Picton

Picton property income limited

Half Year Report 2016

Occupier focused, opportunity led

Welcome to our half year report

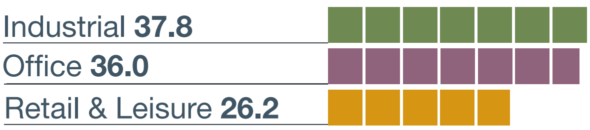
Who we are

Picton Property Income Limited is an income focused, internally managed investment company, which invests in commercial property across the United Kingdom. Established in 2005, Picton has a main market listing on the London Stock Exchange.

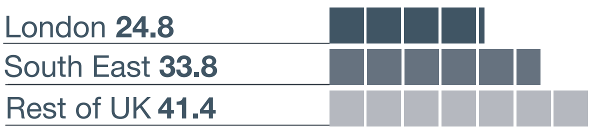
The portfolio is predominantly invested in the office and industrial sectors (74%) and outside London (75%). We invest in assets where we believe there are opportunities to enhance either income or value and this is primarily achieved by providing space that meets our occupiers' requirements.

As at 30 September 2016, based on capital values, the sector and geographical weightings were:

Sector (%)



Geographic (%)



A glossary of terms can be found on the Inside Back Cover.

You can see our achievements at **www.picton.co.uk**

Contents

Half year highlights

Strong income focus, with positive NAV growth

- Net Assets increased to £424 million, from £417 million at 31 March 2016
- Total profit of £15.7 million
- 8% increase in EPRA earnings to £10.7 million
- 1.7% increase in EPRA NAV per share to 78.5 pence
- Dividend cover of 179%, or 120% prior to one-off exceptional income of £5.3 million

IPD outperformance and portfolio repositioning

- Portfolio total return of 3.9%, outperforming the MSCI IPD Quarterly Benchmark which delivered 0.2%
- £45 million of central London office disposals (including £17.25 million following period end)
- Industrial sector exposure increased to 38.9%, office sector exposure reduced to 34.2% and central London office exposure to 13.4% following period end
- 22 lettings completed during the period securing rent of £1.5 million per annum and completed three Agreements for Lease securing a further £0.3 million per annum
- 17 lease renewals and re-gears retaining rent of £0.9 million per annum

Improved financial position and debt reduction

- Reduction in debt outstanding from £249.5 million to £234.2 million (£205.2 million post period end following repayment of zero dividend preference shares)
- Net gearing reduced to 31.6% from 34.4% (29.6% following period end)
- Established new £27.0 million revolving credit facility, taking total committed but undrawn facilities available to £53.0 million

Net Assets (£m)

£423.9m

2016 (6 months) **423.9**
2015 (6 months) **393.1**
2016 (12 months) **417.1**

NAV per Share (p)

78.5p

2016 (6 months) **78.5**
2015 (6 months) **72.8**
2016 (12 months) **77.2**

Total Return (%)

3.8%

2016 (6 months) **3.8**
2015 (6 months) **8.7**
2016 (12 months) **17.9**

Profit after Tax (£m)

£15.7m

2016 (6 months) **15.7**
2015 (6 months) **31.9**
2016 (12 months) **64.8**

Earnings per Share (p)

2.9p

2016 (6 months) **2.9**
2015 (6 months) **5.9**
2016 (12 months) **12.0**

Total Shareholder Return (%)

5.7%

2016 (6 months) **5.7**
2015 (6 months) **(1.5)**
2016 (12 months) **1.9**

Property Assets (£m)

£621.1m

2016 (6 months) **621.1**
2015 (6 months) **606.3**
2016 (12 months) **646.0**

Dividend per Share (p)

1.7p

2016 (6 months) **1.7**
2015 (6 months) **1.7**
2016 (12 months) **3.3**

Dividend Cover (%)

179%

2016 (6 months) **179**
2015 (6 months) **112**
2016 (12 months) **112**

Six months to 30 September 2016 | Six months to 30 September 2015 | Year ended 31 March 2016

EPRA PERFORMANCE

	Six months to 30 September 2016	Six months to 30 September 2015	Year ended 31 March 2016
EPRA earnings per share	**2.0p**	1.8p	3.7p
EPRA net asset value per share	**78p**	73p	77p

Chairman's statement

"Picton now has a long term track record of outperformance against MSCI IPD over one, three, five and ten years."

Total Profit	£15.7m
Total Return	3.8%
Increase in EPRA earnings per share	8%

I am pleased to report further progress at Picton during the six months to 30 September 2016. Whilst the result of the EU referendum and its potential consequences has dominated the headlines, we have been busy delivering on a number of key objectives which have strengthened our position in this more uncertain economic environment.

Our closed-ended corporate structure has meant that we have avoided the issues with redemptions that faced many open-ended UK property funds following the referendum, allowing us to focus on delivering value and income accretive transactions across a range of initiatives, both at the corporate level and within the portfolio.

Along with most real estate equities there was volatility in our share price in the immediate aftermath of the referendum. However, I am pleased to advise that we have seen positive share price performance over the six months to 30 September 2016, which has resulted in a total shareholder return of 5.7%. Furthermore, our share price rating relative to Net Asset Value has improved since we reported our annual results in June.

Our total profit for the period was lower than for the corresponding period 12 months ago and is a reflection of considerably lower capital growth within the UK commercial property market, but still a positive result.

Performance

The Company's 3.8% total return is almost entirely driven by its net income over the period. EPRA earnings per share increased by 8% to 2.0 pence, from 1.8 pence a year ago. This excludes the exceptional income of £5.3 million relating to a dispute in respect of the Strathmore Hotel, Luton, which is included in the total income profit of £16.0 million for the period. Dividend cover, again excluding this exceptional income, was 120% for the period, an increase from 112% reported in the 30 September 2015 results.

We have again outperformed the MSCI IPD index over the period, helped by our high industrial, warehouse and logistics exposure. In addition, our investment activity over the period has further enhanced performance and highlighted that we are still able to achieve sales ahead of valuation, even in this more uncertain environment. Picton now has a long term track record of outperformance against MSCI IPD over one, three, five and ten years.

Capital structure

We have commented previously about our desire to manage debt effectively through the property cycle, and at the start of the year the Board concluded that it would be appropriate to reduce borrowings in the short to medium term, rather than refinance our 7.25% zero dividend preference shares, which reached maturity in October. I am pleased to confirm that following the repayment of the ZDPs we have reduced our net gearing from 34.4% as at 31 March, to 29.6% currently, on a proforma basis.

