9 November 2022

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 2022.

Financial results

- Net assets of £636 million, or 117p per share, a decrease of 3.2%
- Stable EPRA earnings of £10.7 million, or 2.0p per share
- Loss for the period of £10.4 million
- Dividends paid of £9.5 million with dividend cover of 112%

Defensive capital structure

- Loan to value ratio of 24%
- Total borrowings of £225.2 million, with 95% at fixed rates of interest
- Weighted average interest rate of 3.7% with a weighted average debt maturity of 8.9 years
- Undrawn revolving credit facility of £38.1 million available

Valuation impacts mitigated by rental growth and asset management

- Total property return of -0.2%, outperforming the MSCI UK Quarterly Property Index of -1.3%
- Like-for-like portfolio valuation decrease of 1.9%
- Like-for-like increase in estimated rental value (ERV) of 5%
- £2.1 million invested into asset upgrading and repositioning projects
- Completed the acquisition of two freehold mixed-use properties for £19.0 million, before costs
- Occupancy of 90%, with vacancy in recent acquisitions contributing to the decline relative to March 22 (93%)

Encouraging occupational activity

- Like-for-like increase in passing rent of 3%
- 12 lettings / agreements to lease completed, securing £0.5 million per annum, in line with the March 2022 ERV
- Five lease renewals / regears completed, retaining £0.3 million per annum, 25% above the March 2022 ERV
- Eight rent reviews completed, securing an uplift of £0.1 million per annum, 1% above the March 2022 ERV
- Current pipeline of 12 new lettings totalling £1 million per annum, agreed subject to contract

Balance sheet	30 Sept 2022	31 March 2022
Property valuation	£852m	£849m
Net assets	£636m	£657m
EPRA NTA per share	117p	120p
EPRA NDV per share	123p	119p

Income statement	Six months to 30 Sept 2022	Six months to 30 Sept 2021
(Loss)/profit after tax	£(10.4)m	£54.4m
EPRA earnings	£10.7m	£10.9m
Earnings per share	(1.9)p	10.0p
EPRA earnings per share	2.0p	2.0p
Total return	(1.7)%	10.2%
Total shareholder return	(11.4)%	12.7%
Total dividend per share	1.75p	1.65p
Dividend cover	112%	121%

Picton Chair, Lena Wilson CBE, commented:

"Picton has always taken a prudent approach to the management of its assets and balance sheet. Against a backdrop of multiple economic challenges impacting real estate pricing, we are in a relatively robust position with low leverage and stable EPRA earnings. Moreover, we have the flexibility and headroom to selectively take advantage of good quality earnings accretive opportunities that may arise out of the current market volatility."

Michael Morris, Chief Executive of Picton, commented:

"We have seen positive occupational market activity within the portfolio with lettings, lease renewals and rent reviews on average 5% ahead of March estimated rental values, which has limited the impact of outward yield movement and valuation declines. Our net income is insulated from the impact of rising interest rates with 95% of our drawn debt being fixed and with an average debt maturity profile of nearly nine years. Whilst navigating current conditions the team has started to implement our net zero pathway, which is increasingly relevant at a time of rising energy costs and will make our assets more attractive to occupiers."

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 £852 million diversified UK commercial property portfolio, invested across 49 assets and with around 400 occupiers (as at 30 September 2022). 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

CHAIR'S STATEMENT

Introduction

Our results for this period reflect the volatility in financial markets. There have been increasing concerns over rising energy prices and inflationary pressures, alongside political and fiscal uncertainty. There is an elevated risk of recession in the UK and in response to rapidly rising interest rates and gilt yields, the property sector has also started to see rising yields which have adversely impacted pricing.

Some of the strong valuation gains seen last year have been reversed, but despite these challenges we have delivered stable EPRA earnings and a well-covered dividend. We have a conservative balance sheet with attractive long-term fixed rate financing arrangements in place, which should insulate us from some of the worst impacts of this period of instability.

Performance

This has undoubtedly been a difficult period for the whole real estate sector. Our total return was -1.7%, with capital valuation movements driving a loss over the period of £10.4 million.

Our total shareholder return over the period was -11.4% reflecting a weakening share price and in common with the sector, a widening discount to net asset value as instability in the financial markets increased.

At a portfolio level we again outperformed the MSCI UK Quarterly Property Index over the six-month period. This continues our long-term track record of outperformance over one, three, five and ten years and since inception.

Property portfolio

Whilst occupational activity within the portfolio was broadly positive, the impact of rising yields was the main driver of performance. Our lettings, rent reviews and lease renewals were on average 5% ahead of March 2022 estimated rental values, which underlines the continuing strength in the occupational markets.

The portfolio valuation, which increased over the first three months of the period, saw a decline in the second quarter to September. Whilst movements have affected all sectors, very low yielding assets or assets with limited rental growth potential have seen a more pronounced write down. Liquidity in the direct property market has reduced, particularly from mid-September, leading to greater volatility in pricing.

Occupancy reduced slightly over the period but was driven in part by the acquisition of assets with vacancy and positive rental value growth on void space as this was upgraded.

We acquired two mixed-use assets over the period, where we believe there is medium-term upside potential through income growth and repositioning. Further detail is provided in the Business Review below.

Capital structure

We have continued to maintain a conservative level of gearing on our balance sheet; our loan to value ratio currently stands at 24%.

Importantly in the current environment, 95% of our drawn borrowings are at fixed rates of interest and therefore are not subject to the increases we are seeing in financing costs. By refinancing and extending a tranche of our debt earlier in the year we now have a weighted average maturity profile of nearly nine years, providing further stability at this time.

Our revolving credit facility was extended until 2025 during the period and we utilised £6 million to part fund two acquisitions. The cost of this facility moves in line with SONIA rates, however this is a very small component of our overall financing cost.

We currently have access to £38 million of undrawn facilities, which we intend to use on a highly selective basis. There are an increasing number of acquisition opportunities available in the market, and the use of funds will have to be balanced between the quality of any opportunities and the impact on our overall risk profile.

