PICTON PROPERTY INCOME LIMITED

ANNUAL REPORT 2013

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Review of Business

WHO WE ARE

Picton Property Income Limited is an income focused, internally managed investment company, which invests in commercial property across the United Kingdom.

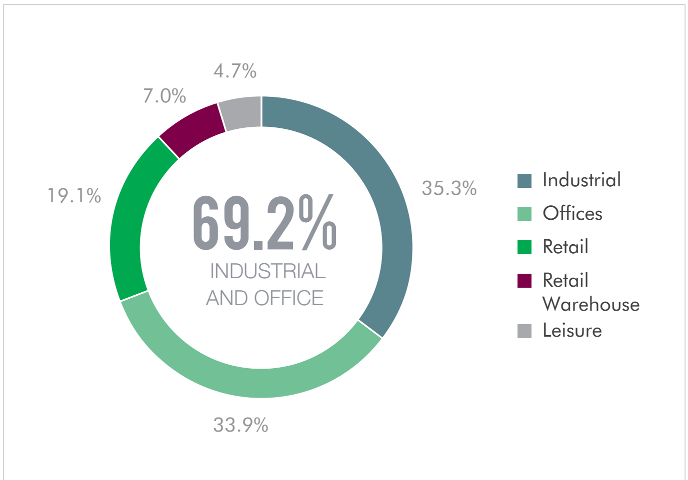
The Company was established in 2005 and has over 870 investors. It is listed on both the London Stock Exchange and Channel Islands' Stock Exchange.

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 commercial property sectors.

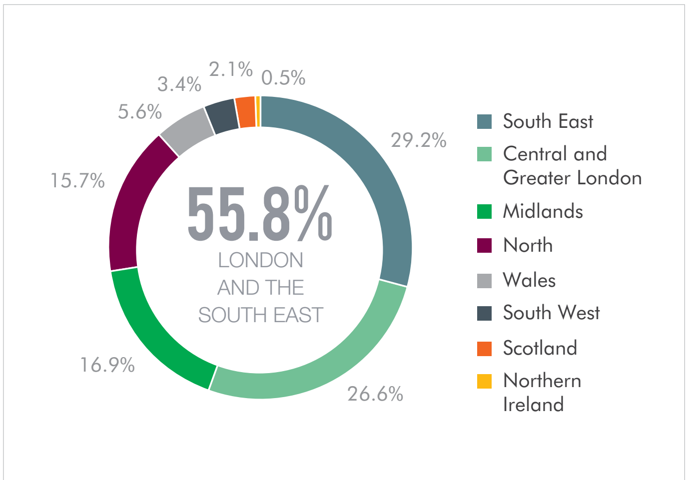
The property portfolio

Picton has a portfolio of UK commercial property valued at £386.4 million, comprising 62 assets with around 350 occupiers. The portfolio is predominantly invested in the office and industrial sectors (69%) and is biased towards London and the South East (56%). We invest in assets where we believe there are opportunities to enhance either income or value, whilst ensuring that we continue to meet our occupiers' requirements. As at 31 March 2013, based on capital values, the sector and geographical exposure was:

Sector exposure



Geographical exposure



OCCUPIER FOCUSED

OPPORTUNITY LED

FINANCIAL AND OPERATIONAL HIGHLIGHTS

PROPERTY ASSETS*

£382.7m

2012 = £411.7m
2010 = £424.3m

NET ASSETS

£169.4m

2012 = £196.1m
2010 = £206.9m

RENTAL INCOME

£32.1m

2012 = £40.6m
2010 = £31.1m

INCOME PROFIT AFTER TAX

£14.7m

2012 = £14.2m
2010 = £14.2m

TOTAL DIVIDEND PER SHARE

3.5p

2012 = 5p
2010 = 4p

DIVIDEND COVER

121.8%

2012 = 82.5%
2010 = 105.3%

TOTAL SHAREHOLDER RETURN

6.2%

2012 = -11.1%
2010 = 8.0%

*net of lease incentives

EPRA performance measures

	2013	2012	2010
EPRA earnings per share	4.3p	4.1p	4.2p
EPRA NAV per share	49p	58p	63p
EPRA NNNAV per share	49p	57p	60p
EPRA net initial yield	7.0%	6.5%	6.5%
EPRA ‘topped-up’ net initial yield	7.4%	7.1%	6.8%
EPRA vacancy rate	12.4%	8.9%	9.4%

Comparative figures: 2012 is the 15 month period 1 January 2011 to 31 March 2012; 2010 is the year ended 31 December 2010.

See Supplementary Disclosures for a breakdown of EPRA performance measures and definitions.

Financial

- Income profit after tax **increased** pro rata by 29% to **£14.7m**
- Internalised structure has resulted in pro rata **reduction** in management costs of 45% to **£1.7m**
- Completed ***re-financing*** of Group's borrowings
- New long-term senior debt facilities extended maturity profile and ***reduced*** average **interest rate**
- Roll-over and new issue of ***zero dividend*** preference shares
- Dividend cover of 122%
- Dividends paid of **£12.1m**, or *3.5p* per share

Operational

- Net property income **increased** pro rata by 3% to **£29.8m**
- 40 lettings completed during the year securing **£2.7m** per annum in additional income
- 10 lease renewals and re-gears retaining **£1.4m** per annum
- ***Increase*** in income longevity through leasing and active management activity
- **£2.0m** invested in the portfolio to ***improve*** the quality of assets and attract new occupiers
- Additional income includes **£0.7m** generated through lease surrenders as part of specific asset management ***initiatives***

CHAIRMAN'S STATEMENT

Introduction

I am pleased to provide an update in respect of Picton's activities over the past 12 months.

This is the first full reporting period since the internalisation of the investment management function, which has provided a positive impact on the Group's earnings. During the year, we have also successfully concluded our re-financing and moved to a covered dividend, which I believe has substantially strengthened the business.

This has been against a backdrop of a weak domestic economy and continued volatility in the financial markets, which have undoubtedly impacted the UK property market over the last year. We have had to adapt to tougher operational conditions accordingly.

We have remained focused on providing good quality space for our occupiers in order to maintain and grow both occupancy and income. Within this Report we highlight both the on-going activity at a portfolio level and also those corporate initiatives undertaken to ensure that Picton is well placed for the future.

Strategy

There has been significant progress against the key objectives set out at the start of 2011.

Internalisation is fully complete and I am pleased to report that the financial benefits it has delivered are greater than originally envisaged and already exceed the cost of the process. However, even more importantly, the management team are delivering results, which reflect the focus and alignment that we anticipated by internalising the management.

We have also successfully concluded our hugely significant re-financing by providing the Group with some of the longest and lowest cost debt within the listed property market peer group and this is detailed further below.

With these initiatives successfully completed, we are in a position to re-focus our efforts on our strategic priorities. These are growing the underlying income through both leasing and active management activity, repositioning assets to create value and the control of operating costs.

We are also continuing to work through the disposal of some of our smaller assets now that planned active management has been completed and this will enable us to recycle capital into new opportunities which will further improve the overall quality of the portfolio.

We will continue to operate across sectors and geographically across the UK. Looking forward, our portfolio approach can be simply summarised as: Occupier focused, Opportunity led.

Financing

All Picton's borrowings were due for repayment or re-financing in the last 12 months and the new arrangements were concluded during some of the toughest lending conditions in the UK commercial property market.

The new debt facilities provide greater operational flexibility than the previous arrangements and are at a lower cost and with regular amortisation payments.

Not only was this critical exercise completed within a short timescale and cost effectively, but the transformation from bullet re-financing to staggered maturities with diversified lenders and long-term fixed rate facilities further reduces operational risk and will provide real value to Picton's activities in the future.

Recently we announced that the Company would seek to reduce gearing further through the repurchase of its zero dividend preference shares from surplus cash flow. Due to limited liquidity, no purchases have yet been undertaken and we are continuing to monitor the position.

We are taking a longer-term view in respect of our gearing levels and, despite the impact of movements in property values over the last 12 months, we believe that gearing will enhance returns both on an income and a capital basis as we look over the next phase of the property market cycle.

Full details in respect of the Group's financing arrangements are detailed later within the Report.

Overview of performance

We have delivered a positive shareholder total return over the year of 6.2% and I am pleased to report a much narrowed discount between the share price and net asset value with a further re-rating of the Company's shares following the conclusion of the above initiatives.

Performance within the property portfolio has been skewed between positive returns from the London assets, but with prices drifting lower within the regions. This has impacted the net asset value over the period. In particular, shorter leased income has seen the greatest impact and this has flowed through into valuations, but looking further ahead, we would expect this relative position to unwind.

During the year we have made significant investment into a number of our key assets to enhance the overall quality of accommodation. In some cases this has been to ensure we retain occupiers, and in others to ensure we are able to maximise our letting prospects looking forwards.

A small number of occupier failures, along with the timing of a number of lease events, contributed to a reducing occupancy rate over the period which stood at 88% by year end. Since the start of the 2013/14 financial year, however, several new lettings have been achieved and, together with a number of on-going negotiations, we are confident that this position will improve.

Dividends

In the case of an income focused company such as Picton, dividends form a significant and important component of the return the Company delivers to its shareholders. During the year, over £12 million in dividends were paid out and the dividend cover was in excess of 120%.

We recognise the importance of dividends to our investors and the decision to re-base the dividend was not taken lightly. However, we believe that it is critically important in current market conditions to retain operational flexibility so the Company can invest further into the portfolio with a view to enhancing occupancy.

Finally, we believe this more prudent approach to dividends will provide greater certainty to investors and, in due course, as we see income growth, it will allow the Board to adopt a progressive dividend policy.

Governance

The arrangements with Picton Capital are working well and the management team has demonstrated that it has been able to deal with some very challenging conditions this year, both in terms of the re-financing and also more generally with some of the asset management initiatives covered later in this Report.

Following the previously announced resignation of Tjeerd Borstlap, Vic Holmes has joined the Board from 1 January 2013 and he has already demonstrated that he will be a valued member of the team.

Outlook

The UK property market outside of London has seen further valuation write-downs during the last 12 months, but we believe that, as a result of this re-pricing, valuations are likely to start stabilising in the near future.

In many markets, rents have now been reset at lower levels and there remains a marked gap between capital values and the cost of construction. As well as in London, we are starting to see sub-markets where the supply and demand balance for occupiers is tighter than might be expected, not least due to the lack of construction of new floor space in recent years.

Whilst economic headwinds persist, provided that income can be maintained, extended or enhanced, there will be opportunities to provide attractive returns. Key to generating these returns is an understanding of the market place locally, good stock selection and intelligent asset management.

We have a good pipeline of potential leasing transactions which we believe will start to improve the occupancy rate and as we are investing further within the portfolio we will continue to provide space that meets occupier requirements.

As I have mentioned earlier, our portfolio approach is to be Occupier focused, Opportunity led. The more flexible nature of leasing arrangements in the current environment means we need to be in tune with our occupiers, and equally the imperfections in the property market will enable us to exploit the opportunities that arise.

I feel this is firmly established within our ethos at Picton and further initiatives are to be rolled out during the coming year that will support our objective of delivering attractive returns to our investors.

Nicholas Thompson
Chairman

11 June 2013

OUR BUSINESS

Picton invests in commercial property throughout the United Kingdom and owns a property portfolio consisting of 62 assets invested across the main commercial property sectors: office, industrial, retail, retail warehouse and leisure. The Group has around 350 occupiers providing a diversified income stream. The Group is managed and controlled by its Board based in Guernsey.

Strategy

The Company's objective is to provide investors with an attractive level of income, with the potential for capital growth.

This is achieved by creating a portfolio of assets with a high income bias. Assets are managed to maximise the potential for both income and, where appropriate, capital growth. This is achieved through, amongst other things, improving the quality of accommodation, extending income longevity and exploring the potential to create value through refurbishment, change of use or redevelopment.

In addition we look to recycle capital where opportunities exist for better risk adjusted returns. Being able to invest across the UK market and across sectors means that we can be opportunity led. Equally understanding and meeting the needs of new and existing occupiers is paramount.

The key strategic priorities are:

- Growth of net income
- Working with our occupiers to understand and meet their requirements
- Portfolio and asset management
- Operational efficiency
- Effective use of debt

Growth of net income

We achieve growth in net income through the active management of the property portfolio. During the year, we added an additional £4.1 million of annual income from new lettings, lease renewals and re-gears. We also strive to reduce the portfolio voids by attracting new occupiers, and by investing in our assets to make them best in class in their local markets. We invested £2.0 million in the refurbishment or improvement of 20 properties during the year.

Working with our occupiers

We maintain regular communication with all our occupiers. By doing this, we understand their needs and can work to meet their requirements in a timely manner. As an example, in February, we moved one occupier in Northampton who needed less space to our property in Milton Keynes, thus allowing another occupier to expand into the newly available space at Northampton. During the year, we created an occupier database and started a programme of occupier facing initiatives, which will be rolled out further this year.

Portfolio and asset management

Active asset management is core to our approach and will continue to be implemented to achieve further value enhancement of our assets.

In addition, we will seek to acquire new assets for the portfolio which offer the potential of income and value enhancement while disposing of assets which have been identified as contributing less in terms of both performance and structure.

Operational efficiency

This is the first full year of operation as an internally managed business. Management costs were £1.7 million for the year, compared to £3.3 million in the last full year (2011) under the previous external management arrangements. We constantly review property operating costs and employ strategies to reduce vacant property costs where appropriate.

Effective use of debt

By virtue of recent market circumstances and with capital values falling, gearing has had an adverse effect on returns. However with low cost, long-term facilities and the high income return from the portfolio, gearing should be accretive to earnings. Over the long term we believe therefore that gearing will enhance returns to shareholders. Our aim is to reduce borrowings in a controlled manner to provide less volatile returns.

Investment policy and restrictions

It is the policy of the Company to hold a diversified portfolio of freehold and long leasehold UK commercial properties. The Company's Investment Restrictions are set out on the Company's website at www.pictonproperty.co.uk

KEY PERFORMANCE INDICATORS

The following key performance indicators are considered to be the most appropriate for measuring how successful the business has been in meeting its strategic objectives. They also play a key role in determining remuneration strategy for the Picton Capital team, as set out in the Remuneration Report.

TOTAL SHAREHOLDER RETURN

6.2%

2012 = -11.1%
2010 = 8.0%

The Total Shareholder Return measures the change in the Company's share price over the year plus dividends paid.

TOTAL RETURN

-7.6%

2012 = 2.4%
2010 = 17.0%

The Total Return measures the change in the Group's net asset value, calculated in accordance with IFRS, over the year plus dividends paid.

TOTAL PROPERTY RETURN

-0.7%

2012 = 5.0%
2010 = 12.5%

4.1% 3 years to 31 March 2013
0.2% 5 years to 31 March 2013

The Total Property Return is the combined ungeared income and capital return from the Group's property portfolio for the year, as calculated by IPD.

PROPERTY INCOME RETURN

7.0%

2012 = 8.1%
2010 = 7.3%

6.9% 3 years to 31 March 2013
7.3% 5 years to 31 March 2013

The Property Income Return, as calculated by IPD, is the ungeared income return of the portfolio.

Comparative figures: 2012 is the 15 month period 1 January 2011 to 31 March 2012; 2010 is the year ended 31 December 2010.

EPRA NET ASSET VALUE PER SHARE

49p

2012 = 58p
2010 = 63p

The net asset value per share, calculated in accordance with EPRA, measures the value of shareholders' equity in the business. A reconciliation to the reported net asset value under IFRS is provided in the Supplementary Disclosure section.

The EPRA net asset value per share has declined over the last two financial periods, largely because of adverse valuation movements on the property portfolio.

LOAN TO VALUE RATIO

54.5%

2012 = 48.3%
2010 = 46.5%

The loan to value ratio is total Group borrowings, net of cash, as a percentage of the total portfolio value.

The ratio has risen over the year as the value of the underlying portfolio has declined. The Group has re-financed all of its borrowings within the last year. The new long-term facility with Aviva includes an amortisation element so that one third of the loan is repaid over the term, allowing the Group to reduce its borrowings in an orderly manner.

See the Supplementary Disclosures section for further details.

EPRA NET EARNINGS PER SHARE

4.3p

2012 = 4.1p
2010 = 4.2p

The earnings per share, calculated in accordance with EPRA, measures the operational profit generated by the business that is attributable to our shareholders.

EPRA VACANCY RATE

12.4%

2012 = 8.9%
2010 = 9.4%

The vacancy rate measures the amount of vacant space in the portfolio at the end of each financial period.

ONGOING CHARGES

1.7%

2012 = 2.0%
2010 = 2.2%

Ongoing Charges represents the annual running costs of the Group. It is the proportion of recurring operating costs (management and other operating expenses) to the average net asset value. The opposite figures exclude property operating costs, as the Board considers that these are not recurring in nature, nor are they a measure of efficiency of running the business.

The ratio has fallen largely as a result of the efficiencies of internalisation from 1 January 2012, compared to the costs of external management. The Supplementary Disclosures section provides further analysis of Ongoing Charges.

BOARD OF DIRECTORS

01

Vic Holmes

Chairman of the Remuneration Committee

(Appointed 1 January 2013) Age 56, was Chief Executive of Northern Trust's businesses in the Channel Islands until he retired from full time employment in November 2011. He joined the Board on 1 January 2013. He serves as a director for a number of companies involved in the funds sector, for groups such as Permira, Ashmore, Foreign and Colonial, and Cazenove. He is also a director of Thames River Multi Hedge PCC Limited (a London Listed Company) and was elected as Chairman of the Guernsey Investment Funds Association in April 2013. He is a Fellow of the Association of Chartered Certified Accountants.

02

Roger Lewis

Chairman of the Property Valuation Committee

Age 65, has extensive experience in the property sector, most recently as a director of Berkeley Group Holdings Plc for over 15 years, the last eight of which was as Chairman, a position from which he retired at the end of July 2007. He subsequently acted as a consultant to the Berkeley Group and is currently a non-executive director of three Jersey based subsidiaries of the Berkeley Group, as well as being a director of the States of Jersey Development Company Limited. Prior to this, he was UK Group Chief Executive Officer of Crest Nicholson Group PLC from 1983 to 1991. He is also currently a director of Grand Harbour Marina Plc (Malta) and, along with Trevor Ash, he is a director of Camper and Nicholsons Marina Investments Limited. He was appointed to the Board in 2010.

03

Nicholas Thompson

Chairman

Age 64, was formerly Director and Head of Fund and Investment Management at Prudential Property Investment Management and has served on the Board as Chairman since 2005. He is currently Chairman of IPD's Investor Services Consultative Group and their Index Consultative Group, Chairman of the Property Forum of the Association of Investment Companies, a director of the Lend Lease Retail Partnership and a board member of The Churches Conservation Trust Limited. He is a Fellow of the Royal Institution of Chartered Surveyors.

04

Robert Sinclair

Chairman of the Audit Committee

Age 63, is Managing Director of the Guernsey based Artemis Group and a director of a number of investment fund management companies and investment funds associated with clients of that Group. He has served on the Board since 2005. Robert is Chairman of Schroder Oriental Income Fund Limited, Chairman of Sirius Real Estate Limited, a director of Secure Property Development & Investment Limited and a director of Chariot Oil & Gas Limited. He is a Fellow of the Institute of Chartered Accountants in England and Wales, and a member of the Institute of Chartered Accountants of Scotland.

05

Trevor Ash

Chairman of the Management Engagement Committee

Age 67, was formerly Managing Director of Rothschild Asset Management (CI) Limited (until 1999) and a non-executive director of Rothschild Asset Management Limited. He has served on the Board since 2005. He retired as a director of NM Rothschild & Sons (CI) Limited in 2007. He is a director of a number of funds managed by Merrill Lynch, Thames River Capital and Dexion Capital Management. He is also a director of Camper and Nicholsons Marina Investments Limited and Investors in Global Real Estate Limited, and is a Fellow of the Chartered Institute for Securities & Investment.

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INVESTMENT MANAGEMENT TEAM

01

Michael Morris

Chief Executive

Michael is Chief Executive of Picton Capital Limited and is responsible for devising and overseeing the implementation of all aspects of the Company's investment strategy. Formerly, he was Director and Fund Manager at ING Real Estate Investment Management (UK) Limited, and he has worked with the Group since it launched in 2005. He has over 17 years of real estate experience and is a member of the Royal Institution of Chartered Surveyors and the Investment Property Forum. Michael sits on the Property Panel of the Association of Investment Companies and the CPD steering committee of the Investment Property Forum. He has obtained the Investment Management Certificate and the IPF Diploma in Property Investment.