The repayment of the ZDPs formed part of a wider plan to simplify our corporate structure and it has the added advantage of removing us from the Association of Investment Companies' 'split capital trust' classification.

Not only have we strengthened our balance sheet, but we have enhanced our operational flexibility with the introduction of a further revolving credit facility. We currently have £53 million of undrawn debt facilities available to invest in attractive opportunities that are value and/or earnings accretive.

Property portfolio

Our primary focus over the period has been to reduce Picton's central London office exposure and this has been achieved with the sales of Boundary House, London EC3, which completed in August, and of 1 Chancery Lane, London WC2, which was concluded following the period end. Both of these properties were sold ahead of valuation and followed a significant period of capital appreciation since they were acquired. There has also been considerable leasing and active management activity which is further detailed within the Investment Manager's Report.

We recently took back two floors at 50 Farringdon Road, London EC1 which has, as expected, had a short-term impact on the portfolio's occupancy, currently running at 93%. Given the quality of this asset we are confident about its leasing prospects.

Income and dividend increase

The income profit for the period was £16.0 million, or £10.7 million excluding the exceptional income, an increase of 8% over the equivalent figure for September 2015. Dividend cover has remained strong, as noted above. This increase in net income is evidence of the economies of scale Picton has been able to achieve through growth and we expect a further improvement in net income following the repayment of the ZDPs, after the end of the period.

As a result of this activity, together with the future reduction in finance costs, the Board believes that it is appropriate to increase the Company's dividend. I am therefore pleased to confirm that the annual dividend will be increased by 3%, equivalent to 3.4 pence per annum. The first increased quarterly dividend of 0.85 pence per share is expected to be paid in February 2017.

This increase, following the 10% increase made in May 2015, demonstrates the success of our objective to grow net income.

Shareholder engagement and governance

We believe it is appropriate to start to consider recruiting an additional member to the Picton board, particularly as we start to think about succession planning in the medium term and we expect to have concluded this appointment during 2017.

We are proposing, subject to approval from shareholders at the forthcoming annual general meeting, to introduce a new long-term incentive plan for our investment management team, which will increase their alignment with shareholders. In summary, the plan will be based on three year periods, with three performance metrics measured over each period. These metrics will be total shareholder return, total property return and EPRA earnings per share growth, measured against either robust long-term relative or absolute targets. Awards will be made in shares and will only vest if minimum threshold levels are met, increasing to a maximum for exceptional performance against all three metrics. The initial performance period for which awards will be made will be the three years ending 31 March 2019. We have consulted with major shareholders before finalising this plan and further details are included in the notice of the annual general meeting, which has already been sent to shareholders.

We would ask Shareholders to support all resolutions presented at the annual general meeting later this month.

We expect to hear very shortly the details of the government's proposals regarding the Base Erosion and Profit Shifting (BEPS) project, particularly any restrictions on the tax deductibility of interest expense. This is an area which may have an impact on many real estate companies including Picton and we are continuing to monitor the position, so we can react accordingly.

Outlook

As I stated in June, we are naturally more cautious in our outlook and in particular the disruption that might occur as a result of the UK's pending departure from the European Union and the impact of the recent US election. We are, however, equally of the view that opportunities are likely to arise as a result of these uncertainties. Asset backed investments which offer an attractive income profile, such as commercial property, will continue to be sought after in a low return environment. The pricing adjustment over the summer period has to some extent made commercial property more attractive and we are confident that we will be able to take advantage of these conditions and build on the progress not only of the last six months, but of recent years.

Nicholas Thompson
Chairman
14 November 2016

Investment manager's report

"In the six months to September the Picton portfolio returned 3.9%, outperforming the MSCI IPD Quarterly benchmark which delivered 0.2%."

Number of assets	57
Average lot size	£11.1m
Estimated rental value	£46.4m

Review of half year to September 2016

The primary focus over the period has been around the strategic disposals, enabling us to manage the Group's debt position. Both the sales of Boundary House EC3 and 1 Chancery Lane WC2 have allowed us to crystallise value following the significant asset management carried out and facilitate debt repayments within the Group. Our net gearing has continued to reduce, now standing at less than 30% following the repayment of the ZDPs after the period end, compared to over 50% three years ago. In addition we have entered into a new revolving credit facility during the period which provides further operational flexibility, and the ability to consider attractive opportunistic acquisitions.

The portfolio valuation increased by 0.6% during the period, against a market backdrop of falling values. Our outperformance was due to our low retail exposure, active management and leasing activity. This has balanced the negative valuation movements within the portfolio, primarily reflecting either more conservative leasing assumptions, weaker yields or a changed leasing position.

Although the occupational market has been more muted since the referendum, we are still seeing good demand across the country, evidenced by the volume of lettings completed. ERV growth in the portfolio has been positive in all sectors and we continue to transact in line with or ahead of ERV in the majority of cases.

Occupancy has reduced to 93%, primarily due to the two floors at 50 Farringdon Road EC1 which came back in August and are currently being marketed. The majority of the void is in the office portfolio (Farringdon Road and Angel Gate, London EC1 making up 46% of the total void) and the industrial sector where we have six units to let, four of which are under offer.

During the period, we concluded 22 lettings, adding £1.5 million per annum after incentives, which was on average 9% ahead of the March 2016 ERV. In addition 17 leases were renewed securing £0.9 million per annum, which is on average 6% ahead of the March 2016 ERV. £0.12 million per annum in additional income was secured from three rent reviews, the combined settlements being 12% ahead of the March 2016 ERV and 12% ahead of the preceding passing rent. In the six months to September the Picton portfolio returned 3.9%, outperforming the MSCI IPD Quarterly benchmark which delivered 0.2%. Capital growth for the portfolio was 0.2%, compared to the Benchmark which delivered -2.1%. The income return over the period was 3.7% compared with 2.3% for the Benchmark. Industrial was the best performing sector, followed by offices (driven by central London) and retail.

Annual contractual income fell from £40.4 million in March 2016 to £39.4 million in September 2016, with this fall entirely due to the sale of Boundary House in August 2016. Rental values grew by 1.5% on a like-for-like basis and stood at £46.4 million as at 30 September 2016.

The average lot size at the end of September 2016 was 5% higher than twelve months ago at £11.1 million but was 2% lower than six months ago, which also reflects the sale of Boundary House.

