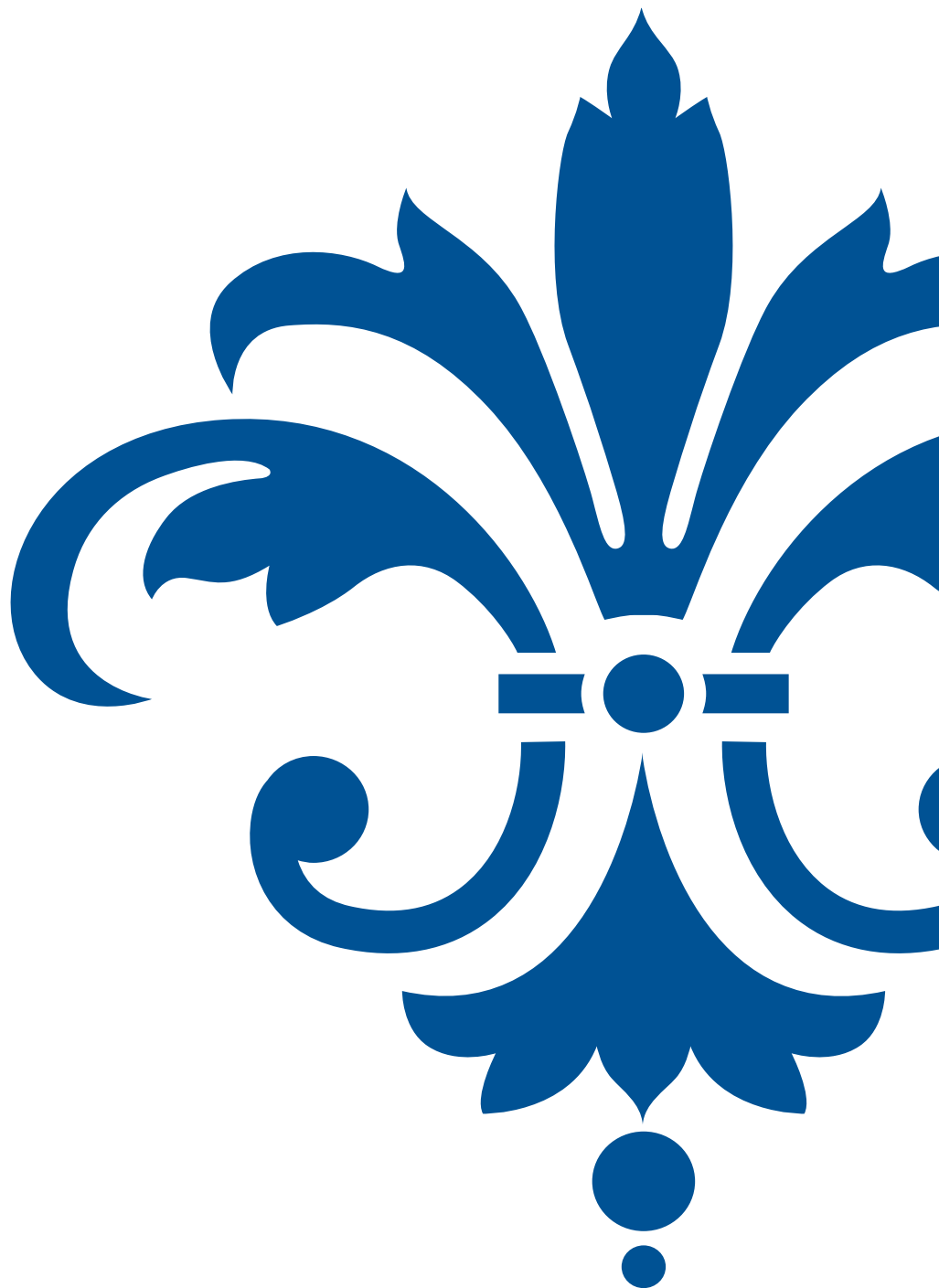




Custodian
REIT PLC



Custodian REIT plc (“Custodian REIT” or “the Company”) is a UK real estate investment trust (“REIT”), which listed on the main market of the London Stock Exchange on 26 March 2014 (“Admission”). Its portfolio comprises properties predominantly let to institutional grade tenants on long leases throughout the UK and is characterised by small lot sizes, with individual property values of less than £7.5 million at acquisition.

The Company¹ offers investors the opportunity to access a diversified portfolio of UK commercial real estate through a closed-ended fund. By targeting smaller lot size properties, the Company intends to provide investors with an attractive level of income with the potential for capital growth.

For more information, please visit www.custodianreit.com

Strategic Report		Governance		Financial statements	
1	Financial highlights and performance summary	30	Board of Directors	48	Consolidated and Company statement of comprehensive income
2	Chairman’s statement	31	Key Investment Manager personnel		
6	Investment Manager’s report	32	Governance report	49	Consolidated statement of financial position
12	Our portfolio	35	Audit Committee report	50	Company statement of financial position
14	Our portfolio by sector	37	Directors’ remuneration report	51	Consolidated and Company statement of cash flows
24	Business model and strategy	39	Directors’ report	52	Consolidated and Company statement of changes in equity
28	Principal risks and uncertainties	42	Directors’ responsibilities statement	53	Notes to the financial statements
		43	Independent auditor’s report		
				68	Company information
				I.B.C	Financial calendar

¹ References to the Company in the Strategic Report include the Company and its dormant subsidiary.

FINANCIAL HIGHLIGHTS AND PERFORMANCE SUMMARY

- Net asset value (“NAV”) total return² of 7.0% since Admission
- Share price total return³ of 13.3% on issue price
- NAV per share up 3.2% to 101.3p (Admission: 98.2p)
- Portfolio value £207.3m (Admission: £95.2m)
- £107.6m invested in 39 acquisitions completed during the period
- Average portfolio net initial yield 7.2%, unexpired lease term 7.2 years, occupancy rate 99.1%
- £47.6m⁴ of new equity raised since Admission at average premium of 5% to NAV
- Profit before tax of £8.7m
- Total dividends paid of 3.75p per share, proposed Q4 dividend of 1.50p per share
- Dividend cover⁵ of 104%
- Net gearing⁶ of 11.4%

	Period ended 31 March 2015	At Admission	% change
Total return			
NAV total return	7.0%		
Share price total return	13.3%		
IPD all property return	17.1%		
Dividends paid (p per share)	3.75		
Earnings per share (p)	6.0		
Dividend cover	104%		
Capital values			
NAV (£m)	180.0	129.5	38.8
NAV per share (p)	101.3	98.2	3.0
Ordinary share price (p)	109.5	100.0 ⁷	9.0
Premium to NAV per share	8.1%	1.8%	3.6
Investment property portfolio valuation ⁸ (£m)	207.3	95.2	117.4
Net gearing	11.4%	Nil	n/a
Costs			
Ongoing charges ratio ⁹	1.7%		
Ongoing charges ratio excluding direct property expenses ¹⁰	1.4%		

² NAV movement including dividends paid.

³ Increase in share price, including dividends paid.

⁴ Before costs and expenses of £0.6 million.

⁵ Realised profit for the period, excluding exceptional items, divided by dividends paid and proposed for the period.

⁶ Gross borrowings less unrestricted cash divided by property portfolio valuation.

⁷ Issue price.

⁸ Includes impact of gearing.

⁹ Expenses (excluding exceptional costs and operating expenses of rental property rechargeable to tenants) divided by average quarterly NAV.

¹⁰ Expenses (excluding exceptional costs and operating expenses of rental property) divided by average quarterly NAV.

CHAIRMAN'S STATEMENT

“We completed £107.6 million of high quality acquisitions in the period, more than doubling the size of the Initial Portfolio”



I am pleased to report the Company's first annual results since its successful Admission to the premium segment of the main market of the London Stock Exchange on 26 March 2014.

The Company was seeded with a £95.2 million portfolio (“the Initial Portfolio”), and raised £55 million of new money on Admission, plus another £47.6 million via further share issues in October 2014 and February 2015. As at 31 March 2015 these funds had been fully deployed together with £24.3 million of debt.

The Board's initial objective was to invest the new monies raised on Admission promptly, minimising cash drag to ensure the target dividend of 5.25 pence per share for the period was fully covered, while enhancing NAV. The Board has appointed Custodian Capital Limited as the Company's external investment manager (“the Investment Manager”) and were delighted this initial objective was achieved by 30 September 2014, the end of the first half year.

In the second half our objective was to grow the fund to take advantage of the economies of scale offered by the Company's relatively fixed cost base while maintaining both the quality of property and length of income, with fully covered target dividends.

Against this backdrop we completed £107.6 million of high quality acquisitions in the period, more than doubling the size of the Initial Portfolio, and demonstrating the continuing success of the Company's strategy of focusing on smaller lots in strong, regional markets.

Share price
total return

13.3%
for the year



Whistles, CHESTER

Market

Custodian REIT was one of only a few REITs to launch successfully in 2014. A combination of market timing, matched with the strong appeal of the Company's strategy to target single-let, smaller lot sized regional assets with low gearing and an attractive level of income return, met with investor approval.

When the UK REIT regime was established in 2007 the principal focus was the conversion of existing listed property companies into REITs. However, the onset of the global financial crisis meant the creation of new REITs all but dried up. 2014 marked a turning point, spurred on by removal of the 2% REIT conversion charge in the 2012 Finance Act. Since then, new REITs have been established and off-shore listed funds have been converting to on-shore REITs, with a pipeline of new and exciting opportunities in the REIT arena.

Going forward I believe REITs may become the default choice for many institutional investors, discretionary wealth managers and private clients looking to invest in the property market.

Net Asset Value

The Company delivered NAV total return of 7.0% for the period, in line with the Board's expectations. This was a period of significant new investment, where the initial costs (primarily stamp duty) of acquiring 39 new properties diluted the overall portfolio NAV total return by circa 4%.

	Pence per share	£m
NAV at admission	98.2	129.5
Issue of equity (net of costs)	0.9	47.0
	99.1	176.5
Valuation uplift in property portfolio	4.3	6.3
Impact of acquisition costs	(3.9)	(5.8)
	99.5	177.0
Income	7.7	11.6
Expenses	(2.1)	(3.1)
Dividends paid	(3.8)	(5.5)
NAV at 31 March 2015	101.3	180.0



Enact, LEEDS

"A well-diversified portfolio, with long term contractual income from good quality tenants"

Share price

In the period ended 31 March 2015 the total return on the issue price of 100.0 pence was 13.3%, with the closing price at 31 March 2015 of 109.5 pence representing an 8.1% premium to NAV. I believe this premium is a function of both strong demand for closed-ended property funds and the attractive level of the Company's target dividends.

Placing of new ordinary shares

£55.0 million was raised at IPO of which £21.1 million was used to repay borrowings on the Initial Portfolio. On 3 October 2014 the Company raised a further £25.0 million through the placing of 23,866,349 new ordinary shares at a price of 104.75 pence per share. A further £22.6 million was raised on 12 February 2015 through the placing of 21,750,000 new ordinary shares at a price of 104.00 pence per share.

Since the period end, the Company has issued a further 3,400,000 new shares at an average premium to dividend adjusted NAV of 8.8%. This has been accretive to NAV and demonstrates positive investor demand for the Company's shares, a testament to the success of the Company's strategy to date.

Borrowings

The Company's target gearing ratio is 25% loan to value. Current debt of £24.3 million represents only 11.4% loan to value but the Investment Manager expects pipeline transactions will lead to further draw down on the Company's remaining £20.7 million facilities, increasing gearing accordingly. Further longer term, fixed rate debt facilities are under negotiation to provide sufficient headroom to reach the target gearing level.

CHAIRMAN'S STATEMENT CONTINUED

OUTLOOK

While the investment market has tightened significantly, in large part this is being matched by the strengthening occupational market. This, combined with a dearth of modern, vacant space, is leading to rental growth in most office and industrial markets, reducing vacancy rates on the High Street and a return to rental growth in many retail centres.

The current market dynamic supports the Company's strategy of targeting a high income return, fully covered by income from smaller lot size properties across regional markets, which I expect to underpin the delivery of long term NAV growth and strong shareholder returns.



Yates's, HIGH WYCOMBE

The Company's existing facilities will allow it to expand the portfolio further and maximise the opportunity to benefit from widespread rental growth across the market. The Investment Manager reports a strong pipeline of opportunities, which I expect to secure long term NAV growth for shareholders.

Investment Manager

The performance and fees payable to the Investment Manager are reviewed each year by the Management Engagement Committee. The Board is pleased with the progress and performance of the Investment Manager and its ability to absorb and integrate the Initial Portfolio, to complete the acquisition of a further 39 properties following Admission and to maintain a net initial yield sufficient to fully cover the target dividend.

Dividends

The Company has paid three interim dividends totalling 3.75 pence per share. Income is a major component of total return and the Board is committed to growing future dividends sensibly. The Board intends to pay a fourth interim dividend of 1.5 pence per share for the quarter ended 31 March 2015, to be approved in June 2015 and paid on 30 June 2015 meaning total dividends relating to the period ended 31 March 2015 will be in line with target at 5.25 pence per share.

In the absence of unforeseen circumstances, the Board believes the Company is well placed to meet its target of paying further quarterly dividends, fully covered by income, to achieve an annual dividend of 6.25 pence per share for the year ending 31 March 2016 and in subsequent years.

David Hunter

Chairman
8 June 2015

Dividend
cover

104%

A DIVERSIFIED PORTFOLIO OF INSTITUTIONAL GRADE ASSETS

» 14 Our portfolio by sector

Phase Eight, EDINBURGH



INVESTMENT MANAGER'S REPORT

“Targeting income with low gearing in a well-diversified regional portfolio”



The property market's strong performance in 2014 has continued into the first half of 2015, with unrelenting demand driven by extraordinary net inflows of money into open-ended retail property funds, reported as being over £235 million in January and £300 million in February. This follows £3.8 billion of net inflows in 2014, which exceeded the peak inflows seen in 2006¹¹. This demand, combined with tighter supply than in the last quarter of 2014, has placed continued upward pressure on pricing.

Against this backdrop we were delighted to complete £25.8 million of acquisitions in the last quarter of the period ended 31 March 2015 at an average net initial yield of over 7.5%. Total investment in the 12 months since Admission was £107.6 million, more than doubling the size of the Initial Portfolio. This investment has been made while maintaining both the quality of property and length of income, demonstrating the success of the Company's strategy of focusing on smaller lots in strong, regional markets. Despite incurring significant acquisition costs during the period, NAV has increased and the portfolio profile has strengthened in respect of diversification of tenant, sector and lease break/expiry. We believe these acquisitions, particularly in the industrial sector which now represents 46% of the portfolio, have enhanced the potential for future rental growth, and consequently NAV growth.

Portfolio
value

£207.3m

Admission: £95.2m

THE INDUSTRIAL SECTOR REMAINS A KEY TARGET FOR ACQUISITIONS

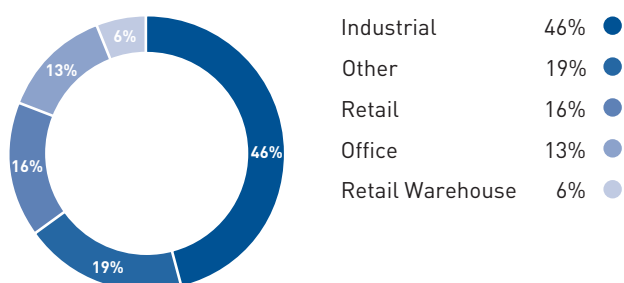
» 14 Our portfolio by sector

Yesss Electrical, NORMANTON

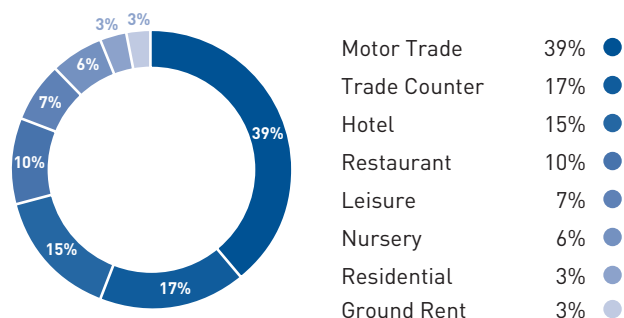


INVESTMENT MANAGER'S REPORT CONTINUED

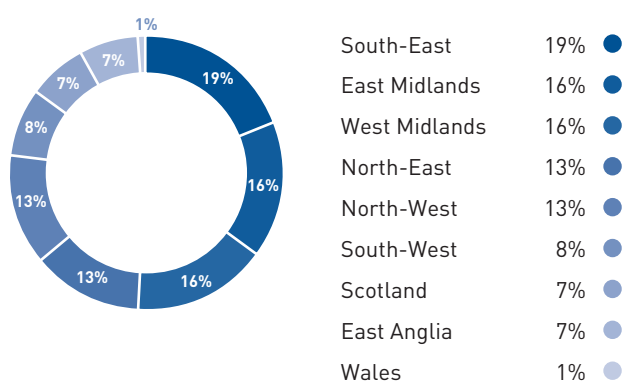
SECTOR SPLIT BY INCOME



OTHER SECTOR – SUB-SECTOR SPLIT



REGIONAL SPLIT BY INCOME



Investment objective

The key investment objective of Custodian REIT is to provide shareholders with an attractive level of income by maintaining the high level of dividend, fully covered by earnings, with a conservative level of gearing.