Dividends

During the period, we paid dividends of £9.5 million, some 6% higher than the corresponding period last year. Dividend cover for the period was a comfortable 112%.

Our distribution is back to pre-pandemic levels and whilst we continue to keep the dividend level under review depending on further leasing progress and improved occupancy levels, we believe it is right to be prudent at this stage given the current economic backdrop.

Governance

Our Annual General Meeting was brought forward to 1 September this year, and I'm pleased to confirm that all resolutions were duly passed with 96% support or higher. We subsequently held an online webinar for shareholders using the Investor Meet Company platform and would like to thank all shareholders who attended and for their feedback and support.

For the eighth and fourth years in a row we have received Gold awards from EPRA for our 2022 Annual Report and 2022 Sustainability Report respectively, further demonstrating our open and transparent approach with our stakeholders.

Sustainability

During the period we published our net zero carbon pathway and we are now taking steps to deliver against that plan. Rising energy costs further support the case for renewable, low carbon alternatives and the record temperatures this summer further reinforce the need to mitigate and adapt to a changing climate.

Our team has recently been strengthened by the appointment of an in-house building surveyor, who will work with our asset managers on all capital projects and will specifically support the upgrading of our assets and their transition to net zero.

Outlook

We are in an unusual position of record-low unemployment, whilst at the same time households are struggling with a cost-of-living crisis. The outlook is dependent on stability returning to the financial markets and the severity of any recession.

The marked change in gilt yields and financing costs recently means a repricing in the commercial property market has commenced. Despite this, the fundamental supply/demand balance has not altered, and we are still continuing to see occupational demand and rising rental values in many of the areas where we operate.

Whilst there are many events currently outside of our control, we will continue to do what we do well: proactively manage our portfolio, work with our occupiers and enhance income and value. Although the leasing markets are likely to be more challenging in the short-term, we believe that we can further enhance our income profile from our high-quality portfolio.

During the past few years, we have witnessed periods of instability and the property sector has been more resilient than many had anticipated. We believe that opportunities are likely to arise from these conditions and Picton is well positioned to capitalise on these.

Lena Wilson CBE
Chair
8 November 2022

MARKET OVERVIEW

Economic backdrop

During the period we have been operating against a backdrop of marked geopolitical and economic instability. The Covid-19 pandemic created supply chain challenges and labour shortages, which set inflation on an upward trajectory. This has been exacerbated by the escalating war in Ukraine, which has driven energy, gas, oil, food, and other commodity prices to record highs. Annual CPI inflation in September was at a 40-year high of 10.1%. There has been a marked change in investor confidence in recent months driven by rising yields and risk appetite.

Events at Westminster caused further market volatility, despite attempts to soften the impact of rising energy costs. As a result, in late September long-term bond yields soared, and the value of the pound fell to a record low against the dollar. The ten-year gilt yield rose to levels last seen during the Global Financial Crisis in 2007/08. The Bank of England subsequently intervened, reversing the planned quantitative tightening.

With the third new Prime Minister in office within the space of two months, there are early signs that the market turmoil is stabilising. The ten-year gilt yield recovered to levels seen before the September 'mini-budget' and the value of the pound rose against the dollar.

At the time of writing, the Bank of England base rate stands at 3.0% and has risen markedly from the ultra-low level of 0.1% during the pandemic. The impact of impending rising mortgage costs has already slowed the housing market, and Nationwide reported falling house prices in October. Further interest rate rises are expected.

Growth in average total pay (including bonuses) was 6.0% and growth in regular pay (excluding bonuses) was 5.4% among employees from June to August 2022. However due to the current high level of inflation, in real terms these are amongst the largest recorded falls in pay growth since comparable records began. On a more positive note, at 3.5%, the level of unemployment is currently the lowest it has been since 1974 and despite three consecutive quarterly falls, the number of vacancies remain at historically high levels.

Monthly gross domestic product (GDP) is estimated to have fallen by 0.3% in August 2022, which is back to the pre-pandemic level in February 2020. With the UK composite PMI declining to 48.2 in October, it is expected that the UK will enter a period of economic recession in the coming quarters.

UK property market

Since April 2022 there has been an outward yield movement across all property sectors, reflecting the increased risk-free rate and rising cost of debt.

The MSCI Monthly UK Property Index shows a total return for All Property for the six months to September 2022 of -0.6%, with an income return of 2.2% and capital growth of -2.7%. Rental growth was 2.0% for the six months to September 2022, compared to 2.8% for the six months to March 2022. Initial yields have moved from 4.1% in March 2022 to 4.3% in September 2022.

The market performance for the six months to September 2022 for the three main sectors was as follows:

In the industrial sector, the six-month total return was -2.8%, comprising 1.7% income return and -4.4% capital growth. In terms of capital growth by segment, this ranged from -1.8% in the North & Scotland to -7.1% in London. All Industrial rental growth was 5.0%. Rental growth by segment ranged from 6.6% in London to 2.4% in the South West.

In the office sector, the six-month total return was 0.1%, comprising 2.1% income return and -2.0% capital growth. The range in capital growth by segment ranged from 4.1% in Eastern to -6.4% in Inner South East. All Office rental growth was 0.4%. Rental growth by segment ranged from 1.8% in the South West to -0.3% in Scotland.

The retail total return was 1.7%, comprising 3.0% income return and -1.3% capital growth. Capital growth by segment ranged from 1.3% for Retail Warehouse - North & Scotland to -12.5% for Standard Retail - Eastern. All Retail rental growth was 0.2%. Rental growth by segment ranged from 2.5% for Standard Retail - Central London to -10.5% for Standard Retail - Eastern.

According to Property Data, total investment in UK commercial property for the six months to September 2022 was £24.2 billion, down 19.4% on the £30.0 billion for the six months to September 2021. Of the total investment in the period, 45.1% was from overseas.

