Custodian

REIT PLC

Interim Report 2015

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

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

For more information, please visit www.custodianreit.com.

CONTENTS

FINANCIAL HIGHLIGHTS AND PERFORMANCE SUMMARY

- Net asset value ("NAV") per share total return[1] of 4.6%
- NAV per share of 103.0p[2] (unaudited NAV previously reported as 102.6p, including fair value adjustment for fixed rate loan)
- Portfolio value of £232.9m
- £23.4m invested in 14 acquisitions and on-going developments during the period
- £0.1m profit on disposal from one property sale
- Average portfolio net initial yield ("NIY") 7.1%, unexpired lease term 6.8 years, occupancy rate 97.7%
- £14.3m[3] of new equity raised at an average dividend adjusted premium of 7.2% to NAV
- Placing, open offer and offer for subscription in progress targeting £50m of new monies
- Profit after tax of £7.9m
- Dividends of 3.0p per share paid in the period[4], proposed Q2 dividend of 1.5p per share
- Net gearing[5] of 13.7%
- Pipeline of £78.1m properties under offer or in solicitors' hands

	Unaudited 6 months to 30 September 2015	Unaudited 6 months to 30 September 2014	Audited 12 months to 31 March 2015
Total return			
NAV total return	4.6%	2.7%	7.0%
Total shareholder return	1.8%	7.3%	13.3%
Dividends paid (p per share)	3.0	1.25	3.75
Earnings per share (p)	4.3	2.5	6.0
Capital values			
NAV (£m)	196.5	131.4	180.0
NAV per share (p)	103.0	99.6	101.3
Ordinary share price (p)	108.5	106.0	109.5
Premium to NAV per share	5.3%	6.4%	8.1%
Investment property portfolio valuation[6] (£m)	232.9	145.9	207.3
Net gearing	13.7%	7.7%	11.4%

1 NAV movement including dividends paid.
2 See Note 16.
3 Before costs and expenses of £0.3 million.
4 Dividends of 1.5p paid for each of the quarters ended 31 March 2015 and 30 June 2015.
5 Gross borrowings less unrestricted cash divided by property portfolio valuation.
6 Includes impact of gearing.

CHAIRMAN'S STATEMENT

"The current market supports our strategy of targeting smaller lot size properties"

David Hunter, Chairman

I am pleased to report the Company's results for the six months ended 30 September 2015 ("the Period"). We invested a total of £23.4 million during the Period, completing 14 acquisitions and achieving practical completion on two developments, funded by £14.3 million raised from the issue of new shares and a new £20 million term loan. We continue to target growth, seeking to realise the potential economies of scale offered by the Company's relatively fixed cost base, while adhering to the Company's investment policy and maintaining the quality of both properties and income.

At the same time as rapidly growing the portfolio, we have continued to pay fully covered dividends in line with target, minimising 'cash drag' on the issue of new shares by taking advantage of the flexibility offered by the Company's revolving credit facility ("RCF").

The successful deployment of new monies on the acquisition of high quality assets at an average NIY of 7.35% highlights a key advantage of our strategy to focus on smaller lots in strong, regional markets.

Following the Period end, the Board announced the Company's intention to raise £50 million of new monies through the issue of new shares, with the ability to increase this to up to £75 million subject to demand ("the Issue"). Admission of the new shares is expected on 3 December 2015.

The Issue is expected to be accretive to shareholder value as the premium to NAV exceeds the expected costs of the issue and the increased NAV in excess of £200 million will attract a lower marginal annual management charge, as set out in the investment management agreement.

The Board was also delighted to announce the exchange of contracts for the acquisition of a property portfolio for £69.4 million due to complete in January 2016, details of which are set out in the Investment Manager's report.

Market

Custodian Capital Limited ("CCL" or "the Manager"), the Company's discretionary investment manager, anticipates continued demand for property investment as interest rates stay 'lower for longer', with a competitive market offering potential value growth. The Company has targeted high quality, regional lot sizes below £7.5 million and has benefitted from a significant net initial yield advantage accordingly. The Manager expects less competition for smaller lot sizes, with the type of institutional grade regional property targeted by the Company showing value relative to larger lots through a higher net income return and opportunities for future rental growth, which are not 'priced-in' to every deal.

The focus of demand from institutional funds, open-ended retail funds, public property companies and overseas investors has been for lot sizes greater than £10 million, leading to strong competition for larger assets. Many of these investors have been simultaneously selling smaller properties, creating a strong pipeline of high quality assets that fit Custodian REIT's investment strategy. The Manager believes these dynamics will continue through the first half of 2016. In addition, the property market has entered a phase of rental growth, which I expect to enhance future income returns and support capital value growth over the long term.

Net Asset Value

The Company delivered NAV total return per share of 4.6% for the Period. The first half was a period of significant new investment, where the initial costs (primarily stamp duty) of acquiring 14 new properties diluted NAV total return by circa 0.6%.

In addition to new acquisitions, activity during the Period also focused on pro-active asset management, which generated £0.7 million of the £2.6 million valuation uplift. During the remainder of the financial year we intend to continue our asset management activities and complete on the current acquisition pipeline, with the deployment of existing debt facilities increasing gearing towards our target level of 25% loan to value.

"High quality regional properties"

Enact, LEEDS

	Pence per share	£m
NAV at 31 March 2015	101.3	180.0
Issue of equity (net of costs)	0.4	14.0
	101.7	194.0
Valuation uplift in property portfolio	1.4	2.6
Profit on disposal of investment properties	0.1	0.1
Impact of acquisition costs	(0.6)	(1.1)
	0.9	1.6
Income	4.7	8.7
Expenses and net finance costs	(1.3)	(2.3)
Dividends paid	(3.0)	(5.5)
NAV at 30 September 2015	103.0[7]	196.5

Share price

Total shareholder return for the first half of the financial year was 1.8%, with a closing price of 108.5 pence per share on 30 September 2015 representing a 5.8% premium to NAV. During the Period the Company has traded at a consistent premium to NAV, with low volatility offering shareholders stable returns. I believe the premium to NAV has been a function of both strong demand for closed-ended property funds and the attractive income offered by the Company's dividend policy.

7 Unaudited NAV per share of 102.6p (as previously reported) is referenced in Note 16.

CHAIRMAN'S STATEMENT CONTINUED

Placing of new ordinary shares

The Company issued 13.2 million new shares during the Period, at an average premium to dividend adjusted NAV of 7.2%. These issues have been accretive to NAV, with positive investor demand for the Company's shares a testament to our success to date.

Borrowings

The Company's target gearing ratio is 25% loan to value, with a loan to value ratio of 13.7% at 30 September 2015.

The Board is keen to reduce risk to shareholders wherever possible and has taken advantage of the prevailing low interest rates to secure long term borrowing at a fixed rate. On 14 August 2015 the Company entered into an agreement for Scottish Widows plc to provide a new 10 year term loan facility of £20 million, repayable on 14 August 2025. Under this agreement, the Company will pay a fixed interest rate of 3.935% per annum.

To allow further expansion of the portfolio as we seek to take advantage of expected rental growth across the market, following the Period end the Company has increased the RCF facility from £25 million to £35 million and extended its term from expiry in March 2019 to November 2020.

The three acquisitions completed since 30 September 2015 have increased the current gearing ratio to 17.3% and I anticipate that following the proposed Issue and completion on the acquisition pipeline, the Company's gearing will increase further towards our target.