I am delighted to report we have achieved this, with the Company's earnings providing 104% cover to the target dividend for the period of 5.25 pence per share, with a gearing ratio of 11.4% at the period end.

We continue to pursue a pipeline of new investment opportunities with the aim of fully deploying the Company's undrawn debt facilities within the limit of the conservative gearing target of 25% loan-to-value. At the current cost of debt, and given the Company's capacity for new debt, we believe this strategy can improve dividend cover as we increase gearing towards the target level.

Since Admission minimising cash drag through the prompt deployment of funds raised at IPO and subsequent share placings has been central to realising the key investment objective. The Company benefits from a £25 million revolving credit facility, which has been integral to reducing cash drag, giving us the flexibility to reduce debt in the Company when new equity is issued.

As noted in the Chairman's statement, the rate of investment has been ahead of expectations and again we believe this achievement demonstrates the success of the Company's strategy of focusing on smaller lots in strong, regional markets.

We remain confident we can continue to acquire properties that meet the Company's investment criteria and improve the portfolio mix. In 2015 we are forecasting continued rental growth and low vacancy rates, supporting the Company's investment objectives.

Gearing

11.4%

Portfolio performance

The first year's trading has been dominated by acquisitions, with the Company completing on 39 new properties, adding £107.6 million of assets to the portfolio. Against the initial portfolio valuation at Admission and aggregate acquisition price of new properties, the 31 March 2015 valuation shows a 3.0% net increase in value, split by sector as shown opposite.

Industrial values have grown on the back of forecast rental growth. There is very limited vacancy in core industrial and distribution locations with occupier-led and speculative development now a factor in these markets. The Company's investment strategy is well suited to the industrial and distribution sector by virtue of lot size, quality of building, strength of tenant covenant and relatively low obsolescence of the underlying real estate. This sector remains a key target for acquisitions, although we are cautious around the recent squeeze on pricing.

High street retail remains a polarised market. There is evidence of rental growth in many locations, particularly those driven by high-end comparison retailing. Three of the Company's 24 existing high street properties have continued to see falling rents, resulting in a small valuation decrease for the sector as leases come closer to expiry. However, vacancy rates across the market are falling, and with re-letting costs often lower than in other sectors, retail property continues to be an important part of an income focused portfolio.

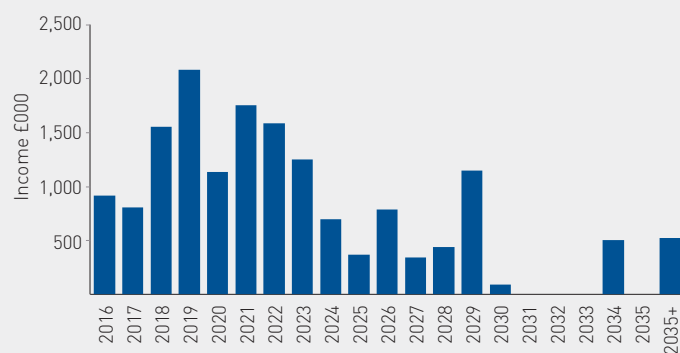
The retail warehouse sector has recently reported vacancy rates at their lowest levels since 2004.¹² The market is very different from the period when the failure of businesses such as MFI, Comet, Focus DIY and Dreams led to an excess of available space. This has now been largely taken up as the discounters have moved in and the "Click and Collect" concept gathers pace. Very low levels of development, combined with tenant demand, have led to an expectation that vacancy rates will continue to fall from the reported 7%¹² in Q4 2014. We expect this low vacancy rate will lead to shorter void periods at lease expiry with the potential for rental growth, and have continued to target retail warehousing accordingly.

Offices that meet the demands of growing, modern businesses are in short supply and, in key locations, the market requires new development to meet occupier demand. These factors are driving rental growth and have even encouraged speculative development in strategic locations. Our focus is on modern or fit-for-purpose offices where there is evidence of this growth.

The 'other' sector of the portfolio, which includes car showrooms, restaurants, hotels, children's day nurseries and petrol filling stations, can offer long leases, indexed or fixed rental uplifts as well as portfolio diversification, and it also remains a target sector for further acquisitions.

Sector	Valuation 31 March 2015 £m	Weighting by income 31 March 2015	Change in valuation £m	Change in valuation %
Industrial	91.3	46.0%	4.3	2.0
Retail	49.7	22.0%	(0.1)	(0.0)
Office	24.1	13.4%	0.2	0.1
Other	42.2	18.6%	1.7	0.9
	207.3	100.0%	6.1	3.0

LEASE EXPIRY PROFILE

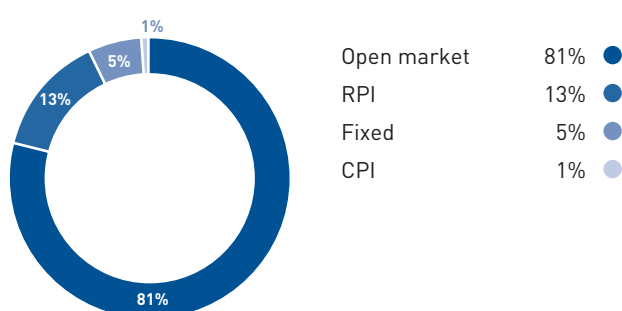


¹² Source: The Definitive Guide to Retail & Leisure Parks 2015.

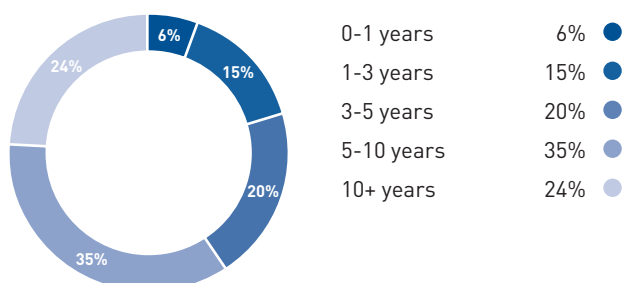
INVESTMENT MANAGER'S REPORT

CONTINUED

RENT REVIEW ANALYSIS



INCOME EXPIRY



Portfolio risk

The portfolio's exposure to risk is reduced by 19% of income benefitting from either fixed or indexed rent reviews and there is increasingly strong evidence of open market rental growth across all sectors.

Short term income at risk is a relatively low proportion of the portfolio's income, with only 21% expiring in the next three years (6% within one year).

Asset management

While the principal focus in the first 12 months since Admission has been the acquisition of new properties, we have also been proactively managing the portfolio to enhance income and maintain cash flow. Over the last three months we have approached 20 tenants across the portfolio regarding various asset management initiatives, including new lettings, lease renewals, lease extensions, rent reviews, lease surrenders, refurbishment, development or a combination of the above. We are now in active discussions with 15 of the tenants contacted with overwhelmingly positive responses received, demonstrating a strong prevailing occupational market.

Outlook and pipeline

The supply of investment opportunities has reduced in Q1 2015 relative to Q4 2014, with demand exceeding supply and a limited number of active vendors. At the start of 2015 there were additional impediments to property being offered for sale. Initially there was a hangover from the very busy Q4 2014, followed by political uncertainty ahead of the General Election. We now expect supply will increase. Despite the supply-side restrictions in Q1, less fierce competition for smaller assets has allowed the Company to secure a strong pipeline of opportunities, with circa £20 million of properties currently under offer and in solicitors' hands. In addition, we are actively tracking in excess of £15 million of assets, both on and off market.

Custodian REIT has an investment strategy strongly focused on income. We believe it is still possible to identify 'value' in the market, despite recent price inflation, by targeting properties where provable rental growth will underpin long term capital growth and deliver enhanced income cover to the Company's target dividend in the years ahead.

KEY ASSET MANAGEMENT EVENTS

Key asset management events completed during the period include:



Abbeyfield Road, Nottingham – This property was acquired at Admission with the intention of re-gearing the long-leasehold interest with Nottingham City Council and concluding the 2015 lease expiry negotiations with the tenant, Vision Express, which was relocating. In advance of concluding the lease expiry negotiations, a purchaser was identified and the property successfully sold in January 2015 for £1.5 million, some £0.3 million ahead of the 30 September 2014 valuation.



George St, Edinburgh – We have agreed the outstanding rent review with Phase Eight, securing a 12.9% increase.



Triangle Retail Scheme, Leicester – A successful rent review negotiation with Pizza Hut culminated in an arbitration award reflecting a 5.4% increase in the passing rent.



Shepcote Enterprise Park, Sheffield – Following the appointment of administrators to our tenant, Unipart Automotive, terms were agreed with Andrew Page on a new 10 year lease at £83,700 per annum incorporating a fifth year rent review and tenant only break option. This renegotiation maintained the previous passing rent, extended the unexpired term of the previous lease and was achieved without rental void.

We expect recent asset management initiatives to improve the weighted average lease term of the portfolio, with tenants keen to agree lease extensions or to waive their options to break, enhancing the rent roll as increases are agreed at review or renewal.

Looking ahead, we anticipate the strength of the occupational market and the consequential rental growth is likely to support the rise in market pricing, and so justify continued investment into the market. In the current low-return environment, some commentators might justify current market pricing by reference to the margin over 10 year gilt yields, which is circa 400 basis points, well ahead of the long run average. However, we believe it is important that investment decisions are fundamentally grounded in occupational demand, rental growth and an appropriate return for the risks of long term property ownership.

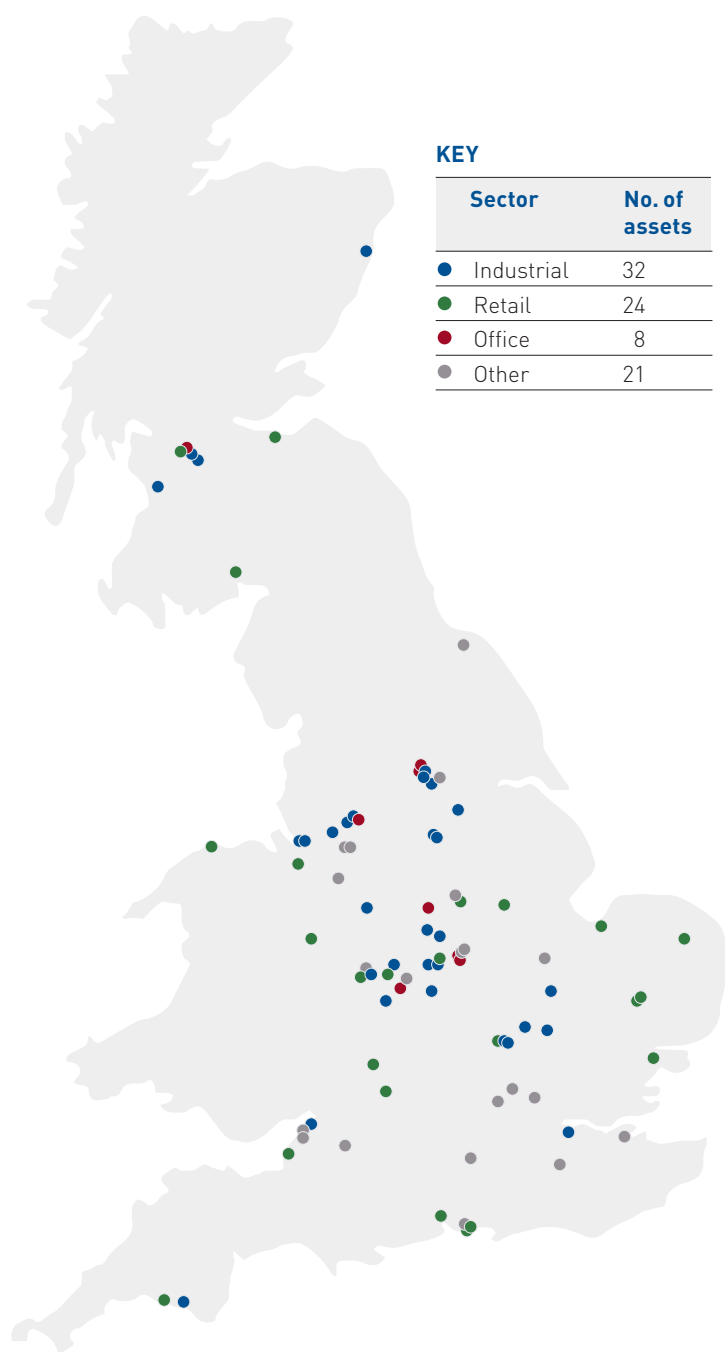
I am confident the Company's strategy of targeting income with low gearing in a well-diversified regional portfolio will deliver the stable long term returns demanded by our shareholders.

Richard Shepherd-Cross

for and on behalf of Custodian Capital Limited
Investment Manager
8 June 2015

OUR PORTFOLIO

PROPERTY LOCATIONS



Portfolio
value

£207.3m

Admission: £95.2m

Separate
tenancies

135

Admission: 90

Void rate
less than

1%

Admission: 1%

Assets

85

Admission: 48

Average
unexpired
lease term

7.2 yrs

Admission: 8.5 yrs

Net initial
yield

7.2%

Admission: 7.4%

DIVERSE INCOME

Tenant	% portfolio income
--------	--------------------

Industrial**46.0 %**

JTF Wholesale	3.1%
Teleperformance	2.9%
Restore Scan	2.5%
Portola Packaging	2.2%
Royal Mail Group	2.0%
Revlon International	2.0%
Turpin Distribution Services	1.9%
Yesss Electrical	1.8%
Massmould	1.8%
SAPA Profiles	1.6%
Domino's	1.6%
DX Network Services	1.5%
Geocel	1.5%
Unilin Distribution	1.4%
Superdrug Stores	1.3%
Sytner BMW	1.3%
Constantine	1.3%
Brenntag UK	1.3%
Elma Electronics	1.3%
Emerson Network Power	1.2%
DHL Express (UK)	1.2%
Ichor Systems	1.1%
West Midlands Ambulance	
Service NHS Trust	1.0%
Synergy Health (UK)	0.9%
Powder Systems	0.9%
Bunzl UK	0.8%
DHL International	0.8%
MTS Logistics	0.8%
Personal Hygiene Services	0.7%
Nationwide Crash Repair	
Service Centre	0.7%
River Island Clothing	
& Andrew Page	0.6%
Sovereign Air Movement	0.5%
Multi tenanted – Phoenix Park	0.5%

Retail**22.0%**

Staples UK	2.7%
URBN UK	1.4%
Sainsbury's	1.4%
WH Smith	1.4%
Multi tenanted	1.3%
Specsavers	1.3%
Poundland	1.0%
The White Company	0.9%
Cotswold Outdoors	0.9%
Savers Health & Beauty	0.9%
Laura Ashley	0.8%
Multi tenanted	0.8%
Top Man	0.8%
Superdrug Stores	0.8%
Greggs	0.8%

Tenant	% portfolio income
--------	--------------------

Retail cont.