At 30 September 2016, the portfolio comprised 57 assets valued at £630.5 million, reflecting a net initial yield, based on contracted net income, of 5.7%. The ERV of the portfolio was £46.4 million, with a net reversionary yield of 6.9%.

The sector and geographic weightings at 30 September 2016 are set out adjacent, as well as the proforma sector weightings following two asset disposals in October.

Sector	Value (£m)	%	Annual Income (£m)	Occupancy (%)	No. of Assets
Industrial	238.6	37.8	14.5	94.3	17
Office	226.7	36.0	13.8	86.9	20
Retail and Leisure	165.2	26.2	11.1	99.4	20
Total Portfolio	630.5	100.0	39.4	92.6	57

Annual income above represents the contracted rent passing at the balance sheet date and therefore excludes leases in rent free periods. At 30 September 2016, £2.0 million of annual income was in rent free periods.

As at 30 September 2016, the weighted average lease length to first termination, based on headline annual rent, was 5.7 years.

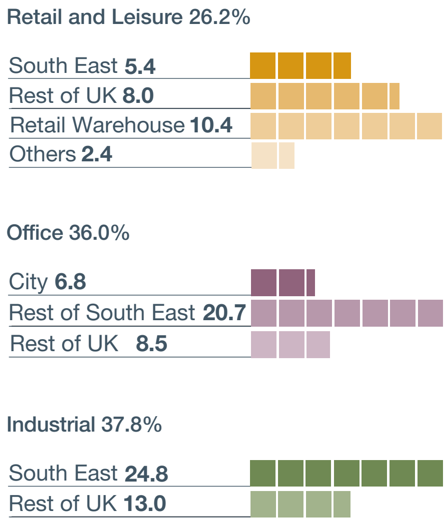
Our lease expiry profile to earliest termination is relatively balanced, having taken steps to smooth it in previous years. Income at risk in any one year ranges from 9.0% of total income in the first year to a maximum of 16.7% in the fourth year. Between the fifth and tenth years the income at risk represents 23.3% of total income. From the tenth year onwards the income at risk falls to 14.1%.

Lease Expiry Profile						
0-1 year	1-2 years	2-3 years	3-4 years	4-5 years	5-10 years	10 years +
9.0%	12.9%	12.4%	16.7%	11.6%	23.3%	14.1%

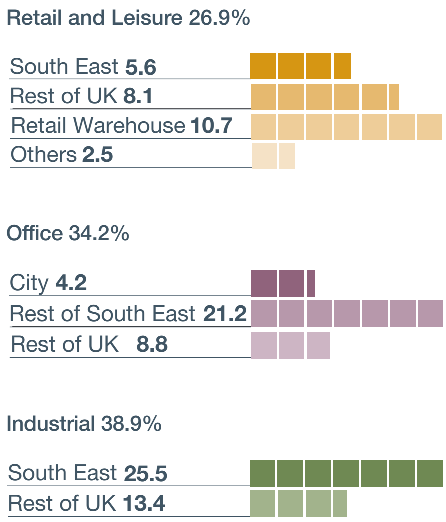
Economic backdrop

Post referendum, investment markets have been pricing in uncertainty. The consensus view is that UK growth is expected to slow in the coming quarters, however this is highly dependant on political decisions surrounding the result of the referendum, economic indicators such as inflation and employment levels and external global market factors. The result of the recent US presidential election is likely to heighten this period of uncertainty, although at this stage it is too early to assess any potential impact on the UK economy. There has already been, since the result, some upward yield movement in bond markets.

Sector split — 30 September 2016 (%)



Sector split – Proforma (%)



Investment manager's report

UK economy

The referendum result has had an impact on UK financial and economic markets. If uncertainty drags out for longer than anticipated by markets, then there is a possibility of a deeper slowdown in the economy. However as it stands, the fundamentals driving the economy are strong and recent figures on economic activity are encouraging. The Office of National Statistics estimated quarterly GDP growth for the third quarter of 2016 to be 0.5%, bringing estimates for GDP growth for the six months to September 2016 to 1.2%.

The unemployment rate during the period June to August 2016 was 4.9%, its lowest rate since July to September 2005, and also lower than the period January to March 2016, when it stood at 5.1%. There were 23 million people working full time in the same period, unchanged from the period January to March 2016. Average weekly earnings based on total pay in the three months to August compared to the period January to March 2016 rose by 1.3%.

Figures from the Office of National Statistics show that CPI inflation rose by 0.9% in the six months to September 2016 compared to a nil rise in the six months to March 2016. The current inflation target from the Monetary Policy Committee remains at 2.0%.

Ten year gilt yields currently look low by past comparison, at the end of September 2016 they stood at 0.7% compared to 1.5% at the end of March 2016. The Bank of England cut base rates from 0.5% to 0.25% in August 2016.

UK property market

Investment volumes were generally much lower in the run up to the referendum. Subsequently, selling pressure, primarily caused by redemptions in the open-ended funds, had an impact on market sentiment and contributed to falling capital values over the period.

The MSCI IPD Monthly Index shows a total return for All Property in the six months to September 2016 of -1.0%. Returns comprised -3.7% capital growth and 2.7% income return. Total returns for the industrial sector in the six months to September were 1.2%, which was the only sector to deliver positive returns in the period. Offices were the worst performing sector, falling by -2.5%, followed by retail at -1.4%.

The MSCI IPD Monthly Index shows that initial yields have moved from 4.9% in March 2016 to 5.2% in September 2016.

The result of the referendum impacted capital growth performance in June, July, August and September. Capital growth in the six months to September 2016 fell by -3.7% as opposed to the six months to March 2016 where capital growth was 1.5%. Rental growth recorded positive growth of 0.7% in the six months to September, albeit this was slower compared to 1.9% in the six months to March 2016.

The new IPD Financial Vacancy Rate calculation now includes geared and stepped leases and excludes assets with development. The MSCI IPD Index recorded an occupancy rate of 92.6% in September 2016, relatively unchanged from March 2016 which recorded 93.0%. The highest occupancy in September 2016 was recorded for retail at 95.6% (March 2016: 95.8%) followed by industrial at 93.8% (March 2016: 93.3%) and offices at 88.2% (March 2016: 89.2%).

