Custodian
PROPERTY INCOME REIT

Interim Report 2022

Welcome to the Custodian Property Income REIT plc Interim Report 2022

Oxford

Custodian Property Income REIT plc ("Custodian Property Income REIT" or "the Company") is a UK real estate investment trust ("REIT") which seeks to deliver a strong income return by investing in a diversified portfolio of smaller regional properties let to institutional grade tenants across the UK, principally characterised by properties with individual values of less than £15m at acquisition

For more information, visit:
custodianreit.com

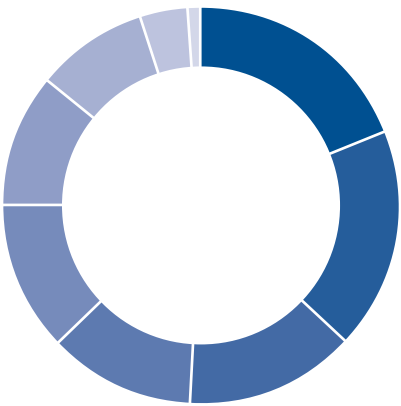
Inside this report

Highlights and performance summary

Property highlights	2022 £m
Portfolio value	**685.4**
Property valuation movements[1]:	
• **From asset management initiatives**	**8.4**
• **General valuation decreases**	**(36.1)**
	(27.7)

Property acquisitions	**52.7**
Capital expenditure	**5.3**
Profit on disposal[2]	**4.7**
Disposal proceeds since the Period end	**13.5**

Portfolio income split by region
weighting by income 30 Sept 2022



- West Midlands: 19%
- North-West: 18%
- East Midlands : 14%
- South-East: 12%
- North-East: 12%
- Scotland: 11%
- South-West: 9%
- Eastern: 4%
- Wales: 1%

Our portfolio by sector
weighting by income 30 Sept 2022

- Industrial: 38%
- Retail warehouse: 24%
- Office: 16%
- Other: 11%
- Retail: 11%

1. Before acquisition costs of £3.4m.
2. Net of disposal costs of £0.1m.

Portfolio value
£685.4m
Property portfolio value of £685.4m (31 March 2022: £665.2m, 2021: £551.9m)

Valuation increases from asset management
£8.4m
Detailed in the Asset management report

General valuation decreases
(£36.1m)
Across all sectors and driven by current investor and market sentiment around the UK's economic outlook

Property acquisitions
£52.7m
- £15.0m retail park in Nottingham
- £11.1m distribution unit near Glasgow
- £8.9m for two DFS retail warehouses in Droitwich and Measham
- £7.5m industrial facility in Grangemouth
- £3.7m high street retail units in Winchester
- £3.5m industrial unit in Chesterfield
- £3.0m drive-through restaurants in York

Capital expenditure
£5.3m
Primarily relating to significant refurbishment work on two industrial assets in Avonmouth and Manchester and a retail warehouse in Swindon, with £0.7m invested in electric vehicle chargers at various sites

Profit on disposal[2]
£4.7m
Sale proceeds of £14.9m at an aggregate 46% premium to valuation comprising:
- Industrial unit in Milton Keynes to a special purchaser for £8.5m
- Audi dealership in Derby for £5.7m
- High street retail unit in Weston-Super-Mare for £0.7m

Disposal proceeds since the Period end
£13.5m
- £9.3m for a shopping centre in Gosforth
- £2.8m for business park offices in Leicester
- £1.4m for an industrial unit in Kilmarnock

Highlights and performance summary continued

Financial highlights and performance summary

	6 months ended 30 Sept 2022	6 months ended 30 Sept 2021	12 months ended 31 Mar 2022
Returns			
EPRA[3] earnings per share[4]	**2.8p**	3.0p	5.9p
Basic and diluted earnings per share[5]	**(3.2p)**	11.4p	28.5p
(Loss)/profit before tax (£m)	**(14.1)**	48.1	122.3
Dividends per share[6]	**2.75p**	2.5p	5.25p
Dividend cover[7]	**102.0%**	120.5%	110.3%
NAV total return per share[8]	**(2.7%)**	11.7%	28.4%
Share price total return[9]	**(2.0%)**	4.7%	17.0%
Capital values			
NAV and EPRA NTA[10] (£m)	**501.4**	445.9	527.6
NAV per share and NTA per share	**113.7p**	106.0p	119.7p
Borrowings			
Net gearing[11]	**25.5%**	19.6%	19.1%
Weighted average cost of drawn debt facilities	**3.45%**	2.88%	3.06%
Costs			
Ongoing charges ratio ("OCR") excluding direct property expenses[12]	**1.20%**	1.19%	1.20%
Environmental			
Weighted average energy performance certificate ("EPC") rating[13]	**C (58)**	C (62)	C (61)

3. The European Public Real Estate Association ("EPRA").
4. Profit after tax excluding net gains or losses on investment property divided by weighted average number of shares in issue.
5. Profit after tax divided by weighted average number of shares in issue.
6. Dividends paid and approved for the Period.
7. Profit after tax, excluding net gains or losses on investment property, divided by dividends paid and approved for the Period.
8. Net Asset Value ("NAV") movement including dividends paid during the Period on shares in issue at 31 March 2022.
9. Share price movement including dividends paid during the Period.
10. EPRA net tangible assets ("NTA") does not differ from the Company's IFRS NAV or EPRA NAV.
11. Gross borrowings less cash (excluding rent deposits) divided by property portfolio value.
12. Expenses (excluding operating expenses of rental property) divided by average quarterly NAV.
13. For properties in Scotland, English equivalent EPC ratings have been obtained.

EPRA[3] earnings per share[4]

2.8p

Decrease reflects administrative cost inflation and higher finance and ESG compliance costs

Loss before tax

(£14.1m)

Current period loss reflects valuation decreases of £27.7m

Dividends per share[6]

2.75p

Target dividend per share for the year ended 31 March 2023 of not less than 5.5p

Dividend cover[7]

102.0%

In line with the Company's policy of paying fully covered dividends

NAV total return per share[8]

(2.7%)

2.3% dividends paid and a 5.0% capital decrease

Share price total return[9]

(2.0%)

Share price decreased from 101.8p to 98.5p during the Period

NAV and EPRA NTA[10]

£501.4m

Decreased due to £27.7m of valuation decreases and £3.4m of acquisition costs, partially offset by a £4.7m profit on disposal

Net gearing[11]

25.5%

Increased due to deployment during the Period, but reduced to 24.0% by disposals since the Period end

Weighted average cost of drawn debt facilities

3.45%

Majority fixed rate debt insulating the Company from a 2.25% rise in base rates during the Period

Weighted average energy performance certificate ("EPC") rating[13]

C (58)

EPCs updated at 14 units across 7 properties demonstrating continuing improvements in the environmental performance of the portfolio

Alternative performance measures

The Company presents alternative performance measures ("APMs") to assist stakeholders in assessing performance alongside the Company's results on a statutory basis.

APMs are among the key performance indicators used by the Board to assess the Company's performance and are used by research analysts covering the Company. Certain other APMs may not be directly comparable with other companies' adjusted measures, and APMs are not intended to be a substitute for, or superior to, any IFRS measures of performance. Supporting calculations for APMs and reconciliations between APMs and their IFRS equivalents are set out in Note 19.

Our longer-term fixed rate debt profile has insulated against rising interest rates

David Hunter
Chairman

The Company's well-diversified investment portfolio has shown its resilience during the six months ended 30 September 2022 ("the Period") which has mitigated the risks posed by volatility in real estate investment markets. In particular, the Company's conservative balance sheet and its longer-term fixed rate debt profile have provided insulation against the challenge of rising interest rates in the short to medium term.

We are also confident that the Company's diversified investment policy and the depth of the occupational market, which continues to support a high income return strategy, will also continue to provide insulation against the potential threat to dividends from increased tenant distress and vacancy caused by a protracted recession. Despite valuation decreases of £27.7m during the Period EPRA earnings per share were 2.8p (2021: 3.0p) reflecting the Company's stable rent roll which provided 102% cover for dividends relating to the Period.

We expect to see medium-term acquisition opportunities as increasing debt costs drive market pricing for new investments closer to our income return requirements. We continue to view income as the key stable component of property returns. In these circumstances we expect investment market sentiment to transition from the relative volatility of single sector investing to a more defensive, diversified, income focused strategy.

We also see opportunities for relative outperformance given the current net initial yield of the Company's portfolio stands at 5.9%. Not only is this comfortably ahead of our 3.5% weighted average cost of debt but is also in stark contrast to the keen pricing recently seen in specific sectors which are now experiencing more material valuation falls.

In line with the Company's objective to be the REIT of choice for institutional and private investors seeking high and stable dividends from well diversified UK commercial real estate, I was very pleased to be able to announce that despite ongoing uncertainty, dividends per share of 2.75p (2021: 2.5p) have been declared relating to the Period. The Board expects to continue to pay quarterly dividends per share of 1.375p to achieve a target dividend per share for the year ending 31 March 2023 of no less than 5.5p based on rent collection levels remaining at their current levels.

The Board acknowledges the importance of income for shareholders and its objective is to grow the dividend on a sustainable basis at a rate which is fully covered by projected net rental income and does not inhibit the flexibility of the Company's investment strategy.

Borrowings and cash

During the Period the Company refinanced a £25m variable rate revolving credit facility ("RCF") with the Royal Bank of Scotland, which had been due to expire on 30 September 2022, with an additional £25m tranche of debt from Aviva Real Estate Investors ("Aviva") expiring in 2032 with a fixed interest rate of 4.1%.

This refinancing increased the proportion of the Company's agreed debt facilities with a fixed rate of interest from 61% to 74%, significantly mitigating interest rate risk for the Company and maintaining a beneficial margin between the aggregate cost of debt of 3.5% and income returns from the property portfolio.

Cromer

Net asset value

The NAV of the Company at 30 September 2022 was £501.4m, approximately 113.7p per share, a decrease of 6.0p (5.0%) since 31 March 2022:

	Pence per share	£m
NAV at 31 March 2022	119.7	527.6
Valuation movements relating to:		
• Asset management activity	1.9	8.4
• Other valuation movements	(8.2)	(36.1)
Valuation decrease before acquisition costs	(6.3)	(27.7)
Impact of acquisition costs	(0.8)	(3.4)
Valuation decrease including acquisition costs	(7.1)	(31.1)
Profit on disposal of investment property	1.1	4.7
Net losses on investment property	(6.0)	(26.4)
EPRA earnings	2.8	12.3
Dividends paid[14] during the Period	(2.8)	(12.1)
NAV at 30 September 2022	**113.7**	**501.4**

14. Dividends of 2.75p per share were paid during the Period on shares in issue throughout the Period.

At 30 September 2022 the Company operates the following debt facilities:

- A £40m RCF with Lloyds Bank plc ("Lloyds"). Interest charged is between 1.5% and 1.8% above SONIA[15], determined by reference to the prevailing loan-to-value ("LTV") ratio, and expiring on 17 September 2024;
- A £20m term loan with Scottish Widows plc ("SWIP") with interest fixed at 3.935% and repayable on 13 August 2025;
- A £45m term loan with SWIP with interest fixed at 2.987% and repayable on 5 June 2028; and
- A £75m term loan with Aviva comprising:
  - A £35m tranche repayable on 6 April 2032 with fixed annual interest of 3.02%;
  - A £25m tranche repayable on 3 November 2032 with fixed annual interest of 4.10%; and
  - A £15m tranche repayable on 3 November 2032 with fixed annual interest of 3.26%.

At 30 September 2022 the Company's RCF had a £40m facility limit (31 March 2022: £20m limit) and was £38m drawn (31 March 2022: £nil drawn). The facility limit can be increased to £50m with Lloyds' consent. Disposals since the Period end have decreased the drawn RCF to £30m.

15. The sterling overnight index average ("SONIA") which has replaced LIBOR as the UK's main interest rate benchmark.


York

Each facility has a discrete security pool, comprising a number of the Company's individual properties, over which the relevant lender has security and the following financial covenants:

- The maximum LTV of each discrete security pool is between 45% and 50%, with an overarching covenant on the Company's property portfolio of a maximum 35% LTV; and
- Historical interest cover requiring net rental receipts from each discrete security pool over the preceding three months to exceed 250% of the facility's quarterly interest liability.

The Aviva facility also contains a projected interest cover covenant requiring net contractual rents from the security pool over the next 12 months to exceed 250% of the facility's quarterly interest liability.

The Company complied with all loan covenants during the Period.

£188.9m of the Company's portfolio (representing 27.6%) is unencumbered and available to be charged to the security pools to enhance the LTV on individual loans if required.

The Company's debt profile is summarised below:

	Maximum facilities		Drawn facilities	
	30 Sept 2022	31 Mar 2022	**30 Sept 2022**	31 Mar 2022
Amount	**£190m**	£190m	**£178m**	£138m
Net gearing	**N/a**	N/a	**25.5%**	19.1%
Weighted average cost	**3.47%**	2.87%	**3.45%**	3.07%
Weighted average maturity	**6.0 years**	5.2 years	**6.3 years**	6.3 years
Percentage of facilities at a fixed rate of interest	**74%**	61%	**79%**	84%

The weighted average term of the Company's fixed-rate debt facilities is 7.5 years (31 March 2022: 7.4 years).

Dividends

During the Period the Company paid a fourth interim dividend per share for the financial year ended 31 March 2022 of 1.375p, and the first quarterly dividend per share for the financial year ending 31 March 2023 of 1.375p, relating to the quarter ended 30 June 2022.

