current assets				
Investment properties held for sale	9	3,975	–	–
Accounts receivable		20,501	17,765	17,601
Cash and cash equivalents		18,899	17,125	23,567
Total current assets		**43,375**	**34,890**	**41,168**
Total assets		**690,060**	**718,121**	**695,674**
Current liabilities				
Accounts payable and accruals		(18,250)	(21,062)	(19,438)
Loans and borrowings	10	(915)	(860)	(888)
Obligations under leases		(107)	(108)	(108)
Total current liabilities		**(19,272)**	**(22,030)**	**(20,434)**
Non-current liabilities				
Loans and borrowings	10	(163,191)	(183,699)	(164,248)
Obligations under leases		(1,708)	(1,710)	(1,709)
Total non-current liabilities		**(164,899)**	**(185,409)**	**(165,957)**
Total liabilities		**(184,171)**	**(207,439)**	**(186,391)**
Net assets		**505,889**	**510,682**	**509,283**
Equity				
Share capital	11	164,400	164,400	164,400
Retained earnings		342,528	347,212	345,667
Other reserves		(1,039)	(930)	(784)
Total equity		**505,889**	**510,682**	**509,283**
Net asset value per share	13	93p	94p	93p

These condensed consolidated financial statements were approved by the Board of Directors on 11 November 2020 and signed on its behalf by:

Andrew Dewhirst
Director

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

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE HALF YEAR ENDED 30 SEPTEMBER 2020

	Note	**6 months ended 30 September 2020 unaudited £000**	6 months ended 30 September 2019 unaudited £000	Year ended 31 March 2020 audited £000
Operating activities				
Operating profit		7,799	18,671	30,670
Adjustments for non-cash items	12	6,783	(4,191)	(2,295)
Interest received		3	3	9
Interest paid		(3,837)	(4,073)	(7,952)
Tax received		56	11	123
Increase in accounts receivables		(2,900)	(3,456)	(4,078)
Decrease in payables and accruals		(1,365)	(1,260)	(2,936)
Cash inflows from operating activities		**6,539**	**5,705**	**13,541**
Investing activities				
Capital expenditure on investment properties	9	(2,549)	(2,765)	(8,861)
Disposal of investment properties		–	–	33,859
Purchase of tangible assets		–	(2)	(4)
Cash (outflows)/ inflows from investing activities		**(2,549)**	**(2,767)**	**24,994**
Financing activities				
Borrowings repaid		(622)	(7,595)	(33,204)
Borrowings drawn		–	–	6,000
Financing costs		(574)	–	–
Issue of ordinary shares		–	7,137	7,137
Issue costs of ordinary shares		–	(186)	(186)
Purchase of shares held in trust		(643)	(844)	(844)
Dividends paid	6	(6,819)	(9,493)	(19,039)
Cash outflows from financing activities		**(8,658)**	**(10,981)**	**(40,136)**
Net decrease in cash and cash equivalents		**(4,668)**	**(8,043)**	**(1,601)**
Cash and cash equivalents at beginning of period/year		23,567	25,168	25,168
Cash and cash equivalents at end of period/year		**18,899**	**17,125**	**23,567**

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

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE HALF YEAR ENDED 30 SEPTEMBER 2020

1. GENERAL INFORMATION

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

The financial statements are prepared for the period from 1 April to 30 September 2020, with unaudited comparatives for the period from 1 April to 30 September 2019. Comparatives are also provided from the audited financial statements for the year ended 31 March 2020.

2. SIGNIFICANT ACCOUNTING POLICIES

These financial statements have been prepared in accordance with IAS 34 'Interim Financial Reporting'. They do not include all of the information required for full annual financial statements and should be read in conjunction with the financial statements of the Group as at and for the year ended 31 March 2020.

The accounting policies applied by the Group in these financial statements are the same as those applied by the Group in its financial statements as at and for the year ended 31 March 2020.

The annual financial statements of the Group are prepared in accordance with International Financial Reporting Standards ('IFRS') as issued by the IASB. The Group's annual financial statements for the year ended 31 March 2020 refer to new Standards and Interpretations none of which has a material impact on these financial statements. There have been no significant changes to management judgements and estimates as disclosed in the last annual report and financial statements for the year ended 31 March 2020.

3. REVENUE FROM PROPERTIES

	6 months ended 30 September 2020 £000	6 months ended 30 September 2019 £000	Year ended 31 March 2020 £000
Rents receivable (adjusted for lease incentives)	17,646	19,369	37,780
Surrender premiums	11	363	603
Dilapidation receipts	1,195	413	471
Other income	80	82	81
Service charge income	2,721	3,172	6,729
	21,653	23,399	45,664

Rents receivable includes lease incentives recognised of £0.7 million (30 September 2019: £0.8 million, 31 March 2020: £1.3 million).