02

Andrew Dewhirst

Financial Director

Andrew joined Picton Capital Limited as Finance Director in March 2011. Previously he was Director of Client Accounting at ING Real Estate Investment Management (UK) Limited, a role he had held since January 2006. At ING he was responsible for the accounting and administration of all the UK real estate vehicles and separate client accounts. Prior to joining ING Andrew was Director of Securities and Property Accounting at Hermes Pensions Management Limited. He has over 25 years' experience in the real estate and financial services sector. Andrew is an associate member of the Institute of Chartered Accountants in England and Wales and a member of the Investment Property Forum.

03

Jay Cable

Director

Jay is Head of Asset Management at Picton Capital Limited. He is responsible for overseeing all asset management activities in respect of the Group's property portfolio. Formerly he was Director at ING Real Estate Investment Management (UK) Limited, and has worked with the Group since it launched in 2005. Jay plays an active role in devising and implementing the Company's strategy and is a member of Picton Capital's Investment Committee. He has over 13 years of real estate experience and is a member of the Royal Institution of Chartered Surveyors and of the Investment Property Forum.

04

Fraser D'Arcy

Investment Director

Fraser joined Picton Capital Limited as Investment Director in January 2013. He is primarily responsible for transactional activity within the portfolio to manage effective recycling of capital. Previously he was an Investment Surveyor at Threadneedle Property Investments Limited from 2006, where he was responsible for acquisitions and disposals in all sectors across the UK market. Prior to this he was an Associate Director at Insight Investment, having started his career at Scottish Widows Investment Partnership as an Investment Manager. He has 13 years of investment experience in UK real estate and has obtained the Investment Management Certificate. Fraser is a member of the Royal Institution of Chartered Surveyors and of the Investment Property Forum.

05

James Forman

James is the Financial Controller at Picton Capital Limited. He is responsible for all the accounting and financial reporting for the Group. Previously at ING Real Estate Investment Management (UK) Limited, he has worked with the Group since 2005 and has 13 years experience within the real estate sector. James is a Fellow of the Association of Chartered Certified Accountants.

06

Laurence Jones

Laurence is a Senior Asset Manager at Picton Capital Limited. He is responsible for delivering all the asset management initiatives required to achieve the portfolio's strategy. He joined ING Real Estate Investment Management (UK) Limited in July 2007 to work on this portfolio. Laurence is a member of the Royal Institution of Chartered Surveyors.

07

Tim Hamlin

Tim is an Asset Manager at Picton Capital Limited. He is responsible for the formulation and implementation of asset level business plans in line with the overall portfolio strategy. Previously he worked at ING Real Estate Investment Management (UK) Limited for over three years. Tim is a member of the Royal Institution of Chartered Surveyors.

08

Sonya Kapur

Sonya joined Picton Capital Limited in January 2012. Previously she worked at BNP Paribas Real Estate as an investment analyst. She is responsible for all aspects of analysis and research within the Company. Sonya is a member of the Investment Property Forum and has the IPF Diploma in Property Investment.

09

Adam Green

Adam joined Picton Capital Limited in January 2012 from Invista Real Estate Investment Management as Accounts Assistant.

10

Rebecca Milne

Rebecca joined Picton Capital Limited in November 2011 and provides administrative support to the team.

Clare Bunning

Clare is responsible for the day to day management of the office and oversees all aspects of administration support within the Company. She joined ING Real Estate Investment Management (UK) Limited in May 2007 and has worked with the Group since then.

2 Investment Manager's Report


ROSE
STREET WC2
A WORLD OF
GIFTS

PROPERTY MARKET OVERVIEW

Economic backdrop

GDP has been broadly flat over the last 12 months, growing by 0.6% in the year to March 2013. This disappointing economic output has clouded the improvement in UK prospects over the last year.

The Lloyds risk index, which measures the level of risk in the eurozone, has shown a significant improvement from mid 2012. Business prospects have also improved in both the industrial and distribution sectors and the industrial sector, in particular, has outperformed. The service sector is also showing some improvements, recording its strongest level of business activity in several months.

The latest CIPS/Markit Purchasing Managers Indices (PMI) for the construction, manufacturing and services sectors have been encouraging. A rise in market demand and new business orders caused an improvement the service sector PMI score in April. In May the construction sector recorded its first positive rise in eight months following a lift in residential building activity. Similarly, the manufacturing sector also recorded its highest reading in fourteen months due to a rise in output and new orders.

Total net new lending to property has been negative for seven consecutive quarters. In the year to March 2013, net new lending to commercial property continued to contract but at a slower pace. First quarter 2013 lending figures contracted by -£1.8 billion, lower than the -£4.0 billion recorded for the first quarter of 2012. In April total net new lending continued to fall by -£1.1 billion. The Bank of England's quarterly credit conditions survey shows that demand for commercial property lending rose in the first quarter of 2013, its first rise for a year. The survey also showed that lenders expected the improvement to continue into the second quarter of 2013 and that total outstanding debt has reduced from 10.4% in the first quarter of 2012 to 9.7% in the first quarter of 2013.

In March 2013 the Consumer Price Inflation rate was recorded at 2.8%, above the Bank of England's target rate of 2.0% and below the 3.5% recorded in March 2012. Real average earnings excluding bonus payments rose by 0.8% in the three months to March 2013 compared to the same period a year ago and is the lowest rate of growth on record. There remain on-going concerns that further weakening of the pound and rising inflation could erode real incomes further and hamper the recovery in consumer spending. However, in April 2013 the monthly inflation rate fell to 2.4%, its lowest level in six months.

The latest employment figures from the Office of National Statistics correspond with flat GDP growth. Employment in the three months to March 2013 remained unchanged from the three months to December 2012 but up 1.5% from a year earlier.

As at 31 May 2013 ten year gilt yields were 2.0%, compared to 2.2% at the end of March 2012.

UK property market

In the year to March 2013, Investment Management Association figures showed net UK investment into property funds totalled only £234 million, down over £100 million compared to the £363 million recorded in the year to March 2012. Net sales of property funds totalled £90 million in the first quarter of 2013, almost double the first quarter of 2012 when total sales were £47 million.

As measured by IPD, All Property total returns for the year to March 2013 were 3.0%. Capital movements dragged returns down by -2.8% but income lifted returns by 6.0%. Offices were the best performing sector in the year returning 4.5%, followed by industrial at 3.2% and retail at 2.0%. The latest IPD data for April shows that the rate of decline in capital movements has slowed and at the All Property level seems to be approaching a floor.

3%

IPD ALL PROPERTY TOTAL RETURN

YEAR TO MARCH 2013

6%

IPD ALL PROPERTY INCOME RETURN

YEAR TO MARCH 2013

The polarisation in the market between London and the regions continued throughout the year with commercial property in London outperforming all other regions. Central London assets in the retail and office sectors were the only assets to record positive capital movements. All regions outside of London recorded negative capital movements in the year.

The IPD Quarterly Digest recorded a nil change in rents for All Property in the year to March 2013. Rents in the office sector grew by 1.7% but total performance was pulled back by a fall in industrial and retail rents, which fell by -0.6% and -0.8% respectively. The strongest rise in rents was seen in Central London Standard Shops, which grew by 5.8% compared to Rest of UK Standard Shops which fell by -3.2% in the year.

The IPD Quarterly Digest in March 2013 recorded an occupancy rate of 89.6% for All Property, lower than the 90.8% recorded in March 2012.

Office market

The office sector outperformed both retail and industrial in the year. Total returns for the sector for the 12 months to March 2013 were 4.5% of which income contributed 5.5%, while capital values fell by -1.1%. Total returns were only positive in Central London; all other regions recorded negative returns. Returns were strongest for the West End at 10.2% and weakest for Yorkshire and Humberside at -5.0%.

Capital movements by geographic region ranged from 5.9% for West End Offices to -12.6% for West Midlands Offices.

Office rents rose by 1.7% over the year. Rental rises were positive for London and the South East while all other regions recorded a fall in rents. Central and Inner London delivered 4.4%, outperforming the average for the sector, compared to Rest of UK Offices which delivered -1.9%.

Occupancy rates for offices at the end of March 2013 were 82.6%, lower than the 85.0% recorded in March 2012.

Industrial market

The industrial sector delivered the highest income return in the year. Total returns for the sector for the 12 months to March 2013 were 3.2% of which income contributed 7.0%, while capital values fell by -3.6%. Returns remained strongest in Central London at 4.5% and weakest for Rest of UK at 1.2%.

Central London assets continued to outperform, with capital value movements ranging from -1.2% for London Standard Industrial to -6.0% for Rest of UK Standard Industrial.

Industrial rents for the year fell by -0.6%. Rental rises were strongest for London which rose by 0.5% and weakest for Rest of UK Standard Industrial which fell by -1.6%.

Occupancy rates for industrial at the end of March 2013 were 87.8%, lower than the 88.2% recorded 12 months ago.

Retail market

Retail was the worst performing sector in the year delivering 2.0% total return. Total return comprised 5.9% income return and a fall of -3.8% in capital values.

Returns were driven by capital value movements, with the strongest movement recorded in Central London Shops at 13.2% total return and the weakest recorded for Rest of UK Standard Shops at -2.7% total return.

Retail rents fell by -0.8% in the year, rental changes ranged from -3.2% for Rest of UK Standard Shops to 5.8% for Central London Standard Shops.

Occupancy rates for retail at the end of March 2013 were 93.9% compared to 94.9% 12 months ago.

PORTFOLIO REVIEW

The Group's property portfolio comprises 62 assets at 31 March 2013, with around 350 occupiers. It was valued by CBRE Limited at £386.4 million.

Performance of the portfolio was affected by a number of factors over the year. Consistent with wider market conditions, there was a marked differential in performance between the London assets and those located in the regions. The portfolio's total return for the year to 31 March 2013 was -0.7%.

These movements were particularly apparent in assets with shorter term lease expiry profiles, which were impacted by lower rent assumptions and outward yield movement. Following a strategic review of the independent valuers, CBRE Limited was appointed across the entire portfolio to provide greater consistency in valuations and further enhance the robustness of the valuation process. We believe the portfolio valuation movements over the year were subject to the additional impact of this change in valuer and approach, in addition to general market movements.

As at 31 March 2013, the portfolio generated a net initial yield of 7.0%, with an occupancy rate of 88%. Through letting the vacant accommodation and based on the rental value of the portfolio as at March, the reversionary yield would be 8.2%, representing an additional £2.6 million per annum. The income return from the portfolio for the year to 31 March 2013 was 7.0%.

Top ten assets

The largest assets in the portfolio are set out below. These represent 46.5% of the total portfolio valuation.

Asset	Acquisition Date	Property Type	Tenure	Net Internal Area (sq ft)	Occupancy Rate
Unit 5320, Magna Park, Lutterworth	October 2005	Industrial	Leasehold	410,686	100%
Units A-G2, River Way Industrial Estate, Harlow	December 2006	Industrial	Freehold	449,365	88%*
Stanford House, 12-14 Long Acre, London WC2	May 2010	Retail	Freehold	19,900	74%*
Parc Tawe, Phase II, Link Road, Swansea	October 2005	Retail Warehouse	Leasehold	116,710	87%
50 Farringdon Road, London EC1	October 2005	Office	Leasehold	31,994	100%
Boundary House, Jewry Street, London EC3	May 2006	Office	Freehold	45,049	94%*
Angel Gate Office Village, City Road, London, EC1	October 2005	Office	Freehold	56,946	78%*
Colchester Business Park, The Crescent, Colchester	October 2005	Office	Leasehold	150,162	80%*
1-3 Chancery Lane, London WC2	October 2005	Office	Freehold	15,115	66%*
Angouleme Way Retail Park, Bury, Greater Manchester	October 2005	Retail Warehouse	Leasehold	48,207	100%

* Vacant space undergoing refurbishment

Retention rates

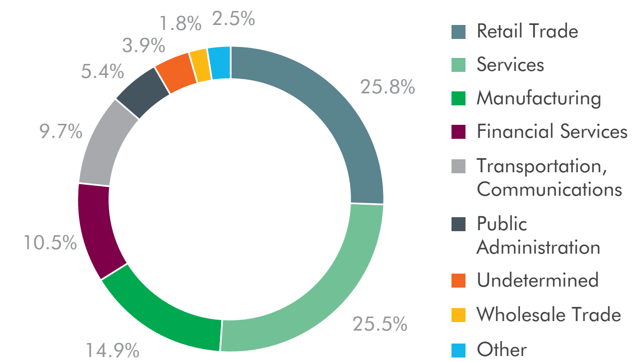
For the year ended 31 March 2013, based on rental value, the percentage of income that was retained on lease expiry or break options was 54%. This comprises 47% retained on lease expiry and 61% after break options.

Clearly in markets that have undergone significant re-pricing over recent years, and recognising current market conditions, where passing rents are higher than market rents, there is a greater propensity for occupiers to action break clauses or vacate on lease expiry. As the over-rented element is worked through we would expect this to improve in future and we will continue to monitor this on a regular basis.

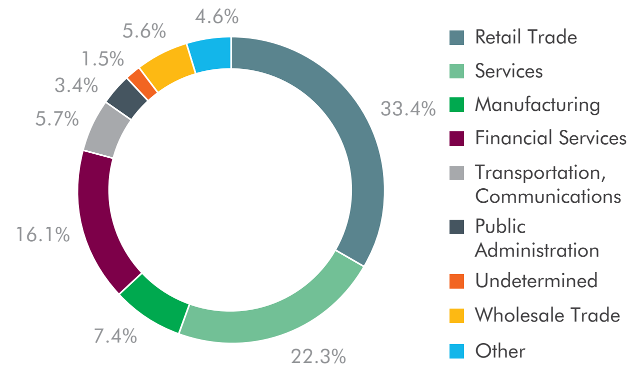
Income concentration

There is a wide diversity of occupiers within the portfolio, as set out below, and compared to the IPD Benchmark, by contracted rent, as at 31 March 2013.

Industry sector - Picton



Industry sector - IPD Benchmark

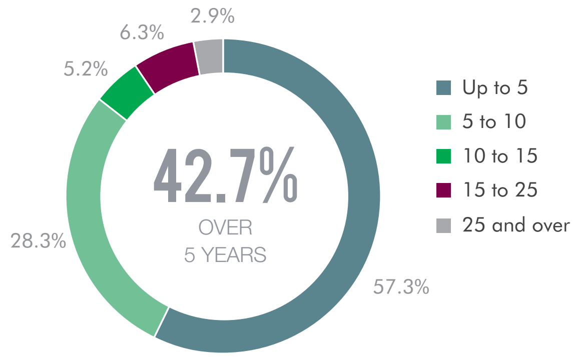


Source: IPD IRIS Report March 2013

Longevity of income

As at 31 March 2013, based as a percentage of current annual rent, the average length of the leases to the first termination was 7.0 years.

This is summarised as follows:



Top ten occupiers

The top ten occupiers, based as a percentage of annual rental income, as at 31 March 2013, is summarised as follows:

Occupier	%
Primark Stores Limited	9.3
Tanfield Group Plc	3.2
Cadence Design Systems Limited	3.1
Exel UK Limited	2.7
Trainline.com Limited*	2.7
Menzies Hotels Property No. 20 Limited	2.5
British Telecommunications Plc	2.4
Edward Stanford Limited	2.1
Asda Stores Limited	1.9
Amcor Packaging UK Limited	1.7
Total	**31.6**

* After lease incentives

INDUSTRIAL PORTFOLIO

Properties valued in excess of £20 million

1 Unit 5320, Magna Park, Lutterworth, Leics.
2 Units A-G2, River Way Industrial Estate, Harlow, Essex

Properties valued between £10 million and £15 million

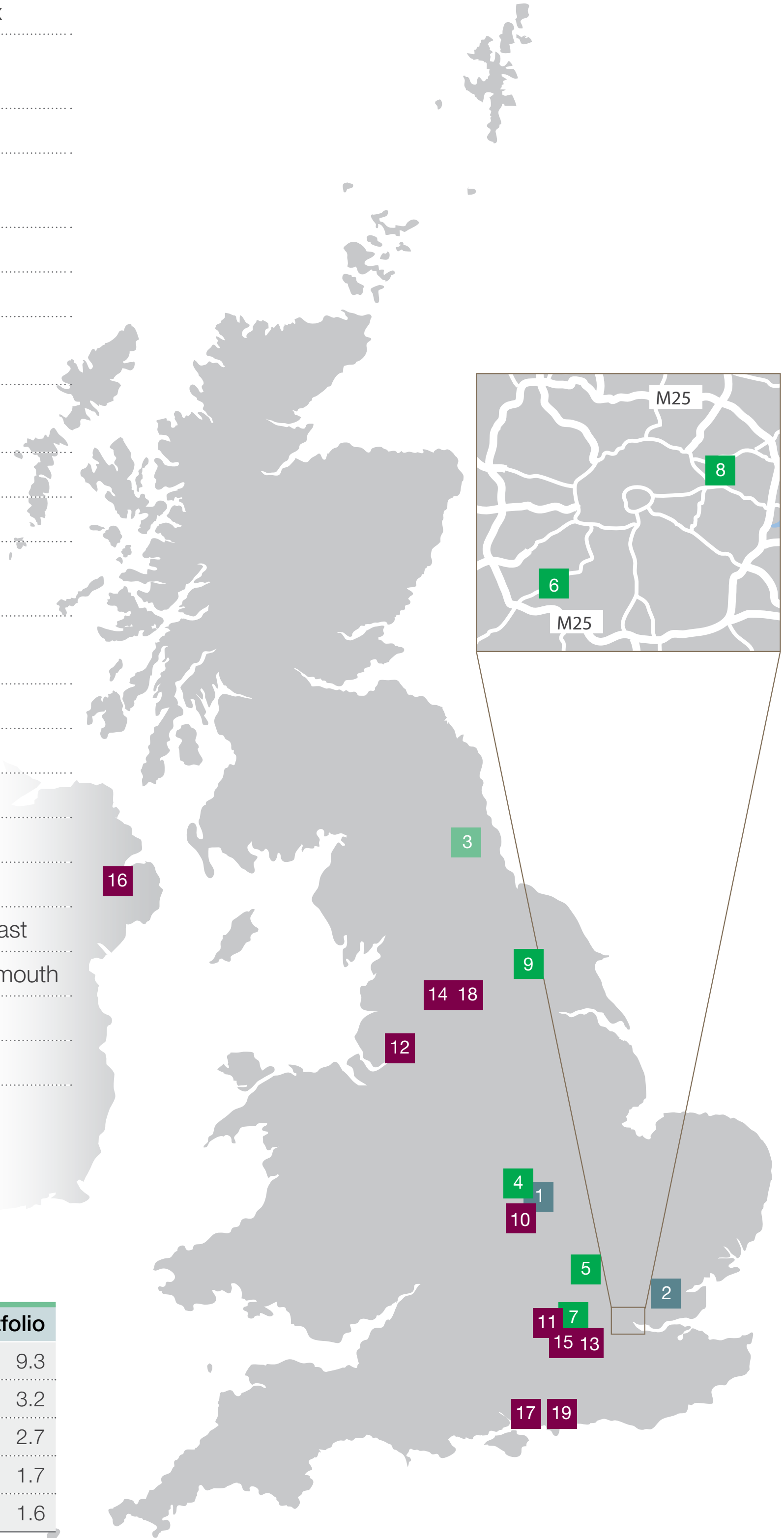
3 Vigo 250, Birtley Road, Washington, Tyne and Wear

Properties valued between £5 million and £10 million

4 Unit 3220, Magna Park, Lutterworth, Leics.
5 Units 1-13 Dencora Way, Sundon Park, Luton, Beds.
6 Nonsuch Industrial Estate, 1-25 Kiln Lane, Epsom, Surrey
7 The Business Centre, Molly Millars Lane, Wokingham, Berks.
8 Datapoint Business Centre, Cody Road, London E16
9 Lawson Mardon Buildings, Kettlestring Lane, York

Properties valued under £5 million

10 Haynes Way, Swift Valley Industrial Estate, Rugby, Warwickshire
11 Zenith, Downmill Road, Bracknell, Berks.
12 Easter Court, Gemini Park, Warrington
13 Heron Industrial Estate, Spencers Wood, Reading
14 Middleton Trade Park, Oldham Road, Manchester
15 Magnet Trade Centre, Winnersh, Reading
16 Abbey Business Park, Mill Road, Newtownabbey, Belfast
17 Highgrove Industrial Estate, Quatremaine Road, Portsmouth
18 Manchester Road/Drury Lane, Oldham, Lancs.
19 Winston Business Centre, Lancing, Sussex



	Largest occupiers	% of portfolio
1	Primark Stores Limited	9.3
2	Tanfield Group Plc	3.2
3	Exel UK Limited	2.7
4	Amcor Packaging UK Limited	1.7
5	Exel Europe Limited	1.6

Value
£136.4m

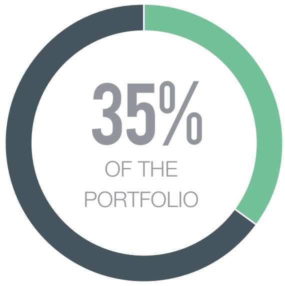
Annual Rental Income
£11.67m

Estimated Rental Value
£11.69m

Area
2,152,000sq ft

Occupancy
92.4%

Number of Assets
19



The annual rental income during the year was maintained at £11.7 million per annum, despite a marginal decrease in the occupancy rate. We let 14 units at a combined rent of £600,000 per annum, renewed four leases with a combined rent of £400,000 per annum and removed three occupier break options securing £300,000 per annum for a longer term.

