ediston

Property Investment Company PLC

ANNUAL REPORT AND ACCOUNTS 2018

Resilient income

Ediston Property Investment Company

is a UK-listed Real Estate Investment Trust (REIT) investing in commercial property throughout the UK. Our objective is to deliver to our shareholders an attractive level of income, coupled with the prospect of income and capital growth.

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THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION. If you are in any doubt about the action you should take, you are recommended to seek your own financial advice from your stockbroker, bank manager, solicitor, accountant or other financial adviser authorised under the Financial Services and Markets Act 2000 (as amended by the Financial Services Act 2012) if you are in the United Kingdom or, if not, from another appropriately authorised financial adviser. If you have sold or otherwise transferred all your Ordinary Shares in Ediston Property Investment Company PLC, please forward this document, together with the accompanying documents immediately to the purchaser or transferee, or to the stockbroker, bank or agent through whom the sale or transfer was effected for transmission to the purchaser or transferee.

Our assets

We own a portfolio of commercial properties throughout the UK. We invest in office, retail warehouse, leisure and industrial assets without regard to any benchmark. In constructing our portfolio we have avoided the herd mentality of many investors and selected assets we believe are right for our strategy.

Number of properties

17

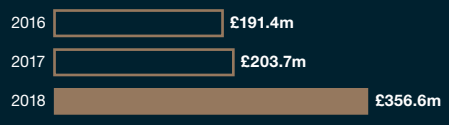
Portfolio value

£333.9m

Contracted rent

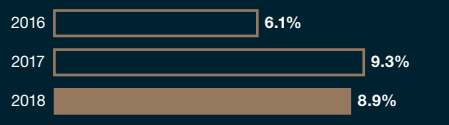
£21.5m

Financial highlights



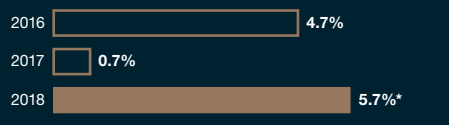
Total assets

£356.6m



NAV total return

8.9%



EPRA vacancy rate

5.7%

Weighted average unexpired lease term

6.6 years

EPRA NAV per share

115.3p

Annualised dividend per share

5.75p

Operational highlights

NAV per share at 30 September 2018 of 115.3 pence (30 September 2017: 111.3 pence), an increase of 3.6% after taking into account capital expenditure and transaction costs.

—

Fair value independent valuation of the property portfolio as at 30 September 2018 of £333.9 million, a like-for-like increase of 6.8% on the valuation at 30 September 2017.

—

Dividend increased by 4.5% to 5.75 pence per share (annualised) in February 2018.

—

Acquired four prominent retail parks for £144.0 million and a development site for £2.8 million.

—

Raised approximately £90.0 million of new equity.

—

Dividend cover of 119%.

—

Secured additional debt facility of £54.2 million maturing in 2027. Total debt is now £111.1 million at an 'all-in' fixed rate of 2.86%.

—

Completed 13 lease transactions securing £3.1 million of rental income for the Company.

—

* If rental guarantees and agreements for lease are factored in, the vacancy rate is 2.4%

The financial highlights include alternative performance measures. Refer to the glossary on pages 74 to 76.

Harnessing the shifts in shopping

How we are addressing the changing retail market.

Read more on pages 14 and 15

Protecting and growing income

Extracting value from our office assets.

Read more on pages 16 and 17

Further value generation

Our Chairman's view on the year and prospects.

Read more on pages 8 and 9

www.ediston-reit.com

Growing the portfolio

In order to maximise returns within our risk framework, we select assets with a diverse range of tenants by industry, lease lengths and strong covenants across a range of geographical areas and sectors. Our portfolio is diversified across regional markets and currently has no exposure to Central London assets as the low yields on offer do not sit well with our focus on income. Further, it has no exposure to high street or shopping centre assets.

We acquire assets where we can add value through management. Assets that can be enhanced to institutional grade are key targets. This gives us a pricing advantage over the assets that are at that grade already and where pricing competition is the fiercest. The depth of our asset management team gives us the time to execute this strategy. The outcome is a well-located, diversified portfolio of quality assets which offers a robust income stream but with opportunities to enhance and improve it.

During the period we acquired four retail warehouse properties and one development site for a total of £146.8 million. The new properties are good-quality, well-located, provide a reliable income stream and have asset management angles to exploit. The development site gives us the opportunity to create a new income stream for the Company by completing a retail warehouse development.

