PICTON

PICTON PROPERTY INCOME LIMITED

INTERIM REPORT 2014






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WHO WE ARE

Picton Property Income Limited is an income focused, internally managed investment company listed on the London Stock Exchange.

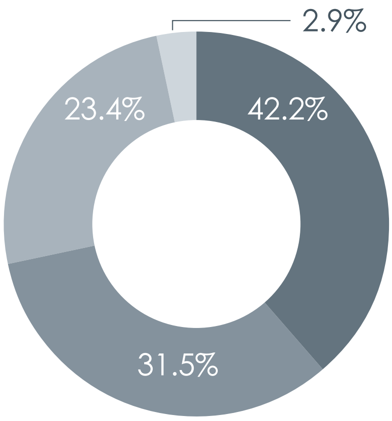
The Company's investment objective is to provide shareholders with an attractive level of income, together with the potential for capital growth, by investing in the principal UK commercial property sectors.

The Property Portfolio

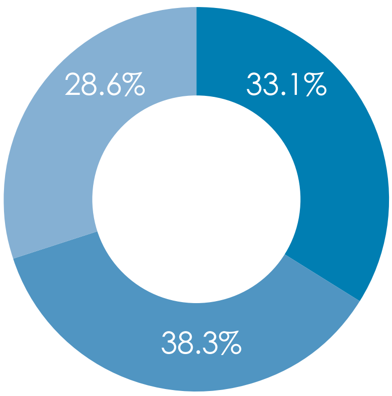
Picton has a portfolio of UK commercial property valued at £493.3 million, comprising 59 assets with around 390 occupiers.

The sector and geographic weightings are set out below. Further information is provided in the Investment Manager's Report.

Sector exposure



Geographical exposure



KEY

INDUSTRIAL
OFFICES
RETAIL
LEISURE

LONDON
REST OF UK
SOUTH EAST

FINANCIAL AND OPERATIONAL HIGHLIGHTS

	SIX MONTHS TO 30 SEPTEMBER 2014	SIX MONTHS TO 30 SEPTEMBER 2013	YEAR ENDED 31 MARCH 2014
Property Assets (net of lease incentives)	£487.1m	£396.7m	£417.6m
Net Assets	£273.7m	£180.3m	£214.1m
Profit After Tax	£31.8m	£9.7m	£37.3m
Rental Income	£16.2m	£15.6m	£31.0m
Income Profit After Tax	£7.0m	£6.3m	£13.3m
Total Return	13.3%	5.9%	21.6%
Total Shareholder Return	15.5%	32.1%	50.2%
Dividend Cover	114%	122%	124%
Total Dividend Per Share	1.5p	1.5p	3.0p
EPRA Earnings Per Share	1.6p	1.8p	3.7p
Earnings Per Share	7.5p	2.8p	10.4p
EPRA Net Asset Value Per Share	62p	50p	56p

FINANCIAL HIGHLIGHTS

Total return of **13.3%** for the period

28% increase in net assets to **£273.7 million**

Increase in EPRA net asset value of **10.5%** over the period to **62.3 pence per share**

Profit after tax of **£31.8 million** for the period

Gains on investment properties of **£24.8 million**

Dividend cover of **114%** for the period

EPRA earnings per share of **1.6 pence**

Dividends paid of **£6.1 million**, or **1.5 pence per share**

Raised **£35 million** of new equity in May 2014 as part of a **£100 million** placing programme

Reduction in loan to value ratio to **43.2%**

OPERATIONAL HIGHLIGHTS

Occupancy rate increased to **94%** from **91%** at 31 March 2014

Like-for-like growth in property portfolio valuation of **6.8%** over the period

36 lettings completed during the period securing **£1.9 million** per annum, before incentives

10 lease renewals and re-gears retaining **£0.4 million** per annum

£2.3 million invested in refurbishment projects across the portfolio

Acquisition of three new assets for **£42.7 million**, generating **£3.2 million** of additional income per annum

Disposal of small office building for proceeds of **£0.4 million**

Increase in portfolio average lot size to **£8.4 million**

CHAIRMAN'S STATEMENT

I am pleased to present our interim results for the six months to 30 September 2014, which I believe demonstrate the success that Picton has achieved in the context of an improving commercial property market. There has been considerable portfolio activity, as detailed further within this report, which demonstrates that our occupier focused, opportunity led approach has continued to deliver positive results for shareholders.

Financial Results

The Company's total profit for the six month period was £31.8 million, comprising capital gains of £24.8 million and an income profit of £7.0 million. The income profit was 11% ahead of the equivalent result for last year. This was achieved through significant active management of the portfolio, with increased occupancy and the investment of the proceeds from the placing programme into good quality income producing assets. Dividend cover was 114% for the period which, together with the valuation gains, helped deliver a 10.5% increase in net asset value to 62 pence per share.

The Group's total return for the six months to 30 September was 13.3%. This resulted from the strong valuation gains across the portfolio, enhanced by the gearing in place.

The Company paid two dividends during the period, each of 0.75 pence per share, totalling £6.1 million. The dividend yield, based on the closing share price at 30 September, was 4.7%.

