Condensed consolidated statement of comprehensive income
For the six months ended 30 September 2023

	Note	***Unaudited 6 months to 30 Sept 2023 £000***	*Unaudited 6 months to 30 Sept 2022 £000*	*Audited 12 months to 31 Mar 2023 £000*
Revenue	4	**22,829**	22,296	44,147
Investment management fee		**(1,757)**	(2,086)	(3,880)
Operating expenses of rental property				
- rechargeable to tenants		**(2,082)**	(2,704)	(3,526)
- directly incurred		**(1,335)**	(1,119)	(3,530)
Professional fees		**(394)**	(428)	(911)
Directors' fees		**(182)**	(167)	(318)
Administrative expenses		**(327)**	(460)	(822)
Depreciation		**(41)**	(8)	(112)
Expenses		**(6,118)**	(6,972)	(13,099)
Operating profit before net losses on investment property		**16,711**	15,324	31,048
Unrealised losses on revaluation of investment property:				
- relating to gross property revaluations	9	**(15,632)**	(27,742)	(91,551)
- relating to acquisition costs	9	**-**	(3,404)	(3,426)
Net valuation decrease		**(15,632)**	(31,146)	(94,977)
(Loss)/profit on disposal of investment property		**(19)**	4,695	4,368
Net losses on investment property		**(15,651)**	(26,451)	(90,609)
Operating profit/(loss)		**1,060**	(11,127)	(59,561)
Finance income	5	**30**	-	22
Finance costs	6	**(3,756)**	(2,960)	(6,282)
Net finance costs		**(3,726)**	(2,960)	(6,260)
Loss before tax		**(2,666)**	(14,087)	(65,821)
Income tax	7	**-**	-	-
Loss and total comprehensive expense for the Period, net of tax		**(2,666)**	(14,087)	(65,821)
Attributable to:				
Owners of the Company		**(2,666)**	(14,087)	(65,821)
Earnings per ordinary share:				
Basic and diluted (p)	3	**(0.6)**	(3.2)	(14.9)
EPRA (p)	3	**2.9**	2.8	5.6

The loss for the Period arises from the Company's continuing operations.

Condensed consolidated statement of financial position
At 30 September 2023
Registered number: 08863271

	Note	***Unaudited 30 Sept 2023 £000***	*Unaudited 30 Sept 2022 £000*	*Audited 31 Mar 2023 £000*
Non–current assets				
Investment property	9	**609,757**	685,423	613,587
Property, plant and equipment	10	**1,677**	747	1,113
Total non-current assets		**611,434**	686,170	614,700
Current assets				
Trade and other receivables	11	**4,819**	6,019	3,748
Cash and cash equivalents	13	**6,697**	4,765	6,880
Total current assets		**11,516**	10,784	10,628
Total assets		**622,950**	696,954	625,328
Equity				
Issued capital	15	**4,409**	4,409	4,409
Share premium		**250,970**	250,970	250,970
Merger reserve		**18,931**	18,931	18,931
Retained earnings		**148,470**	227,116	163,259
Total equity attributable to equity holders of the Company		**422,780**	501,426	437,569
Non-current liabilities				
Borrowings	14	**138,748**	176,596	172,102
Other payables		**570**	570	570
Total non-current liabilities		**139,318**	177,166	172,672
Current liabilities				
Borrowings	14	**44,941**	-	-
Trade and other payables	12	**8,067**	10,702	7,666
Deferred income		**7,844**	7,660	7,421
Total current liabilities		**60,852**	18,362	15,087
Total liabilities		**200,170**	195,528	187,759
Total equity and liabilities		**622,950**	696,954	625,328

These interim financial statements of Custodian Property Income REIT plc were approved and authorised for issue by the Board of Directors on 5 December 2023 and are signed on its behalf by:

David MacLellan
Director

Condensed consolidated statement of cash flows
For the six months ended 30 September 2023