The distribution portfolio remained fully let throughout the year, with no occupancy changes other than the assignment of the lease of 5320 Magna Park in Lutterworth to Primark Stores Limited. We maintain a dialogue with all our distribution occupiers and will look to extend leases where possible as they move towards expiry.

The focus for our multi-let estates has been on active management and we have seen good demand for vacant space especially in the Greater London area. Across the country, 19 of the 125 lettable units are currently unoccupied.

Our largest void is unit F1, River Way in Harlow which accounts for 2.7% of the industrial occupancy rate. This 50,000 sq ft unit was returned on lease expiry in March and is currently being refurbished. We expect good demand based on recent letting activity at this estate.

Our second largest void is at Datapoint, London E16, located near the Olympic Park, where we have three recently refurbished units with a combined estimated rental value of £170,000 per annum. Following the year end we have agreed terms on two out of the three units.

By way of example, we have highlighted a number of significant initiatives that have taken place over the year:

Satisfying occupier expansion - River Way Industrial Estate, Harlow

This is the second largest property by value that the Group holds and comprises 11 stand-alone units built in the 1970s, with a size range of 9,390 sq ft to 98,730 sq ft. Occupier demand for the units is particularly strong as they offer good quality space, are self-contained with their own yards and therefore incur no service charge.

The original 42 year lease of unit B, which is 21,470 sq ft and needed refurbishing, expired in April 2013. We were aware that our adjoining occupier, Astro Lighting Limited, needed to expand and had a break clause in July 2013. We agreed to move the break clause on their existing unit to July 2016, securing an income of £209,400 per annum with no incentives, and let unit B to them on a co-terminus lease at a rent of £128,800 per annum with three months rent free. As a result, unit B will be unoccupied for only seven weeks, while we carry out some minor works.

The transaction retains Astro Lighting on the estate and secures continuous income from unit B, with limited capital expenditure.

Introducing additional trade counter operators and increasing rents - Nonsuch Industrial Estate, Epsom

The estate was acquired in 2010 and comprises 25 light industrial units built in the 1980s. On acquisition there were four vacant units and the larger units had an estimated rental value of £13.45 per sq ft.

During the year we let a unit to Edmundson Electrical on a ten year lease, with a five year break, at a rent of £30,000 per annum equating to £14.30 per sq ft. Following the letting, we renewed the lease on another unit for ten years, with a break at five, at a rent of £32,500 per annum, equating to £15.00 per sq ft.

The estate is fully let and we have further trade occupiers wishing to obtain space. We are therefore looking to surrender leases to satisfy demand.

Maintaining occupancy and improving rental values - Heron Industrial Estate, Reading

The Heron estate comprises eight units built in the 1980s in two terraces located to the south of Junction 11 of the M4 motorway. The units provide good quality warehouses with offices. The Thames Valley industrial market has suffered from a lack of occupier demand and we have therefore focused on retaining our occupiers whilst ensuring the vacant units present well.

Signwise occupies a unit on the estate and during the year we agreed to remove their break option, dated February 2014, in return for six months' rent free, extending the income from the unit for an additional five years.

Unit 8 was let to Belmont Fabrications Limited for a ten year term, subject to an occupier break option, at a rent increasing to £55,000, which is 37.5% ahead of our estimated rental value.

We currently have two available units on the estate, one of which is under offer with the other being refurbished.

OFFICE PORTFOLIO

Properties valued between £15 million and £20 million

1 50 Farringdon Road, London EC1
2 Boundary House, Jewry Street, London EC3
3 Angel Gate Office Village, City Road, London EC1

Properties valued between £10 million and £15 million

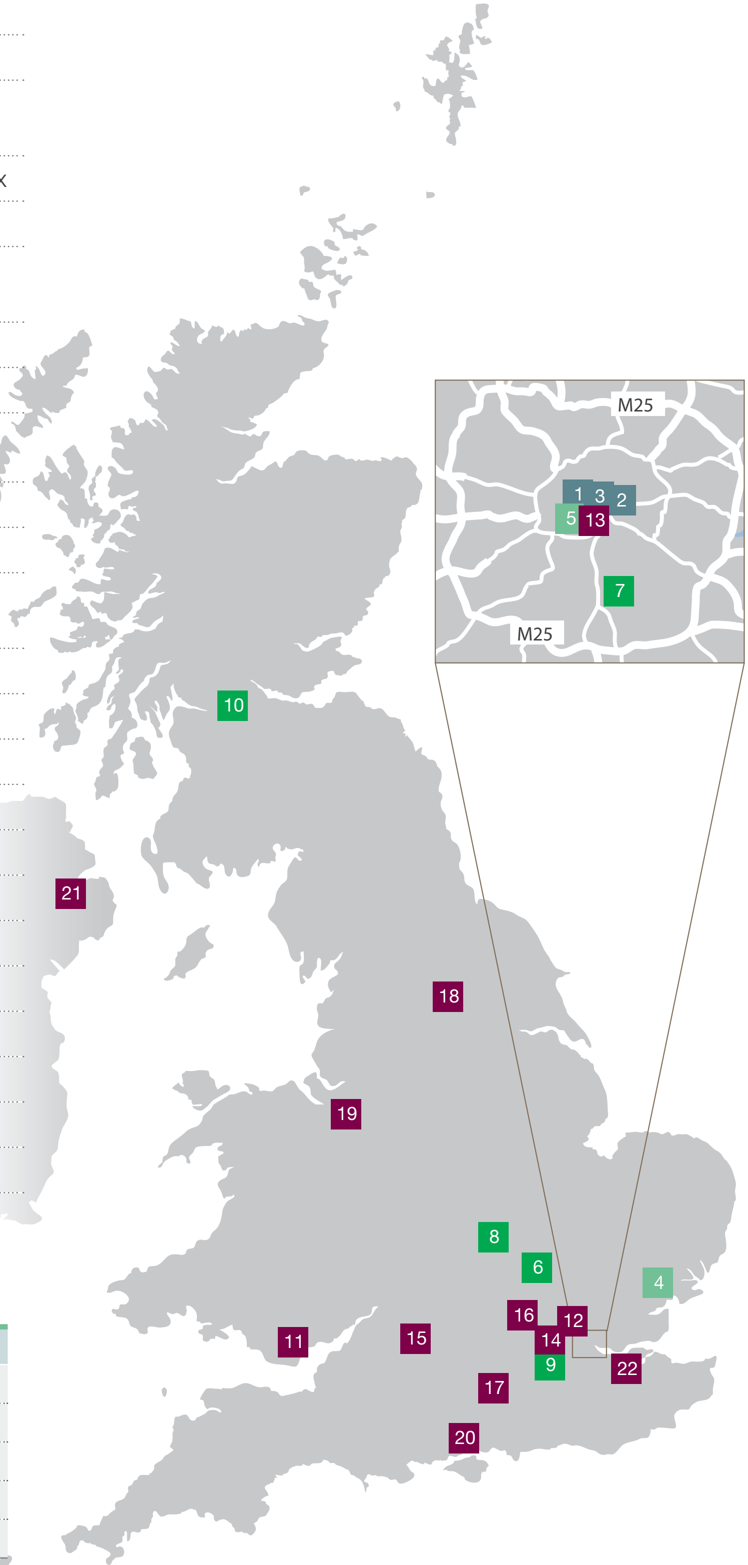
4 Colchester Business Park, The Crescent, Colchester, Essex
5 1-3 Chancery Lane, London WC2

Properties valued between £5 million and £10 million

6 401 Grafton Gate East, Milton Keynes, Bucks.
7 2 & 4 Addiscombe Road, Croydon
8 Northampton Business Park, 800 Pavilion Drive, Northampton
9 L'Avenir, Opladen Way, Westwick, Bracknell, Berks.
10 Queens House, 19/29 St Vincent Place, Glasgow

Properties valued under £5 million

11 Longcross Court, Newport Road, Cardiff
12 Trident House, 42/48 Victoria Street, St Albans, Herts.
13 28 Austin Friars, London EC2
14 Waterside Park, Longshot Lane, Bracknell, Berks.
15 Westlea Campus, Chelmsford Road, Swindon, Wilts.
16 Atlas House, Third Avenue, Globe Park, Marlow, Bucks.
17 Sentinel House, Ancells Business Park, Fleet, Hants.
18 Waterside House, Kirkstall Road, Leeds
19 Merchants House, Crook Street, Chester
20 8-9 College Place, Southampton
21 Marshall Building,122-124 Donegall Street, Belfast
22 The Cloisters, Orchard Street, Dartford



	Largest occupiers	% of portfolio
1	Cadence Design Systems Limited	3.1
2	Trainline.com Limited*	2.7
3	British Telecommunications Plc	2.4
4	Essex County Council	1.3
5	Tech Mahindra Limited	1.3

* after lease incentives

Value
£130.8m

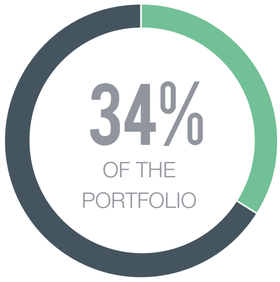
Annual Rental Income
£10.97m

Estimated Rental Value
£13.50m

Area
880,000sq ft

Occupancy
81.3%

Number of Assets
22



Our central London portfolio continues to perform well, with rental growth across all properties on the back of continued demand. We have completed new lettings at 28 Austin Friars EC2, Boundary House EC3 and 50 Farringdon Road EC1, adding £600,000 per annum after incentives during the year.

Floors at 1 Chancery Lane WC2 and at Stanford House in Covent Garden are now being marketed following comprehensive refurbishment programmes and we expect to let them quickly ahead of our estimated rental value of £550,000 per annum.

4 Addiscombe Road, opposite East Croydon station, will be refurbished this summer, providing some of the best office space in arguably the best location in the Croydon market. Our estimated rental value for the property is £600,000 per annum.

In the regions, we completed lettings at properties in Colchester, Glasgow, Marlow, Milton Keynes and St. Albans.

The occupancy rate has decreased primarily due to active management surrenders at properties, such as 24 Angel Gate in London EC1, which accounts for 1% of the office vacancy rate, where the occupier paid 70% of all outgoings to the lease end. This surrender forms part of our strategy to drive rents at this property by carrying out architecturally designed refurbishments to attract technology occupiers. In addition, Building 900 on Colchester Business Park became vacant on lease expiry, accounting for 1.7% of the office vacancy rate. The property will be refurbished in line with Picton's policy of providing best in class space in its locality.

Below, we have summarised activity at three properties during the year:

Refurbishment, occupier retention and creation of best in class space - 1 Chancery Lane, WC2

The property is located in a prominent position on the corner of Chancery Lane and Fleet Street. Leases on four of the five floors were due to expire in September 2012 and the occupier of the fourth floor had a break option in March 2013.

Our goal was to retain our main occupier of three floors, to attract new occupiers to the fourth and fifth floors and to improve the working environment of the office building throughout. This was achieved through the refurbishment of common parts, the installation of new air-conditioning and a Grade A refurbishment to the upper floors.

In summary we:

- Negotiated and renewed the lease to our main occupier, a Barristers' chambers, on floors one to three for 15 years, with a break after ten years, at a rent of £305,500 per annum with three months rent free;
- Surrendered the fourth floor lease for a premium of £83,000 plus dilapidations, to secure vacant possession in September 2012 and allow for our refurbishment programme;
- Received the fifth floor back on lease expiry;
- Replaced all of the air-conditioning equipment in the property with a modern efficient system, clearing the majority of the roof plant and hence enabling the potential future addition of upper floors;
- Comprehensively refurbished the common areas to include a new reception, lavatories and shower facilities;
- Refurbished the two vacant floors to a Grade A specification and commenced a full marketing campaign in March 2013;
- Improved the EPC rating of the refurbished floors to B, ensuring the property was future proofed; and
- Reduced building running costs by around 50% as a result of the new air-conditioning system.

Relocating occupiers in the portfolio to fill void and satisfy occupational demand - 800 Pavilion Drive, Northampton and 401 Grafton Gate, Milton Keynes

800 Pavilion Drive is a 50,000 sq ft office building built in 1990 and located on Northampton's premier business park. The property has been in the portfolio since 2005 and was originally fully occupied by Texas Instruments Limited. Texas' lease expired in 2009 and we downsized them into half of the property, refurbishing the space they moved out of and re-letting it to Ricoh UK Limited within six months, maintaining full occupancy and pushing the lease expiry/break profile out to 2014/15.

By maintaining a good relationship with both occupiers, we ensured that they came to Picton first to discuss their occupational needs. Our goal was to extend the lease profile at the property.

OFFICE PORTFOLIO *(CONTINUED)*

In summary we:

- Negotiated a surrender of Texas' lease and relocated them to a vacant suite at 401 Grafton Gate in Milton Keynes;
- Recommended a consultant to assist Texas with its fit out of the new office and worked closely with them to ensure a smooth transition;
- Secured another Picton occupier for the remaining vacant suite meaning 401 Grafton Gate was fully let;
- Refurbished the vacated office at 800 Pavilion Drive by using the dilapidations payment from Texas;
- Secured a new FRI lease with Ricoh who will take the whole property from June 2013, for ten years with a break option, at a rent of £640,000 per annum.

The whole transaction resulted in two voids being let and the income at Northampton being extended.

Maintaining and increasing longevity - Boundary House, London EC3

Boundary House is an older City office building built in the 1950s and comprises 45,000 sq ft over seven floors with a basement car park. The property provides good space in the insurance district, which is attractive to smaller companies and brokers.

85% of the income was expiring in 2013/14 and our business plan was to secure extensions where possible and let space coming back to us.

The property was purchased in 2006, with a view to a future redevelopment and the strategy has been to keep it fully income producing while other options are considered.

We have:

- Surrendered a lease of 8,280 sq ft and downsized the occupier into 2,740 sq ft on a new short term lease;
- Facilitated the expansion of Holman Fenwick LLP that this surrender allowed, paying £187,300 per annum whilst their rent free incentive was covered by the downsizing occupier;
- Facilitated the simultaneous re-gearing of Holman Fenwick LLP's leases on 7,360 sq ft and securing a ten year lease, subject to break options;
- Re-geared the Ropner Insurance Services lease on 8,900 sq ft for a further five years from 2014 at £133,000 per annum and took back 2,280 sq ft in December 2012 to facilitate the potential expansion of another occupier;
- Refurbished and re-let two ground floor suites that came back to us in May 2012 to Coactivia Aspiran Limited for a five year term at £25.00 per sq ft and London Business Connections Limited for a five year term, subject to a break, at £25.00 per sq ft;
- Commenced refurbishment of the one vacant suite remaining where we expect to achieve a rent approaching £30 per sq ft.

RETAIL AND RETAIL WAREHOUSE PORTFOLIO

Properties valued in excess of £20 million

1 Stanford House, 12-14 Long Acre, London WC2

Properties valued between £15 million and £20 million

2 Parc Tawe, Phase II, Link Road, Swansea

Properties valued between £10 million and £15 million

3 Angouleme Way Retail Park, Bury, Greater Manchester

Properties valued between £5 million and £10 million

4 56 Castle Street, 2/12 English Street and 12-21 St Cuthberts Lane, Carlisle, Cumbria

5 53/55/57 Broadmead, Bristol

6 17/19 Fishergate, Preston

7 Scots Corner, High Street/Institute Road, Birmingham

8 78-80 Briggate, Leeds

Properties valued under £5 million

9 72/78 Murraygate, Dundee

10 123 High Street, Guildford, Surrey

11 Units 1-3, 18/28 Victoria Lane, Huddersfield, West Yorks.

12 6/12 Parliament Row, Hanley, Staffs.

13 7 & 9 Warren Street, Stockport

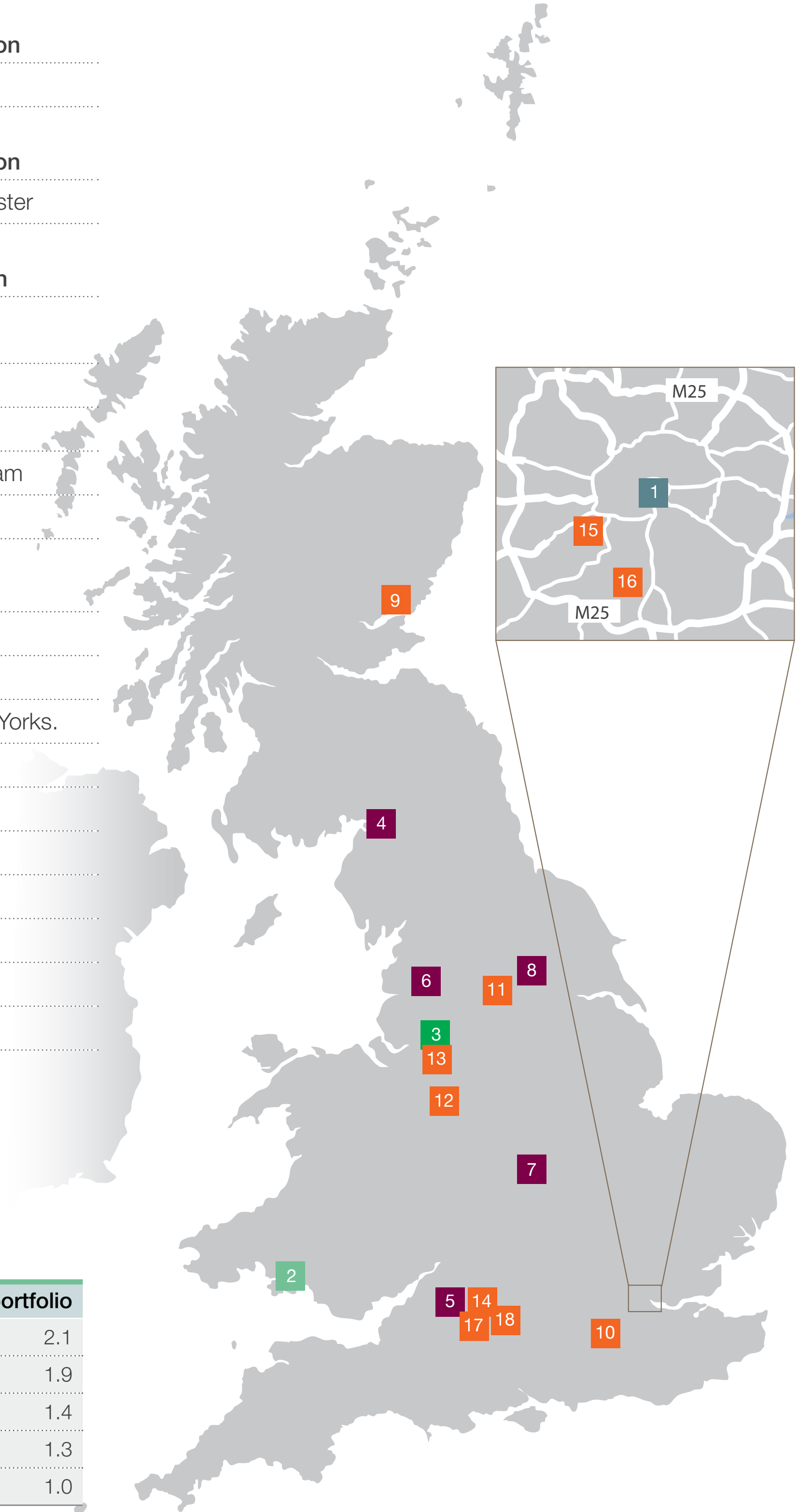
14 2 Bath Street, Bath

15 2/2a George Street, Richmond

16 113 High Street, Sutton

17 6 Argyle Street, Bath

18 3 Lower Borough Walls, Bath



	Largest occupiers	% of portfolio
1	Edward Stanford Limited	2.1
2	Asda Stores Limited	1.9
3	Homebase Limited	1.4
4	Barclays Bank Plc	1.3
5	Countywide Developments Limited	1.0

Value
£101.1m

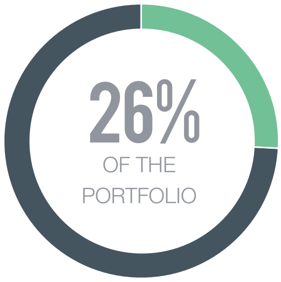
Annual Rental Income
£6.87m

Estimated Rental Value
£6.88m

Area
384,000sq ft

Occupancy
90.1%

Number of Assets
18



The occupancy rate in respect of the retail portfolio remains robust with 14 of the 18 retail properties remaining fully occupied during the year.