According to Property Data, investment volumes in the six months to September 2016 fell by a third compared to the previous six months. Total investment fell from £32 billion in the six months to March 2016 to £22 billion in the six months to September 2016.

Official figures from the Bank of England showed total outstanding debt to commercial property at the end of August stood at £150.6 billion. At the end of August 2016, net new lending to property was £-0.3 billion compared to £1.5 billion in March 2016. This is consistent with the weak investment activity seen post referendum. The total stock of property as a percentage of outstanding debt fell to its lowest level since 2002.

Outlook

Occupational demand was particularly strong in the period up to the referendum vote but since then there has been signs of it slowing slightly. We remain confident that we provide space that meets occupiers' needs and have completed £0.9 million per annum of lettings since 23 June with a further £1 million per annum under offer.

We have taken a more conservative view on the central London office market and disposed of two assets, one of which was post period end, reducing our weighting to 13.4% as at 14 October. We have retained 50 Farringdon Road, which is our largest void and ideally placed next to Farringdon station which will be a Crossrail hub in 2018. We also hold Angel Gate in Islington, which has been repositioned and is highly reversionary. Both buildings have longer term development potential.

Although our occupancy has dipped to 93% primarily due to the space at Farringdon Road, we remain in line with the MSCI IPD occupancy benchmark. Space at 50 Farringdon Road, two units at River Way in Harlow and one unit at Lyon Business Park in Barking make up 63% of the total void. The industrial units in Harlow and Barking are under offer and we are confident of the letting prospects at 50 Farringdon Road. Based on current vacancies, it is pleasing to note that over 90% of the void, weighted by ERV, has been vacant for less than three months.

Activity within the portfolio remains encouraging across all sectors which has enabled us to maintain values over the period and to outperform the MSCI IPD Quarterly Benchmark over one, three, five and ten years.

Investment markets now appear to be stabilising and a number of open ended funds are now free from redemption restrictions, which is a positive sign, further reinforced by the fund flow numbers recently produced by the Investment Association. Our own recent disposals, which were ahead of valuation, also support this.

The heterogeneous nature of the commercial property market means that there will always be opportunities to exploit mispricing, especially in more volatile markets. As we have demonstrated, our patient, structured approach to investment and active management continues to deliver outperformance. We believe our portfolio strategy, focus on income, overweight position to the better performing industrial sector and our strong occupier focus is entirely appropriate for current market conditions.

Picton Capital Limited
14 November 2016

Top ten assets

The largest assets in the portfolio as at 30 September 2016, ranked by capital value, represent 47% of the total portfolio valuation and are detailed below:

	Sector	Tenure	Approximate Area (sq ft)
Parkbury Industrial Estate, Radlett	Industrial	Freehold	336,700
River Way Industrial Estate, Harlow	Industrial	Freehold	455,000
Angel Gate Office Village, City Road, London EC1	Office	Freehold	64,500
Stanford House, Long Acre, London WC2	Retail	Freehold	19,700
50 Farringdon Road, London EC1	Office	Leasehold	32,000
Belkin Unit, Shipton Way, Rushden	Industrial	Leasehold	312,850
30 & 50 Pembroke Court, Chatham	Office	Leasehold	86,300
B&Q, Queens Road, Sheffield	Retail Warehouse	Freehold	103,000
Phase II, Parc Tawe Retail Park, Swansea	Retail Warehouse	Leasehold	116,700
Metro Building, Manchester	Office	Freehold	71,000

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 2016, are summarised below:

	Occupier	%
1	Belkin Limited	4.0
2	DHL Supply Chain Limited	3.5
3	B&Q Plc	2.9
4	Snorkel Europe Limited	2.6
5	The Random House Group Limited	2.4
6	Cadence Design Systems Limited	2.3
7	Portal Chatham LLP	2.1
8	Edward Stanford Limited	1.9
9	XMA Limited	1.6
10	Ricoh UK Limited	1.5
	Total	24.8

Investment manager's report

Industrial portfolio

Portfolio key metrics

	30 September 2016	30 September 2015	31 March 2016
Value	**£238.6 million**	£227.5 million	£236.6 million
Internal Area	**2,730,000 sq ft**	2,738,000 sq ft	2,745,200 sq ft
Annual Rental Income	**£14.5 million**	£14.5 million	£14.4 million
Estimated Rental Value	**£16.7 million**	£16.1 million	£16.8 million
Occupancy	**94.3%**	95.4%	94.2%
Number of Assets	**17**	18	18

The industrial portfolio has performed well during the period, with 0.8% valuation growth. Occupancy has increased slightly to 94.3% and activity remains robust. The distribution portfolio remains fully leased and we have only six vacant multi-let units out of 125, four of which are under offer.

Whilst there have been no noteworthy acquisitions or disposals during the period, a small piece of land was acquired in Oldham as part of a larger transaction for £80,000, where we secured a change of use from industrial to leisure which accounts for the reduction in the number of assets held within the sector. This allowed us to secure The Gym Group on a 15 year lease at a rent of £0.15 million per annum, 50% ahead of its ERV as a industrial unit, leading to a net valuation uplift of £0.22 million or 18% over the period.

At one of our larger multi-let estates, River Way in Harlow, four units came back in the summer totalling 140,000 sq ft. We pre-let two of the units via Agreements to Lease for a combined rent of £0.4 million per annum, with the lease commencement dates being the day after the current leases expired. The new occupiers took the units in existing condition and we have secured dilapidations of £0.1 million from the outgoing occupier. We completed a lease to BOC on our largest industrial void, a 55,000 sq ft unit, post period end on a straight ten year lease at a rent of £0.35 million per annum. We have one further vacant unit on the estate which is under offer, subject to planning.

In Washington at our 250,000 sq ft distribution unit, we secured an uplift of £0.11 million at the June 2016 rent review, 12% above ERV, increasing the passing rent to £1.12 million per annum. This unit is let until 2031.

Both the vacant units at The Business Centre in Wokingham were let, at a combined rent of £68,000 per annum, 8% ahead of ERV. We modernised the exterior of one of the units and we will be looking to roll the scheme out to the rest of the estate with occupier buy-in. On the same estate, we renewed a lease of a smaller unit for a term of five years (subject to break) at £30,000 per annum, 16% ahead of ERV.

All of the smaller units at Lyon Business Park, Barking have been let securing £71,800 per annum, in line with ERV. We have also completed, post period end, an Agreement to Lease on unit O, our second largest industrial void, securing a minimum of five years at a rent of £0.25 million per annum, 17% ahead of ERV with a nominal rent free period. Following completion of the lease in December, the estate will be fully let.

