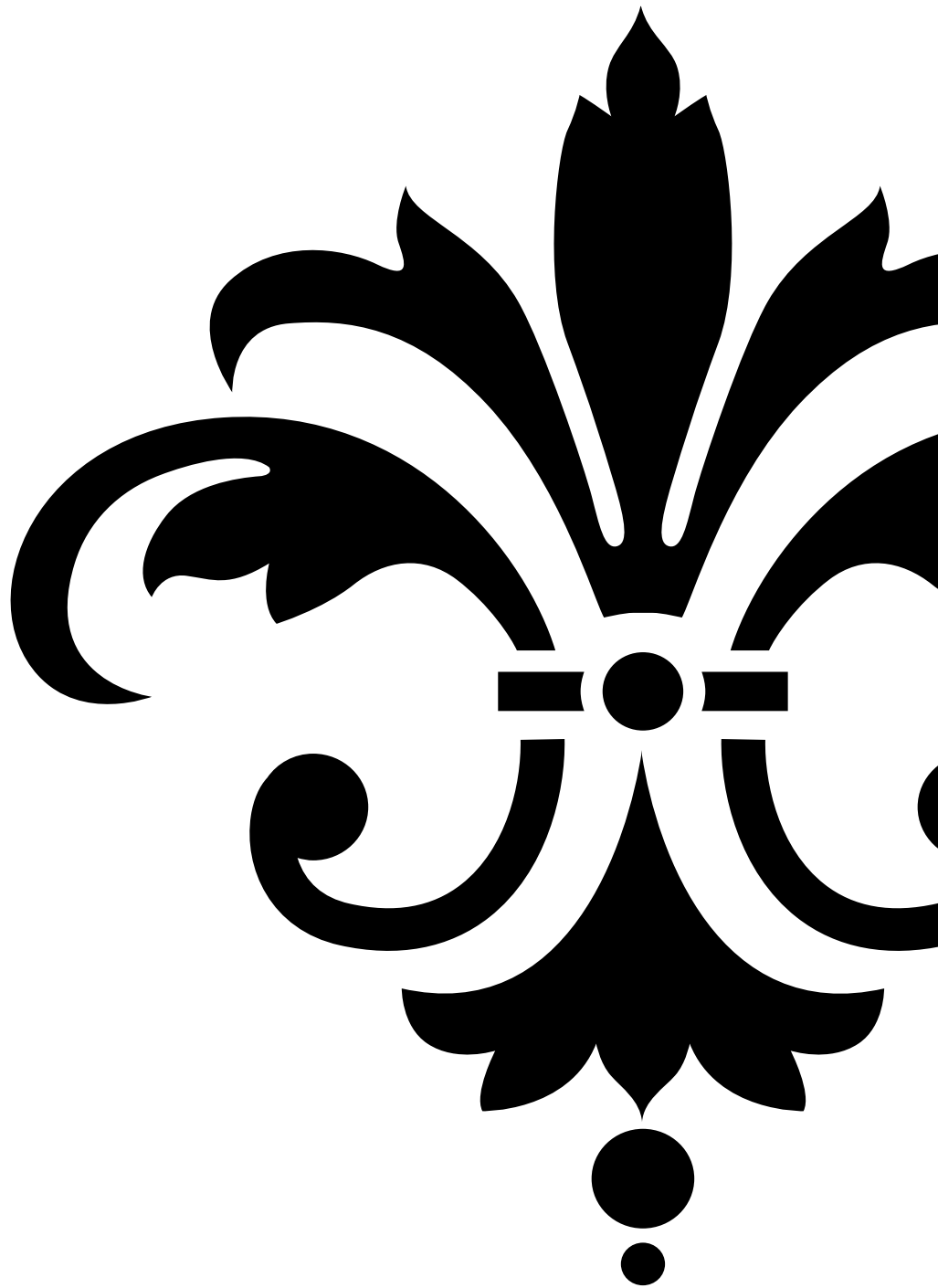




Custodian

REIT PLC



CUSTODIAN REIT PLC

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

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

The Company’s website is www.custodianreit.com.

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STRATEGIC REPORT

Investment strategy

Custodian REIT plc (“Custodian REIT” or “the Company”) is a UK real estate investment trust (“REIT”). The Company did not trade during the period from incorporation on 27 January 2014 to 24 March 2014 (“the Period”), prior to its listing on the main market of the London Stock Exchange on 26 March 2014 (“Admission”). On Admission, it acquired a portfolio of £95 million of UK commercial property (“the Initial Portfolio”), sourced from an existing portfolio of 48 properties held by clients of Mattioli Woods plc (“Mattioli Woods”) in a syndicated structure. Its portfolio comprises properties let to institutional grade tenants on long leases throughout the UK and is characterised by small lot sizes, with individual property values of less than £7.5 million at acquisition.

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

Investment policy

The Company’s investment objectives are:

- To hold a portfolio of UK commercial property, diversified by sector, location, tenant and lease term.
- To focus on areas with high residual values, strong local economies and an imbalance between supply and demand. Within these locations, the objective is to acquire modern buildings or those that are considered fit for purpose by occupiers.
- To have no one tenant or property accounting for more than 10% of the total rent roll of the portfolio at the time of purchase, except:
 - In the case of a single tenant which is a governmental body or department, where no limit shall apply; or
 - In the case of a single tenant rated by Dun & Bradstreet ICC Client Services as having a credit rating of less than 60, where the exposure to such single tenant may not exceed 5% of the total rent roll (a credit rating of 60 represents “normal, limited risk potential, normal terms”).
- To maintain an average unexpired lease term of over five years across the portfolio secured against low risk tenants and to minimise rental voids.
- Not to undertake speculative development (that is, development of property which has not been leased or pre-leased), save for refurbishment of existing holdings, but may (provided that it shall not exceed 20% of the gross assets of the Company) invest in forward funding agreements or forward commitments (these being arrangements by which the Company may acquire pre-development land under a structure designed to provide the Company with investment rather than development risk) of pre-let developments, where the Company intends to own the completed development.
- To target borrowings of up to 25% of the aggregate market value of all the properties of the Company at the time of borrowing.

Performance summary

The Company did not trade during the Period and commenced trading on 26 March 2014. Its subsidiary company, Custodian Real Estate Investment Limited, is dormant. A summary of the Company’s outlook, portfolio, the markets in which it operates, its principal risks and uncertainties and its key performance indicators are included in the interim financial statements prepared to 30 September 2014 (“the Interim Report”), which is available at www.custodianreit.com.

Finance

The Company intends to operate with a conservative level of gearing, with expected borrowings over the medium term of up to 25% of the aggregate market value of all properties at the time of drawdown. On 25 February 2014, the Company agreed a revolving credit facility (“the RCF”) of £25 million for a term of five years with Lloyds Bank plc.

The RCF is secured by way of a first charge over a discrete portfolio of properties, providing the lender with a maximum loan-to-value ratio of 49% on those properties specifically charged to it and a floating charge. The Company pays annual interest of 2.45% above 3-month LIBOR on such amounts as are drawn down under the agreement from time to time.