Investment Manager

The Board is pleased with the progress and performance of the Investment Manager, particularly its success in continuing growth through the deployment of new monies, while securing the earnings required to pay fully covered dividends in line with target.

Dividends

Income is a major component of total return. The Company paid two interim dividends totalling 3.0 pence per share during the Period. To provide greater flexibility over future dividend policy, on 14 August 2015 the Company's share premium account of £181.5 million was cancelled and transferred to distributable reserves.

The Board intends to pay an interim dividend of 1.5 pence per share for the quarter ended 30 September 2015, which will be paid on 31 December 2015. In the absence of unforeseen circumstances, the Board believes the Company is well placed to meet its target of paying further quarterly dividends, fully covered by income, to achieve an annual dividend of 6.25 pence per share for the year ending 31 March 2016.

The Board is committed to growing the dividend sensibly, at a rate which is fully covered by net rental income and does not inhibit the flexibility of the Company's investment strategy.

Outlook

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

The current market dynamic supports the Company's strategy of targeting a high income return, fully covered by income from smaller lot size properties across regional markets. I expect occupational demand, combined with a limited supply of new development, to drive further rental growth across regional markets and minimise vacancy rates, supporting both sustainable income returns and capital value growth over the long term.

David Hunter
Chairman
23 November 2015

REDUCING VACANCY RATES DRIVING A RETURN TO RENTAL GROWTH IN MANY RETAIL CENTRES

» **15** Portfolio summary

Aslan Jewellery and Kuoni Travel, CHESTER

INVESTMENT MANAGER'S REPORT

"Market performance in 2015 has been dominated by yield compression and the increasing importance of the regions"

Richard Shepherd-Cross, Managing Director, Custodian Capital Limited

Property market performance in 2015 has been dominated by continued yield compression and the increasing importance of the regions as the engine room of growth. CBRE's Marketview[8] reported a yield compression of 93 bps in the 'All Property Yield' for the three years to Q3 2015, of which 31 bps was recorded for the last twelve months. While partly due to the expectation of future rental growth, we believe a large part is a function of extraordinary demand across the spectrum of the investment market, which remains primarily focused on larger lot sizes in excess of £10 million.

Demand is also increasingly focused on regional markets, with Savills[9] recently reporting a record level of overseas investment into UK regional markets, again focused on large lot sizes either by way of portfolio transactions or the prime regional cities. By contrast, the smaller lots typical of the Custodian REIT portfolio have not experienced the same demand pressures and consequently the Company's assets have witnessed only 30 bps of yield compression over the same three years to Q3 2015. In addition to smaller lot size properties offering a higher income return, these statistics suggest there is less volatility in the valuation of this sector, which should support sustainable income returns going forward.

The chart below (based on LSH UK Investment Transactions data[10]) demonstrates the NIY gap between small and large lots traded in the market since the start of 2013, which had fallen to 138 bps in Q3 2015.

The Investment Property Forum[11] forecasts average rental growth of 2.45% per annum over the next four years, following 3.8% of growth in 2015. I believe it is likely that rental growth, rather than further yield compression, will be the key driver of capital growth over the next few years. This further underlines the importance of income and income driven returns in real estate investment, and supports Custodian REIT's strategic focus on income.

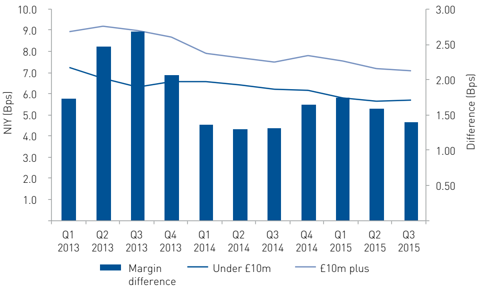
Portfolio value

£232.9m

30 September 2014: £145.9m

8 Source: CBRE Marketview UK Prime Rent and Yield, Q3 2012 and Q3 2015.
9 Source: www.costar.co.uk.
10 Source: UK Investment Transactions Bulletin Q3 2015.
11 Source: Investment Property Forum UK Consensus Forecasts 2015.

LOT SIZE NIY GAP



Pipeline

Since Admission, Custodian REIT has taken advantage of the pricing advantage offered by smaller lots to acquire 56 properties for £149.6 million and agree terms on a further £78.1 million on 13 small lot size, regional properties, at a combined average NIY of 7.1%. This is consistent with the Company's investment policy and supports the target dividend.

The Company recently exchanged contracts to acquire a portfolio of 11 UK commercial properties ("the Target Portfolio") for £69.4 million in an off-market transaction. The Target Portfolio is also consistent with the Company's investment policy, comprising smaller size, good quality, secondary offices, retail and industrial assets diversified by tenant and region. The tenant covenant profile also meets the minimum criteria set out in the investment policy.

The acquisition of the Target Portfolio is expected to complete in two tranches in early January 2016. Five properties, totalling £28 million, will be funded through a combination of the Company's existing cash resources and capacity under the RCF. The balance of six properties will be acquired by the Company subject to the availability of the net proceeds of the Issue.

Following completion of the intended acquisition of the Target Portfolio, the weighted average unexpired lease term ("WAULT") of the property portfolio would stand at approximately 6.1 years as at January 2016, although completion of ongoing asset management initiatives is expected to increase WAULT to 6.5 years by 31 March 2016. The Board expects the acquisition of the Target Portfolio to enhance returns to shareholders by deploying cash raised from the Issue promptly, improving dividend cover and offering the potential for a number of further asset management opportunities.

In addition to the Target Portfolio, the Company has a £5 million committed pipeline of pre-let industrial development fundings in Cannock and Stevenage, and the refurbishment of an industrial unit in Milton Keynes. The Company also has a £6.6 million leisure park and a £2.1 million high street retail property adjoining an existing portfolio holding under offer, and the Manager continues to track other investment opportunities, including a single let industrial property and a city centre office building. The combined value of these other opportunities is approximately £12.5 million.

Investment objective

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

Since Admission, minimising cash drag through the prompt deployment of funds raised at IPO, on subsequent share placings and from new term debt facilities has been central to realising the key investment objective. The Company benefits from a £35 million RCF, which has been integral to reducing cash drag, giving us the flexibility to reduce debt in the Company when new equity is issued.

The rate of investment during the Period has been ahead of the Board's expectations, which we believe demonstrates the success of the Company's strategy of focusing on smaller lots in strong, regional markets. We remain confident we can continue to acquire properties that meet the Company's investment criteria and improve the portfolio mix. In 2016 we expect to see continued rental growth and low vacancy rates, supporting the Company's investment objectives.