	Note	***Unaudited 6 months to 30 Sept 2023 £000***	*Unaudited 6 months to 30 Sept 2022 £000*	*Audited 12 months to 31 Mar 2023 £000*
Operating activities				
Loss for the Period		**(2,666)**	(14,087)	(65,821)
Net finance costs	5,6	**3,726**	2,960	6,260
Net revaluation loss	9	**15,632**	31,146	94,977
Loss/(profit) on disposal of investment property		**19**	(4,695)	(4,368)
Impact of lease incentives and costs	9	**(1,201)**	(832)	(1,677)
Amortisation	9	**3**	4	8
Depreciation	10	**41**	8	112
Cash flows from operating activities before changes in working capital and provisions		**15,554**	14,504	29,491
(Increase)/decrease in trade and other receivables		**(1,071)**	(818)	2,954
Increase/(decrease) in trade and other payables		**824**	1,169	(2,104)
Cash generated from operations		**15,307**	14,855	30,341
Interest and other finance charges	6	**(3,630)**	(2,777)	(6,072)
Net cash flows from operating activities		**11,677**	12,078	24,269
Investing activities				
Purchase of investment property		**-**	(52,818)	(52,603)
Purchase of property, plant and equipment		**(605)**	(755)	(1,225)
Capital expenditure		**(12,179)**	(4,455)	(11,333)
Acquisition costs		**-**	(3,404)	(3,426)
Proceeds from the disposal of investment property		**1,575**	14,899	28,767
Costs of disposal of investment property		**(19)**	(80)	(237)
Interest and finance income received		**30**	-	22
Net cash flows used in investing activities		**(11,198)**	(46,613)	(40,035)
Financing activities				
New borrowings	14	**11,500**	63,000	58,500
New borrowings origination costs	14	**(39)**	(437)	-
Repayment of borrowings		**-**	(22,760)	(23,228)
Dividends paid	8	**(12,123)**	(12,127)	(24,250)
Net cash flows (used in)/from financing activities		**(662)**	27,676	(11,022)
Net decrease in cash and cash equivalents		**(183)**	(6,859)	(4,744)
Cash and cash equivalents at start of the Period		**6,880**	11,624	11,624
Cash and cash equivalents at end of the Period		**6,697**	4,765	6,880

Condensed consolidated statements of changes in equity

For the six months ended 30 September 2023

	Note	*Issued capital £000*	*Merger reserve £000*	*Share premium £000*	*Retained earnings £000*	*Total equity £000*
At 31 March 2023 (audited)		**4,409**	**18,931**	**250,970**	**163,259**	**437,569**
Profit and total comprehensive income for the Period		-	-	-	(2,666)	(2,666)
Transactions with owners of the Company, recognised directly in equity						
Dividends	8	-	-	-	(12,123)	(12,123)
At 30 September 2023 (unaudited)		**4,409**	**18,931**	**250,970**	**148,470**	**422,780**

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**

Notes to the interim financial statements for the period ended 30 September 2023

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 5 December 2023.

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 2024 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 2023 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.

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.

2.3. *Critical judgements and key sources of estimation uncertainty*

Preparation of the interim financial statements requires the Company to make estimates and assumptions that affect the reported amount of revenues, expenses, assets and liabilities and the disclosure of contingent liabilities. If in the future such estimates and assumptions, which are based on the Directors' best judgement at the date of preparation of the interim financial statements, deviate from actual circumstances, the original estimates and assumptions will be modified as appropriate in the period in which the circumstances change.

Judgements

No significant judgements have been made in the process of applying the Company's accounting policies, other than those involving estimations, that have had a significant effect on the amounts recognised within the interim financial statements.

Estimates

The accounting estimates with a significant risk of a material change to the carrying values of assets and liabilities within the next year are:

- *Valuation of investment property* - Investment property is valued at the reporting date at fair value. Where an investment property is being redeveloped the property continues to be treated as an investment property. Surpluses and deficits attributable to the Company arising from revaluation are recognised in profit or loss. Valuation surpluses reflected in retained earnings are not distributable until realised on sale. In making its judgement over the valuation of properties, the Company considers valuations performed by the independent property valuers in determining the fair value of its investment properties. The property valuers make reference to market evidence of transaction prices for similar properties. The valuations are based upon assumptions including future rental income, anticipated capital expenditure and maintenance costs (particularly in the context of mitigating the impact of climate change) and appropriate discount rates (ie property yields). The key sources of estimation uncertainty within these inputs above are future rental income and property yields. Reasonably possible changes to these inputs across the portfolio would have a material impact on its valuation.