4. PROPERTY EXPENSES

	6 months ended 30 September 2020 £000	6 months ended 30 September 2019 £000	Year ended 31 March 2020 £000
Property operating costs	914	1,342	2,293
Property void costs	1,485	1,676	3,005
Recoverable service charge costs	2,721	3,172	6,729
	5,120	6,190	12,027

5. OPERATING SEGMENTS

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

The Board has considered the requirements of IFRS 8 'Operating Segments'. The Board is of the opinion that the Group, through its subsidiary undertakings, operates in one reportable industry segment, namely real estate investment, and across one primary geographical area, namely the United Kingdom, and therefore no segmental reporting is required. The portfolio consists of 47 commercial properties, which are in the industrial, office, retail and leisure sectors.

6. DIVIDENDS

Declared and paid:	**6 months ended 30 September 2020 £000**	6 months ended 30 September 2019 £000	Year ended 31 March 2020 £000
Interim dividend for the period ended 31 March 2019: 0.875 pence	–	4,712	4,712
Interim dividend for the period ended 30 June 2019: 0.875 pence	–	4,781	4,781
Interim dividend for the period ended 30 September 2019: 0.875 pence	–	–	4,773
Interim dividend for the period ended 31 December 2019: 0.875 pence	–	–	4,773
Interim dividend for the period ended 31 March 2020: 0.625 pence	3,409	–	–
Interim dividend for the period ended 30 June 2020: 0.625 pence	3,410	–	–
	6,819	9,493	19,039

The interim dividend of 0.7 pence per ordinary share in respect of the period ended 30 September 2020 has not been recognised as a liability as it was declared after the period end. A dividend of £3,833,000 will be paid on 30 November 2020.

7. EARNINGS PER SHARE

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

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

	6 months ended 30 September 2020	6 months ended 30 September 2019	Year ended 31 March 2020
Net profit attributable to ordinary shareholders of the Company from continuing operations (£000)	3,680	14,507	22,508
Weighted average number of ordinary shares for basic profit per share	545,627,913	542,883,818	544,192,866
Weighted average number of ordinary shares for diluted profit per share	547,188,142	545,054,006	546,227,914

8. FAIR VALUE MEASUREMENTS

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

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

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

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

The Group recognises transfers between levels of the fair value hierarchy as of the end of the reporting period during which the transfer has occurred. There were no transfers between levels for the period ended 30 September 2020.

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

The Group's financial risk management objectives and policies are consistent with those disclosed in the consolidated financial statements for the year ended 31 March 2020.

9. INVESTMENT PROPERTIES

	6 months ended 30 September 2020 £000	6 months ended 30 September 2019 £000	Year ended 31 March 2020 £000
Fair value at start of period/year	654,486	676,102	676,102
Capital expenditure on investment properties	2,549	2,765	8,861
Disposals	–	–	(33,073)
Realised gains on disposal	–	–	3,478
Unrealised movement on investment properties	(6,392)	4,341	(882)
Transfer to assets classified as held for sale	(3,975)	–	–
Fair value at the end of the period/year	646,668	683,208	654,486
Historic cost at the end of the period/year	622,946	650,809	629,932

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

	30 September 2020 £000	30 September 2019 £000	31 March 2020 £000
Appraised value	661,570	693,355	664,615
Valuation of assets held under head leases	1,366	1,519	1,489
Lease incentives held as debtors	(12,293)	(11,666)	(11,618)
Assets classified as held for sale	(3,975)	–	–
Fair value at the end of the period/year	646,668	683,208	654,486

As at 30 September 2020 contracts had been exchanged to sell 62-68 Bridge Street, Peterborough so this asset has been classified as an asset held for sale. The sale is due to complete by December 2020.

As at 30 September 2020, all of the Group's properties are Level 3 in the fair value hierarchy as it involves the use of significant inputs and there were no transfers between levels during the period. Level 3 inputs used in valuing the properties are those which are unobservable, as opposed to Level 1 (inputs from quoted prices) and Level 2 (observable inputs either directly, i.e. as prices, or indirectly, i.e. derived from prices).