INVESTMENT MANAGER'S REPORT
CONTINUED

Portfolio performance

During the Period the Company completed on 14 new property acquisitions and achieved practical completion on two development fundings, adding £23.4 million of assets to the portfolio. Property acquisitions are shown below:

INDUSTRIAL

Location	Glasgow International Airport
Tenant	DHL Global Forwarding (UK)
Net initial yield	7.08%
Consideration	£1.23m

Location	Warwick (development)
Tenant	Semcon
Net initial yield	6.64%
Consideration	£2.64m

Location	Farnborough*
Tenant	Triumph Structures
Net initial yield	11.53%
Consideration	£1.05m

Location	Normanton*
Tenant	Acorn Web Offset
Net initial yield	3.38%
Consideration	£1.22m

Location	Cannock (development)
Tenant	HellermannTyton
Net initial yield	6.38%
Consideration	£4.22m

Location	Bristol*
Tenant	BSS
Net initial yield	6.70%
Consideration	£3.53m

Location	Kettering*
Tenant	Sealed Air
Net initial yield	7.28%
Consideration	£1.55m

* Acquired as part of the 'Blue Oaks' portfolio

RETAIL

Location	Chester*
Tenant	Aslan Jewellery and Kuoni Travel
Net initial yield	6.35%
Consideration	£1.90m

Location	Bedford*
Tenant	Waterstones Booksellers
Net initial yield	7.01%
Consideration	£1.16m

Location	St Albans*
Tenant	EE
Net initial yield	5.74%
Consideration	£1.24m

Location	Scarborough*
Tenant	Waterstones Booksellers
Net initial yield	7.23%
Consideration	£1.21m

Location	Taunton*
Tenant	Wilkinson Hardware Stores
Net initial yield	6.51%
Consideration	£1.34m

Location	Swansea (Sold) *
Tenant	Shoezone

OTHER

Location	Lincoln
Tenant	MKM Building Supplies
Net initial yield	6.90%
Consideration	£2.33m

* Acquired as part of the 'Blue Oaks' portfolio

INVESTMENT MANAGER'S REPORT
CONTINUED

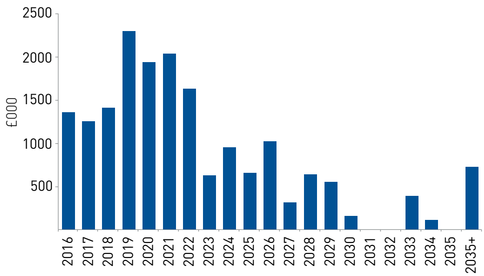
In the six months ended 30 September 2015, valuation increases were £2.6 million before acquisition costs (1.3% of opening portfolio value), split by sector below:

Sector	Valuation 30 September 2015 £m	Valuation 31 March 2015 £m	Weighting by income 30 September 2015	Change in valuation[12] £m	Change in valuation[12] %
Industrial	102.0	91.3	46.5%	2.1	2.3
Retail	55.6	49.7	23.9%	0.1	0.2
Office	24.1	24.1	12.2%	0.0	0.0
Other	51.2	42.2	17.4%	0.4	0.9
	232.9	207.3	100.0%	2.6	

A shortage of modern, vacant industrial space is leading to strong rental growth in the sector as tenant demand competes for limited supply, although in core industrial and distribution locations occupier-led and speculative development is now a feature. The Company's investment strategy is well suited to the industrial and distribution sector by virtue of lot size, quality of building, strength of tenant covenant and relatively low obsolescence of the underlying real estate. This sector remains a key target for acquisitions, although we are cautious around the recent squeeze on pricing and remain very focused on both the underlying vacant possession value and the prospects for rental growth.

High street retail remains polarised between high-end comparison retailing and convenience retailing. Rental growth has returned to the retail markets as vacancy rates have fallen. The importance of multi-channel retailing has seen even 'die-hard' catalogue retailers, such as Boden, looking for physical stores, demonstrating the importance of retail property to the market. Retail property continues to be an important part of an income focused portfolio and the sector also benefits from lower re-letting costs than in others.

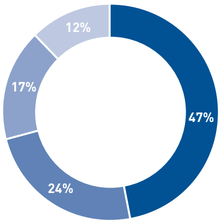
RENTAL INCOME BY LEASE EXPIRY (TO FIRST BREAK)



The retail warehouse sector is running at two speeds with institutional demand focused on retail parks with an open A1 planning consent, where rents have seen significant growth. Meanwhile, retail warehouse units with planning consent limited to bulky goods benefit from much lower rents and have also avoided the significant yield compression associated with retail parks with unrestricted planning.

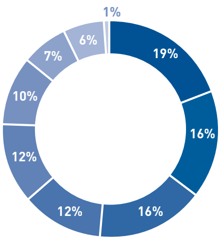
12 Excluding the impact of acquisitions and disposals.

SECTOR SPLIT BY INCOME



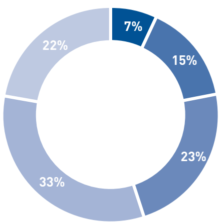
Industrial	47%
Retail	24%
Other	17%
Office	12%

REGIONAL SPLIT BY INCOME



South-East	19%
East Midlands	16%
West Midlands	16%
North-East	12%
North-West	12%
South-West	10%
Scotland	7%
East Anglia	6%
Wales	1%

INCOME EXPIRY



0–1 years	7%
2–3 years	15%
3–5 years	23%
5–10 years	33%
10+ years	22%

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

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

Portfolio risk

The portfolio's risk exposure is reduced by 24% of income benefitting from either fixed or indexed rent reviews, with there being increasingly strong evidence of open market rental growth across all sectors.

Short term income at risk is a relatively low proportion of the portfolio's total income, with only 22% expiring in the next three years (7% within one year).

INVESTMENT MANAGER'S REPORT CONTINUED

Asset management

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

Key asset management events completed during the Period include:

- A property in Swansea, acquired for £0.4 million in June 2015 as part of a portfolio, was considered sub-scale for the portfolio and was disposed of to a private investor in September 2015 for £0.5 million.
- Savers has signed a five year reversionary lease in Bury St. Edmunds commencing from current expiry in January 2017 in return for three months' rent free. The new lease contains a fixed rental uplift from £49,900 to £53,000 with expiry in January 2022.
- Laura Ashley in Grantham has agreed to remove the tenant break option in May 2016 in return for a reverse premium equating to 4.5 months' rent, extending the lease term to May 2021.
- Chesham Insurance's lease in Leicester has been extended to December 2015, and a five year renewal from December 2015 with a tenant only break option in June 2018 is in discussion.
- At Bradbourne Drive, Milton Keynes, which was acquired with the tenant having issued notice to exit, an early surrender was accepted in June 2015 in consideration for all rent due to expiry and a dilapidations settlement. A comprehensive refurbishment of the unit is underway for a total of c. £1 million, to be completed in January 2016, with agents actively marketing the unit to let.

Swansea

Savers, Bury St. Edmunds


Laura Ashley, Grantham


Chesham Insurance, Leicester


Milton Keynes

Since the Period end, Superdrug's lease in Southsea was re-geared to remove the May 2018 tenant break option and three months' rent free due at that point for a cash incentive, and a new three year lease was agreed with MTS in Bardon, which has been in occupation via a tenancy at will since the head lease holder's expiry.

Outlook

We believe demand for property investment, led by overseas investors, UK institutions and open-ended retail funds, is likely to continue from across the spectrum as interest rates stay 'lower for longer'. Despite this continued demand, we expect to see larger funds continuing to sell smaller lots regarded as being sub-scale for the ambitions of those funds. Accordingly, we anticipate this trend will maintain a pipeline of new acquisition opportunities for Custodian REIT and the relative imbalance of demand will lead to smaller lots showing 'value' relative to larger lots in terms of income returns.

Growth in rents is now taking hold in the regional markets and we expect that this will continue, driven by the significant lack of supply of good quality, modern real estate combined with growing occupational demand.