2.4. Going concern

The Board assesses the Company's prospects over the long-term, taking into account rental growth expectations, climate related risks, longer-term debt strategy, expectations around capital investment in the portfolio and the UK's long-term economic outlook. At quarterly Board meetings, the Board reviews summaries of the Company's liquidity position and compliance with loan covenants, as well as forecast financial performance and cash flows.

Forecast

The Investment Manager maintains a detailed forecast model projecting the financial performance of the Company over a period of three years, which provides a reasonable level of accuracy regarding projected lease renewals, asset-by-asset capital expenditure, property acquisitions and disposals, rental growth, interest rate changes, cost inflation and refinancing of the Company's variable rate debt which typically has a maximum tenor of three years. The detailed forecast model allows robust sensitivity analysis to be conducted and over the three year forecast period included the following key assumptions:

- A 1% annual loss of contractual revenue through CVA or tenant default;
- No changes to the demand for leasing the Company's assets going forwards, maintaining the occupancy rate;
- No portfolio valuation movements and completion of the disposals currently under offer;
- Rental growth, captured at lease expiry, based on consensus forecasts;
- The Company's capital expenditure programme to invest in its existing assets continues as expected; and
- No movement in interest rates.

The Directors have assessed the Company's prospects over this three-year period in accordance with Provision 36 of the AIC Code, and the Company's prospects as a going concern over a period of 12 months from the date of approval of the Interim Report, using the same forecast model and assessing the risks against each of these assumptions.

The Directors note that the Company has performed strongly during the period despite economic headwinds and valuation decreases, with rents and occupancy increasing over the last six months.

Sensitivities

Sensitivity analysis involves flexing these key assumptions, taking into account the principal risks and uncertainties and emerging risks detailed in the Annual Report, and assessing their impact on the following areas:

Covenant compliance

The Company operates the loan facilities summarised in Note 14. At 30 September 2023 the Company had the following headroom on lender covenants at a portfolio level with:

- Net gearing of 29.6% compared to a maximum LTV covenant of 35%, with £126.2m (21% of the property portfolio) unencumbered by the Company's borrowings; and
- 88% minimum headroom on interest cover covenants for the quarter ended 30 September 2023.

The Company agreed temporary reductions in interest cover covenants on two of its facilities from 250% to 200% at 30 September 2023. These temporary waivers were put in place whilst the process of charging £15.2m of unencumbered property with annual passing rent of £1.3m to the associated charge pools to increase covenant headroom was being completed.

Over the three year assessment period the Company's forecast model projects a small increase in net gearing with a small increase in headroom on interest cover covenants. Reverse stress testing has been undertaken to understand what circumstances would result in potential breaches of financial covenants over these periods. While the assumptions applied in these scenarios are possible, they do not represent the Board's view of the likely outturn, but the results help inform the Directors' assessment of the viability of the Company. The testing indicated, assuming no unencumbered properties were charged, that:

- The rate of loss or deferral of contractual rent on the borrowing facility with least headroom would need to deteriorate by 11% from the levels included in the Company's prudent base case forecasts to breach interest cover covenants; or

- At a portfolio level property valuations would have to decrease by 15% from the 30 September 2023 position to risk breaching the overall 35% LTV covenant for assessment period.

The Board notes that the Summer 2023 IPF Forecasts for UK Commercial Property Investment survey suggests an average 1.3% increase in rents during 2024 with capital value increases of 0.8%. The Board believes that the valuation of the Company's property portfolio will prove resilient due to its higher weighting to industrial assets and overall diverse and high-quality asset and tenant base comprising over 150 assets and over 300 typically 'institutional grade' tenants across all commercial sectors.

<u>Liquidity</u>

At 30 September 2023 the Company had:

- £6.7m of cash, with gross borrowings of £185m resulting in net gearing of 29.6% and a weighted average debt facility maturity of six years; and
- An annual contractual rent roll of £43.2m, with interest costs on drawn loan facilities of only c. £7.8m per annum.

The Company's forecast model projects it will have sufficient cash and undrawn facilities to settle its target dividends and its expense and interest liabilities over the next 12 months.

Since the Period end the Company has increased total funds available under the RCF from £50m to £75m for a term of three years, with an option to extend the term by a further two years, subject to Lloyds' consent.