Over the last 12 months transactions have been limited in this sector due to the high occupancy rate and lease expiry profile. Our focus has been on maintaining income and creating value, especially in respect of the smaller properties which will subsequently be disposed of in the coming months.

Our largest retail asset is Long Acre in Covent Garden, where there is a rent review in September 2013. This asset has continued to perform strongly over the year and we have benefitted from rental growth as the area continues to improve as a retailing destination. We are also exploring the residential conversion potential in respect of the upper parts.

We have six vacant units in the retail portfolio of which 50% are as a result of occupier failure. We currently have space available at high street locations in Carlisle, Hanley and Huddersfield. In addition, we only have one vacant retail warehouse, in Swansea, following an occupier triggering a break clause in March 2012.

Our largest single retail void is unit 3 at Parc Tawe Phase II in Swansea. We have had success historically attracting occupiers to the park, including Homebargains and Poundworld. The vacant unit is the second largest at 20,000 sq ft and we are currently looking to create two units, which we believe will be more attractive to retailers based on our most recent lettings. At the same time, we are looking to introduce retail pods onto the park utilising underused space in the car park.

In Carlisle, we are investigating the possibility of combining up to three units to satisfy the demand for larger unit sizes, of which there is a limited supply. At the same time, and in partnership with Shopjacket, we have covered the windows of the properties to ensure they do not detract from the appearance of the rest of the property, protecting the trading environment for our other occupiers, whilst also creating a strong marketing campaign by utilising the facades and trying to maintain the appearance of the high street.

At our property in Broadmead, Bristol, we removed Phones 4 U Limited's break option and secured £143,750 per annum until 2019 extending the income from the unit by five years. This rent is significantly ahead of our estimated rental value for the unit and shows the occupier's commitment to the property.

In terms of our smaller assets in Bath, Smile Stores Limited (t/a McColls Newsagents) took a new 15 year lease at £34,750 per annum following the shop unit being fully refurbished and in Sutton we re-geared Stan James' lease, extending the income of £21,000 per annum by eight years. We also removed Timpsons' break clause at Kings Heath in Birmingham for a nominal incentive, extending income to 2020 and maintaining full occupancy at this multi-let property.

LEISURE PORTFOLIO

Properties valued between £5 million and £10 million

1 Strathmore Hotel, Arndale Centre, Luton, Beds.

2 Regency Wharf, Broad Street, Birmingham

Properties valued under £5 million

3 Thistle Hotel, Unit 1 & Le Pavilion, Brighton

	Largest occupiers	% of portfolio
1	Menzies Hotels Property No. 20 Limited	2.5
2	JD Wetherspoon Plc	0.9
3	East and West Restaurants South Limited	0.9

Value
£18.1m

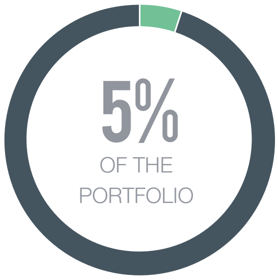
Annual Rental Income
£1.47m

Estimated Rental Value
£1.48m

Area
N/A

Occupancy
94.3%

Number of Assets
3



The Group owns three leisure properties: a restaurant scheme in Broad Street in Birmingham; the Strathmore Hotel in the centre of Luton; and a small interest in the Thistle Hotel in Brighton. In addition, the Group also owns the Crown & Mitre Hotel, which forms part of a larger retail holding in Carlisle.

The hotel investments are fully leased. We have a rent review during 2013 and expect an uplift to enhance cash flow.

At our restaurant holding in Birmingham, we have been impacted by two occupier failures over the year. Despite this we have gained planning permission to reconfigure this scheme with new lighting and signage to improve and enhance its prominence and letting prospects. We are confident this is a temporary setback and that new occupiers can be attracted.

OUTLOOK

The improvement in sentiment for the property market during the year has been reflected in the IPD Index, where the rate of decline in capital values has reduced quarter on quarter since September 2012.

The current environment of low finance interest rates, low supply of occupier space and positive sentiment in occupier demand means opportunities exist for value creation and strategic portfolio allocations. Overall, property has now been re-priced to levels last seen in the late 1990s, making the possibility of stabilisation in values even more likely for those assets where prices are at their lowest on record and occupier demand can be maintained.

Consensus forecasts indicate average returns are likely to be around 7% per annum over the next five years, primarily driven by income return and positive capital growth from 2014. Picton has a track record of delivering strong income returns and maintaining occupancy rates, despite shorter term income profiles. Current activity within the portfolio is encouraging and we believe that we are now well placed to enhance both income and value.

Picton Capital Limited

11 June 2013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3 Directors' Report

DIRECTORS' REPORT

The Directors of Picton Property Income Limited present the Annual Report and audited financial statements for the year ended 31 March 2013.

The Company is a closed ended investment company and is registered under the provisions of the Companies (Guernsey) Law, 2008.

Principal activity

The principal activity of the Group is property investment with the objective of providing shareholders with an attractive level of income together with the potential for capital growth, by investing in a diversified UK commercial property portfolio.

With effect from 29 October 2008, the Company became regulated under the Protection of Investors (Bailiwick of Guernsey) Law, 1987 (as amended). Under this regulation, the Company was deemed to be authorised by the Guernsey Financial Services Commission.

Results and dividends

The results for the year are set out in the Consolidated Statement of Comprehensive Income. Details of dividends paid and proposed are set out in note 12 to the consolidated financial statements.

Directors and Directors' interests

The Directors of the Company who served throughout the year are set out in the Review of Business section.

The Directors' interests in the shares of the Company as at 31 March 2013 are set out in the Remuneration Report below.

Listings

The Company is listed on both the main market of the London Stock Exchange and the Channel Islands' Stock Exchange.

Share capital

The issued share capital of the Company as at 31 March 2013 was 345,336,118 (31 March 2012: 345,336,118) ordinary shares of no par value.

The Directors have authority to buy back up to 14.99% of the Company's ordinary shares in issue, subject to the annual renewal of this authority from shareholders. Any buy back of ordinary shares is, and will be, made subject to Guernsey law, and the making and timing of any buy backs are at the absolute discretion of the Board.

Substantial shareholdings

Based on notifications received and on information provided by the Company's brokers, the Company understands the following shareholders held a beneficial interest of 3% or more of the Company's issued share capital as at 28 March 2013.

	% of issued share capital
Investec Wealth & Investment	9.39
J O Hambro Capital Management	7.65
Rathbone Investment Management	6.54
Brewin Dolphin Limited	4.42
Blackrock Investment Management Limited	3.81
Alliance Trust Savings Limited	3.71
Legal & General Investment Management Limited	3.56
Premier Fund Managers Limited	3.38

CORPORATE GOVERNANCE REPORT

The Company is a member of the Association of Investment Companies ("AIC") and applies the principles of the AIC Code of Corporate Governance (the "AIC Code").

The Board has considered the principles and recommendations of the AIC Code by reference to the AIC Corporate Governance Guide for Investment Companies ("AIC Guide"). The AIC Code, as explained by the AIC Guide, addresses all the principles set out in the UK Corporate Governance Code (the 'UK Code'), as well as setting out additional principles and recommendations on issues that are of specific relevance to the Company. The Financial Reporting Council has confirmed that, by following the AIC Guide, investment company boards should fully meet their obligations in relation to the UK Code.

The Board considers that reporting against the principles and recommendations of the AIC Code, and by reference to the AIC Guide (which incorporates the UK Code), will provide better information to shareholders.

Except as disclosed below, the Company has complied throughout the year with the recommendations of the AIC Code and the relevant provisions of the UK Code.

By complying with the AIC Code and the UK Code, the Board considers that it is in compliance with the provisions of the Code of Corporate Governance published by the Guernsey Financial Services Commission.

The Board

The Board retains full responsibility for the direction and control of the Company, including investment policy and strategy, dividend policy and gearing. The Board meets regularly, normally quarterly, and more frequently if necessary.

The Board has delegated responsibility for operational matters under an Investment Management Agreement to its Investment Manager, Picton Capital Limited.

Composition

The Company is led and controlled by a Board comprising of non-executive Directors, all of whom have wide experience and are considered to be independent.

During the year Tjeerd Borstlap, who was Chairman of the Remuneration Committee, resigned from the Board due to other work commitments. Vic Holmes has been appointed to the Board from 1 January 2013 and has taken on the role of Chairman of the Remuneration Committee.

In making any new appointment the Board will consider a number of factors, but principally the skills and experience that will be relevant to the specific role and that will complement the existing Board members.

The Articles of Association stipulate that all new Directors shall retire at their first Annual General Meeting and offer themselves for re-appointment. One third, or the number nearest to but not exceeding one third, of the Directors shall retire and offer themselves for re-appointment at each subsequent Annual General Meeting.

The Board considers that the length of time each Director, including the Chairman, serves on the Board should not be limited and therefore have not set a finite tenure policy. This issue, as well as that of future succession planning, is reviewed annually as part of the Board evaluation process, and as a result of the latest evaluation further arrangements have been put in place to secure continuity.

The Board believes that it is in the shareholders' best interests for the Chairman to be the point of contact for all matters relating to the governance of the Company and as such has not appointed a senior independent non-executive Director.

Details of the Board, including biographies, can be found in the Review of Business section.

Committees

The Board has established four Committees: Audit, Remuneration, Property Valuation and Management Engagement. The terms of reference for these Committees are available on the Company's website.

The Board has not established a separate Nominations Committee as these duties are performed by the whole Board for practical reasons.

Attendance at Board and Committee meetings

The following meetings were the scheduled Board and Committee meetings. Additional meetings were held to deal with other matters as required and are not included.

	Board (4 meetings)	Audit (2 meetings)	Remuneration (4 meetings)	Property Valuation (4 meetings)	Management Engagement (1 meeting)
Nicholas Thompson	4	2	3	4	1
Robert Sinclair	4	2	4	4	1
Trevor Ash	3	2	2	3	1
Roger Lewis	3	2	3	4	-
Tjeerd Borstlap	2	1	3	2	-
Vic Holmes	1	-	1	1	1

Evaluation

The performance of the Board and its Committees is evaluated on an annual basis. This is carried out by external consultants every three years, the latest being in 2010, and internally by the Directors for intervening years. An internal evaluation was performed in March 2013, using questionnaires prepared by the Company's Administrator. The questionnaires, which were completed anonymously, addressed all aspects of the running of the Company.

Internal control and risk management

The Directors acknowledge that they are responsible for establishing and maintaining the Group's system of internal controls and reviewing its effectiveness. Internal control systems are designed to manage rather than eliminate the failure to achieve business objectives and can only provide reasonable, and not absolute, assurance against material misstatement or loss. They have therefore established an on-going process designed to meet the particular needs of the Group in managing the risks to which it is exposed, consistent with the guidance provided by the Turnbull Committee. Such review procedures have been in place throughout the full financial year, and up to the date of the approval of the financial statements, and the Board is satisfied with their effectiveness.

This process involves a review by the Board of the control environment within the Group's service providers to ensure that the Group's requirements are met.

The Group does not have an internal audit function. Following the change to internalised management, and given the scale of the Group's operations, the Board has determined that a separate internal audit function is unnecessary and that additional procedures carried out by the external auditor in conjunction with the audit of the Group's accounts, and an external review of internal controls, will provide the Board with sufficient assurance regarding the internal control systems in place. The Board continues to place reliance on the Administrator's internal control systems.

These systems are designed to ensure effective and efficient operations, internal control and compliance with laws and regulations. In establishing the systems of internal control, regard is paid to the materiality of relevant risks, the likelihood of costs being incurred and costs of control. It follows, therefore, that the systems of internal control can only provide reasonable, but not absolute, assurance against the risk of material misstatement or loss.

The effectiveness of the internal control systems is reviewed annually by the Board and the Audit Committee. The Audit Committee has a discussion annually with the auditor to ensure that there are no issues of concern in relation to the audit opinion on the financial statements and, if necessary, representatives of the Investment Manager would be excluded from that discussion.

Statement of going concern

After due consideration, the Directors consider that the Group has adequate resources to continue in operational existence for the foreseeable future and adopt the going concern basis in preparing the financial statements.

Relations with shareholders

In conjunction with the Board, the Administrator keeps under review the register of members of the Company. All shareholders are encouraged to participate in the Company's Annual General Meeting.

All Directors normally attend the Annual General Meeting, at which shareholders have the opportunity to ask questions and discuss matters with the Directors and senior management. Investors are able to direct any questions for the Board via the Secretary.

The Chairman regularly attends analyst meetings and roadshows to meet investors. The outcome of these meetings is communicated to the rest of the Board.

REMUNERATION REPORT

The Remuneration Committee comprises all of the Directors of the Company and is chaired by Vic Holmes.

Terms of reference

The Committee will consider the following matters:

- Appointment of, and terms of reference for, any remuneration consultants
- Remuneration levels for the Directors, within the limit set by the Company's Articles of Association
- Recommend remuneration policies to the Board for Directors and senior management
- Review and note remuneration trends across the Group
- Determine the policy for expense claims by Directors

Activity

The Committee met four times during the year ended 31 March 2013 and considered the following matters:

- Remuneration trends across similar property companies
- Succession planning
- Remuneration review and Long Term Incentive Plan awards for Picton Capital employees
- Shareholder feedback regarding Annual Report disclosures
- Performance of the Committee
- Directors' annual fee cap

Remuneration policy

The objective of the Group's remuneration policy is to have a simple and transparent remuneration structure aligned with the Group's strategy.

The Group aims to provide a remuneration package which will retain Directors and management with the skills and experience necessary to manage the Group and maximise shareholder value on a long term basis. The remuneration policy aims to incentivise management by rewarding performance through enhanced shareholder value.

Directors receive an annual fee as set out below plus additional fees on a time spent basis, if applicable. Directors will not receive share options or other performance related elements, unless approved in advance by shareholders.

The Committee has determined the remuneration policy for the management and staff of Picton Capital Limited following independent advice and recommendations from Hewitt New Bridge Street. This policy is set out below.

Terms of employment

The terms of appointment of the Directors are documented in letters of appointment. They have a three month notice period and their appointment would terminate without compensation if not re-elected at the Annual General Meeting. The Directors have no service contracts or interests in any material contracts with the Group.

Directors' fees

All of the Directors of the Company are non-executive and their fees are recommended by the Board. The level of Directors' fees were independently reviewed in August 2011 by Hewitt New Bridge Street. The recommendations from their report were adopted by the Remuneration Committee and the following annual fee rates became effective from 1 January 2012, which are reflective of the internalised management arrangements from that date, and have been set at the lower quartile level compared to the Company's benchmarked peer group of similar companies. Any additional time spent above the expected annual commitments will be compensated at the rate of £1,200 per day.

	Expected annual time commitment (days)	Annual rate £
Chairman	30	63,000
Chairman of the Audit Committee	22	38,000
Chairman of the Property Valuation Committee	22	35,000
Director	20	33,000

The total fees earned by each Director for the year ended 31 March 2013 were as follows:

	Year ended 31 March 2013 £	1 January 2011 to 31 March 2012 £
Nicholas Thompson	63,000	76,150
Robert Sinclair	38,000	39,500
Trevor Ash	33,000	33,250
Roger Lewis	35,000	33,750
Vic Holmes	8,250	-
Tjeerd Borstlap	16,500	12,415
	193,750	**195,065**

The Company's Articles set an annual limit of £300,000 for Directors' remuneration.

REMUNERATION REPORT *(CONTINUED)*

Picton Capital Limited remuneration

Picton Capital Limited, the Group's Investment Manager, employed 12 staff as at 31 March 2013.

The policy and components of remuneration set by the Committee in respect of Picton Capital Limited directors and staff are as follows:

Base salary	Base salaries are based on market data provided by the Company's independent advisers. Base salaries are reviewed annually on 1 April.
Pension	The Group makes contributions for eligible employees into a Group personal pension plan to a maximum of 12% of base salary. Further contributions to a maximum of 5% will be paid by the Group if matched by additional voluntary contributions by the employee.
Annual bonus	A discretionary annual bonus may be awarded to recognise individual performance. An award will take into account three factors: the underlying performance of the Group, the underlying real estate return and the individual's performance. Bonus payments are not pensionable. An element of any award will be made in units in the Long Term Incentive Plan.
Long Term Incentive Plan	A long term incentive plan has been established that aligns remuneration with that of shareholders. Any award under the plan is linked to both share price movement and dividend distributions. Awards will normally vest in either two or three years.
Other benefits	These include private medical insurance and life cover.

The Committee determined that there would be no increases in base salaries from 1 April 2013.

For the year ended 31 March 2013, the Committee agreed that bonuses awarded to Picton Capital staff would total £190,000 payable on 31 March 2013 and £334,000 in Long Term Incentive Plan awards. These awards were made at the prevailing share price, and equate to 852,790 units, of which 223,595 units vest on 31 March 2014, 356,695 units vest on 31 March 2015 and 272,500 units vest on 31 March 2016. The cost to the Group of awards made is spread over the vesting periods in accordance with its accounting policy. The accrued cost at 31 March 2013 was £38,000.

Share ownership

Directors and employees are encouraged to maintain a shareholding in the Company's shares to provide alignment with investors, although in the case of Picton Capital staff, alignment is also achieved through awards under the Long Term Incentive Plan.

The number of shares beneficially held by each Director, and senior management, (including spouses), as at 31 March 2013 were as follows:

Directors	Shares
Nicholas Thompson *	128,126
Robert Sinclair	15,000
Trevor Ash	225,000
Roger Lewis	250,000
Vic Holmes	-

Senior management	Shares
Michael Morris **	53,596
Andrew Dewhirst	11,964
Jay Cable	7,030
Fraser D'Arcy	-

*includes 64,433 shares held by Mrs Elizabeth Thompson

**includes 28,596 shares held by Mrs Joanne Morris

AUDIT COMMITTEE REPORT

The Audit Committee comprises all of the Directors of the Company and is chaired by Robert Sinclair.

Meetings of the Audit Committee are attended by the Finance Director of Picton Capital Limited and other members of the finance team, and the external auditors. The external auditors are given the opportunity to discuss matters without management presence.