Dividends

In the absence of unforeseen circumstances, the Board intends to pay quarterly dividends to achieve an annual dividend of 5.25 pence per share for the period ending 31 March 2015 and 6.25 pence per share in subsequent years, implying an initial annualised dividend yield of 5.25% and 6.25% thereafter, calculated by reference to the Company’s issue price of 100p per share¹ (“the Issue Price”).

Employees

The Company has four non-executive directors and no employees. The Board is conscious of the increased focus on diversity in the boardroom and acknowledges the importance of diversity, while noting that changes to the composition of the Board should not be forced. All non-executive directors are male, but the Board believes that for any future appointment the best person for the role should be selected, while recognising the benefits of diversity when considering a particular appointment.

Going concern

At 24 March 2014 the Company had no liabilities and did not trade, thus the Directors considered the Company to be a going concern.

At 30 September 2014 the Company had net assets of £131.4 million and had undrawn debt facilities of £12.4 million, as detailed in the Interim Report. The Company then raised a further £25 million (before costs and expenses) through a placing in October 2014. The Company’s external investment manager, Custodian Capital Limited (“the Investment Manager”) intends to deploy the Company’s cash and debt facilities to achieve its dividend targets, while ensuring it has sufficient liquidity to cover its short term liabilities.

¹ This is a target only and not a profit forecast. There can be no assurance that the target can or will be met and it should not be taken as an indication of the Company’s expected or actual future results. Accordingly, shareholders or potential investors in the Company should not place any reliance on this target in deciding whether or not to invest in the Company or assume that the Company will make any distributions at all and should decide for themselves whether or not the target dividend yield is reasonable or achievable.

STRATEGIC REPORT

CONTINUED

Taxation

The Company will operate as a REIT and hence profits and gains from the property investment business are normally expected to be exempt from corporation tax.

Corporate social responsibility

The Company is committed to delivering its strategic objectives in an ethical and responsible manner. Non-executive directors are incentivised through their remuneration packages and shareholdings in the Company.

Environmental and social policy

The Company's environmental and social policy addresses the importance of these issues in the day-to-day running of the business, as detailed below.

Environmental policy

There are four key areas of the environmental policy to be applied following Admission:

- An independent environmental report is required for all potential acquisitions, which considers, amongst other matters, the historic and current usage of the site and the extent of any contamination present.
- An ongoing examination of the business activities of existing and new tenants is carried out to prevent pollution risks occurring. The Company monitors all incoming tenants through its insurance programme to identify potential risk, and high-risk business activities are avoided. As part of the active management of the portfolio, any change in tenant business practice considered to be an environmental hazard is reported and suitably dealt with.
- All sites are visited periodically and any obvious environmental issues are reported to the Board.
- All leases prepared after the adoption of the policy will commit occupiers to observe any environmental regulations. Any problems are referred to the Board.

Social policy

The activities of the Company are to be carried out in a responsible manner, taking into account the social impact. Due to the Company not directly carrying out development or refurbishments, there is minimal social risk attached to its activities.

Greenhouse gas emissions

Under the Companies Act 2006 (Strategic and Directors' Reports) Regulations 2013, the Company is required to report annual greenhouse gas emissions. The Company did not trade during the Period, hence the first annual report on emissions from its property portfolio will be reported in the Annual Report for the year ending 31 March 2015.

Approval

This report was approved by the Board of Directors on 24 November 2014 and signed on its behalf by:

Ian Mattioli

Director

GOVERNANCE REPORT

The Company is committed to the principles of corporate governance contained in the UK Corporate Governance Code issued by the Financial Reporting Council ("the Code") in 2012, for which the Board is accountable to shareholders.

As a newly incorporated company, the Company does not comply with the Code (or the Association of Investment Companies' Code ("the AIC Code") as at 24 March 2014. However, the Directors recognise the value of the Code and have taken appropriate measures to ensure that, following Admission, the Company complies with the Code so far as is possible, given the Company's size and nature of business. Areas of non-compliance with the Code are as follows:

- There is no chief executive position within the Company, which is not in accordance with provision A.2.1 of the Code. As an investment company, the Company has no employees and therefore no requirement for a chief executive.
- The Company has not established a nomination committee, which is not in accordance with Provision B.2.1 of the Code. As all of the directors are non-executive, the Company considers (and the AIC Code recognises) that the Board as a whole can fulfil the role otherwise undertaken by such committees.
- The Company has not established a remuneration committee, which is not in accordance with Provision D.2.1 of the Code. As all of the directors are non-executive, the Company considers that the Board as a whole can fulfil the role otherwise undertaken by such committees.

Directors and officers

During the Period there were three Board meetings, attended by all directors.

The Board comprises four directors, all of whom have wide experience, are non-executive and, save for Ian Mattioli, are independent of the Investment Manager. The Directors are responsible for managing the Company's business in accordance with its Articles of Association ("the Articles") and investment policy (as set out in the Strategic Report) and have overall responsibility for the Company's activities, including its investment activities and reviewing the performance of the Company's portfolio.

The Directors may delegate certain functions to other parties. In particular, the Directors have delegated responsibility for management of the Company's property investments to the Investment Manager. The Directors have responsibility for exercising overall control and supervision of the Investment Manager.

In making any new appointment the Board will consider a number of factors, but principally the skills and experience that will be relevant to the specific role and that will complement the existing Board members. The Articles stipulate that all new directors shall retire and offer themselves for re-appointment every three years.

Board of Directors

The Board comprises four non-executive directors. A short biography of each director is set out below.

David Hunter – Independent Chairman, age 61

David is an international property consultant specialising in property funds and companies. He is on the boards of both listed and unlisted companies in UK and overseas, and has corporate advisory roles in the UK and France. He has over 25 years' experience as a fund manager, including as Managing Director of Aberdeen Asset Management's property fund business. David is a former President of the British Property Federation and was actively involved in the introduction of REITs to the UK.

Barry Gilbertson PP RICS – Independent Director, age 63

Barry is an international consultant with more than 40 years' experience advising on property. He has been an adviser to the Bank of England since 2003 and is a former global President of the Royal Institution of Chartered Surveyors. He was the first chartered surveyor to become a full equity partner in any firm of chartered accountants, worldwide, in 1996 when he joined the Coopers & Lybrand (now PricewaterhouseCoopers) partnership. Barry has been a non-executive consultant to Knight Frank LLP, and currently holds independent non-executive directorships of two quoted companies – Granite REIT which is quoted on the NYSE, and Rona Incorporated, which is quoted on the TSX. Barry became a Member of Council of The University of Bath in 2014.

Matthew Thorne MA, FCA – Independent Director, age 62

Matthew qualified as a chartered accountant in 1978 with Price Waterhouse. He is an independent non-executive director of Bankers Investment Trust Plc, chairing the audit committee, and since May 2007 has been an advisor to Consensus Business Group (led by Vincent Tchenguiz). He is also an advisory board and panel member of Greenwich Hospital and Governor and Chair of the Finance and Executive Committee of the Cheltenham Ladies College. Matthew's previous executive roles have included Group Finance Director of McCarthy & Stone plc from 1993 to 2007, Finance Director of Ricardo plc from 1991-1992 and Investment Director of Beazer PLC from 1983 to 1991.