Number of properties

At 30 September 2018

17

Portfolio value

At 30 September 2018

£333.9m

Contracted rent

At 30 September 2018

£21.5m

Office

Good-quality offices, let to strong covenants with potential for rental growth.

Number of properties

4

Value

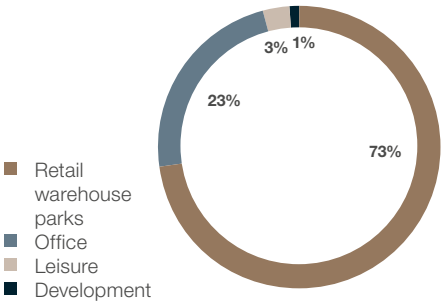
£76.6m

Sector weighted average unexpired lease term

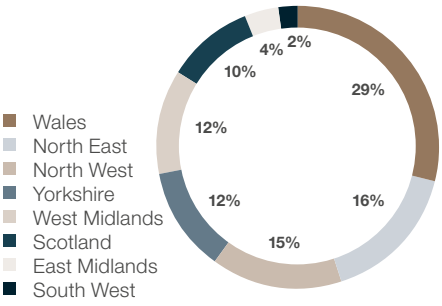
6.8 years

PORTFOLIO COMPOSITION

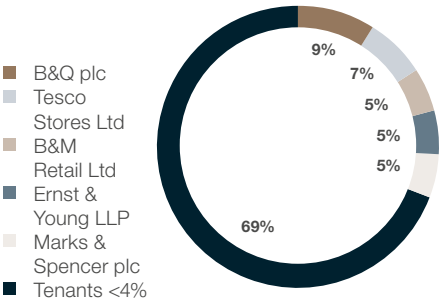
Sector
at 30 September 2018



Location
at 30 September 2018



Tenants
at 30 September 2018



Retail warehouse parks

A focus on well-let retail warehouse parks with solid income streams and good asset management angles.

Number of properties

10

Value

£247.6m

Sector weighted average unexpired lease term

6.7 years

Leisure

Three bingo halls let to a national operator. Good income with alternative use options.

Number of properties

3

Value

£9.7m

Sector weighted average unexpired lease term

4.0 years

Delivering on our strategy

OUR STRATEGIC PRIORITIES

1	**INCOME PROTECTION AND GROWTH** to support increased dividend payments to investors.	**Progress in the period** Further lettings of vacant space, regears of existing leases and completion of rent reviews. Dividend is fully covered and cover improved during the period as a result of asset management.	**Targets** Complete further lettings, rent reviews and regears to strengthen the Company's income stream.
2	**NAV GROWTH** through intensive asset management of the portfolio.	**Progress in the period** NAV per share increased 3.6% driven by asset management initiatives.	**Targets** Continued NAV growth through the Ediston style of asset management.
3	**TRANSACTIONAL ACTIVITY** to enhance the prospect of income and capital growth.	**Progress in the period** During the period the Company moved with conviction into the retail warehouse sector, acquiring five assets for a total of £146.8 million.	**Targets** The Company will seek to acquire further properties with existing capital, or with any new capital which is raised. Sales to be considered when assets have matured or values have peaked.
4	**VOID MANAGEMENT** to minimise the vacancy rate across the portfolio.	**Progress in the period** EPRA vacancy rate increased from 0.7% to 5.7% as a result of taking an office floor back from a tenant and from vacant units in the new assets. If rental guarantees and agreements for lease are factored in, the vacancy rate is 2.4%.	**Targets** Aim to let any voids and maintain a low vacancy rate.

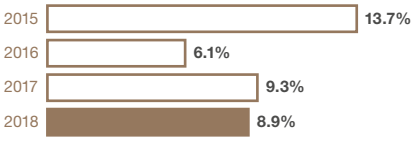
> "Our investment objective is to provide shareholders with an attractive level of income together with the prospect of income and capital growth."

KEY PERFORMANCE INDICATORS

NAV total return

8.9%

NAV total return reflects the growth in net assets as well as dividends paid to shareholders. The Board considers this is the best overall measure of value delivered to shareholders.



Annualised dividend per share

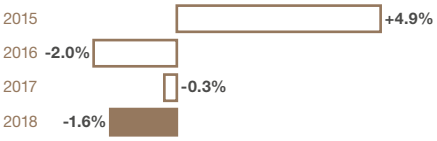
5.75p

A key objective is to provide an attractive and sustainable level of dividend to our shareholders. At each quarterly meeting the Board reviews the level of dividend per share, coupled with detailed financial forecasts, to ensure that this objective is being met.