The investment properties were valued by CBRE Limited, Chartered Surveyors, as at 30 September 2020 on the basis of fair value in accordance with 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 pandemic and the measures taken to tackle Covid-19 continue to affect economies and real estate markets globally. Nevertheless, as at the valuation date some property markets have started to function again, with transaction volumes and properties on the market returning to levels where in general an adequate quantum of market evidence exists upon which to base opinions of value. Accordingly, and for the avoidance of doubt, the valuation is not reported as being subject to 'material valuation uncertainty' as defined by VPS 3 and VPGA 10 of the RICS Valuation - Global Standards.

There were no significant changes to the inputs into the valuation process (ERV, net initial yield, reversionary yield and true equivalent yield), or assumptions and techniques used during the period, further details on which were included in note 13 of the consolidated financial statements of the Group for the year ended 31 March 2020.

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

10. LOANS AND BORROWINGS

	Maturity	**30 September 2020 £000**	30 September 2019 £000	31 March 2020 £000
Current				
Aviva facility	–	1,285	1,231	1,258
Capitalised finance costs	–	(370)	(371)	(370)
		915	860	888
Non-current				
Santander revolving credit facility	–	–	4,500	–
Santander revolving credit facility	–	–	14,500	–
Canada Life facility	24 July 2027	80,000	80,000	80,000
Aviva facility	24 July 2032	85,558	86,843	86,207
Capitalised finance costs	–	(2,367)	(2,144)	(1,959)
		163,191	183,699	164,248
Total loans and borrowings		164,106	184,559	165,136

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

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

The fair value of the secured loan facilities at 30 September 2020, estimated as the present value of future cash flows discounted at the market rate of interest at that date, was £197.9 million (30 September 2019: £225.9 million, 31 March 2020: £197.0 million). The fair value of the secured loan facilities is classified as Level 2 under the hierarchy of fair value measurements.

In May 2020 the Group entered into a new £50 million revolving credit facility ("RCF") with National Westminster Bank Plc; this replaces the facilities held with Santander Corporate & Commercial Banking which have been cancelled. The new facility is for an initial term of three years with the option of two, one-year extensions. Currently undrawn, the RCF will incur interest at 150 basis points over LIBOR on drawn balances and an undrawn commitment fee of 60 basis points.

The weighted average interest rate on the Group's borrowings as at 30 September 2020 was 4.2% (30 September 2019: 4.1%, 31 March 2020: 4.2%).

11. SHARE CAPITAL AND OTHER RESERVES

The Company has 547,605,596 ordinary shares in issue of no par value (30 September 2019: 547,605,596, 31 March 2020: 547,605,596).

The balance on the Company's share premium account as at 30 September 2020 was £164,400,000 (30 September 2019: £164,400,000, 31 March 2020: £164,400,000).

	30 September 2020	30 September 2019	31 March 2020
Ordinary share capital	547,605,596	547,605,596	547,605,596
Number of shares held in Employee Benefit Trust	(2,052,269)	(2,103,683)	(2,103,683)
Number of ordinary shares	545,553,327	545,501,913	545,501,913

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

Subject to the solvency test contained in the Companies (Guernsey) Law, 2008 being satisfied, ordinary shareholders are entitled to all dividends declared by the Company and to all of the Company's assets after repayment of its borrowings and ordinary creditors. The Trustee of the Company's Employee Benefit Trust has waived its right to receive dividends on the 2,052,269 shares it holds but continues to hold the right to vote. Ordinary shareholders have the right to vote at meetings of the Company. All ordinary shares carry equal voting rights.

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

	6 months ended 30 September 2020 £000	6 months ended 30 September 2019 £000	Year ended 31 March 2020 £000
Profit on disposal of investment properties	–	–	(3,478)
Movement in investment property valuation	6,392	(4,341)	882
Share based provisions	388	146	292
Depreciation of tangible assets	3	4	9
	6,783	(4,191)	(2,295)

13. NET ASSET VALUE

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

At 30 September 2020, the Company had a net asset value per ordinary share of £0.93 (30 September 2019: £0.94, 31 March 2020: £0.93).

14. RELATED PARTY TRANSACTIONS

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

The Company has no controlling parties.

15. EVENTS AFTER THE BALANCE SHEET DATE

A dividend of £3,833,000 (0.7 pence per share) was approved by the Board on 22 October 2020 and is payable on 30 November 2020.

SHAREHOLDER INFORMATION

DIRECTORS
Nicholas Thompson (Chairman)
Mark Batten
Maria Bentley
Andrew Dewhirst
Richard Jones (appointed 1 September 2020)
Roger Lewis (resigned 30 September 2020)
Michael Morris
Nicholas Wiles (resigned 20 May 2020)

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TAX ADVISER
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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 registrar.

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

GLOSSARY

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

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