Ian Mattioli – Non-Executive Director, age 52

Ian has worked in the pensions industry since 1983 advising on all aspects of establishing and running pension schemes. Ian is a former director of Pointon York and, together with Bob Woods founded Mattioli Woods plc in 1991. Ian is now CEO of the Mattioli Woods which has over £4.6 billion of assets under management, administration and advice. In 2002, Ian established the property business in the group, which in 2011 was rebranded as Custodian Capital. His personal achievements include winning the London Stock Exchange AIM Entrepreneur of the Year award.

Directors' interests are set out in the Directors' remuneration report.

The Board considers that the length of time each director, including the Chairman, serves on the Board should not be limited and has not set a finite tenure policy. Length of service of current directors and future succession planning is reviewed each year as part of the Board evaluation process.

GOVERNANCE REPORT

CONTINUED

The Investment Manager

The Company has appointed Custodian Capital Limited as Investment Manager and Alternative Investment Fund Manager ("AIFM") under an investment management agreement (detailed in Note 9). The Investment Manager is a private company limited by shares and comprises a team of experienced individuals with expertise in the operation of, and investment in, UK commercial real estate.

The Investment Manager is a subsidiary of Mattioli Woods (a related party), a provider of specialist pension consultancy and administration, employee benefits and wealth management. The Investment Manager is authorised and regulated by the FCA and has an established market presence in the small property sector, with a proven track record of property syndication and asset management.

Ian Mattioli is beneficially interested in the share capital of Mattioli Woods, the parent company of the Investment Manager, and therefore has an indirect interest in the Investment Manager.

Key personnel

The Investment Manager's key personnel are:

Richard Shepherd-Cross BSc MRICS – Managing Director

Richard has 20 years' experience in the commercial property market. He sits on the board of the Investment Manager, operating the business and managing a core team of 10. Richard is a former director at Jones Lang LaSalle in London where he led the portfolio investment team. Richard has had responsibility for developing the services of Mattioli Woods' property business and for establishing Custodian Capital in 2011.

Nathan Imlach CA FCSI CF – Finance Director

Nathan qualified as a chartered accountant in 1993 with Ernst & Young, specialising in providing mergers and acquisitions advice to a broad range of quoted and unquoted clients in the UK and abroad. He joined Mattioli Woods as its Finance Director in 2005, prior to its admission to AIM. Nathan has also been the Finance Director of Custodian Capital since its formation in 2011 and oversees the reporting and accounting framework of the company. He is a Fellow of the Chartered Institute for Securities & Investment and holds the Corporate Finance qualification from the Institute of Chartered Accountants in England and Wales. Nathan is also a trustee of Leicester Grammar School.

Ian Mattioli (Founder and Chairman)

Ian's biography is set out above.

AIFM Directive

The directive creates a European Union ("EU") wide framework for regulating an AIFM. The Company's activities fall within the scope of the directive and the Board has determined that the Investment Manager will act as AIFM for these purposes. The Period does not fall within the scope of the directive's reporting requirements.

Non-mainstream pooled investments

Following Admission, the Company currently conducts its affairs so that its shares can be recommended by independent financial advisers to retail investors in accordance with the rules of the Financial Conduct Authority ("FCA") in relation to non-mainstream pooled investments, and intends to continue to do so for the foreseeable future.

Board committees

Audit Committee

The Audit Committee comprises the independent directors and is chaired by Matthew Thorne. Its responsibilities are set out in the Audit Committee report below.

Management Engagement Committee

The Management Engagement Committee comprises the independent directors and is chaired by Barry Gilbertson. On a regular basis, it will review the appropriateness of the Investment Manager's continuing appointment together with the terms of conditions thereof and make recommendations on any proposed amendments to the Investment Management Agreement. The Management Engagement Committee will also perform a review of the performance of other key service providers to the Company.

Directors' share dealings

The Directors have adopted a code of directors' dealings in ordinary shares, which is based on the Model Code for directors' dealings contained in the Listing Rules (the "Model Code"). The Board will be responsible for taking all proper and reasonable steps to ensure compliance with the Model Code.

Nominations and Remuneration Committee

The Board has not established a separate Nominations Committee or Remuneration Committee as, given the nature of the Company's operations, these duties are performed by the Board as a whole.

The Board will have annual performance appraisals. The Board as a whole will consider its performance and the performance of its subcommittees. The Chairman will review the performance of the non-executive directors and the non-executive directors will review the Chairman's performance. The questions set out in the Higgs guidance will be considered at each appraisal, where relevant to the Company. As part of the annual performance appraisal process, the training needs for Board members will be considered and, where necessary, acted upon.

Shareholders

The Company encourages two-way communication with both its institutional and private investors and responds quickly to all queries received either orally or in writing. All shareholders have at least 21 days' notice of the AGM, where all directors and committee members are available to answer questions.

At the AGM all votes are dealt with on a show of hands and the number of proxy votes cast is indicated. Votes on separate issues are proposed as separate resolutions.

The Investment Manager and corporate broker regularly update the Board with the views of shareholders and analysts.

Conflicts of interest

The Articles allow the Board to authorise potential conflicts of interest that may arise, subject to imposing limits or conditions when giving authorisation if this is appropriate. Only independent directors (who have no interest in the matter being considered) will be able to take the relevant decision and, in taking the decision, the Directors must act in a way they consider will be most likely to promote the Company's success. Procedures have been established to monitor actual and potential conflicts of interest on a regular basis, and the Board is satisfied that these procedures are working effectively.

Internal control

The Investment Manager is responsible for operating the Company's system of internal control and reviewing of the effectiveness of this. Such a system is designed to manage, rather than eliminate, the risk of failure to achieve business objectives and can provide only reasonable but not absolute assurance against material misstatement or loss.

The Board has an ongoing process for identifying, evaluating and managing the significant risks faced by the Company. This process has been in place since Admission. The process is regularly reviewed by the Board, based on reports from management, and accords with the Internal Control Guidance for Directors on the Combined Code produced by the Turnbull working party.

Key features of the Company's system of internal control include:

- A detailed authorisation process and formal delegation of authority;
- A comprehensive financial reporting and forecasting system;
- A defined schedule of matters reserved for the Board; and
- An annual review of the effectiveness of internal controls and formal consideration of business risks. Issues are also raised at quarterly Board meetings as appropriate.

The Board has considered the requirements of the Bribery Act 2010 and has taken steps to ensure that it has adequate procedures in place to comply with the requirements of the Act. Responsibility for the Company's bribery prevention policies rests with the Investment Manager.

Steps are being taken to embed internal control and risk management further into the operations of the business and to deal with areas of improvement which come to the Board's attention.

Approval

This report was approved by the Board of Directors on 24 November 2014 and signed on its behalf by:

Ian Mattioli

Director

AUDIT COMMITTEE REPORT

Composition

Throughout the Period, the Audit Committee comprised Matthew Thorne as Chairman, David Hunter and Barry Gilbertson, all of whom are independent non-executive directors.

Responsibilities

The Committee meets regularly to monitor the integrity of the Company's financial statements and is also responsible for the appointment, performance and independence of the external auditor. We have also considered the Board's additional requirement under the Code to state whether, in the Board's opinion, the Annual Report is fair, balanced and understandable. In providing support to the Board in making this statement, the Audit Committee has reviewed and approved a process undertaken by management to provide confirmation to the Board.