<u>*Results of the assessments*</u>

Based on the prudent assumptions within the Company's forecasts regarding the factors set out above, the Directors expect that over the period of their assessment:

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

Having due regard to these matters and after making appropriate enquiries, the Directors have a 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 (the Board) to make decisions about the allocation of resources and assessment of performance and about which discrete financial information is available. As the chief operating decision maker reviews financial information for, and makes decisions about the Company's investment properties as a portfolio, the Directors have identified a single operating segment, that of investment in commercial properties.

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 2023. The Company's principal risks and uncertainties have not changed materially since the date of that report.

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.

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

	Unaudited 6 months to 30 Sept 2023	*Unaudited 6 months to 30 Sept 2022*	*Audited 12 months to 31 Mar 2023*
Net loss and diluted net loss attributable to equity holders of the Company (£000)	**(2,666)**	(14,087)	(65,821)
Net loss on investment property (£000)	**15,651**	26,451	90,609
EPRA net profit attributable to equity holders of the Company (£000)	**12,985**	12,364	24,788
Weighted average number of ordinary shares:			
Issued ordinary shares at start of the Period (thousands)	**440,850**	440,850	440,850
Effect of shares issued during the Period (thousands)	**-**	-	-
Basic and diluted weighted average number of shares (thousands)	**440,850**	440,850	440,850
Basic and diluted EPS (p)	**(0.6)**	(3.2)	(14.9)
EPRA EPS (p)	**2.9**	2.8	5.6

4. Revenue

	Unaudited 6 months to 30 Sept 2023 £000	*Unaudited 6 months to 30 Sept 2022 £000*	*Audited 12 months to 31 Mar 2023 £000*
Gross rental income from investment property	**20,654**	19,592	40,558
Income from recharges to tenants	**2,082**	2,704	3,526
Other income	**93**	-	63
	22,829	22,296	44,147

5. Finance income

	Unaudited 6 months to 30 Sept 2023 £000	*Unaudited 6 months to 30 Sept 2022 £000*	*Audited 12 months to 31 Mar 2023 £000*
Bank interest	**30**	-	22
	30	-	22

6. Finance costs

	Unaudited 6 months to 30 Sept 2023 £000	*Unaudited 6 months to 30 Sept 2022 £000*	*Audited 12 months to 31 Mar 2023 £000*
Amortisation of arrangement fees on debt facilities	**126**	183	220
Other finance costs	**28**	172	375
Bank interest	**3,602**	2,605	5,687
	3,756	2,960	6,282

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 25.0%. The differences are explained below:

	Unaudited 6 months to 30 Sept 2023 £000	*Unaudited 6 months to 30 Sept 2022 £000*	*Audited 12 months to 31 Mar 2023 £000*
Loss before income tax	**(2,666)**	(14,087)	(65,821)
Tax benefit on loss at a standard rate of 25.0% (30 September 2022: 19.0%, 31 March 2023: 19.0%)	**(667)**	(2,677)	(12,506)
Effects of:			
REIT tax exempt rental losses	**667**	2,677	12,506
Income tax expense for the Period	**-**	-	-
Effective income tax rate	**0.0%**	0.0%	0.0%

The standard rate of UK corporation tax increased to 25% on 1 April 2023.

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 2023 £000	*Unaudited 6 months to 30 Sept 2022 £000*	*Audited 12 months to 31 Mar 2023 £000*
Interim equity dividends paid on ordinary shares relating to the periods ended:			
31 March 2022: 1.375p	-	6,065	6,065
30 June 2022: 1.375p	-	6,062	6,062
30 September 2022: 1.375p	-	-	6,062
31 December 2022: 1.375p	-	-	6,061
31 March 2023: 1.375p	**6,062**	-	-
30 June 2023: 1.375p	**6,061**	-	-
	12,123	12,127	24,250

All dividends paid are classified as property income distributions.

The Directors approved an interim dividend relating to the quarter ended 30 September 2023 of 1.375p per ordinary share in October 2023 which has not been included as a liability in these interim financial statements. This interim dividend was paid on 30 November 2023 to shareholders on the register at the close of business on 27 October 2023.