Occupancy at an All Property level stayed flat over the six months, with the MSCI Monthly UK Property Index recording an occupancy rate of 90.5% for September 2022.

BUSINESS REVIEW

Valuation

The independent portfolio valuation on 30 September 2022, as provided by CBRE Limited, was £851.9 million, reflecting a net initial yield of 4.2% and a reversionary yield of 5.8%. There was a decrease in the value of the portfolio of 1.9% over the six months on a like-for-like basis, principally reflecting the volatility in the financial markets and rising interest rates affecting yields.

Sector	Portfolio weightings	Sept 22 valuation	Like-for-like change
Industrial	**58.0%**	**£494.5m**	**-3.0%**
South East	42.1%		-3.2%
Rest of UK	15.9%		-2.5%
Office	**31.6%**	**£269.0m**	**-0.5%**
London City and West End	7.1%		-0.5%
Inner and Outer London	5.4%		-1.5%
South East	8.8%		-2.1%
Rest of UK	10.3%		1.5%
Retail and Leisure	**10.4%**	**£88.4m**	**-0.1%**
Retail warehouse	6.8%		0.6%
High Street – Rest of UK	2.1%		-3.6%
Leisure	1.5%		2.1%
Total	**100%**	**£851.9m**	**-1.9%**

Performance

For the six months to September, the portfolio returned -0.2%, outperforming the MSCI UK Quarterly Property Index which delivered -1.3%. The income return was 2.1%, 0.2% ahead of the Index.

Economic and political uncertainty has led to a marked slowdown in the investment market, particularly since the end of the summer. Rising bond yields are resulting in an upwards yield movement in the property market which has affected lower yielding properties in particular and those with limited rental growth. All sectors have shown negative like-for-like valuation movements over the half year, with the industrial portfolio decreasing by 3% and the office and retail / leisure portfolios decreasing by a nominal amount.

Whilst values rose 1.9% between March and June 2022, we saw a decline of 3.7% between June and September 2022. Industrial values were up 2.3% in the three months to June, but down 5.2% in the three months to September. Similarly, office values were up 0.7% for the three months to June and declined 1.1% in the three months to September. Retail and leisure values were up 2.8% in the first quarter and then subsequently declined 2.8% in the second quarter.

Occupational demand remains robust in the industrial sector with associated rental growth offsetting in part the effect of sharper outward yield movements. Good quality offices are still attracting occupiers and the retail warehouse and prime high street occupational markets remain stable.

Passing rent increased to £40.7 million per annum, a like-for-like increase of 3%. The increase reflects the expiry of rent-free periods following prior letting activity, combined with higher rents being secured overall on lease events and various other asset management transactions.

We completed 12 lettings securing income of £0.5 million per annum, in line with ERV. There were also five lease renewals or regears retaining income of £0.3 million per annum, an increase on the previous passing rent of 49%, and 25% above ERV. Eight rent reviews were concluded, securing a £0.1 million per annum uplift in income, 1% above ERV.

The portfolio's ERV is £53.8 million per annum, a like-for-like increase of 5%, mainly due to continuing rental growth in the industrial portfolio.

£2.1 million was invested into the portfolio over the period, with the majority of this on upgrading and repositioning vacant buildings. This was principally at three properties: an industrial unit at Lyon Business Park, Barking, an office suite at Metro, Salford Quays, and an industrial unit at Colchester Business Park. All three refurbishments have recently been completed and we are marketing the space.

Investment activity

In May, we completed the freehold acquisition of Charlotte Terrace, Hammersmith Road, London W14 for £13.7 million.

The property comprises four adjoining buildings, with 28,500 sq ft of office space and 4,400 sq ft of retail space arranged over five floors. The property was redeveloped behind the façade in 1990 and is Grade II listed, meaning there are no business rates payable on void units.

The property is located close to Olympia, which is currently undergoing a £1 billion redevelopment delivering a new creative district with a new theatre, entertainment venue, hotel, office, retail and leisure space, enhancing the surrounding area. The annual rental income on purchase was £0.5 million, equating to £34 per sq ft. This is expected to rise to over £1.1 million once the remaining units are leased and we have already secured our first letting. To improve office occupancy, we are upgrading the space and rolling out SwiftSpace, our flexible lease offering.

The purchase price reflected a net initial yield of 3.3%, rising to over 8.0% once fully let, and a low capital value of £417 per sq ft, which is below its estimated replacement cost.

In August, we completed the freehold acquisition of 109-117 High Street, Cheltenham for £5.3 million. The mixed-use property comprises 7,700 sq ft of ground floor retail space with 11,450 sq ft of office space over two upper floors, and is in Cheltenham's pedestrianised town centre, adjacent to John Lewis. Comprehensively refurbished in 2020, the property has good environmental credentials. It is leased to four occupiers with an average lease length of 12 years to expiry and eight years to break. The current annual rental income is £0.4 million, equating to £21 per sq ft, with most leases containing fixed rental uplifts that will increase income to £0.5 million per annum by 2026. The purchase price reflects a net initial yield of 7.2%, rising to 9.0% by 2026. The low capital value of £277 per sq ft is below its estimated replacement cost.

Industrial portfolio

The industrial sector, which accounts for 58% of the portfolio, saw a decrease in value over the half year, as yields have softened and investment demand slowed considerably. On a like-for-like basis, capital values decreased by 3%, or £15.2 million. The passing rent increased by 4% and the ERV grew by 9%, or £2.1 million.

The valuation decrease was driven by yield movement, especially in respect of our London multi-let estates. Whilst we expect continuing outward yield movement to erode some of the significant valuation gains of the past two years, occupier demand remains robust, and we are seeing and capturing rental growth. The current uncertainty will create acquisition opportunities and we remain committed to the sector over the medium-term, primarily due to the strength of 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 4.9 years. Two of the units have rent reviews in early 2023 and we expect to secure significant uplifts in rent. We acquired the freehold of our Rushden asset in the period for nil consideration, having previously owned a long leasehold interest.