In line with the Company's dividend policy the Board approved an interim dividend of 1.375p per share for the quarter ended 30 September 2022 which was paid on 30 November 2022 to shareholders on the register on 14 October 2022.

Business model and strategy

Custodian Property Income REIT offers investors the opportunity to access a diversified portfolio of UK commercial real estate through a closed-ended fund. The Company seeks to provide investors with an attractive level of income and the potential for capital growth, becoming the REIT of choice for private and institutional investors seeking high and stable dividends from well-diversified UK real estate.

The Company's investment policy[16] is summarised below:

- To invest in a diverse portfolio of UK commercial real estate, principally characterised by individual property values of less than £15m at acquisition.
- The property portfolio should be diversified by sector, location, tenant and lease term, with a maximum weighting to any one property sector or geographic region of 50%.
- To acquire modern buildings or those considered fit for purpose by occupiers, focusing on areas with:
  - High residual values;
  - Strong local economies; and
  - An imbalance between supply and demand.

16. A full version of the Company's Investment Policy is available at custodianreit.com/wp-content/uploads/2022/09/CREIT-Investment-policy-updated-31_8_22.pdf.

- No one tenant or property should account for more than 10% of the rent roll at the time of purchase, except for:
  - (i) governmental bodies or departments; or
  - (ii) single tenants rated by Dun & Bradstreet as having a credit risk score higher than two[17], where exposure may not exceed 5% of the rent roll.
- The Company will not undertake speculative development except for the refurbishment or redevelopment of existing holdings, but may invest in forward funding agreements where the Company may acquire pre-let development land and construct investment property with the intention of owning the completed development.
- The Company may use gearing provided that the maximum LTV shall not exceed 35%, with a medium-term net gearing target of 25% LTV.

Investment Manager

Custodian Capital Limited ("the Investment Manager") is appointed under an investment management agreement ("IMA") to provide asset management, investment management and administrative services to the Company.

Board succession and tenure

After eight years of service, Matthew Thorne retired as Non-Executive Director of the Company at the AGM on 31 August 2022, in line with its succession plan. The Board would like to thank Matthew for his significant contribution to the development of the Company since his appointment on IPO in 2014.

Responding to Matthew's departure we were delighted to welcome Malcolm Cooper, who joined the Board on 6 June 2022, and who brings a range of experience and skills including the financial expertise to take on the role of Chair of the Audit and Risk Committee and maintain the Board's property and governance experience.

The Company's Directors are appointed on an initial three-year term, with a typical expectation that two, three-year terms will be served, plus the potential to be invited to serve for an additional three-year period. The Company's succession policy allows for a tenure of longer than nine years, in line with the 2019 AIC Corporate Governance Code for Investment Companies ("AIC Code"), but the Board acknowledges the benefits of ongoing Board refreshment.

In line with the Company's succession plan I intend to retire as a Non-Executive Director of the Company at the AGM in 2023 when I will have completed my ninth year of service. Where possible, the Board's policy is to recruit successors well ahead of the retirement of Directors and a recruitment process is underway with an executive search consultancy to identify a suitable replacement in time to allow an appropriate period of handover.

Diversity

The Board is conscious of increased stakeholder focus on diversity and understands a diverse Board brings constructive challenge and fresh perspectives to discussions.

The Company follows the AIC Code which recommends:

- The Board has a combination of skills, experience and knowledge; and
- Both appointments and succession plans should be based on merit and objective criteria and, within this context, should promote diversity of gender, social and ethnic backgrounds, cognitive and personal strengths.

17. A risk score of two represents "lower than average risk".

The Board supports the overall recommendations of the Hampton-Alexander and Parker Reviews for appropriate gender and ethnic diversity. During the Period the FCA has introduced 'comply or explain' targets of:

- At least 40% of the board should be women;
- At least one of the senior board positions (Chair, Chief Executive Officer, Chief Financial Officer or Senior Independent Director ("SID") should be a woman; and
- At least one member of the board should be from an ethnic minority background.

The Company's Board contains two females representing 33% with Elizabeth McMeikan acting as the Senior Independent Director. No Directors are from a minority ethnic background.

The Board's positive approach to diversity means that, where possible, each time a Director is recruited at least one of the shortlist candidates is female and at least one of the shortlist candidates is from a minority ethnic background. Custodian Property Income REIT is an investment company with no Executive Directors and a small Board compared to equivalent size listed trading companies. As a result, the Company does not comply with the newly introduced diversity targets. We will report on what steps the Company is taking to address these targets in the Annual Report for the year ending 31 March 2023.

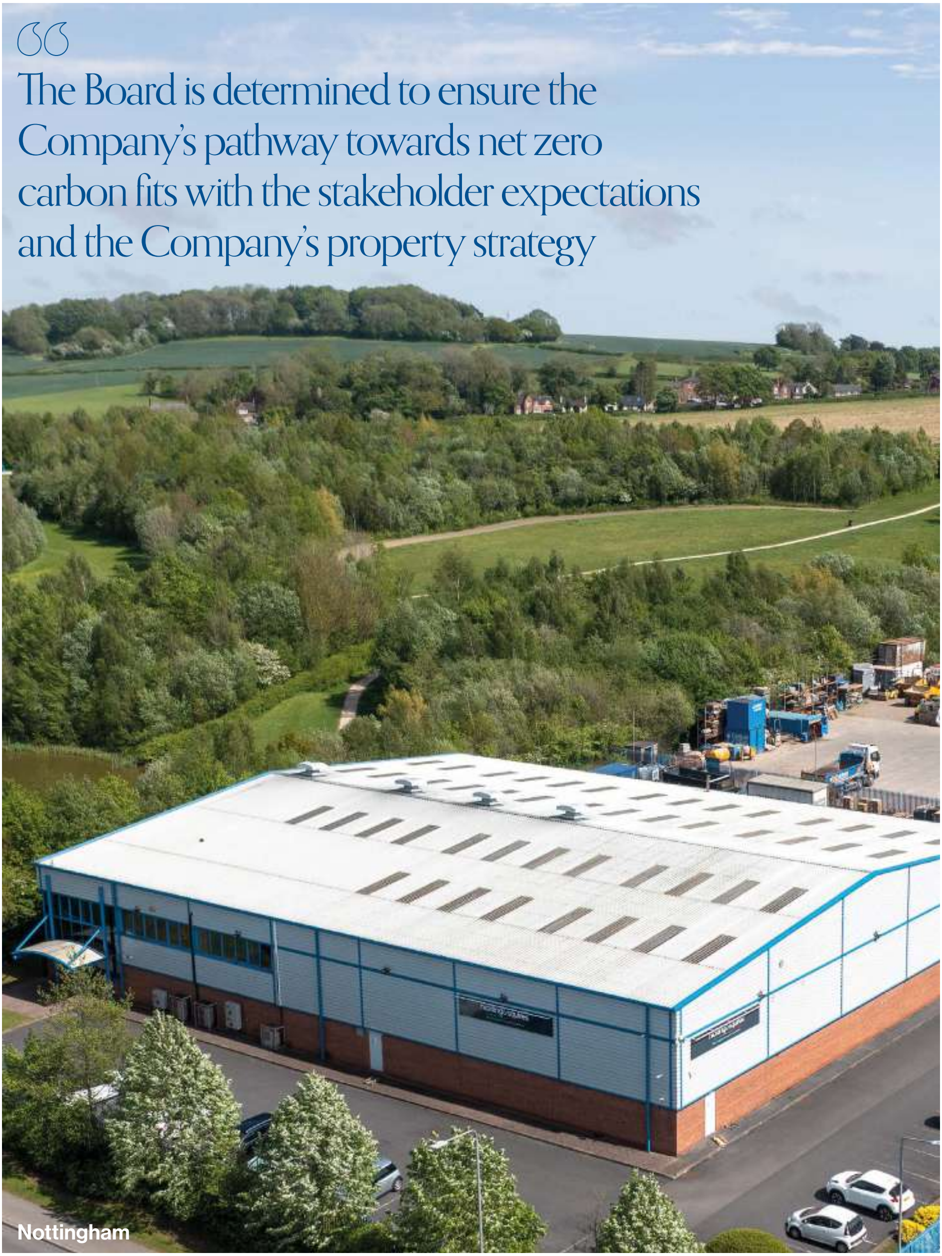
Remuneration

During the Period the Board has reviewed its governance processes and identified that, because the Board has no Executive Directors and the Company has no employees, it is most appropriate for the Board as a whole to be responsible for setting and reviewing the Directors' remuneration policy. On that basis the Company's Remuneration Committee has been disbanded with immediate effect with its key duties now performed by the Board. This announcement is made in accordance with Listing Rule 9.6.11 (3).

Environmental, social and governance ("ESG")

The Board recognises that its decisions have an impact on the environment, people and communities. The Board also believes that the Company's property strategy and ESG aspirations create a compelling rationale to make environmentally beneficial improvements to its property portfolio and incorporate ESG best practice into everything the Company does.

> The Board is determined to ensure the Company's pathway towards net zero carbon fits with the stakeholder expectations and the Company's property strategy



Nottingham

The Company's ESG Committee: agrees the Company's environmental key performance indicators ("KPIs") and monitors its performance against them; ensures it complies with its environmental reporting requirements and best practice; assesses the engagement with the Company's environmental consultants; and assesses the level of social outcomes being achieved for its stakeholders and the communities in which it operates.

The Company's ESG policy[18] outlines our approach to managing ESG impacts and provides the framework for setting and reviewing environmental and social objectives to ensure we are continuously improving our performance and setting a leadership direction.

As a result, the Board has committed to:

- Understanding environmental risks and opportunities;
- Improving the energy performance of our buildings;
- Reducing energy usage and emissions;
- Achieving positive social outcomes and supporting local communities; and
- Complying with all requirements and reporting in line with best practice where appropriate.

The Board is determined to ensure the Company's pathway towards net zero carbon fits with stakeholder expectations and the Company's property strategy. We see the careful implementation of a practical carbon reduction strategy as a crucial next step in the Company's ESG journey and during the Period we have engaged Jones Lang LaSalle ("JLL") to assist the Investment Manager in developing a detailed plan to achieve this.

Change of Company name

The Company changed its name from Custodian REIT plc to Custodian Property Income REIT plc on 6 December 2022 to better reflect the property strategy and income focus, and we believe this clarification will be of particular benefit to retail investors investing via platforms. In conjunction with this name change our corporate branding, website and marketing material will be updated to provide all stakeholders with an enhanced experience.

Outlook

Over the last five years shareholders have received an income return of 29.7p per share, or an annual average of 5.93p per share, always fully covered by earnings, supported by both a diverse, smaller regional property strategy and a conservative gearing policy. These core pillars of the Custodian Property Income REIT strategy are set firm and we hope and expect will continue to provide strong income returns as valuations settle into the prevailing market conditions. As the Investment Manager sets out below, there is depth in occupational demand and latent rental growth in the portfolio which offers the prospect of growth for existing shareholders, despite the current difficult economic circumstances.

David Hunter
Chairman

13 December 2022

18. custodianreit.com/wp-content/uploads/2022/06/Custodian-Capital-ESG-Policy-June-2022-FINAL.pdf.

> We believe strong recent leasing activity demonstrates the resilience of Custodian Property Income REIT's well-diversified investment portfolio
>
> **Richard Shepherd-Cross**
> Investment Manager

Property market

The investment market reached record highs in certain sectors earlier this year as positive market sentiment pushed valuation increases. That sentiment has recently reversed due primarily to inflation, the rising cost of debt as well as global economic and market uncertainty, with associated valuation decreases commencing in August 2022.

Certain sectors, particularly prime logistics, have seen the most significant valuation increases over the last 12-18 months but pricing of Custodian Property Income REIT's smaller regional properties never hit the heights of super-prime logistics, so we expect to see a more correspondingly muted pricing correction as the market reacts to current circumstances.

Custodian Property Income REIT has delivered a diversified portfolio strategy, despite the recent trend for single sector investing. This has enabled the acquisition of some prime high street retail properties and strong, regional, city centre offices which have held their value through the Period. In line with our smaller regional property strategy, the Company has assembled a portfolio comprising 165 properties with an average value of £4.2m and no one tenant in any single property accounting for more than 1.5% of the Company's rent roll. This spread significantly mitigates property specific risk and tenant default risk.

We believe strong recent leasing activity demonstrates the resilience of Custodian Property Income REIT's well-diversified investment portfolio. The depth of the occupational market remains the backbone of the Company's robust earnings and this was demonstrated by the 18 new leases signed during the Period adding £2.2m of annual rent for c. six more years.

The Company has continued to see good levels of occupier activity, with seven new leases already signed since the Period end and a strong pipeline of asset management and refurbishment/ redevelopment opportunities.

EPRA earnings per share of 2.8p showed an annualised earnings yield[19] of 5.8% at 30 September 2022 and 6.2% at the time of writing. As pricing for listed property companies is increasingly out of step with NAV, we believe earnings yield is a more reliable measure of value and comparator between different companies with differing strategies, as income supports the greater part of total return. On this measure Custodian Property Income REIT rates very strongly against its close peers, offering an annual dividend per share of 5.5p, fully covered by net earnings, representing a dividend yield[20] of 5.7% at 30 September 2022 and 6.1% at the time of writing.