The Company's shares continue to trade at a modest premium to net asset value. As a result the shareholder total return, based on the movement in the share price plus dividends paid, was 15.5% for the period.

Portfolio

The strong valuation gains contributed to a total property return of 8.9% in the six months to 30 September, as calculated by IPD, comprising 5.7% capital gain and 3.1% of income return.

We have continued to improve occupancy within the portfolio, which was 94% at 30 September compared with 91% at 31 March. Rental income totalled £16.2 million, 3.8% ahead of the equivalent period in 2013. The asset management team has also completed a significant number of lettings, adding nearly £2 million of additional annual income. Subsequent to the period end the majority of the available space at Citylink in Croydon, the largest vacancy in the portfolio, has been let. This vacancy accounted for 22% of the total void at 30 September. The asset management activity is discussed in more detail in the Investment Manager's Report.

During the period we have invested nearly £43 million into the property market, acquiring two industrial assets in the East Midlands and a retail unit in Peterborough. One small disposal has been completed, continuing our strategy of re-shaping the portfolio. As a result the average lot size of the portfolio has increased by 13% to £8.4 million.

The portfolio valuation, before adjustments for lease incentives, has risen from £423 million to £493 million at 30 September. On a like-for-like basis (excluding acquisitions and disposals) this represents an increase of 6.8%, in part reflecting the asset management activity, lettings successes and tenant retention, as well as positive movements in the market.

Financing

The Company raised £35 million in a placing and open offer in May, which was oversubscribed and supported by both existing and new shareholders. The proceeds raised have now been fully invested, in the assets mentioned above, as well as in refurbishment projects across the existing portfolio, such as at Citylink in Croydon, in order to provide high quality space that will be attractive to occupiers.

It is the intention of the Board to continue with the placing programme as market conditions allow and as attractive real estate opportunities are identified in the coming months.

Over the period net assets have grown by 28% to £274 million, while the Group's market capitalisation has risen to over £280 million at 30 September, providing greater liquidity in the Company's shares for investors. As net assets grow the benefits of the internalised structure are increasingly apparent, with a reduction in the relative cost of running the business.

The Group's borrowings have remained in place throughout the period, and the low fixed interest rates have contributed to the strong positive total return. The overall loan to value ratio, based on net gearing, reduced to 43% from 48% at 31 March, as a result of the increase in the portfolio valuation and the new equity invested.

Corporate Governance

We have undertaken an external evaluation of the Board over the summer, using Trust Associates who have carried out previous such evaluations for us, and will be implementing any relevant recommendations in the coming months.

I would also like to thank shareholders on behalf of the Board for passing all the resolutions at the annual general meeting held on 12 November.

Outlook

Picton is operating in better and more stable markets than we have experienced for some time and this, we believe, is set to continue as the UK economic recovery maintains momentum. We are increasingly seeing property transactions completing ahead of both capital and rental values and believe on balance that valuation risks to the portfolio remain on the upside.

Notwithstanding this positive outlook, we are not complacent. As we approach an election year and with a less certain global outlook, both the Board and the wider Picton team remain committed to ensuring we build on the continued success of this period.

Nicholas Thompson
Chairman
17 November 2014

INVESTMENT MANAGER’S REPORT

At 30 September 2014, the portfolio comprised 59 assets valued at £493.3 million, reflecting a net initial yield, based on contracted income, of 6.4%. The estimated rental value of the portfolio was £37.7 million, with a net reversionary yield of 7.3%.

Sector	Value £m	%	Annual Income £m	Occupancy %	No. of Assets
INDUSTRIAL	208.3	42	15.2	98	19
OFFICE	155.2	32	10.4	86	21
RETAIL AND LEISURE	129.8	26	8.3	98	19
Total Portfolio	493.3	100	33.9	94	59

Annual income above represents the contracted rent passing at the Balance Sheet date and therefore excludes leases in rent free periods. At 30 September 2014, £1.1 million of annual income was in rent free periods.

As at 30 September 2014, based as a percentage of current annual income, the weighted average lease length to first termination was 6.4 years.

Top Ten Assets

The largest assets in the portfolio as at 30 September 2014, ranked by capital value, represent just under 50% of the total portfolio valuation and are detailed below.

Asset	Sector	Location
PARKBURY INDUSTRIAL ESTATE, RADLETT, HERTS.	Industrial	South East
RIVER WAY INDUSTRIAL ESTATE, HARLOW, ESSEX	Industrial	South East
STANFORD HOUSE, LONG ACRE, LONDON WC2	Retail	London
ANGEL GATE OFFICE VILLAGE, CITY ROAD, LONDON EC1	Office	London
50 FARRINGDON ROAD, LONDON EC1	Office	London
BOUNDARY HOUSE, JEWRY STREET, LONDON EC3	Office	London
SHIPTON WAY, RUSHDEN, NORTHANTS.	Industrial	East Midlands
PHASE II PARC TAWE, SWANSEA	Retail Warehouse	Wales
COLCHESTER BUSINESS PARK, COLCHESTER, ESSEX	Office	South East
1-3 CHANCERY LANE, LONDON WC2	Office	London

A full portfolio listing is available on the Company’s website, www.pictonproperty.co.uk.