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

Richard Shepherd-Cross
for and on behalf of Custodian Capital Limited
Investment Manager
23 November 2015

A DIVERSIFIED PORTFOLIO OF INSTITUTIONAL GRADE ASSETS

» **15** Portfolio summary

Yesss Electrical, NORMANTON

PORTFOLIO SUMMARY

Town	Address	Tenant	% portfolio income
Industrial			
Chesford	1 Chesford Grange, Warrington Cheshire	JTF Wholesale	2.76
Ashby	Unit 16, Ashby Park, Ashby De La Zouch	Teleperformance	2.65
Salford	Zeus Building, Tally Close, Agecroft Commerce Park, Salford	Restore Scan	2.30
Bedford	Units 1 & 2,Priory Business Park	Emerson Network Power & Elma Electronics	2.26
Doncaster	3 Carriage Way	Portola Packaging	2.02
Stone	The Diamond, Diamond Way, Stone Business Park	Revlon International	1.83
Biggleswade	Pegasus Drive, Stratton Business Park	Turpin Distribution Services	1.71
Cannock	Blakeney Way, Kingswood Lakeside, Cannock	HellermannTyton	1.62
Normanton	Unit B, Centre 31, Foxbridge Way	Yesss Electrical	1.61
Milton Keynes	Bradbourne Drive	Massmould	1.60
Bristol	Unit 10, Albert Reach	BSS	1.42
Redditch	Alto House, Ravensbank Drive	SAPA Profiles UK	1.42
Nuneaton	Harrington Way	DX Network Services	1.38
Plymouth	Western Wood Way, Langage Business Park	Sherwin-Williams, Diversified Brands	1.34
Coventry	South Delivery Office, Orchard Business Park	Royal Mail Group	1.32
Manchester	Unit 4, The Furrows, Trafford Park	Unilin Distribution	1.25
Avonmouth	Unit M3, RD Park	Superdrug Stores	1.23
Oldbury	Sytner Body Shop, Brades Road, Oldbury	Ryland Properties	1.19
Bermondsey	Unit A, 14-18 Verney Street	Constantine	1.14
Cambuslang	55 Westburn Drive, Clydesmill Industrial Estate	Brenntag UK	1.13
Aberdeen	Howemoss Drive, Kirkhill Industrial Estate	DHL Express UK	1.10
Warwick	Edgehill Drive, Tournament Fields	Semcon	1.03
Hamilton	1 Livingstone Boulevard	Ichor Systems	1.00
Erdington	NHS Ambulance Centre, Opus Aspect	West Midlands Ambulance Service NHS Trust	0.86
Sheffield	Sheffield Parkway	Synergy Health (UK)	0.78
Farnborough	21/21A Invincible Road	Triumph Structures Farnborough	0.78
Speke	Unit C, Estuary, Commerce Park	Powder Systems	0.77
Coalville	Unit E/F, Reg's Way, Bardon	MTS Logistic	0.74
Castleford	Unit 1, Willowbridge Way, Whitwood, Wakefield	Bunzl UK	0.71
Kettering	Telford Way	Sealed Air	0.68
Speke	Unit E, Estuary Commerce Park, Speke	DHL International (UK)	0.68
Leeds	National Court, Unit A, South Accommodation Road	Nationwide Crash Repairs Centres	0.66
Huntingdon	Lancaster Way, Ermine Business Park	PHS Group	0.60
Sheffield	Units 2, 7, 8 & 9 Shepcote Enterprise Park	River Island Clothing & Andrew Page	0.60
Kilmarnock	3 Queens Drive	Royal Mail Group	0.54
Glasgow	2 Campsie Drive	DHL Global Forwarding (UK)	0.53
Hinckley	Phoenix Business Park, Brindley Road	Multi-let	0.44

PORTFOLIO SUMMARY
CONTINUED

Town	Address	Tenant	% portfolio income
Industrial continued			
Leeds	National Court, Unit B, South Accommodation Road	Sovereign Air Movement	0.41
Normanton	Loscoe Close	Acorn Web Offset	0.25
Milton Keynes	Tilbrook Industrial Estate	Vacant	–
Total			**46.5**
Retail			
Milton Keynes	North Row, Grafton Gate	Staples UK	2.39
Grantham	Discovery Retail Park, London Road	Laura Ashley, Poundstretcher & Carpetright	1.85
Colchester	2/6 Long Wyre Street	Poundland & Savers	1.41
Southampton	54 Above Bar Street	URBN UK	1.25
Torpoint	Anthony Road	Sainsbury's Supermarket	1.24
Stourbridge	The Crystal Retail Centre	Multi-Let	1.17
Norwich	9 White Lion Street	Specsavers	1.14
Llandudno	101 Mostyn Street	WH Smith	0.85
Portishead	Harbour Road	T J Morris Limited (t/a Home bargains)	0.83
Nottingham	15 St Peters Gate	The White Company (UK)	0.80
Shrewsbury	28/29a Pride Hill	Cotswold Outdoor	0.77
Jewellery Quarter, Birmingham	37-40A Frederick Street	Multi-Let	0.74
King's Lynn	43/44 High Street	Top Man	0.71
Weston-Super-Mare	27/29 High Street	Superdrug Stores	0.70
Glasgow	98 Argyle Street	Greggs	0.68
Southsea	19/23 Palmerston Road	Superdrug Stores & Portsmouth City Council	0.66
Chester	Eastgate Street	Kuoni Travel	0.63
Edinburgh	47B George Street	Phase Eight (Fashion & Designs)	0.63
Redcar	17-18 Bath Street and 59-65A High Street	Landmark Property Investments	0.56
Taunton	61 East Gate	Wilkinson Hardware Stores	0.53
Scarborough	97-98 Westborough	Waterstones	0.53
Bury St. Edmunds	14 Cornhill Street	The Works Store	0.51
Bedford	11/13 Silver Street	Waterstones	0.49
Dumfries	165/171 High Street	Iceland Foods	0.48
St Albans	Trident House, Mosquito Way	EE	0.43
Hinckley	29/31, Castle Street	W H Smith	0.40
Cirencester	6/8 Dyer Street	Framemaker Galleries & Danish Wardrobe Company	0.34
Chester	10 Watergate Street	Whistles Holdings	0.33
Bury St. Edmunds	15 Abbeygate Street	Savers Health & Beauty	0.28
Portishead	Harbour Road	Majestic Wine Warehouses	0.26