The multi-let estates, of which 89% by value are in the South East, total 2.0 million sq ft and we only have six vacant units out of 165. Four units were let during the period, securing £0.3 million per annum, 16% ahead of ERV. This included pre-letting a warehouse in Radlett where an occupier was vacating on lease expiry, with the new occupier moving in four days later. The new rent has been agreed at £0.1 million per annum, 34% ahead of the previous passing rent and 5% ahead of the March ERV. The estate, which is our largest asset, has been fully leased since November 2019 and there remains strong occupational demand.

We have secured £0.1 million per annum of additional income from six rent reviews settled over the period, 5% below the March ERV, which reflects the timing of the reviews, all of which except one predated the period. As part of the negotiation in Radlett, we removed an occupier's break clause in both of their leases in 2024, securing £0.2 million per annum, subject to review, until lease expiry in 2027.

Five occupiers have been retained at renewal, increasing their passing rent by £0.1 million, 25% ahead of ERV. Two of the renewals were at Mill Place, Gloucester, which was acquired in February. The combined passing rent was increased by 72%, 22% ahead of ERV.

The industrial portfolio currently has £7.3 million of reversionary income potential, with £1.2 million relating to the void units.

Office portfolio

Offices account for 32% of the portfolio and their value has decreased nominally over the half year. Capital values declined by 0.5%, or £1.2 million, and the passing rent increased by 1% with the ERV growing by 1%, or £0.3 million, all on a like-for-like basis.

Generally, most office occupiers are adapting to a hybrid model of working and employers increasingly recognise the need for quality workplaces for their staff. There are two main areas where office demand remains strong, for the very best space (including good environmental credentials) and where there is short-term flexibility. The continued investment into our assets and our SwiftSpace proposition aim to capitalise on this.

We let five offices during the period, securing £0.2 million per annum. Three of these were leased in line or ahead of ERV, however two were leased below ERV, both on a short-term inclusive basis and prior to the units being refurbished. The two largest lettings were at our new acquisition at Charlotte Terrace, London, and Longcross, Cardiff, which has recently been upgraded, with the refurbishment and co-working space shortlisted for an Industry award.

The office portfolio currently has £6.3 million of reversionary income potential, with £3.7 million relating to the void units.

Retail and Leisure portfolio

Retail and leisure accounts for 10% of the portfolio and values were beginning to stabilise after a prolonged period of repricing. The sector generally has high yields and therefore has been less affected by rising interest rates. With the current cost-of-living challenges, consumers are expected to rein in their discretionary spending which will have a further impact on the sector.

On a like-for-like basis, there was a nominal decline in capital values over the period. The passing rent increased by 5% and the ERV declined by 1%.

Our portfolio remains very well leased and we are seeing occupational demand, hence we are considering opportunities such as our recent purchases in Cheltenham and Hammersmith, both of which contain an element of ground floor retail. With high street yields being at an all-time high, we remain of the view that there are opportunities in the sector for prime assets off rebased rents.

The retail warehouse assets total 0.4 million sq ft in 19 units across four parks and are fully leased, with a weighted average unexpired lease term of 5.7 years.

The high street portfolio remains well let, with only two vacant units, with an ERV of £0.1 million per annum, both of which are under offer.

The retail and leisure portfolio has £0.4 million per annum of over-renting, primarily relating to the high street retail assets which have seen a reduction in ERV over the last few years.

Occupancy

As at 30 September 2022 we had a total void ERV of £5.4 million and occupancy had decreased from 93% to 90%. A third of the decrease is as a result of the purchase of the partly let Charlotte Terrace asset, whilst growth in ERV on some of our vacant space has also contributed to this.

The majority of the void in the portfolio is relatively recent and reflects in part some of the units becoming available during the pandemic, which have subsequently been refurbished to enhance letting prospects. 50% of our vacancy arose in this calendar year, with a further 30% in 2021. We have now introduced SwiftSpace flexible leasing on the majority of the remaining vacancy.

Our industrial portfolio is 95% leased with demand remaining robust across the country. We have only six vacant industrial units, four of which became vacant during the period. All the units are either recently refurbished or works are on site.

The office portfolio occupancy is 83%, and there is less depth of demand relative to the industrial sector. Our recently introduced SwiftSpace proposition has helped to grow occupancy on smaller units with seven lettings across five assets. Our largest voids are at:

- Angel Gate Office Village, London – accounting for 19% of the total portfolio void. Demand for smaller suites is returning following our investment into the property, including an occupier lounge, occupier app and other amenities.

- Charlotte Terrace, London – this recently acquired property accounts for 13% of our total portfolio void and was bought with the strategy of repositioning it. We are in the process of upgrading units to meet current occupational needs.

- Colchester Business Park, Colchester – accounting for 11% of our total portfolio void. Nearly 50% of the void relates to an industrial unit that is being refurbished and we already have occupational interest.

In terms of retail and leisure, occupancy is 94%. The retail warehouse portfolio is fully leased, and we have two vacant high street shops, both of which are under offer. At Regency Wharf, despite the predominant leisure use, we have an office element which is now refurbished, and we have interest which we are progressing.

Across all sectors, we currently have a pipeline of 12 new lettings totalling £1 million per annum, agreed subject to contract.

Looking ahead

The economic backdrop is causing yields to rise in the short-term, eroding some of the significant valuation gains seen in the last few years.

The occupational market has been resilient, and our focus remains working with our occupiers, improving the quality of the portfolio and capturing its reversionary income potential, principally through leasing vacant space, and creating further value through active asset management.

The difference between the ERV at 30 September and the passing rent is £13.1 million and comprises £5.4 million per annum of additional potential income from letting vacant space, £2.6 million per annum of income where ERVs are higher than passing rent, and £5.1 million per annum from the expiry of rent free periods and stepped rents.

The portfolio is well placed in terms of its geography, sectors, asset quality and diversified income, with numerous asset management opportunities in the short and medium-term.