Average premium/discount of share price to NAV

-1.6%

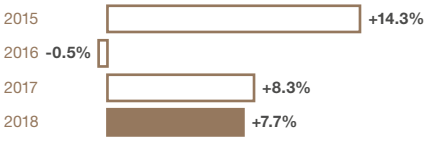
Average premium/discount of share price to NAV is monitored by the Board. The Board believes that long-term total return will be the driver of the rating of the Company's shares. The Board is keen to encourage consistent demand for shares and to reduce pricing volatility where it can.



Share price total return

7.7%

Share price total return reflects the growth in share price as well as dividends paid to shareholders.

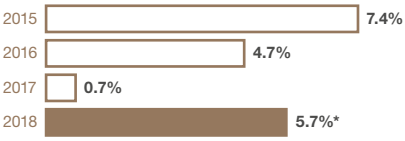


EPRA vacancy rate

5.7%

EPRA vacancy rate measures the percentage of investment property space that is vacant, based on ERV. This vacancy rate is measured throughout the year and the Board ensures that the Investment Manager prioritises the Company's income.

*If rental guarantees and agreements for lease are factored in, the vacancy rate is 2.4%.



Ongoing charges

1.3%

Operating costs incurred by the Company expressed as a proportion of its average net assets. Certain costs are excluded. See definition on page 76 for more detail.

The key performance indicators include alternative performance measures. Refer to the glossary on pages 74 to 76.

Intensive and targeted style

The approach is to add value at all stages of the investment process through the expertise and skill-set of the team at the Investment Manager, Ediston Properties Limited. Their style is intensive and entrepreneurial and they have a track record of delivering.

Experienced and Well-Advised

The Investment Manager has a focused and talented team of real estate experts, with experience in the sector ranging between 11 and 27 years.

They know how the assets 'live and breathe', how they fit into the location and economic environment and what opportunities and risks exist beyond general market movements.

Unlocking Value

The ability to unlock value is key to delivering superior returns. The Investment Manager is well-resourced and seeks to identify value-adding opportunities for each asset.

The generous ratio of properties to surveyor ensures all asset management initiatives can be identified and properly followed through to execution. Generally three to six projects are allocated to each surveyor but, given the diverse skill-set of the team, it is usual to have more than one member of the team involved on a project.

Targeted Investment

The Investment Manager seeks to identify assets which are mispriced, or are capable of being managed to a higher value, through a detailed analysis of risk and the property fundamentals, combined with good knowledge of the local occupational market.

They look to acquire assets which can be improved to institutional grade property. The investment policy is not benchmarked against a traditional property relative-return benchmark. They believe it is more important to create a sustainable, diversified portfolio where each asset can ultimately offer strong and potentially improving cash flow.