Superdrug Stores & Portsmouth City Council	0.7%
Phase Eight (Fashions & Designs)	0.7%
Poundstretcher	0.6%
Carpetrigh	0.6%
The Works Stores	0.6%
Iceland Foods	0.5%
Whistles	0.4%
Done Brothers (Cash Betting)	
t/a Betfred	0.3%
Framemakers Galleries	0.2%
Danish Wardrobe Company	0.2%

Office**13.4%**

Enact Properties	3.9%
Mattioli Woods	2.2%
Edwards Geldards	1.6%
Multi tenanted	1.3%
Lyons Davidson	1.2%
Royal Bank of Scotland	1.0%
Regus	1.0%
Central Manchester University	
Hospitals NHS Foundation Trust	0.8%
Chesham Insurance	0.4%

Other**18.6%**

R Stratton & Co Bentley	2.3%
Somerfield Stores	1.7%
Magnet	1.6%
Premier Inn	1.5%
Marshall Motor Group	1.4%
Travelodge	1.3%
Pizza Hut	1.1%
Multi tenanted	1.0%
Allen Ford (UK) t/a Kia	0.9%
Honda Motor Europe	0.9%
Prezzo	0.8%
Stonegate Pub Co	0.7%
MKM Buildings Supplies	0.7%
Teddies Nurseries	0.7%
Landmark Property Investments	0.6%
JD Wetherspoon	0.6%
Multi tenanted – Residential	0.5%
Knutsford Day Nursery	0.3%

OUR PORTFOLIO BY SECTOR

INDUSTRIAL



Location	Chesford
Tenant	JTF Wholesale
Net initial yield	7.45%
Portfolio income	3.08%



Location	Ashby de la Zouch
Tenant	Teleperformance
Net initial yield	10.22%
Portfolio income	2.94%



Location	Salford
Tenant	Restore Scan
Net initial yield	7.65%
Portfolio income	2.56%



Location	Doncaster
Tenant	Portola Packaging
Net initial yield	7.24%
Portfolio income	2.25%



Location	Stone
Tenant	Revlon International
Net initial yield	9.09%
Portfolio income	2.05%



Location	Biggleswade
Tenant	Turpin Distribution Services
Net initial yield	7.42%
Portfolio income	1.91%



Location	Normanton
Tenant	Yesss Electrical
Net initial yield	6.28%
Portfolio income	1.79%



Location	Milton Keynes
Tenant	Massmould
Net initial yield	6.83%
Portfolio income	1.77%



Location	Redditch
Tenant	SAPA Profiles
Net initial yield	7.56%
Portfolio income	1.59%



Location	Milton Keynes
Tenant	Domino's
Net initial yield	11.25%
Portfolio income	1.59%



Location	Nuneaton
Tenant	DX Network Services
Net initial yield	7.73%
Portfolio income	1.53%



Location	Plymouth
Tenant	Geocel
Net initial yield	6.83%
Portfolio income	1.49%



Location	Coventry
Tenant	Royal Mail Group
Net initial yield	5.85%
Portfolio income	1.47%



Location	Manchester
Tenant	Unilin Distribution
Net initial yield	6.71%
Portfolio income	1.39%



Location	Avonmouth
Tenant	Superdrug Stores
Net initial yield	7.04%
Portfolio income	1.36%



Location	Oldbury
Tenant	Sytner BMW
Net initial yield	6.59%
Portfolio income	1.32%



Location	Southwark
Tenant	Constantine
Net initial yield	5.59%
Portfolio income	1.27%



Location	Cambuslang
Tenant	Brenntag UK
Net initial yield	8.74%
Portfolio income	1.25%



Location	Aberdeen
Tenant	DHL Express (UK)
Net initial yield	7.68%
Portfolio income	1.22%



Location	Leeds
Tenant	Nationwide Crash Repair Centres & Sovereign Air Movement
Net initial yield	7.51%
Portfolio income	1.19%



Location	Hamilton
Tenant	Ichor Systems
Net initial yield	8.27%
Portfolio income	1.11%

OUR PORTFOLIO BY SECTOR

CONTINUED

INDUSTRIAL CONTINUED



Location	Erdington
Tenant	West Midlands Ambulance Services NHS Trust
Net initial yield	5.19%
Portfolio income	0.96%



Location	Sheffield
Tenant	Synergy Health (UK)
Net initial yield	6.30%
Portfolio income	0.86%



Location	Liverpool
Tenant	Powder Systems
Net initial yield	7.72%
Portfolio income	0.86%



Location	Coalville
Tenant	MTS Logistics
Net initial yield	9.27%
Portfolio income	0.83%



Location	Wakefield
Tenant	Bunzl UK
Net initial yield	7.50%
Portfolio income	0.79%



Location	Liverpool
Tenant	DHL International
Net initial yield	7.11%
Portfolio income	0.75%



Location	Sheffield
Tenant	River Island Clothing & Andrew Page
Net initial yield	8.75%
Portfolio income	0.68%



Location	Huntingdon
Tenant	Personal Hygiene Services
Net initial yield	8.00%
Portfolio income	0.66%



Location	Kilmaronock
Tenant	Royal Mail Group
Net initial yield	8.05%
Portfolio income	0.60%



Location	Hinckley
Tenant	Multi-let
Net initial yield	7.93%
Portfolio income	0.48%

RETAIL



Location	Milton Keynes
Tenant	Staples UK
Net initial yield	6.87%
Portfolio income	2.65%



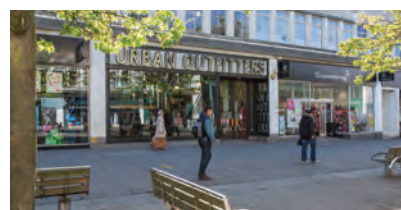
Location	Nottingham
Tenant	The White Company
Net initial yield	7.48%
Portfolio income	0.89%



Location	Grantham
Tenant	Laura Ashley, Poundstretcher & Carpetright
Net initial yield	6.95%
Portfolio income	2.04%



Location	Colchester
Tenant	Poundland & Savers
Net initial yield	8.41%
Portfolio income	1.58%



Location	Southampton
Tenant	URBN UK
Net initial yield	6.69%
Portfolio income	1.39%



Location	Torpoint
Tenant	Sainsbury's
Net initial yield	6.75%
Portfolio income	1.38%



Location	Stourbridge
Tenant	Multi-let
Net initial yield	6.88%
Portfolio income	1.30%



Location	Norwich
Tenant	Specsavers
Net initial yield	7.47%
Portfolio income	1.27%



Location	Llandudno
Tenant	WH Smith
Net initial yield	9.27%
Portfolio income	0.95%



Location	Shrewsbury
Tenant	Cotswold Outdoors
Net initial yield	5.96%
Portfolio income	0.85%



Location	Jewellery Quarter
Tenant	Multi-let
Net initial yield	5.93%
Portfolio income	0.83%

OUR PORTFOLIO BY SECTOR

CONTINUED

RETAIL CONTINUED



Location	Weston-Super-Mare
Tenant	Superdrug Stores
Net initial yield	7.48%
Portfolio income	0.78%



Location	Glasgow
Tenant	Greggs
Net initial yield	6.05%
Portfolio income	0.76%



Location	Southsea
Tenant	Superdrug Stores & Portsmouth City Council
Net initial yield	6.03%
Portfolio income	0.73%



Location	Edinburgh
Tenant	Phase Eight (Fashions & Designs)
Net initial yield	5.04%
Portfolio income	0.70%



Location	Bury St Edmunds
Tenant	The Works Stores
Net initial yield	6.54%
Portfolio income	0.57%



Location	Dumfries
Tenant	Iceland Foods
Net initial yield	6.99%
Portfolio income	0.54%



Location	Hinckley
Tenant	WH Smith
Net initial yield	8.48%
Portfolio income	0.44%



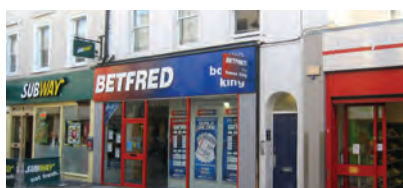
Location	Chester
Tenant	Whistles
Net initial yield	6.16%
Portfolio income	0.37%



Location	Cirencester
Tenant	Framemakers Galleries & Danish Wardrobe Company
Net initial yield	6.37%
Portfolio income	0.37%



Location	Bury St Edmunds
Tenant	Savers Health & Beauty
Net initial yield	7.55%
Portfolio income	0.32%



Location	Cheltenham
Tenant	Done Brothers (Cash Betting) t/a Betfred
Net initial yield	6.73%
Portfolio income	0.27%



Location	Portsmouth
Tenant	Vacant
Net initial yield	0.00%
Portfolio income	0.00%

“Evidence of
rental growth in
many locations”



Location	King's Lynn
Tenant	Top Man
Net initial yield	8.69%
Portfolio income	0.79%

OUR PORTFOLIO BY SECTOR CONTINUED

OFFICE



“Our focus is on modern or fit-for-purpose offices”



Location	Leeds
Tenant	Enact Properties
Net initial yield	8.83%
Portfolio income	1.84%



Location	Derby
Tenant	Edwards Geldards
Net initial yield	9.05%
Portfolio income	1.63%



Location	Leicester
Tenant	Mattioli Woods & Chesham Insurance
Net initial yield	7.84%
Portfolio income	1.59%



Location	Glasgow
Tenant	Multi-let
Net initial yield	7.34%
Portfolio income	1.26%



Location	Solihull
Tenant	Lyons Davidson
Net initial yield	9.05%
Portfolio income	1.20%



Location	Manchester
Tenant	Central Manchester University Hospitals NHS Foundation
Net initial yield	9.07%
Portfolio income	0.76%

OTHER



OUR PORTFOLIO BY SECTOR

CONTINUED

OTHER CONTINUED



Location	Redhill
Tenant	Honda Motor Europe
Type	Motor trade
Net initial yield	6.96%
Portfolio income	0.89%



Location	Bath
Tenant	Prezzo
Type	Restaurant
Net initial yield	5.15%
Portfolio income	0.78%



Location	High Wycombe
Tenant	Stonegate Pub Co
Type	Leisure
Net initial yield	6.69%
Portfolio income	0.73%



Location	Castleford
Tenant	MKM Building Supplies
Type	Trade counter
Net initial yield	6.40%
Portfolio income	0.70%



Location	Redcar
Tenant	Landmark Property Investments
Type	Sub-let retail
Net initial yield	9.50%
Portfolio income	0.64%



Location	Southsea
Tenant	JD Wetherspoon
Type	Leisure
Net initial yield	5.49%
Portfolio income	0.54%



Location	Watford
Tenant	Pizza Hut
Type	Restaurant
Net initial yield	5.93%
Portfolio income	0.54%



Location	Nottingham
Tenant	Multi-let
Type	Residential
Net initial yield	6.95%
Portfolio income	0.54%



Location	Basingstoke
Tenant	Teddies Nurseries
Type	Nursery
Net initial yield	7.44%
Portfolio income	0.40%



Location	Chesham
Tenant	Teddies Nurseries
Type	Nursery
Net initial yield	7.12%
Portfolio income	0.33%



Location	Knutsford
Tenant	Knutsford Day Nursery
Type	Nursery
Net initial yield	6.85%
Portfolio income	0.32%



Location	Portishead
Type	Ongoing development

BUSINESS MODEL AND STRATEGY

INVESTMENT OBJECTIVE AND POLICY

The Company seeks to provide shareholders with an attractive level of income together with the potential for capital growth from investing in a diversified portfolio of commercial real estate properties in the UK, characterised by small lot sizes with individual property values of less than £7.5 million at acquisition. The target portfolio should not exceed a maximum weighting to any one property sector, or to any geographic region, of greater than 50%.

The Company's investment objectives are:

- To hold a portfolio of UK commercial property, diversified by sector, location, tenant and lease term.
- To focus on areas with high residual values, strong local economies and an imbalance between supply and demand. Within these locations, the objective is to acquire modern buildings or those that are considered fit for purpose by occupiers.
- To have no one tenant or property accounting for more than 10% of the total rent roll of the portfolio at the time of purchase, except:
 - In the case of a single tenant which is a governmental body or department, where no limit shall apply; or
 - In the case of a single tenant rated by Dun & Bradstreet ICC Client Services as having a credit rating of less than 60, where the exposure to such single tenant may not exceed 5% of the total rent roll (a credit rating of 60 represents "normal, limited risk potential, normal terms").
- To maintain an average unexpired lease term to first break of over five years across the portfolio secured against low risk tenants and to minimise rental voids.
- Not to undertake speculative development (that is, development of property which has not been leased or pre-leased), save for refurbishment of existing holdings, but may (provided that it shall not exceed 20% of the gross assets of the Company) invest in forward funding agreements or forward commitments (these being arrangements by which the Company may acquire pre-development land under a structure designed to provide the Company with investment rather than development risk) of pre-let developments, where the Company intends to own the completed development.
- To target borrowings of up to 25% of the aggregate market value of all the properties of the Company at the time of borrowing.

Key performance indicators

The Board meets quarterly and at each meeting reviews performance against a number of key measures:

- Dividend per share and dividend yield – A key objective is to provide an attractive, sustainable level of income to shareholders and the Board reviews the dividend per share and dividend yield in conjunction with detailed financial forecasts to ensure that target dividends are being met and are sustainable.
- Property voids – The Board reviews the level of property voids within the Company's portfolio on a quarterly basis and compares this to the market average, as measured by the Investment Property Databank. The Board seeks to ensure that proper priority is being given by the Investment Manager to replacing the Company's income.
- Rent arrears – The Board assesses rent collection by reviewing the percentage of rents past due each quarter end.
- Net asset value total return – The net asset value total return reflects both the net asset value growth of the Company and also the dividends paid to shareholders. The Board regards this as the best overall measure of value delivered to shareholders. The Board assesses the net asset value total return of the Company over various time periods and compares the Company's returns to those of its peer group of listed, closed-ended property investment funds.
- Premium or discount of the share price to net asset value – The Board closely monitors the premium or discount of the share price to the net asset value and believes a key driver of the level of premium or discount is the Company's long term investment performance. However, there can be short term volatility in the premium or discount and the Board seeks limited authority at each Annual General Meeting ("AGM") to issue shares with a view to trying to limit this volatility.

The Board considers the performance measures both over various time periods and against similar funds. A record of these measures are disclosed in the financial highlights, the Chairman's statement and the Investment Manager's report.

Finance

The Company operates with a conservative level of gearing, with expected borrowings over the medium term of up to 25% of the aggregate market value of all properties at the time of draw down.

Debt

On 25 February 2014, the Company agreed a revolving credit facility ("the RCF") of £25 million for a term of five years with Lloyds Bank plc. The RCF is secured by way of a first charge over a discrete portfolio of properties, providing the lender with a maximum loan-to-value ratio of 49% on those properties specifically charged to it and a floating charge. The Company pays annual interest of 2.45% above three-month LIBOR on such amounts as are drawn down under the agreement from time to time.

On 9 December 2014 the Company agreed a £20 million term loan with Lloyds Bank plc, secured by way of a first charge over a discrete portfolio of properties, providing the lender with a maximum loan-to-value ratio of 49% on those properties specifically charged to it and a floating charge. The loan attracts interest of 2.00% and 1.90% above three-month LIBOR on the first and second £10 million tranches respectively drawn down, and is repayable on 10 October 2019.

Equity

On 3 October 2014 the Company raised £25.0 million (before costs and expenses) through the issue of 23,866,349 new ordinary shares at 104.75 pence per share, which represented a premium of 5% to the NAV per share as at 30 September 2014.

On 12 February the Company raised £22.6 million (before costs and expenses) through the issue of 21,750,000 new ordinary shares at 104.00 pence per share, which represented a premium of 5% to the NAV per share at 31 December 2014 (adjusted for the proposed third quarter dividend).

Dividends

In the absence of unforeseen circumstances, the Board intends to pay a fourth quarterly dividend to achieve a total dividend of 5.25 pence per share for the period ended 31 March 2015 and an annual dividend of 6.25 pence per share in subsequent years, implying an initial annualised dividend yield of 5.25% and 6.25% thereafter, calculated by reference to the Company's issue price of 100 pence per share¹³ ("the Issue Price").

Going concern

At 31 March 2015 the Company had net assets of £180.0 million and had undrawn debt facilities of £20.7 million. The Investment Manager intends to deploy the Company's cash and debt facilities to achieve its dividend targets, while ensuring it has sufficient liquidity to cover its short term liabilities. Therefore, the directors consider preparing the financial statements on a going concern basis to be appropriate.

Employees

The Company has four non-executive directors and no employees. Non-executive directors are paid fixed salaries and participate in the performance of the Company through their shareholdings. The Board is conscious of the increased focus on diversity in the boardroom and acknowledges the importance of diversity, while noting that changes to the composition of the Board should not be forced. All non-executive directors are white male. The Board believes that for any future appointment the best person for the role should be selected, while recognising the benefits of diversity when considering a particular appointment.

¹³ This is a target only and not a profit forecast. There can be no assurance that the target can or will be met and it should not be taken as an indication of the Company's expected or actual future results. Accordingly, shareholders or potential investors in the Company should not place any reliance on this target in deciding whether or not to invest in the Company or assume that the Company will make any distributions at all and should decide for themselves whether or not the target dividend yield is reasonable or achievable.

Corporate social responsibility

The Company is committed to delivering its strategic objectives in an ethical and responsible manner.

The Company's environmental and social policies address the importance of these issues in the day-to-day running of the business, as detailed below.