9. Investment property

	£000
At 31 March 2023	613,587
Impact of lease incentives and lease costs	1,201
Additions	-
Capital expenditure	12,179
Disposals	(1,575)
Amortisation of right-of-use asset	(3)
Valuation decrease	(15,632)
At 30 September 2023	**609,757**

	£000
At 31 March 2022	665,186
Impact of lease incentives	1,677
Additions	56,033
Capital expenditure	9,954
Disposals	(24,278)
Amortisation of right-of-use asset	(8)
Valuation increase before acquisition costs	(91,551)
Acquisition costs	(3,426)
Valuation increase including acquisition costs	(94,977)
At 30 September 2022	613,587

£483.5m (2022: £458.0m) of investment property was charged as security against the Company's borrowings at the Period end with a further £15.2m in the process of being charged. £0.6m (2022: £0.6m) of investment property comprises right-of-use assets.

Investment property is stated at the Directors' estimate of its 30 September 2023 fair value. Savills (UK) Limited ("Savills") and Knight Frank LLP ("KF"), professionally qualified independent property valuers, each valued approximately half of the property portfolio as at 30 September 2023 in accordance with the Appraisal and Valuation Standards published by the Royal Institution of Chartered Surveyors ("RICS"). Savills and KF have recent experience in the relevant locations and categories of the property 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 following inputs were used:

Sector	Valuation 30 September 2023 £000	Weighted average passing rent (£ per sq ft)	Weighted average ERV range (£ per sq ft)	Equivalent yield	EPRA topped-up NIY
Industrial	303.2	7.0	2.0 – 18.0	6.7%	5.3%
Retail warehouse	127.6	14.4	6.1 – 26.7	7.5%	7.6%
Other	78.1	19.1	2.7 – 66.7*	8.1%	6.9%
Office	67.4	19.0	4.9 – 35.8	9.6%	7.1%
High street retail	33.4	31.7	3.8 – 57.4	8.6%	9.6%

*Drive-through restaurants' ERV per sq ft are based on building floor area rather than area inclusive of drive-through lanes.

Valuation reports are based on both information provided by the Company eg 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 property valuers eg ERVs, expected capital expenditure and yields. These assumptions are based on market observation and the property valuers' professional judgement. In estimating the fair value of each property, the highest and best use of the properties is their current use.

All other factors being equal, a higher equivalent yield would lead to a decrease in the valuation of investment property, and an increase in the current or estimated future rental stream would have the effect of increasing capital value, and vice versa. However, there are interrelationships between unobservable inputs which are partially determined by market conditions, which could impact on these changes.

10. Property, plant and equipment

EV chargers and PV cells	***Unaudited at 30 Sept 2023 £000***	*Unaudited at 30 Sept 2022 £000*	*Audited at 31 Mar 2023 £000*
Cost			
Balance at the start of the period	**1,225**	-	-
Additions	**605**	755	1,225
	1,830	755	1,225
Depreciation			
At the start of the period	**(112)**	-	-
During the period	**(41)**	(8)	(112)
	(153)	(8)	(112)
Net book value at the end of the period	**1,677**	747	1,113

11. Trade and other receivables

	Unaudited at 30 Sept 2023 £000	*Unaudited at 30 Sept 2022 £000*	*Audited at 31 Mar 2023 £000*
Trade receivables before expected credit loss provision	**2,788**	8,233	2,498
Expected credit loss provision	**(547)**	(2,914)	(1,143)
Trade receivables	**2,241**	5,319	1,355
Other receivables	**2,096**	445	2,100
Prepayments and accrued income	**482**	255	293
	4,819	6,019	3,748

The Company regularly monitors the effectiveness of the criteria used to identify whether there has been a significant increase in credit risk, for example a deterioration in a tenant's or sector's outlook or rent payment performance, and revises them as appropriate to ensure that the criteria are capable of identifying significant increases in credit risk before amounts become past due.

Tenant rent deposits of £1.8m (2022: £0.7m) are held as collateral against certain trade receivable balances.

The Company considers the following as constituting an event of default for internal credit risk management purposes as historical experience indicates that financial assets that meet either of the following criteria are generally not recoverable:

- When there is a breach of financial covenants by the debtor; or

- Available information indicates the debtor is unlikely to pay its creditors.