Custodian Property Income REIT's loan-to-value at 30 September 2022 of 25.5% now stands at 24.0% following post Period end sales. Of the Company's £178m of drawn debt facilities 79% is at fixed rates of interest and the balance is drawn on a variable rate revolving credit facility. The weighted average term of drawn debt is 6.3 years and the average cost of debt is 3.5%. Thanks to a strong balance sheet with significant covenant headroom and no debt facility maturing until September 2024 the Company is under no pressure to sell and the relatively low cost of debt should remain accretive to earnings through this phase of market turbulence.

Property portfolio performance

At 30 September 2022 the Company's property portfolio comprised 165 assets (31 March 2022: 160 assets), 263 tenants and 335 tenancies with an aggregate net initial yield ("NIY")[21] of 5.9% (31 March 2022: 5.7%, 30 September 2021: 6.2%) and a weighted average unexpired lease term to first break or expiry ("WAULT") of 4.8 years (31 March 2022: 4.7 years).

Across the portfolio there is rental reversionary potential, particularly in the office and industrial sectors, where the potential rental reversion over passing rent is 10.6% and 7.3% respectively, as shown below.

Sector	Rental reversionary potential £000	% of rent roll
Industrial	4,343	10.6%
Office	3,012	7.3%
Retail warehouse	849	2.1%
Other	539	1.3%
Retail	(443)	(1.1%)
	8,300	**20.2%**

The rental growth prospects for UK commercial property is one of the attractions of real assets in an inflationary environment and we believe the portfolio is set fair to deliver that growth.

Through judicious capital expenditure, refurbishment, redevelopment and an objective to enhance the environmental and social impact of buildings we expect to pick up even more rental growth.

19. Annualised EPRA earnings per share divided by the prevailing share price (97.0p at 30 September 2022, 89.9p at 13 December 2022).

20. Annual target dividend per share of 5.5p divided by the prevailing share price (97.0p at 30 September 2022, 89.9p at 13 December 2022).
21. Passing rent divided by purchase price plus assumed purchaser's costs.

The property portfolio is split between the main commercial property sectors, in line with the Company's objective to maintain a suitably balanced portfolio, with a relatively low exposure to office and a relatively high exposure to industrial, retail warehouse and alternative sectors, often referred to as 'other' in property market analysis.

Industrial and logistics property remains a very good fit with the Company's strategy. The demand for smaller lot-sized units is very broad, from manufacturing, urban logistics, online traders and owner occupiers. This demand, combined with a restricted supply resulting from limited new development, supports high residual values (where the vacant possession value is closer to the investment value than in other sectors) and drives rental growth. Despite a long period of growth in this sector, as the rental reversionary potential table above demonstrates, there is more rental growth to come.

Out-of-town retail/retail warehousing remains an important asset class for the Company. We expect that well-located retail warehouse units, let off low rents, located on retail parks which are considered dominant in their area will continue to be in demand by retailers. The importance of convenience, free parking, the capacity to support click and collect and the relatively low cost compared to the high street should continue to support occupational demand for the Company's retail warehouse assets.

Regional offices will remain a sector of interest for the Company and we expect there to be activity post-pandemic in regional office markets. Locations that offer an attractive environment to both live and work in and that offer buildings with high environmental standards and accessibility to a skilled workforce, will be most desirable.

There is latent rental growth in many regional office markets where supply has been much diminished through redevelopment to alternative uses.

Custodian Property Income REIT targets properties across all asset classes that are capable of supporting the Company's ESG objectives and it is fully committed to investing in and refurbishing both new properties and the existing portfolio to meet these objectives.

The Company operates a geographically diversified property portfolio across the UK, seeking to ensure that no one region represents more than 50% of portfolio income. The geographic analysis of the Company's portfolio at 30 September 2022 was as in the table on the next page:

The current sector weightings are:

Sector	**Valuation 30 Sept 2022 £m**	**Weighting by income[22] 30 Sept 2022**	Valuation 31 Mar 2022 £m	Weighting by income 31 Mar 2022	Valuation movement before acquisition costs £m	**Weighting by value 30 Sept 2022**	Weighting by value 31 Mar 2022
Industrial	**327.3**	**38%**	325.1	38%	(16.4)	**48%**	49%
Retail warehouse	**147.3**	**24%**	125.4	21%	(2.5)	**22%**	19%
Office	**83.4**	**16%**	88.1	17%	(5.4)	**12%**	13%
Other[23]	**77.2**	**11%**	76.9	13%	(1.9)	**11%**	12%
High street retail	**50.2**	**11%**	49.7	11%	(1.5)	**7%**	7%
Total	**685.4**	**100%**	**665.2**	**100%**	**(27.7)**	**100%**	**100%**

22. Current passing rent plus ERV of vacant properties.
23. Includes drive-through restaurants, car showrooms, trade counters, gymnasiums, restaurants and leisure units.

Location	Valuation 30 Sept 2022 £m	Weighting by value 30 Sept 2022	Period valuation movement £m	Weighting by income[22] 30 Sept 2022	Weighting by income[22] 31 Mar 2022
West Midlands	**128.0**	**19%**	(11.5)	**19%**	18%
North-West	**112.1**	**16%**	(6.6)	**18%**	19%
South-East	**84.4**	**12%**	1.8	**12%**	14%
East Midlands	**99.6**	**14%**	(2.7)	**14%**	13%
South-West	**66.9**	**10%**	(2.7)	**8%**	9%
Scotland	**88.5**	**13%**	(3.1)	**12%**	10%
North-East	**67.5**	**10%**	(1.1)	**12%**	12%
Eastern	**32.6**	**5%**	(1.6)	**4%**	4%
Wales	**5.8**	**1%**	(0.2)	**1%**	1%
	685.4	**100%**	**(27.7)**	**100%**	**100%**

For details of all properties in the portfolio please see **custodianreit.com/property-portfolio/**.

Acquisitions

The Company invested £52.7m during the Period described below:

- The 70,160 sq ft Springfield Retail Park in Nottingham for £15.0m comprising four units occupied by Wickes, Matalan, Poundland and KFC. The leases have a WAULT of nine years with an aggregate passing rent of £994k per annum, reflecting a NIY of 6.21%;
- A 91,955 sq ft distribution facility on Eurocentral park between Edinburgh and Glasgow for £11.125m let to Gist on a five-year lease with third year break option. The annual rent is £623k reflecting a NIY of 5.25% with an expected reversionary yield[24] of 7.0%;
- Two retail warehouses covering an aggregate 40,077 sq ft in Droitwich and Measham for £8.9m. Both units are let to DFS with an aggregate WAULT of 8.0 years and aggregate annual passing rent of £894k reflecting a NIY of 9.43%;
- An 86,922 sq ft industrial facility in Grangemouth for £7.5m let to Thornbridge Sawmills for a further 18 years. The unit has a passing rent of £388k per annum, with a reversion in September 2023 linked to RPI, which is expected to reflect a net reversionary yield of 5.5%;
- Two retail units on Winchester high street covering an aggregate 5,228 sq ft for £3.65m let to Nationwide Building Society and Hobbs. The tenants' leases expire in April 2028 and December 2031 respectively and are currently at an aggregate current passing rent of £249k per annum, reflecting a NIY of 6.41%;
- A 47,882 sq ft industrial facility near Chesterfield let to Container Components with 20 years remaining on the lease for £3.5m. The property produces an index linked passing rent of £227k per annum, reflecting a NIY of 6.10%; and
- Two drive-through restaurants on Clifton Moor Retail Park, York for £3.025m. The units are occupied by Burger King and KFC franchisees with a WAULT of 9.7 years and an aggregate passing rent of £163k per annum, reflecting a NIY of 5.07%.

24. Reversionary rent divided by purchase price plus assumed purchaser's costs.

Birmingham

Disposals

Owning the right properties at the right time is a key element of effective property portfolio management, which necessarily involves periodically selling properties to balance the property portfolio. Custodian Property Income REIT is not a trading company but identifying opportunities to dispose of assets significantly ahead of valuation or that no longer fit within the Company's investment strategy is important.

The Company sold the following properties during the Period for an aggregate consideration of £14.8m:

- An industrial unit in Milton Keynes to a special purchaser for £8.5m, reflecting a 73% premium to valuation;
- An Audi car dealership in Derby for £5.7m, £1.2m ahead of valuation; and
- A high street retail unit in Weston-Super-Mare at valuation for £0.7m.

Since the Period end the Company has sold:

- A shopping centre in Gosforth for £9.3m, which had been part of the purchase of DRUM Income Plus REIT plc ("DRUM REIT") in November 2021, for a 3.5% premium to the £8.975m apportioned value of the asset at purchase. Since acquisition, the asset has produced rental income of c. £0.9m with the completion of several asset management activities increasing occupancy and extending contractual lease terms;
- Business park offices in Leicester for £2.8m at valuation where minimal future rent and valuation growth was expected; and
- An industrial unit in Kilmarnock at auction for £1.4m, 12% ahead of valuation. The unit's environmental credentials did not fit with the Company's ESG objectives and it was not considered practical to mitigate these risks.

Property portfolio risk

The property portfolio's security of income is enhanced by 15% of income benefitting from either fixed or indexed rent reviews.

Short-term contractual income at risk is a relatively low proportion of the property portfolio's total income, with 34% expiring in the next three years and 11% within one year.

Aggregate income expiry	30 Sept 2022	31 Mar 2022
0-1 years	**11%**	15%
1-3 years	**23%**	23%
3-5 years	**21%**	19%
5-10 years	**34%**	31%
10+ years	**11%**	12%
	100%	**100%**

The Company's Annual Report for the year ended 31 March 2022 set out the principal risks and uncertainties facing the Company at that time. This disclosure highlighted inflation as an emerging risk due to the recovery in global demand following the COVID-19 pandemic and the ongoing war in Ukraine contributing to global supply chain issues and energy price inflation. Inflation has continued, in particular for energy prices, and interest rates have risen sharply as a result. This prevailing economic situation has continued to impact the Company in terms of the cost and availability of materials and labour in carrying out redevelopments, refurbishments and maintenance, and an increase in the cost of its variable rate borrowing. They also present an indirect risk through their impact on the UK economy in terms of growth and consumer spending and the consequential impact on occupational demand for real estate.

We do not anticipate any changes to the other risks and uncertainties disclosed over the remainder of the financial year.

Outlook

Rental growth from real assets, diversified by tenant, location and sector and supported by a strong balance sheet, provides a robust model to face down current market volatility. Accordingly we remain optimistic for returns from Custodian Property Income REIT and confident that the smaller regional property portfolio will continue to support fully covered dividends while offering a defensive strategy to investors.

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

13 December 2022

> The Company has a very strong pipeline of ongoing asset management initiatives

Alex Nix
Assistant Investment Manager

Our continued focus on asset management during the Period including rent reviews, new lettings, lease extensions and the retention of tenants beyond their contractual break clauses and expiries resulted in a £8.4m valuation increase in the Period.

During the Period we have seen that despite macroeconomic uncertainty continued close collaboration with tenants will generate asset management opportunities including lease extensions and re-gears which has seen the Company increase its WAULT to 4.8 years.

Key asset management initiatives completed during the Period include:

- A 10-year lease renewal without break with B&Q on a retail warehouse unit in Banbury with an annual rent of £400k, increasing valuation by £2.6m;
- A new 10-year lease without break with Nationwide Platforms on a vacant industrial unit in Avonmouth with an annual rent of £300k, increasing valuation by £1.5m;
- A 10-year lease renewal with a fifth-year tenant break option with Heywood Williams on an industrial unit in Bedford with an annual rent of £289k, increasing valuation by £1.4m;
- A new 20-year lease with a 15-year tenant break option to Giggling Squid on a vacant retail unit in Shrewsbury at an annual rent of £80k, increasing valuation by £0.5m;
- A new 10-year lease with a fifth-year tenant break option with Bunzl on an industrial unit in Castleford with an annual rent of £164k, increasing valuation by £0.4m;
- A new 10-year lease with a fifth-year tenant break option with Jollyes Pets on a vacant retail warehouse unit in Southport with an annual rent of £48k, increasing valuation by £0.3m;

Property portfolio summary

	30 Sept 2022	31 Mar 2022
Property portfolio value	**£685.4m**	£665.2m
Separate tenancies	**335**	339
EPRA occupancy rate	**89.3%**	89.8%
Assets	**165**	160
WAULT	**4.8 years**	4.7 years
NIY	**5.9%**	5.7%
Weighted average EPC rating	**C (58)**	C (61)

- A five-year lease extension with The Range on a retail warehouse unit in Burton-on-Trent, including extending the external demise to create a new garden centre area generating an additional £10k of annual rent, increasing valuation by £0.3m;
- A new 10-year lease with a fifth-year tenant break option to CVS Vets on a vacant retail warehouse unit in Southport with an annual rent of £48k, increasing valuation by £0.3m;
- A new six-year lease with a third-year tenant break option to CD Transport UK on a vacant industrial unit in Weybridge with an annual rent of £219k, increasing valuation by £0.2m;
- A new 10-year lease with a sixth-year tenant break option with Costa on a vacant retail unit in Colchester with an annual rent of £65k, increasing valuation by £0.2m;
- A 10-year lease renewal with a fifth-year tenant break option with Harris Cars on an industrial unit in Kettering with an annual rent of £80k, increasing valuation by £0.1m;
- A three-year lease extension with H Samuel on a retail unit in Colchester with an annual rent of £71k, increasing valuation by £0.1m;
- A five-year lease renewal with a third-year tenant break option with Savers on a retail unit in Colchester with an annual rent of £56k, increasing valuation by £0.1m;
- A five-year lease renewal with a third-year tenant break option to Signet on a retail unit in Chester with an annual rent of £68k, increasing valuation by £0.1m;
- An 8.5-year lease renewal without break to Leeds Building Society on a retail unit in Colchester with annual rent of £30k, increasing valuation by £0.1m;
- A five-year lease renewal with a third-year tenant break option with Savers on a retail unit in Bury St Edmunds with an annual rent of £40k, with no impact on valuation;
- A new 10-year lease with a fifth-year tenant break option with Massarella on a vacant retail unit in Gosforth with an annual rent of £18k, with no impact on valuation; and
- A five-year lease renewal with Scope on a retail unit in Gosforth with an annual rent of £16k, with no impact on valuation.