Top Ten Occupiers

The top ten occupiers, based as a percentage of annualised contracted rental income, after lease incentives, as at 30 September 2014, is summarised as follows:

Occupier	%
BELKIN LIMITED	4.5
DHL SUPPLY CHAIN LIMITED	3.7
SNORKEL EUROPE LIMITED	2.8
THE RANDOM HOUSE GROUP LIMITED	2.7
CADENCE DESIGN SYSTEMS LIMITED	2.7
TRAINLINE.COM LIMITED	2.3
EDWARD STANFORD LIMITED	1.8
RICOH UK LIMITED	1.8
VIGLEN LIMITED	1.7
ASDA STORES LIMITED	1.6
Total	25.6

INVESTMENT MANAGER'S REPORT

Review of half year

In the six months to September, we have improved the occupancy rate from 91% to 94% and have concluded 36 lettings, adding £1.9 million per annum following incentives, on average 4.7% above estimated rental value. Ten leases were renewed securing more than £430,000 per annum, on average 3% above estimated rental value. One occupier break option was removed securing £42,000 per annum and seven leases were surrendered to facilitate asset management initiatives.

Our core focus remains enhancing both income and value within the property portfolio. This is achieved through maintaining and growing income, reducing costs and completing business plans to add value through active management.

In the six months to September 2014, the property portfolio delivered a total return of 8.9%, as calculated by IPD. This was driven by an income return of 3.1%, reflecting the income bias of the portfolio and was ahead of the IPD Quarterly Benchmark of 2.6%. Capital growth was 6.8% on a like-for-like basis, or 5.7% including capital expenditure incurred during the period. This compares with the IPD Benchmark of 6.6% and reflects lower capital growth in the retail and industrial sectors. Overall the IPD Quarterly Benchmark delivered a total return of 9.3%.

The strongest uplift in capital growth was in the office sector at 12%, driven by central London assets, followed by industrial at 6.8%, retail warehouse at 3.4%, leisure at 1.1% and retail at 0.5%. The portfolio also recorded 1.8% like-for-like rental growth as further detailed in the table below, which is above the 1.5% recorded in the IPD Quarterly Digest for the six months to September.

One small non-core property was sold and three properties were acquired, including two distribution units in the East Midlands for £31.5 million and a prime retail block in Peterborough for £9.1 million, before costs. The purchases reflect our strategy of buying larger lot sizes where we see added value opportunities and these transactions are detailed further below.

	Capital Value Growth %	Rental Value Growth %	Capital Value £psf
INDUSTRIAL:	6.8	2.3	75
GREATER LONDON	4.9	5.8	125
SOUTH EAST	6.7	1.5	102
REST OF UK	7.8	2.9	50
OFFICES:	11.7	3.5	185
CENTRAL LONDON	14.7	7.8	449
REST OF UK	7.7	0.0	102
RETAIL	0.5	-3.2	N/A
RETAIL WAREHOUSE	3.4	0.0	173
LEISURE	1.1	-0.2	203
Total	6.8	1.8	N/A

Source – Based on CBRE Valuation, prior to capital expenditure.

Office portfolio

The central London assets have continued to perform strongly and we have quickly let those properties which have been refurbished.

24 Angel Gate, London EC1 was comprehensively refurbished creating light flexible office space and was let, prior to the refurbishment completing, at a rent of £216,200 per annum, some 50% ahead of the previous estimated rental value and setting a new rental tone of £36 per sq ft on the estate. Six further lettings have taken place at the property, generating additional annual income of £264,200 per annum. The property is now fully let, with the exception of 28 Angel Gate, which is being refurbished in a similar style to number 24, with the works due to complete by the end of this year.

A suite at Boundary House, London EC3 was previously surrendered where the occupier was paying a rent of £23 per sq ft. This suite was lightly refurbished and re-let at £36.50 per sq ft, over 50% ahead of the previous agreed rent and 12% ahead of the estimated rental value in March. Two further vacant suites were refurbished and let at a combined rent of £252,220 per annum, 4% above estimated rental value. A new rental tone for the property has been set and it is now fully let.

Elsewhere, at Queens House in Glasgow there has been an upturn in demand for the office suites, allowing us to complete five lettings at a combined rent of £71,400 per annum. A comprehensive refurbishment of the common areas has just completed and we have further interest in the vacant suites. We have re-geared the lease of an office building at Colchester Business Park let to an international law firm, extending it to 2024 at an initial rent of £151,500 per annum, with a minimum increase at review in 2019 to £202,000 per annum.

Following the period end, we obtained a resolution to grant planning permission for a foodstore and outline planning for a 70 unit residential scheme at Westlea Campus in Swindon. Once the process is completed, Aldi will purchase the land for the foodstore for £1.65 million under an agreement entered into in March 2014. The remaining 4.4 acre site will be marketed to specialist residential developers.