In terms of potential acquisitions, the current market uncertainty will lead to opportunities. We continue to look selectively across sectors and are focused on properties that will deliver attractive returns commensurate with the asset specific risk.

Top ten assets

The largest assets in the portfolio as at 30 September 2022, ranked by capital value, represent 54% of the total portfolio valuation and are detailed below:

		Approximate area (sq ft)	**Appraised value**
Parkbury Industrial Estate, Radlett, Herts.	Industrial	343,800	>£100m
River Way Industrial Estate, Harlow, Essex	Industrial	454,800	£50m-£80m
Datapoint, Cody Road, London E16	Industrial	55,100	£30m-£40m
Lyon Business Park, Barking, Essex	Industrial	99,400	£30m-£40m
Stanford Building, Long Acre, London WC2	Office	19,600	£30m-£40m
Shipton Way, Rushden, Northants.	Industrial	312,900	£30m-£40m
Angel Gate, City Road, London EC1	Office	64,600	£30m-£40m
Tower Wharf, Cheese Lane, Bristol	Office	70,600	£20m-£30m
Sundon Business Park, Dencora Way, Luton	Industrial	127,800	£20m-£30m
50 Farringdon Road, London EC1	Office	31,300	£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 2022, are summarised below:

	Occupier	
1	Public Sector	5.0
2	Whistl UK Limited	3.6
3	B&Q Plc	2.7
4	The Random House Group Limited	2.6
5	Snorkel Europe Limited	2.6
6	XMA Limited	2.1
7	Portal Chatham LLP	2.0
8	DHL Supply Chain Limited	1.7
9	Hi-Speed Services Limited	1.5
10	Canterbury Christ Church University	1.5
		25.3

Financial review

Income statement

For the six months to 30 September 2022, we recorded an overall loss of £10.4 million. This was driven by negative valuation movements on the portfolio of £21.1 million, a reduction of 1.9% on a like-for-like basis over the period. Our EPRA earnings, being recurring income less costs of running the business, were £10.7 million for the period, or 2.0 pence per share. This is in line with the same period last year. Rental income has increased by 6% compared to a year ago to £20.9 million, reflecting the new acquisitions made over the last year. Property expenses are also higher, impacted by inflationary pressures and increasing void costs.

Administrative expenses for the period were £2.9 million, higher than the previous period by £0.2 million, and again impacted by rising inflation.

Finance costs were £4.5 million for the half year. Following the re-financing and extension of our Canada Life facility earlier this year, our average interest rate has reduced to 3.7% on drawn borrowings.

Dividend cover for the six months was 112%. During the period we have paid two interim dividends, both at 0.875 pence per share, giving a total payment of £9.5 million. This is 6% higher than the equivalent period last year.

Balance sheet

The net asset value of the Group declined over the period by £20.8 million to £636.4 million, or 3.2%. The external valuation of the property portfolio stood at £851.9 million at 30 September 2022, reversing some of the valuation gains of last year. During the period we acquired two new mixed-use assets, for a total consideration of £20.2 million, including costs. We have continued to invest in our portfolio, with £2.1 million of capital expenditure incurred in the period.

Following our re-financing in March, total borrowings now stand at £225.2 million, representing an overall loan to value ratio of 24%. The weighted average maturity of our borrowings is now 8.9 years, and 95% of the drawn debt is at fixed rates of interest, largely insulating us from rising interest rates. Other than our largely undrawn revolving credit facility, which has been extended to May 2025, our earliest re-financing event is in July 2031. We continue to meet all of our loan covenants and have significant headroom, with a further £80 million of uncharged assets providing additional flexibility.

Our EPRA net tangible assets at 30 September were £1.17 pence per share, in line with the IFRS net asset value. However, the EPRA net disposal value, which includes a fair value adjustment to our borrowings, rose to £1.23 pence per share. With the recent rise in interest rates our borrowings are now below the market rate, although this fair value adjustment is not included under IFRS.

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 2022.

Since the publication of the Group's Annual Report in May 2022 there has been heightened volatility in the financial markets, with increasing interest rates and rising inflation. As a result, the risks and uncertainties that could have a material impact on the Group have changed, with a number trending higher.

Emerging risks

The Board continues to consider where emerging risks or disrupting events may impact the business. These may arise from for example changes in economic conditions, political or regulatory changes, advances in technology or demographic changes. All emerging risks are reviewed as part of the ongoing risk management process.

During the period the risk of a recession in the UK has heightened, due to rising interest rates, higher inflation and energy costs, increasing the risk of occupier default. The Group maintains a diversified portfolio with a wide range of occupiers, with no significant exposure to any particular sector.

Principal risks

The Group's principal risks that have changed materially during the period are set out below. The remaining principal risks are the same as reported in the 2022 Annual Report.

Political and economic

Risk: 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.

Change since 2022 Annual Report: Political changes and inflationary pressures are causing economic uncertainty and volatility in financial markets, with an increased risk of recession in the UK. The risk trend is therefore increased. The Group has a strong cash flow arising from a wide range of businesses. The Group's borrowings are mainly long-term and are at fixed rates of interest.

Market cycle

Risk: 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.

Change since 2022 Annual Report: Economic uncertainty and rising financing costs have caused property yields to increase, adversely impacting valuations. This risk trend is also increased. The Group has a diversified portfolio and low gearing. Additionally the Board considers current market trends when setting strategy.

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.

Change since 2022 Annual Report: Rising interest rates are impacting all sectors of the property market but industrial values, which have seen the highest gains historically, are expected to see a more marked correction. The impact of cost-of-living increases is more likely to impact the retail and leisure sectors. The risk trend is increased. The Group maintains a high-quality diversified portfolio to mitigate against this risk.

Investment

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

Change since 2022 Annual Report: The risk trend is higher as increased volatility in the investment market could lead to incorrect assumptions in decision-making. The Group is highly selective in considering investment opportunities.

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.

Change since 2022 Annual Report: A recession in the UK could lead to higher occupier defaults and lower earnings which will increase this risk. The Group has a strong cash flow from a diversified range of occupiers, mitigating the risk.