Net Asset Value

£243.7m

▲ +67.1%

Annualised dividends per share

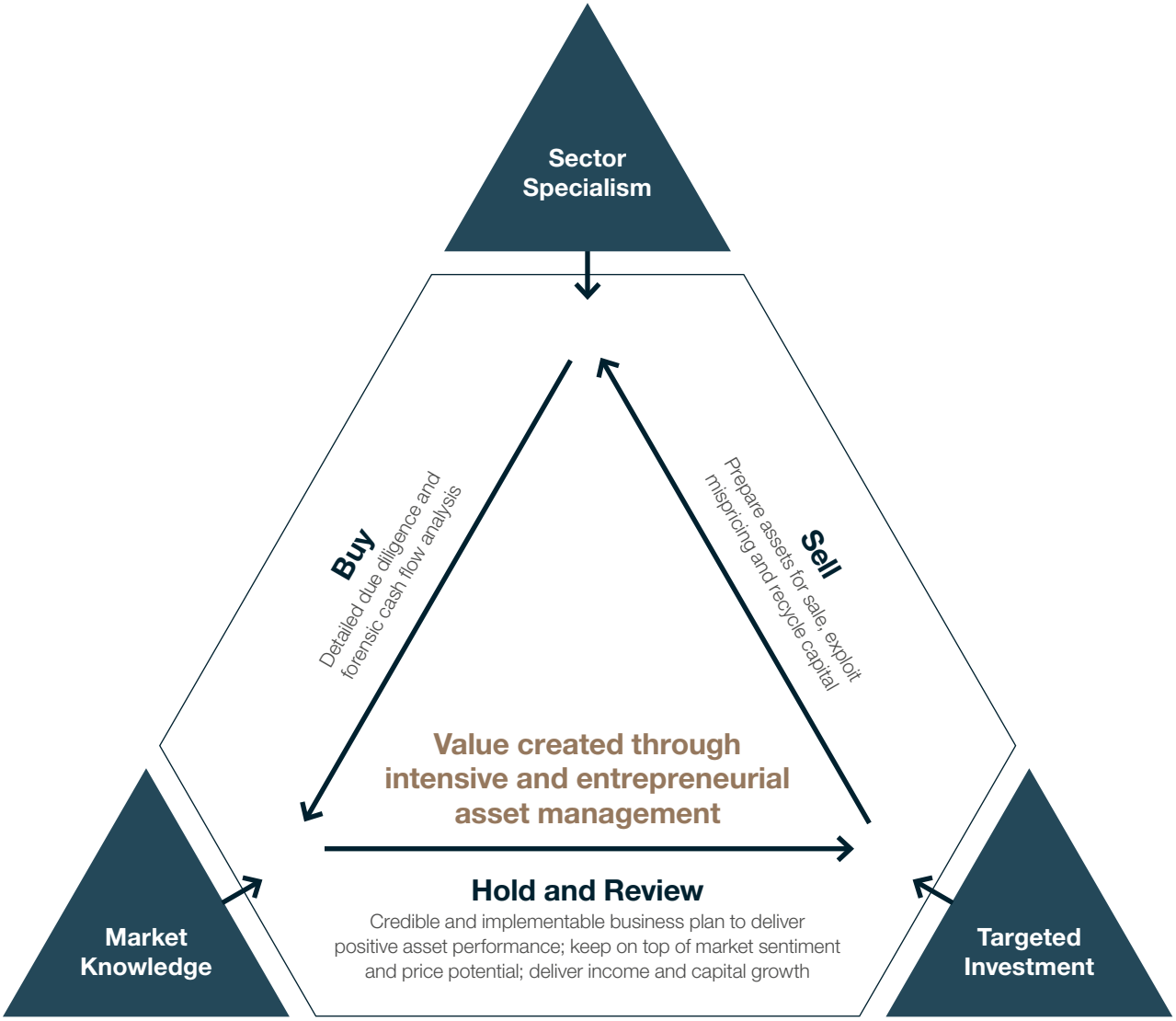
5.75p

▲ +4.5%

Revenue profit

£12.9m

▲ +57.3%



MARKET KNOWLEDGE
Well-informed and connected Investment Manager with an extensive agency network.

SECTOR SPECIALISM
Understanding tenants' needs and how the assets operate in their micro environments.

TARGETED INVESTMENT
'Core-plus' properties with asset management angles to add value are targeted.

Further value generation

SUMMARY

During the financial year the Company has taken another significant step forward in its development. It has enlarged its capital base by 75%, increased the monthly dividend per share by 4.5% and acquired five new assets for £146.8 million. A wide range of asset management initiatives were concluded generating capital value sufficient to absorb both the costs of expansion and the property purchases, whilst also contributing to NAV per share growth of 3.6%. The NAV total return per share was 8.9% for the year.

During the year there was a shift in investment focus with the new capital raised being deployed into the retail warehousing market. The portfolio weighting to this sector increased from 55% to 73% with a consequential reduction in provincial offices. The retail warehouse market is seen as the area offering the most attractive investment opportunities, with the rationale being discussed in more detail in the Investment Manager's review. The Company continues to hold no assets in Central London which is considered the most vulnerable to Brexit risk. It also has no exposure to high street or shopping centre assets.

INVESTMENT AND SHARE PRICE PERFORMANCE

Over the year, the Investment Manager met its strategic investment target of growing and intensively managing the Company's asset base in a way that was both accretive to the net asset value and improved the strength and quantum of the income stream.

The NAV per share has risen from 111.3 pence to 115.3 pence, an increase of 3.6%. Taking into account dividends paid in the period, the NAV total return per share over the year was 8.9% and the share price total return was 7.7%, based on the year-end share price of 109.0 pence per share. The average share price discount to NAV during the year was 1.6%.

The effect of the acquisitions has been to increase the contracted rent from £12.1 million to £21.5 million. Diversification of income has improved with the Company's exposure to its top ten tenants reducing from 62.2% to 47.0%. The weighted average unexpired lease term (WAULT) has increased from 6.3 years to 6.6 years.

PORTFOLIO ACTIVITY

I reported on the £144.0 million retail warehouse portfolio acquired during the year in both the previous Annual Report and Interim Accounts and I will therefore leave any further comment on this substantial acquisition to the Investment Manager's review.

In February, the Company announced the purchase of a development site in Haddington, east of Edinburgh, for £2.8 million. The site comprises seven acres suitable for retail warehousing in an area that is expanding rapidly. A planning application will be submitted for a retail warehouse park of approximately 65,000 sq. ft. It is anticipated that the majority of the park will be pre-let to high quality tenants.