Further activity took place at the following properties:

- In Cardiff, where we own a industrial unit adjacent to our office holding, we secured a 20% uplift at review securing £27,000 per annum which was also 20% ahead of ERV.
- At Datapoint in East London we removed a 2018 break clause in an occupier's lease, securing £50,000 per annum (subject to review) to expiry in 2023 in return for a small rent free period.

We have seen valuation growth and stable ERVs over the period and expect this sector to continue to perform well due to the good occupational demand and low vacancy levels.

Office portfolio

Portfolio key metrics

	30 September 2016	30 September 2015	31 March 2016
Value	**£226.7 million**	£217.0 million	£252.1 million
Internal Area	**951,400 sq ft**	929,400 sq ft	999,400 sq ft
Annual Rental Income	**£13.8 million**	£14.1 million	£14.8 million
Estimated Rental Value	**£18.4 million**	£17.5 million	£19.9 million
Occupancy	**86.9%**	92.4%	95.8%
Number of Assets	**20**	20	21

Activity within the office portfolio was dominated by our central London office disposals, with Boundary House, London EC3 sold in August, as detailed below. Following the end of the period 1 Chancery Lane, London WC2 was sold for £17.25 million, further reducing our central London office exposure. We have seen positive occupational demand in the regional office sector and continue to secure rents in line or indeed ahead of ERV.

Following significant asset management, the sale of Boundary House, London EC3 completed on 30 August 2016 for £27.8 million, 1% ahead of the March 2016 valuation and 13% ahead of the September 2015 valuation. Prior to the sale, we surrendered a lease expiring in 2017 where the occupier was paying £38,000 per annum. The occupier paid a surrender premium of £75,000 and left their fit out in place. The suite was re-let in the same month, without any works being carried out, on a five year term at a rent of £78,750 per annum, 32% ahead of ERV and setting a new rental tone in the building of £50 per sq ft. We let another suite on a five year lease (subject to break) at a rent of £80,000 per annum, 25% ahead of ERV. In addition and in a separate transaction the Company, prior to the sale, secured a payment of £0.67 million from a nearby owner in respect of a Rights of Light claim.

At the end of August we had two floors returned to us at 50 Farringdon Road, London EC1 and, based on current advice, we expect to let the space some 60% ahead of the rent paid by the outgoing tenant. This space accounts for 40% of the total void.

8/9 Angel Gate, which was substantially refurbished over the summer, was let on a ten year lease (subject to break) at a rent of £0.15 million per annum, in line with ERV. In other transactions at this property, we renewed two leases increasing the combined rent by 33% to £0.12 million per annum in line with ERV and surrendered two leases where the occupiers were paying £24 per sq ft. These units will be refurbished and re-let for approaching £50 per sq ft.

At Trident House in St. Albans we completed two lettings on the refurbished first floor, securing a combined rent of £0.21 million per annum, 15% ahead of ERV and setting a new tone for the property at £34.50 per sq ft. We believe this to be the highest rent achieved in the St. Albans office market.

One of our occupiers took a new five year lease of a floor at 180 West George Street in Glasgow, at a rent of £0.16 million per annum, 12% ahead of ERV and setting a new rental tone for the property at £26 per sq ft. We expected this occupier to vacate on lease expiry when we purchased the property last year and are pleased to have retained them. We have two floors coming back at the end of the year, which we anticipated on purchase. These floors and the common areas will be comprehensively refurbished to offer some of the best office space in the central Glasgow market in 2017.

Further activity took place at the following properties:

- At Queens House, Glasgow five leases were renewed securing a combined £0.10 million (14% ahead of ERV)
- In Longcross Court, Cardiff a suite was let for £45,000 per annum (5% ahead of ERV)
- At Colchester Business Park two suites were let for a combined £38,000 per annum (4% ahead of ERV) and a further two occupiers renewed securing £152,800 per annum (in line with ERV)

50 Farringdon Road is our largest void, now ready for immediate occupation, followed by two small office buildings, totalling 30,000 sq ft, in Bracknell.

Investment manager's report

Retail and leisure portfolio

Portfolio key metrics

	30 September 2016	30 September 2015	31 March 2016
Value	**£165.2 million**	£170.4 million	£165.9 million
Internal Area	**849,100 sq ft**	835,300 sq ft	830,700 sq ft
Annual Rental Income	**£11.1 million**	£11.7 million	£11.2 million
Estimated Rental Value	**£11.3 million**	£10.9 million	£10.9 million
Occupancy	**99.4%**	99.6%	99.4%
Number of Assets	**20**	20	19

Our retail portfolio remains almost fully let, with only four small shops available to lease with a combined ERV of £68,000 per annum. No acquisitions or disposals were made during the period, however, the property at Manchester Road, Oldham has now been reclassified from industrial to leisure following completion of a lease to The Gym Limited, referred to earlier.

The principal transaction was the £5.25 million settlement in relation to a dispute at the Strathmore Hotel, Luton. The existing valuation and leasing arrangement at this asset remained unchanged and as such has had a significant impact on performance.

At Gloucester Retail Park we proactively surrendered Carpetright's lease in order to secure Pure Gym who took a ten year lease at a rent of £0.14 million per annum, 32% ahead of ERV. This transaction was conditional on obtaining planning consent and various Landlord works which were concluded during the period. In a separate transaction, we are pleased to confirm we have now received planning for a pod unit in the car park which, once developed, will be let to a Starbuck's franchisee on a ten year lease at £60,000 per annum. An Agreement for Lease is in place.

Further activity took place at the following properties:

- At the Crown & Mitre complex, Carlisle, two leases were renewed securing a combined £42,000 per annum (8% ahead of ERV)
- At Kings Heath, Birmingham we let a unit for £39,500 per annum (22% ahead of ERV)
- In Longcross Court, Cardiff a retail unit (which was surrendered in March for a surrender premium of £25,000 where the former occupier was paying £18,900 per annum) was let without refurbishment for £27,300 per annum (82% ahead of ERV)

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 'Risk Management' within the Strategic Report in the Company's Annual Report for the year ended 31 March 2016. 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 Investment Manager's Report (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 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 maintenance and integrity of the Picton Property Income Limited website is the responsibility of the Directors; the work carried out by the auditor does not involve consideration of these matters and, accordingly, the auditor accepts no responsibility for any changes that may have occurred to the financial statements or audit report since they were initially presented on the website.