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.

Change since 2022 Annual Report: Rising yields across all sectors of the commercial property market are adversely impacting valuations, increasing this risk. The Group has significant headroom against all its loan covenants and holds uncharged assets in the portfolio.

Capital structure

Risk: 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.

Change since 2022 Annual Report: Declines in the valuation of the Group's investment properties will be magnified by gearing, increasing this risk. The Group has a modest level of gearing with a loan to value ratio of 24%, and interest rates are mainly fixed.

STATEMENT OF GOING CONCERN

The Directors have assessed whether the going concern basis remains appropriate for the preparation of the financial statements for the period ended 30 September 2022. 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 different adverse scenarios impacting the portfolio and the potential consequences on financial performance, asset values, dividend policy, capital projects and loan covenants. More details regarding the Group's business activities, together with the factors affecting performance, investment activities and future development are set out in the Business Review.

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 section of the Business Review and in the condensed 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.

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 Chair'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 Chair'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
8 November 2022

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 consolidated financial statements in the half-yearly financial report for the six months ended 30 September 2022 of the Company and its subsidiaries (together, the "Group"), which comprises the condensed consolidated balance sheet, 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 consolidated financial statements in the half-yearly financial report for the six months ended 30 September 2022 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) 2410 Review of Interim Financial Information Performed by the Independent Auditor of the Entity ("ISRE (UK) 2410") issued by the Financial Reporting Council 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 consolidated 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.

CONCLUSIONS RELATING TO GOING CONCERN

Based on our review procedures, which are less extensive than those performed in an audit as described in the Scope of review section of this report, nothing has come to our attention to suggest that the directors have inappropriately adopted the going concern basis of accounting or that the directors have identified material uncertainties relating to going concern that are not appropriately disclosed.

This conclusion is based on the review procedures performed in accordance with ISRE (UK) 2410. However future events or conditions may cause the Group to cease to continue as a going concern, and the above conclusions are not a guarantee that the Group will continue in operation.

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 interim financial report in accordance with the DTR of the UK FCA.

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

In preparing the half-yearly financial report, the directors are responsible for assessing the Group'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.

OUR RESPONSIBILITY

Our responsibility is to express to the Company a conclusion on the condensed set of consolidated financial statements in the half-yearly financial report based on our review. Our conclusion, including our conclusions relating to going concern, are based on procedures that are less extensive than audit procedures, as described in the scope of review paragraph of this report.

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.

Steven Stormonth
For and on behalf of KPMG Channel Islands Limited
Chartered Accountants
Guernsey

8 November 2022

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE HALF YEAR ENDED 30 SEPTEMBER 2022

	Note	**6 months ended 30 September 2022 unaudited Total £000**	6 months ended 30 September 2021 unaudited Total £000	Year ended 31 March 2022 audited Total £000
Income				
Revenue from properties	3	25,068	22,623	46,543
Property expenses	4	(6,999)	(5,014)	(11,098)
Net property income		**18,069**	**17,609**	**35,445**
Expenses				
Administrative expenses		(2,948)	(2,744)	(5,755)
Total operating expenses		**(2,948)**	**(2,744)**	**(5,755)**
Operating profit before movement on investments		**15,121**	**14,865**	**29,690**
Investments				
Profit on disposal of investment properties	9	–	47	42
Investment property valuation movements	9	(21,073)	42,951	129,801
Total (loss)/profit on investments		**(21,073)**	**42,998**	**129,843**
Operating (loss)/profit		**(5,952)**	**57,863**	**159,533**
Financing				
Interest received		1	–	–
Interest paid		(4,471)	(3,945)	(8,502)
Debt prepayment fee		–	–	(4,045)
Total finance costs		**(4,470)**	**(3,945)**	**(12,547)**
(Loss)/profit before tax		**(10,422)**	**53,918**	**146,986**
Tax		–	–	–
(Loss)/profit after tax		**(10,422)**	**53,918**	**146,986**
Other comprehensive income				
Revaluation on owner occupied property		33	443	434
Total other comprehensive income for the period/year		**33**	**443**	**434**
Total comprehensive (loss)/income for the period/year		**(10,389)**	**54,361**	**147,420**
Earnings per share				
Basic	7	(1.9)p	10.0p	27.0p
Diluted	7	(1.9)p	10.0p	26.9p

All of the profit and total comprehensive income for the period 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 2022

	Note	Share capital £000	Other reserves £000	Retained earnings £000	Revaluation reserve £000	Total £000
Balance as at 31 March 2021		**164,400**	**(669)**	**364,466**	**–**	**528,197**
Profit for the period		–	–	53,918	–	53,918
Dividends paid	6	–	–	(9,008)	–	(9,008)
Share-based awards		–	303	–	–	303
Purchase of shares held in trust		–	(237)	–	–	(237)
Other comprehensive income for the period		–	–	–	443	443
Balance as at 30 September 2021		**164,400**	**(603)**	**409,376**	**443**	**573,616**
Profit for the period		–	–	93,068	–	93,068
Dividends paid	6	–	–	(9,417)	–	(9,417)
Share-based awards		–	365	–	–	365
Purchase of shares held in trust		–	(493)	–	–	(493)
Other comprehensive income for the period		–	–	–	(9)	(9)
Balance as at 31 March 2022		**164,400**	**(731)**	**493,027**	**434**	**657,130**
Loss for the period		–	–	(10,422)	–	(10,422)
Dividends paid	6	–	–	(9,549)	–	(9,549)
Share-based awards		–	290	–	–	290
Purchase of shares held in trust		–	(1,126)	–	–	(1,126)
Other comprehensive income for the period		–	–	–	33	33
Balance as at 30 September 2022		**164,400**	**(1,567)**	**473,056**	**467**	**636,356**