During the Period the following rent reviews were settled with:

- Yesss Electrical on an industrial unit in Normanton with annual rent increasing from £337k to £448k, increasing valuation by £0.2m; and
- Audi at a car showroom in Shrewsbury with annual rent increasing from £198k to £203k, with no impact on valuation.

Of the Company's remaining vacant space, 25.0% is currently under offer to sell or let and a further 53.8% is planned vacancy to enable redevelopment or refurbishment as illustrated below:

	Number of assets	ERV £m	% ERV	% of vacancy
Vacant assets:				
• Undergoing or earmarked for refurbishment/ redevelopment	11	2.8	5.7%	53.8%
• Under offer to sell or let	9	1.3	2.7%	25.0%
• Being marketed to let	11	1.1	2.3%	21.2%
	31	5.2	10.7%	100.0%
Let property	134	43.4	89.3%	–
Portfolio	**165**	**48.6**	**100.0%**	**100.0%**

Since the Period end the following initiatives have completed:

- A 10-year lease renewal to SCS Furniture on an industrial unit in Livingston with annual rent increasing from £221k to £282k. The agreement also involves some refurbishment work and the Company constructing a 20k sq ft extension of the property during 2023 which, once complete, will increase annual rent to £413k and is expected to result in an approximate £1.5m valuation increase;
- A new 25-year lease with a 15-year tenant break option to Tenpin on a leisure park in Crewe with an annual rent of £210k, increasing valuation by £0.9m;
- A new 20-year lease with a 15-year tenant break option to Ocado on a vacant industrial unit in Leeds with annual rent of £102k, increasing valuation by c. £400k;
- A 10-year lease renewal to Warburtons on an industrial unit in Langley Mill with annual rent increasing from £164k to £203k, increasing valuation by c. £400k;
- A 15-year lease renewal to F1 Auto Centres on a trade counter unit in Crewe with an annual rent of £25k, increasing valuation by £0.3m;
- A new 10-year lease with a fifth-year tenant break option to Rexel on a retail warehouse unit in Gloucester with an annual rent of £55k, increasing valuation by £0.3m; and
- A new five-year lease with mutual two and three-year break options to IJ Tours for additional space in an office building in Manchester at an annual rent of £24k with no impact on valuation.

The Company has a very strong pipeline of ongoing asset management initiatives, including those detailed below, which we expect to complete during the next 12 months and which are expected to enhance earnings and deliver valuation increases in excess of capital expenditure:

- A £2m refurbishment is in progress of five floors of an office block on Fountain Street, Manchester involving developing a roof terrace, installing a high-specification internal fit-out and adding EV charging points, air source heat pumps and tenant well-being facilities. The refurbishment is expected to increase rents at the property from c. £20 per sq ft towards c. £30 per sq ft. Once fully let, the refurbishment is expected to enhance valuation by c. £3.0m – £4.0m;
- A £6.5m redevelopment of a 60,000 sq ft industrial unit in Redditch which commenced in September 2022 to construct a BREEAM excellent, EPC A rated unit with solar panels covering the roof, EV chargers, with the construction targeting net zero carbon. Annual rent of the completed asset is expected to be c. £0.5m, with an expected gross development profit of c. £2.0m;

Langley Mill

- An application has been submitted for planning at the Company's Carlisle retail park for a 2,500 sq ft drive-through restaurant with an agreed 20-year lease without break at an annual rent of £80k, expected to increase valuation by c. £1.4m on completion; and
- Discussions are at an advanced stage for new leases with Tenpin on a vacant retail warehouse unit in Milton Keynes and with CB Printforce regarding a lease renewal on an industrial property in Biggleswade. If successful, these initiatives are expected to result in aggregate valuation increases of c. £2.5m.

Outlook

Looking forward, we maintain a positive outlook with many of the asset management initiatives currently under way expected to come to fruition over the next 6-12 months which should see new tenants secured, leases extended and new investment into existing assets improving their environmental credentials and realising their full potential.

Alex Nix
Assistant Investment Manager
for and on behalf of
Custodian Capital Limited
Investment Manager

13 December 2022

> Starting the journey towards net zero carbon is a crucial next step in our ESG strategy

Hazel Adam
Chair of the ESG Committee

The Board recognises that its decisions have an impact on the environment, people and communities. The Board also believes that the Company's property strategy and ESG aspirations create a compelling rationale to make environmentally beneficial improvements to its property portfolio and incorporate ESG best practice into everything the Company does.

The primary responsibilities of the ESG Committee ("the Committee") are to agree the Company's environmental KPIs, monitor performance against those KPIs and ensure the Investment Manager is managing the property portfolio in line with the ESG policy, which commits the Company to:

- Understanding environmental risks and opportunities;
- Improving the energy performance of our buildings;
- Reducing energy usage and emissions;
- Achieving positive social outcomes and supporting local communities; and
- Complying with all requirements and reporting in line with best practice where appropriate.

The Committee encourages the Investment Manager to act responsibly in the areas it can influence as a landlord, for example by working with tenants to improve the environmental performance of the Company's properties and minimise their impact on climate change. The Committee believes that following this strategy will ultimately be to the benefit of shareholders through enhanced rent and asset values.

ESG approach

Environmental

We want our properties to minimise their impact on the local and wider environment. The Investment Manager carefully considers the environmental performance of our properties, both before we acquire them and during our period of ownership. Sites are visited on a regular basis by the Investment Manager and any environmental issues are reported.

Social

Custodian Property Income REIT strives to manage and develop buildings which are safe, comfortable and high-quality spaces. As such, our aim is that the safety and well-being of occupants of our buildings is maximised.

Governance

High standards of corporate governance and disclosure are essential to ensuring the effective operation of the Company and instilling confidence amongst our stakeholders. We aim to continually improve our levels of governance and disclosure to achieve industry best practice.

The Company's environmental policy commits it to:

Improving the energy performance of our buildings

Investing in lower carbon technology, infrastructure and onsite renewables and ensuring redevelopments are completed to high environmental standards.

Reducing energy usage and emissions

Liaising closely with our tenants to gather and analyse data on the environmental performance of our properties to identify areas for improvement.

Achieving positive social outcomes and supporting local communities

Engaging constructively with tenants and local government to ensure we support the wider community through local economic and environmental plans and strategies and playing our part in providing the real estate fabric of the economy, giving employers safe places of business that promote tenant well-being.

Understanding environmental risks and opportunities

Allowing the Board to maintain appropriate governance structures to ensure the Investment Manager is appropriately mitigating risks and maximising opportunities.

Reporting in line with best practice and complying with all requirements

Exposing the Company to public scrutiny and communicating our targets, activities and initiatives to stakeholders.

ESG adviser

On 6 October 2022 the Company appointed Jones Lang LaSalle Limited ("JLL") as its ESG adviser, replacing Carbon Intelligence. JLL is one of the world's largest investment advisory firms and a market leader in real estate ESG advisory with 90 ESG focused consultants in the UK and over 650 internationally.

The Committee believes JLL's appointment will enable the Company to accelerate the implementation of its ESG strategy and more effectively achieve its objectives.

The Company's ESG adviser's engagement scope, performance and fees are determined by the ESG Committee and ratified by the Board. Chris Ireland, a Non-Executive Director of the Company and Chairman of JLL UK, stepped down from the Committee following JLL's appointment. Chris was not involved in JLL's appointment and does not participate in Board discussions regarding Committee recommendations relating to the Company's ESG adviser.

Environmental key performance indicators

During the prior financial year the Company updated its environmental targets measured by key performance indicators ("KPIs") which provide a strategic way to assess its success towards achieving its environmental objectives and ensure the Investment Manager has embedded key ESG principles. These environmental KPIs cover our main areas of environmental impact including energy efficiency, greenhouse gas emissions, water, waste and tenant engagement.

These environmental KPIs also directly support climate risk mitigation and capture some ESG opportunities from the transition to a low-carbon economy.

The Company's environmental KPIs in place during the Period, and comments relating to our performance against each one, are set out on the next page:

Area	Target	Progress during the Period
Physical building improvements (whole portfolio boundary)	Increase EV charging capacity to the following by 2025[25]: • 4,200kW/hr[26] across retail warehouse and other sector assets; and • 980kW/hr[27] across office and industrial assets	• 16 x 75kW/hr public facing chargers (1,200kW/hr of capacity) were in place at the start of the Period • 13 x 75kW/hr owned public facing chargers were installed during the Period by Pod Point (975kW/hr capacity) • 11 x 7kW/hr owned chargers for tenant use (77 kW/hr capacity) were installed by Pod Point during the Period at office assets with a further 15 chargers (105kW/hr capacity) in the pipeline
	Install onsite renewable electricity generation at 75% of redevelopments and major refurbishments	Solar and air source heat pumps installed at West Bromwich redevelopment. Solar also being installed at ongoing redevelopments at Redditch and Trafford Park, Manchester
	Install smart meters across 25% of the portfolio by floor area	Installations completed at four sites during the Period with 12 further locations due to be online during December 2022 which will provide 19% smart meter coverage
	All 'D' EPC ratings to be removed or improved by 2027 and all 'E' EPC ratings to be removed or improved by 2025	Weighted average EPC rating has moved from C (61) to C (58) during the Period, detailed further below, and all F and G ratings removed, improved or under redevelopment
	All redevelopments to achieve Building Research Establishment Environmental Assessment Method ("BREEAM") Excellent rating	Ongoing Redditch redevelopment is expected to be BREEAM Excellent rated

25. Excluding assets with no car parking facilities.
26. Equating to 56 75kW 'Rapid' chargers.
27. Equating to 140 7kW 'Fast' chargers.

Area	Target	Progress during the Period
Landlord-controlled usage (landlord-controlled boundary)	For landlord-controlled areas in the like-for-like portfolio, on a 2019 baseline, achieve: • Reduction in Scope 1 and 2 emissions of 30% by 2025 • Reduction in energy consumption of 15% by 2025 • Less than 5% waste to landfill by 2022 • Reduction in water consumption by 50% by 2025	Landlord-controlled area data covers c. 75% of sites. Analysis of this data will allow us to analyse the portfolio and identify assets which are performing poorly in order to make improvements
	Switch all landlord-controlled sites to 100% renewable electricity by 2023	Currently at 95% and expect to achieve further improvements by the end of the financial year
	Switch all landlord-controlled sites to green gas by 2023	Achieved
Risk management and reporting	Use TCFD recommendations and reporting framework to disclose our approach to climate related governance, strategy, risk management and opportunities	Achieved for the 2022 Annual Report, subject to omitting scenario analysis as the Company is exempt from mandatory TCFD reporting
	Incorporate ESG factors into all investment due diligence undertaken	Ongoing
	Achieve an annual improvement in GRESB score between 2021 and 2025	GRESB 'Real Estate' and 'Development' scores have both increased from 2021 to 2022
	Continue to report in line with EPRA sustainability Best Practice Recommendations to achieve a 'gold' standard	Achieved

Area	Target	Progress during the Period
Tenant engagement (tenant boundary)	For the non-landlord-controlled like-for-like portfolio, on a 2019 baseline, achieve: • Reduction in Scope 1 and 2 emissions of 20% by 2025 • Reduction in energy consumption of 10% by 2025	Tenant data collection via a data platform currently covers c. 35% of the Company's portfolio by floor area which is expected to increase with improved tenant engagement. Analysis of this data will allow us to analyse the portfolio and identify assets which are performing poorly in order to make improvements
	Engage with tenants on a quarterly basis on ESG issues	Quarterly meetings are taking place with tenants at multi-let office buildings. A tenant engagement survey for occupiers will be issued in December 2022
	Engage with occupiers during lease negotiations to incorporate sustainability clauses into new leases	Ongoing
Social outcomes	Utilise 25% of vacant high street retail space for short-term not-for-profit lettings	Of five vacant retail properties two are being used by charities and at a third asset windows and frontage are used by the local business improvement district ("BID")
	Install changing facilities and secure cycle parking at all appropriate assets	New cycle storage and shower facilities have been installed at Lochside Way, Edinburgh and an amenity block will be installed at an industrial property in Ashby as part of a planned refurbishment
	Ensure properties comply with the Company's cladding policy within three months of acquisition	Ongoing
	Consider biodiversity and habitat strategy during all redevelopments	New bat roost being installed at the ongoing Redditch redevelopment

Case studies

Artist's impression

Redditch

The Company received planning permission in June 2022 to redevelop an existing 59,000 sq ft industrial building constructed in the 1980's into a new 60,000 sq ft industrial/ distribution facility.

The new development will be built to a high ESG specification and will be certified BREEAM 'Excellent' as well as having an energy performance rating 'A'.