By Order of the Board

Robert Sinclair
Director
14 November 2016

Condensed consolidated statement of comprehensive income

for the half year ended 30 September 2016

	Note	Income £000	Capital £000	**6 months ended 30 September 2016 unaudited Total £000**	6 months ended 30 September 2015 unaudited Total £000	Year ended 31 March 2016 audited Total £000
Income						
Revenue from properties	3	29,894	–	**29,894**	22,610	45,923
Property expenses	4	(5,324)	–	**(5,324)**	(4,523)	(10,001)
Net property income		24,570	–	**24,570**	18,087	35,922
Expenses						
Management expenses		(1,610)	–	**(1,610)**	(1,417)	(2,901)
Other operating expenses		(681)	–	**(681)**	(828)	(1,510)
Total operating expenses		(2,291)	–	**(2,291)**	(2,245)	(4,411)
Operating profit before movement on investments		22,279	–	**22,279**	15,842	31,511
Gains and (losses) on investments						
Profit/(loss) on disposal of investment properties	9	–	(570)	**(570)**	505	799
Investment property valuation movements	9	–	266	**266**	21,493	44,171
Total gains/(losses) on investments		–	(304)	**(304)**	21,998	44,970
Operating profit		22,279	(304)	**21,975**	37,840	76,481
Financing						
Interest receivable		35	–	**35**	109	144
Interest payable		(6,018)	–	**(6,018)**	(5,794)	(11,561)
Total finance costs		(5,983)	–	**(5,983)**	(5,685)	(11,417)
Profit/(loss) before tax		16,296	(304)	**15,992**	32,155	65,064
Tax		(334)	–	**(334)**	(216)	(216)
Total comprehensive income/(loss)		15,962	(304)	**15,658**	31,939	64,848
Earnings per share						
Basic and diluted	7	3.0p	(0.1)p	**2.9p**	5.9p	12.0p

The total column of this statement represents the Group's Condensed Consolidated Statement of Comprehensive Income. The supplementary income return and capital return columns are both prepared under guidance published by the Association of Investment Companies. All items in the above statement derive from continuing operations.

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 2016

	Note	Share Capital £000	Retained Earnings £000	Total £000
Balance as at 31 March 2015		157,313	212,657	369,970
Issue costs of shares		136	–	136
Profit for the period		–	31,939	31,939
Dividends paid	6	–	(8,911)	(8,911)
Balance as at 30 September 2015		157,449	235,685	393,134
Profit for the period		–	32,909	32,909
Dividends paid	6	–	(8,911)	(8,911)
Balance as at 31 March 2016		157,449	259,683	417,132
Profit for the period		–	15,658	15,658
Dividends paid	6	–	(8,911)	(8,911)
Balance as at 30 September 2016		**157,449**	**266,430**	**423,879**

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

Condensed consolidated balance sheet

As at 30 September 2016

	Note	30 September 2016 unaudited £000	30 September 2015 unaudited £000	31 March 2016 audited £000
Non-current assets				
Investment properties	9	**621,149**	606,302	646,018
Tangible assets		**34**	77	57
Accounts receivable		**3,470**	3,558	3,331
Total non-current assets		**624,653**	609,937	649,406
Current assets				
Accounts receivable		**21,208**	15,513	14,649
Cash and cash equivalents		**35,302**	20,341	22,759
Total current assets		**56,510**	35,854	37,408
Total assets		**681,163**	645,791	686,814
Current liabilities				
Accounts payable and accruals		**(21,246)**	(17,550)	(18,321)
Loans and borrowings	10	**(30,115)**	(1,034)	(29,091)
Obligations under finance leases		**(109)**	(105)	(109)
Total current liabilities		**(51,470)**	(18,689)	(47,521)
Non-current liabilities				
Loans and borrowings	10	**(204,098)**	(232,245)	(220,444)
Obligations under finance leases		**(1,716)**	(1,723)	(1,717)
Total non-current liabilities		**(205,814)**	(233,968)	(222,161)
Total liabilities		**(257,284)**	(252,657)	(269,682)
Net assets		**423,879**	393,134	417,132
Equity				
Share capital	11	**157,449**	157,449	157,449
Retained earnings		**266,430**	235,685	259,683
Total equity		**423,879**	393,134	417,132
Net asset value per share	13	**78p**	73p	77p

These condensed consolidated financial statements were approved by the Board of Directors on 14 November 2016 and signed on its behalf by:

Robert Sinclair
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 2016

	Note	6 months ended 30 September 2016 unaudited £000	6 months ended 30 September 2015 unaudited £000	Year ended 31 March 2016 audited £000
Operating activities				
Operating profit		**21,975**	37,840	76,481
Adjustments for non-cash items	12	**327**	(21,973)	(44,925)
Interest received		**35**	109	144
Interest paid		**(4,702)**	(4,502)	(8,980)
Tax paid		**(91)**	(133)	(426)
Increase in receivables		**(7,087)**	(1,494)	(712)
Increase in payables		**2,710**	1,254	2,439
Cash inflows from operating activities		**13,167**	11,101	24,021
Investing activities				
Acquisition of investment properties	9	**–**	(54,611)	(73,084)
Capital expenditure on investment properties	9	**(2,507)**	(2,924)	(4,403)
Disposal of investment properties		**27,602**	6,157	9,365
Purchase of tangible assets		**–**	(1)	(1)
Cash inflows/(outflows) from investing activities		**25,095**	(51,379)	(68,123)
Financing activities				
Borrowings repaid		**(16,323)**	(500)	(1,011)
Borrowings drawn		**–**	–	15,800
Financing costs		**(485)**	(198)	(198)
Issue costs of ordinary shares		**–**	136	–
Dividends paid	6	**(8,911)**	(8,911)	(17,822)
Cash outflows from financing activities		**(25,719)**	(9,473)	(3,231)
Net increase/(decrease) in cash and cash equivalents		**12,543**	(49,751)	(47,333)
Cash and cash equivalents at beginning of period/year		**22,759**	70,092	70,092
Cash and cash equivalents at end of period/year		**35,302**	20,341	22,759

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 2016

1. General information

Picton Property Income Limited (the "Company" and together with its subsidiaries the "Group") was registered on 15 September 2005 as a closed ended Guernsey investment company.