Town	Address	Tenant	% portfolio income
Retail continued			
Cheltenham	85 High Street	Done Brothers (Cash Betting) t/a Betfred	0.24
Portsmouth	109 Commercial Road	Vacant	–
Total			**23.9**
Office			
Leicester	Gateway House, Grove Park, Penman Way	Mattioli Woods, RBS & Regus	2.73
Leeds	Cardinal House	Enact Properties	1.93
Leeds	David Street	Enact Properties	1.65
Derby	1 Pride Place, Pride Park	Geldards LLP	1.46
Leicester	MW House, Grove Park, Penman Way	Mattioli Woods & Chesham Insurance	1.42
Glasgow	250 West George Street	Multi-Let	1.26
Solihull	Westbury House	Lyons Davidson	1.08
Manchester	Unit C, Madison Place, Central Park	Central Manchester University Hospitals NHS Foundation Trust	0.68
Total			**12.2**
Other			
Knutsford	Mobberley Road, Park Gate Bentley Manchester	R Stratton & Co	2.10
Gillingham	Beechings Way	Somerfield Stores	1.53
Leicester	489 Aylestone Road	Magnet	1.41
Dudley	Castlegate Way	Premier Inn	1.36
Peterborough	Mallory Road	Marshall Motor Group	1.28
Portishead	Harbour Road	Travelodge Hotels	1.14
Lincoln	Stephenson Road, North Hykeham	MKM Building Supplies	1.09
Solihull	Coventry Road, Elmdon	Allen Ford (UK) t/a Kia	0.83
Crewe	Counterpoint, Weston Road	Plumbase, Multi Tile & F1 Autocentres	0.80
Redhill	105-107 Brighton Road	Honda Motor Europe	0.80
Bath	Bluecoat House, Saw Close	Prezzo	0.70
High Wycombe	46/50a Frogmore	Stonegate Pub Co	0.66
Castleford	Castlewood Way	MKM Building Suppliers	0.63
Lenton	Apartments 1-10, 1 Cottesmore Road	Multi tenanted – Residential	0.50
Southsea	84/90 Palmerston Road	JD Wetherspoon	0.49
Watford	The Dome Roundabout	Pizza Hut (UK)	0.49
Leicester	Grove Farm Triangle	Pizza Hut (UK)	0.47
Portishead	Harbour Road	JD Wetherspoon	0.40
Basingstoke	10 Chequers Road	Teddies Nurseries	0.36
Chesham	107 Bois Moor Road	Teddies Nurseries	0.30
Knutsford	The Old Knutsford Library	Knutsford Day Nursery	0.28
Total			**17.4**

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 September 2015

	Note	**Unaudited 6 months to 30 September 2015 £000**	Unaudited 6 months to 30 September 2014 £000	Audited 12 months to 31 March 2015 £000
Revenue	4	**8,686**	4,958	11,570
Investment management fee		**(974)**	(686)	(1,542)
Operating expenses of rental property				
– rechargeable to tenants		**(427)**	(314)	(342)
– directly incurred		**(180)**	(178)	(373)
Professional fees		**(191)**	(345)	(494)
Directors' fees		**(77)**	(115)	(190)
Administrative expenses		**(66)**	(59)	(101)
Expenses		**(1,915)**	(1,697)	(3,042)
Operating profit before financing and revaluation of investment properties		**6,771**	3,261	8,528
Analysed as:				
Operating profit before exceptional items		**6,821**	3,480	8,747
Exceptional cost	5	**(50)**	(219)	(219)
		6,771	3,261	8,528
Profit on disposal of investment properties		**77**	—	269
Unrealised gains on revaluation of investment properties:				
– relating to property revaluations	10	**2,624**	2,597	6,083
– relating to costs of acquisition	10	**(1,168)**	(2,553)	(5,844)
		1,533	44	508
Operating profit before financing		**8,304**	3,305	9,036
Net finance costs	6, 7	**(399)**	(49)	(289)
Profit before tax		**7,905**	3,256	8,747
Income tax expense	8	**—**	—	(2)
Profit for the period and total comprehensive income for the period, net of tax		**7,905**	3,256	8,745
Attributable to:				
Owners of the Company		**7,905**	3,256	8,745
Earnings per ordinary share:				
Basic and diluted (pence per share)	3	**4.3**	2.5	6.0

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

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 September 2015

	Note	**Unaudited 30 September 2015 £000**	Unaudited 30 September 2014 £000	Audited 31 March 2015 £000
Non-current assets				
Investment properties	10	**232,850**	145,894	207,287
Total non-current assets		**232,850**	145,894	207,287
Trade and other receivables	11	**1,931**	1,898	1,072
Cash and cash equivalents	13	**8,347**	1,343	849
Total current assets		**10,278**	3,241	1,921
Total assets		**243,128**	149,135	209,208
Equity				
Issued capital	15	**1,908**	1,320	1,776
Share premium	15	**7,404**	128,487	175,009
Retained earnings	15	**187,145**	1,608	3,201
Total equity attributable to equity holders of the Company		**196,457**	131,415	179,986
Non-current liabilities				
Borrowings	14	**39,280**	12,600	23,811
Total non-current liabilities		**39,280**	12,600	23,811
Current liabilities				
Trade and other payables	12	**3,741**	2,812	2,292
Deferred income		**3,650**	2,308	3,119
Total current liabilities		**7,391**	5,120	5,411
Total liabilities		**46,671**	17,720	29,222
Total equities and liabilities		**243,128**	149,135	209,208

These interim financial statements of Custodian REIT plc were approved and authorised for issue by the Board of Directors on 23 November 2015 and are signed on its behalf by:

David Hunter
Director

Registered number: 8863271

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 September 2015

	Note	**Unaudited 6 months to 30 September 2015 £000**	Unaudited 6 months to 30 September 2014 £000	Audited 12 months to 31 March 2015 £000
Operating activities				
Profit for the period		**8,304**	3,305	9,036
Adjustments for:				
Increase in fair value of investment property	10	**(2,624)**	(2,597)	(6,083)
Profit on disposal of investment properties		**(77)**	—	(269)
Net non-cash finance charges	6,7	**28**	(36)	(85)
Income tax	8	**—**	—	(2)
Cash flows from operating activities before changes in working capital and provisions		**5,631**	672	2,597
Increase in trade and other receivables		**(797)**	(1,898)	(1,072)
Increase in trade and other payables		**1,980**	5,120	5,411
Cash generated from operations		**6,814**	3,894	6,936
Interest paid	7	**(431)**	(56)	(258)
Net cash flows from operating activities		**6,383**	3,838	6,678
Investing activities				
Purchase of investment property		**(23,353)**	(66,306)	(125,728)
Disposal of investment property		**492**	—	1,784
Interest received	6	**4**	43	54
Net cash from investing activities		**(22,857)**	(66,263)	(123,890)
Financing activities				
Proceeds from the issue of share capital		**14,294**	55,000	102,620
Payment of costs of share issue		**(282)**	(2,182)	(2,824)
New borrowings (net of costs)		**15,407**	12,600	23,811
Dividends paid	9	**(5,447)**	(1,650)	(5,546)
Net cash from financing activities		**23,972**	63,768	118,061
Net (decrease)/increase in cash and cash equivalents		**7,498**	1,343	849
Cash and cash equivalents at start of the period		**849**	—	—
Cash and cash equivalents at end of the period		**8,347**	1,343	849

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 September 2015

	Note	Issued capital £000	Share premium £000	Retained earnings £000	Total equity £000
As at 24 March 2014 (audited)		**50**	**—**	**—**	**50**
Profit for the period		—	—	8,745	—
Total comprehensive income for period		—	—	8,745	8,745
Transactions with owners of the Company, recognised directly in equity					
Dividends		—	—	(5,546)	(5,546)
Issue of share capital	15	1,726	175,009	—	176,735
Profit on disposal of own shares		—	—	2	2
As at 1 April 2015 (audited)		**1,776**	**175,009**	**3,201**	**179,986**
Profit for the period		—	—	7,905	7,905
Total comprehensive income for period		—	—	7,905	7,905
Transactions with owners of the Company, recognised directly in equity					
Dividends	9	—	—	(5,447)	(5,447)
Issue of share capital	15	132	13,881	—	14,013
Transfer of reserves	15	—	(181,486)	181,486	—
As at 30 September 2015 (unaudited)		**1,908**	**7,404**	**187,145**	**196,457**

Retained earnings include £4.2 million of realised trading profits, £181.5 million transferred from share premium account (distributable "legal reserves" under the United Kingdom Listing Authority Prospectus Rules issued by the Financial Conduct Authority) and £1.5 million of unrealised profits relating to property valuation movements.