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

CONDENSED CONSOLIDATED BALANCE SHEET
AS AT 30 SEPTEMBER 2022

	Note	**30 September 2022 unaudited £000**	30 September 2021 unaudited £000	31 March 2022 audited £000
Non-current assets				
Investment properties	9	831,278	726,020	830,027
Property, plant and equipment		4,334	4,473	4,383
Total non-current assets		**835,612**	**730,493**	**834,410**
Current assets				
Accounts receivable		26,235	24,390	22,850
Cash and cash equivalents		19,718	16,681	38,547
Total current assets		**45,953**	**41,071**	**61,397**
Total assets		**881,565**	**771,564**	**895,807**
Current liabilities				
Accounts payable and accruals		(19,201)	(18,945)	(19,138)
Loans and borrowings	10	(1,099)	(973)	(1,068)
Obligations under leases		(114)	(107)	(114)
Total current liabilities		**(20,414)**	**(20,025)**	**(20,320)**
Non-current liabilities				
Loans and borrowings	10	(222,207)	(176,218)	(215,764)
Obligations under leases		(2,588)	(1,705)	(2,593)
Total non-current liabilities		**(224,795)**	**(177,923)**	**(218,357)**
Total liabilities		**(245,209)**	**(197,948)**	**(238,677)**
Net assets		**636,356**	**573,616**	**657,130**
Equity				
Share capital	11	164,400	164,400	164,400
Retained earnings		473,056	409,376	493,027
Other reserves		(1,567)	(603)	(731)
Revaluation reserve		467	443	434
Total equity		**636,356**	**573,616**	**657,130**
Net asset value per share	13	117p	105p	120p

These condensed consolidated financial statements were approved by the Board of Directors on 8 November 2022 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 2022

	Note	**6 months ended 30 September 2022 unaudited £000**	6 months ended 30 September 2021 unaudited £000	Year ended 31 March 2022 audited £000
Operating activities				
Operating (loss)/profit		(5,952)	57,863	159,533
Adjustments for non-cash items	12	21,445	(42,615)	(129,010)
Interest received		1	–	–
Interest paid		(3,516)	(3,722)	(8,102)
Increase in accounts receivables		(3,385)	(4,845)	(3,305)
(Decrease)/increase in payables and accruals		(565)	191	897
Cash inflows from operating activities		**8,028**	**6,872**	**20,013**
Investing activities				
Purchase of investment properties	9	(20,194)	(13,933)	(25,005)
Capital expenditure on investment properties	9	(2,130)	(4,363)	(9,551)
Disposal of investment properties		–	731	726
Purchase of tangible assets		–	1	(3)
Cash outflows from investing activities		**(22,324)**	**(17,564)**	**(33,833)**
Financing activities				
Borrowings repaid		(5,675)	(650)	(26,917)
Borrowings drawn		12,000	14,000	79,545
Debt prepayment fees		–	–	(4,045)
Financing costs		(183)	(90)	(419)
Purchase of shares held in trust		(1,126)	(237)	(730)
Dividends paid	6	(9,549)	(9,008)	(18,425)
Cash (outflows)/inflows from financing activities		**(4,533)**	**4,015**	**29,009**
Net (decrease)/increase in cash and cash equivalents		**(18,829)**	**(6,677)**	**15,189**
Cash and cash equivalents at beginning of period/year		38,547	23,358	23,358
Cash and cash equivalents at end of period/year		**19,718**	**16,681**	**38,547**

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 2022

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 2022, with unaudited comparatives for the period from 1 April to 30 September 2021. Comparatives are also provided from the audited financial statements for the year ended 31 March 2022.

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 2022.

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 2022.

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 2022 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 2022.

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 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.

3. REVENUE FROM PROPERTIES

	6 months ended 30 September 2022 £000	6 months ended 30 September 2021 £000	Year ended 31 March 2022 £000
Rents receivable (adjusted for lease incentives)	20,856	19,672	40,133
Surrender premiums	113	59	59
Dilapidation receipts	3	–	21
Other income	107	91	118
Service charge income	3,989	2,801	6,212
	25,068	22,623	46,543

Rents receivable includes lease incentives recognised of £1.1 million (30 September 2021: £1.9 million, 31 March 2022: £2.8 million).

4. PROPERTY EXPENSES

	6 months ended 30 September 2022 £000	6 months ended 30 September 2021 £000	Year ended 31 March 2022 £000
Property operating costs	1,495	1,269	2,477
Property void costs	1,515	944	2,409
Recoverable service charge costs	3,989	2,801	6,212
	6,999	5,014	11,098

5. OPERATING SEGMENTS

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

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

6. DIVIDENDS

Declared and paid:	**6 months ended 30 September 2022 £000**	6 months ended 30 September 2021 £000	Year ended 31 March 2022 £000
Interim dividend for the period ended 31 March 2021: 0.8 pence	–	4,364	4,364
Interim dividend for the period ended 30 June 2021: 0.85 pence	–	4,644	4,644
Interim dividend for the period ended 30 September 2021: 0.85 pence	–	–	4,640
Interim dividend for the period ended 31 December 2021: 0.875 pence	–	–	4,777
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	–	–
	9,549	9,008	18,425

The interim dividend of 0.875 pence per ordinary share in respect of the period ended 30 September 2022 has not been recognised as a liability as it was declared after the period end. A dividend of £4,771,000 will be paid on 30 November 2022.

7. EARNINGS PER SHARE

Basic and diluted earnings per share is calculated by dividing the net (loss)/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 (loss)/profit and share data used in the basic and diluted earnings per share calculation:

	6 months ended 30 September 2022	6 months ended 30 September 2021	Year ended 31 March 2022
Net (loss)/profit attributable to ordinary shareholders of the Company from continuing operations (£000)	(10,389)	54,361	147,420
Weighted average number of ordinary shares for basic earnings per share	545,538,789	545,987,095	545,904,197
Weighted average number of ordinary shares for diluted earnings per share	547,192,032	547,095,699	547,295,589

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 2022.

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 2022.