The financial statements are prepared for the period from 1 April to 30 September 2016, with unaudited comparatives for the period from 1 April to 30 September 2015. Comparatives are also provided from the audited financial statements for the year ended 31 March 2016.

The financial information for the year ended 31 March 2016 is derived from the financial statements delivered to the UK Listing Authority and does not constitute statutory accounts.

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 Company as at and for the year ended 31 March 2016.

The accounting policies applied by the Company in these financial statements are the same as those applied by the Company in its financial statements as at and for the year ended 31 March 2016.

The annual financial statements of the Company are prepared in accordance with International Financial Reporting Standards ('IFRS') as adopted by the IASB. There have been no significant changes to management judgement and estimates.

3. Revenue from properties

	6 months ended 30 September 2016 £000	6 months ended 30 September 2015 £000	Year ended 31 March 2016 £000
Rents receivable (adjusted for lease incentives)	**20,730**	19,224	39,663
Surrender premiums	**213**	102	339
Dilapidation receipts	**155**	13	108
Other income	**6,005**	647	660
Service charge income	**2,791**	2,624	5,153
	29,894	22,610	45,923

Rents receivable includes lease incentives recognised of £0.9 million (30 September 2015: £0.7 million, 31 March 2016: £1.2 million).

4. Property expenses

	6 months ended 30 September 2016 £000	6 months ended 30 September 2015 £000	Year ended 31 March 2016 £000
Property operating expenses	**1,468**	1,201	3,308
Property void costs	**1,065**	698	1,540
Recoverable service charge costs	**2,791**	2,624	5,153
	5,324	4,523	10,001

5. Operating segments

The Board is charged with setting the Company's investment policy and strategy in accordance with the Company's investment restrictions and overall objectives. 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 57 commercial properties, which are in the industrial, office, retail, retail warehouse and leisure sectors.

6. Dividends

Declared and paid:	**6 months ended 30 September 2016 £000**	6 months ended 30 September 2015 £000	Year ended 31 March 2016 £000
Interim dividend for the period ended 31 March 2015: 0.825 pence	**–**	4,455	4,455
Interim dividend for the period ended 30 June 2015: 0.825 pence	**–**	4,456	4,455
Interim dividend for the period ended 30 September 2015: 0.825 pence	**–**	–	4,456
Interim dividend for the period ended 31 December 2015: 0.825 pence	**–**	–	4,456
Interim dividend for the period ended 31 March 2016: 0.825 pence	**4,455**	–	–
Interim dividend for the period ended 30 June 2016: 0.825 pence	**4,456**	–	–
	8,911	8,911	17,822

The interim dividend of 0.825 pence per ordinary share in respect of the period ended 30 September 2016 has not been recognised as a liability as it was declared after the period end. A dividend of £4,455,000 will be paid on 30 November 2016.

7. Earnings per share

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

	6 months ended 30 September 2016	6 months ended 30 September 2015	Year ended 31 March 2016
Net profit attributable to ordinary shareholders of the Company from continuing operations (£000)	**15,658**	31,939	64,848
Weighted average number of ordinary shares for basic and diluted profit/(loss) per share	**540,053,660**	540,053,660	540,053,660

Notes to the condensed consolidated financial statements

for the half year ended 30 september 2016

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. The fair value of the zero dividend preference shares issued by the Group is included in Level 1.

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 2016.

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 2016.

9. Investment properties

	6 months ended 30 September 2016 £000	6 months ended 30 September 2015 £000	Year ended 31 March 2016 £000
Fair value at start of period/year	**646,018**	532,926	532,926
Acquisitions	**–**	54,611	73,084
Capital expenditure on investment properties	**2,507**	2,924	4,403
Disposals	**(27,072)**	(6,157)	(9,365)
Realised gains on disposal	**–**	505	799
Realised losses on disposal	**(570)**	–	–
Unrealised gains on investment properties	**7,336**	25,450	51,125
Unrealised losses on investment properties	**(7,070)**	(3,957)	(6,954)
Fair value at the end of the period/year	**621,149**	606,302	646,018
Historic cost at the end of the period/year	**670,047**	668,297	685,499

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

	30 September 2016 £000	30 September 2015 £000	31 March 2016 £000
Appraised value	**630,460**	614,940	654,605
Valuation of assets held under finance leases	**1,701**	1,219	1,731
Lease incentives held as debtors	**(11,012)**	(9,857)	(10,318)
Fair value at the end of the period/year	**621,149**	606,302	646,018

As at 30 September 2016, 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 2016 on the basis of fair value in accordance with the RICS Valuation – Professional Standards (2014). 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 14 of the consolidated financial statements of the Group for the year ended 31 March 2016.

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 2016 £000	30 September 2015 £000	31 March 2016 £000
Current				
Aviva facility	–	**1,080**	1,034	1,057
Zero dividend preference shares	15 October 2016	**29,035**	–	28,034
		30,115	1,034	29,091
Non-current				
Santander revolving credit facility	25 March 2018	**–**	–	15,800
Canada Life facility	20 July 2022	**33,718**	33,718	33,718
Canada Life facility	24 July 2027	**80,000**	80,000	80,000
Aviva facility	24 July 2032	**90,380**	91,460	90,926
Zero dividend preference shares	15 October 2016	**–**	27,067	–
		204,098	232,245	220,444
		234,213	233,279	249,535

In 2012, the Group entered into loan facilities with Canada Life Limited and Aviva Commercial Finance Limited for £113.7 million and £95.3 million respectively. The facility with Canada Life has a term of 15 years, with £33.7 million repayable on the tenth anniversary of drawdown. The Aviva facility has a term of 20 years with approximately one third repayable over the life of the loan in accordance with a scheduled amortisation profile.

The fair value of the secured loan facilities at 30 September 2016, estimated as the present value of future cash flows discounted at the market rate of interest at that date, was £235.3 million (30 September 2015: £221.6 million, 31 March 2016: £243.1 million). The fair value of the secured loan facilities is classified as Level 2 under the hierarchy of fair value measurements.

The Group has 22,000,000 zero dividend preference shares (ZDPs) in issue. These accrue additional capital at a rate of 7.25% per annum, resulting in a final capital entitlement at maturity of 132.3 pence per share. The fair value of the ZDPs at 30 September 2016, based on the quoted market price at that date, was £28.8 million (30 September 2015: £28.0 million, 31 March 2016: £28.2 million). The fair value of the ZDPs is classified as Level 1 under the hierarchy of fair value measurements. The ZDPs were repaid in full on 14 October 2016 for £29.1 million.