The Audit Committee is mindful of the transitional arrangements of the Code and proposed EU legislation in relation to auditor appointment and restrictions on the level of non-audit fees paid to, and services performed by, the external auditor, and continues to monitor developments and the Company's policy for non-audit services provided by the external auditor. An audit tendering policy suitable for the Company's size will be introduced when there is certainty over the final requirements that will be applicable to the Company.

The key responsibilities and principal activities of the Committee are as follows:

- To monitor the integrity of the financial statements of the Company, and any formal announcements relating to the Company's financial performance, reviewing significant financial reporting judgements contained in them;
- To advise the Board on whether the Interim Report, Annual Report and financial statements are fair, balanced and understandable and provide the information necessary for shareholders to assess the Company's performance, business model, strategy and risks;
- To monitor and review the effectiveness of the Company's internal control environment and the processes in place to monitor this;
- To make recommendations to the Board, for it to be put to shareholders for their approval in general meeting, in relation to the appointment, reappointment and removal of the external auditor and to approve the remuneration and terms of engagement of the external auditor;
- To review the appointment of the external auditor as auditor and tax adviser, monitoring the external auditor's independence and objectivity and the effectiveness of the audit process, taking into consideration relevant UK professional and regulatory requirements;
- To develop and implement policy on the engagement of the external auditor to supply non-audit services, taking into account relevant ethical guidance regarding the provision of non-audit services by the external audit firm; and to report to the Board, identifying any matters in respect of which it considers that action or improvement is needed and making recommendations as to the steps to be taken;
- To agree the scope of statutory audit work and any additional assurance work to be undertaken; and
- To gain assurance around the external valuation of the property portfolio and the independence of the valuers.

Meetings

The Audit Committee will meet no less than three times a year; typically in May to consider the annual report and external audit findings, in November to consider the interim report and interim announcement and external review findings, and in January to plan for the financial year ahead. Any other matters, including internal controls, are considered as and when necessary.

Meetings are attended by the Committee members and the external auditor. The Committee will allow time to speak with the external auditor without the executive management present for at least one meeting each year.

Primary areas of judgement in relation to the Annual Report and Financial Statements

The Committee considers the significant judgements made in the Annual Report and financial statements and receives reports from management and the external auditor on those judgements. The Committee pays particular attention to the matters it considers to be important by virtue of size, potential impact, complexity and level of judgement.

The principal issue considered by the Committee for the Period was the completeness of liabilities recognised in respect of professional services received by the Company during the Period.

Although covenant compliance is a matter for the whole Board, and the Company remains lowly geared, the Committee consider reports to support the Company's going concern statement in financial reports, which include covenant headroom, sensitivity analysis, undrawn facilities and forecasts.

Audit

No internal audit function is considered necessary due to the current size and complexity of the Company's operations. In addition, the Company's day to day operations are subcontracted to the Investment Manager.

Given the external auditor's detailed knowledge of the structure of the organisation, certain services provided by them, subject to the amount of fee involved, are not considered to impair the external auditor's independence or objectivity. Services included in this category are: accounting advice; tax compliance and advisory; reporting accountant work; compliance and regulatory certificates and minor projects, where the fee involved will not exceed £10,000 without the prior consent of the Committee.

The Committee will not normally allow the external auditor to be used for the following: compiling accounting records; internal audit services; IT consultancy; Remuneration Committee advice; valuation work; and work on internal controls.

Deloitte LLP was appointed as the Company's auditor in 2014. Under the Financial Reporting Council's transitional arrangements the Company is required to re-tender, at the latest, by 2024. The Committee intends to re-tender within the timeframe set by the Financial Reporting Council.

Deloitte LLP has confirmed its willingness to continue in office and ordinary resolutions reappointing Deloitte LLP as auditor and authorising the Committee to set the auditor's remuneration will be proposed at the AGM.

The Committee Chairman has access to the external audit partner outside of Committee meetings and meets the external auditor without management present to discuss matters relevant to the Company.

Approval

This report was approved by the Audit Committee on 24 November 2014 and signed on its behalf by:

Matthew Thorne

Chairman of the Audit Committee
24 November 2014

DIRECTORS' REMUNERATION REPORT

The Non-executive Directors and Company Secretary are the only officers of the Company. The Directors are engaged under letters of appointment and do not have service contracts with the Company, and the Company Secretary is engaged under the terms of the Investment Management Agreement with the Investment Manager. The Company has no employees.

Under the terms of their appointment, each director is required to retire by rotation and seek re-election at least every three years. Each directors' 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.

Remuneration policy

The Company's objective is to have a simple and transparent remuneration structure, aligned with the Company's strategy.

The Company aims to provide remuneration packages which will retain non-executive directors with the skills and experience necessary to maximise shareholder value on a long term basis.

The remuneration policy has been prepared in accordance with Schedule 8 of The Large and Medium-sized Companies and Company's (Accounts and Reports) Regulations 2008 ("the Regulations") as amended in August 2013. The policy report will be subject to a binding shareholder vote at the 2014 Annual General Meeting and the policy will take effect immediately.

Fees

The estimated aggregate remuneration to be paid to the non-executive directors in respect of the financial period to 31 March 2015 will not exceed £190,000. The Company has agreed to pay David Hunter, Barry Gilbertson, Ian Mattioli and Matthew Thorne annual fees of £42,500, £28,000, £26,000 and £32,500 respectively. The Company also agreed to pay on Admission to each of David Hunter, Barry Gilbertson and Matthew Thorne by way of remuneration for services supplied prior to Admission an amount (after deduction of tax) equal to £10,000, which each such director agreed to apply in the subscription of ordinary shares at the Issue Price.

Directors' remuneration (audited)

	Period ended 24 March 2014 £000
David Hunter	–
Matthew Thorne	–
Barry Gilbertson	–
Ian Mattioli	–

Directors' interests (audited)

At 24 March 2014 none of the directors had any interest in the ordinary shares of the Company.

No director has or has had any interest in any transactions which are or were unusual in their nature or conditions, or significant to the business of the Company and which were affected by the Company since its date of incorporation or remain in any respect outstanding or unperformed.

No loan or guarantee has been granted or provided by any member of the Company for the benefit of any director.

Save as disclosed below in relation to the arrangements in place with Ian Mattioli, there are no restrictions agreed by any director on the disposal within a certain period of time of their holdings in the Company's securities.

Lock-in agreement

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

Approval

The Companies Act 2006 requires the auditor to report to the shareholders on certain parts of the Directors' remuneration report and to state whether, in their opinion, those parts of the report have been properly prepared in accordance with the Regulations. The parts of the annual report on remuneration that are subject to audit are indicated in that report.

This report was approved by the Board of Directors on 24 November 2014 and signed on its behalf by:

Ian Mattioli
Director

DIRECTORS' REPORT

Report and financial statements

The Directors have pleasure in presenting their report together with the financial statements for the period ended 24 March 2014. The Governance report forms part of this report. For the purposes of this report, the expression 'Company' means Custodian REIT plc and the expression 'Group' means the Company and its subsidiary.