Environmental policy

There are four key areas of the environmental policy of the Company:

- An independent environmental report is required for all potential acquisitions, which considers, amongst other matters, the historic and current usage of the site and the extent of any contamination present.
- An ongoing examination of the business activities of existing and new tenants is carried out to prevent pollution risks occurring. The Company monitors all incoming tenants through its insurance programme to identify potential risk, and high-risk business activities are avoided. As part of the active management of the portfolio, any change in tenant business practice considered to be an environmental hazard is reported and suitably dealt with.
- All sites are visited periodically and any obvious environmental issues are reported to the Board.
- All leases prepared after the adoption of the policy commit occupiers to observe any environmental regulations. Any problems are referred to the Board.

Portishead development

One of the agreements the Company has entered into is to fund a pre-let development in Portishead, adjacent to an existing investment. The developer has taken due consideration for both ecological and sustainability considerations for a brownfield development site and the development has been designed to achieve a 'very good' BREEAM rating. Solar panels have been included in the specification to reduce the development's projected carbon output by 7%, as well as the provision of high levels of insulation to the buildings thermal elements which have reduced the finished building's low U values. This provides a much improved, stable environment and reduces heating and energy costs.

Social policy

The activities of the Company are carried out in a responsible manner, taking into account the social impact.

Greenhouse gas emissions

Under the Companies Act 2006 (Strategic and Directors' Reports) Regulations 2013, the Company is required to report annual greenhouse gas emissions. The details for the period appear in the table below. As this is the first period the Company has been required to report the information, there is no comparison for the prior period.

		Period ended 31 March 2015
Sources of greenhouse gas emissions		tCO ₂ e ¹⁴
Scope 1		
Gas, refrigerants and fuel		–
Scope 2		
Landlord controlled electricity		66.6
Intensity measure		
Emissions per £1m of rent		4.2

The operational control method has been used to reflect influence over energy consumption. Tenant's usage or emissions are not included as the Company does not have control over those items. Emissions from vacant space have been included.

Approval of Strategic Report

The Strategic Report, (incorporating the Chairman's statement, Investment Manager's statement, Portfolio, Principal Risks and Uncertainties and Business Model and Strategy) was approved by the Board of Directors and signed on its behalf by:

David Hunter

Director

8 June 2015

¹⁴ Tonnes of carbon dioxide equivalent.

RENTAL GROWTH WILL UNDERPIN LONG TERM CAPITAL GROWTH

» 14 Our portfolio by sector

Staples, MILTON KEYNES



PRINCIPAL RISKS AND UNCERTAINTIES

There are a number of potential risks and uncertainties which could have a material impact on the Company's performance over the forthcoming financial year and could cause actual results to differ materially from expected and historical results.

The table below outlines the current risk factors identified, but does not purport to be exhaustive as there may be additional risks that materialise over time that the Company has not yet identified or has deemed not likely to have a potentially material adverse effect on the business:

Risk Type	Risks	Mitigating Factors
Investment portfolio	• Tenant default. • Change in demand for space. • Market pricing affecting value. • Excess concentration in geographical location or sector. • Lease expiries concentrated in a specific year. • Decrease in occupancy.	• Investment policy limits the Company's rent roll to no more than 10% to a single tenant, and no more than 50% in any particular sector or geographical region. • Focused on established business locations for investment. • Active portfolio diversification between office, industrial (distribution, manufacturing and warehousing), retail and other. • Active management of lease expiry profile and taking it into account in forming acquisition decisions. • Building specifications not tailored to one user.
Financial	• Reduced availability or increased cost of debt. • Breach of borrowing covenants.	• Target gearing of 25% loan-to-value on property portfolio. • Existing facilities sufficient for spending commitments and agreed until 2019. • On-going monitoring and management of the forecast liquidity and covenant position.
Operational	• Inadequate performance, controls or systems operated by the Investment Manager.	• Ongoing review of performance by independent Board of Directors.
Regulatory risk	• The Company may be adversely affected as a result of new or revised legislation or regulations or by changes in the interpretation or enforcement of existing laws and regulations.	• Strong compliance culture. • External professional advisers are engaged to review and advise upon control environment. • Business model and culture embraces FCA principles. • Financial strength provides comfort should capital resource requirements be increased.

PRIME PROPERTY
PRODUCING SOLID,
LONG TERM INCOME

» **14** Our portfolio by sector

R Stratton & Co Bentley, KNUTSFORD



BOARD OF DIRECTORS

The Board comprises four Non-Executive Directors. A short biography of each Director is set out below.



David Hunter

Role:
Independent
Chairman
Age: 61

David is an international property consultant specialising in property funds and companies. He is on the boards of both listed and unlisted companies in UK and overseas, and has corporate advisory roles in the UK and France.

He has over 25 years' experience as a fund manager, including as Managing Director of Aberdeen Asset Management's property fund business. David is a former President of the British Property Federation and was actively involved in the introduction of REITs to the UK.



Ian Mattioli

Role:
Director
Age: 52

Ian has worked in the pensions industry since 1983 advising on all aspects of establishing and running pension schemes. Ian is a former director of Pounton York and, together with Bob Woods founded Mattioli Woods plc ("Mattioli Woods") in 1991.

Ian is now CEO of the Mattioli Woods Group which has over £5 billion of assets under management, administration and advice. In 2002, Ian established the property business in the group, which in 2011 was rebranded as Custodian Capital. His personal achievements include winning the London Stock Exchange AIM Entrepreneur of the Year award.



**Barry Gilbertson
PP-RICS**

Role:
Independent
Director
Age: 64

Barry is the designated Senior Independent Director. He is an international consultant with a focus on real estate, strategy and risk, who has more than 40 years' experience advising on property. He was an adviser to the Bank of England from 2003 to 2014 and is a former global President of the Royal Institution of Chartered Surveyors. In 1996, Barry became the first chartered surveyor to become a full equity partner in any firm of chartered accountants, worldwide, when he joined the Coopers & Lybrand (now PricewaterhouseCoopers) partnership, where he worked until 2011.

Barry has been a non-executive consultant to Knight Frank LLP, and currently holds independent non-executive directorships of two publicly-quoted companies – Granite REIT which is quoted on the NYSE and TSX and conwert Immobilien Invest SE quoted on the Vienna Stock Exchange. Barry became a Member of Council of The University of Bath in 2014 and holds Visiting Professor appointments at two UK universities.



**Matthew Thorne
MA, FCA**

Role:
Independent
Director
Age: 62

Matthew qualified as a chartered accountant in 1978 with Price Waterhouse. He is an independent non-executive director of Bankers Investment Trust plc, chairing the audit committee, and since May 2007 has been an advisor to Consensus Business Group (led by Vincent Tchenguiz).

He is also an advisory board and panel member of Greenwich Hospital. Matthew's previous executive roles have included Group Finance Director of McCarthy & Stone plc from 1993 to 2007, Finance Director of Ricardo plc from 1991-1992 and Investment Director of Beazer plc from 1983 to 1991.

KEY INVESTMENT MANAGER PERSONNEL

A short biography of the Investment Manager's key personnel is set out below:



**Richard
Shepherd-Cross**
BSc MRICS

Role:

Managing Director

Age: 44

Richard has more than 20 years' experience in the commercial property market. He sits on the board of the Investment Manager, operating the business and managing a core team of 11. Richard is a former director at Jones Lang LaSalle in London where he led the portfolio investment team. Richard has had responsibility for developing the services of Mattioli Woods' property business and for establishing Custodian Capital in 2011.

Ian Mattioli (Founder and Chairman)

Ian's biography is set out on the opposite page.



Nathan Imlach
CA FCSI CF

Role:

Finance Director

Age: 45

Nathan qualified as a chartered accountant in 1993 with Ernst & Young, specialising in providing mergers and acquisitions advice to a broad range of quoted and unquoted clients in the UK and abroad. He joined Mattioli Woods as its Finance Director in 2005, prior to its admission to AIM.

Nathan has also been the Finance Director of Custodian Capital since its formation in 2011 and oversees the reporting and accounting framework of the company. He is a Fellow of the Chartered Institute for Securities & Investment and holds the Corporate Finance qualification from the Institute of Chartered Accountants in England and Wales. Nathan is an independent non-executive director of Mortgage Advice Bureau (Holdings) plc, chairing the audit committee, and is a trustee of Leicester Grammar School.

GOVERNANCE REPORT

The Company is committed to the principles of corporate governance contained in the UK Corporate Governance Code issued by the Financial Reporting Council ("the Code") in 2012, for which the Board is accountable to shareholders. The updated Code is available from the FRC website at www.frc.org.uk.

The Company has applied the principles set out in the Code, including both the main principles and the supporting principles, by complying with the Code during the period, so far as is possible, given the Company's size and nature of business. Further explanation of how the main principles have been applied is set out below and in the Directors' remuneration report and Audit Committee report. Areas of non-compliance with the Code are as follows:

- There is no chief executive position within the Company, which is not in accordance with provision A.2.1 of the Code. As an investment company, the Company has no employees and therefore no requirement for a chief executive;
- The Company has not established a nomination committee, which is not in accordance with provision B.2.1 of the Code. As all of the directors are non-executive, the Company considers that the Board as a whole can fulfil the role otherwise undertaken by such committees; and
- The Company has not established a remuneration committee, which is not in accordance with Provision D.2.1 of the Code. As all of the directors are non-executive, the Company considers that the Board as a whole can fulfil the role otherwise undertaken by such committees.

As a newly incorporated company, the Company did not comply with the Code as at 24 March 2014.

Role of the Board

The Board comprises four directors, all of whom have wide experience, are non-executive and, save for Ian Mattioli, are independent of the Investment Manager. The Directors are responsible for managing the Company's business in accordance with its Articles of Association ("the Articles") and the investment policy (as set out in the Strategic Report), and have overall responsibility for the Company's activities. The Directors may delegate certain functions to other parties. In particular, the Directors have delegated responsibility for management of the Company's property portfolio to the Investment Manager, while retaining the responsibility for exercising overall control and supervision of the Investment Manager.

In making any new Board appointment the Directors will consider a number of factors, including diversity, but principally the skills and experience that will be relevant to the specific role and that will complement the existing Board members. The Articles stipulate that all new directors shall retire and offer themselves for re-appointment every three years.

The attendance of the directors at scheduled Board and Board committee meetings during the period was as follows:

	Board and AGM	Audit Committee	Management Engagement Committee
David Hunter	4/4	3/3	1/1
Barry Gilbertson	4/4	3/3	1/1
Ian Mattioli	4/4	3/3	1/1
Matthew Thorne	4/4	3/3	1/1

Directors' interests are set out in the Directors' remuneration report.

The Board considers that the length of time each director, including the Chairman, serves on the Board should not be limited and has not set a finite tenure policy. Length of service of current directors and future succession planning is reviewed each year as part of the Board evaluation process.

Chairman

The Chairman is responsible for leadership of the Board and ensuring its effectiveness on all aspects of its role. The Chairman is responsible for setting the Board's agenda and ensuring that adequate time is available for discussion of all agenda items, in particular strategic issues. The Chairman should also promote a culture of openness and debate by facilitating the effective contribution of non-executive directors.

The Chairman is responsible for ensuring that the directors receive accurate, timely and clear information and ensuring effective communication with shareholders.

The Investment Manager

The Company has appointed Custodian Capital Limited as Investment Manager and Alternative Investment Fund Manager (“AIFM”) under an investment management agreement (“IMA”) detailed in Note 19 to the financial statements. The Investment Manager is a private company limited by shares and comprises a team of experienced individuals with expertise in the operation of, and investment in, UK commercial real estate.

The Investment Manager is a subsidiary of Mattioli Woods (a related party), a provider of specialist pension consultancy and administration, employee benefits and wealth management. The Investment Manager is authorised and regulated by the Financial Conduct Authority (“FCA”) and has an established market presence in the small property sector, with a proven track record of property syndication, investment and asset management.

Ian Mattioli is beneficially interested in the share capital of Mattioli Woods, the parent company of the Investment Manager, and therefore has an indirect interest in the Investment Manager.

Key personnel

The Investment Manager’s key personnel are Richard Shepherd-Cross, Nathan Imlach and Ian Mattioli.

AIFM Directive

The directive creates a European Union (“EU”) wide framework for regulating an AIFM. The Company’s activities fall within the scope of the directive and the Board has determined that the Investment Manager will act as AIFM for these purposes. The Board has put in place a system of regular reporting from the AIFM and the Company’s depositary to ensure both are meeting their regulatory responsibilities in respect of the Company.

Non-mainstream pooled investments

The Company conducts its affairs so that its shares can be recommended by independent financial advisers to retail investors in accordance with the rules of the FCA in relation to non-mainstream pooled investments, and intends to continue to do so for the foreseeable future.

Board committees**Audit Committee**

The Audit Committee comprises the independent directors and is chaired by Matthew Thorne. Its responsibilities are set out in the Audit Committee report.

Management Engagement Committee

The Management Engagement Committee comprises the independent directors and is chaired by Barry Gilbertson. The Investment Manager is appointed under the IMA to provide real estate fund management services. The committee reviews annually the performance of the Investment Manager and its compliance with the Company’s investment policy and with the IMA. During the period, the committee has considered:

- The capability and resources of the Investment Manager to deliver satisfactory investment performance;
- The length of the notice period of the IMA; and
- The fees payable to the Investment Manager.

The committee also reviews, annually, other organisations providing significant financial, advisory or legal services to the Company either directly or via the Investment Manager. As a consequence of these reviews, the Directors are satisfied with the Investment Manager’s ability to deliver investment performance that meets the agreed objectives, such that the continuing appointment of the Investment Manager, on the terms agreed, is in the best interest of the Company and its shareholders.

Directors’ share dealings

The Directors have adopted a code of directors’ dealings in ordinary shares, which is based on the Model Code for directors’ dealings contained in the Listing Rules (the “Model Code”). The Board is responsible for taking all proper and reasonable steps to ensure compliance with the Model Code.

Nominations and Remuneration Committee

The Board has not established a separate Nominations Committee or Remuneration Committee as, given the nature of the Company’s operations, these duties are performed by the Board as a whole.

The Directors have annual performance appraisals. The Board as a whole considers its performance and the performance of its subcommittees. The Chairman reviews the performance of the non-executive directors and the non-executive directors review the Chairman’s performance. The questions set out in the Higgs guidance are considered at each appraisal, where relevant to the Company. As part of the annual performance appraisal process, the training needs for board members is considered and, where necessary, acted upon.

GOVERNANCE REPORT

CONTINUED

Shareholders

The Company encourages two-way communication with both its institutional and private investors and responds quickly to all queries received either orally or in writing. All shareholders have at least 14 days' notice of the AGM, where all directors and committee members are available to answer questions.

At the AGM all votes are dealt with on a poll and the number of proxy votes cast is indicated. Votes on separate issues are proposed as separate resolutions.

The Investment Manager and corporate broker regularly update the Board with the views of shareholders and analysts.

Conflicts of interest

The Articles allow the Board to authorise potential conflicts of interest that may arise, subject to imposing limits or conditions when giving authorisation if this is appropriate. Only independent directors (who have no interest in the matter being considered) are able to take the relevant decision and, in taking the decision, the Directors must act in a way they consider will be most likely to promote the Company's success. Procedures have been established to monitor actual and potential conflicts of interest on a regular basis, and the Board is satisfied that these procedures are working effectively.

Internal control

The Investment Manager is responsible for operating the Company's system of internal control and reviewing of the effectiveness of this. Such a system is designed to manage, rather than eliminate, the risk of failure to achieve business objectives and can provide only reasonable but not absolute assurance against material misstatement or loss.

The Board has an ongoing process for identifying, evaluating and managing the significant risks faced by the Company. The process is regularly reviewed by the Board, based on reports from management, and accords with the Internal Control Guidance for Directors on the Combined Code produced by the Turnbull working party.

Key features of the Company's system of internal control include:

- A detailed authorisation process and formal delegation of authority;
- A comprehensive financial reporting and forecasting system;
- A defined schedule of matters reserved for the Board; and
- An annual review of the effectiveness of internal controls and formal consideration of business risks. Issues are also raised at quarterly board meetings as appropriate.

The Board has considered the requirements of the Bribery Act 2010 and has taken steps to ensure that it has adequate procedures in place to comply with the requirements of the Act. Responsibility for the Company's bribery prevention policies rests with the Investment Manager.

Steps are being taken to embed internal control and risk management further into the operations of the business and to deal with areas of improvement which come to the Board's attention.

Approval

This Governance report was approved by the Board of Directors and signed on its behalf by:

David Hunter

Director

8 June 2015

AUDIT COMMITTEE REPORT

Composition

The Audit Committee comprises Matthew Thorne as Chairman, David Hunter and Barry Gilbertson, all of whom are independent non-executive directors.