The weighted average interest rate on the Group's borrowings as at 30 September 2016 was 4.59% (30 September 2015: 4.57%, 31 March 2016: 4.43%).

11. Share capital

The Company has 540,053,660 ordinary shares in issue of no par value (30 September 2015: 540,053,660, 31 March 2016: 540,053,660).

The balance on the Company's share premium account as at 30 September 2016 was £157,449,000 (30 September 2015: £157,449,000, 31 March 2016: £157,449,000).

Notes to the condensed consolidated financial statements

for the half year ended 30 september 2016

12. Adjustment for non-cash movements in the cash flow statement

	6 months ended 30 September 2016 £000	6 months ended 30 September 2015 £000	Year ended 31 March 2016 £000
(Profit)/loss on disposal of investment properties	**570**	(505)	(799)
Investment property valuation movements	**(266)**	(21,493)	(44,171)
Depreciation of tangible assets	**23**	25	45
	327	(21,973)	(44,925)

13. Net asset value

The net asset value per ordinary share is based on net assets at the period end and 540,053,660 (30 September 2015: 540,053,660, 31 March 2016: 540,053,660) ordinary shares, being the number of ordinary shares in issue at the period end.

At 30 September 2016, the Company had a net asset value per ordinary share of £0.78 (30 September 2015: £0.73, 31 March 2016: £0.77).

14. Related party transactions

The total fees earned during the period by the five Directors of the Company were £103,000 (30 September 2015: £121,000, 31 March 2016: £223,500). As at 30 September 2016 the Group owed £nil to the Directors (30 September 2015 and 31 March 2016: £nil).

Picton Property Income Limited has no controlling parties.

15. Events after the balance sheet date

A dividend of £4,455,000 (0.825 pence per share) was approved by the Board on 24 October 2016 and is payable on 30 November 2016.

The Group has completed the disposal of two properties since 30 September 2016 for proceeds of £17.7 million.

The zero dividend preference shares were repaid in full on 14 October 2016 for £29.1 million and Picton ZDP Limited was delisted from the London Stock Exchange on 17 October 2016.

Independent review report
to Picton property income limited (the "Company")

Introduction
We have been engaged by the Company to review the condensed set of financial statements in the Half Year Report for the six months ended 30 September 2016 which comprises the Condensed Consolidated Statement of Comprehensive Income, the Condensed Consolidated Statement of Changes in Equity, the Condensed Consolidated Balance Sheet, the Condensed Consolidated Statement of Cash Flows and the related explanatory notes. We have read the other information contained in the Half Year Report and considered whether it contains any apparent misstatements or material inconsistencies with the information in the condensed set of financial statements.

This report is made solely to the Company in accordance with the terms of our engagement to assist the Company in meeting the requirements of the Disclosure and Transparency Rules ("the DTR") of the UK's Financial Conduct Authority ("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.

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

As disclosed in note 2, the annual financial statements of the Company are prepared in accordance with IFRS. The condensed set of financial statements included in this Half Year Report has been prepared in accordance with IAS 34 'Interim Financial Reporting'.

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

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. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (UK and Ireland) 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.

Conclusion
Based on our review, nothing has come to our attention that causes us to believe that the condensed set of financial statements in the Half Year Report for the six months ended 30 September 2016 is not prepared, in all material respects, in accordance with IAS 34 and the DTR of the UK FCA.

Neale D Jehan
For and on behalf of KPMG Channel Islands Limited
Chartered Accountants
Guernsey
14 November 2016

Shareholder Information

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Vic Holmes
Roger Lewis
Michael Morris
Robert Sinclair

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

Website
The Company has a corporate website which holds, amongst other information, a copy of our latest annual report and accounts, a list of properties held by the Group and copies of all press announcements released over the last five years.

The site can be found at: **www.picton.co.uk**

Glossary

AIC	Association of Investment Companies.
Annual rental income	Cash rents passing at the Balance Sheet date.
Contracted rent	The contracted gross rent receivable which becomes payable after all the occupier incentives in the letting have expired.
DTR	Disclosure and Transparency Rules, issued by the United Kingdom Listing Authority.
Dividend cover	Income profit after tax divided by dividends paid.
Earnings per share (EPS)	Profit for the period attributable to equity shareholders divided by the average number of shares in issue during the period.
EPRA	European Public Real Estate Association, the industry body representing listed companies in the real estate sector.
Estimated rental value (ERV)	The external valuers' opinion as to the open market rent which, on the date of the valuation, could reasonably be expected to be obtained on a new letting or rent review of a property.
Fair value	The estimated amount for which a property should exchange on the valuation date between a willing buyer and a willing seller in an arm's length transaction after the proper marketing and where parties had each acted knowledgeably, prudently and without compulsion.
Fair value movement	An accounting adjustment to change the book value of an asset or liability to its fair value.
FRI lease	A lease which imposes full repairing and insuring obligations on the tenant, relieving the landlord from all liability for the cost of insurance and repairs.
Gearing	Total assets, less cash, dividend by shareholders' funds, expressed as a percentage, as defined by the AIC.
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.
IPD	Investment Property Databank. An organisation supplying independent market indices and portfolio benchmarks to the property industry.
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.
NAV	Net Asset Value is the equity attributable to shareholders calculated under IFRS.
Ongoing charges ratio	Total operating expenses, excluding one-off costs, as a percentage of the average net asset value over the period, as defined by the AIC.
Over-rented	Space where the passing rent is above the ERV.
Property income return	The ungeared income return of the portfolio as calculated by IPD.
Rack-rented	Space where the passing rent is the same as the ERV.
Reversionary yield	The estimated rental value as a percentage of the gross property value.
Weighted average debt maturity	Each tranche of Group debt is multiplied by the remaining period to its maturity and the result is divided by total Group debt in issue at the period end.
Weighted average interest rate	The Group loan interest per annum at the period end, divided by total Group debt in issue at the period end.
Weighted average lease term	The average lease term remaining to first break, or expiry, across the portfolio weighted by contracted rental income (including rent-frees).
ZDP	Zero dividend preference share.
ZDP share cover	The Group's net asset value, including any accrued ZDP capital additions, divided by the final ZDP liability on their maturity.

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