Business review

The Company was incorporated on 27 January 2014 and changed its accounting reference date to 31 March 2014 on 18 November 2014 to satisfy Section 837 of the Companies Act 2006 and facilitate its objective of paying quarterly dividends. As the Company commenced trading on 26 March, the comparative amounts presented in the financial statements are nil.

During the Period the Group did not trade. The Group's principal activity is commercial property investment. The Strategic Report includes further information about the Group's principal activities, financial performance during the year and indications of likely future developments.

Details of significant events since the period end are contained in Note 10 to the consolidated financial statements.

The Directors believe they have adequately discharged their responsibilities under section 414C of the Companies Act 2006 to provide a balanced and comprehensive review of the development and performance of the business.

Results and dividends

The Group profit for the period after taxation amounted to £nil, reflecting that the Company did not commence trading until after the period end.

On 30 September 2014, an interim dividend for the period ended 30 June 2014 of 1.25p per share was paid. The Directors propose paying a dividend of 1.25p per share in respect of the quarter ended 30 September 2014, which is expected to be approved in December.

Directors

A list of current serving directors and their biographies is shown in the Governance report. At 24 March 2014 none of the directors had a direct interest in the ordinary share capital of the Company.

The appointment and replacement of directors is governed by the Articles, the Code, the Companies Act and related legislation. The Articles themselves may be amended by special resolution of the shareholders.

Directors' interests

Directors' fees and beneficial interests in the shares of the Company are disclosed in the Directors' remuneration report. During the Period, no director had a material interest in a contract to which the Company or its subsidiary was a party (other than their own letter of appointment), requiring disclosure under the Companies Act 2006 other than in respect of Custodian Capital Limited and the Investment Management Agreement as disclosed in Note 9.

Conflicts of interest

There are procedures in place to deal with any directors' conflicts of interest arising under section 175 of the Companies Act 2006 and such procedures have operated effectively since the Company was incorporated.

Directors' indemnity

All directors and officers of the Company have the benefit of the indemnity provision contained in the Articles. The provision, which is a qualifying third party indemnity provision, was in force throughout the Period and is currently still in force. The Group also purchased and maintained throughout the Period directors' and officers' liability insurance in respect of itself and its directors and officers as permitted by Section 234 of the Companies Act 2006, although no cover exists in the event directors or officers are found to have acted fraudulently or dishonestly.

Donations

No political or charitable donations were made during the Period.

Capital structure

The Company's authorised and issued share capital during the Period and as at 24 March 2014 is shown in Note 5.

The ordinary shares rank *pari passu* in all respects. Save as agreed at the AGM, the ordinary shares have pre-emption rights in respect of any future issues of ordinary shares to the extent conferred by section 561 of the Companies Act 2006.

There are no restrictions on the transfer of ordinary shares in the Company, other than:

- Certain restrictions that may be imposed from time to time by laws and regulations and pursuant to the Listing Rules of the FCA, whereby certain directors and officers require approval to deal in ordinary shares of the Company; and
- Restrictions on Ian Mattioli as a result of him entering into a lock-in deed with the Company and Numis, as described in the Directors' remuneration report.

The Group is not aware of any other agreements between holders of securities that may result in restrictions on the transfer of ordinary shares.

There are no specific restrictions on the size of a holding nor on the transfer of shares, which are both governed by the general provisions of the Articles and prevailing legislation. No person has any special rights of control over the Company's share capital and all issued shares are fully paid.

CREST

Custodian REIT plc share dealings are settled in CREST, the computerised system for the settlement of share dealings on the London Stock Exchange. CREST reduces the amount of documentation required and makes the trading of shares faster and more secure. CREST enables shares to be held in an electronic form instead of the traditional share certificates. CREST is voluntary and shareholders can keep their share certificates if they wish. This may be preferable for shareholders who do not trade in shares on a frequent basis.

Substantial shareholdings

On 24 November 2014, the Company had been notified, in accordance with chapter 5 of the Disclosure and Transparency Rules, of the following interests representing 3% or more of its issued share capital:

Shareholder	Number of ordinary shares	Percentage holding
F&C Asset Management	14,601,498	9.4%
Investec Wealth & Investment	8,523,210	5.5%

Close company provisions

The Company is not a close company within the provisions of the Income and Corporation Taxes Act 1988.

Change of control

The Company has borrowing facilities provided by its bankers which include provisions which may require any outstanding borrowings to be repaid, altered or terminated upon the occurrence of a change of control in the Company.

Related party transactions

Details of related party transactions are given in Note 9.

Environmental

The Board believes good environmental practices such as the recycling of paper waste will support its strategy by enhancing the reputation of the Group. However, due to the nature of its business generally, the Group does not have a significant environmental impact.

Principal risks and uncertainties

The Directors' view of the principal risks and uncertainties facing the business is shown in the Interim Report.

Financial risk management

The Group's financial risk management is based upon sound economic objectives and good corporate practice. The Board has overall responsibility for risk management and internal control. Our process for identifying and managing risks is set out in more detail in the Governance report.

Since Admission the Group has sought to manage financial risk, to ensure sufficient liquidity is available to meet the identifiable needs of the Group and to invest cash assets safely and profitably. Short term flexibility is achieved through the use of bank facilities. The Group does not undertake any trading activity in financial instruments. All activities are transacted in Sterling. The Group does not engage in any hedging activities.

The Group reviews the credit quality of customers and limits credit exposures accordingly. All trade receivables are subject to credit risk exposure. However, there is no specific concentration of credit risk as the amounts recognised represent a large number of receivables from various customers.

Auditor

Deloitte LLP, who have been the Group's auditor since 20 May 2014, have confirmed their willingness to continue in office as auditor in accordance with Section 489 of the Companies Act 2006. The Group is satisfied that Deloitte LLP are independent and there are adequate safeguards in place to safeguard their objectivity. A resolution to reappoint Deloitte LLP as the Group's auditor will be proposed at the forthcoming Annual General Meeting.

Directors' statement as to disclosure of information to the auditor

The directors who were members of the Board at the time of approving the Directors' report are listed in the Governance report. Having made enquiries of fellow directors and of the Company's auditor, each of these directors confirms that:

- To the best of each director's knowledge and belief, there is no relevant audit information of which the Company's auditor is unaware; and
- Each director has taken all steps they might reasonably be expected to have taken as a director to make themselves aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of Section 418 of the Companies Act 2006.

Annual General Meeting

The AGM of the Company will be held at Canaccord Genuity Limited, 88 Wood Street, London, UK EC2V 7QR on 21 January 2015 at 9:00am.

On a show of hands at a general meeting of the Company, every holder of ordinary shares present in person or by proxy and entitled to vote shall have one vote unless the proxy is appointed by more than one shareholder and has been instructed by one or more shareholders to vote for the resolution and by one or more shareholders to vote against the resolution, in which case the proxy has one vote for and one vote against. This is to reflect the Shareholders' Rights Regulations which have amended the Companies Act 2006.

On a poll, every member present in person or by proxy and entitled to vote shall have one vote for every ordinary share held. None of the ordinary shares carry any special voting rights with regard to control of the Company. The Notice of AGM specifies deadlines for exercising voting rights and appointing a proxy or proxies to vote in relation to resolutions to be passed at the AGM. The relevant proxy votes are counted and the number for, against or withheld in relation to each resolution are announced at the AGM.