Terms of reference

The Committee's terms of reference include consideration of the following issues:

- Financial reporting
- Internal controls and risk management systems
- External audit
- Reporting responsibilities

Activity

The Committee met twice during the year ended 31 March 2013 and considered the following matters:

- The Annual and Interim Reports of the Group
- Audit and accounting issues of significance
- Reports from the external auditors
- Review of business risks and internal controls and risk review
- External audit strategy and plan
- Stock Exchange announcements

Internal controls

Up to 31 December 2011 the Board placed reliance on the Administrator's and Investment Manager's internal control systems. Following the change to internalised management and given the scale of the Group's operations, the Board has determined that a separate internal audit function is unnecessary and that additional procedures carried out by the external auditor in conjunction with the audit of the Group's accounts, and an external review of internal controls, will provide the Board with sufficient assurance regarding the internal control systems in place.

During the year, the Committee undertook a detailed review of the Group's risks in conjunction with the Investment Manager. The resultant risk matrix has formed the basis for additional controls testing by the external auditor.

Independence of auditors

It is the policy of the Audit Committee that non-audit work will not be awarded to the external auditors if there is a risk their independence may be conflicted. The Committee must approve all non-audit assignments to the external auditors.

For the year ended 31 March 2013 the external auditor has carried out additional testing of the Group's internal controls in accordance with a programme agreed with the Committee, have acted as liquidator to IRET Securities Limited, and carried out the FCA CASS audit at Picton Capital Limited.

Tenure of auditors

KPMG Channel Islands Limited have been auditors to the Group since the year ended 31 December 2009 following a tender process in July 2009. The Senior Statutory Auditor, Neale Jehan, has served one year in this position.

The Committee recommends that KPMG Channel Islands Limited are recommended for re-appointment at the next Annual General Meeting.

Audit fees

The fees payable to the Group's auditor are as follows:

	Year ended 31 March 2013 £000	1 January 2011 to 31 March 2012 £000
Audit fees	116	106
Interim review fees	14	15
Non-audit fees	40	-
	170	121

The non-audit fees comprise liquidator fees of £21,000 in respect of the liquidation of IRET Securities Limited, £14,000 for additional controls testing (both payable to KPMG Channel Islands Limited) and £5,000 in respect of the Picton Capital FCA CASS audit, payable to KPMG Audit plc.

PROPERTY VALUATION COMMITTEE REPORT

The Property Valuation Committee comprises all of the Directors of the Company and is chaired by Roger Lewis.

Terms of reference

The Committee shall review the quarterly valuation reports produced by the independent valuers before their submission to the Board, looking in particular at:

- Significant adjustments from previous quarters
- Individual property valuations
- Commentary from the Investment Manager
- Significant issues that should be raised with the Investment Manager
- Material and unexplained movements in the Company's net asset value
- Compliance with applicable standards and guidelines
- Reviewing findings or recommendations of the valuers
- The appointment, remuneration and removal of the Company's valuers, making such recommendations to the Board as appropriate

Activity

The Committee met four times during the year ended 31 March 2013 and considered the quarterly reports from the Group's valuers, including whether movements were explainable and in line with market trends. The Committee was satisfied with the valuation process throughout the year.

Appointment of valuer

During the year, the Committee carried out a tender process for the Group's independent valuer. Six firms were invited to submit proposals, including the two incumbent firms. After consideration of the proposals, the Committee recommended to the Board that CBRE Limited be appointed as sole valuer to the Group, effective from 31 March 2013.

CBRE Limited carry out a valuation of the Group's property assets each quarter, the results of which are incorporated into that quarter's net asset value statement. Under the new valuation arrangements the Group has the option to move from quarterly to six-monthly valuations.

MANAGEMENT ENGAGEMENT COMMITTEE REPORT

The Management Engagement Committee comprises all of the Directors of the Company and is chaired by Trevor Ash.

Terms of reference

The Committee's terms of reference include consideration of the following issues:

- Reviewing the performance of the Administrator and Investment Manager
- Compliance with the Investment Management Agreement
- The Board's ability to act independently of the Investment Manager
- Reporting requirements under the Listing Rules

Activity

The Committee met once during the year ended 31 March 2013 and considered all of the matters within its terms of reference.

The Committee considered that the performance of both the Administrator and Investment Manager were satisfactory and compliant with the terms of the respective agreements, and also found that the Board had continued to act independently of the Investment Manager and any shareholder throughout the period.

CORPORATE RESPONSIBILITY STATEMENT

The Board is responsible for setting the values and standards of the Group, including leadership on environmental and social issues.

The Group has set a framework for conducting business in a way that makes a positive contribution to society, whilst minimising any negative impacts on people and the environment.

The environment

It is recognised that certain natural resources are finite and must therefore be used responsibly. This is achieved by controlling any environmental burdens caused by the Group.

It is the policy of the Group, in the workplace, to:

- Constantly strive to reduce the amount of paper used
- Encourage staff to use public transport where possible to reduce CO^2 emissions
- Pick products wisely such as using recycled paper and avoiding disposable or non-biodegradable items
- Recycle, by offering accessible recycling bins in the office
- Use energy efficient products and appliances and reduce consumption where possible

The Group understands the importance of managing climate change risks and the increasingly challenging environmental legislative context. It recognises that by taking a responsible and sustainable approach to property investment, long-term performance will be protected and enhanced.

Picton is integrating energy saving and sustainability measures into its portfolio activities where possible through ensuring compliance and managing the impact of forthcoming legislation.

The aim is to deliver cost effective and pragmatic reductions in the portfolio's environmental impact and occupancy costs through the property lifecycle, as follows:

- Through property management activities, delivering cost effective savings
- At refurbishment, through raising standards beyond building regulations
- Through informed due diligence at acquisition
- Measuring and reporting on our activities and performance in a transparent manner

During the year the Group has built upon the work done previously across the office portfolio by focusing on those properties with the most significant environmental impact and opportunities for cost and carbon reduction.

Energy audits were carried out and opportunities for reductions implemented at the three properties responsible for the majority of carbon emissions (Boundary House EC3, 401 Grafton Gate Milton Keynes and 50 Farringdon Road EC1).

Over the period the following low or no cost measures were achieved:

- A 20% carbon reduction at 401 Grafton Gate in Milton Keynes
- A 14% carbon saving across the three buildings surveyed
- Over £50,000 annual occupancy cost savings delivered

Following the success of the reductions achieved at these properties, in 2013 the Group will be focusing on the next three properties with high carbon usage and implementing comprehensive schemes to reduce the usage. It will also continue to deliver further occupancy cost and carbon savings through rolling out low cost environmental improvement measures across the portfolio, such as ensuring all of our directly controlled office properties have passive infrared sensors controlling common area lights.

In addition the Group will be mitigating the risk of obsolescence associated with the Energy Act 2011 by building on the work completed on our Energy Performance Database and putting in place strategies for improving properties with poor EPC ratings.

In respect of refurbishments, guidelines have been developed to ensure sustainability is properly considered and if appropriate integrated in a scheme. At 1 Chancery Lane, which was comprehensively refurbished at the beginning of the year, the EPC rating of the refurbished floors were improved to B and the building's running costs were reduced by an average of 50%. This is a good example of Picton's approach of creating best in class space, which is attractive to occupiers who have their own environmental policies to consider.

Fairness and equality

The Group values the contributions made by all its employees and believes that a diverse workforce is key to maximising business effectiveness. The Group aims to select, recruit, develop and promote the very best people and is committed to creating a workplace where everyone is treated with dignity and respect, and where individual difference is valued.

This is accomplished by:

- Ensuring equal opportunities in the recruitment process
- Paying staff fair and competitive salaries and having reasonable and competitive family and well-being policies
- Being opposed to any form of less favourable treatment, whether through direct or indirect discrimination, harassment or victimisation, accorded to employees and applicants for employment on the grounds of sex, sexual orientation, marital or parental status, disability, race, religious beliefs, creed, colour, nationality, age, ethnic or national origin, or any other protected characteristic

Charity and local communities

Building and maintaining good relationships with local communities is fundamental to Picton. Community relations are based on mutual trust, respect and active partnership. The Group demonstrates its commitment by making donations and sponsoring and supporting numerous social activities. For the year ended 31 March 2013 the Group made charitable donations of £3,300. Picton Capital is a member of The Funding Network, who support a range of charitable projects where the aim is to achieve long term social change. All Picton employees are encouraged to play a positive role in community activities.

The Group has the following objectives:

- To encourage individual charitable fundraising through the process of 'matched giving'
- To establish office wide initiatives that directly benefit charitable organisations and the local community. We have allocated one day per year for an organised corporate charity day to benefit the local community
- To create long term relationships with specific charitable organisations
- To organise or support fund-raising initiatives throughout the year

Performance and development

The Group aims to provide a business environment which inspires staff and encourages them to realise their full potential by giving them access to development and training opportunities.

This is attained through the following key principles:

- Development should be continuous; staff should always be actively seeking improved performance
- Regular investment of time in learning is seen as an essential part of working life
- Development needs are met by a mix of activities, which include internal and external training courses, structured 'on the job' work experience and through interaction with professional colleagues

Health and wellbeing

Health and wellbeing is critical to the business, both within the property portfolio and also within the office environment.

The Group's commitment to providing a safe and healthy working environment for all employees is achieved by:

- Adhering to the appropriate health and safety standards
- Providing a working environment that enables employees to work effectively and free from unnecessary anxiety, stress and fear
- Offering private health benefits to all employees
- Ensuring employees can report inappropriate behaviour or concerns through the whistle blowing policy
- Providing all employees with a suitable level of training
- Having appropriate family friendly policies

RISK MANAGEMENT

There are a number of potential risks and uncertainties which could have a material impact on the Group's long term performance and could cause actual results to differ materially from the expected and historic results. The main risks and how they are mitigated are summarised below.

Risk and Impact	Mitigation
Property Market The property market is cyclical and therefore returns can be volatile, having a significant impact on the Group's reported earnings. Returns can vary significantly between different geographical areas and sectors which can have a material impact on the Group's results.	The Group analyses market research data to ensure that the Group's strategy can be amended to take account of expected changes in the market. The Group maintains a diversified portfolio in order to minimise exposure to any one geographical area or market sector.
Investment A failure to identify good investment opportunities or to sell existing assets at the appropriate time can result in poor investment returns.	The Group maintains close contact with investment agents to assist in identifying opportunities and prepares annual business plans for each of its assets to ensure timing of sales are optimised.
Valuation The assumptions used in the valuation of property assets include many external factors, including prevailing economic conditions. In adverse conditions there can be a reduction in property values leading to a fall in the Group's net asset value and potentially failure to meet financing covenants.	The Group maintains detailed forecasts of its property portfolio which are subject to regular scenario testing. In this way the Group will be able to react to expected changes in economic conditions in a timely manner.
Asset Management Poor asset management can lead to long void periods, low occupier retention, high occupier arrears and defaults, and cash flow problems.	The Group's asset managers are focused on income generation and maintain close contact with occupiers to ensure their space requirements are understood and addressed proactively. Creditworthiness checks of potential occupiers are carried out prior to letting.
Financial Fluctuations in cash flows from operating activities can have a detrimental impact on debt servicing, asset management initiatives and shareholder returns.	Cash flow forecasts are regularly prepared and reviewed by the Board to ensure sufficient cash resources are available to meet the operating needs of the business. Debt covenants are continually monitored and reported to the Board. The Group's borrowings are at fixed interest rates which eliminates exposure to fluctuations in interest rates.
People A failure to attract and retain staff of a suitable calibre to manage the Group's affairs could lead to poor shareholder returns.	The Group has a remuneration policy in place which incentivises performance and is aligned to the results of the Group. The Board commissions independent reviews of market remuneration to ensure salary levels are competitive.

DIRECTORS' REPORT

Statement of Directors' responsibilities

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

Company law requires the Directors to prepare financial statements for each financial year. Under that law they have elected to prepare the financial statements in accordance with International Financial Reporting Standards, as issued by the IASB, and applicable law.

The financial statements are required by law to give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period.

In preparing these financial statements, the Directors are required to:

- Select suitable accounting policies and then apply them consistently;
- Make judgements and estimates that are reasonable and prudent;
- State whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- Prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business

The Directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Company and to enable them to ensure that the financial statements comply with the Companies (Guernsey) Law, 2008. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Company and to prevent and detect fraud and other irregularities.

Responsibility statement

We confirm to the best of our knowledge:

(a) The financial statements, prepared in accordance with International Financial Reporting Standards, 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 as required by Disclosure and Transparency Rules ('DTR') 4.1.12 R; and

(b) The Investment Manager's Report includes a fair review of 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 as required by DTR 4.1.12 R.

Disclosure of information to auditors

The Directors who held office at the date of approval of this Directors' Report confirm that, so far as they are each aware, there is no relevant audit information of which the Company's auditors are unaware; and each Director has taken all the steps that he ought to have taken as a Director to make himself aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

Auditors

KPMG Channel Islands Limited (the "Auditor") has expressed its willingness to continue in office as the Company's auditor and a resolution proposing its re-appointment will be submitted at the Annual General Meeting.

By Order of the Board

Robert Sinclair

11 June 2013

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Financial Statements

FINANCIAL OVERVIEW

The reported results are for the year ended 31 March 2013. There have been further movements in the valuation of the Group's property portfolio resulting in a reduction in the net asset value, while the income profit has been positively impacted by internalisation and asset management initiatives. The Group's re-financing was completed during the year and this is discussed in more detail below.

Net asset value

The net asset value of the Group has decreased to £169.4 million at 31 March 2013 from £196.1 million at 31 March 2012, principally driven by valuation movements in the Group's property portfolio, reflecting conditions in the wider UK property market.

The following table reconciles the net asset value calculated in accordance with International Financial Reporting Standards (IFRS) with that of the European Public Real Estate Association (EPRA). The EPRA net asset value measure is to highlight the fair value of net assets on an on-going, long-term basis. Assets and liabilities that are not expected to crystallise in normal circumstances, such as the fair value of financial derivatives, are therefore excluded.

	31 March 2013 £m	31 March 2012 £m	31 December 2010 £m
Net asset value (IFRS)	**169.4**	**196.1**	**206.9**
Fair value of interest rate swaps	-	5.1	11.3
EPRA net asset value	**169.4**	**201.2**	**218.2**
Net asset value per share (pence)	49	57	60
EPRA net asset value per share (pence)	49	58	63

The EPRA NNNAV ('Triple net asset value'), which includes the fair value of financial instruments, is the same as the reported IFRS results shown above.

Income statement

The income profit for the year, excluding all capital gains and losses, but taking into account the income and expenditure relating to the property portfolio, management costs and financing, was £14.7 million, ahead of the previously reported result of £14.2 million for the fifteen months to 31 March 2012. On a pro rata basis, this represents an increase of 29%.

Property revenue has been boosted by additional income from a number of asset management initiatives that took place in the year, such as £0.5 million from a surrender of a unit at Angel Gate, EC1.

The management costs for the year were £1.7 million, for the first full year of internalised management. The equivalent fees under the previous external management arrangements would have been around £2.9 million, giving rise to a saving of £1.2 million for this year.

Finance costs for the year were £11.7 million. The re-financing of the Group's borrowings took place during the year, the senior facilities in July 2012 and the zero dividend preference shares in October 2012. The new facilities are at a lower overall interest rate than previously, with the annual saving as a result expected to be £0.6 million.

The reported results have again been significantly influenced by the revaluation gains and losses on the property portfolio. There were negative market movements over the year, an overall fall of 7% giving rise to a reported loss of £30.9 million for the year. The interest rate swaps were closed out during the year as part of the re-financing, giving rise to a realised gain of £1.6 million compared to the 31 March 2012 liability.

The overall reported result for the year is a loss of £14.6 million, which equates to a loss of 4.2 pence per share, but earnings of 4.3 pence per share on an EPRA basis, which excludes capital losses incurred during the year.

Dividends

Following re-financing the Board undertook a review of its dividend policy and consequently re-based the quarterly dividend to 0.75 pence per share from November 2012, compared to 1 pence per share previously. The total dividends for the year were thus 3.5 pence per share. Dividend cover for the year was 122%, well ahead of the previous period's cover of 82%.

Investment properties

The Group's property portfolio had a carrying value of £382.7 million at 31 March 2013, a fall of £29.0 million over the year. This is largely due to a valuation decrease of £30.9 million as stated above. The Group sold only one small industrial unit during the year, in line with valuation. There were no properties acquired, but £2.0 million was spent on capital improvement projects during the year.

Borrowings

The Group has re-financed all of its borrowings during the year, with the small exception of the private loan notes, of £2.1 million.

The new senior debt facilities are with Canada Life and Aviva Commercial Finance, for £113.7 million and £95.3 million respectively. The Canada Life loan is for a term of 15 years, with a scheduled repayment of £33.7 million after ten years. Interest is fixed at 4.08% per annum. The Aviva loan is for a term of 20 years, but with approximately one third being repaid through quarterly amortisation. Interest is fixed at 4.38% per annum. The loan to covenant test for both loans is 65%. The costs of arranging the new facilities were £4.5 million.

The Group's interest rate swaps were closed out on repayment of the securitised loan notes at a cost of £3.5 million. As the new facilities have fixed interest rates the Group no longer has any interest rate swaps in place, nor the associated volatility in swap values impacting the Group's net asset value.

The Group has issued 22 million new zero dividend preference shares at 100 pence per share, which mature in October 2016. These shares accrue additional capital at 7.25% per annum, giving a final capital entitlement of 132.3 pence per share on maturity. The associated costs of issuing the new shares was £0.7 million.

Cash flow

The Group had a net cash outflow for the period of £8.2 million, resulting in a cash balance of £22.9 million at 31 March 2013. This outflow includes the repayment of the liquidity facility of £10.7 million, which had been fully drawn in an earlier year and included in the Group's reported cash balance.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 March 2013				Year ended 31 March 2013	1 January 2011 to 31 March 2012
	Note	Income £000	Capital £000	Total £000	Total £000
Income					
Revenue from properties	3	38,812	-	38,812	48,631
Property expenses	4	(8,989)	-	(8,989)	(12,450)
Net property income		**29,823**	**-**	**29,823**	**36,181**
Expenses					
Management expenses	6	(1,682)	-	(1,682)	(3,838)
Other operating expenses	9	(1,592)	-	(1,592)	(2,754)
Internalisation costs	7	-	-	-	(1,063)
Total operating expenses		**(3,274)**	**-**	**(3,274)**	**(7,655)**
Operating profit before movement on investments		**26,549**	**-**	**26,549**	**28,526**
Losses on investments					
Loss on disposal of investment properties	15	-	(4)	(4)	(637)
Investment property valuation movements	15	-	(30,937)	(30,937)	(13,339)
Total loss on investments		**-**	**(30,941)**	**(30,941)**	**(13,976)**
Operating (loss)/profit		**26,549**	**(30,941)**	**(4,392)**	**14,550**
Financing					
Interest receivable		114	-	114	115
Interest payable	10	(11,674)	-	(11,674)	(14,684)
Change in fair value of derivative financial instruments		-	-	-	6,228
Realised gains on disposal of derivative financial instruments		-	1,617	1,617	-
Total finance costs		**(11,560)**	**1,617**	**(9,943)**	**(8,341)**
(Loss)/profit before tax		**14,989**	**(29,324)**	**(14,335)**	**6,209**
Tax	11	(272)	-	(272)	280
Total comprehensive income		**14,717**	**(29,324)**	**(14,607)**	**6,489**
(Loss)/earnings per share Basic and diluted	**13**	**4.3p**	**(8.5)p**	**(4.2)p**	**1.9p**

The total column of this statement represents the Group's 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 28 form part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 March 2013	Note	Share Capital £000	Retained Earnings £000	Total £000
Balance as at 31 December 2010		**39,149**	**167,738**	**206,887**
Profit for the period		-	6,489	6,489
Dividends paid	12	-	(17,266)	(17,266)
Balance as at 31 March 2012		**39,149**	**156,961**	**196,110**
Loss for the year		-	(14,607)	(14,607)
Dividends paid	12	-	(12,087)	(12,087)
Balance as at 31 March 2013		**39,149**	**130,267**	**169,416**

Notes 1 to 28 form part of these consolidated financial statements.