Such balances are provided for in full. For remaining balances the Company has applied an expected credit loss ("ECL") matrix based on its experience of collecting rent arrears.

Expected credit loss provision	**Unaudited 30 Sept 2023 £000**	Unaudited 30 Sept 2022 £000	Audited 31 Mar 2023 £000
Opening balance	**1,143**	2,739	2,739
(Decrease)/increase in provision relating to trade receivables that are credit-impaired	**(596)**	175	453
Utilisation of provisions	**-**	-	(2,049)
Closing balance	**547**	2,914	1,143

12. Trade and other payables

	Unaudited at 30 Sept 2023 £000	*Unaudited at 30 Sept 2022 £000*	*Audited at 31 Mar 2023 £000*
Falling due in less than one year:			
Trade and other payables	**902**	4,507	972
Social security and other taxes	**816**	621	498
Accruals	**4,430**	3,948	4,693
Rental deposits and retentions	**1,919**	1,626	1,503
	8,067	10,702	7,666

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 2023 £000	*Unaudited at 30 Sept 2022 £000*	*Audited at 31 Mar 2023 £000*
Cash and cash equivalents	**6,697**	4,765	6,880

Cash and cash equivalents at 30 September 2023 include £2.4m (2022: £2.4m, 31 March 2023: £1.6m) of restricted cash comprising: £1.8m (2022: £1.4m, 31 March 2023: £1.5m) rental deposits held on behalf of tenants, £Nil (2022: £0.7m, 31 March 2023: £Nil) disposal proceeds held in charged disposal accounts and £0.1m (2022: £Nil, 31 March 2023: £Nil) disposal deposit.

14. Borrowings

	Bank borrowings £000	*Costs incurred in the arrangement of bank borrowings £000*	*Total £000*
Falling due within one year:			
At 31 March 2023	-	-	-
Reclassification	33,500	(89)	33,411
New borrowings	11,500	-	11,500
Amortisation of arrangement fees	-	30	30
At 30 September 2023	**45,000**	**(59)**	**44,941**
Falling due in more than one year:			
At 31 March 2023	173,500	(1,398)	172,102
Reclassification	(33,500)	89	(33,411)
New borrowings	-	-	-
Costs incurred in the arrangement of bank borrowings	-	(39)	(39)
Repayment of borrowings	-	-	-
Amortisation	-	96	96
At 30 September 2023	**140,000**	**(1,252)**	**138,748**
Total borrowings at 30 September 2023	**185,000**	**(1,311)**	**183,689**

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

The Company's borrowing facilities require minimum interest cover of either 200% or 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%.

The Company’s borrowing position at 31 March 2023 is set out in the Annual Report for the year ended 31 March 2023.

Since the Period end the Company has increased total funds available under the RCF from £50m to £75m for a term of three years, with an option to extend the term by a further two years, subject to Lloyds’ consent.

15. Issued capital and reserves

Share capital	*Ordinary shares of 1p*	*£000*
At 31 March 2023	440,850,398	4,409
Issue of share capital	-	-
At 30 September 2023	**440,850,398**	**4,409**

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

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

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

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

There have been no transfers between Levels 1, 2 and 3 during the year. 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, which uses the inputs set out in Note 10. These values were determined after having taken into consideration recent market transactions for similar properties in similar locations to the investment properties held by the Company. The fair value hierarchy of investment property is level 3. At 31 March 2023, the fair value of the Company's investment properties was £609.8m (2022: £665.2m).

Interest bearing loans and borrowings – level 3

At 30 September 2023 the gross value of the Company's loans with Lloyds, SWIP and Aviva all held at amortised cost was £185.0m.

Trade and other receivables/payables – level 3

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

17. Related party transactions

Save for transactions described below, the Company is not a party to, nor had any interest in, any other related party transaction during the period.

Transactions with directors

Each of the directors is engaged under a letter of appointment with the Company and does not have a service contract with the Company. Under the terms of their appointment, each Director is required to retire by rotation and seek re-election at least every three years. The Company's Articles require one third of Directors to retire and seek re-election each year. However, notwithstanding the provisions of the Articles, all the Non-Executive Directors offer themselves for re-election at each AGM in accordance with the provisions of the AIC Code.