In order to achieve this the specification will include: a carbon neutral base build, electric vehicle charging points, solar photovoltaic panels ("PV") to the south facing roof elevations, LED lighting to warehouse and offices, cycle storage and shower facilities and a bat roost to aid biodiversity.

The expected cost of the redevelopment is £7.2m and will generate an ERV in the region of £500k pa. Given the occupation demand in this locality, we are confident the property will be pre-let prior to completion of the construction.

Asset type
Industrial

Energy performance rating
A

BREEAM rating:
Excellent

Cost of redevelopment
£7.2m

ERV
£500k pa

Winsford

Asset type

Industrial

Number of charging points installed

12

Energy produced from solar PV

5-20p/kWh

Before

EPC:

C (56)

After

EPC:

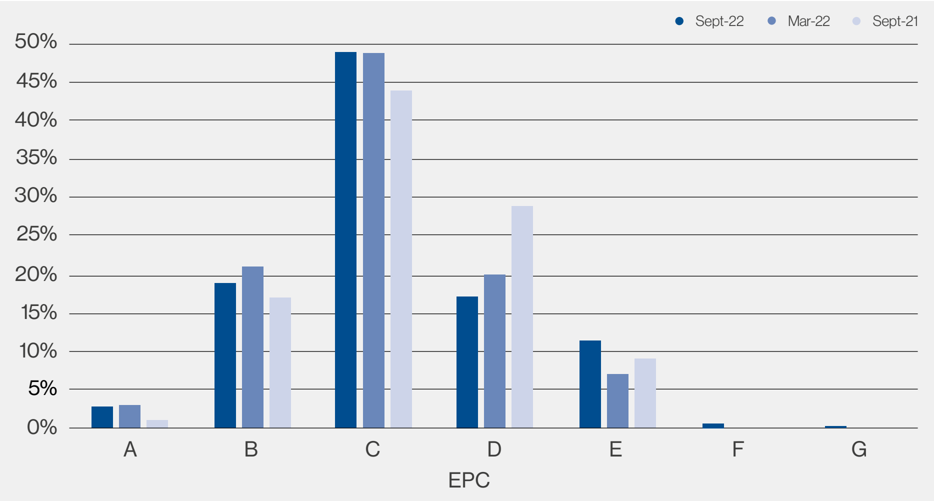
B (38)

The previous tenant at this site vacated in June 2022 and alongside the required dilapidations works we are completing an extensive refurbishment of the site including the following which will significantly improve the building's ESG credentials and futureproof the site:

- LED lighting across the warehouse and office space;
- Decarbonisation of the site by removing the gas boiler and replacing with an air source heat pump system; and
- 12 EV charging points installed for the tenant's usage.

The site will also benefit from the installation of solar PV as part of the refurbishment which will be utilised by an incoming tenant. Additionally, any power that isn't used by the tenant will be sold back to a distribution network operator to assist with the shortfall of green energy currently available in the UK. This assists with the investment returns of the solar PV with providers offering between 5-20p/kWh of energy produced.

The Company's weighted average EPC score is illustrated below:



EPC ratings

During the Period the Company has updated EPCs at 14 units across seven properties covering 68k sq ft for properties where existing EPCs had expired or where works had been completed, improving the weighted average EPC rating from C (61) at 31 March 2022 to C (58). For updated EPCs, there was an aggregate improvement in the rating of 24 energy performance asset rating points[28]. Some of the properties showing an improvement are detailed here:

- Leicester – a new Tim Hortons drive-through restaurant was built on the site of a former Pizza Hut, improving the EPC score from D (87) to A (24)
- Chester – a refurbishment of this small retail property was carried out during the Period, improving the EPC score from E (103) to C (61)
- Plymouth – tenant improvements of the retail warehouse unit improved the EPC score from D (78) to A (25)

Net zero[29] carbon pathway

Starting the journey towards net zero carbon is a crucial next step in our ESG strategy and making this journey fit with stakeholder goals and the Company's property strategy is one of the key challenges facing the Company and the real estate sector. Developing a carbon reduction pathway with the Company's newly appointed ESG advisers, JLL, supporting the Investment Manager, is now underway.

28. One EPC letter represents 25 energy performance asset rating points.

29. As defined by the Committee on Climate Change.

Outlook

The Company will work towards achieving its refined ESG targets over the course of the remainder of the financial year, improving our understanding of the specific impacts of climate change on the Company, seeking to influence tenant behaviour to improve environmental outcomes and assessing our strategy towards creating a carbon reduction pathway.

Approval

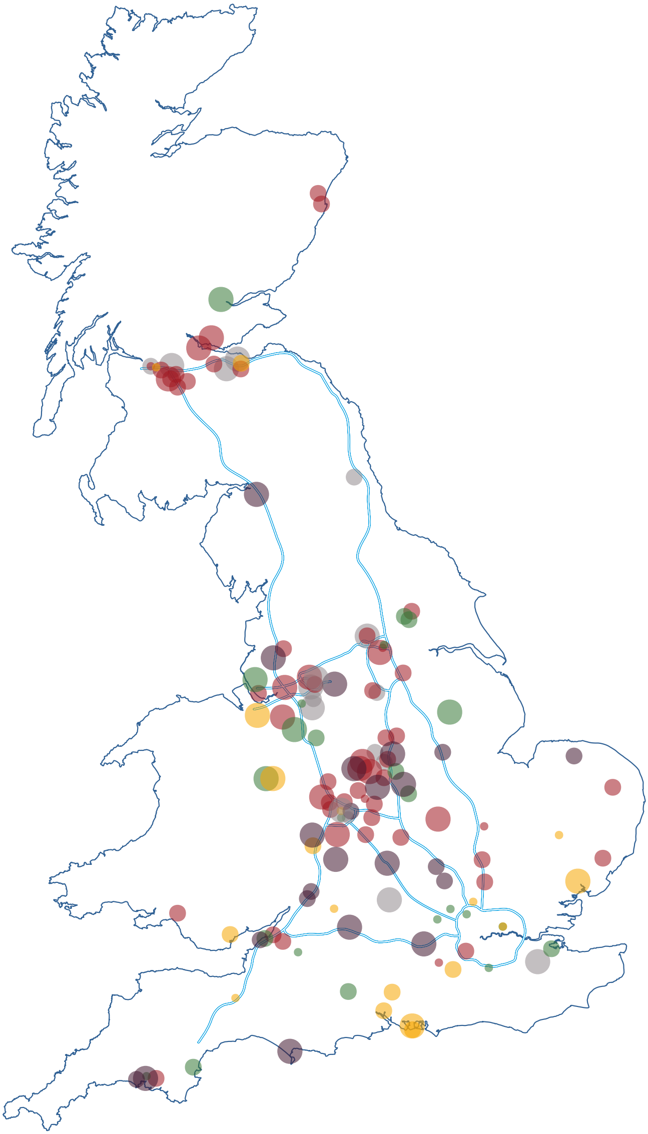
This report was approved by the Committee and signed on its behalf by:

Hazel Adam
Chair of the ESG Committee

13 December 2022

Our locations

The Company operates a geographically diversified property portfolio across the UK, seeking to ensure that no one region represents more than 50% of portfolio income



Sector key

- Industrial
- Retail warehouse
- Other
- High street retail
- Office

Property income

- <£100k
- £101-350k
- £350K+

Industrial

Location	Tenant	% Portfolio income[30]
Glasgow	Gist	1.3%
Ashby	Teleperformance	1.1%
Burton	ATL Transport	1.0%
Salford	Restore	0.9%
Normanton	Yesss Electrical	0.9%
Redditch	DS Smith Packaging	0.8%
Hilton	Daher Aerospace	0.8%
Doncaster	Silgan Closures	0.8%
West Bromwich	PDS Group	0.8%
Grangemouth	National Timber Group	0.8%
Eurocentral	Next	0.8%
Warrington	Life Technologies	0.8%
Milton Keynes	Massmould	0.8%
Tamworth	ICT Express	0.7%
Kettering	Multi-let	0.7%
Biggleswade	Turpin Distribution	0.7%
Warrington	Procurri Europe and Synertec	0.7%
Manchester	Harbour International Freight	0.7%
Cannock	HellermannTyton	0.7%
Bellshill	Yodel	0.6%
Avonmouth	Nationwide Platforms	0.6%
Daventry	Multi-Colour	0.6%
Bedford	Heywood Williams Components	0.6%
Edinburgh	Menzies Distribution	0.6%
Gateshead - Team Valley	Zentia Profiles	0.6%
Plymouth	Sherwin Williams	0.6%
Knowsley	Multi-let	0.6%
Nuneaton	DX Network Service	0.5%
Bristol	BSS Group	0.5%
Coventry	Royal Mail	0.5%
Glasgow	Menzies Distribution	0.5%
Aberdeen	Menzies Distribution	0.5%
Hamilton	Ichor Systems	0.5%
Chesterfield	Container Components Europe	0.5%
Stevenage	Morrison Utility Services	0.5%
Cambuslang	Brenntag	0.5%
Livingston	A Share & Sons (t/a SCS)	0.5%
Weybridge	CD Transport	0.5%
Oldbury	Sytner Group	0.4%
Coalville	MTS Logistics	0.4%
Warwick	Semcon	0.4%
York	Menzies Distribution	0.4%
Farnborough	Green Retreats	0.4%
Norwich	Menzies Distribution	0.4%
Erdington	West Midlands Ambulance Service NHS Trust	0.3%
Langley Mill	Warburton	0.3%
Ipswich	Menzies Distribution	0.3%
Irlam	Northern Commercials	0.3%
Castleford	Bunzl	0.3%

30. % of property portfolio passing rent plus ERV of vacant units.

Industrial

Sheffield Parkway	Synergy Health	0.3%
Liverpool, Speke	Powder Systems	0.3%
Aberdeen	Multi-let	0.3%
Swansea	Menzies Distribution	0.3%
Leeds	Tricel Composites	0.3%
Sheffield	Arkote	0.3%
Nottingham	Hickling and Squires	0.3%
Kettering	Sealed Air	0.3%
Sheffield	Intelligent Facility Solutions and ITM Power	0.3%
Atherstone	North Warwickshire Borough Council	0.2%
Liverpool, Speke	DHL International	0.2%
Huntingdon	PHS Group	0.2%
Dundee	Menzies Distribution	0.2%
Harrison Court	Multi-let	0.2%
Glasgow - air cargo	DHL Global Forwarding	0.2%
Normanton	Acorn Web Offset	0.2%
Kilmarnock	Royal Mail	0.2%
Aberdeen, Hilton, Kettering, Leeds, Redditch, Warrington, Weybridge and Winsford	Vacant	4.0%
		38.3%

Office

Location	Tenant	% Portfolio income
West Malling	Regus (Maidstone)	1.3%
Oxford	Multi-let	1.2%
Leicester	Multi-let	1.0%
Birmingham	Multi-let	1.0%
Glasgow	Skills Development Scotland	0.9%
Sheffield	Health & Safety Executive & Home Office	0.8%
Cheadle	Agilent Technologies	0.7%
Leeds	First Title	0.7%
Cheadle	Wienerberger	0.7%
Edinburgh	Multi-let	0.6%
Leeds	First Title	0.6%
Manchester - Arthur House	Multi-let	0.6%
Leicester	Countryside Properties and PIB (Group Services)	0.6%
Derby	Edwards Geldards	0.6%
Gateshead	Datawright and Worldpay	0.5%
Solihull	Lyons Davidson	0.4%
Glasgow	Livingstone Brown and Safe Deposits	0.2%
Manchester - Fountain Street	Meridian Healthcomms	0.1%
Birmingham, Castle Donington, Cheadle, Edinburgh, Gateshead, Glasgow, Manchester - Fountain St and Manchester - Arthur House	Vacant	3.3%
		15.8%

Other

Location	Tenant	% Portfolio income
Perth	Bannatyne Fitness, Scotco Restaurants (t/a KFC) and Tim Hortons	0.8%
Stoke	Nuffield Health	0.6%
Lincoln	Total Fitness	0.6%
Torquay	Bistrot Pierre 1994, Las Iguanas, Jurassic Coast Coffee (t/a Costa) and Loungers	0.6%
Gillingham	Arthur Foodstores (t/a Co-Op)	0.5%
Crewe	Mecca Bingo (sublet to Odeon)	0.5%
York	Pendragon	0.5%
Liverpool	Merseycare NHS Trust	0.4%
Shrewsbury	Ask Italian, Chokdee (t/a Giggling Squid) and Sam's Club (t/a House of the Rising Sun)	0.4%
Shrewsbury	VW Group	0.4%
Salisbury	Parkwood Health & Fitness	0.4%
Lincoln	MKM Buildings Supplies	0.4%
York Clifton Moor	Chicken Cabins and Karali (t/a KFC)	0.4%
Loughborough	Listers Group	0.3%
Watford	Tim Hortons	0.3%
Bath	Chokdee (t/a Giggling Squid)	0.3%
Shrewsbury	TJ Vickers & Sons	0.3%
Leicester	Tim Hortons	0.3%
Castleford	MKM Buildings Supplies	0.3%
High Wycombe	Stonegate Pubs	0.3%
Maypole	Starbucks	0.2%
Nottingham	Kbeverage (t/a Starbucks)	0.2%
Carlisle	The Gym Group	0.2%
Portishead	AGO Hotels	0.2%
Crewe	Autoclenz, Edmundson Electrical and F1 Autocentres	0.2%
Plymouth	McDonald's	0.2%
Portishead	Wetherspoons	0.2%
Stratford	The Universal Church of the Kingdom of God	0.1%
Burton	1 Oak (t/a Starbucks)	0.1%
Knutsford	Knutsford Day Nursery	0.1%
Chesham	Ashbourne Day Nurseries	0.1%
Crewe, Liverpool and Redhill	Vacant	1.0%
		11.4%