For the period ended 30 September 2014

	Note	Issued capital £000	Share premium £000	Retained earnings £000	Total equity £000
As at 25 March 2014 (audited)		**50**	**—**	**—**	**50**
Total comprehensive income for period		—	—	3,256	3,256
Transactions with owners of the Company, recognised directly in equity					
Dividends		—	—	(1,650)	(1,650)
Issue of share capital	15	1,270	128,487	—	129,757
Profit on disposal of own shares		—	—	2	2
As at 30 September 2014 (unaudited)		**1,320**	**128,487**	**1,608**	**131,415**

NOTES TO THE INTERIM FINANCIAL STATEMENTS

For the six months ended 30 September 2015

1. Corporate information

The Company is a public limited company incorporated and domiciled in England and Wales, whose shares are publicly traded on the London Stock Exchange plc's main market for listed securities. The interim financial statements have been prepared on a historical cost basis, except for the revaluation of investment properties and certain financial assets, and are presented in pounds sterling with all values rounded to the nearest thousand pounds (£000), except when otherwise indicated. The interim financial statements were authorised for issue in accordance with a resolution of the Directors on 23 November 2015.

2. Basis of preparation and accounting policies

2.1. Basis of preparation

The interim financial statements have been prepared in accordance with IAS 34 Interim Financial Reporting. The interim financial statements do not include all the information and disclosures required in the annual financial statements. The annual report for the year ending 31 March 2016 will be prepared in accordance with International Financial Reporting Standards adopted by the International Accounting Standards Board ("IASB") and interpretations issued by the International Financial Reporting Interpretations Committee ("IFRIC") of the IASB (together "IFRS") as adopted by the European Union, and in accordance with the requirements of the Companies Act applicable to companies reporting under IFRS.

The information relating to the Period is unaudited and does not constitute statutory financial statements within the meaning of section 434 of the Companies Act 2006. A copy of the statutory accounts for the period ended 31 March 2015 has been delivered to the Registrar of Companies. The auditor's report on those accounts was not qualified, did not include a reference to any matters to which the auditors drew attention by way of emphasis without qualifying the report and did not contain statements under section 498(2) or (3) of the Companies Act 2006.

The interim financial statements have been reviewed by the auditor and their report to the Company is included within these interim financial statements.

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

2. Basis of preparation and accounting policies continued

2.2. Significant accounting policies

The principal accounting policies adopted by the Company and applied to these interim financial statements are consistent with those policies applied to the Company's annual report and financial statements.

2.3. Going concern

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

2.4. Segmental reporting

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

2.5. Principal risks and uncertainties

The Company's assets consist of direct investments in UK commercial property. Its principal risks are therefore related to the UK commercial property market in general but also the particular circumstances of the properties in which it is invested and their tenants. Other risks faced by the Company include economic, strategic, regulatory, management and control, financial and operational.

These risks, and the way in which they are mitigated and managed, are described in more detail under the heading Principal Risks and Uncertainties within the Report of the Directors in the Company's Annual Report for the year ended 31 March 2015. The Company's principal risks and uncertainties have not changed materially since the date of that report and are not expected to change materially for the remaining six months of the Company's financial year.

NOTES TO THE INTERIM FINANCIAL STATEMENTS CONTINUED

3. Earnings per ordinary share

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

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

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

	Unaudited 6 months to 30 September 2015	Unaudited 6 months to 30 September 2014	Audited 12 months to 31 March 2015
Net profit and diluted net profit attributable to equity holders of the Company (£000)	**7,905**	3,256	8,745
Weighted average number of ordinary shares:			
Issued ordinary shares at start period	**177,605,659**	5,000,000	5,000,000
Effect of shares issued during the period	**5,135,246**	126,989,310	141,061,038
Basic and diluted weighted average number of shares	**182,740,905**	131,989,310	146,061,038
Basic and diluted earnings per share (pence)	**4.3**	2.5	6.0

4. Revenue

	Unaudited 6 months to 30 September 2015 £000	Unaudited 6 months to 30 September 2014 £000	Audited 12 months to 31 March 2015 £000
Gross rental income from investment properties	**8,280**	4,644	11,228
Income from recharges to tenants	**406**	314	342
	8,686	4,958	11,570

5. Exceptional items

During the Period, the Company incurred costs of £0.05 million in relation to the cancellation of the share premium account as detailed in Note 15.

One-off costs incurred on Admission in the period ended 30 September 2014 totalled £2.40 million of which £0.22 million was recognised in the statement of comprehensive income and £2.18 million was taken to the share premium account as being directly related to the issue of new shares.

6. Finance income

	Unaudited 6 months to 30 September 2015 £000	Unaudited 6 months to 30 September 2014 £000	Audited 12 months to 31 March 2015 £000
Bank interest received	**4**	43	54
Finance income	**119**	—	30
	123	43	84

7. Finance costs

	Unaudited 6 months to 30 September 2015 £000	Unaudited 6 months to 30 September 2014 £000	Audited 12 months to 31 March 2015 £000
Amortisation of arrangement fees on debt facilities	**91**	36	115
Bank interest	**431**	56	258
	522	92	373

8. Income tax

The tax charge assessed for the Period is lower than the standard rate of corporation tax in the UK during the Period of 20.0%. The differences are explained below:

	Unaudited 6 months to 30 September 2015 £000	Unaudited 6 months to 30 September 2014 £000	Audited 12 months to 31 March 2015 £000
Profit before income tax	**7,905**	3,256	8,747
Tax charge on profit at a standard rate of 20.0% (30 September 2014: 21.3%, 31 March 2015: 21.0%)	**1,581**	694	1,837
Effects of:			
REIT tax exempt rental profits and gains	**(1,581)**	(694)	(1,835)
Income tax expense for the period	**Nil**	Nil	2
Effective income tax rate	**0.0%**	0.0%	0.0%

The Company operates as a Real Estate Investment Trust and hence profits and gains from the property investment business are normally exempt from corporation tax.

The UK Government reduced the rate of corporation tax from 21% to 20% effective from 1 April 2015.

NOTES TO THE INTERIM FINANCIAL STATEMENTS CONTINUED

9. Dividends

	Unaudited 6 months to 30 September 2015 £000	Unaudited 6 months to 30 September 2014 £000	Audited 12 months to 31 March 2015 £000
Equity dividends on ordinary shares:			
Interim dividend for the quarter ended 30 June 2014: 1.25p	**—**	1,650	1,650
Interim dividend for the quarter ended 30 September 2014: 1.25p	**—**	—	1,948
Interim dividend for the quarter ended 31 December 2014: 1.25p	**—**	—	1,948
Interim dividend for the quarter ended 31 March 2015: 1.5p	**2,672**	—	—
Interim dividend for the quarter ended 30 June 2015: 1.5p	**2,775**	—	—
	5,447	1,650	5,546

The Directors propose that the Company pays a third interim dividend relating to the quarter ended 30 September 2015 of 1.5 pence per ordinary share. This dividend has not been included as a liability in these interim financial statements. The third interim dividend is expected to be paid on 31 December 2015 to shareholders on the register at the close of business on 27 November 2015.