Going concern

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

Events since 24 March 2014

Details of significant events occurring after the end of the reporting period are given in Note 10.

Approval

This report was approved by the Board of Directors on 24 November 2014 and signed on its behalf by:

Ian Mattioli

Director

DIRECTORS' RESPONSIBILITIES FOR THE FINANCIAL STATEMENTS

The Directors are responsible for preparing the Directors' report, Strategic report and the consolidated financial statements in accordance with applicable law and regulations.

UK company law requires the directors to prepare Group and Company financial statements for each financial year. The Directors are required to prepare Group financial statements in accordance with International Financial Reporting Standards ("IFRSs") as adopted by the European Union and Article 4 of the IAS Regulation and have elected to prepare the Company financial statements in accordance with IFRSs as adopted by the EU.

The financial statements are required by law and IFRSs adopted by the EU to present fairly the financial position of the Group and Company and the financial performance of the Group. The Companies Act 2006 provides in relation to such financial statements that references in the relevant part of that Act to financial statements giving a true and fair view are references to their achieving a fair presentation.

Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and the Company and of the profit or loss of the Group for that period. In preparing each of the Group and Company financial statements, IAS 1 requires the directors to:

- Select suitable accounting policies and then apply them consistently;
- Make judgements and estimates that are reasonable and prudent;
- State whether they have been prepared in accordance with IFRSs adopted by the EU; and
- Prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group and the Company will continue in business.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Group's and the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Group and Company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Group and Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website.

Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Responsibility statement

We confirm that to the best of our knowledge:

- The consolidated financial statements, prepared in accordance with IFRS as adopted by the EU, give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company and the undertakings included in the consolidation taken as a whole;
- The Strategic report includes a fair review of the development and performance of the business and the position of the Company and the undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties that they face; and
- The annual report and consolidated financial statements, taken as a whole, are fair, balanced and understandable and provide the information necessary for shareholders to assess the Company's performance, business model and strategy.

Approval

This report was approved by the Board of Directors on 24 November 2014 and signed on its behalf by:

Ian Mattioli

Director

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF CUSTODIAN REIT PLC

For the period ended 24 March 2014

Opinion on financial statements of Custodian REIT plc

In our opinion the financial statements:

- Give a true and fair view of the state of the group and company's affairs as at 24 March 2014 and of its consolidated result for the period from 27 January to 24 March 2014;
- Have been properly prepared in accordance with International Financial Reporting Standards ("IFRSs") as adopted by the European Union ("EU"); and
- Have been prepared in accordance with the requirements of the Companies Act 2006.

The financial statements comprise the Consolidated and company statement of comprehensive income, Consolidated statement of financial position, Company statement of financial position, Consolidated and company statement of cash flows, Consolidated and company statement of changes in equity and the related Notes 1 to 10. The financial reporting framework that has been applied in their preparation is applicable law and IFRSs as adopted by the EU.

Separate opinion in relation to IFRSs as issued by the IASB

As explained in note 2.1 to the financial statements, in addition to applying IFRSs as adopted by the EU, the company has also applied IFRSs as issued by the International Accounting Standards Board ("IASB").

In our opinion the financial statements comply with IFRSs as issued by the IASB.

Going concern

As required by the Listing Rules we have reviewed the directors' statement contained within the Directors' report that the Group is a going concern. We confirm that:

- We have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate; and
- We have not identified any material uncertainties that may cast significant doubt on the company's ability to continue as a going concern.

However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the company's ability to continue as a going concern.

Our assessment of risks of material misstatement

The assessed risk of material misstatement described below had the greatest effect on our audit strategy, the allocation of resources in the audit and directing the efforts of the engagement team:

Risk	How the scope of our audit responded to the risk
<p>Understatement of liabilities and expenses Although there was no trading activity during the period, there is a risk that the liabilities and expenses relating to the initial public offering ("IPO") may not have been recognised appropriately in this company's accounts depending on the contractual terms from the professional services suppliers. In particular the company had not completed its IPO process at the balance sheet date and therefore the costs associated with that process were underwritten by the guarantor company.</p>	<p>We carried out testing around the IPO services received and payments made post the period end. We then further performed the following testing:</p> <ul style="list-style-type: none"> • Checked against relevant invoices; • Reviewed the key contract terms with the main service providers to determine that the guarantor company had underwritten the expenses; and • Assessed the appropriateness of the accounting treatment.

The description of the risk above should be read in conjunction with the significant issues considered by the Audit Committee as discussed in its report.

Our audit procedures relating to these matters were designed in the context of our audit of the financial statements as a whole, and not to express an opinion on individual accounts or disclosures. Our opinion on the financial statements is not modified with respect to the risk described above, and we do not express an opinion on this individual matter.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF CUSTODIAN REIT PLC

CONTINUED

Our application of materiality	<p>We define materiality as the magnitude of misstatement in the financial statements that makes it probable that the economic decisions of a reasonably knowledgeable person would be changed or influenced. We use materiality both in planning the scope of our audit work and in evaluating the results of our work.</p> <p>We determined materiality for the company to be £1,000, which is 2% of shareholders' equity.</p> <p>We agreed with the Audit Committee that we would report to the Committee all audit differences in excess of £50, as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds. We also report to the Audit Committee on disclosure matters that we identified when assessing the overall presentation of the financial statements.</p>
An overview of the scope of our audit	<p>Our audit was scoped by obtaining an understanding of the entity and its environment, including internal control and assessing the risks of material misstatement. Audit work to respond to the risks of material misstatement was performed directly by the audit engagement team.</p>
Opinion on other matters prescribed by the Companies Act 2006	<p>In our opinion:</p> <ul style="list-style-type: none">• The part of the Directors' remuneration report to be audited has been properly prepared in accordance with the Companies Act 2006; and• The information given in the Strategic report and the Directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements.
Matters on which we are required to report by exception:	
Adequacy of explanations received and accounting records	<p>Under the Companies Act 2006 we are required to report to you if, in our opinion:</p> <ul style="list-style-type: none">• We have not received all the information and explanations we require for our audit; or• Adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or• The financial statements are not in agreement with the accounting records and returns. <p>We have nothing to report in respect of these matters.</p>
Directors' remuneration	<p>Under the Companies Act 2006 we are also required to report if in our opinion certain disclosures of directors' remuneration have not been made or the part of the Directors' remuneration report to be audited is not in agreement with the accounting records and returns. We have nothing to report arising from these matters.</p>
Corporate Governance Statement	<p>Under the Listing Rules we are also required to review the part of the Corporate Governance Statement relating to the company's compliance with ten provisions of the UK Corporate Governance Code. We have nothing to report arising from our review.</p>
Our duty to read other information in the Annual Report	<p>Under International Standards on Auditing (UK and Ireland), we are required to report to you if, in our opinion, information in the annual report is:</p> <ul style="list-style-type: none">• Materially inconsistent with the information in the audited financial statements; or• Apparently materially incorrect based on, or materially inconsistent with, our knowledge of the company acquired in the course of performing our audit; or• Otherwise misleading. <p>In particular, we are required to consider whether we have identified any inconsistencies between our knowledge acquired during the audit and the directors' statement that they consider the annual report is fair, balanced and understandable and whether the annual report appropriately discloses those matters that we communicated to the audit committee which we consider should have been disclosed. We confirm that we have not identified any such inconsistencies or misleading statements.</p>

Respective responsibilities of directors and auditor

As explained more fully in the Directors' report, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors. We also comply with International Standard on Quality Control 1 (UK and Ireland). Our audit methodology and tools aim to ensure that our quality control procedures are effective, understood and applied. Our quality controls and systems include our dedicated professional standards review team and independent partner reviews.