Retail

Location	Tenant	% Portfolio income
Gosforth	Multi-let	2.1%
Worcester	Superdrug Stores	0.8%
Dunfermline	Multi-let	0.8%
Cardiff	Multi-let	0.8%
Portsmouth	Poundland, Sportswift and Your Phone Care	0.5%
Winchester	Hobbs and Nationwide Building Society	0.5%
Colchester	Costa, H Samuel, Leeds Building Society and Lush	0.5%
Shrewsbury	Multi-let	0.5%
Southampton	URBN UK	0.4%
Guildford	Reiss	0.4%
Southsea	Portsmouth City Council and Superdrug	0.3%
Birmingham	Coral, Greggs, Subway and Tesco	0.3%
Edinburgh	Phase Eight	0.3%
Chester	Felldale Retail (t/a Lakeland) and Signet Trading (t/a Ernest Jones)	0.2%
Chester	Aslan Jewellery and Der Touristik	0.2%
Portsmouth	The Works	0.2%
Shrewsbury	Nationwide Building Society	0.2%
Stratford	Foxtons	0.2%
Taunton	Wilko Retail	0.2%
Bury St Edmunds	The Works	0.2%
Chester	Ciel (Concessions) and Diamonds of Chester	0.2%
Colchester	Kruidvat (t/a Savers)	0.1%
St Albans	Crepeaffaire	0.1%
Cirencester	Brook Taverner and Danish Wardrobe (t/a Noa Noa)	0.1%
Glasgow	Ramsdens Financials	0.1%
Bury St Edmunds	Savers	0.1%
Colchester, Guildford, Newcastle, Portsmouth and Shrewsbury	Vacant	0.5%
		10.8%

Retail warehouse

Location	Tenant	% Portfolio income
Nottingham	Gastronomy Restaurants (t/a KFC), Matalan, Poundland and Wickes	**2.0%**
Evesham	Multi-let	**1.8%**
Carlisle	Multi-let	**1.7%**
Weymouth	B&Q, Halfords and Sports Direct	**1.6%**
Winnersh	Pets at Home and Wickes	**1.2%**
Burton	CDS and Wickes	**1.2%**
Droitwich	DFS	**1.1%**
Southport	Multi-let	**1.1%**
Leicester	Matalan	**1.0%**
Ashton-under-Lyne	B&M	**0.9%**
Plymouth	B&M, InstaVolt and Magnet	**0.8%**
Banbury	B&Q	**0.8%**
Plymouth	A Share & Sons (t/a SCS) and Oak Furniture Land	**0.8%**
Measham	DFS	**0.8%**
Sheldon	Dreams, Halfords, InstaVolt and Pets at Home	**0.8%**
Leighton Buzzard	Homebase	**0.7%**
Cromer	Homebase	**0.6%**
Gloucester	Magnet, Smyths Toys and InstaVolt	**0.5%**
Leicester	Magnet	**0.5%**
Torpoint	Sainsbury's	**0.5%**
Swindon	B&M and InstaVolt	**0.4%**
Portishead	Majestic Wine, TJ Morris (t/a Home Bargains) and InstaVolt	**0.4%**
Grantham	Poundstretcher, PureGym and InstaVolt	**0.3%**
Gloucester	Farmfoods	**0.1%**
Gloucester, Grantham, Milton Keynes and Swindon	Vacant	**1.9%**
		23.5%

Condensed consolidated statement of comprehensive income

For the six months ended 30 September 2022

	Note	**Unaudited 6 months to 30 Sept 2022 £000**	Unaudited 6 months to 30 Sept 2021 £000	Audited 12 months to 31 Mar 2022 £000
Revenue	4	**22,296**	20,152	39,891
Investment management fee		**(2,086)**	(1,788)	(3,854)
Operating expenses of rental property				
– rechargeable to tenants		**(2,704)**	(882)	(852)
– directly incurred		**(1,127)**	(1,708)	(3,422)
Professional fees		**(428)**	(262)	(617)
Directors' fees		**(167)**	(145)	(291)
Administrative expenses		**(460)**	(356)	(776)
Expenses		**(6,972)**	(5,141)	(9,812)
Operating profit before financing and revaluation of investment property		**15,324**	15,011	30,079
Unrealised (losses)/gains on revaluation of investment property:				
– relating to gross property revaluations	9	**(27,742)**	32,310	93,977
– relating to acquisition costs	9	**(3,404)**	(1,069)	(2,273)
Net valuation (decrease)/increase		**(31,146)**	31,241	91,704
Profit on disposal of investment property		**4,695**	4,165	5,369
Net (losses)/profit on investment property		**(26,451)**	35,406	97,073
Operating (loss)/profit before financing		**(11,127)**	50,417	127,152
Finance income	5	**–**	–	–
Finance costs	6	**(2,960)**	(2,347)	(4,827)
Net finance costs		**(2,960)**	(2,347)	(4,827)
(Loss)/profit before tax		**(14,087)**	48,070	122,325
Income tax	7	**–**	–	–
(Loss)/profit and total comprehensive (expense)/income for the Period, net of tax		**(14,087)**	48,070	122,325
Attributable to:				
Owners of the Company		**(14,087)**	48,070	122,325
Earnings per ordinary share:				
Basic and diluted (p)	3	**(3.2)**	11.4	28.5
EPRA (p)	3	**2.8**	3.0	5.9

The (loss)/profit for the Period arises from the Company's continuing operations.

Condensed consolidated statement of financial position

At 30 September 2022
Registered number: 08863271

	Note	Unaudited 30 Sept 2022 £000	Unaudited 30 Sept 2021 £000	Audited 31 Mar 2022 £000
Non-current assets				
Investment property	9	**685,423**	565,279	665,186
Property, plant and equipment	10	**747**	–	–
Total non-current assets		**686,170**	565,279	665,186
Current assets				
Trade and other receivables	11	**6,019**	6,452	5,201
Cash and cash equivalents	13	**4,765**	37,139	11,624
Total current assets		**10,784**	43,591	16,825
Total assets		**696,954**	608,870	682,011
Equity				
Issued capital	15	**4,409**	4,206	4,409
Share premium		**250,970**	251,015	250,970
Merger reserve		**18,931**	–	18,931
Retained earnings		**227,116**	190,648	253,330
Total equity attributable to equity holders of the Company		**501,426**	445,869	527,640
Non-current liabilities				
Borrowings	14	**176,596**	145,713	113,883
Other payables		**570**	571	570
Total non-current liabilities		**177,166**	146,284	114,453
Current liabilities				
Borrowings	14	**–**	–	22,727
Trade and other payables	12	**10,702**	10,098	9,783
Deferred income		**7,660**	6,619	7,408
Total current liabilities		**18,362**	16,717	39,918
Total liabilities		**195,528**	163,001	154,371
Total equity and liabilities		**696,954**	608,870	682,011

These interim financial statements of Custodian Property Income REIT plc were approved and authorised for issue by the Board of Directors on 13 December 2022 and are signed on its behalf by:

David Hunter
Director

Condensed consolidated statement of cash flows

For the six months ended 30 September 2022

	Note	**Unaudited 6 months to 30 Sept 2022 £000**	Unaudited 6 months to 30 Sept 2021 £000	Audited 12 months to 31 Mar 2022 £000
Operating activities				
(Loss)/profit for the Period		**(14,087)**	48,070	122,325
Net finance costs	5,6	**2,960**	2,347	4,827
Net revaluation loss/(profit)	9	**31,146**	(31,241)	(91,704)
Profit on disposal of investment property		**(4,695)**	(4,165)	(5,369)
Impact of lease incentives	9	**(832)**	(741)	(1,112)
Amortisation	9	**4**	4	7
Depreciation	10	**8**	–	–
Cash flows from operating activities before changes in working capital and provisions		**14,504**	14,274	28,974
(Increase)/decrease in trade and other receivables		**(818)**	(451)	1,923
Increase in trade and other payables		**1,169**	3,913	1,702
Cash generated from operations		**351**	3,462	35,299
Interest and other finance charges		**(2,777)**	(2,176)	(4,463)
Net cash flows from operating activities		**12,078**	15,560	28,136
Investing activities				
Purchase of investment property		**(52,818)**	(12,217)	(21,529)
Purchase of property, plant and equipment		**(755)**	–	–
Capital expenditure		**(4,455)**	(1,803)	(3,515)
Acquisition costs		**(3,404)**	(1,069)	(2,272)
Proceeds from the disposal of investment property		**14,899**	38,299	54,403
Costs of disposal of investment property		**(80)**	(424)	(479)
Net cash flows from/(used in) investing activities		**(46,613)**	22,786	26,608
Financing activities				
Proceeds from the issue of share capital		**–**	558	558
Costs of the issue of share capital		**–**	(5)	(51)
New borrowings	14	**63,000**	7,000	–
New borrowings origination costs	14	**(437)**	(62)	–
Repayment of borrowings		**(22,760)**	–	(25,057)
Dividends paid	8	**(12,127)**	(12,618)	(24,191)
Net cash flows (used in)/from financing activities		**27,676**	(5,127)	(48,874)
Net (decrease)/increase in cash and cash equivalents		**(6,859)**	33,219	6,003
Cash acquired through the acquisition of DRUM REIT		**–**	–	1,701
Cash and cash equivalents at start of the Period		**11,624**	3,920	3,920
Cash and cash equivalents at end of the Period		**4,765**	37,139	11,624

Condensed consolidated statements of changes in equity

For the six months ended 30 September 2022

	Note	Issued capital £000	Merger reserve £000	Share premium £000	Retained earnings £000	Total equity £000
At 31 March 2022 (audited)		**4,409**	**18,931**	**250,970**	**253,330**	**527,640**
Profit and total comprehensive income for the Period		–	–	–	(14,087)	(14,087)
Transactions with owners of the Company, recognised directly in equity						
Dividends	8	–	–	–	(12,127)	(12,127)
At 30 September 2022 (unaudited)		**4,409**	**18,931**	**250,970**	**227,116**	**501,426**

For the six months ended 30 September 2021

	Note	Issued capital £000	Merger reserve £000	Share premium £000	Retained earnings £000	Total equity £000
At 31 March 2021 (audited)		**4,201**	**–**	**250,469**	**155,196**	**409,866**
Profit and total comprehensive income for the Period		–	–	–	48,070	48,070
Transactions with owners of the Company, recognised directly in equity						
Dividends	8	–	–	–	(12,618)	(12,618)
Issue of share capital	15	5	–	546	–	551
At 30 September 2021 (unaudited)		**4,206**	**–**	**251,015**	**190,648**	**445,869**

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 property, 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 13 December 2022.

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 2023 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 United Kingdom, 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 financial statements for the year ended 31 March 2022 has been delivered to the Registrar of Companies. The auditor's report on those financial statements was not qualified, did not include a reference to any matters to which the auditor 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 its 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.

2.2. 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, except for the addition of:

- A property, plant and equipment policy following investment made in EV chargers during the Period; and
- An amendment to the existing income recognition policy reflecting a change to the recognition of service charge income. The Company outsources the management of service charges on its multi-let properties to managing agents and premises costs incurred by the service charges for let property are recharged in full to the tenant. Due to an increase in the number of multi-let assets owned by the Company from acquisitions during the year ended 31 March 2022, service charge income and expenditure has become more significant and £1,673k has been disclosed as revenue with a corresponding cost within operating expenses of rental property rechargeable to tenants in the Period's Condensed consolidated statement of comprehensive income. This change has no impact on reported NAV or earnings metrics.

2 Basis of preparation and accounting policies continued

2.2. Significant accounting policies continued

Property, plant and equipment

Plant, machinery, fixtures and fittings are stated at cost less accumulated depreciation and accumulated impairment loss.

Depreciation is recognised so as to write off the cost of assets (less their residual values) over their useful lives, using the straight-line method, on the following bases:

EV chargers	10 years

The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

Income recognition

Contractual revenues are allocated to each performance obligation of a contract and revenue is recognised on a basis consistent with the transfer of control of goods or services. Revenue is measured at the fair value of the consideration received, excluding discounts, rebates, VAT and other sales taxes or duties.

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

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

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

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

2.3. Critical judgements and key sources of estimation uncertainty

Preparation of the interim financial statements requires the Company to make judgements and estimates and apply assumptions that affect the reported amount of revenues, expenses, assets and liabilities.

There are no areas where a higher degree of judgement or complexity arises.

The areas where a higher degree of estimation uncertainty arises significant to the interim financial statements are discussed below:

Valuation of investment property – Investment property is valued at the reporting date at fair value. In making its assessment over the valuation of properties, the Company considers valuations performed by the independent valuers in determining the fair value of its investment properties. The valuers make reference to market evidence of transaction prices for similar properties. The valuations are based upon assumptions including future rental income, anticipated maintenance costs and appropriate discount rates.

Impairment of trade receivables – The Company's assessment of expected credit losses is inherently subjective due to the forward-looking nature of the assumptions made, most notably around the assessment over the likelihood of tenants having the ability to pay rent as demanded, as well as the likelihood of rent deferrals and lease incentives being offered to tenants as a result of the pandemic. The expected credit loss which has been recognised is therefore subject to a degree of uncertainty which may not prove to be accurate.