As at 30 September the largest void within the portfolio was at Citylink in Croydon, which has undergone a substantial refurbishment this year, providing Grade A space opposite East Croydon station. Again, following the end of the period we have concluded the letting of the majority of the space to BPP, at a rent of £521,000, which is in line with the estimated rental value.

The Group's small office property at Dartford was sold during the period for £0.4 million, in line with valuation and following our strategy of disposing of smaller assets.

Industrial portfolio

The Group acquired a 335,000 sq ft distribution warehouse in Grantham, Lincolnshire for £11.5 million. This property has good access to the UK road network, located immediately adjacent to the A1 arterial route. The property is let to The Random House Group Limited for just under nine years and currently produces an annual rent of £1 million, equivalent to just under £3 per sq ft. The purchase price represents a net initial yield of 8.2% and capital value of £34 per sq ft.

In addition, we acquired a 312,000 sq ft modern warehouse building in Rushden, Northamptonshire for £20 million, again with good transport links. The property is let to Belkin Limited until 2020 and currently produces an annual rent of £1.6 million, equivalent to £5.21 per sq ft. The purchase price represents a net initial yield of 7.7% and a capital value of £64 per sq ft.

At Parkbury Industrial Estate, Radlett, which was acquired in March 2014 and is the Group's largest asset, we have completed both the re-branding of the estate and the improvement works to the common areas. Two units at the property, which had been vacant since construction in 2009, have now been let for a combined rent of £218,000 per annum. A further unit, which became vacant in April, was subsequently re-let in July for £107,000 per annum. There is now only one vacant unit on the estate, which came back in June, and terms have been agreed, subject to contract, to let it to a national retailer. Overall the lettings have been 6% ahead of the estimated rental value on purchase.

During the period we completed a letting to Toolstation at Nonsuch Industrial Estate, Epsom following a surrender and subsequent combination of two units to fulfil their space requirements, in line with our objective of creating a trade park at this property. There is strong demand for space at the estate with the one remaining vacant unit under offer to an existing occupier.

Other notable lettings were completed during the quarter at Luton, Middleton, Warrington and Wokingham, all ahead of estimated rental value.

INVESTMENT MANAGER'S REPORT

Retail and Leisure portfolio

In September, the Group acquired a freehold city centre retail property in Peterborough for £9.1 million, reflecting a net initial yield of 6.5%. The property, which totals 89,000 sq ft, comprises two prime high street retail units with significant frontage to pedestrianised Bridge Street, and is let to TK Maxx and New Look until 2020 and 2021 respectively. It produces an annual rent of £625,000, reflecting a low average overall rent of £7.00 per sq ft, which is subject to review in 2015 and 2016.

During the period we received planning permission to combine four vacant retail units into one in Carlisle. Following this we completed a letting to toy shop chain The Entertainer for 12 years at £65,000 per annum. Also at this property we agreed the June 2013 rent review on the Crown and Mitre Hotel, which increased the rent by £25,500 to £137,500 per annum, representing a 23% increase.

In respect of the Luton hotel property, we are pursuing the guarantor to the occupational lease through legal action which we expect to be resolved in 2015. In the interim this has had an adverse effect on both valuation and income.

In September Phones 4u at Broadmead, Bristol went into administration and vacated the unit, which is now being marketed. This, along with two restaurants at Regency Wharf in Birmingham and a ground floor unit in Southampton, forming part of a small office building, are the only available units within this part of the portfolio.

Elsewhere in the portfolio, we have surrendered a temporary occupational lease and re-let a unit in Huddersfield at a rent of £42,500 per annum, 6% ahead of estimated rental value. This has improved the occupier line up, with Savers Health & Beauty joining Peacocks and Argos at the property. In Stockport, a unit which became vacant in March this year is now let to British Heart Foundation on a five year lease at £75,000 per annum, slightly below estimated rental value. The property is fully let, the other occupier being The Entertainer.

Picton Capital Limited
17 November 2014

DIRECTORS' RESPONSIBILITIES

Statement of Principal Risks and Uncertainties

The Company's assets comprise direct investments in UK commercial property. Its principal risks are therefore related to the commercial property market in general and its investment properties. Other risks faced by the Company include economic, investment and strategic, regulatory, management and control, operational, and financial risks. These risks, and the way in which they are managed, are described in more detail under the heading 'Risk Management' within the Strategic Report in the Company's Annual Report for the year ended 31 March 2014. The Company's principal risks and uncertainties have not changed materially since the date of that report.

Statement of Directors' Responsibilities in Respect of the Interim Report

We confirm that to the best of our knowledge:

a) the condensed set of consolidated financial statements has been prepared in accordance with IAS 34 'Interim Financial Reporting';

b) the Chairman's Statement and Investment Manager's Report (together constituting the Interim Management Report) together with the Statement of Principal Risks and Uncertainties above include a fair review of the information required by the Disclosure and Transparency Rules ('DTR') 4.2.7R, being an indication of important events that have occurred during the first six months of the financial year, a description of principal risks and uncertainties for the remaining six months of the year, and their impact on the condensed set of consolidated financial statements; and

c) the Chairman's Statement together with the condensed set of consolidated financial statements include a fair review of the information required by DTR 4.2.8R, being related party transactions that have taken place in the first six months of the current financial year and that have materially affected the financial position or performance of the Company during that period, and any changes in the related party transactions described in the last Annual Report that could do so.