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the annual report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Jonathan Dodworth (Senior statutory auditor)
for and on behalf of Deloitte LLP
Chartered Accountants and Statutory Auditor
Birmingham, UK
24 November 2014

CONSOLIDATED AND COMPANY STATEMENT OF COMPREHENSIVE INCOME

For the period 27 January 2014 to 24 March 2014

Group and company	Note	Period ended 24 March 2014 £000
Revenue		-
Investment management fee		-
Direct operating expenses of let rental property		-
Professional fees		-
Directors' fees		-
Administrative expenses		-
Expenses		-
Operating profit before financing and revaluation of investment properties		-
Unrealised gains/(losses) on revaluation of investment properties		-
		-
Operating profit before financing		-
Finance income		-
Finance costs		-
Net finance cost		-
Profit before tax		-
Income tax expense		-
Profit for the period and total comprehensive income for the period, net of tax		-
Attributable to:		
Equity holders of the Company		-
Earnings per ordinary share:		
Basic and diluted (pence)		-

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 24 March 2014

	Note	24 March 2014 £000
Non-current assets		
Investment properties		-
Total non-current assets		-
Other receivables	9	50
Cash and cash equivalents		-
Total current assets		50
Total assets		50
Equity		
Issued capital	5	50
Share premium		-
Retained earnings		-
Total equity attributable to equity holders of the Company		50
Non-current liabilities		
Borrowings		-
Total non-current liabilities		-
Current liabilities		
Trade and other payables		-
Deferred income		-
Total current liabilities		-
Total liabilities		-
Total equities and liabilities		50

These consolidated financial statements of Custodian REIT plc were approved and authorised for issue by the Board of Directors on 24 November 2014 and are signed on its behalf by:

Ian Mattioli

Director

Registered number: 8863271

COMPANY STATEMENT OF FINANCIAL POSITION

As at 24 March 2014

	Note	24 March 2014 £000
Non-current assets		
Investment properties		–
Investments	3	–
Total non-current assets		–
Other receivables	9	50
Cash and cash equivalents		–
Total current assets		50
Total assets		50
Equity		
Issued capital	5	50
Share premium		–
Retained earnings		–
Total equity attributable to equity holders of the Company		50
Non-current liabilities		
Borrowings		–
Total non-current liabilities		–
Current liabilities		
Trade and other payables		–
Deferred income		–
Total current liabilities		–
Total liabilities		–
Total equities and liabilities		50

These consolidated financial statements of Custodian REIT plc were approved and authorised for issue by the Board of Directors on 24 November 2014 and are signed on its behalf by:

Ian Mattioli

Director

Registered number: 8863271

CONSOLIDATED AND COMPANY STATEMENT OF CASH FLOWS

For the period 27 January 2014 to 24 March 2014

	Note	Period ended 24 March 2014 £000
Group and company		
Operating activities		
Profit for the period		-
Adjustments for:		
(Increase)/decrease in fair value of investment property		-
Finance costs		-
Cash flows from operating activities before changes in working capital and provisions		-
Decrease/(increase) in trade and other receivables		-
(Decrease)/increase in trade and other payables		-
Cash generated from operations		-
Interest paid		-
Net cash flows from operating activities		-
Investing activities		
Purchase of investment property		-
Interest received		-
Net cash from investing activities		-
Financing activities		
Proceeds from the issue of share capital		-
Payment of costs of share issue		-
Repayment of debt		-
New borrowings		-
Dividends paid		-
Net cash from financing activities		-
Net (decrease)/increase in cash and cash equivalents		-
Cash and cash equivalents at start period		-
Cash and cash equivalents at end period		-

CONSOLIDATED AND COMPANY STATEMENT OF CHANGES IN EQUITY

For the period 27 January 2014 to 24 March 2014

Group and company	Note	Issued capital £000	Share premium £000	Retained earnings £000	Total equity £000
As at 27 January 2014		-	-	-	-
Total comprehensive income for period					
Profit for the period		-	-	-	-
Total comprehensive income for period		-	-	-	-
Transactions with owners of the Company, recognised directly in equity					
Issue of share capital	5	50	-	-	50
As at 24 March 2014		50	-	-	50

NOTES TO THE FINANCIAL STATEMENTS

1. Corporate information

As at the period end date of 24 March 2014 the Company was a public limited company incorporated and domiciled in England and Wales. At the Company's accounting reference date of 31 March 2014, the Company's shares were publicly traded on the London Stock Exchange plc's main market for listed securities. The consolidated financial statements have been prepared on a historical cost basis and are presented in pounds sterling with all values rounded to the nearest thousand pounds (£000), except when otherwise indicated. The consolidated financial statements were authorised for issue in accordance with a resolution of the directors on 24 November 2014.

2. Basis of preparation and accounting policies

2.1 Basis of preparation

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards adopted by the International Accounting Standards Board ("IASB") and interpretations issued by the International Financial Reporting Interpretations Committee ("IFRIC") of the IASB (together "IFRS") as adopted by the European Union, and in accordance with the requirements of the Companies Act applicable to companies reporting under IFRS, and therefore they comply with Article 4 of the EU IAS Regulation.

2.2 Basis of consolidation

The consolidated financial statements consolidate those of the parent company and its subsidiary. The parent controls a subsidiary if it is exposed, or has rights, to variable returns from its involvement with the subsidiary and has the ability to affect those returns through its power over the subsidiary. The subsidiary has a reporting date in line with the Company. All transactions and balances between group companies are eliminated on consolidation, including unrealised gains and losses on transactions between group companies. Where unrealised losses on intra-group asset sales are reversed on consolidation, the underlying asset is also tested for impairment from a group perspective. Amounts reported in the financial statements of the subsidiary are adjusted where necessary to ensure consistency with the accounting policies adopted by the Group. Profit or loss and other comprehensive income of subsidiaries acquired or disposed of during the period are recognised from the effective date of acquisition, or up to the effective date of disposal, as applicable.

2.3 Standards in issue but not yet effective

At the date of authorisation of these consolidated financial statements, the following standards, amendments and interpretations which have not been applied in these consolidated financial statements were in issue but not yet effective (and in some cases had not yet been adopted by the EU):

- IFRS 9 'Financial Instruments'
- Amendment to IAS 32 'Offsetting Financial Assets and Financial Liabilities'
- IFRS 10 'Consolidated Financial Statements'
- IFRS 11 'Joint Arrangements'
- IFRS 12 'Disclosure of Interest in Other Entities'
- IAS 27 (Revised) 'Separate Financial Statements'
- IAS 28 (Revised) 'Investments in Associates and Joint Ventures'
- Amendments to IFRS 10, IFRS 12 and IAS 27 'Investment Entities'
- Amendments to IAS 36 'Recoverable Amount Disclosures for Non-Financial Assets'
- Amendments to IAS 39 'Novation of Derivative and Continuation of Hedge'
- IFRIC 21 'Levies'
- Amendment to IAS 19 'Defined Benefit Plans Employee Contributions'
- The Annual Improvements 2010–2013 Cycle
- Amendments to IFRS 11 'Accounting for Acquisitions of Interests in Joint Operations (Amendments to IFRS 11)'
- Amendments to IAS 16 and IAS 38 'Clarification of Acceptable Methods of Depreciation and Amortisation'
- IFRS 15 'Revenue from Contracts with Customers'

The adoption of these standards, amendments and interpretations will either result in changes to presentation and disclosure, or are not expected to have a material impact on the consolidated financial statements.