2 Basis of preparation and accounting policies continued

2.4. Going concern

Provision 30 of the UK Corporate Governance Code 2018 ("the Code") requires the Board to report whether the business is a going concern and identify any material uncertainties to the Company's ability to continue to do so. The Investment Manager has continued to forecast prudently in particular regarding cash flows and borrowing facilities.

The Company operates four loan facilities which are summarised in Note 14. At 30 September 2022 the Company has significant headroom on lender covenants at a portfolio level. Net gearing was 25.5% compared to a maximum LTV covenant of 35% with £188.9m (27.6% of the property portfolio at 30 September 2022) of unencumbered assets available to be charged to the security pools to enhance the LTV on individual loans if required. Completion of property disposals since the Period end have decreased net gearing to 24.0%.

The Company's 12-month forecast indicates that:

- The Company has surplus cash to continue in operation and meet its liabilities as they fall due;
- Interest cover and LTV covenants on borrowings are complied with; and
- REIT tests are complied with.

The going concern assessment considered the following key assumptions and judgements included in the financial projections to understand what circumstances would result in potential breaches of financial covenants or the Company not being able to meet its liabilities as they fall due:

- Tenant default;
- Length of potential void period following lease break or expiry;
- Acquisition NIY, disposals, anticipated capital expenditure and the timing of deployment of cash;
- Interest rate changes; and
- Property portfolio valuation movements.

The results of this assessment are described below:

Covenant compliance

The testing indicated that at a portfolio level:

- The rate of loss of contractual rent through tenant default or company voluntary arrangements ("CVAs") would need to deteriorate by a further 40% from the 2% level included in the Company's forecasts to breach interest cover covenants; and
- Property valuations would have to decrease by 26% from the 30 September 2022 position to risk breaching the overall 35% LTV covenant.

While the assumptions applied in these scenarios are possible, they do not represent the Board's view of a reasonably plausible downside scenario, but the results help inform the Directors' going concern assessment.

2 Basis of preparation and accounting policies continued

2.4. Going concern continued

The Board notes that the October 2022 IPF Forecasts for UK Commercial Property Investment survey suggests an average 1.3% increase in rents during 2023 and a 1.5% increase in 2024, with a capital value decrease forecast of 1.5% in 2023 and an increase of 1.3% in 2024. The Board believes the valuation of the Company's property portfolio will prove resilient due to its higher weighting to smaller lots with low capital values per square foot and an overall diverse and high-quality asset and tenant base comprising over 150 assets and over 200 typically 'institutional grade' tenants across all commercial sectors.

Liquidity

At 30 September 2022 the Company has:

- £4.8m of cash with gross borrowings of £178m resulting in low net gearing, with no expiries until September 2024 and a weighted average debt facility maturity of six years; and
- An annual contractual rent roll of £43.0m, with interest costs on drawn loan facilities of only c. £6.2m per annum.

The Board has considered the scenario used in covenant compliance reverse stress testing, where the rate of loss of contractual rent deteriorates by a further 40% from the levels included in the Company's prudent forecast. In this scenario all financial covenants and the REIT tests are complied with and the Company has surplus cash to settle its liabilities.

Having due regard to these matters and after making appropriate enquiries, the Directors have reasonable expectation that the Company has adequate resources to continue in operational existence for a period of at least 12 months from the date of signing of these condensed consolidated financial statements and, therefore, the Board continues to adopt the going concern basis in their preparation.

2.5. 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 property as a portfolio, the Directors have identified a single operating segment, that of investment in commercial properties.

2 Basis of preparation and accounting policies continued

2.6. 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, the particular circumstances of the properties in which it is invested and their tenants. Principal risks faced by the Company are:

- Loss of contractual revenue;
- Decreases in property portfolio valuations;
- Reduced availability or increased costs of debt and complying with loan covenants;
- Inadequate performance, controls or systems operated by the Investment Manager;
- Non-compliance with regulatory or legal changes;
- Business interruption from cyber or terrorist attack or pandemics;
- Failure to meet ESG compliance requirements or shareholder expectations; and
- Inflation in property costs and capital expenditure.

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 Company's Annual Report for the year ended 31 March 2022. The Company's principal risks and uncertainties have not changed materially since the date of that report, except for an exacerbation of the risks around inflation and a worsening of the general economic outlook since 31 March 2022.

3 Earnings per ordinary share

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

Diluted EPS 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 Period plus the weighted average number of ordinary shares that would be issued on the conversion of all the dilutive potential ordinary shares into ordinary shares. There are no dilutive instruments.

3 Earnings per ordinary share continued

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

	Unaudited 6 months to 30 Sept 2022	Unaudited 6 months to 30 Sept 2021	Audited 12 months to 31 Mar 2022
Net loss/(profit) and diluted net loss/(profit) attributable to equity holders of the Company (£000)	**(14,087)**	48,070	122,325
Net loss/(profit) on investment property (£000)	**26,451**	(35,406)	(97,073)
EPRA net profit attributable to equity holders of the Company (£000)	**12,364**	12,664	25,252
Weighted average number of ordinary shares:			
Issued ordinary shares at start of the Period (thousands)	**440,850**	420,053	420,053
Effect of shares issued during the Period (thousands)	**–**	441	8,649
Basic and diluted weighted average number of shares (thousands)	**440,850**	420,494	428,702
Basic and diluted EPS (p)	**(3.2)**	11.4	28.5
EPRA EPS (p)	**2.8**	3.0	5.9

4 Revenue

	Unaudited 6 months to 30 Sept 2022 £000	Unaudited 6 months to 30 Sept 2021 £000	Audited 12 months to 31 Mar 2022 £000
Rental income from investment property	**19,592**	19,270	39,039
Income from recharges to tenants	**2,704**	882	852
	22,296	20,152	39,891

5 Finance income

	Unaudited 6 months to 30 Sept 2022 £000	Unaudited 6 months to 30 Sept 2021 £000	Audited 12 months to 31 Mar 2022 £000
Bank interest	–	–	–
Finance income	–	–	–
	–	–	–

6 Finance costs

	Unaudited 6 months to 30 Sept 2022 £000	Unaudited 6 months to 30 Sept 2021 £000	Audited 12 months to 31 Mar 2022 £000
Amortisation of arrangement fees on debt facilities	183	171	364
Other finance costs	172	34	307
Bank interest	2,605	2,142	4,156
	2,960	2,347	4,827

7 Income tax

The effective tax rate for the Period is lower than the standard rate of corporation tax in the UK during the Period of 19.0%. The differences are explained below:

	Unaudited 6 months to 30 Sept 2022 £000	Unaudited 6 months to 30 Sept 2021 £000	Audited 12 months to 31 Mar 2022 £000
(Loss)/profit before income tax	**(14,087)**	48,070	122,325
Tax (benefit)/charge on (loss)/profit at a standard rate of 19.0% (30 September 2021: 19.0%, 31 March 2022: 19.0%)	**(2,677)**	9,133	23,242
Effects of:			
REIT tax exempt rental (profits)/losses	**2,677**	(9,133)	(23,242)
Income tax expense for the Period	**–**	–	–
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.

8 Dividends

	Unaudited 6 months to 30 Sept 2022 £000	Unaudited 6 months to 30 Sept 2021 £000	Audited 12 months to 31 Mar 2022 £000
Interim equity dividends paid on ordinary shares relating to the periods ended:			
31 March 2021: 1.25p	**–**	5,258	5,257
31 March 2021: 0.5p	**–**	2,102	2,102
30 June 2021: 1.25p	**–**	5,258	5,257
30 September 2021: 1.25p	**–**	–	5,511
31 December 2021: 1.375p	**–**	–	6,062
31 March 2022: 1.375p	**6,065**	–	–
30 June 2022: 1.375p	**6,062**	–	–
	12,127	12,618	24,191

All dividends paid are classified as property income distributions.

The Directors approved an interim dividend relating to the quarter ended 30 September 2022 of 1.375p per ordinary share in October 2022 which has not been included as a liability in these interim financial statements. This interim dividend was paid on 30 November 2022 to shareholders on the register at the close of business on 14 October 2022.

9 Investment property

	£000
At 31 March 2022	665,186
Impact of lease incentives	832
Additions	56,224
Capital expenditure	4,455
Disposals	(10,124)
Amortisation of right-of-use asset	(4)
Valuation decrease before acquisition costs	(27,742)
Acquisition costs	(3,404)
Valuation decrease including acquisition costs	(31,146)
At 30 September 2022	**685,423**

	£000
At 31 March 2021	551,922
Impact of lease incentives	741
Additions	13,286
Capital expenditure	1,803
Disposals	(33,710)
Amortisation of right-of-use asset	(4)
Valuation increase before acquisition costs	32,310
Acquisition costs	(1,069)
Valuation increase including acquisition costs	31,241
At 30 September 2021	**565,279**

Investment property is stated at the Directors' estimate of its 30 September 2022 fair value. Savills and Knight Frank LLP ("KF"), professionally qualified independent valuers, valued the properties at 30 September 2022 in accordance with the Appraisal and Valuation Standards published by the Royal Institution of Chartered Surveyors. Savills and KF have recent experience in the relevant location and category of the properties being valued.

Investment property has been valued using the investment method which involves applying a yield to rental income streams. Inputs include yield, current rent and ERV. For the Period end valuation, the equivalent yields used ranged from 3.8% to 13.2% (31 March 2022: 4.3% to 12.3%). 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 and are subject to the Company's overall control environment, and assumptions applied by the valuers (e.g. ERVs and yields). These assumptions are based on market observation and the valuers' professional judgement. In estimating the fair value of the property, the highest and best use of the properties is their current use.

10 Property, plant and equipment

EV chargers	Unaudited at 30 Sept 2022 £000	Unaudited at 30 Sept 2021 £000	Audited at 31 Mar 2022 £000
Cost			
Balance at the start of the period	**–**	–	–
Additions	**755**	–	–
	755	–	–
Depreciation			
At the start of the period	**–**	–	–
During the period	**(8)**	–	–
	(8)	–	–
Net book value at the end of the period	**747**	–	–

11 Trade and other receivables

	Unaudited at 30 Sept 2022 £000	Unaudited at 30 Sept 2021 £000	Audited at 31 Mar 2022 £000
Trade receivables before expected credit loss provision	**8,233**	8,875	6,085
Expected credit loss provision	**(2,914)**	(2,940)	(2,991)
Trade receivables	**5,319**	5,935	3,094
Other receivables	**445**	477	1,960
Prepayments and accrued income	**255**	40	147
	6,019	6,452	5,201

The Company has provided fully for those receivable balances that it does not expect to recover based on a specific assessment of the reason for non-payment and the creditworthiness of the counterparty.

For remaining balances the Company has applied an expected credit loss ("ECL") matrix based on its experience of collecting rent arrears. The ECL matrix fully provides for receivable balances more than 180 days past due and partially provides against receivable balances between 60 and 180 days past due.

12 Trade and other payables

	Unaudited at 30 Sept 2022 £000	Unaudited at 30 Sept 2021 £000	Audited at 31 Mar 2022 £000
Falling due in less than one year:			
Trade and other payables	**4,507**	4,714	3,960
Social security and other taxes	**621**	1,144	456
Accruals	**3,948**	3,235	4,226
Rental deposits and retentions	**1,626**	1,005	1,141
	10,702	10,098	9,783

The Directors consider that the carrying amount of trade and other payables approximates 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 at 30 Sept 2022 £000	Unaudited at 30 Sept 2021 £000	Audited at 31 Mar 2022 £000
Cash and cash equivalents	**4,765**	37,139	11,624

Cash and cash equivalents at 30 September 2022 include £2.4m (2021: £24.5m, 31 March 2022: £1.7m) of restricted cash comprising: £1.4m (2021: £0.8m, 31 March 2022: £0.3m) rental deposits held on behalf of tenants, £0.7m (2021: £23.4m, 31 March 2022: £1.1m) disposal proceeds held in charged disposal accounts and £0.3m (2021: £0.3m, 31 March 2022: £0.3m) retentions held in respect of development fundings.

14 Borrowings

	Bank borrowings £000	Costs incurred in the arrangement of bank borrowings £000	Total £000
Falling due within one year:			
At 31 March 2022	22,760	(33)	22,727
Repayment of borrowings	(22,760)	–	(22,760)
Amortisation of arrangement fees	–	33	33
At 30 September 2022	**–**	**–**	**–**
Falling due in more than one year:			
At 31 March 2022	115,000	(1,117)	113,883
New borrowings	63,000	(437)	62,563
Repayment of borrowings	–	–	–
Amortisation	–	150	150
At 30 September 2022	**178,000**	**(1,404)**	**176,596**

	Bank borrowings £000	Costs incurred in the arrangement of bank borrowings £000	Total £000
Falling due in more than one year:			
At 31 March 2021	140,000	(1,396)	138,604
New borrowings	7,000	–	7,000
Costs incurred in the arrangement of bank borrowings	–	(62)	(62)
Amortisation	–	171	171
At 30 September 2021	**147,000**	**(1,287)**	**145,713**

All of the Company's borrowing facilities require minimum interest cover of 250% of the net rental income of the security pool. The maximum LTV of the Company combining the value of all property interests (including the properties secured against the facilities) must be no more than 35%.

14 Borrowings continued

The Company's borrowing position at 31 March 2022 is set out in the Annual Report for the year ended 31 March 2022.