By Order of the Board
Robert Sinclair
Director
17 November 2014

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the period from 1 April 2014 to 30 September 2014	Note	Income £000	Capital £000	6 months ended 30 September 2014 unaudited Total £000	6 months ended 30 September 2013 unaudited Total £000	Year ended 31 March 2014 audited Total £000
Income						
REVENUE FROM PROPERTIES	3	18,662	-	18,662	18,309	36,749
PROPERTY EXPENSES	4	(4,135)	-	(4,135)	(4,747)	(8,992)
Net property income		14,527	-	14,527	13,562	27,757
Expenses						
MANAGEMENT EXPENSES		(1,246)	-	(1,246)	(1,015)	(2,127)
OTHER OPERATING EXPENSES		(622)	-	(622)	(530)	(1,139)
Total operating expenses		(1,868)	-	(1,868)	(1,545)	(3,266)
Operating profit before movement on investments		12,659	-	12,659	12,017	24,491
Gains and (losses) on investments						
(LOSS)/PROFIT ON DISPOSAL OF INVESTMENT PROPERTIES	9	-	(11)	(11)	(4)	5,660
INVESTMENT PROPERTY VALUATION MOVEMENTS	9	-	24,854	24,854	3,413	18,422
Total gains and (losses) on investments		-	24,843	24,843	3,409	24,082
Operating profit		12,659	24,843	37,502	15,426	48,573
Financing						
INTEREST RECEIVABLE		105	-	105	69	164
INTEREST PAYABLE		(5,597)	-	(5,597)	(5,557)	(11,032)
Total finance costs		(5,492)	-	(5,492)	(5,488)	(10,868)
Profit before tax		7,167	24,843	32,010	9,938	37,705
TAX		(176)	-	(176)	(194)	(357)
Total comprehensive income		6,991	24,843	31,834	9,744	37,348
Earnings per share						
BASIC AND DILUTED	7	1.6p	5.9p	7.5p	2.8p	10.4p

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

All income is attributable to the equity holders of the Company. There are no minority interests.

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

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

		Share Capital	Retained Earnings	Total
For the period from 1 April 2014 to 30 September 2014	Note	£000	£000	£000
Balance as at 31 March 2013		39,149	130,267	169,416
ISSUE OF ORDINARY SHARES		6,324	-	6,324
PROFIT FOR THE PERIOD		-	9,744	9,744
DIVIDENDS PAID	6	-	(5,180)	(5,180)
Balance as at 30 September 2013		45,473	134,831	180,304
ISSUE OF ORDINARY SHARES		11,719	-	11,719
PROFIT FOR THE PERIOD		-	27,604	27,604
DIVIDENDS PAID	6	-	(5,531)	(5,531)
Balance as at 31 March 2014		57,192	156,904	214,096
ISSUE OF ORDINARY SHARES		35,000	-	35,000
ISSUE COSTS OF SHARES		(1,114)	-	(1,114)
PROFIT FOR THE PERIOD		-	31,834	31,834
DIVIDENDS PAID	6	-	(6,143)	(6,143)
Balance as at 30 September 2014		91,078	182,595	273,673

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

CONDENSED CONSOLIDATED BALANCE SHEET

As at 30 September 2014	Note	30 September 2014 unaudited £000	30 September 2013 unaudited £000	31 March 2014 audited £000
Non-current assets				
INVESTMENT PROPERTIES	9	487,057	396,708	417,207
TANGIBLE ASSETS		122	162	140
ACCOUNTS RECEIVABLE		3,809	4,281	4,046
Total non-current assets		490,988	401,151	421,393
Current assets				
INVESTMENT PROPERTIES HELD FOR SALE	9	-	-	425
ACCOUNTS RECEIVABLE		12,425	9,749	10,102
CASH AND CASH EQUIVALENTS		20,954	19,210	32,352
Total current assets		33,379	28,959	42,879
Total assets		524,367	430,110	464,272
Current liabilities				
ACCOUNTS PAYABLE AND ACCRUALS		(14,648)	(14,232)	(14,330)
LOANS AND BORROWINGS	10	(2,766)	(3,010)	(2,935)
OBLIGATIONS UNDER FINANCE LEASES		(104)	(107)	(104)
Total current liabilities		(17,518)	(17,349)	(17,369)
Non-current liabilities				
LOANS AND BORROWINGS	10	(231,450)	(230,733)	(231,081)
OBLIGATIONS UNDER FINANCE LEASES		(1,726)	(1,724)	(1,726)
Total non-current liabilities		(233,176)	(232,457)	(232,807)
Total liabilities		(250,694)	(249,806)	(250,176)
Net assets		273,673	180,304	214,096
Equity				
SHARE CAPITAL	11	91,078	45,473	57,192
RETAINED EARNINGS		182,595	134,831	156,904
Total equity		273,673	180,304	214,096
Net asset value per share	13	£0.62	£0.50	£0.56