In the absence of unforeseen circumstances, the Board intends to pay further quarterly dividends to achieve an annual dividend of 6.25 pence per share[13] for the financial year ending 31 March 2016.

10. Investment properties

	£000
At 31 March 2015	207,287
Additions	24,522
Disposals	(415)
Property revaluations	2,624
Acquisition costs	(1,168)
Net revaluation gain	1,456
As at 30 September 2015	**232,850**

Included in investment properties is £1.24 million relating to ongoing development funding.

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

10. Investment properties continued

The carrying value at 30 September 2015 comprises freehold and leasehold properties summarised as follows:

Investment properties	Freehold £000	Leasehold £000	Total £000
Historical cost	189,273	40,532	229,805
Valuation gain	2,237	808	3,045
At 30 September 2015	**191,510**	**41,340**	**232,850**

The investment properties are stated at the Directors' estimate of their 30 September 2015 fair values. Lambert Smith Hampton Group Limited ("LSH"), a professionally qualified independent valuer, valued the properties as at 30 September 2015 in accordance with the Appraisal and Valuation Standards published by the Royal Institution of Chartered Surveyors. LSH has recent experience in the relevant location and category of the properties being valued.

Investment properties have been valued using the investment method which involves applying a yield to rental income streams. Inputs include yield, current rent and estimated rental value ("ERV"). For the period end valuation, the equivalent yields used ranged from 5.0% to 10.1%. Valuation reports are based on both information provided by the Company e.g. current rents and lease terms which are derived from the Company's financial and property management systems are subject to the Company's overall control environment, and assumptions applied by the valuer e.g. ERVs and yields. These assumptions are based on market observation and the valuer's professional judgement. In estimating the fair value of the property, the highest and best use of the properties is their current use. Included within the condensed consolidated statement of comprehensive income is £1.5 million of valuation gains and profits on disposal of investment property which represent unrealised movements on investment property.

11. Trade and other receivables

	Unaudited as at 30 September 2015 £000	Unaudited as at 30 September 2014 £000	Audited as at 31 March 2015 £000
Trade receivables	**1,052**	962	451
Other receivables	**57**	450	92
Prepayments and accrued income	**822**	486	529
	1,931	1,898	1,072

The Company has provided fully for those receivable balances that it does not expect to recover. This assessment has been undertaken by reviewing the status of all significant balances that are past due and involves assessing both the reason for non-payment and the creditworthiness of the counterparty. Included within accrued income are balances totalling £0.59 million which are to be held for a period over one year.

NOTES TO THE INTERIM FINANCIAL STATEMENTS CONTINUED

12. Trade and other payables

	Unaudited as at 30 September 2015 £000	Unaudited as at 30 September 2014 £000	Audited as at 31 March 2015 £000
Falling due in less than one year:			
Trade and other payables	**564**	725	338
Social security and other taxes	**885**	721	687
Accruals	**2,038**	1,136	1,037
Rental deposit held	**254**	230	230
	3,741	2,812	2,292

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

13. Cash and cash equivalents

	Unaudited as at 30 September 2015 £000	Unaudited as at 30 September 2014 £000	Audited as at 31 March 2015 £000
Cash and cash equivalents	**8,347**	1,343	849

Cash and cash equivalents include £0.25 million (30 September 2014 and 31 March 2015: £0.23 million) of restricted cash in the form of rental deposits held on behalf of tenants.

14. Borrowings

	Unaudited as at 30 September 2015 £000	Unaudited as at 30 September 2014 £000	Audited as at 31 March 2015 £000
Falling due in more than one year:			
Bank borrowings	**40,000**	12,600	24,300
Costs incurred in the arrangement of bank borrowings	**(720)**	—	(489)
	39,280	12,600	23,811

During the Period, the Company and Scottish Widows plc, with Lloyds Bank plc acting as agent, entered into an agreement for Scottish Widows plc to provide the Company with a new term loan facility of £20 million, repayable on 14 August 2025. Under the terms of the agreement, the Company will pay fixed interest of 3.935% per annum on the balance.

The Company's borrowing position at 31 March 2015 is set out in the Annual Report.

15. Issued capital and reserves

Share capital	Ordinary shares of 1p	Unaudited £000
At 25 March 2014	131,989,310	1,320
Issue of share capital	45,616,349	456
At 31 March 2015	177,605,659	1,776
Issue of share capital	13,200,000	132
At 30 September 2015	**190,805,659**	**1,908**

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

During the Period, the Company raised £14.3 million (before costs and expenses) through further placings of 13,200,000 new ordinary shares. The Company has made further issues of new shares since the Period end, which are detailed in Note 18 to the interim financial statements.

Rights, preferences and restrictions on shares

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

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

At the AGM of the Company held on 22 July 2015, the Board was given authority to issue up to 120,670,439 shares, pursuant to section 551 of the Companies Act 2006. This authority is intended to satisfy market demand for the ordinary shares and raise further monies for investment in accordance with the Company's investment policy.

In addition, the Company was granted authority to make market purchases of up to 18,100,565 ordinary shares under section 701 of the Companies Act 2006.

On 14 August 2015, registration was completed of the Chancery Division of the High Court of Justice's approval of the cancellation of the Company's share premium account, standing at £181,485,649 as of 22 July 2015.

NOTES TO THE INTERIM FINANCIAL STATEMENTS CONTINUED

15. Issued capital and reserves continued

Rights, preferences and restrictions on shares continued

Further details, including the rationale for the cancellation, are set out in the Notice of Annual General Meeting available at the Company's website.

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

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

16. Financial instruments

Fair values

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

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

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

Investment property – level 3

Fair value is based on valuations provided by an independent firm of chartered surveyors and registered appraisers. These values were determined after having taken into consideration recent market transactions for similar properties in similar locations to the investment properties held by the Company. The fair value hierarchy of investment property is level 3. At 30 September 2015, the Company fair value of investment properties was £232.9 million.

Interest bearing loans and borrowings – level 3

As at 30 September 2015 the amortised cost of the Company's loans with Lloyds Bank plc and Scottish Widows plc approximated their fair value. The loan from Scottish Widows plc includes a market-based break cost for early repayment ("Prepayment Option"), which is classified as a non-separable component of the loan. If the Prepayment Option was classified as a separate financial instrument, it would decrease the Company's NAV per share at 30 September 2015 to 102.6p (as previously reported in the quarterly NAV statement released on 20 October 2015 and the prospectus relating to the Issue dated 4 November 2015).

16. Financial instruments continued

Trade and other receivables/payables – level 3

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

17. Related party transactions

Transactions with directors

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

Fees payable to the Manager

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

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

During the Period the Company paid the Investment Manager £1.59 million (September 2014: £0.70 million, March 2015: £1.79 million) in respect of annual management charges, administrative fees and marketing fees.

The Company owed £8,063 to the Investment Manager at 30 September 2015 (September 2014: £546,871, March 2015: £nil).

Certain investment properties are partially let to Mattioli Woods plc. Mattioli Woods plc paid the Company rentals of £0.21 million during the Period (September 2014: £0.18 million, March 2015: £0.35 million) and owed the Company £54,736 at 30 September 2015 (September 2014: £514, March 2015: £nil).