Responsibilities

The committee meets regularly to monitor the integrity of the Company's financial statements and is also responsible for the appointment, performance and independence of the external auditor and the independent property valuer. The committee has also considered the Board's additional requirement under the Code to state whether, in the Board's opinion, the Annual Report is fair, balanced and understandable. In providing support to the Board in making this statement, the committee has reviewed and approved a process undertaken by management to provide confirmation to the Board.

The key responsibilities and principal activities of the Audit Committee are as follows:

- To monitor the integrity of the financial statements of the Company and any formal announcements relating to the Company's financial performance, and reviewing significant financial reporting judgements contained in them;
- To advise the Board on whether the Interim Report, Annual Report and financial statements are fair, balanced and understandable and provide the information necessary for shareholders to assess the Company's performance, business model, strategy and risks;
- To monitor and review the effectiveness of the Company's internal control environment and monitoring processes;
- To review the significant risks faced by the Company;
- To review the internal audit programme, monitoring the effectiveness of the audit process and identifying any matters it considers need action or improvement, making recommendations as to the steps to be taken;
- To make recommendations to the Board to be put to shareholders for their approval in general meeting in relation to the appointment, reappointment and removal of the external auditor and to approve the remuneration and terms of engagement of the external auditor;
- To review the appointment of the external auditor as auditor and tax adviser, monitoring the external auditor's independence and objectivity and the effectiveness of the audit process, taking into consideration relevant UK professional and regulatory requirements;
- To develop and implement policy on the engagement of the external auditor to supply non-audit services, taking into account relevant ethical guidance regarding the provision of non-audit services by the external audit firm and to report to the Board, identifying any matters in respect of which it considers that action or improvement is needed and making recommendations as to the steps to be taken;

- To agree the scope of statutory audit work and any additional assurance work to be undertaken; and
- To gain assurance around the external valuation of the property portfolio and the independence of the valuers.

Meetings

The Audit Committee meets no less than three times a year, typically in May to consider the Annual Report and external audit findings, in November to consider the Interim Report and interim announcement and external review findings, and in January to plan for the financial year ahead. Any other matters, including internal controls, are considered as and when necessary.

Meetings are attended by the committee members and the external auditor. The committee allows time to speak with the external auditor without the Investment Manager present for at least one meeting each year.

Primary areas of judgement in relation to the Annual Report and financial statements

The committee considers the significant judgements made in the Annual Report and financial statements and receives reports from management and the external auditor on those judgements. The committee pays particular attention to the matters it considers to be important by virtue of size, potential impact, complexity and level of judgement.

The principal issue considered by the committee for the period was the valuation of the Company's property portfolio at £207.3 million as at 31 March 2015, which is fundamental to the Company's statement of financial position and reported results. The external auditor meets with the valuer separately from the Audit Committee, using real estate specialists where applicable, and reports back to the committee on its review. The committee also gains comfort from the valuer's methodology and other supporting market information. Members of the committee attend the meeting of the valuer and external auditor on a regular basis.

Loan covenant and REIT regime compliance is a matter for the whole Board. The Company remains lowly geared and the committee considers reports to support the Company's going concern status and REIT regime compliance in quarterly board reports, which include headroom and sensitivity analysis, along with undrawn facilities and forecasts.

AUDIT COMMITTEE REPORT

CONTINUED

Audit

The Company's day-to-day operations are contracted to the Investment Manager, including the internal audit function. The committee agrees an appropriate annual internal audit programme taking into consideration the current size of the Company and its relative lack of business complexity.

The committee is mindful of the transitional arrangements of the Code and proposed EU legislation in relation to external auditor appointment and restrictions on the level of non-audit fees paid to, and services performed by, the external auditor and continues to monitor developments and the Company's policy for non-audit services provided by the external auditor. An audit tendering policy suitable for the Company's size will be introduced when there is certainty over the final requirements that will be applicable to the Company.

Fees incurred by the Company from its auditor, Deloitte LLP, during the period were as follows:

	Period ended 31 March 2015 £000
Audit of the Company's Annual Report for the period ended 24 March 2014	17
Audit of the Company's initial accounts for the period ended 31 August 2014	35
Audit of the Company's Annual Report for the period ended 31 March 2015	50
Total audit related fees	102
Reporting accountant services and other advisory services on Admission	165
Other tax advisory services	82
Tax compliance services	16
Review of the Company's Interim Report for the period ended 30 September 2014	8
Total non-audit fees	271
Total fees	373

No fees were incurred by Deloitte LLP in the period ended 24 March 2014.

The committee has reviewed the level of fees paid to Deloitte LLP for non-audit services during the period, which includes a number of one-off items relating to Admission, and is satisfied there is no risk of the independence of the audit being compromised.

The use of Deloitte LLP to provide tax services is considered appropriate given the complexity of the Company's tax affairs which require a detailed knowledge of the structure and history of the business.

Given the external auditor's detailed knowledge of the structure of the organisation, certain recurring services provided by them, subject to the amount of fee involved, are not considered to impair the external auditor's independence or objectivity. Services included in this category are: accounting advice; tax compliance and advisory; compliance and regulatory certificates and minor projects, where the fee involved will not exceed £10,000 without the prior consent of the committee.

The committee will not normally allow the external auditor to be used for the following: compiling accounting records; internal audit services; IT consultancy; remuneration advice; valuation work; and work on internal controls.

Deloitte LLP was appointed as the Company's auditor in 2014. Under the Financial Reporting Council's transitional arrangements the Company is required to re-tender, at the latest, by 2024. The committee intends to re-tender within the timeframe set by the Financial Reporting Council.

Deloitte LLP has confirmed its willingness to continue in office and ordinary resolutions reappointing Deloitte LLP as auditor and authorising the committee to set the auditor's remuneration will be proposed at the AGM.

Approval

This Audit Committee report was approved by the Audit Committee and signed on its behalf by:

Matthew Thorne

Chairman of the Audit Committee
8 June 2015

DIRECTORS' REMUNERATION REPORT

The Non-executive Directors and Company Secretary are the only officers of the Company. The Directors are engaged under letters of appointment and do not have service contracts with the Company. The Company Secretary is engaged under the terms of the IMA with the Investment Manager. The Company has no employees.

Under the terms of their appointment, each director is required to retire by rotation and seek re-election at least every three years. Each directors' appointment under their respective letter of appointment is terminable immediately by either party (the Company or the director) giving written notice and no compensation or benefits are payable upon termination of office as a director of the Company becoming effective.

Remuneration policy

The Company's objective is to have a simple and transparent remuneration structure, aligned with the Company's strategy.

The Company aims to provide remuneration packages which will retain non-executive directors with the skills and experience necessary to maximise shareholder value on a long term basis.

The remuneration policy has been prepared in accordance with Schedule 8 of The Large and Medium-sized Companies and Company's (Accounts and Reports) Regulations 2008 ("the Regulations") as amended in August 2013.

Directors' remuneration (audited)

	Period ended 31 March 2015			
	Payment on Admission £	Fees £	Social security costs £	Total £
David Hunter	13,164	42,500	7,227	62,891
Matthew Thorne	13,164	32,500	5,847	51,511
Barry Gilbertson	13,164	28,000	5,226	46,390
Ian Mattioli	–	26,000	3,222	29,222
	39,492	129,000	21,552	190,014

There was no directors' remuneration in the period ended 24 March 2014.

The payment on Admission was made for services supplied prior to Admission to each of David Hunter, Barry Gilbertson, and Matthew Thorne, which each director agreed to apply in the subscription of ordinary shares at the Issue Price.

Directors' interests (audited)

At 31 March 2015 the directors had the following interests in the ordinary shares of the Company:

	Number of shares	Percentage holding
David Hunter	20,000	0.01%
Matthew Thorne	20,000	0.01%
Barry Gilbertson	20,000	0.01%
Ian Mattioli ¹⁵	122,256	0.07%
	182,256	0.10%

¹⁵ Ian Mattioli together with his wife are beneficially interested in a total of 2,335,305 Ordinary Shares, representing 1.31% of the Company's issued share capital.

DIRECTORS' REMUNERATION REPORT CONTINUED

No director has or has had any interest in any transactions which are or were unusual in their nature or conditions, or significant to the business of the Company and which were affected by the Company or remain in any respect outstanding or unperformed, other than those set out below.

No loan or guarantee has been granted or provided by any member of the Company for the benefit of any director.

Save as disclosed below in relation to the arrangements in place with Ian Mattioli and his wife, there are no restrictions agreed by any director on the disposal within a certain period of time of their holdings in the Company's securities.

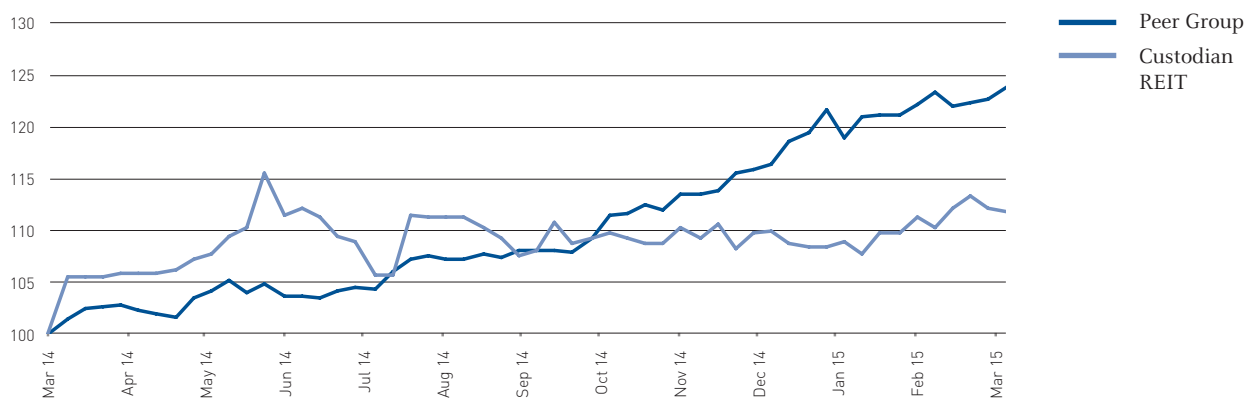
Lock-in agreement

On 25 February 2014, Ian Mattioli, the Company and the Company's broker, Numis Securities Limited ("Numis"), entered into a lock-in agreement. Under the terms of the agreement, Ian Mattioli and his wife have undertaken not to dispose of any ordinary shares or any interest in ordinary shares for a period of 12 months commencing on Admission and for a further period of 12 months thereafter not to dispose of any ordinary shares or any interest in ordinary shares without the prior written consent of Numis.

Total shareholder return performance

The graph below illustrates the total shareholder return from Admission to 31 March 2015 in terms of the change in value of an initial investment of £100 invested on 26 March 2014 in a holding of the Company's shares against the corresponding total shareholder returns from a hypothetical basket of shares in similar listed property investment companies.

Share Price Total Return vs Peer Group



Benchmarking performance against the performance of the Company's peers is considered to be the most appropriate method of measuring the Company's relative performance, as required by the Regulations.

Approval

The Companies Act 2006 requires the auditor to report to the shareholders on certain parts of the Directors' remuneration report and to state whether, in their opinion, those parts of the report have been properly prepared in accordance with the Regulations. The parts of the Annual Report on remuneration that are subject to audit are indicated in that report.

This Directors' remuneration report was approved by the Board of Directors and signed on its behalf by:

David Hunter

Director

8 June 2015

DIRECTORS' REPORT

Report and financial statements

The Directors have pleasure in presenting their report together with the financial statements for the period ended 31 March 2015. The Governance report forms part of this report. For the purposes of this report, the Directors' responsibilities statement and the Independent auditor's report, the expression 'Company' means Custodian REIT plc and the expression 'Group' means the Company and its subsidiary.

The Company was incorporated on 27 January 2014 and prepared its first Annual Report to 31 March 2014 to satisfy Section 837 of the Companies Act 2006 and facilitate its objective of paying quarterly dividends.

The Company's principal activity is commercial property investment. The Strategic Report includes further information about the Company's principal activity, financial performance during the period and indications of likely future developments. The Company's subsidiary, Custodian Real Estate Limited, is dormant.

Details of significant events since the period end are contained in Note 21 to the financial statements.

The Directors believe they have discharged their responsibilities under section 414C of the Companies Act 2006 to provide a balanced and comprehensive review of the development and performance of the business.

Results and dividends

The Group profit for the period after taxation is set out in the statement of comprehensive income.

Three interim quarterly dividends totalling 3.75 pence per share have been paid during the period. The Directors propose paying a fourth quarterly dividend of 1.5 pence per share in respect of the quarter ended 31 March 2015, which is expected to be approved in June 2015 and paid on 30 June 2015, meaning total dividends relating to the period ended 31 March 2015 will be in line with target at 5.25 pence per share.

Taxation

The Group operates as a REIT and hence profits and gains from the property investment business are normally expected to be exempt from corporation tax.

Directors

A list of the directors and their short biographies is shown in the Board of Directors and key Investment Manager personnel section of the Governance report.

The appointment and replacement of directors is governed by the Articles, the Code, the Companies Act and related legislation. The Articles themselves may be amended by special resolution of the shareholders.

Directors' fees and beneficial interests in the shares of the Company are disclosed in the Directors' remuneration report. During the period, no director had a material interest in a contract to which the Company or its subsidiary was a party (other than their own letter of appointment), requiring disclosure under the Companies Act 2006 other than in respect of Custodian Capital Limited and the IMA as disclosed in Note 19 to the financial statements.

Directors' indemnity

All directors and officers of the Company have the benefit of the indemnity provision contained in the Articles. The provision, which is a qualifying third party indemnity provision, was in force throughout the period and is currently still in force. The Company also purchased and maintained directors' and officers' liability insurance in respect of itself and its directors and officers as permitted by Section 234 of the Companies Act 2006, although no cover exists in the event directors or officers are found to have acted fraudulently or dishonestly.

Conflicts of interest

There are procedures in place to deal with any directors' conflicts of interest arising under section 175 of the Companies Act 2006 and such procedures have operated effectively.

Donations

No political or charitable donations were made during the period.

Capital structure

The Company's authorised and issued share capital is shown in Note 17 to the financial statements.

The ordinary shares rank *pari passu* in all respects. Save as may be agreed at the AGM, the ordinary shares have pre-emption rights in respect of any future issues of ordinary shares to the extent conferred by section 561 of the Companies Act 2006.

There are no restrictions on the transfer of ordinary shares in the Company, other than:

- Certain restrictions that may be imposed from time to time by laws and regulations and pursuant to the Listing Rules of the FCA, whereby certain directors and officers require approval to deal in ordinary shares of the Company; and
- Restrictions on Ian Mattioli and his wife as a result of entering into a lock-in deed with the Company and Numis, as described above.

DIRECTORS' REPORT

CONTINUED

Capital structure continued

The Directors are not aware of any other agreements between holders of securities that may result in restrictions on the transfer of ordinary shares.

There are no specific restrictions on the size of a holding nor on the transfer of shares, which are both governed by the general provisions of the Articles and prevailing legislation. No person has any special rights of control over the Company's share capital and all issued shares are fully paid.

CREST

Custodian REIT plc share dealings are settled in CREST, the computerised system for the settlement of share dealings on the London Stock Exchange. CREST reduces the amount of documentation required and makes the trading of shares faster and more secure. CREST enables shares to be held in an electronic form instead of the traditional share certificates. CREST is voluntary and shareholders can keep their share certificates if they wish. This may be preferable for shareholders who do not trade in shares on a frequent basis.

Substantial shareholdings

At 8 June 2015 the Directors were aware that the following shareholders each owned 3% or more of the issued share capital:

Shareholder	Number of ordinary shares	Percentage holding ¹⁶
F&C Asset Management	15,262,118	8.5%
Investec Wealth & Investment	9,563,486	5.3%

Close company provisions

The Company is not a close company within the provisions of the Income and Corporation Taxes Act 1988.

Change of control

The Company has borrowing facilities provided by its bankers which include provisions which may require any outstanding borrowings to be repaid, altered or terminated upon the occurrence of a change of control in the Company.

Related party transactions

Details of related party transactions are given in Note 19 to the financial statements.

Environmental

The Board believes good environmental practices such as the recycling of paper waste support its strategy by enhancing the reputation of the Company. However, due to the nature of its business generally, the Company does not have a significant environmental impact.

Financial risk management

The Company's financial risk management is based upon sound economic objectives and good corporate practice. The Board has overall responsibility for risk management and internal control. The Board's process for identifying and managing risks is set out in more detail in the Governance report.