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 of Mattioli Woods, the parent company of the Investment Manager, and is a director of the Investment Manager. As a result, Ian Mattioli is not independent. The Company Secretary, Ed Moore, is also a director of the Investment Manager.

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.

Annual management fees payable to the Investment Manager under the IMA are:

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

In June 2023 the rates applicable to each NAV hurdle for calculating the Administrative fees payable to the Investment Manager under the IMA were amended, with effect from 1 April 2022, to:

- 0.125% of the NAV of the Company as at the relevant quarter day which is less than or equal to £200m divided by 4;
- 0.115% (2022: 0.08%) of the NAV of the Company as at the relevant quarter day which is in excess of £200m but below £500m divided by 4;
- 0.02% (2022: 0.05%) of the NAV of the Company as at the relevant quarter day which is in excess of £500m but below £750m divided by 4; plus
- 0.015% (2022: 0.03%) of the NAV of the Company as 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. 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% (2022: 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 £2.06m (2022: £2.34m) comprising £1.80m (2022: £2.09m) in respect of annual management fees, £0.26m (2022: £0.25m) in respect of administrative fees and £nil (2022: £nil) in respect of marketing fees.

Mattioli Woods arranges insurance on behalf of the Company's tenants through an insurance broker and the Investment Manager is paid a commission by the Company's tenants via their premiums for administering the policy.

18. Events after the reporting date

Since the Period end the Company has:

- Sold a day nursery in Chesham at valuation for £0.55m; and
- Refinanced its RCF as described in Note 14.

19. Additional disclosures

NAV per share total return

An alternative 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 2023	*Unaudited 6 months to 30 Sept 2022*	*Audited 12 months to 31 Mar 2023*
Net assets (£000)	**422,780**	501,426	437,569
Shares in issue at the period end (thousands)	**440,850**	440,850	440,850
NAV per share at the start of the period (p)	**99.3**	119.7	119.7
Dividends per share paid during the period (p)	**2.75**	2.75	5.5
NAV per share at the end of the period (p)	**95.9**	113.7	99.3
NAV per share total return	**(0.7%)**	(2.7%)	(12.5%)

Share price total return

An alternative 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 2023	*Unaudited 6 months to 30 Sept 2022*	*Audited 12 months to 31 Mar 2023*
Share price at the start of the period (p)	**89.2**	101.8	101.8
Dividends per share for the period (p)	**2.75**	2.75	5.5
Share price at the end of the period (p)	**82.5**	97.0	89.2
Share price total return	**(4.4%)**	(2.0%)	(7.0%)

Dividend cover

The extent to which dividends relating to the Period are supported by recurring net income, indicating whether the level of dividends is sustainable.

Group	***Unaudited 6 months to 30 Sept 2023***	*Unaudited 6 months to 30 Sept 2022*	*Audited 12 months to 31 Mar 2023*
Dividends paid relating to the period	**6,061**	6,062	18,185
Dividends approved relating to the year	**6,062**	6,062	6,062
	12,123	12,124	24,247
Loss after tax	**(2,666)**	(14,087)	(65,821)
One-off costs	**-**	-	-
Net loss on investment property	**15,651**	26,451	90,609
	12,985	12,364	24,788
Dividend cover	**107.1%**	102.0%	102.2%

Net gearing

Gross borrowings less cash (excluding rent deposits), divided by property portfolio value. This ratio indicates whether the Company is meeting its investment objective to target 25% loan-to-value in the medium-term to balance enhancing shareholder returns without facing excessive financial risk.

	Unaudited at 30 Sept 2023 £000	*Unaudited at 30 Sept 2022 £000*	*Audited at 31 Mar 2023 £000*
Gross borrowings	**185,000**	178,000	173,500
Cash	**(6,697)**	(4,765)	(6,880)
Deposits	**1,919**	1,626	1,503
Net borrowings	**180,222**	174,861	168,123
Investment property	**609,757**	685,423	613,587
Net gearing	**29.6%**	25.5%	27.4%