These condensed consolidated financial statements were approved by the Board of Directors on 17 November 2014 and signed on its behalf by:

Robert Sinclair
Director

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

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the period from 1 April 2014 to 30 September 2014	Note	6 months ended 30 September 2014 unaudited £000	6 months ended 30 September 2013 unaudited £000	Year ended 31 March 2014 audited £000
Operating activities				
OPERATING PROFIT		37,502	15,426	48,573
ADJUSTMENTS FOR NON-CASH ITEMS	12	(26,915)	(4,795)	(25,428)
INTEREST RECEIVED		105	69	164
INTEREST PAID		(4,444)	(4,479)	(8,932)
TAX PAID		(130)	(7)	(394)
Cash inflows from operating activities		6,118	6,214	13,983
Investing activities				
PURCHASE OF INVESTMENT PROPERTIES	9	(42,661)	(10,002)	(19,611)
CAPITAL EXPENDITURE ON INVESTMENT PROPERTIES	9	(2,335)	(960)	(2,060)
DISPOSAL OF INVESTMENT PROPERTIES		414	392	10,850
PURCHASE OF TANGIBLE ASSETS		(7)	(15)	(17)
Cash outflows from investing activities		(44,589)	(10,585)	(10,838)
Financing activities				
BORROWINGS REPAID		(670)	(469)	(1,031)
ISSUE OF EQUITY	11	35,000	6,337	18,229
EQUITY ISSUE COSTS	11	(1,114)	(13)	(186)
DIVIDENDS PAID	6	(6,143)	(5,180)	(10,711)
Cash inflows from financing activities		27,073	675	6,301
Net (decrease)/increase in cash and cash equivalents		(11,398)	(3,696)	9,446
Cash and cash equivalents at beginning of period/year		32,352	22,906	22,906
Cash and cash equivalents at end of period/year		20,954	19,210	32,352

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

1 General information

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

The financial statements are prepared for the period from 1 April to 30 September 2014, with unaudited comparatives for the period from 1 April to 30 September 2013. Comparatives are also provided from the audited financial statements for the year ended 31 March 2014.

The financial information for the year ended 31 March 2014 is derived from the financial statements delivered to the UK Listing Authority and does not constitute statutory accounts.

2 Significant accounting policies

These financial statements have been prepared in accordance with IAS 34 'Interim Financial Reporting'. They do not include all of the information required for full annual financial statements, and should be read in conjunction with the financial statements of the Company as at and for the year ended 31 March 2014.

The accounting policies applied by the Company in these financial statements are the same as those applied by the Company in its financial statements as at and for the year ended 31 March 2014, with the exception of the following which have had no material effect on the financial statements:

- In October 2012, the IASB issued amendments to IFRS 10 'Consolidated financial statements', IFRS 12 'Disclosure of interests in other entities' and IAS 27 'Separate financial statements – Investment entities'. The amendments define an investment entity and introduce an exception to consolidating particular subsidiaries for investment entities. These amendments require an investment entity to measure those subsidiaries at fair value through profit or loss in accordance with IFRS 9 'Financial Instruments' in its consolidated and separate financial statements. The amendments also introduce new disclosure requirements in the Annual Report for investment entities in IFRS 12 and IAS 27. The adoption of these amendments does not have any material impact on the consolidated financial statements as presented.
- IFRIC 21 Levies, effective for accounting periods beginning on or after 1 January 2014. IFRIC 21, an Interpretation on the accounting for levies imposed by governments, clarifies that the obligating event that gives rise to a liability to pay a levy is the activity described in the relevant legislation that triggers the payment of the levy. The adoption of this Interpretation may result in changes in the accounting treatment of certain property taxes paid by the Group in future periods but does not have any material impact on the consolidated financial statements as presented for the current reporting period.

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

3 Revenue from properties

	6 months ended 30 September 2014	6 months ended 30 September 2013	Year ended 31 March 2014
	£000	£000	£000
RENTS RECEIVABLE (ADJUSTED FOR LEASE INCENTIVES)	16,241	15,553	31,036
SURRENDER PREMIUMS	58	60	157
DILAPIDATION RECEIPTS	297	195	677
OTHER INCOME	67	59	97
SERVICE CHARGE INCOME	1,999	2,442	4,782
	18,662	18,309	36,749

Rents receivable includes lease incentives recognised of £0.3 million (30 September 2013: £0.7 million, 31 March 2014: £1.0 million).

4 Property expenses

	6 months ended 30 September 2014	6 months ended 30 September 2013	Year ended 31 March 2014
	£000	£000	£000
PROPERTY OPERATING EXPENSES	747	1,190	2,527
PROPERTY VOID COSTS	1,389	1,115	1,683
RECOVERABLE SERVICE CHARGE COSTS	1,999	2,442	4,782
	4,135	4,747	8,992

5 Operating segments

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

The Board has considered the requirements of IFRS 8 'Operating Segments'. The Board is of the opinion that the Group, through its subsidiary undertakings, operates in one reportable industry segment, namely real estate investment, and across one primary geographical area, namely the United Kingdom and therefore no segmental reporting is required. The portfolio consists of 59 commercial properties, which are in the industrial, office, retail, retail warehouse, and leisure sectors.