These consolidated financial statements are prepared to 24 March 2014, applying the provisions of the Companies Act 2006 allowing the consolidated financial statements to be drawn up to seven days before or after the accounting reference date of 31 March 2014.

2.4 Significant accounting policies

The principal accounting policies adopted by the Company and applied to these consolidated financial statements are set out in the Interim Report.

NOTES TO THE FINANCIAL STATEMENTS

CONTINUED

3. Investments

Shares in subsidiaries

Name and company number	Country of registration and incorporation	Principal activity	Ordinary shares held	At 30 Sep 2014 £
Custodian Real Estate Limited (Company number 8882372)	England and Wales	Dormant	100%	2

4. Borrowings

The Company's borrowings are set out in the Strategic Report.

5. Issued capital and reserves

Group and company	Number of shares	£000
Issued and fully paid:		
Ordinary shares of 1p	1	–
Redeemable ordinary shares of 1p	4,999,999	50
At 27 January and 24 March 2014	5,000,000	50

At incorporation the issued share capital of the Company consisted of one ordinary share of 1p and 4,999,999 redeemable ordinary shares of 1p each, which were issued to the subscriber to the Company's Memorandum of Association, Mattioli Woods. On 26 March 2014 the redeemable ordinary shares were redeemed by the Company at par value and 131,989,309 ordinary shares were issued at an issue price of £1 each, including a premium of 99p per share.

The Company raised a further £25 million (before costs and expenses) through a placing of 23,866,349 new ordinary shares in the Company on 8 October 2014.

The Board has discretion to issue a further 144,144,341 ordinary shares prior to 20 February 2015 pursuant to a placing programme ("the Placing Programme") intended to satisfy market demand for the ordinary shares and raise further monies for investment in accordance with the Company's investment policy.

Rights, preferences and restrictions on shares

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

On 25 February 2014, Ian Mattioli, the Company and Numis, entered into a lock-in agreement as detailed in the Directors' remuneration report.

6. Ultimate parent undertaking

At incorporation 100% of the ordinary share capital of the Company was owned by Mattioli Woods. Following Admission on 26 March 2014 there is no ultimate parent.

7. Capital risk management

The Company has not traded during the Period and as at the period end was not exposed to any capital risk.

8. Contingent liabilities

Transactions had been entered into at the period end date regarding professional services relating to the Company's Admission and the acquisition of the Initial Portfolio as described in the Strategic Report, the crystallisation of which were contingent on Admission. At the period end date, any liabilities incurred by the Company for services received before 24 March 2014 were guaranteed by Mattioli Woods, its parent at the period end date.

Group and company	€000
Investment properties acquired at Admission	95,190
Net trade and other receivables acquired at Admission	403
Professional services (to be charged against share premium)	2,182
Professional services (to be charged to the income statement)	219
	97,994

Included within professional services above are non-audit fees payable to the Company's auditor, Deloitte LLP, relating to reporting accountant work on Admission of £145,000 and tax advisory services of £77,000. Audit fees for the Period, which were not committed to at 24 March 2014, are £17,000.

9. Related party transactions

At 24 March 2014 Mattioli Woods owed the Company £50,000 relating to called up, fully paid ordinary shares. This amount was settled following Admission on 26 March 2014.

Transactions with directors

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

Investment Management Agreement

On 25 February 2014 the Company entered into a three year Investment Management Agreement with the Investment Manager under which the Investment Manager has been appointed as AIFM with responsibility for the management of the Company's property assets, subject to the overall supervision of the directors.

The Investment Manager shall be paid on a quarterly basis a fund and asset management fee calculated by reference to the net asset value ("NAV") of the Company each quarter as follows:

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

The Investment Manager has agreed to provide day-to-day administration of the Company and act as secretary to the Company, including maintenance of accounting records and preparing annual accounts of the Company. The Company will pay to the Investment Manager an administrative fee equal to 0.125% of the NAV of the Company at the end of the quarter, subject to a minimum of £44,000 per quarter (adjusted for RPI).

The Investment Manager manages the Company's investments in accordance with the policies laid down by the Board (including, without limitation, the investment policy of the Company stated in the Strategic Report) and in accordance with the investment restrictions referred to in the Investment Management Agreement.

The Investment Management Agreement is terminable by either party by giving not less than twelve months' prior written notice to the other, which notice may only be given after the expiry of the initial three year term. The Investment Management Agreement 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.

Ian Mattioli is Chief Executive of Mattioli Woods, the parent company of the Investment Manager at 24 March 2014, and is a director of the Investment Manager. As a result, Ian Mattioli is not independent. The Company Secretary, Nathan Imlach, is also a director of Mattioli Woods and the Investment Manager.

NOTES TO THE FINANCIAL STATEMENTS

CONTINUED

10. Events after the reporting date

Acquisitions

The Company has acquired 23 investment properties, details of which are set out in the Interim Report.

Equity

The Company has issued equity via an initial public offering and subsequent placing as set out in Note 5.

Dividends

On 30 September 2014 the Company paid a dividend of 1.25p per share to ordinary shareholders in respect of the quarter ended 30 June 2014.

The Company's annual general meeting will take place on 21 January 2015 at Canaccord Genuity Limited, 88 Wood Street, London, UK EC2V 7QR.

COMPANY INFORMATION

Directors

David Hunter – Chairman (appointed 27 January 2014)
Barry Gilbertson – Non-Executive (appointed 27 January 2014)
Ian Mattioli – Non-Executive (appointed 27 January 2014)
Matthew Thorne – Non-Executive (appointed 27 January 2014)

Company secretary

Nathan Imlach (appointed 27 January 2014)

Registered office

1 Penman Way
Grove Park
Enderby
Leicester
LE19 1SY

Registered number

8863271

Investment Manager

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

Depository

Langham Hall UK LLP
5 Old Bailey
London
EC4M 7BA

Broker

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

Banker

Lloyds Bank PLC
114-116 Colmore Row
Birmingham
B3 3BD

Solicitors

DWF LLP
20 Fenchurch Street
London
EC3M 3AG

Valuers

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

Auditor and tax adviser

Deloitte LLP
Four Brindleyplace
Birmingham
B1 2HZ

Registrars

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

FINANCIAL CALENDAR

Announcement of results for the period ended 24 March 2014	25 November
Ex-dividend date for Q2 dividend	4 December
Record date for Q2 dividend	5 December
Payment of Q2 dividend	31 December
Annual General Meeting	21 January

1 Penman Way
Grove Park
Enderby
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