CONSOLIDATED BALANCE SHEET

As at 31 March 2013	Note	31 March 2013 £000	31 March 2012 £000
Non-current assets			
Investment properties	15	382,729	411,744
Tangible assets		170	119
Accounts receivable	16	4,518	-
Total non-current assets		**387,417**	**411,863**
Current assets			
Accounts receivable	16	7,945	6,624
Cash and cash equivalents	17	22,906	31,115
Total current assets		**30,851**	**37,739**
Total assets		**418,268**	**449,602**
Current liabilities			
Accounts payable and accruals	18	(13,620)	(15,194)
Loans and borrowings	19	(2,999)	(231,360)
Obligations under finance leases	23	(108)	(107)
Derivative financial instruments		-	(5,104)
Total current liabilities		**(16,727)**	**(251,765)**
Non-current liabilities			
Loans and borrowings	19	(230,401)	-
Obligations under finance leases	23	(1,724)	(1,727)
Total non-current liabilities		**(232,125)**	**(1,727)**
Total liabilities		**(248,852)**	**(253,492)**
Net assets		**169,416**	**196,110**
Equity			
Share capital	21	39,149	39,149
Retained earnings		130,267	156,961
Total equity		**169,416**	**196,110**
Net asset value per share	24	**49p**	**57p**

These consolidated financial statements were approved by the Board of Directors on 11 June 2013 and signed on its behalf by:

Robert Sinclair
Director

Notes 1 to 28 form part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 March 2013	Note	Year ended 31 March 2013 £000	1 January 2011 to 31 March 2012 £000
Operating activities			
Operating (loss)/profit		(4,392)	14,550
Adjustments for non-cash items	22	27,662	15,656
Interest received		114	115
Interest paid		(8,887)	(11,270)
Tax paid		(7)	(39)
Cash inflows from operating activities		**14,490**	**19,012**
Investing activities			
Capital expenditure on investment properties	15	(1,998)	(7,048)
Disposal of investment properties	15	72	5,588
Purchase of tangible assets		(83)	(125)
Cash outflows from investing activities		**(2,009)**	**(1,585)**
Financing activities			
Borrowings repaid		(230,888)	(3,885)
Borrowings drawn		231,047	-
Termination of derivatives		(3,487)	-
Financing costs		(5,275)	-
Dividends paid	12	(12,087)	(17,266)
Cash outflows from financing activities		**(20,690)**	**(21,151)**
Net decrease in cash and cash equivalents		**(8,209)**	**(3,724)**
Cash and cash equivalents at beginning of year/period		31,115	34,839
Cash and cash equivalents at end of year/period	17	22,906	31,115

Notes 1 to 28 form part of these consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2013

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 consolidated financial statements are prepared for the year ended 31 March 2013 with comparatives for the period from 1 January 2011 to 31 March 2012.

2. Significant accounting policies

Basis of accounting

The financial statements have been prepared on a going concern basis and adopt the historical cost basis, except for the revaluation of investment properties. Historical cost is generally based on the fair value of the consideration given in exchange for the assets. The financial statements are prepared in accordance with International Financial Reporting Standards ("IFRS") as adopted by IASB and are in compliance with the Companies (Guernsey) Law, 2008.

The financial statements are presented in pounds sterling, which is the Company's functional currency. All financial information presented in pounds sterling has been rounded to the nearest thousand, except when otherwise indicated.

Changes in accounting policies

The accounting policies adopted are consistent with those of the previous financial period, with the exception of the following which have had no effect on the financial statements:

- Amendment to IFRS 7 Financial Instruments: Disclosures – Transfers of Financial Assets, effective for accounting periods beginning on or after 1 July 2011. The amendment requires additional disclosures about financial assets that have been transferred but not derecognised to enable the user of the Group's financial statements to understand the relationship with those assets that have not been derecognised and their associated liabilities.
- Amendment to IAS 12 Deferred Tax: Recovery of Underlying Assets, effective for accounting periods beginning on or after 1 January 2012. The amendment clarified the determination of deferred tax on investment property measured at fair value and introduced a rebuttable presumption that deferred tax on investment property measured using the fair value model in IAS 40 should be determined on the basis that its carrying amount will be recovered through sale. Furthermore, it introduced the requirement that deferred tax on non-depreciable assets that are measured using the revaluation model in IAS 16 should always be measured on a sale basis on the asset.

At the date of approval of these financial statements, the following standards and interpretations were in issue but not yet effective for the financial year and have not been adopted early:

- IFRS 9 Financial Instruments, effective for accounting periods beginning on or after 1 January 2015. The object of the standard is to enhance the ability of investors and other users of financial information to understand the accounting of financial assets and to reduce complexity.
- IFRS 10 Consolidated Financial Statements, effective for accounting periods beginning on or after 1 January 2013. IFRS 10 establishes a single control model that applies to all entities including special purpose entities. The changes introduced by IFRS 10 will require management to exercise significant judgement to determine which entities are controlled and therefore are required to be consolidated by a parent, compared with the requirements that were in IAS 27. The amendments make fair value accounting for subsidiaries, rather than consolidation, mandatory for qualifying investment entities. In order to qualify as an investment entity essential elements of the definition are required to be met together with consideration of other typical characteristics. If other typical characteristics are not met but the entity is considered to still qualify, explanatory disclosures are required. The Directors are currently assessing whether the Company qualifies for investment entity classification given its particular circumstances however the expectation is that real estate funds generally will not qualify as an investment entity.
- IFRS 12 Disclosure of Interests in Other Entities, effective for periods beginning on or after 1 January 2013. IFRS 12 includes all the disclosures which were previously required by IAS 27 related to consolidated financial statements, as well as all of the disclosures that were previously included in IAS 31 and IAS 28. These disclosures relate to an entity's interests in subsidiaries, joint arrangements, associates and structured entities. A number of new disclosures are also required.
- IFRS 13 Fair Value Measurement, effective for accounting periods beginning on or after 1 January 2013. IFRS 13 establishes a single source of guidance under IFRS for all fair value measurements. IFRS 13 does not change when an entity is required to use fair value, but rather provides guidance on how to measure fair value under IFRS when fair value is required or permitted. A number of additional disclosures will be required.
- Amendment to IAS 1 Presentation of Financial Statements, effective for accounting periods beginning on or after 1 July 2012. The amendments to IAS 1 change the grouping of items presented in Other Comprehensive Income. Items that could be reclassified to profit or loss at a future point in time would be presented separately from items that will never be reclassified. The amendment affects presentation only and has no impact on the Group's financial position or performance.

The Directors do not expect that the adoption of the standards listed above will have a material impact on the Group's financial statements in the year of initial application, other than on presentation and disclosure.

Use of estimates and judgements

The preparation of financial statements in conformity with IFRS requires management to make judgements, estimates and assumptions that affect the application of policies and the reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making estimates about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates. The estimates and underlying assumptions are reviewed on an on-going basis. The critical estimate and assumption relates to the investment property valuations applied by the Group's independent valuer and this is described in more detail in the accounting policy below and in note 15. Revisions to accounting estimates are recognised in the year in which the estimate is revised if the revision affects only that year or in the year of the revision and future years if the revision affects both current and future years.

Critical judgements, where made, are disclosed within the relevant section of the financial statements in which such judgements have been applied. Key judgements relate to the treatment of business combinations, lease classifications, or employee benefits where different accounting policies could be applied. These are described in more detail in the accounting policy notes below, or in the relevant notes to the financial statements.

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company at the reporting date. Control is achieved where the Company has the power to govern the financial and operating policies of an investee entity so as to obtain benefits from its activities. All intra-group transactions, balances, income and expenses are eliminated on consolidation.

Business combinations

The Group acquires subsidiaries that own real estate. At the time of acquisition, the Group considers whether the acquisition represents the acquisition of a business. The Group accounts for an acquisition as a business combination where an integrated set of activities is acquired in addition to the property.

More specifically, the following criteria are considered:

- The number of items of land and buildings owned by the subsidiary
- The extent to which significant processes are acquired and in particular the extent of ancillary services provided by the subsidiary
- Whether the subsidiary has allocated its own staff to manage the property and/or to deploy any processes, including provision of all relevant administration and information to the entity's owners
- When the acquisition of subsidiaries does not represent a business, it is accounted for as an acquisition of a group of assets and liabilities

Goodwill on business combinations is measured as the fair value of the consideration transferred less the net recognised amount (fair value) of the identifiable assets acquired and liabilities assumed, all measured as of the acquisition date. When the excess is negative, this is recognised immediately in the Statement of Comprehensive Income.

Transaction costs, other than those associated with the issue of debt or equity securities, that the Group incurs in connection with a business combination are expensed as incurred.

Presentation of the Statement of Comprehensive Income

In order to better reflect the activities of an investment company and in accordance with guidance issued by the AIC, supplementary information which analyses the Statement of Comprehensive Income between items of a revenue and capital nature has been presented alongside the Statement of Comprehensive Income.

Investment properties

The fair value of the Group's investment properties is a key source of estimated uncertainty; however, in accordance with the accounting policy of the Group, investment properties have been valued on the basis of market value and market rental value by external valuers.

Market value is defined as the estimated amount for which a property should exchange on the date of valuation between a willing buyer and a willing seller in an arm's length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion. The Group ensures the use of suitable qualified external valuers valuing the investment properties held by the Group.

Freehold property held by the Group to earn income or for capital appreciation or both is classified as investment property in accordance with IAS 40 'Investment Property'. Property held under finance leases for similar purposes is also classified as investment property. Investment property is initially recognised at purchase cost plus directly attributable acquisition expenses. Investment properties are carried at a revalued amount which is stated at its fair value as determined on an open market basis as at the reporting date. The fair value of investment property is based on valuation by an independent valuer who holds a recognised and relevant professional qualification and who has recent experience in the location and category of the investment property being valued.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2013 *(CONTINUED)*

2. Significant accounting policies (continued)

The fair value of investment property generally involves consideration of:

- Market evidence on comparable transactions for similar properties;
- The actual current market for that type of property in that type of location at the reporting date and current market expectations;
- Rental income from leases and market expectations regarding possible future lease terms;
- Hypothetical sellers and buyers, who are reasonably informed about the current market and who are motivated, but not compelled, to transact in that market on an arm's length basis; and
- Investor expectations on matters such as future enhancement of rental income or market conditions.

Gains and losses arising from changes in fair value are included in the Statement of Comprehensive Income in the year in which they arise. Purchases and sales of investment property are recognised when contracts have been unconditionally exchanged and the significant risks and rewards of ownership have been transferred.

An item of investment property is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the item) is included in the Statement of Comprehensive Income in the year the item is derecognised. Investment properties are not depreciated.

Realised and unrealised gains on investment properties have been presented as capital items within the Statement of Comprehensive Income.

The loans have a first ranking mortgage over the majority of properties, see note 15.

Leases

Finance leases, which transfer to the Group substantially all the risks and benefits incidental to ownership of the leased item are capitalised at the inception of the lease at the fair value of the leased property or, if lower, the present value of the minimum lease payments. Lease payments are apportioned between finance charges and a reduction of the lease liability to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged directly to the Statement of Comprehensive Income.

An operating lease is a lease other than a finance lease. Lease income is recognised in income on a straight-line basis over the lease term. Direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised as an expense over the lease term on the same basis as the lease income. The financial statements reflect the requirements of SIC 15, 'Operating Leases – Incentives' to the extent that they are material. Premiums received on the surrender of leases are recorded as income immediately if there are no relevant conditions attached to the surrender.

Cash and cash equivalents

Cash includes cash in hand and cash with banks. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash with original maturities in three months or less and that are subject to an insignificant risk of change in value.

Income and expenses

Income and expenses are included in the Statement of Comprehensive Income on an accruals basis. All of the Group's income and expenses are derived from continuing operations.

Revenue is recognised to the extent that it is probable that the economic benefit will flow to the Group and the revenue can be reliably measured.

Lease incentive payments are amortised on a straight-line basis over the period from the date of lease commencement to the lease end. Upon receipt of a surrender premium for the early determination of a lease, the profit, net of dilapidations and non-recoverable outgoings relating to the lease concerned, is immediately reflected in revenue from properties.

Property operating costs include the costs of professional fees on letting and other non-recoverable costs.

The income charged to tenants for property service charges and the costs associated with such service charges are shown separately in notes 3 and 4 to reflect that, notwithstanding this money is held on behalf of tenants, the ultimate risk for paying and recovering these costs rests with the property owner.

Employee benefits

Defined contribution plans

A defined contribution plan is a post-employment benefit plan under which the Company pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution pension plans are recognised as an expense in the Statement of Comprehensive Income in the periods during which services are rendered by employees.

Short-term benefits

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided. A liability is recognised for the amount expected to be paid under short-term cash bonus or profit-sharing plans if the Company has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

Share-based payments

The fair value of the amounts payable to employees in respect of the Long Term Incentive Plan, which are settled in cash, is recognised as an expense with a corresponding increase in liabilities, over the period that the employees become unconditionally entitled to payment. The liability is re-measured at each reporting date and at settlement date. Any changes in the fair value of the liability are recognised as staff costs in the Statement of Comprehensive Income.

Dividends

Dividends are recognised in the period in which they are declared.

Derivative financial instruments

The Directors use their judgement in selecting an appropriate valuation technique for financial instruments. Valuation techniques commonly used by market practitioners are applied. For derivative instruments, assumptions are made based on quoted market rates adjusted for specific features of the instrument. Derivatives are valued in these financial statements based on the valuations received from the issuer of the swaps.

Changes in the fair value of derivative financial instruments are recognised in the Statement of Comprehensive Income as they arise. These derivatives were categorised as held for trading under IAS 39, 'Financial Instruments: Recognition and Measurement' and were held only to mitigate the risk of changes in interest rates as disclosed in note 26.

Trade receivables

Trade receivables are stated at their nominal amount as reduced by appropriate allowances for estimated irrecoverable amounts.

Loans and borrowings

All loans and borrowings are initially recognised at cost, being the fair value of the consideration received net of issue costs associated with the borrowing. After initial recognition, loans and borrowings are subsequently measured at amortised cost using the effective interest rate method. Amortised cost is calculated by taking into account any issue costs, and any discount or premium on settlement. Gains and losses are recognised in the Statement of Comprehensive Income when the liabilities are derecognised, as well as through the amortisation process.

Other assets and liabilities

Other assets and liabilities are not interest bearing and are stated at their nominal value.

Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of ordinary shares are recognised as a deduction from equity.

Taxation

The Directors conduct the affairs of the Group such that the management and control of the Group is not exercised in the United Kingdom and that the Group does not carry on a trade in the United Kingdom. Accordingly the Group will not be liable to United Kingdom taxation on its income or capital gains arising in the United Kingdom, other than certain income deriving from a United Kingdom source.

The Group is subject to United Kingdom taxation on income arising on the investment properties after deduction of allowable debt financing costs and allowable expenses. The Group is tax exempt in Guernsey for the year ended 31 March 2013.

Principles for the Statement of Cash Flows

The Statement of Cash Flows has been drawn up according to the indirect method, separating the cash flows from operating activities, investing activities and financing activities. The net result has been adjusted for amounts in the Statement of Comprehensive Income and movements in the Balance Sheet which have not resulted in cash income or expenditure in the relating period.

The cash amounts in the Statement of Cash Flows include those assets that can be converted into cash without any restrictions and without any material risk of decreases in value as a result of the transaction. Dividends that have been paid are included in the cash flow from financing activities.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2013 *(CONTINUED)*

3. Revenue from properties

	Year ended 31 March 2013	1 January 2011 to 31 March 2012
	£000	£000
Rents receivable (adjusted for lease incentives)	32,125	40,565
Surrender premiums	702	277
Dilapidation receipts	1,039	653
Other income	59	197
Service charge income	4,887	6,939
	38,812	**48,631**

Rents receivable includes lease incentives recognised of £1.0 million (31 March 2012: £0.9 million).

4. Property expenses

	Year ended 31 March 2013	1 January 2011 to 31 March 2012
	£000	£000
Property operating expenses	2,426	2,960
Property void costs	1,676	2,551
Recoverable service charge costs	4,887	6,939
	8,989	**12,450**

5. Operating segments

The Board is charged with setting the Company's investment strategy in accordance with the Company's investment restrictions and overall objectives. They have delegated the day to day implementation of this strategy to the Investment Manager but retain responsibility to ensure that adequate resources of the Company are directed in accordance with their decisions. The operating activities of the Investment Manager are reviewed on a regular basis to ensure compliance with the policies and legal responsibilities of the Board.

The Investment Manager has been given authority to act on behalf of the Company in certain situations. Under the terms of the Investment Management Agreement, subject to the overall supervision of the Board, the Investment Manager advises on the investment strategy of the Company, advises the Company on its borrowing policy and geared investment position, manages the investment of the Company's short term liquid resources, and advises on the use and management of derivatives and hedging by the Company. Whilst the Investment Manager may make operational decisions on a day to day basis regarding the property investments, any changes to the investment strategy or major allocation decisions have to be approved by the Board, even though they may be proposed by the Investment Manager.

The Board therefore retains full responsibility for investment policy and strategy. The Investment Manager will always act under the terms of the Investment Management Agreement which cannot be changed without the approval of the Board. 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 62 commercial properties, which are in the office, retail, industrial, retail warehouse, and leisure sectors.

6. Management expenses

	Year ended 31 March 2013	1 January 2011 to 31 March 2012
	£000	£000
Staff costs	1,194	383
Other management costs	488	147
External investment manager's fees	-	3,308
	1,682	**3,838**

The Investment Manager for the Group is Picton Capital Limited, a wholly owned subsidiary company. The above staff and other management costs are those incurred by Picton Capital Limited during the year.

Up to 31 December 2011 the Group's external investment manager was CBRE Global Investors UK Limited.

7. Internalisation costs

	Year ended 31 March 2013	1 January 2011 to 31 March 2012
	£000	£000
Staff costs (see note 8)	-	475
Professional fees	-	414
Other set up costs	-	174
	-	**1,063**

8. Staff costs

	Year ended 31 March 2013	1 January 2011 to 31 March 2012
	£000	£000
Wages and salaries	925	729
Social security costs	118	96
Other pension costs	113	33
Share-based payments	38	-
	1,194	**858**

Staff costs are those of the employees of Picton Capital Limited. For the period ended 31 March 2012, £475,000 has been included within internalisation costs and £383,000 within management expenses (see note 7 and 6 respectively).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2013 *(CONTINUED)*

8. Staff costs (continued)

Employees in the Group participate in a share-based Long Term Incentive Plan ('LTIP'). Awards made under the LTIP are linked to the Company's share price and dividends paid, and normally vest after periods of two or three years. Employees must still be in the Group's employment to receive payment on the vesting date. During the year the Group made awards of 223,595 units which vest on 31 March 2014, 356,695 units which vest on 31 March 2015 and 272,500 units which vest on 31 March 2016 (period ended 31 March 2012: nil).

The emoluments of the Directors are set out in the Remuneration Report section of the Directors' Report.

The Group employed 12 members of staff at 31 March 2013 (31 March 2012: 10). The average number of people employed by the Group for the year ended 31 March 2013 was ten.

9. Other operating expenses

	Year ended 31 March 2013	1 January 2011 to 31 March 2012
	£000	£000
Recurring costs		
Valuation expenses	157	257
Administrator fees	221	255
Auditor's remuneration	170	121
Directors' fees	194	195
Other expenses	625	566
	1,367	**1,394**
Exceptional costs		
Debt servicing costs	163	247
Merger costs	-	763
Other exceptional costs	62	350
	225	**1,360**
	1,592	**2,754**

Auditor's remuneration comprises:

	Year ended 31 March 2013	1 January 2011 to 31 March 2012
	£000	£000
Audit fees		
Audit of Group financial statements	52	39
Audit of subsidiaries' financial statements	64	67
Audit related fees		
Review of half year financial statements	14	15
	130	**121**
Non-audit fees		
Liquidation fees	21	-
Additional controls testing	14	-
FCA CASS audit	5	-
	40	**-**
	170	**121**

10. Finance costs

	Year ended 31 March 2013	1 January 2011 to 31 March 2012
	£000	£000
Interest payable on loans at amortised cost	8,863	11,216
Capital additions on zero dividend preference shares	1,881	2,388
Interest on obligations under finance leases	115	83
Amortisation of finance costs	815	997
	11,674	**14,684**

The loan arrangement costs incurred to 31 March 2013 are £5,275,000 (31 March 2012: £3,655,000), these are amortised over the duration of the loans. For the year ended 31 March 2013 £815,000 was written off to the Statement of Comprehensive Income, of which £531,000 relates to the previous loan facilities (31 March 2012: £997,000).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2013 *(CONTINUED)*

11. Tax

The charge for the year is:

	Year ended 31 March 2013	1 January 2011 to 31 March 2012
	£000	£000
UK corporation tax at 26%	-	(318)
UK income tax at 20%	272	38
	272	**(280)**

A reconciliation of the income tax charge applicable to the results at the statutory income tax rate to the charge for the year is as follows:

	Year ended 31 March 2013	1 January 2011 to 31 March 2012
	£000	£000
(Loss)/profit before taxation	(14,335)	6,209
Expected tax charge on ordinary activities at the standard rate of taxation of 20%	(2,867)	1,242
Less:		
Revaluation losses not taxable	5,174	1,550
Income not taxable, including interest receivable	(163)	(25)
Expenditure not allowed for income tax purposes	986	754
Losses utilised	(23)	(878)
Capital allowances and other allowable deductions	(2,835)	(2,605)
Total tax charge	**272**	**38**

For the year ended 31 March 2013 there was an income tax liability of £272,000 in respect of the Group (31 March 2012: £38,000).

