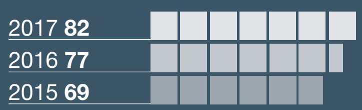
Chairman's statement

NICHOLAS THOMPSON

"Our aim is to be consistently one of the best performing diversified property investment companies listed on the main market of the London Stock Exchange."

NAV per Share (p)



Total Profit

£42.8m

Net Assets

£441.9m

Dividend Cover*

115%

* Excluding exceptional income

In the year to 31 March 2017, I am pleased to report that Picton continued to deliver positive results for its shareholders, with a profit for the year of £43 million.

This year has not been without its challenges, with the EU referendum in June 2016 and other political events impacting sentiment and affecting property valuations. Liquidity issues within open ended property funds also led to further uncertainty. The property market has stabilised following the post-referendum hiatus, but with a general election due this week, nothing is ever certain.

During the year, we achieved our aim to lower gearing and reduce exposure to core London property markets. This has helped to improve returns, both for the overall business and within the property portfolio, which has again outperformed the market, as set out below. I am pleased to note that the Company's share price has re-rated over the past few months and now stands at a premium to the net asset value.

While the property portfolio continues to benefit from high occupancy and stable cash flows, there is still scope to grow income by resetting rents to market levels, improving occupancy and through the contractual rental uplifts contained within existing leases.

The Company's portfolio allocation, debt structure and asset management capabilities enable us to remain confident about our prospects.

Strategy

The Company's investment objective is to provide investors with an attractive level of income and the potential for capital growth. Both have been achieved in the last 12 months as shown by the performance figures detailed below.

As ever, return and risk are interlinked. During the period we sought to manage risk and have consequently reduced borrowings by some £45 million over the year.

Picton's strategy to focus on income, on our occupiers and be opportunistic in our approach has continued. While we still have a desire to grow, the focus is on performance rather than scale.

Performance

The Company delivered a total return of 10.4% for the year, which although lower than 2016, reflects weaker capital growth within the market.

Our income profit for the year rose by 30% to £25.8 million, although this includes the exceptional income arising from the settlement of the dispute regarding our hotel asset in Luton. EPRA earnings per share, which excludes such non-recurring items, rose by 3%.

Dividend cover for the year, including the impact of the exceptional income noted above and the increased dividend from February 2017, was 144%. Excluding the exceptional income, the dividend cover remained at a healthy level of 115%.

At a portfolio level, I am particularly pleased to report that we have had another successful year and continue to outperform the MSCI IPD Quarterly Benchmark.

More important is the long-term track record being created by the team, which continues to be above the benchmark over the one, three, five and ten year time periods as measured by MSCI IPD. Our focus on income has also helped to ensure that the portfolio's income return is consistently in the upper quartile of the MSCI IPD Quarterly Benchmark. Further details are outlined within the Investment Manager's Report.

Capital structure

Picton is well positioned for any future challenges, or indeed opportunities, with modest gearing and immediate access to funds through two undrawn revolving credit facilities. Our current net gearing is 27%, down from 35% last year. During the year, we reduced the level of debt to £205 million and the average interest rate from 4.4% to 4.2%.

A significant milestone for the Company was the repayment of its 7.25% zero dividend preference shares, which were a legacy of our 2012 refinancing. We wanted to simplify our corporate structure and this repayment helps achieve that aim.

Additionally, we have put in place a second revolving credit facility, which provides further operational flexibility, and are working towards extending our other revolving credit facility which matures next year.

By repaying shorter term debt, our debt maturity profile has increased from 10.7 to 11.7 years, which remains one of the longest debt profiles within the listed real estate sector. This means on our drawn borrowings there is no short-term refinancing risk and no exposure to interest rate risk.

Our strategy is to only increase gearing on a tactical basis, if and when specific asset opportunities arise. We believe our investors would on balance prefer a larger, more liquid, and lowly geared company, so we will only seek to grow where there is a clear financial rationale and we can further take advantage of the economies of scale that our internalised structure provides.

Property portfolio

The property portfolio has performed well and our relatively high exposure to the industrial, warehouse and logistics sectors has contributed positively. We have not made any acquisitions during the last 12 months, but we have undertaken some portfolio restructuring, which has focused on reducing our central London exposure and continuing to sell non-core assets. At the year end, the Group owned 53 assets, with an average lot size of £11.8 million, 4% higher than a year ago.

Occupancy is at 94% and we are hopeful that this will increase in 2017, as we let more space at 50 Farringdon Road, London EC1 and elsewhere within the portfolio.

Dividends

The Company's dividend was increased with effect from February 2017. The increase of 3% was in part a reflection of lower financing costs resulting from the activity referred to above. The Board regularly reviews the dividend level and will consider this again at the time of the interim results in November.

Corporate structure

We have been monitoring the Government's responses to the OECD project on Base Erosion and Profit Shifting. Recently, new legislation was introduced in the UK restricting interest deductibility for UK companies, and at the same time a consultation was launched to bring non-resident landlord companies, such as Picton, into the scope of UK corporation tax. As a result of this potential change, the Directors believe it is likely to be in the interests of the Company to convert to a UK REIT during 2018.

The Company continues to examine all its options in this regard with a view to seeking any necessary shareholder approval in due course.

During 2016, shareholders approved a new long-term incentive plan, which is for the benefit of all Picton employees. The first vesting period for this new plan does not end until 31 March 2019, but is another important part of further aligning staff interests with those of shareholders. More details of this plan are provided in the Remuneration Report. We engaged with shareholders as part of this process and are grateful for their feedback and subsequent support for all resolutions at last year's Annual General Meeting.

We continue to welcome dialogue, engagement and feedback from shareholders generally.

Chairman's statement
CONTINUED

Board composition

I stated at the time of our half year results that we would start to consider recruiting an additional member to the Picton board. This process has commenced, and I hope that we will have a new Board member in place later this year. It is our intention, once the new Director is in place, to appoint a new chairman of the Audit and Risk Committee in due course, as Robert Sinclair has indicated that he wishes to retire from the Board in 2018 once any potential transition to UK REIT status is complete.

Outlook

Picton is well positioned, with an engaged team and a high quality, income focused portfolio. Our approach is well suited to long-term property investment and our track record demonstrates this.

This year marks the fifth anniversary since our change to a self-managed investment company. In our view this has delivered significant benefits for shareholders. Our net assets have grown 125% or £246 million over the last five years and our net asset value per share has risen by 44%. We have made significant cost savings relative to the previous external management arrangements and have a team dedicated to Picton and aligned with its shareholders' interests. Our MSCI IPD performance numbers, highlighted above, demonstrate this and we have added more detail about some of our key milestones within this report.

The market is stable at present, but not without risk. As ever, not all parts of the market are as positive or as attractive as others but our diversified approach enables us to focus on opportunities that will provide attractive risk adjusted returns for shareholders. We are confident that our team is more than capable of ensuring that Picton continues to deliver on its strategic objectives.

As we evolve our strategy further, we want shareholders to remain clear about what they get from an investment in Picton. Our diversified portfolio and opportunity led, occupier focused approach, is more a means than an end. Our aim is to be consistently one of the best performing diversified property investment companies listed on the main market of the London Stock Exchange.

Nicholas Thompson
Chairman

6 June 2017