9. INVESTMENT PROPERTIES

	6 months ended 30 September 2022 £000	6 months ended 30 September 2021 £000	Year ended 31 March 2022 £000
Fair value at start of period/year	830,027	665,418	665,418
Capital expenditure on investment properties	2,130	4,363	9,551
Acquisitions	20,194	13,933	25,005
Disposals	–	(692)	(687)
Acquisition of right of use asset	–	–	897
Realised gains on disposal	–	47	42
Unrealised movement on investment properties	(21,073)	42,951	129,801
Fair value at the end of the period/year	831,278	726,020	830,027
Historic cost at the end of the period/year	676,694	638,110	654,370

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

	30 September 2022 £000	30 September 2021 £000	31 March 2022 £000
Appraised value	851,890	745,195	849,325
Valuation of assets held under head leases	2,245	1,329	2,237
Lease incentives held as debtors	(18,708)	(16,279)	(17,367)
Owner-occupied property	(4,149)	(4,225)	(4,168)
Fair value at the end of the period/year	831,278	726,020	830,027

As at 30 September 2022, 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 2022 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 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.

Information on the significant unobservable inputs per sector of investment properties is disclosed as follows:

	30 September 2022			31 March 2022		
	Office	**Industrial**	**Retail and Leisure**	Office	Industrial	Retail and Leisure
Appraised value (£000)	**268,995**	**494,490**	**88,405**	251,125	509,730	88,470
Area (sq ft, 000s)	**875**	**3,251**	**695**	828	3,240	692
Range of unobservable inputs:						
Gross ERV (sq ft per annum)						
– range	**£11.00 to £80.52**	**£2.91 to £26.69**	**£3.10 to £20.53**	£10.96 to £82.32	£2.82 to £26.77	£3.23 to £28.49
– weighted average	**£34.89**	**£12.20**	**£11.43**	£35.10	£11.47	£11.83
Net initial yield						
– range	**0.46% to 9.00%**	**1.01% to 7.15%**	**1.65% to 27.97%**	0.92% to 9.00%	0.00% to 6.75%	3.07% to 25.00%
– weighted average	**4.69%**	**3.48%**	**7.59%**	4.64%	3.25%	7.33%
Reversionary yield						
– range	**4.26% to 10.87%**	**3.46% to 8.05%**	**6.20% to 12.00%**	4.29% to 9.63%	3.04% to 7.37%	6.19% to 12.89%
– weighted average	**7.22%**	**4.77%**	**7.37%**	7.00%	4.24%	7.42%
True equivalent yield						
– range	**4.11% to 9.50%**	**3.40% to 7.00%**	**6.25% to 12.17%**	4.09% to 9.95%	3.00% to 7.00%	6.25% to 13.02%
– weighted average	**6.66%**	**4.57%**	**7.52%**	6.49%	4.11%	7.55%

An increase/decrease in ERV will increase/decrease valuations, while an increase/decrease to yield will decrease/increase valuations.

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 2022 £000**	30 September 2021 £000	31 March 2022 £000
Current				
Aviva facility	–	1,402	1,343	1,372
Capitalised finance costs	–	(303)	(370)	(304)
		1,099	973	1,068
Non-current				
Canada Life facility	24 July 2031	129,045	80,000	129,045
Aviva facility	24 July 2032	82,813	84,215	83,518
Natwest revolving credit facility	26 May 2025	11,900	14,000	4,900
Capitalised finance costs	–	(1,551)	(1,997)	(1,699)
		222,207	176,218	215,764
Total loans and borrowings		223,306	177,191	216,832

The Group has a loan with Canada Life Limited for £129.0 million which matures in July 2031. Interest is fixed at 3.25% 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 Group also has a £50 million revolving credit facility ("RCF") with National Westminster Bank Plc which matures in May 2025. Currently £11.9 million has been drawn down under the facility. The RCF incurs interest at 150 basis points over SONIA on drawn balances and an undrawn commitment fee of 60 basis points.

The fair value of the secured loan facilities at 30 September 2022, estimated as the present value of future cash flows discounted at the market rate of interest at that date, was £191.3 million (30 September 2021: £200.0 million, 31 March 2022: £225.6 million). The fair value of the secured loan facilities is classified as Level 2 under the hierarchy of fair value measurements.

The weighted average interest rate on the Group's borrowings as at 30 September 2022 was 3.7% (30 September 2021: 4.0%, 31 March 2022: 3.7%).

11. SHARE CAPITAL AND OTHER RESERVES

The Company has 547,605,596 ordinary shares in issue of no par value (30 September 2021: 547,605,596, 31 March 2022: 547,605,596).

The balance on the Company's share premium account as at 30 September 2022 was £164,400,000 (30 September 2021: £164,400,000, 31 March 2022: £164,400,000).

	30 September 2022	30 September 2021	31 March 2022
Ordinary share capital	547,605,596	547,605,596	547,605,596
Number of shares held in Employee Benefit Trust	(2,388,694)	(1,474,253)	(1,974,253)
Number of ordinary shares	545,216,902	546,131,343	545,631,343

The fair value of share awards made under the Long-term Incentive Plan and the Deferred Bonus 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 2,388,694 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 2022 £000	6 months ended 30 September 2021 £000	Year ended 31 March 2022 £000
Profit on disposal of investment properties	–	(47)	(42)
Movement in investment property valuation	21,073	(42,951)	(129,801)
Share-based provisions	290	303	668
Depreciation of property, plant and equipment	82	80	165
	21,445	(42,615)	(129,010)

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 2022, the Company had a net asset value per ordinary share of £1.17 (30 September 2021: £1.05, 31 March 2022: £1.20).

14. RELATED PARTY TRANSACTIONS

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

The Company has no controlling parties.

15. EVENTS AFTER THE BALANCE SHEET DATE

A dividend of £4,771,000 (0.875 pence per share) was approved by the Board on 20 October 2022 and is payable on 30 November 2022.

The Group has completed on the acquisition of an industrial unit, adjacent to an existing holding, for £0.4 million.

END