The Group is exempt from Guernsey taxation. The Directors conduct the affairs of the Group such that the management and control of the Group is not exercised in the United Kingdom and that the Group does not carry on a trade in the United Kingdom.

The Group is subject to United Kingdom taxation on income arising on the investment properties after deduction of allowable debt financing costs and allowable expenses.

12. Dividends

	Year ended 31 March 2013	January 2011 to 31 March 2012
	£000	£000
Declared and paid		
Interim dividend for the period ended 31 December 2010: 1 pence	-	3,453
Interim dividend for the period ended 31 March 2011: 1 pence	-	3,453
Interim dividend for the period ended 30 June 2011: 1 pence	-	3,453
Interim dividend for the period ended 30 September 2011: 1 pence	-	3,453
Interim dividend for the period ended 31 December 2011: 1 pence	-	3,454
Interim dividend for the period ended 31 March 2012: 1 pence	3,453	-
Interim dividend for the period ended 30 June 2012: 1 pence	3,454	-
Interim dividend for the period ended 30 September 2012: 0.75 pence	2,590	-
Interim dividend for the period ended 31 December 2012: 0.75 pence	2,590	-
	12,087	**17,266**

The interim dividend of 0.75 pence per ordinary share in respect of the period ended 31 March 2013 has not been recognised as a liability as it was declared after the year end. A dividend of £2,590,000 was paid on 31 May 2013.

13. (Loss)/earnings per share

Basic (loss)/earnings per share is calculated by dividing the net (loss)/profit for the period attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares in issue during the year/period.

The following reflects the (loss)/profit and share data used in the basic and diluted (loss)/profit per share calculation:

	Year ended 31 March 2013	1 January 2011 to 31 March 2012
Net (loss)/profit attributable to ordinary shareholders of the Company from continuing operations (£000)	(14,607)	6,489
Weighted average number of ordinary shares for basic and diluted (loss)/profit per share	345,336,118	345,336,118

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2013 *(CONTINUED)*

14. Investments in subsidiaries

The Company had the following principal subsidiaries as at 31 March 2013:

Name	Place of incorporation	Ownership proportion
Picton UK Real Estate (Property) Limited	Guernsey	100%
Picton (UK) REIT (SPV) Limited	Guernsey	100%
Picton (UK) Listed Real Estate	Guernsey	100%
Picton UK Real Estate (Property) No 2 Limited	Guernsey	100%
Picton (UK) REIT (SPV No 2) Limited	Guernsey	100%
Picton (UK) Listed Real Estate Limited	Guernsey	100%
IRET Securities Limited (in liquidation)	Guernsey	100%
Merbrook Business Property Unit Trust*	Jersey	100%
Merbrook Prime Retail Property Unit Trust*	Jersey	100%
Merbrook Bristol Property Unit Trust*	Jersey	100%
Merbrook Swindon Property Unit Trust*	Jersey	100%
Picton Capital Limited	England & Wales	100%
Picton ZDP Limited	Guernsey	100%
Picton (General Partner) No 2 Limited	Guernsey	100%
Picton (General Partner) No 3 Limited	Guernsey	100%
Picton No 2 Limited Partnership	England & Wales	100%
Picton No 3 Limited Partnership	England & Wales	100%
Picton Property No 3 Limited	Guernsey	100%

* - (the "JPUTS")

The results of the above entities are consolidated within the Group financial statements.

Picton UK Real Estate (Property) Limited and Picton (UK) REIT (SPV) Limited own 100% of the units in Picton (UK) Listed Real Estate, a Guernsey Unit Trust (the "GPUT"). The GPUT holds a 99.9% interest in both Picton No 2 Limited Partnership and Picton No 3 Limited Partnership.

Picton No 3 Limited Partnership owns all of the units in the JPUTs, which are each registered as Jersey Unit Trusts.

15. Investment properties

	Year ended 31 March 2013	1 January 2011 to 31 March 2012
	£000	£000
Carrying value at start of year/period	411,744	424,260
Acquisitions	-	2,732
Capital expenditure on investment properties	1,998	4,316
Disposals	(72)	(5,588)
Realised (losses)/ gains on disposal	(4)	(637)
Change in fair value	(30,937)	(13,339)
Carrying value at the end of the year/period	**382,729**	**411,744**
Historic cost at the end of the year/period	**549,167**	**547,245**

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

	31 March 2013	31 March 2012
	£000	£000
Appraised value	386,391	414,470
Valuation of assets held under finance leases	1,483	1,389
Lease incentives held as debtors	(5,145)	(4,115)
Carrying value at the end of the year/period	**382,729**	**411,744**

The investment properties were valued by CBRE Limited, Chartered Surveyors, as at 31 March 2013 and by Jones Lang LaSalle Limited and CBRE Limited as at 31 March 2012, on the basis of Market Value in accordance with RICS Valuation Standards.

The appraised value of investment properties by property sector is as follows:

	31 March 2013	31 March 2012
	£000	£000
Offices	130,810	145,215
Industrial	136,366	143,975
Retail	101,115	107,705
Leisure	18,100	17,575
	386,391	**414,470**

The Group's borrowings (note 19) are secured by a first ranking fixed charge over the majority of investment properties held.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2013 *(CONTINUED)*

15. Investment properties (continued)

Rental income and property expenses arise from the properties shown above. The Annual Rental Income by property sector is as follows:

	31 March 2013	31 March 2012
	£000	£000
Offices	10,965	11,593
Industrial	11,671	11,695
Retail	6,871	6,422
Leisure	1,473	1,284
	30,980	**30,994**

16. Accounts receivable

	31 March 2013	31 March 2012
	£000	£000
Current		
Tenant debtors	1,435	1,712
Lease incentives	5,145	4,115
Other debtors	892	266
Capitalised finance costs	473	531
	7,945	**6,624**
Non-current		
Capitalised finance costs	4,518	-
	4,518	**-**
	12,463	**6,624**

17. Cash and cash equivalents

	31 March 2013	31 March 2012
	£000	£000
Cash at bank and in hand	14,311	16,384
Short term deposits	8,595	14,731
	22,906	**31,115**

Cash at bank and in hand earns interest at floating rates based on daily bank deposit rates. Short-term deposits are made for varying periods of between one day and one month depending on the immediate cash requirements of the Group, and earn interest at the respective short-term deposit rates. The carrying amounts of these assets approximate their fair value.

18. Accounts payable and accruals

	31 March 2013	31 March 2012
	£000	£000
Accruals	2,544	3,090
Deferred rental income	6,784	7,759
VAT liability	1,035	1,653
Income tax liability	265	-
Trade creditors	580	495
Other creditors	2,412	2,197
	13,620	**15,194**

19. Loans and borrowings

	Maturity	31 March 2013	31 March 2012
		£000	£000
Current			
Secured loan facility	-	927	-
Unsecured loan stock	-	2,072	2,218
Floating rate notes	31 January 2013	-	171,600
Liquidity facility	31 January 2013	-	10,677
Bank Loan	30 January 2013	-	16,911
Zero dividend preference shares	31 October 2012	-	29,954
		2,999	**231,360**
Non-current			
Secured loan facility	20 July 2022	33,718	-
Secured loan facility	24 July 2027	80,000	-
Secured loan facility	24 July 2032	93,963	-
Zero dividend preference shares	15 October 2016	22,720	-
		230,401	**-**
		233,400	**231,360**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2013 *(CONTINUED)*

19. Loans and borrowings (continued)

On 27 June 2012 the Group entered into conditional agreements for two separate secured loan facilities. These new facilities were drawn down on 24 July 2012 and were used to repay the Group's floating rate notes and bank loan, totalling £188.5 million. The liquidity facility was also repaid on the same date. The loan arrangement costs for the new debt facilities were £4.5 million. These costs have been capitalised and will be amortised over the duration of the loans.

In order to achieve bilateral agreements and distinct security pools with the new lenders, a re-organisation of the Group's corporate structure took place to coincide with the drawdown under the new facilities, such that the Group's investment properties are now held in a number of new subsidiary entities.

The Group has a loan with Canada Life Limited for £113.7 million, which is fully drawn. The loan is for a term of 15 years, with £33.7 million repayable on the tenth anniversary of drawdown. Interest is fixed at 4.08% over the life of the loan. The loan agreement has a loan to value covenant of 65% and an interest cover test of 1.75. The loan is secured over the Group's properties held by Picton No 2 Limited Partnership and Picton UK Real Estate Trust (Property) No 2 Limited.

Additionally the Group has a term loan facility agreement with Aviva Commercial Finance Limited for £95.3 million, which was fully drawn on 24 July 2012. The loan is for a term of 20 years, with approximately one third repayable over the life of the loan in accordance with a scheduled amortisation profile. The Group has repaid £0.4 million in the year. Interest on the loan is fixed at 4.38% over the life of the loan. The facility has a loan to value covenant of 65% and a debt service cover ratio of 1.4. The facility is secured over the Group's properties held by Picton No 3 Limited Partnership, Picton Property No 3 Limited and the JPUTs.

On 14 May 2010 the Group issued 46,556,800 zero dividend preference shares ('ZDPs') at 65 pence per share, with a final maturity date of 31 October 2012. On 6 September 2012 the Group announced a rollover offer of these ZDPs and a placing of new ZDPs. On 15 October 2012 the Group issued 22,000,000 new ZDPs at a price of 100 pence per share and with a maturity date of 15 October 2016 ('2016 ZDPs'). The 2016 ZDPs 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 ZDPs do not receive any dividends or income distributions, and are listed on the London Stock Exchange. The 2016 ZDPs have been issued by Picton ZDP Limited, a wholly owned subsidiary company.

The holders of ZDPs that opted not to rollover into new 2016 ZDPs received their final capital entitlement totalling £21.0 million on 14 November 2012 following IRET Securities Limited entering liquidation on 31 October 2012.

The Group's unsecured loan stock pays interest at 0.5% above six month LIBOR. The loan stock is repayable at the request of the holders on 31 March and 30 September each year. The Group has the option to repay the loan stock at any time by giving four months notice.

The weighted average interest rate on the Group's borrowings as at 31 March 2013 was 4.49% (31 March 2012: 4.80%).

20. Contingencies and capital commitments

The Group has entered into contracts for the refurbishment of 12 properties with commitments outstanding at 31 March 2013 of approximately £1.0 million (31 March 2012: £0.6 million). There are no other contractual obligations to purchase, construct or develop investment property or for repairs, maintenance or enhancements as at 31 March 2013.

21. Share capital

	31 March 2013	31 March 2012
	£000	£000
Authorised		
Unlimited number of ordinary shares of no par value	-	-
Issued and fully paid:		
345,336,118 ordinary shares of no par value (31 March 2012: 345,336,118)	-	-
Share premium	39,149	39,149

The Directors have authority to buy back up to 14.99% of the Company's ordinary shares in issue, subject to the annual renewal of the authority from shareholders and provided that the ZDP Share Cover for the 2016 ZDPs is not less than 3.5 times, after the proposed repurchase. Any buy back of ordinary shares will be made subject to Guernsey law, and the making and timing of any buy backs will be at the absolute discretion of the Board.

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

	Year ended 31 March 2013	1 January 2011 to 31 March 2012
	£000	£000
Loss on disposal of investment properties	4	637
Decrease in investment property valuation	30,937	13,339
Depreciation of tangible assets	32	6
Increase in receivables	(1,379)	(32)
(Decrease)/ increase in payables	(1,932)	1,706
	27,662	**15,656**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2013 *(CONTINUED)*

23. Obligations under leases

The Group has entered into a number of leases in relation to its investment properties, the carrying amounts of which are disclosed in note 15. These leases are for fixed terms and subject to regular rent reviews. They contain no material provisions for contingent rents, renewal or purchase options nor any restrictions outside of the normal lease terms.

Finance lease obligations in respect of rents payable on leasehold properties were payable as follows:

	31 March 2013	31 March 2012
	£000	£000
Future minimum payments due		
Within one year	116	117
In the second to fifth years inclusive	466	466
After five years	8,082	8,198
	8,664	**8,781**
Less: finance charges allocated to future periods	(6,832)	(6,947)
Present value of minimum lease payments	**1,832**	**1,834**

The present value of minimum lease payments is analysed as follows:

	31 March 2013	31 March 2012
	£000	£000
Current		
Within one year	108	107
	108	**107**
Non-current		
In the second to fifth years inclusive	385	377
After five years	1,339	1,350
	1,724	**1,727**
	1,832	**1,834**

Operating leases where the group is lessor

The Group leases its investment properties under operating leases.

At the reporting date, the Group's future income based on the unexpired lessor lease length was as follows (based on annual rentals):

	31 March 2013	31 March 2012
	£000	£000
Within one year	30,539	31,896
In the second to fifth years inclusive	93,144	99,141
After five years	144,494	153,100
	268,177	**284,137**

The Group has entered into commercial property leases on its investment property portfolio. These properties, held under operating leases, are measured under the fair value model as the properties are held to earn rentals. The majority of these non-cancellable leases have remaining lease terms of more than 5 years.

24. Net asset value

The net asset value per ordinary share is based on net assets at the year end and 345,336,118 (31 March 2012: 345,336,118) ordinary shares, being the number of ordinary shares in issue at the year end.

At 31 March 2013, the Company had a net asset value per ordinary share of £0.49 (31 March 2012: £0.57).

25. Financial instruments

Categories of financial instruments

31 March 2013	Note	Held at fair value through profit or loss	Financial assets and liabilities at amortised cost	Total
		£000	£000	£000
Financial assets				
Cash and cash equivalents	17	-	22,906	22,906
Accounts receivable	16	-	12,463	12,463
		-	**35,369**	**35,369**
Financial liabilities				
Loans	19	-	233,400	233,400
Obligations under finance leases	23	-	1,832	1,832
Accounts payable and accruals	18	-	13,620	13,620
		-	**248,852**	**248,852**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2013 *(CONTINUED)*

25. Financial instruments (continued)

31 March 2012	Note	Held at fair value through profit or loss	Financial assets and liabilities at amortised cost	Total
		£000	£000	£000
Financial assets				
Cash and cash equivalents	17	-	31,115	31,115
Accounts receivable	16	-	6,624	6,624
		-	**37,739**	**37,739**
Financial liabilities				
Loans	19	-	231,360	231,360
Obligations under finance leases	23	-	1,834	1,834
Interest rate swaps		5,104	-	5,104
Accounts payable and accruals	18	-	15,194	15,194
		5,104	**248,388**	**253,492**

Fair value hierarchy

At the reporting date the Group did not hold any derivative financial instruments. The table below analyses the derivative financial instruments at 31 March 2012 which were carried at fair value, by valuation method.

The different levels that have been defined are as follows:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or 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)
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs)

	Level 1	Level 2	Level 3	Total
	£000	£000	£000	£000
31 March 2013				
Interest rate swaps	-	-	-	-
31 March 2012				
Interest rate swaps	-	5,104	-	5,104

26. Risk management

The Group invests in commercial properties in the United Kingdom. The following describes the risks involved and the applied risk management. The Investment Manager reports regularly both verbally and formally to the Board to allow them to monitor and review all the risks noted below.

Capital risk management

The Group aims to manage its capital to ensure that the entities in the Group will be able to continue as a going concern while maximising the return to stakeholders through the optimisation of the debt and equity balance. The Board's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business.

The capital structure of the Group consists of debt, as disclosed in note 19, cash and cash equivalents and equity attributable to equity holders of the Company, comprising issued capital, reserves and retained earnings. The Group is not subject to any external capital requirements.

The Board of Directors monitors the return on capital as well as the level of dividends to ordinary shareholders. The Group has managed its capital risk by entering into long term loan arrangements which will enable the Group to reduce its borrowings in an orderly manner over the long term.

The Group's net debt to equity ratio at the reporting date was as follows:

	31 March 2013	31 March 2012
	£000	£000
Total liabilities	248,852	253,492
Less: cash and cash equivalents	22,906	31,115
Net debt	**225,946**	**222,377**
Total equity	**169,416**	**196,110**
Net debt to equity ratio at end of year/period	**1.33**	**1.13**

Interest rate risk management

Interest rate risk arises on interest payable on the unsecured loan stock only. The Group's senior debt facilities have fixed interest rates over the lives of the loans and thus the Group has limited exposure to interest rate risk on the majority of its borrowings and no sensitivity is presented.

Interest rate risk

The following table details the Group's remaining contractual maturity for its non-derivative financial assets and liabilities. The following table sets out the carrying amount, by maturity, of the Group's financial assets/(liabilities).

31 March 2013	Less than one year	1 to 5 years	More than 5 years	Total
	£000	£000	£000	£000
Floating				
Cash and cash equivalents	22,906	-	-	22,906
Unsecured loan stock	(2,072)	-	-	(2,072)
Fixed				
Secured loan facilities	(927)	(4,140)	(203,541)	(208,608)
Zero dividend preference shares	-	(22,720)	-	(22,720)
	19,907	**(26,860)**	**(203,541)**	**(210,494)**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2013 *(CONTINUED)*

26. Risk management (continued)

31 March 2012	Less than one year	1 to 5 years	More than 5 years	Total
	£000	£000	£000	£000
Floating				
Cash and cash equivalents	31,115	-	-	31,115
Liquidity facility	(10,677)	-	-	(10,677)
Bank loan	(4,911)	-	-	(4,911)
Unsecured loan stock	(2,218)	-	-	(2,218)
Fixed				
Loan notes fixed using interest rate swaps	(171,600)	-	-	(171,600)
Bank loan fixed using interest rate swap	(12,000)	-	-	(12,000)
Zero dividend preference shares	(29,954)	-	-	(29,954)
	(200,245)	**-**	**-**	**(200,245)**

The Group closed its interest rate swap contracts during the year leaving no further contractual obligations. The following table details the undiscounted net cash outflows of derivative instruments at 31 March.

	Less than one year	1 to 5 years	More than 5 years	Total
	£000	£000	£000	£000
31 March 2013				
Interest rate swaps	-	-	-	-
31 March 2012				
Interest rate swaps	(7,289)	-	-	(7,289)

Interest rate swaps were measured at the present value of future cash flows estimated and discounted based on the applicable yield curves derived from quoted interest rates.

Interest rate swap contracts

The fair values of interest rate swaps at 31 March 2012 are the marked to market values supplied by the issuer of the swap. This value is based on future cash flows relating to the outstanding balances at the start of the financial year at the relevant interest rate. No interest rate swap contracts were held by the Group at 31 March 2013.

The following table details the notional principal amounts and terms of interest rate swap contracts previously held by the Group:

	Average contracted fixed interest rate		Notional principal amount		Fair value	
	2013 %	2012 %	2013 £000	2012 £000	2013 £000	2012 £000
Outstanding						
Less than 1 year	-	4.76%	-	183,600	-	(5,104)
1 to 2 years	-	-	-	-	-	-
2 to 5 years	-	-	-	-	-	-
More than 5 years	-	-	-	-	-	-
			-	**183,600**	**-**	**(5,104)**

The £183.6 million notional principal amount for the period ended 31 March 2012 consisted of £171.6 million held on floating rate notes and £12.0 million on bank loans.