During the Period the Company refinanced a £25m variable rate RCF facility with the Royal Bank of Scotland, which had been due to expire on 30 September 2022, with an additional £25m tranche of 10-year debt from Aviva with a fixed interest rate of 4.1%.

15 Issued capital and reserves

Share capital	Ordinary shares of 1p	£000
At 31 March 2022	440,850,398	4,409
Issue of share capital	–	–
At 30 September 2022	**440,850,398**	**4,409**

Share capital	Ordinary shares of 1p	£000
At 31 March 2021	420,053,344	4,201
Issue of share capital	550,000	5
At 30 September 2021	**420,603,344**	**4,206**

The Company has made no further issues of new shares since the Period end.

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.
Merger reserve	A non-statutory reserve that is credited instead of a company's share premium account in circumstances where merger relief under section 612 of the Companies Act 2006 is obtained.

16 Financial instruments

Fair values

The fair values of financial assets and liabilities are not materially different from their carrying values in the half yearly financial report. The IFRS 13 Fair Value Measurement 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 asset 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 independent firms 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 property held by the Company. The fair value hierarchy of investment property is level 3. At 30 September 2022, the fair value of investment property was £685.4m and during the Period the valuation decrease was £27.7m.

Interest bearing loans and borrowings – level 3

At 30 September 2022, the amortised cost of the Company's loans with Lloyds, Scottish Widows plc and Aviva approximated their fair value.

Trade and other receivables/payables – level 3

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

Property, plant and equipment – level 3

The carrying amount of PPE is considered to reflect its fair value.

17 Related party transactions

Directors and officers

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.

Ian Mattioli is Chief Executive Officer of Mattioli Woods plc ("Mattioli Woods"), the parent company of the Investment Manager, and is a director of the Investment Manager. As a result, Ian Mattioli is not independent.

The Company Secretary, Ed Moore, is also a director of the Investment Manager.

17 Related party transactions continued

Investment Management Agreement

The Investment Manager is engaged as AIFM under an IMA with responsibility for the 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. The Investment Manager also provides day-to-day administration of the Company and acts as secretary to the Company, including maintenance of accounting records and preparing the annual and interim financial statements of the Company.

During the Period asset management and investment management fees payable to the Investment Manager under the IMA were calculated as follows:

- 0.9% of the NAV of the Company at the relevant quarter day which is less than or equal to £200m divided by 4;
- 0.75% of the NAV of the Company at the relevant quarter day which is in excess of £200m but below £500m divided by 4;
- 0.65% of the NAV of the Company at the relevant quarter day which is in excess of £500m but below £750m divided by 4; plus
- 0.55% of the NAV of the Company at the relevant quarter day which is in excess of £750m divided by 4.

Administrative fees payable to the Investment Manager under the IMA during the Period were:

- 0.125% of the NAV of the Company at the relevant quarter day which is less than or equal to £200m divided by 4;
- 0.08% of the NAV of the Company at the relevant quarter day which is in excess of £200m but below £500m divided by 4;
- 0.05% of the NAV of the Company at the relevant quarter day which is in excess of £500m but below £750m divided by 4; plus
- 0.03% of the NAV of the Company at the relevant quarter day which is in excess of £750m divided by 4.

The IMA is terminable by either party by giving not less than 12 months' prior written notice to the other, which notice may only be given after expiry of the three-year Initial Term which commenced in June 2020. The IMA may also be terminated on the occurrence of an insolvency event in relation to either party, if the Investment Manager is fraudulent, grossly negligent or commits a material breach which, if capable of remedy, is not remedied within three months, or on a force majeure event continuing for more than 90 days.

The Investment Manager receives a marketing fee of 0.25% (2021: 0.25%) of the aggregate gross proceeds from any issue of new shares in consideration of the marketing services it provides to the Company.

During the Period the Investment Manager charged the Company £2.09m (2021: £1.79m) in respect of asset management and investment management fees, £0.25m (2021: £0.21m) in respect of administrative fees and £nil (2021: £nil) in respect of marketing fees.

18 Events after the reporting date

Property disposals

Since the Period end the Company has sold:

- A shopping centre in Gosforth for £9.3m, which had been part of the purchase of DRUM REIT in November 2021, for a 3.5% premium to the £8.975m apportioned value of the asset at purchase. Since acquisition, the asset has produced rental income of c. £0.9m with the completion of several asset management activities increasing occupancy and extending contractual lease terms;
- Business park offices in Leicester for £2.8m at valuation where minimal future rent and valuation growth was expected; and
- An industrial unit in Kilmarnock at auction for £1.4m, 12% ahead of valuation. The unit's environmental credentials did not fit with the Company's ESG objectives and it was not considered practical to mitigate these risks.

19 Additional disclosures

NAV per share total return

A measure of performance taking into account both capital returns and dividends by assuming dividends declared are reinvested at NAV at the time the shares are quoted ex-dividend, shown as a percentage change from the start of the Period.

	Unaudited 6 months to 30 Sept 2022 £000	Unaudited 6 months to 30 Sept 2021 £000	Audited 12 months to 31 Mar 2022 £000
Net assets (£000)	**501,426**	445,869	527,640
Shares in issue at the period end (thousands)	**440,850**	420,603	440,850
NAV per share at the start of the period (p)	**119.7**	97.6	97.6
Dividends per share paid during the period (p)	**2.75**	3.0	5.625
NAV per share at the end of the period (p)	**113.7**	106.0	119.7
NAV per share total return	**(2.7%)**	11.7%	28.4%

19 Additional disclosures continued

Share price total return

A measure of performance taking into account both share price returns and dividends by assuming dividends declared are reinvested at the ex-dividend share price, shown as a percentage change from the start of the period.

	Unaudited 6 months to 30 Sept 2022 £000	Unaudited 6 months to 30 Sept 2021 £000	Audited 12 months to 31 Mar 2022 £000
Share price at the start of the period (p)	**101.8**	91.8	91.8
Dividends per share for the period (p)	**2.75**	3.0	5.625
Share price at the end of the period (p)	**97.0**	93.1	101.8
Share price total return	**(2.0%)**	4.7%	17.0%

Net gearing

Gross borrowings less cash (excluding rent deposits), divided by property portfolio value.

	Unaudited at 30 Sept 2022 £000	Unaudited at 30 Sept 2021 £000	Audited at 31 Mar 2022 £000
Gross borrowings	**178,000**	147,000	137,760
Cash	**(4,765)**	(37,139)	(11,624)
Tenant rental deposits and retentions	**1,626**	1,142	1,141
Net borrowings	**174,861**	111,003	127,277
Investment property	**685,423**	565,279	665,186
Net gearing	**25.5%**	19.6%	19.1%

19 Additional disclosures continued

Weighted average cost of debt

The interest rate payable on bank borrowings at the period end weighted by the amount of borrowings at that rate as a proportion of total borrowings.

30 September 2022	Amount drawn £m	Interest rate	Weighting
Lloyds RCF	38	3.790%	0.81%
Total variable rate	38		
SWIP £20m loan	20	3.935%	0.44%
SWIP £45m loan	45	2.987%	0.76%
Aviva			
– £35m tranche	35	3.020%	0.59%
– £15m tranche	15	3.260%	0.27%
– £25m tranche	25	4.100%	0.58%
Total fixed rate	140		
Weighted average drawn facilities	**178**		**3.45%**

31 March 2022	Amount drawn £m	Interest rate	Weighting
Lloyds RCF	–	2.341%	–
RBS RCF	23	2.441%	0.40%
Total variable rate	23		
SWIP £20m loan	20	3.935%	0.56%
SWIP £45m loan	45	2.987%	0.96%
Aviva			
– £35m tranche	35	3.020%	0.76%
– £15m tranche	15	3.260%	0.35%
Total fixed rate	115		
Weighted average rate on drawn facilities	**138**		**3.02%**

19 Additional disclosures continued

Weighted average cost of debt continued

30 September 2021	Amount drawn £m	Interest rate	Weighting
Lloyds RCF	32	1.755%	0.38%
Total variable rate	32		
SWIP £20m loan	20	3.935%	0.54%
SWIP £45m loan	45	2.987%	0.91%
Aviva			
– £35m tranche	35	3.020%	0.72%
– £15m tranche	15	3.260%	0.33%
Total fixed rate	115		
Weighted average rate on drawn facilities	**147**		**2.88%**

EPRA EPS

A measure of the Company's operating results excluding gains or losses on investment property, giving a better indication than basic EPS of the extent to which dividends paid in the year are supported by recurring net income.

	Unaudited 6 months to 30 Sept 2022 £000	Unaudited 6 months to 30 Sept 2021 £000	Audited 12 months to 31 Mar 2022 £000
(Loss)/profit for the Period after taxation	**(14,087)**	48,070	122,325
Net losses/(profits) on investment property	**26,451**	(35,406)	(97,073)
EPRA earnings	**12,364**	12,664	25,252
Weighted average number of shares in issue (thousands)	**440,850**	420,494	428,702
EPRA EPS (p)	**2.8**	3.0	5.9

19 Additional disclosures continued

EPRA vacancy rate

EPRA vacancy rate is the estimated rental value ("ERV") of vacant space as a percentage of the ERV of the whole property portfolio.

	Unaudited at 30 Sept 2022 £000	Unaudited at 30 Sept 2021 £000	Audited at 31 Mar 2022 £000
Annualised potential rental value of vacant premises	**5,236**	3,424	4,643
Annualised potential rental value for the property portfolio	**49,183**	41,009	45,580
EPRA vacancy rate	**10.7%**	8.4%	10.2%

EPRA Net Tangible Assets ("NTA")

Assumes that the Company buys and sells assets for short-term capital gains, thereby crystallising certain deferred tax balances.

Group and Company	**Unaudited at 30 Sept 2022 £000**	Unaudited at 30 Sept 2021 £000	Audited at 31 Mar 2022 £000
IFRS NAV	**501,425**	445,869	527,640
Fair value of financial instruments	**–**	–	–
Deferred tax	**–**	–	–
EPRA NTA	**501,425**	445,869	527,640
Closing number of shares in issue (thousands)	**440,850**	420,603	440,850
EPRA NTA per share (p)	**113.7**	106.0	119.7

Directors' responsibilities for the interim financial statements

The Directors have prepared the interim financial statements of the Company for the Period from 1 April 2022 to 30 September 2022.

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 United Kingdom;

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 include 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 include 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 Property Income REIT plc is maintained on the Company's website at custodianreit.com.

By order of the Board

David Hunter
Chairman

13 December 2022

Independent review report

to Custodian Property Income REIT plc

Conclusion

We have been engaged by the Company to review the condensed set of financial statements in the half-yearly financial report for the six months ended 30 September 2022 which comprises the Condensed consolidated statement of comprehensive income, the Condensed consolidated statement of financial position, the Condensed consolidated statements of changes in equity, the Condensed consolidated statement of cash flows and related Notes 1 to 19.

Based on our review, nothing has come to our attention that causes us to believe that the condensed set of financial statements in the half-yearly financial report for the six months ended 30 September 2022 is not prepared, in all material respects, in accordance with United Kingdom adopted International Accounting Standard 34 and the Disclosure Guidance and Transparency Rules of the United Kingdom's Financial Conduct Authority.

Basis for conclusion

We conducted our review in accordance with International Standard on Review Engagements (UK) 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Financial Reporting Council for use in the United Kingdom (ISRE (UK) 2410). 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 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.

As disclosed in Note 2.1, the annual financial statements of the Company are prepared in accordance with United Kingdom adopted international accounting standards. The condensed set of financial statements included in this half-yearly financial report has been prepared in accordance with United Kingdom adopted International Accounting Standard 34, "Interim Financial Reporting".

Conclusion relating to going concern

Based on our review procedures, which are less extensive than those performed in an audit as described in the Basis for conclusion section of this report, nothing has come to our attention to suggest that the directors have inappropriately adopted the going concern basis of accounting or that the directors have identified material uncertainties relating to going concern that are not appropriately disclosed.

This Conclusion is based on the review procedures performed in accordance with ISRE (UK) 2410; however future events or conditions may cause the entity to cease to continue as a going concern.

Responsibilities of the directors

The directors are responsible for preparing the half-yearly financial report in accordance with the Disclosure Guidance and Transparency Rules of the United Kingdom's Financial Conduct Authority.

In preparing the half-yearly financial report, the directors are responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the review of the financial information

In reviewing the half-yearly financial report, we are responsible for expressing to the Company a conclusion on the condensed set of financial statements in the half-yearly financial report. Our Conclusion, including our Conclusion relating to going concern, are based on procedures that are less extensive than audit procedures, as described in the Basis for conclusion paragraph of this report.

Use of our report

This report is made solely to the Company in accordance with ISRE (UK) 2410. 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.

Deloitte LLP
Statutory Auditor
London, United Kingdom

13 December 2022

Company information

Directors

David Hunter	(Independent Non-Executive Chairman)
Elizabeth McMeikan	(Senior Independent Non-Executive Director)
Ian Mattioli MBE	(Non-Executive Director)
Malcolm Cooper	(Independent Non-Executive Director)
Hazel Adam	(Independent Non-Executive Director)
Chris Ireland	(Independent Non-Executive Director)

Company Secretary
Ed Moore

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Financial calendar

13 November 2022	Ex-dividend date for Q2 dividend
14 November 2022	Record date for Q2 dividend
30 November 2022	Payment of Q2 dividend
14 December 2022	Announcement of results for the period ended 30 September 2022

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