6 Dividends

	6 months ended 30 September 2014	6 months ended 30 September 2013	Year ended 31 March 2014
	£000	£000	£000
Declared and paid:			
INTERIM DIVIDEND FOR THE PERIOD ENDED 31 MARCH 2013: 0.75 PENCE	-	2,590	2,590
INTERIM DIVIDEND FOR THE PERIOD ENDED 30 JUNE 2013: 0.75 PENCE	-	2,590	2,590
INTERIM DIVIDEND FOR THE PERIOD ENDED 30 SEPTEMBER 2013: 0.75 PENCE	-	-	2,682
INTERIM DIVIDEND FOR THE PERIOD ENDED 31 DECEMBER 2013: 0.75 PENCE	-	-	2,849
INTERIM DIVIDEND FOR THE PERIOD ENDED 31 MARCH 2014: 0.75 PENCE	2,849	-	-
INTERIM DIVIDEND FOR THE PERIOD ENDED 30 JUNE 2014: 0.75 PENCE	3,294	-	-
	6,143	5,180	10,711

The interim dividend of 0.75 pence per ordinary share in respect of the period ended 30 September 2014 has not been recognised as a liability as it was declared after the period end. A dividend of £3,294,000 will be paid on 28 November 2014.

7 Earnings per share

Basic earnings per share is calculated by dividing the net profit for the period attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares in issue during the period. The following reflects the profit and share data used in the basic and diluted profit per share calculation:

	6 months ended 30 September 2014	6 months ended 30 September 2013	Year ended 31 March 2014
NET PROFIT ATTRIBUTABLE TO ORDINARY SHAREHOLDERS OF THE COMPANY FROM CONTINUING OPERATIONS (£000)	31,834	9,744	37,348
WEIGHTED AVERAGE NUMBER OF ORDINARY SHARES FOR BASIC AND DILUTED PROFIT PER SHARE	422,335,229	347,084,396	359,866,250

8 Fair value measurements

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

Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities that the Group can access at the measurement date. The fair value of the zero dividend preference shares issued by the Group is included in level 1.

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

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

The Group recognises transfers between levels of the fair value hierarchy as of the end of the reporting period during which the transfer has occurred. There were no transfers between levels for the period ended 30 September 2014.

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

The Group's financial risk management objectives and policies are consistent with those disclosed in the consolidated financial statements for the year ended 31 March 2014.

9 Investment properties

	6 months ended 30 September 2014	6 months ended 30 September 2013	Year ended 31 March 2014
	£000	£000	£000
FAIR VALUE AT START OF PERIOD/YEAR	417,632	382,729	382,729
ACQUISITIONS	42,661	10,002	53,611
CAPITAL EXPENDITURE ON INVESTMENT PROPERTIES	2,335	960	2,060
DISPOSALS	(414)	(392)	(44,850)
REALISED (LOSSES)/GAINS ON DISPOSAL	(11)	(4)	5,660
CHANGE IN FAIR VALUE	24,854	3,413	18,422
Fair value at the end of the period/year	487,057	396,708	417,632
Historic cost at the end of the period/year	611,490	559,720	566,494

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

	30 September 2014	30 September 2013	31 March 2014
	£000	£000	£000
APPRAISAL VALUE	493,300	401,140	423,020
VALUATION OF ASSETS HELD UNDER FINANCE LEASES	1,185	1,406	1,166
LEASE INCENTIVES HELD AS DEBTORS	(7,428)	(5,838)	(6,554)
Fair value at the end of the period/year	487,057	396,708	417,632

As at 30 September 2014, all of the Group's properties are level 3 in the fair value hierarchy as it involves the use of significant inputs and there were no transfers between levels during the period. Level 3 inputs used in valuing the properties are those which are unobservable, as opposed to level 1 (inputs from quoted prices) and level 2 (observable inputs either directly, i.e. as prices, or indirectly, i.e. derived from prices).

The investment properties were valued by CBRE Limited, Chartered Surveyors, as at 30 September 2014 on the basis of fair value in accordance with the RICS Valuation – Professional Standards (2014). There were no significant changes to the valuation process, assumptions and techniques used during the period, further details on which were included in note 14 of the consolidated financial statements of the Group for the year ended 31 March 2014.

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

10 Loans and borrowings

	Maturity	30 September 2014	30 September 2013	31 March 2014
		£000	£000	£000
Current				
SECURED LOAN FACILITY	-	990	948	968
UNSECURED LOAN STOCK	-	1,776	2,062	1,967
		2,766	3,010	2,935
Non-current				
SECURED LOAN FACILITY	20 JULY 2022	33,718	33,718	33,718
SECURED LOAN FACILITY	24 JULY 2027	80,000	80,000	80,000
SECURED LOAN FACILITY	24 JULY 2032	92,494	93,483	92,995
ZERO DIVIDEND PREFERENCE SHARES	15 OCTOBER 2016	25,238	23,532	24,368
		231,450	230,733	231,081
		234,216	233,743	234,016

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

The fair value of the secured loan facilities at 30 September 2014, estimated as the present value of future cash flows discounted at the market rate of interest at that date, was £197.7 million (31 March 2014: £188.3 million). The fair value of the secured loan facilities is classified as level 2 under the hierarchy of fair value measurements.