Since Admission the Company has sought to manage financial risk, to ensure sufficient liquidity is available to meet its identifiable needs and to invest cash assets safely and profitably. Short term flexibility is achieved through the use of bank facilities. The Company does not undertake any trading activity in financial instruments. All activities are transacted in Sterling. The Company does not engage in any hedging activities.

The Company reviews the credit quality of potential tenants and limits credit exposures accordingly. All trade receivables are subject to credit risk exposure. However, there is no specific concentration of credit risk as the amounts recognised represent income from a wide range of the Company's tenants.

The Company's financial risk management policy is further detailed in Note 20 to the financial statements.

Auditor

Deloitte LLP, who have been the Group's auditor since 20 May 2014, have confirmed their willingness to continue in office as auditor in accordance with Section 489 of the Companies Act 2006. The Group is satisfied that Deloitte LLP are independent and there are adequate safeguards in place to safeguard their objectivity. A resolution to reappoint Deloitte LLP as the Group's auditor will be proposed at the forthcoming AGM.

¹⁶ The percentages shown are based on the issued share capital on 8 June 2015.

Directors' statement as to disclosure of information to the auditor

The directors who were members of the Board at the time of approving the Directors' report are listed in the Governance report. Having made enquiries of fellow directors and of the Company's auditor, each of these directors confirms that:

- To the best of each director's knowledge and belief, there is no relevant audit information of which the Company's auditor is unaware; and
- Each director has taken all steps they might reasonably be expected to have taken as a director to make themselves aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of Section 418 of the Companies Act 2006.

Annual General Meeting

The AGM of the Company will be held at Canaccord Genuity Limited, 41 Lothbury, London, EC2R 7AE on 22 July 2015 at 12:00pm.

On a show of hands at a general meeting of the Company, every holder of ordinary shares present in person or by proxy and entitled to vote shall have one vote unless the proxy is appointed by more than one shareholder and has been instructed by one or more shareholders to vote for the resolution and by one or more shareholders to vote against the resolution, in which case the proxy has one vote for and one vote against. This is to reflect the Shareholders' Rights Regulations which have amended the Companies Act 2006.

On a poll, every member present in person or by proxy and entitled to vote shall have one vote for every ordinary share held. None of the ordinary shares carry any special voting rights with regard to control of the Company. The Notice of AGM specifies deadlines for exercising voting rights and appointing a proxy or proxies to vote in relation to resolutions to be passed at the AGM. The relevant proxy votes are counted and the number for, against or withheld in relation to each resolution are announced at the AGM.

Events since 31 March 2015

Details of significant events occurring after the end of the reporting period are given in the Note 21 to the financial statements.

Approval

This Directors' report was approved by the Board of Directors and signed on its behalf by:

David Hunter

Director

8 June 2015

DIRECTORS' RESPONSIBILITIES STATEMENT

The Directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare consolidated and company financial statements for each financial year. The Directors are required to prepare consolidated financial statements in accordance with International Financial Reporting Standards ("IFRSs") as adopted by the European Union and Article 4 of the IAS Regulation and have also chosen to prepare company financial statements in accordance with IFRSs as adopted by the EU.

Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and the Company and of the profit or loss of the Group for that period. In preparing each of the Group and Company financial statements, International Accounting Standard 1 requires the directors to:

- Properly select and apply accounting policies;
- Present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- Provide additional disclosures when compliance with the specific requirements in IFRSs are insufficient to enable users to understand the impact of particular transactions, other events and conditions on the entity's financial position and financial performance; and
- Make an assessment of the company's ability to continue as a going concern.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Group's and the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Group and Company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Group and Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

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

Responsibility statement

We confirm that to the best of our knowledge:

- The consolidated financial statements, prepared in accordance with IFRS as adopted by the EU, give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company and the undertakings included in the consolidation taken as a whole;
- The Strategic Report includes a fair review of the development and performance of the business and the position of the Company and the undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties that they face; and
- The Annual Report and consolidated financial statements, taken as a whole, are fair, balanced and understandable and provide the information necessary for shareholders to assess the Company's performance, business model and strategy.

Approval

This Directors' responsibilities statement was approved by the Board of Directors and signed on its behalf by:

David Hunter

Director

8 June 2015

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF CUSTODIAN REIT PLC

For the period ended 31 March 2015

Opinion on financial statements of Custodian REIT plc

In our opinion the financial statements:

- Give a true and fair view of the state of the Group's and of the parent company's affairs as at 31 March 2015 and of the Group's and the parent company's profit for the period then ended;
- Have been properly prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union; and
- Have been prepared in accordance with the requirements of the Companies Act 2006 and, as regards the Group financial statements, Article 4 of the IAS Regulation.

The financial statements comprise the consolidated and Company statement of comprehensive income, the consolidated statement of financial position, the Company statement of financial position, the consolidated and Company statement of cash flows, the consolidated and Company statement of changes in equity and the related Notes 1 to 21. The financial reporting framework that has been applied in their preparation is applicable law and IFRSs as adopted by the European Union.

Separate opinion in relation to IFRSs as issued by the IASB

As explained in Note 2 to the Group financial statements, in addition to complying with its legal obligation to applying IFRSs as adopted by the European Union, the Group has also applied IFRSs as issued by the International Accounting Standards Board (IASB). In our opinion the Group financial statements comply with IFRSs as issued by the IASB.

Going concern

As required by the Listing Rules we have reviewed the directors' statement contained within the Directors' report that the Group is a going concern. We confirm that:

- We have concluded that the Directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate; and
- We have not identified any material uncertainties that may cast significant doubt on the Group's ability to continue as a going concern.

However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the Group's ability to continue as a going concern.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF CUSTODIAN REIT PLC CONTINUED

For the period ended 31 March 2015

Our assessment of risks of material misstatement

The assessed risks of material misstatement described below are those that had the greatest effect on our audit strategy, the allocation of resources in the audit and directing the efforts of the engagement team:

Risk	How the scope of our audit responded to the risk
Valuation of investment property Valuation of investment property is an area of judgement which could materially affect the financial statements. The Group's investment property portfolio is £207.3 million. The Group's accounting policy in Note 2 states that investment property is held at fair value. In determining the fair value, the external valuers make a number of key estimates and assumptions, in particular assumptions in relation to market comparable yields and estimates in relation to future rental income increases or decreases, void periods and purchaser costs. Certain of these estimates and assumptions require input from the Investment Manager. Some of these estimates and assumptions are subject to market forces and will change over time.	As set out in the Audit Committee report we met with the third party valuers, appointed by those charged with governance of Custodian REIT plc. We obtained an understanding of the property valuation process and methodology and assessed the competence of the valuers. With the assistance of a specialist member of the audit team who is a chartered surveyor, we reviewed the significant assumptions in the valuation process, including lease yield, lease lengths and break clauses, and tested a sample of properties through benchmarking against appropriate property indices. We verified the integrity of a sample of information provided to the valuers by management relating to rental income, occupancy and life of the lease by agreement to lease contracts.
Loan covenant compliance At 31 March 2015, £24.7 million had been drawn from total facilities of £45.0 million. Loan covenants were agreed with the lender and failure to meet the covenants would result in further borrowing being suspended which might lead to a liquidity issue.	We tested compliance with loan covenants at the balance sheet date. We looked at the Investment Manager's forecasts and assumptions for ongoing covenant compliance and available headroom on these covenants and existing finance facilities. We also confirmed that adequate disclosures have been made in the Annual Report.
Revenue recognition The Company's revenue is generated from rental income. As set out in Note 2 to the financial statements, the Company's accounting policy is to account for the rental income from properties owned by the Company on a straight line basis over the term of the lease. Lease incentives are amortised on a straight-line basis over the lease term. There is a risk that lease incentives such as rent free periods or stepped rent agreements may not be treated appropriately to ensure rental income is recognised in each accounting period on straight line basis over the lease length.	We tested a sample of rental revenue recognised to verify against the rental agreement and assessed whether revenue appropriately reflected any rent free or stepped rent agreements. In addition, we performed analytical review procedures on both the rental income and deferred rental income to assess the accuracy of the balances. We also reviewed a sample of the new tenant agreements in the period to identify lease incentive terms and assess the appropriateness of the revenue recognition policies adopted.

Risk	How the scope of our audit responded to the risk
Compliance with the REIT regime As a REIT, the Company must ensure that it monitors its compliance with the requirements of the regime. If the Company breaches one or more of the REIT regime conditions, the penalty can range from automatic expulsion from the regime to additional tax liabilities for the REIT.	We obtained copies of the Investment Manager's calculations to support compliance with these conditions which we recalculated. We also agreed compliance with these conditions by reference to the REIT requirements at the balance sheet date, and in the forecast period of 12 months.
Last year our report only had a risk in relation to the understatement of liabilities and expenses as the Group had not started trading. We reassessed the risks associated with the Group in the current period which including identifying the above risks and concluded that the risk in relation to the understatement of liabilities and expenses was no longer material to the Group financial statements.	
The description of risks above should be read in conjunction with the significant issues considered by the Audit Committee discussed in the Audit Committee report.	
Our audit procedures relating to these matters were designed in the context of our audit of the financial statements as a whole, and not to express an opinion on individual accounts or disclosures. Our opinion on the financial statements is not modified with respect to any of the risks described above, and we do not express an opinion on these individual matters.	
Our application of materiality	We define materiality as the magnitude of misstatement in the financial statements that makes it probable that the economic decisions of a reasonably knowledgeable person would be changed or influenced. We use materiality both in planning the scope of our audit work and in evaluating the results of our work. We determined materiality for the Company to be £3.57 million, which is 2% of net assets for the statement of financial position testing and £0.8 million for the statement of comprehensive income, which is 10% of underlying profit before tax. We agreed with the Audit Committee that we would report to the committee all audit differences in excess of £72,000 for statement of financial position testing and £17,000 for the statement of comprehensive income, as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds. We also report to the Audit Committee on disclosure matters that we identified when assessing the overall presentation of the financial statements.
An overview of the scope of our audit	Our group audit was scoped by obtaining an understanding of the Group and its environment, including group-wide controls, and assessing the risks of material misstatement at the group level. The Group consists of the parent company and a dormant subsidiary. All audit work to respond to the risks of material misstatement was performed directly by the audit engagement team.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF CUSTODIAN REIT PLC CONTINUED

For the period ended 31 March 2015

Opinion on other matters prescribed by the Companies Act 2006

In our opinion:

- The part of the Directors' remuneration report to be audited has been properly prepared in accordance with the Companies Act 2006; and
- The information given in the Strategic Report and the Directors' report for the financial period for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

Adequacy of explanations received and accounting records

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- We have not received all the information and explanations we require for our audit; or
- Adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- The parent company financial statements are not in agreement with the accounting records and returns.

We have nothing to report in respect of these matters.

Directors' remuneration

Under the Companies Act 2006 we are also required to report if in our opinion certain disclosures of directors' remuneration have not been made or the part of the Directors' remuneration report to be audited is not in agreement with the accounting records and returns. We have nothing to report arising from these matters.

Corporate Governance Statement

Under the Listing Rules we are also required to review the part of the Governance report relating to the company's compliance with ten provisions of the UK Corporate Governance Code. We have nothing to report arising from our review.

Our duty to read other information in the Annual Report

Under International Standards on Auditing (UK and Ireland), we are required to report to you if, in our opinion, information in the Annual Report is:

- Materially inconsistent with the information in the audited financial statements; or
- Apparently materially incorrect based on, or materially inconsistent with, our knowledge of the Group acquired in the course of performing our audit; or
- Otherwise misleading.

In particular, we are required to consider whether we have identified any inconsistencies between our knowledge acquired during the audit and the directors' statement that they consider the Annual Report is fair, balanced and understandable and whether the Annual Report appropriately discloses those matters that we communicated to the Audit Committee which we consider should have been disclosed. We confirm that we have not identified any such inconsistencies or misleading statements.

Respective responsibilities of directors and auditor

As explained more fully in the Directors' responsibilities statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors. We also comply with International Standard on Quality Control 1 (UK and Ireland). Our audit methodology and tools aim to ensure that our quality control procedures are effective, understood and applied. Our quality controls and systems include our dedicated professional standards review team and independent partner reviews.

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Group's and the parent company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Annual Report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Jonathan Dodworth (Senior statutory auditor)
for and on behalf of Deloitte LLP
Chartered Accountants and Statutory Auditor
Birmingham, UK
8 June 2015

CONSOLIDATED AND COMPANY STATEMENT OF COMPREHENSIVE INCOME

For the period ended 31 March 2015

		Period ended 31 March 2015 £000	Period ended 24 March 2014 £000
Group and Company	Note		
Revenue	4	11,570	—
Investment management fee		(1,542)	—
Operating expenses of rental property:			
– rechargeable to tenants		(342)	—
– directly incurred		(373)	—
Professional fees		(494)	—
Directors' fees		(190)	—
Administrative expenses		(101)	—
Expenses		(3,042)	—
Operating profit before financing and revaluation of investment properties		8,528	—
Analysed as:			
Operating profit before exceptional items		8,747	—
Exceptional costs of Admission	6	(219)	—
		8,528	—
Profit on disposal of investment properties		269	—
Unrealised gains/(losses) on revaluation of investment properties:			
– relating to property revaluations	11	6,083	—
– relating to costs of acquisition	11	(5,844)	—
		508	—
Operating profit before financing		9,036	—
Net finance costs	7, 8	(289)	—
Profit before tax		8,747	—
Income tax expense	9	(2)	—
Profit for the period and total comprehensive income for the period, net of tax		8,745	—
Attributable to:			
Owners of the Company		8,745	—
Earnings per ordinary share:			
Basic and diluted (pence per share)	3	6.0	—

The profit for the period arises from the Company's continuing operations.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 March 2015

Registered number: 8863271

	Note	31 March 2015 £000	24 March 2014 £000
Non-current assets			
Investment properties	11	207,287	—
Total non-current assets		207,287	—
Trade and other receivables	13	1,072	50
Cash and cash equivalents	15	849	—
Total current assets		1,921	50
Total assets		209,208	50
Equity			
Issued capital	17	1,776	50
Share premium	17	175,009	—
Retained earnings	17	3,201	—
Total equity attributable to equity holders of the Company		179,986	50
Non-current liabilities			
Borrowings	16	23,811	—
Total non-current liabilities		23,811	—
Current liabilities			
Trade and other payables	14	2,292	—
Deferred income		3,119	—
Total current liabilities		5,411	—
Total liabilities		29,222	—
Total equity and liabilities		209,208	50

These consolidated financial statements of Custodian REIT plc were approved and authorised for issue by the Board of Directors on 8 June 2015 and are signed on its behalf by:

David Hunter
Director

COMPANY STATEMENT OF FINANCIAL POSITION

As at 31 March 2015

Registered number: 8863271

	Note	31 March 2015 £000	24 March 2014 £000
Non-current assets			
Investment properties	11	207,287	—
Investments	12	—	—
Total non-current assets		207,287	—
Trade and other receivables	13	1,072	50
Cash and cash equivalents	15	849	—
Total current assets		1,921	50
Total assets		209,208	50
Equity			
Issued capital	17	1,776	50
Share premium	17	175,009	—
Retained earnings	17	3,201	—
Total equity attributable to equity holders of the Company		179,986	50
Non-current liabilities			
Borrowings	16	23,811	—
Total non-current liabilities		23,811	—
Current liabilities			
Trade and other payables	14	2,292	—
Deferred income		3,119	—
Total current liabilities		5,411	—
Total liabilities		29,222	—
Total equities and liabilities		209,208	50

These financial statements of Custodian REIT plc were approved and authorised for issue by the Board of Directors on 8 June 2015 and are signed on its behalf by:

David Hunter
Director

CONSOLIDATED AND COMPANY STATEMENT OF CASH FLOWS

For the period ended 31 March 2015

Group and Company	Note	Period ended 31 March 2015 £000	Period ended 24 March 2014 £000
Operating activities			
Profit for the period		9,036	—
Adjustments for:			
Increase in fair value of investment property	11	(6,083)	—
Profit on disposal of investment properties		(269)	—
Net non-cash finance charges	7, 8	(85)	—
Income tax	9	(2)	—
Cash flows from operating activities before changes in working capital and provisions		2,597	—
Increase in trade and other receivables		(1,072)	—
Increase in trade and other payables		5,411	—
Cash generated from operations		6,936	—
Interest paid	8	(258)	—
Net cash flows from operating activities		6,678	—
Investing activities			
Purchase of investment property		(125,728)	—
Disposal of investment property		1,784	—
Interest received	7	54	—
Net cash from investing activities		(123,890)	—
Financing activities			
Proceeds from the issue of share capital		102,620	—
Payment of costs of share issue	17	(2,824)	—
New borrowings	16	23,811	—
Dividends paid	10	(5,546)	—
Net cash from financing activities		118,061	—
Net increase in cash and cash equivalents		849	—
Cash and cash equivalents at start of the period		—	—
Cash and cash equivalents at end of the period		849	—

CONSOLIDATED AND COMPANY STATEMENT OF CHANGES IN EQUITY

For the period ended 31 March 2015

	Note	Issued capital £000	Share premium £000	Retained earnings £000	Total equity £000
As at 27 January 2014		—	—	—	—
Profit for the period		—	—	—	—
Total comprehensive income for period		—	—	—	—
Transactions with owners of the Company, recognised directly in equity					
Issue of share capital	17	50	—	—	50
As at 24 March 2014		50	—	—	50
Profit for the period		—	—	8,745	8,745
Total comprehensive income for period		—	—	8,745	8,745
Transactions with owners of the Company, recognised directly in equity					
Dividends	10	—	—	(5,546)	(5,546)
Issue of share capital	17	1,726	175,009	—	176,735
Profit on disposal of own shares	17	—	—	2	2
As at 31 March 2015		1,776	175,009	3,201	179,986

Retained earnings includes £2.78 million of realised profits and £0.42 million of unrealised profits.