Credit risk

The following tables detail the balances held at the reporting date that may be affected by credit risk:

	Note	Held at fair value through profit or loss	Financial assets and liabilities at amortised cost	Total
		£000	£000	£000
31 March 2013				
Financial assets				
Cash and cash equivalents	17	-	22,906	22,906
Tenant debtors	16	-	1,435	1,435
		-	**24,341**	**24,341**
31 March 2012				
Financial assets				
Cash and cash equivalents	17	-	31,115	31,115
Tenant debtors	16	-	1,712	1,712
		-	**32,827**	**32,827**

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Group. The Group has adopted a policy of only dealing with creditworthy counterparties and obtaining sufficient collateral where appropriate, as a means of mitigating the risk of financial loss from defaults. The Group's exposure and credit ratings of its counterparties are continuously monitored and the aggregate value of transactions concluded is spread amongst approved counterparties. Credit exposure is controlled by counterparty limits that are reviewed regularly.

Trade debtors consist of a large number of occupiers, spread across diverse industries and geographical areas. On-going credit evaluation is performed on the financial condition of trade debtors, and where appropriate, credit guarantees are acquired. The Group does not have any significant credit risk exposure to any single counterparty or any group of counterparties having similar characteristics. The credit risk on liquid funds is limited because the counterparties are banks with high credit ratings assigned by international credit rating agencies. Rent collection is outsourced to managing agents who report regularly on payment performance and provide the Group with intelligence on the continuing financial viability of occupiers.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2013 *(CONTINUED)*

26. Risk management (continued)

A provision of £540,000 (31 March 2012: £600,000) exists at the year end, in relation to outstanding debtors that are considered to be impaired based on a review of individual debtor balances. The Group believes that unimpaired amounts that are overdue by more than 30 days are still collectable, based on the historic payment behaviours and extensive analyses of the underlying customers' credit ratings.

The carrying amount of financial assets recorded in the financial statements, net of any allowances for losses, represents the Group's maximum exposure to credit risk. The Board continues to monitor the Group's exposure to credit risk.

The Group has a panel of banks with which it makes deposits, based on credit ratings with set counterparty limits. The Group's main cash balances are held with National Westminster Bank plc ("NatWest"), Santander plc ("Santander") and The Royal Bank of Scotland plc ("RBS"). Bankruptcy or insolvency of the bank holding cash balances may cause the Group's rights with respect to the cash held by them to be delayed or limited. The Group manages its risk by monitoring the credit quality of its bankers on an on-going basis. NatWest, Santander and RBS are rated by all the major rating agencies. If the credit quality of these banks deteriorates, the Group would look to move the short term deposits or cash to another bank. Procedures exist to ensure that cash balances are split between banks to minimise exposure. Standard & Poor's credit ratings for all of the Group's bankers was A-1 as at 31 March 2013.

There has been no change in the fair values of cash or receivables as a result of changes in credit risk in the current or prior periods, due to the actions taken to mitigate this risk, as stated above.

Liquidity risk

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

The table below has been drawn up based on the undiscounted contractual maturities of the financial assets/(liabilities), including interest that will accrue to maturity.

	Less than one year	1 to 5 years	More than 5 years	Total
	£000	£000	£000	£000
31 March 2013				
Cash	22,935	-	-	22,935
Accounts receivable	7,945	4,518	-	12,463
Finance lease liability	(116)	(466)	(1,250)	(1,832)
Fixed interest rate loans	(9,708)	(67,945)	(291,494)	(369,147)
Floating interest rate facility	(2,086)	-	-	(2,086)
Accounts payable and accruals	(13,620)	-	-	(13,620)
	5,350	**(63,893)**	**(292,744)**	**(351,287)**
31 March 2012				
Cash	31,154	-	-	31,154
Accounts receivable	6,624	-	-	6,624
Finance lease liability	(117)	(466)	(1,251)	(1,834)
Fixed interest rate loans	(222,122)	-	-	(222,122)
Floating interest rate facility	(18,064)	-	-	(18,064)
Accounts payable and accruals	(15,194)	-	-	(15,194)
	(217,719)	**(466)**	**(1,251)**	**(219,436)**

Market risk

The Group's activities are primarily within the real estate market, exposing it to very specific industry risks.

The yields available from investments in real estate depend primarily on the amount of revenue earned and capital appreciation generated by the relevant properties as well as expenses incurred. If properties do not generate sufficient revenues to meet operating expenses, including debt service and capital expenditure, the Group's revenue will be adversely affected.

Revenue from properties may be adversely affected by the general economic climate, local conditions such as oversupply of properties or a reduction in demand for properties in the market in which the Group operates, the attractiveness of the properties to occupiers, the quality of the management, competition from other available properties and increased operating costs (including real estate taxes).

In addition, the Group's revenue would be adversely affected if a significant number of tenants were unable to pay rent or its properties could not be rented on favourable terms. Certain significant expenditure associated with each equity investment in real estate (such as external financing costs, real estate taxes and maintenance costs) generally are not reduced when circumstances cause a reduction in revenue from properties. By diversifying in regions, sectors, risk categories and occupiers, the Investment Manager expects to lower the risk profile of the portfolio. The Board continues to oversee the profile of the portfolio to ensure risks are managed. See the Investment Manager's report for the geographical spread and the analysis of the top ten tenants of the portfolio.

The valuation of the Group's property assets is subject to changes in market conditions. Such changes are taken to the Statement of Comprehensive Income and thus impact on the Group's net result. A 5% increase or decrease in property values would increase or decrease the Group's net result by £19.3 million (31 March 2012: £20.7 million).

Concentration risk

As discussed above, all of the Group's investments are in the UK and therefore it is exposed to macroeconomic changes in the UK economy. Furthermore, the Group places reliance on a limited number of tenants for its rental income, with one tenant accounting for 9.3% of the Group's annual contracted rental income.

Currency risk

The Group has no exposure to foreign currency risk.

27. Related party transactions

The total fees earned during the year by the five Directors of the Company was £194,000 (31 March 2012: £195,000). As at 31 March 2013 the Group owed £nil to the Directors (31 March 2012: £nil). The emoluments of each Director are set out in the Remuneration Report section of the Directors' Report.

Picton Property Income Limited has no controlling parties.

28. Events after the balance sheet date

A dividend of £2,590,000 (0.75 pence per share) was approved by the Board on 24 April 2013 and paid on 31 May 2013.

The Group has disposed of one property since 31 March 2013 for proceeds of £355,000.

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF PICTON PROPERTY INCOME LIMITED ("THE COMPANY")

We have audited the Group financial statements of Picton Property Income Limited (the "Company" and together with its subsidiaries the "Group") for the year ended 31 March 2013 which comprise the Consolidated Statement of Comprehensive Income, the Consolidated Balance Sheet, the Consolidated Statement of Changes in Equity, the Consolidated Statement of Cash Flows and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards as issued by the IASB.

This report is made solely to the Company's members, as a body, in accordance with section 262 of the Companies (Guernsey) Law, 2008. 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.

Respective responsibilities of directors and auditor

As explained more fully in the Statement of Directors' Responsibilities set out on page 50, 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 (APB's) Ethical Standards for Auditors.

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 circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Board of Directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Report and Accounts to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the financial statements:

- Give a true and fair view of the state of the Group's affairs as at 31 March 2013 and of its loss for the year then ended;
- Are in accordance with International Financial Reporting Standards as issued by the IASB; and
- Comply with the Companies (Guernsey) Law, 2008

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies (Guernsey) Law, 2008 requires us to report to you if, in our opinion:

- The Company has not kept proper accounting records; or
- The financial statements are not in agreement with the accounting records; or
- We have not received all the information and explanations, which to the best of our knowledge and belief are necessary for the purpose of our audit

We have nothing to report with respect to the following:

Under the Listing Rules we are required to review the part of the Corporate Governance Statement relating to the Company's compliance with the nine provisions of the UK Corporate Governance Code specified for our review.

Neale D Jehan

For and on behalf of KPMG Channel Islands Limited
Chartered Accountants and Recognised Auditors

11 June 2013

The maintenance and integrity of the www.pictonproperty.co.uk website is the responsibility of the Directors; the work carried out by auditors does not involve consideration of these matters and accordingly, KPMG Channel Islands Limited accepts no responsibility for any changes that may have occurred to the financial statements or audit report since 11 June 2013. KPMG Channel Islands Limited has carried out no procedures of any nature subsequent to 11 June 2013 which in any way extends this date.

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Other Information

SUPPLEMENTARY DISCLOSURES

UNAUDITED

Ongoing charges

The Ongoing charges figure is based on historical information and provides shareholders with an indication of the likely level of cost that will be incurred in managing the Group. The Association of Investment Companies (AIC) is the trade body for closed-ended investment companies. The AIC recommended methodology for calculating Ongoing Charges uses the annual recurring operational expenses as a percentage of the average net asset value over the period.

	31 March 2013	31 March 2012
	£000	£000
Property expenses	4,102	5,511
Management expenses	1,682	3,838
Other operating expenses	1,592	2,754
Exclude:		
Exceptional costs (see note 9)	(225)	(1,360)
Recurring operational expenses	**7,151**	**10,743**
Annualised recurring operational expenses	**7,151**	**8,594**
Average Net Asset Value over the period	177,279	206,684
Ongoing charges	**4.0%**	**4.2%**
Ongoing charges (excluding property expenses)	**1.7%**	**2.0%**

Loan to value

The loan to value (LTV) is calculated by taking the Group's total borrowings, net of cash, as a percentage of the total portfolio value.

	31 March 2013	31 March 2012
	£000	£000
Total borrowings	233,400	231,360
Less:		
Cash and cash equivalents	(22,906)	(31,115)
Total net borrowings	**210,494**	**200,245**
Investment property valuation	386,391	414,470
Loan to value	**54.5%**	**48.3%**

Gearing

Using the method recommended by the AIC, Gearing is calculated by dividing the Group's total assets, less cash, by shareholders' funds.

	31 March 2013	31 March 2012
	£000	£000
Total assets	418,268	449,602
Less:		
Cash and cash equivalents	(22,906)	(31,115)
	395,362	**418,487**
Total equity	169,416	196,110
Gearing	**133.4%**	**113.4%**

EPRA disclosures

The European Public Real Estate Association (EPRA) is the industry body representing listed companies in the real estate sector. EPRA publishes Best Practice Recommendations (BPR) to establish consistent reporting by European property companies. Further information on the EPRA BPR can be found at www.epra.com.

EPRA earnings per share

EPRA Earnings represents the earnings from core operational activities, excluding investment property revaluations and gains/losses on asset disposals. It demonstrates the extent to which dividend payments are underpinned by recurring operational activities.

	31 March 2013	31 March 2012
	£000	£000
(Loss)/profit for the year after taxation	(14,607)	6,489
Exclude:		
Investment property valuation movement	30,937	13,339
Loss on disposal of investment properties	4	637
Change in fair value of derivative financial instruments	(1,617)	(6,228)
EPRA earnings	**14,717**	**14,237**
Weighted average number of shares in issue (000s)	345,336	345,336
EPRA earnings per share	**4.3p**	**4.1p**

SUPPLEMENTARY DISCLOSURES

UNAUDITED *(CONTINUED)*

EPRA NAV per share

The EPRA Net Asset Value highlights the fair value of net assets on an on-going, long-term basis. It excludes assets and liabilities that are not expected to crystallise in normal circumstances such as the fair value of financial derivatives and deferred taxes on property valuation surpluses.

	31 March 2013	31 March 2012
	£000	£000
Balance Sheet net assets	169,416	196,110
Fair value of derivative financial instruments	-	5,104
Deferred tax	-	-
EPRA NAV	**169,416**	**201,214**
Shares in issue (000s)	345,336	345,336
EPRA NAV per share	**49p**	**58p**

EPRA NNNAV per share

The EPRA Triple Net Asset Value includes the fair value adjustments in respect of all material balance sheet items.

	31 March 2013	31 March 2012
	£000	£000
EPRA NAV	169,416	201,214
Fair value of derivative financial instruments	-	(5,104)
Deferred tax	-	-
EPRA NNNAV	**169,416**	**196,110**
Shares in issue (000s)	345,336	345,336
EPRA NNNAV per share	**49p**	**57p**

EPRA Net Initial Yield (NIY)

EPRA NIY is calculated as the annualised rental income based on the cash rents passing at the balance sheet date, less non-recoverable property operating expenses, divided by the gross market valuation of the properties.

	31 March 2013	31 March 2012
	£000	£000
Investment property valuation	386,391	414,470
Allowance for estimated purchasers' costs	22,892	25,263
Gross up property portfolio valuation	**409,283**	**439,733**
Annualised cash passing rental income	30,980	30,994
Property outgoings	(2,194)	(2,558)
Annualised net rents	**28,786**	**28,436**
EPRA Net Initial Yield	**7.0%**	**6.5%**

EPRA "topped-up" Net Initial Yield

The EPRA "topped-up" NIY is calculated by making an adjustment to the EPRA NIY in respect of the expiration of rent free periods (or other unexpired lease incentives such as discounted rent periods and step rents).

	31 March 2013	31 March 2012
	£000	£000
EPRA NIY annualised net rents	28,786	28,436
Annualised cash rent that will apply at expiry of lease incentives	1,691	2,674
Topped-up annualised net rents	**30,477**	**31,110**
EPRA "topped-up" NIY	**7.4%**	**7.1%**

EPRA Vacancy Rate

EPRA Vacancy Rate is the estimated rental value (ERV) of vacant space divided by the ERV of the whole property, expressed as a percentage.

	31 March 2013	31 March 2012
	£000	£000
Annualised potential rental value of vacant premises	4,170	3,045
Annualised potential rental value for the complete property portfolio	33,559	34,205
EPRA Vacancy Rate	**12.4%**	**8.9%**

HISTORIC FINANCIAL SUMMARY

	2013	2012	2010	2009	2008	2007	2006
Income Statements							
Net property income	29.8	36.2	30.8	28.3	37.3	40.8	41.4
Management expenses	(1.7)	(3.8)	(2.9)	(3.2)	(5.3)	(6.5)	(5.9)
Other operating expenses	(1.4)	(1.4)	(2.4)	(1.5)	(1.2)	(1.2)	(1.1)
Exceptional costs	(0.2)	(2.5)	(0.9)	(1.5)	(0.8)	-	(0.2)
Income profit	**26.5**	**28.5**	**24.6**	**22.1**	**30.0**	**33.1**	**34.2**
Net finance costs	(11.5)	(14.6)	(10.1)	(10.1)	(12.1)	(15.1)	(11.2)
Income profit before tax	**15.0**	**13.9**	**14.5**	**12.0**	**17.9**	**18.0**	**23.0**
Tax	(0.3)	0.3	(0.3)	-	-	0.5	(0.5)
Income profit after tax	**14.7**	**14.2**	**14.2**	**12.0**	**17.9**	**18.5**	**22.5**
Property gains and losses	(30.9)	(13.9)	18.0	(31.9)	(138.6)	(42.7)	75.0
Financing gains and losses	1.6	6.2	(0.6)	0.6	(19.7)	(3.1)	8.7
Profit/loss after tax	**(14.6)**	**6.5**	**31.6**	**(19.3)**	**(140.4)**	**(27.3)**	**106.2**
Dividends paid	12.1	17.3	13.5	9.9	18.8	20.7	17.8
Balance Sheets							
Investment properties	382.7	411.7	424.3	352.6	436.0	633.2	702.2
Borrowings	(233.4)	(233.0)	(245.9)	(217.3)	(241.1)	(303.4)	(304.7)
Other assets and liabilities	20.1	17.4	28.5	45.8	15.4	39.7	20.8
Net assets	**169.4**	**196.1**	**206.9**	**181.1**	**210.3**	**369.5**	**418.3**
Net asset value per share (pence)	49	57	60	55	64	112	126
EPRA net asset value per share (pence)	49	58	63	58	68	110	124
Earnings per share (pence)	(4.2)	1.9	9.3	(5.9)	(42.5)	(8.2)	34.4
Dividends per share (pence)	3.5	5.0	4.0	3.0	5.69	6.25	5.85
Dividend cover (%)	122	82	105	121	95	89	126
Share price (pence)	40.0	41.3	53.5	53.8	22.5	69.5	118

All figures are in £million unless otherwise stated.

Reporting dates are annual to 31 December each year except 2013 which is the year ended 31 March 2013, 2012 which is a 15 month period to 31 March 2012, and 2006 which is the period from 15 September 2005 to 31 December 2006.

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 registrars.

Directors

Nicholas Thompson (Chairman)
Trevor Ash
Tjeerd Borstlap (resigned 30 September 2012)
Vic Holmes (appointed 1 January 2013)
Roger Lewis
Robert Sinclair

Registered Office

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GY1 3QL

Registered Number: 43673

Administrator, Registrar and Secretary

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Investment Manager

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Crest Service Provider

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Property Valuer

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Henrietta Place
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Tax Adviser

Deloitte LLP
Hill House
1 Little New Street
London
EC4A 3TR

SHAREHOLDER INFORMATION *(CONTINUED)*

Website

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

The site can be found at:

www.pictonproperty.co.uk

Corporate Brokers

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25 Bank Street
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Oriel Securities Limited
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Auditor

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As to Guernsey Law

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Financial Calendar

Annual Results announced	12 June 2013
Annual Results posted to shareholders	16 July 2013
Annual General Meeting	19 September 2013
Interim Management Statement (first half)	July 2013 (provisional)
2013 Half Year Results to be announced	November 2013 (provisional)
Interim Management Statement (second half)	January 2014 (provisional)

GLOSSARY OF TERMS

AIC
Association of Investment Companies.

Annual rental income
Cash rents passing at the Balance Sheet date.

Contracted rent
The contracted gross rent receivable which becomes payable after all the occupier incentives in the letting have expired.

DTR
Disclosure and Transparency Rules, issued by the United Kingdom Listing Authority.

Dividend cover
Income profit after tax divided by dividends paid.

Earnings per share (EPS)
Profit for the period attributable to equity shareholders divided by the average number of shares in issue during the period.

EPC
Energy performance certificate.

EPRA
European Public Real Estate Association, the industry body representing listed companies in the real estate sector.

Estimated rental value (ERV)
The external valuers' opinion as to the open market rent which, on the date of the valuation, could reasonably be expected to be obtained on a new letting or rent review of a property.

Fair value
The estimated amount for which a property should exchange on the valuation date between a willing buyer and a willing seller in an arm's length transaction after the proper marketing and where parties had each acted knowledgeably, prudently and without compulsion.

Fair value movement
An accounting adjustment to change the book value of an asset or liability to its fair value.

FRI lease
A lease which imposes full repairing and insuring obligations on the tenant, relieving the landlord from all liability for the cost of insurance and repairs.

Gearing
Total assets, less cash, divided by shareholders' funds, expressed as a percentage, as defined by the AIC.

Group
Picton Property Income Limited and its subsidiaries.

IASB
International Accounting Standards Board.

IFRS
International Financial Reporting Standards.

Property income return
The ungeared income return of the portfolio as calculated by IPD.

Initial yield
Annual cash rents receivable (net of head rents and the cost of vacancy), as a percentage of gross property value, as provided by the Group's external valuers. Rents receivable following the expiry of rent-free periods are not included.

IPD
Investment Property Databank. An organisation supplying independent market indices and portfolio benchmarks to the property industry.

Lease incentives
Incentives offered to occupiers to enter into a lease. Typically this will be an initial rent-free period, or a cash contribution to fit-out. Under accounting rules the value of the lease incentives is amortised through the Income Statement on a straight-line basis until the lease expiry.

NAV
Net Asset Value is the equity attributable to shareholders calculated under IFRS.

Ongoing charges
Total operating expenses, excluding one off costs, as a percentage of the average net asset value over the period, as defined by the AIC.

Over-rented
Space where the passing rent is above the ERV.

Reversionary yield
The estimated rental value as a percentage of the gross property value.

Weighted average debt maturity
Each tranche of Group debt is multiplied by the remaining period to its maturity and the result is divided by total Group debt in issue at the period end.

Weighted average interest rate
The Group loan interest per annum at the period end, divided by total Group debt in issue at the period end.

Weighted average lease term
The average lease term remaining to first break, or expiry, across the portfolio weighted by contracted rental income (including rent-frees).

ZDP
Zero dividend preference share.

ZDP share cover
The Group's net asset value, including any accrued ZDP capital additions, divided by the final ZDP liability on their maturity.

Picton Property Income Limited

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