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

NOTES TO THE INTERIM FINANCIAL STATEMENTS CONTINUED

18. Events after the reporting date

New equity

Since the reporting date the Company has issued 2,500,000 new ordinary shares of 1 pence each, raising £2.68 million (before costs and expenses).

Acquisitions

On 7 October 2015 the Company acquired Lancaster House, a prominent 39,600 sq ft office building on the corner of Newhall Street and Great Charles Street, in Birmingham city centre for £6,650,000. The property is let to 15 tenants with lease expiries between 30 June 2016 and 31 July 2025, with a total passing rent of £505,752 per annum, reflecting a net initial yield of 7.19%.

On 23 October 2015 the Company acquired the ground floor and part of the first floor of a leisure development in Abbey Sands, Torquay for £4.33 million let to Le Bistro Pierre Limited, Las Iguanas Limited, Loungers Limited and Jurassic Coast Coffee Limited (trading as Costa Coffee) at an aggregate passing rent of £285,000 per annum.

The Company also acquired 1.3 acres of development land at the Gunnels Wood Industrial Estate, Stevenage for a purchase price of £1.0 million pre-let to Morrison Utility Services Limited at a passing rent of £226,551, reflecting a net initial yield of 7.21%. The construction of a 23,161 sq ft warehouse unit will be phased over a seven month build period with funding drawn-down via monthly certified payments, which will attract an annualised coupon of 6.25% until completion.

On 18 November 2015 the Company exchanged contracts to acquire a property portfolio for £69.4 million due to complete in January 2016.

Placing

On 4 November 2015 the Board announced that the Company proposes to raise gross proceeds of up to £50 million, with the ability to increase this to up to £75 million through the issue of up to 71,976,967 new Ordinary Shares by way of a Placing, an Open Offer and an Offer for Subscription (the "Issue"), all at 104.2 pence per Ordinary Share. In addition to the Issue, the Company is facilitating potential issues of up to 100 million Ordinary Shares pursuant to a rolling twelve month Placing Programme.

The Company has published a prospectus relating to the Issue and the Placing Programme which is available on the Company's website (www.custodianreit.com) and has been posted to Shareholders.

Borrowings

On 13 November 2015 the Company and Lloyds Bank plc agreed to amend the RCF agreement to increase the Company's facility to £35 million and extend the term of the RCF to expire on 13 November 2020.

INDEPENDENT AUDITOR'S REVIEW REPORT TO CUSTODIAN REIT PLC

For the six months ended 30 September 2015

We have been engaged by the Company to review the condensed set of interim financial statements in the interim financial statements for the period ended 30 September 2015 which comprise the condensed consolidated statement of comprehensive income, the condensed consolidated balance sheet, the condensed consolidated statement of cash flows, the condensed consolidated statement of changes in equity and the related Notes 1-18. We have read the other information contained in the interim financial statements and considered whether they contain any apparent misstatements or material inconsistencies with the information in the condensed set of financial statements.

This report is made solely to the Company in accordance with International Standard on Review Engagements (UK and Ireland) 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Auditing Practices Board. Our work has been undertaken so that we might state to the Company those matters we are required to state to it in an independent review report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company, for our review work, for this report, or for the conclusions we have formed.

Directors' responsibilities

The interim financial statements are the responsibility of, and have been approved by, the Directors. The Directors are responsible for preparing the interim financial statements in accordance with the Disclosure and Transparency Rules of the United Kingdom's Financial Conduct Authority.

As disclosed in the notes, the annual financial statements of the Company are prepared in accordance with IFRSs as adopted by the European Union. The condensed set of financial statements included in these interim financial statements has been prepared in accordance with International Accounting Standard 34 "Interim Financial Reporting", as adopted by the European Union.

Our responsibility

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

Scope of review

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

INDEPENDENT AUDITOR'S REVIEW REPORT TO CUSTODIAN REIT PLC CONTINUED

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the condensed set of financial statements in the interim financial statements for the period ended 30 September 2015 is not prepared, in all material respects, in accordance with International Accounting Standard 34 as adopted by the European Union and the Disclosure and Transparency Rules of the United Kingdom's Financial Conduct Authority.

Deloitte LLP
Chartered Accountants and Statutory Auditor
Birmingham, United Kingdom
23 November 2015

DIRECTORS' RESPONSIBILITIES FOR THE INTERIM FINANCIAL STATEMENTS

The Directors have prepared the interim financial statements of the Company for the period from 1 April 2015 to 30 September 2015.

We confirm that to the best of our knowledge:

a) The condensed interim financial statements have been prepared in accordance with IAS 34 "Interim Financial Reporting" as adopted by the EU;
b) The condensed set of financial statements, which has been prepared in accordance with the applicable set of accounting standards, gives a true and fair view of the assets, liabilities, financial position and profit or loss of the Company, or the undertakings included in the consolidation as a whole as required by DTR 4.2.4R;
c) The interim financial statements includes a fair review of the information required by DTR 4.2.7R of the Disclosure and Transparency Rules, being an indication of important events that have occurred during the first six months of the financial year, and their impact on the Condensed Financial Statements, and a description of the principal risks and uncertainties for the remaining six months of the financial year; and
d) The interim financial statements includes a fair review of the information required by DTR 4.2.8R of the Disclosure and Transparency Rules, being material related party transactions that have taken place in the first six months of the current financial year and any material changes in the related party transactions described in the last Annual Report.

A list of the current directors of Custodian REIT plc is maintained on the Company's website at www.custodianreit.com.

By order of the Board

David Hunter
Chairman
23 November 2015

COMPANY INFORMATION

Directors

David Hunter	Independent Non-Executive Chairman
Barry Gilbertson PP-RICS	Senior Independent Non-Executive Director
Ian Mattioli	Non-Executive Director
Matthew Thorne FCA	Independent Non-Executive Director

Company secretary
Nathan Imlach CA FCSI CF

Registered office
1 Penman Way
Grove Park
Enderby
Leicester
LE19 1SY

Registered number
8863271

Investment Manager
Custodian Capital Limited
1 Penman Way
Grove Park
Enderby
Leicester
LE19 1SY

Depositary
Langham Hall UK Depositary LLP
5 Old Bailey
London
EC4M 7BA

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

Banker
Lloyds Bank plc
114-116 Colmore Row
Birmingham
B3 3BD

Solicitors
DWF LLP
20 Fenchurch Street
London
EC3M 3AG

Walker Morris LLP
Kings Court
12 King Street
Leeds
LS1 2HL

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

Auditor and tax adviser
Deloitte LLP
Four Brindleyplace
Birmingham
B1 2HZ

Registrars
Capita Registrars Limited
The Registry
34 Beckenham Road
Beckenham
Kent
BR3 4TU

FINANCIAL CALENDAR

24 November 2015	Announcement of results for the period ended 30 September 2015
26 November 2015	Ex-dividend date for Q2 dividend
27 November 2015	Record date for Q2 dividend
31 December 2015	Payment of Q2 dividend
20 July 2016	AGM

ckd
Design & Production
www.carrkamasa.co.uk

1 Penman Way
Grove Park
Enderby
Leicester
LE19 1SY

Telephone: 0116 240 8740

www.custodianreit.com

Custodian
REIT PLC