The Group has 22,000,000 zero dividend preference shares (ZDPs) in issue. These accrue additional capital at a rate of 7.25% per annum, resulting in a final capital entitlement at maturity of 132.3 pence per share. The fair value of the ZDPs at 30 September 2014, based on the quoted market price at that date, was £27.2 million (31 March 2014: £25.9 million). The fair value of the ZDPs is classified as level 1 under the hierarchy of fair value measurements.

The weighted average interest rate on the Group's borrowings as at 30 September 2014 was 4.52% (30 September 2013: 4.49%, 31 March 2014: 4.51%).

11 Share capital

The Company has 439,191,763 ordinary shares in issue of no par value (30 September 2013: 357,641,303, 31 March 2014: 379,869,729).

During the period the Company issued 59,322,034 new ordinary shares of no par value at 59 pence per share for cash. The consideration received net of expenses has been credited to the share premium account.

The balance on the Company's share premium account as at 30 September 2014 was £91,078,000 (30 September 2013: £45,473,000, 31 March 2014: £57,192,000).

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

	6 months ended 30 September 2014	6 months ended 30 September 2013	Year ended 31 March 2014
	£000	£000	£000
LOSS/(PROFIT) ON DISPOSAL OF INVESTMENT PROPERTIES	11	4	(5,660)
INVESTMENT PROPERTY VALUATION MOVEMENTS	(24,854)	(3,413)	(18,422)
DEPRECIATION OF TANGIBLE ASSETS	25	24	47
INCREASE IN RECEIVABLES	(2,323)	(1,804)	(2,158)
INCREASE IN PAYABLES	226	394	765
	(26,915)	(4,795)	(25,428)

13 Net asset value

The net asset value per ordinary share is based on net assets at the period end and 439,191,763 (30 September 2013: 357,641,303, 31 March 2014: 379,869,729) ordinary shares, being the number of ordinary shares in issue at the period end.

At 30 September 2014, the Company had a net asset value per ordinary share of £0.62 (30 September 2013: £0.50, 31 March 2014: £0.56).

14 Related party transactions

The total fees earned during the period by the five Directors of the Company were £101,000 (30 September 2013: £101,000 and 31 March 2014: £202,000). As at 30 September 2014 the Group owed £nil to the Directors (30 September 2013 and 31 March 2014: £nil).

Picton Property Income Limited has no controlling parties.

15 Events after the balance sheet date

A dividend of £3,294,000 (0.75 pence per share) was approved by the Board on 23 October 2014 and payable on 28 November 2014.

The Group has exchanged contracts for the disposal of two properties since 30 September 2014 for proceeds of £3.3 million.

INDEPENDENT REVIEW REPORT

TO PICTON PROPERTY INCOME LIMITED (“The Company”)

Introduction

We have been engaged by the Company to review the condensed set of financial statements in the Interim Report for the six months ended 30 September 2014 which comprises the Condensed Consolidated Statement of Comprehensive Income, the Condensed Consolidated Statement of Changes in Equity, the Condensed Consolidated Balance Sheet, the Condensed Consolidated Statement of Cash Flows and the related explanatory notes. We have read the other information contained in the Interim Report and considered whether it contains any apparent misstatements or material inconsistencies with the information in the condensed set of financial statements.

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

Directors’ responsibilities

The Interim Report is the responsibility of, and has been approved by, the directors. The directors are responsible for preparing the Interim Report in accordance with the DTR of the UK FCA.

As disclosed in note 2, the annual financial statements of the Company are prepared in accordance with International Financial Reporting Standards. The condensed set of financial statements included in this Interim Report has been prepared in accordance with IAS 34 ‘Interim Financial Reporting’.

Our responsibility

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

Scope of review

We conducted our review in accordance with International Standard on Review Engagements (UK and Ireland) 2410, Review of Interim Financial Information Performed by the Independent Auditor of the Entity, issued by the Auditing Practices Board for use in the UK. A review of interim financial information consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (UK and Ireland) and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the condensed set of financial statements in the Interim Report for the six months ended 30 September 2014 is not prepared, in all material respects, in accordance with IAS 34 and the DTR of the UK FCA.

Neale D Jehan
For and on behalf of KPMG Channel Islands Limited
Chartered Accountants and Recognised Auditors
Guernsey
17 November 2014

SHAREHOLDER INFORMATION

Shareholder enquiries

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

Website

Picton has a corporate website which has further information about the Group and the property portfolio at:

www.pictonproperty.co.uk

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Trevor Ash

Vic Holmes

Roger Lewis

Robert Sinclair

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