NOTES TO THE FINANCIAL STATEMENTS

For the period ended 31 March 2015

1. Corporate information

The Company is a public limited company incorporated and domiciled in England and Wales, whose shares are publicly traded on the London Stock Exchange plc's main market for listed securities. The consolidated financial statements have been prepared on a historical cost basis, except for the revaluation of investment properties and certain financial assets, and are presented in pounds sterling with all values rounded to the nearest thousand pounds (£000), except when otherwise indicated. The consolidated financial statements were authorised for issue in accordance with a resolution of the Directors on 8 June 2015.

2. Basis of preparation and accounting policies

2.1. Basis of preparation

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards adopted by the International Accounting Standards Board ("IASB") and interpretations issued by the International Financial Reporting Interpretations Committee ("IFRIC") of the IASB (together "IFRS") as adopted by the European Union, and in accordance with the requirements of the Companies Act applicable to companies reporting under IFRS, and therefore they comply with Article 4 of the EU IAS Regulation.

The prior period financial information was prepared to 24 March 2014, applying the provisions of the Companies Act 2006 allowing the financial statements to be drawn up to seven days before or after the accounting reference date of 31 March 2014. The information for the current financial period has been prepared for the 53 week period from 25 March 2014 to 31 March 2015.

Certain statements in this report are forward looking statements. By their nature, forward looking statements involve a number of risks, uncertainties or assumptions that could cause actual results or events to differ materially from those expressed or implied by those statements. Forward looking statements regarding past trends or activities should not be taken as representation that such trends or activities will continue in the future. Accordingly, undue reliance should not be placed on forward looking statements.

2.2. Basis of consolidation

The consolidated financial statements consolidate those of the parent company and its subsidiary. The parent controls a subsidiary if it is exposed, or has rights, to variable returns from its involvement with the subsidiary and has the ability to affect those returns through its power over the subsidiary. The subsidiary has a reporting date in line with the Company. All transactions and balances between group companies are eliminated on consolidation, including unrealised gains and losses on transactions between group companies. Where unrealised losses on intra-group asset sales are reversed on consolidation, the underlying asset is also tested for impairment from a group perspective. Amounts reported in the financial statements of the subsidiary are adjusted where necessary to ensure consistency with the accounting policies adopted by the group. Profit or loss and other comprehensive income of subsidiaries acquired or disposed of during the period are recognised from the effective date of acquisition, or up to the effective date of disposal, as applicable.

2.3. Application of new and revised International Financial Reporting Standards

During the period the Company has applied a number of amendments to IFRSs and a new interpretation issued by the International Accounting Standards Board (IASB) that are mandatorily effective for accounting periods beginning on or after 1 January 2014:

- Amendments to IFRS 10, IFRS 12 and IAS 27 Investment Entities;
- Amendments to IAS 32 Offsetting Financial Assets and Financial Liabilities;
- Amendments to IAS 36 Recoverable Amount Disclosures for Non-financial Assets;
- Amendments to IAS 39 Novation of Derivatives and Continuation of Hedge Accounting; and
- IFRIC 12 Levies.

NOTES TO THE FINANCIAL STATEMENTS

CONTINUED

For the period ended 31 March 2015

2. Basis of preparation and accounting policies continued

2.3. Application of new and revised International Financial Reporting Standards continued

The application of the above amendments and interpretation has had no impact on the disclosures or on the amounts recognised in the Company's financial statements. At the date of authorisation of these financial statements, the following new and revised IFRSs which have not been applied in these financial statements were in issue but not yet effective:

- IFRS 9 'Financial Instruments';
- IFRS 14 'Regulatory Deferral Accounts';
- IFRS 15 'Revenue from Contracts with Customers';
- Amendments to IFRS 11 'Accounting for Acquisitions of Interests in Joint Operations';
- Amendments to IAS 16 and IAS 38 'Clarification of Acceptable Methods of Depreciation and Amortisation';
- Annual improvements to IFRSs 2010-2012 Cycle; and
- Annual improvements to IFRSs 2011-2013 Cycle.

Other than to expand certain disclosures within the financial statements, the Directors do not anticipate that the application of these standards, amendments and interpretations will have a material impact on the Company's financial statements in future periods.

2.4. Significant accounting policies

The principal accounting policies adopted by the Company and applied to these financial statements are set out below.

Going concern

The Directors believe the Company is well placed to manage its business risks successfully. The Company's projections show that the Company should continue to be cash generative and be able to operate within the level of its current financing arrangements. Accordingly, the Directors continue to adopt the going concern basis for the preparation of the financial statements.

Income recognition

Revenue is recognised to the extent that it is probable that economic benefits will flow to the Company and the revenue can be reliably measured. Revenue is measured at the fair value of the consideration received, excluding discounts, rebates, VAT and other sales taxes or duties.

Rental income from operating leases on properties owned by the Company is accounted for on a straight line basis over the term of the lease. Rental income excludes service charges and other costs directly recoverable from tenants.

Lease incentives are amortised on a straight-line basis over the lease term.

Revenue and profits on the sale of properties are recognised on the completion of contracts. The amount of profit recognised is the difference between the sale proceeds and the carrying amount.

Finance income relates to amounts receivable on ongoing development funding contracts.

Taxation

The tax expense represents the sum of the tax currently payable and deferred tax. The tax currently payable is based on taxable profit for the period. Taxable profit differs from net profit as reported in the statement of comprehensive income because it excludes items of income and expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Company's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the reporting date.

2. Basis of preparation and accounting policies continued

2.4. Significant accounting policies continued

Investment properties

Investment properties are properties held to earn rentals and/or for capital appreciation. Investment properties are initially recognised at cost including direct transaction costs. Investment properties are subsequently valued externally or by the Directors on an open market basis at the reporting date and recorded at valuation. Any surplus or deficit arising on revaluing investment properties is recognised in the statement of comprehensive income in the year in which it arises. Dilapidation receipts are held in the statement of financial position and offset against subsequent associated expenditure. Any ultimate gains or shortfalls are measured by reference to previously published valuations and recognised in the statement of comprehensive income, offset against any directly corresponding movement in fair value of the investment property to which they relate.

Group undertakings

Investments are included in the statement of financial position at cost less any provision for impairment.

Financial assets

The Company's financial assets include cash and cash equivalents and trade and other receivables. All financial assets are initially recognised at fair value plus transaction costs, when the Company becomes party to the contractual provisions of the instrument. Interest resulting from holding financial assets is recognised in the statement of comprehensive income on an accruals basis.

Loans and receivables are measured subsequent to initial recognition at amortised cost using the effective interest method, less provision for impairment. Provision for impairment of trade and other receivables is made when objective evidence is received that the Company will not be able to collect all amounts due to it in accordance with the original terms of the receivable. The amount of the impairment is determined as the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the effective rate computed at initial recognition. Any change in value through impairment or reversal of impairment is recognised in the statement of comprehensive income.

A financial asset is derecognised only where the contractual rights to the cash flows from the asset expire or the financial asset is transferred and that transfer qualifies for de-recognition. A financial asset is transferred if the contractual rights to receive the cash flows of the asset have been transferred or the Company retains the contractual rights to receive the cash flows of the asset but assumes a contractual obligation to pay the cash flows to one or more recipients. A financial asset that is transferred qualifies for de-recognition if the Company transfers substantially all the risks and rewards of ownership of the asset.

Cash and cash equivalents

Cash and cash equivalents include cash in hand and demand deposits, and other short term highly liquid investments that are readily convertible into a known amount of cash and are subject to an insignificant risk of changes in value.

Financial liabilities and equity investments

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the Company after deducting all of its liabilities. Equity investments issued by the Company are recorded at the proceeds received, net of direct issue costs.

Share capital represents the nominal value of equity shares issued. Share premium represents the excess over nominal value of the fair value of the consideration received for equity shares, net of direct issue costs.

Retained earnings include all current and prior period results as disclosed in the statement of comprehensive income. Retained earnings include realised and unrealised profits. Profits are considered unrealised where they arise from movements in the fair value of investment properties that are considered to be temporary rather than permanent.

NOTES TO THE FINANCIAL STATEMENTS

CONTINUED

For the period ended 31 March 2015

2. Basis of preparation and accounting policies continued

2.4. Significant accounting policies continued

Bank borrowings

Interest-bearing bank loans and overdrafts are recorded at the fair value of proceeds received, net of direct issue costs. Finance charges, including premiums payable on settlements or redemption and direct issue costs, are accounted for on an accruals basis in the statement of comprehensive income using the effective interest rate method and are added to the carrying amount of the instrument to the extent that they are not settled in the period in which they arise.

Trade payables

Trade payables are initially measured at fair value and are subsequently measured at amortised cost, using the effective interest rate method.

Leases

Payments on operating lease agreements are recognised as an expense on a straight-line basis over the lease term.

Exceptional items

Certain items have been disclosed as exceptional in the income statement where they relate to Admission and are therefore considered to be one off costs, as set out in Note 6 to the financial statements.

Segmental reporting

An operating segment is a distinguishable component of the Company that engages in business activities from which it may earn revenues and incur expenses, whose operating results are regularly reviewed by the Company's chief operating decision maker to make decisions about the allocation of resources and assessment of performance and about which discrete financial information is available. As the chief operating decision maker reviews financial information for, and makes decisions about the Company's investment properties and properties held for trading as a portfolio, the Directors have identified a single operating segment, that of investment in commercial properties.

2.5. Key sources of judgements and estimation uncertainty

The preparation of the financial statements requires the Company to make estimates and assumptions that affect the reported amount of revenues, expenses, assets and liabilities and the disclosure of contingent liabilities. If in the future such estimates and assumptions, which are based on the Directors' best judgement at the date of preparation of the financial statements, deviate from actual circumstances, the original estimates and assumptions will be modified as appropriate in the period in which the circumstances change. The areas where a higher degree of judgement or complexity arises, or where assumptions and estimates are significant to the financial statements, are discussed below.

Valuation of properties

Investment properties are valued at the reporting date at fair value. Where investment properties are being redeveloped the property continues to be treated as an investment property. Surpluses and deficits attributable to the Company arising from revaluation are recognised in the statement of comprehensive income. Valuation surpluses reflected in retained earnings are not distributable until realised on sale.

The Company considers valuations performed by independent valuers in determining the fair value of its investment properties. The valuations are based upon assumptions including future rental income, anticipated maintenance costs and appropriate discount rates. The valuers also make reference to market evidence of transaction prices for similar properties.

3. Earnings per ordinary share

Basic earnings per share amounts are calculated by dividing net profit for the year attributable to ordinary equity holders of the Company by the weighted average number of ordinary shares outstanding during the year.

Diluted earnings per share amounts are calculated by dividing the net profit attributable to ordinary equity holders of the Company by the weighted average number of ordinary shares outstanding during the year plus the weighted average number of ordinary shares that would be issued on the conversion of all the dilutive potential ordinary shares into ordinary shares. There are no dilutive instruments.

3. Earnings per ordinary share continued

The following reflects the income and share data used in the basic and diluted earnings per share computations:

	Period ended 31 March 2015	Period ended 24 March 2014
Net profit and diluted net profit attributable to equity holders of the Company (£000)	8,745	—
Weighted average number of ordinary shares:		
Issued ordinary shares at start period	5,000,000	—
Effect of shares issued during the period	141,061,038	5,000,000
Basic and diluted weighted average number of shares	146,061,038	5,000,000
Basic and diluted earnings per share (pence)	6.0	—

4. Revenue

	Period ended 31 March 2015 £000	Period ended 24 March 2014 £000
Gross rental income from investment properties	11,228	—
Income from recharges to tenants	342	—
	11,570	—

5. Operating profit

Operating profit is stated after charging:

	Period ended 31 March 2015 £000	Period ended 24 March 2014 £000
Profit on disposal of investment property	269	—
Net gains on revaluation of investment properties	239	—
Fees payable to the Company's Auditor and their associates for the audit of the Company's annual financial statements	102	—
Fees payable to the Company's Auditor and its associates for other services	271	—

Fees payable to the Company's auditor, Deloitte LLP, are detailed in the Audit Committee report.

NOTES TO THE FINANCIAL STATEMENTS

CONTINUED

For the period ended 31 March 2015

6. Exceptional items

One-off costs incurred on Admission totalled £2.40 million of which £0.22 million was recognised in the statement of comprehensive income and £2.18 million was taken to the share premium account as being directly related to the issue of new shares.

7. Finance income

	Period ended 31 March 2015 £000	Period ended 24 March 2014 £000
Bank interest	54	—
Finance income	30	—
	84	—

8. Finance costs

	Period ended 31 March 2015 £000	Period ended 24 March 2014 £000
Amortisation of arrangement fees on debt facilities	115	—
Bank interest	258	—
	373	—

9. Income tax

The tax charge assessed for the period is lower than the standard rate of corporation tax in the UK during the period of 21.0%. The differences are explained below:

	Period ended 31 March 2015 £000	Period ended 24 March 2014 £000
Profit before income tax	8,747	—
Tax charge on profit at a standard rate of 21.0%	1,837	—
Effects of:		
REIT tax exempt rental profits and gains	(1,835)	—
Income tax expense for the period	2	Nil
Effective income tax rate	0.0%	0.0%

9. Income tax continued

The Company operated as a Real Estate Investment Trust from 27 March 2014 and hence profits and gains from the property investment business since that date are normally exempt from corporation tax.

The UK Government reduced the rate of corporation tax from 23% to 21% with effect from 1 April 2014, with a further reduction from 21% to 20% effective from 1 April 2015.

10. Dividends

	Period ended 31 March 2015 £000	Period ended 24 March 2014 £000
Equity dividends on ordinary shares:		
– Interim dividend for the quarter ended 30 June 2014: 1.25p	1,650	—
– Interim dividend for the quarter ended 30 September 2014: 1.25p	1,948	—
– Interim dividend for the quarter ended 31 December 2014: 1.25p	1,948	—
	5,546	—

The Directors propose that the Company pays a fourth interim dividend relating to the quarter ended 31 March 2015 of 1.5 pence per ordinary share. This dividend has not been included as a liability in these financial statements. The fourth interim dividend is expected to be approved in June 2015 and paid on 30 June 2015 to shareholders on the register at the close of business on 8 May 2015.

In the absence of unforeseen circumstances, the Board intends to pay further quarterly dividends to achieve an annual dividend of 6.25 pence per share¹⁷ for the financial year ending 31 March 2016, implying an annualised dividend yield of 6.25% calculated by reference to the Issue Price.

11. Investment properties

	£000	£000
At 27 January 2014 and at 24 March 2014		—
Acquisition of Initial Portfolio		95,190
Subsequent additions		113,373
Disposals		(1,515)
Property revaluations	6,083	
Acquisition costs	(5,844)	
Net revaluation gain		239
As at 31 March 2015		207,287

Included in investment properties is £1.92 million relating to an ongoing development funding.

¹⁷ This is a target only and not a profit forecast. There can be no assurance that the target can or will be met and it should not be taken as an indication of the Company's expected or actual future results. Accordingly, shareholders or potential investors in the Company should not place any reliance on this target in deciding whether or not to invest in the Company or assume that the Company will make any distributions at all and should decide for themselves whether or not the target dividend yield is reasonable or achievable.