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 2023	*Amount drawn £m*	*Interest rate*	*Weighting*
Lloyds RCF	45.0	6.840%	1.66%
Variable rate	45.0	6.840%	
SWIP £20m loan	20.0	3.935%	0.43%
SWIP £45m loan	45.0	2.987%	0.73%
Aviva			
- £35m tranche	35.0	3.020%	0.57%
- £15m tranche	15.0	3.260%	0.26%
- £25m tranche	25.0	4.100%	0.55%
Fixed rate	140.0	3.359%	
Weighted average drawn facilities	**185.0**		**4.20%**

31 March 2023	*Amount drawn £m*	*Interest rate*	*Weighting*
Lloyds RCF	33.5	5.830%	1.13%
Variable rate	33.5		
SWIP £20m loan	20.0	3.935%	0.45%
SWIP £45m loan	45.0	2.987%	0.78%
Aviva			
- £35m tranche	35.0	3.020%	0.61%
- £15m tranche	15.0	3.260%	0.28%
- £25m tranche	25.0	4.100%	0.59%
Fixed rate	140.0		
Weighted average rate on drawn facilities	173.5		3.84%

30 September 2022	*Amount drawn £m*	*Interest rate*	*Weighting*
Lloyds RCF	38.0	3.790%	0.81%
Variable rate	38.0		
SWIP £20m loan	20.0	3.935%	0.44%
SWIP £45m loan	45.0	2.987%	0.76%
Aviva			
- £35m tranche	35.0	3.020%	0.59%
- £15m tranche	15.0	3.260%	0.27%
- £25m tranche	25.0	4.100%	0.58/%
Fixed rate	140.0		
Weighted average rate on drawn facilities	178.0		3.45%

EPRA EPS

A measure of the Company's operating results excluding gains or losses on investment property, giving an alternative indication of performance compared to basic EPS which sets out the extent to which dividends relating to the Period are supported by recurring net income.

	Unaudited 6 months to 30 Sept 2023 £000	*Unaudited 6 months to 30 Sept 2022 £000*	*Audited 12 months to 31 Mar 2023 £000*
Loss for the Period after taxation	**(2,666)**	(14,087)	(65,821)
Net losses on investment property	**15,651**	26,451	90,609
EPRA earnings	**12,985**	12,364	24,788
Weighted average number of shares in issue (thousands)	**440,850**	440,850	440,850
EPRA EPS (p)	**2.9**	2.8	5.6

EPRA vacancy rate

EPRA vacancy rate is the ERV of vacant space as a percentage of the ERV of the whole property portfolio and offers insight into the additional rent generating capacity of the portfolio.

	Unaudited at 30 Sept 2023 £000	*Unaudited as 30 Sept 2022 £000*	*Audited at 31 Mar 2023 £000*
Annualised potential rental value of vacant premises	**4,243**	5,236	4,743
Annualised potential rental value for the property portfolio	**49,744**	49,183	48,976
EPRA vacancy rate	**8.5%**	10.7%	9.7%

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 2023 £000***	*Unaudited at 30 Sept 2022 £000*	*Audited at 31 Mar 2023 £000*
IFRS NAV	**422,780**	501,425	437,569
Fair value of financial instruments	**-**	-	-
Deferred tax	**-**	-	-
EPRA NTA	**422,780**	501,425	437,569
Closing number of shares in issue (thousands)	**440,850**	440,850	440,850
EPRA NTA per share (p)	**95.9**	113.7	99.3

EPRA topped-up NIY

Annualised cash rents at the period-end date, adjusted for the expiration of lease incentives (rent free periods or other lease incentives such as discounted rent periods and stepped rents), less estimated non-recoverable property operating expenses, divided by property valuation plus estimated purchaser's costs.

Group and Company	***Unaudited at 30 Sept 2023 £000***	*Unaudited at 30 Sept 2022 £000*	*Audited at 31 Mar 2023 £000*
Investment property	**609,757**	685,423	613,587
Allowance for estimated purchaser's costs[21]	**39,634**	44,552	39,883
Gross-up property portfolio valuation	**649,391**	729,975	653,470
Annualised net rental income	**43,162**	42,971	42,050
Property outgoings[22]	**(1,679)**	(947)	(1,875)
Annualised net rental income	**41,483**	42,024	40,175
EPRA topped-up NIY	**6.4%**	5.8%	6.2%

21 Assumed at 6.5% of investment property valuation.

22 Non-recoverable directly incurred operating expenses of rental property, excluding letting and rent review fees.