NOTES TO THE FINANCIAL STATEMENTS

CONTINUED

For the period ended 31 March 2015

11. Investment properties continued

The carrying value at 31 March 2015 comprises freehold and leasehold properties summarised as follows:

Investment properties	Freehold £000	Leasehold £000	Total £000
Cost	174,160	34,403	208,563
Valuation (deficit)/gain	(703)	942	239
Disposals	(1,515)	—	(1,515)
At 31 March 2015	171,942	35,345	207,287

The investment properties are stated at the Directors' estimate of their 31 March 2015 fair values. Lambert Smith Hampton Group Limited ("LSH"), a professionally qualified independent valuer, valued the properties as at 31 March 2015 in accordance with the Appraisal and Valuation Standards published by the Royal Institution of Chartered Surveyors. LSH has recent experience in the relevant location and category of the properties being valued.

Investment properties have been valued using the investment method which involves applying a yield to rental income streams. Inputs include yield, current rent and estimated rental value ("ERV"). For the period end valuation, the equivalent yields used ranged from 5.0% to 9.5%. Valuation reports are based on both information provided by the Company e.g. current rents and lease terms which are derived from the Company's financial and property management systems are subject to the Company's overall control environment, and assumptions applied by the valuer e.g. ERVs and yields. These assumptions are based on market observation and the valuer's professional judgement. In estimating the fair value of the property, the highest and best use of the properties is their current use. Included within the consolidated statement of comprehensive income is £0.42 million of valuation gains and profits on disposal of investment property which represent unrealised movements on investment property.

12. Investments

Shares in subsidiaries

Company

Name and company number	Country of registration and incorporation	Principal activity	Ordinary shares held	At 24 March 2014 and 31 March 2015 £
Custodian Real Estate Limited (Company number 8882372)	England and Wales	Dormant	100%	2

13. Trade and other receivables

	31 March 2015 £000	24 March 2014 £000
Trade receivables	451	—
Other receivables	92	—
Prepayments and accrued income	529	—
	1,072	—

The Company has provided fully for those receivable balances that it does not expect to recover. This assessment has been undertaken by reviewing the status of all significant balances that are past due and involves assessing both the reason for non-payment and the creditworthiness of the counterparty. Included within accrued income are balances totalling £0.28 million which are to be held for a period over one year.

14. Trade and other payables

	31 March 2015 £000	24 March 2014 £000
Falling due in less than one year:		
Trade and other payables	338	—
Social security and other taxes	687	—
Accruals	1,037	—
Rental deposit held	230	—
	2,292	—

The Directors consider that the carrying amount of trade and other payables approximates to their fair value. Trade payables and accruals principally comprise amounts outstanding for trade purchases and ongoing costs. For most suppliers interest is charged if payment is not made within the required terms. Thereafter, interest is chargeable on the outstanding balances at various rates. The Company has financial risk management policies in place to ensure that all payables are paid within the credit timescale.

15. Cash and cash equivalents

	31 March 2015 £000	24 March 2014 £000
Cash and cash equivalents	849	—

Cash and cash equivalents include £0.23 million of restricted cash in the form of rental deposits held on behalf of tenants.

NOTES TO THE FINANCIAL STATEMENTS

CONTINUED

For the period ended 31 March 2015

16. Borrowings

	31 March 2015 £000	24 March 2014 £000
Falling due in more than one year:		
Bank borrowings	24,300	—
Costs incurred in the arrangement of bank borrowings	(489)	—
	23,811	—

The Company operates with a conservative level of gearing, with expected borrowings over the medium term of up to 25% of the aggregate market value of all properties at the time of drawdown. On 25 February 2014, the Company and Lloyds Bank plc entered into a revolving credit facility agreement pursuant to which Lloyds Bank plc has agreed to provide the Company with a revolving credit facility ("the RCF") of £25 million for a term of five years. The RCF is secured by way of a first charge over a discrete portfolio of properties, providing the lender with a maximum loan-to-value ratio of 49% on those properties specifically charged to it and a floating charge. The interest cover will be at least 250% loan-to-value. Under the terms of agreement, the Company pays interest of 2.45% above three-month LIBOR pa on the outstanding amounts utilised under the agreement from time to time. At 31 March 2015, £4.3 million of the RCF had been drawn down to fund property acquisitions.

On 9 December 2014 the Company agreed a £20 million term loan with Lloyds Bank plc, secured by way of a first charge over a discrete portfolio of properties, providing the lender with a maximum loan-to-value ratio of 49% on those properties specifically charged to it and a floating charge. The interest cover will be at least 250% loan-to-value. The loan attracts interest of 2.00% and 1.90% above three-month LIBOR on the first and second £10 million tranches drawn down respectively, and is repayable on 10 October 2019.

17. Issued capital and reserves

	Redeemable ordinary shares of 1p	Ordinary shares of 1p	£000
Share capital			
Issued and fully paid:			
At 24 March 2014	4,999,999	1	50
At 31 March 2015	—	177,605,659	1,776

At incorporation the issued share capital of the Company consisted of one ordinary share of 1 pence and 4,999,999 redeemable ordinary shares of 1 pence each, which were issued to the subscriber to the Company's memorandum of association, Mattioli Woods plc. On 26 March 2014 the redeemable ordinary shares were redeemed by the Company at par value and 131,989,309 ordinary shares were issued at an issue price of £1 each, including a premium of 99 pence per share.

The Company raised £25.0 million (before costs and expenses) through a placing of 23,866,349 and £22.62 million (before costs and expenses) through a placing of 21,750,000 new ordinary shares in the Company on 8 October 2014 and 12 February 2015 respectively.

At 31 March 2015 the Board has discretion to issue up to 122,394,341 ordinary shares prior to 21 April 2016 pursuant to an authority to allot new shares for cash. This authority is intended to satisfy market demand for the ordinary shares and raise further monies for investment in accordance with the Company's investment policy. The Company has made further issues of new shares since the period end which are detailed further in Note 21 to the financial statements.

17. Issued capital and reserves continued**Rights, preferences and restrictions on shares**

All ordinary shares carry equal rights and no privileges are attached to any shares in the Company. All the shares are freely transferable, except as otherwise provided by law. The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company. All shares rank equally with regard to the Company's residual assets.

On 25 February 2014, Ian Mattioli, the Company and Numis entered into a lock-in agreement as detailed in the Directors' remuneration report.

	Share premium account £000	Retained earnings £000
Other reserves		
At 27 January 2014 and 24 March 2014	—	—
Shares issued during the period	177,833	—
Costs of share issue	(2,824)	—
Profit for the period	—	8,745
Dividends	—	(5,546)
Profit on sale of own shares taken directly to equity	—	2
At 31 March 2015	175,009	3,201

The following table describes the nature and purpose of each reserve within equity:

Reserve	Description and purpose
Share premium	Amounts subscribed for share capital in excess of nominal value less any associated issue costs that have been capitalised.
Retained earnings	All other net gains and losses and transactions with owners (e.g. dividends) not recognised elsewhere.

18. Commitments and contingencies**Company as lessor**

The Company lets all investment properties under operating leases. The aggregated future minimum rentals receivable under all non-cancellable operating leases are:

	31 March 2015 £000	24 March 2014 £000
Not later than one year	15,257	—
Later than one year but not later than five years	48,407	—
Later than five years	46,840	—
	110,504	—

NOTES TO THE FINANCIAL STATEMENTS

CONTINUED

For the period ended 31 March 2015

18. Commitments and contingencies continued

Company as lessee

The Company rents long-leasehold investment property. The Company is committed to non-cancellable contractual expenditure relating to head lease agreements, summarised as follows:

	31 March 2015 £000	24 March 2014 £000
Not later than one year	36	—
Later than one year but not later than five years	145	—
Later than five years	3,392	—
	3,573	—

The Company has no other commitments or contingencies.

19. Related party transactions

Save for transactions with directors, the Investment Management Agreement and the acquisition of the Initial Portfolio (all described below), the Company is not a party to, nor had any interest in, any other related party transaction since its incorporation on 27 January 2014.

Transactions with directors

Each of the directors is engaged under a letter of appointment with the Company and does not have a service contract with the Company. Under the terms of their appointment, each director is required to retire by rotation and seek re-election at least every three years. Each director's appointment under their respective letter of appointment is terminable immediately by either party (the Company or the director) giving written notice and no compensation or benefits are payable upon termination of office as a director of the Company becoming effective.

Investment Management Agreement

On 25 February 2014 the Company entered into a three year IMA with the Investment Manager, under which the Investment Manager has been appointed as Alternative Investment Fund Manager with responsibility for the property management of the Company's assets, subject to the overall supervision of the Directors. The Investment Manager manages the Company's investments in accordance with the policies laid down by the Board and the investment restrictions referred to in the IMA.

Ian Mattioli is Chief Executive of Mattioli Woods, the parent company of the Investment Manager, and is a director of the Investment Manager. As a result, Ian Mattioli is not independent. The Company Secretary, Nathan Imlach, is also a director of Mattioli Woods and the Investment Manager.

The Investment Manager is paid a fund and asset management fee calculated by reference to the NAV of the Company each quarter as follows:

- 0.9% of the NAV of the Company as at the relevant quarter day which is less than or equal to £200 million divided by 4; plus
- 0.75% of the NAV of the Company as at the relevant quarter day which is in excess of £200 million divided by 4.

The Investment Manager has agreed to provide day-to-day administration of the Company and act as secretary to the Company, including maintenance of accounting records and preparing annual accounts of the Company. The Company pays the Investment Manager an administrative fee equal to 0.125% of the NAV of the Company at the end of the quarter, subject to a minimum of £44,000 per quarter (adjusted for RPI).

19. Related party transactions continued

Investment Management Agreement continued

The IMA is terminable by either party by giving not less than 12 months' prior written notice to the other, which notice may only be given after the expiry of the initial three year term. The IMA may also be terminated on the occurrence of an insolvency event in relation to either party, if the Investment Manager is fraudulent, grossly negligent or commits a material breach which, if capable of remedy, is not remedied within three months, or on a force majeure event continuing for more than 90 days.

The Investment Manager receives a fee of 0.25% of the aggregate gross proceeds from any issue of new shares in consideration of the marketing services it provides to the Company.

During the period the Company paid the Investment Manager £1.79 million in respect of annual management charges, administrative fees and placing fees.

The Company had no outstanding balance owing to the Investment Manager at 31 March 2015.

Acquisition of the Initial Portfolio

On 26 March 2014 the Company acquired the Initial Portfolio of 48 properties held in a syndicated structure by clients of Mattioli Woods including Ian Mattioli, Nathan Imlach and Richard Shepherd-Cross and the private pension schemes of Ian Mattioli, Nathan Imlach and Richard Shepherd-Cross.

The Initial Portfolio included MW House and Gateway House at Grove Park, Enderby, which are partially let to Mattioli Woods. Mattioli Woods paid the Company rentals of £0.35 million during the period and owed the Company £nil at 31 March 2015.

Ian Mattioli, Nathan Imlach, Richard Shepherd-Cross and the private pension schemes of Ian Mattioli, Nathan Imlach and Richard Shepherd-Cross continue to have a beneficial interest in the Company.

20. Financial risk management

Capital risk management

The Company manages its capital to ensure it can continue as a going concern while maximising the return to stakeholders through the optimisation of the debt and equity balance within the parameters of its investment policy. The capital structure of the Company consists of debt, which includes the borrowings disclosed below, cash and cash equivalents and equity attributable to equity holders of the parent, comprising issued ordinary share capital, share premium and retained earnings.

Gearing ratio

The Board reviews the capital structure of the Company on a regular basis. As part of this review, the Board considers the cost of capital and the risks associated with each class of capital. The Company has a target gearing ratio of 25% determined as the proportion of debt (net of unrestricted cash) to investment property. The gearing ratio at the period end was 11.4% (2014: nil%).

Externally imposed capital requirement

The Company is not subject to externally imposed capital requirements, although there are restrictions on the level of interest that can be paid due to conditions imposed on REITs.

Financial risk management

The Company seeks to minimise the effects of interest rate risk, credit risk, liquidity risk and cash flow risk by using floating rate debt instruments with varying maturity profiles, at low levels of gearing.

NOTES TO THE FINANCIAL STATEMENTS

CONTINUED

For the period ended 31 March 2015

20. Financial risk management continued

Interest rate risk management

The Company's activities expose it primarily to the financial risks of increases in interest rates, as it borrows funds at floating interest rates. The Company's low level of gearing and the flexibility afforded by its revolving credit facility allow the Company to manage the risk of changes in interest rates. The Board periodically consider the availability and cost of hedging instruments to assess whether their use is appropriate, and also consider the maturity profile of the Company's borrowings.

Interest rate sensitivity analysis

If three-month LIBOR had been 0.5% higher and all other variables were constant, the Company's profit for the period would decrease by £0.1 million due to its variable rate borrowings. If three-month LIBOR had been 0.5% lower and all other variables were constant, the Company's profit for the period would increase by £0.1 million.

Credit risk management

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in a financial loss to the Company. The Company's credit risk is primarily attributable to its trade receivables and cash balances. The amounts included in the statement of financial position are net of allowances for bad and doubtful debts. An allowance for impairment is made where there is an identified loss event which, based on previous experience, is evidence of a reduction in the recoverability of the cash flows.

The Company has adopted a policy of only dealing with creditworthy counterparties as a means of mitigating the risk of financial loss from defaults. The maximum credit risk on financial assets at 31 March 2015 was £2.4 million.

The Company has no significant concentration of credit risk, with exposure spread over a large number of tenants covering a wide variety of business types. Further detail on the Company's credit risk management process is included within the Strategic Report.

Liquidity risk management

Ultimate responsibility for liquidity risk management rests with the Board, which has built an appropriate liquidity risk management framework for the management of the Company's short, medium and long term funding and liquidity management requirements. The Company manages liquidity risk by maintaining adequate reserves, banking facilities and reserve borrowing facilities by continuously monitoring forecast and actual cash flows and matching the maturity profile of financial assets and liabilities.

The following table details the Company's contractual maturity for its financial liabilities not disclosed elsewhere. The table has been drawn up based on undiscounted cash flows of financial liabilities based on the earliest date on which the Company can be required to pay. The table includes both interest and principal cash flows.

	0-3 months £000	3 months- 1 year £000	1-5 years £000
Trade and other payables	2,292	—	—
Borrowings	—	—	23,811
At 31 March 2015	2,292	—	23,811

There were no financial liabilities at 24 March 2014.

20. Financial risk management continued

Fair values

The fair values of financial assets and liabilities are not materially different from their carrying values in the financial statements. The fair value hierarchy levels are as follows:

- Level 1 – quoted prices (unadjusted) in active markets for identical assets and liabilities;
- Level 2 – inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- Level 3 – inputs for the assets or liability that are not based on observable market data (unobservable inputs).

There have been no transfers between Levels 1, 2 and 3 during the period. The main methods and assumptions used in estimating the fair values of financial instruments and investment property are detailed below.

Investment property – level 3

Fair value is based on valuations provided by an independent firm of chartered surveyors and registered appraisers. These values were determined after having taken into consideration recent market transactions for similar properties in similar locations to the investment properties held by the Company. The fair value hierarchy of investment property is level 3. At 31 March 2015, the Company fair value of investment properties was £207.3 million.

Interest bearing loans and borrowings – level 3

As at 31 March 2015 the value of the Company's loans with Lloyds Bank plc was £24.3 million.

Trade and other receivables/payables – level 3

The carrying amount of all receivables and payables deemed to be due within one year are considered to reflect the fair value.

21. Events after the reporting date

New equity

Since the reporting date the Company has issued 3,400,000 new ordinary shares of 1 pence each, raising £3.70 million (before costs and expenses).

COMPANY INFORMATION

Directors

David Hunter	Chairman
Barry Gilbertson	Non-executive
Ian Mattioli	Non-executive
Matthew Thorne	Non-executive

Company secretary

Nathan Imlach

Registered office

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Leicester
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Registered number

8863271

Investment Manager

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1 Penman Way
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Enderby
Leicester
LE19 1SY

Depository

Langham Hall UK LLP
5 Old Bailey
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Broker

Numis Securities Limited
The London Stock Exchange Building
10 Paternoster Square
London
EC4M 7LT

Banker

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Solicitors

DWF LLP
20 Fenchurch Street
London
EC3M 3AG

Valuers

Lambert Smith Hampton Group Limited
UK House
180 Oxford Street
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W1D 1NN

Auditor and tax adviser

Deloitte LLP
Four Brindleyplace
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Registrars

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The Registry
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Kent
BR3 4TU

FINANCIAL CALENDAR

7 May	Ex-dividend date for Q4 dividend
8 May	Record date for Q4 dividend
9 June	Announcement of results for the period ended 31 March 2015
30 June	Payment of Q4 dividend
22 July	AGM

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