In 2018 the retail sector has come under increasing pressure following a number of tenant administrations and Company Voluntary Arrangements (CVAs). The high street and shopping centre markets have been hit the hardest but there has also been an adverse effect on the retail warehouse sector. However, the Company's portfolio has been relatively resilient as rents are generally affordable, the properties are well-located and, as a consequence, tenants are trading well. The proactive nature and expertise of the Investment Manager has meant that it has often been possible to attract new tenants relatively quickly when voids have occurred.

The Company's office portfolio has benefitted from a number of asset management initiatives that have delivered capital growth. These are covered in more detail in the Investment Manager's review. Overall the vacancy rate in the portfolio is 5.7%, up on the very low figure last year but below market levels of 8.5% (source: IPD), and not giving any cause for concern.

CAPITAL STRUCTURE

In order to fund the £144.0 million retail warehouse acquisition, the Company issued £88.7 million of equity and drew £40.2 million of debt, with the remainder coming from existing cash reserves. The Company's gearing at 30 September 2018 was 31.1% of total assets, well within the investment policy limit of 35.0%. The Company has £22.4 million of cash available for investment, however, after retaining normal working capital, this surplus cash has all been earmarked for planned asset management initiatives. The Company has total assets of £356.6 million and net assets of £243.7 million, as at 30 September 2018.

DIVIDENDS

The Company announced on 15 November 2017 a 4.5% increase in the annualised dividend from 5.5 pence per share to 5.75 pence per share. The revised monthly rate was payable from February 2018. Paying a progressive and sustainable monthly dividend remains a key investment objective for the Company. The Board believes with dividend cover of 119.0% that it is in a good position to consider a further increase in the dividend in due course.

GOVERNANCE

The changes in Board responsibilities that I explained last year, following the appointment of Jamie Skinner, are working well. The newly-formed Marketing Committee, under Jamie's leadership, has now met three times and with tangible output as described below. The Board continues to work well together, as evidenced by the number of initiatives and developments which the Company has successfully undertaken since its inception four years ago.

MARKETING COMMITTEE

The Board recognises that consistent demand for the Company's shares and diversification of the Company's share register will have a number of benefits for existing shareholders, including a potential reduction in both the Company's bid offer spread and the volatility of its share price. To this end, the Company has established a Marketing Committee to improve the Company's overall marketing activities and, in particular, to improve communication with retail investors, who remain under-represented on the Company's share register. During the year, the Marketing Committee engaged a specialist consultant who undertook an in-depth review of the Company's activities and produced a formal marketing plan. This plan has been adopted by the Company and included: new appointments for PR, upgrading the website, publishing independent research and clearer messaging for investment platforms and the retail investment community. We remain of the view that a dependable, regular and high yield with the prospect of growth over the medium term in asset value and income should be attractive to both retail and institutional investors who want access to UK commercial property in a well-managed investment vehicle.

CORPORATE STRATEGY

The Board is delighted that it has been able to execute a significant expansion in the Company's equity base. The advantages of spreading management costs over a greater asset base, improving portfolio diversity and enhancing the liquidity of shares are well understood in the development of successful investment companies.

Market conditions are unlikely to be conducive to further equity issues in the short term. However, with the expiry of the placement programme, the Board wishes to ensure the Company is able to access capital via tap issues if circumstances allow and if it is thought appropriate to do so, and is therefore proposing to renew the authority to issue shares, limited to 10% of the shares currently in issue.

OUTLOOK

Real Estate Investment Trusts with attractive and sustainable levels of dividend and modest gearing should remain appropriate places to invest long term capital. With financial markets jittery, The Financial Conduct Authority has recently given investors a timely reminder of the flaws in the daily traded property unit trusts which struggle when under market pressure. My hope is that this latest report will be a catalyst for investors to recognise the significant advantages a listed closed end structure has over these funds for owning illiquid assets.

Although investor demand for real estate from both domestic and international buyers remains strong, we must acknowledge that we are late in the property cycle. Undoubtedly bumpier roads lie ahead. One determinant on how bumpy this will be is the form that Brexit takes and the political and economic stability, or otherwise, that follows. The good news is that it has not been a property cycle where there has been the traditional supply side reaction funded by excess investment and debt capital. Vacancy rates are generally low, meaning the greatest downside risk lies with adverse yield movement responding to short-term events. This volatility should not be an issue for patient capital if the capital structure is secure and underlying income sufficiently robust to ensure that dividends are not at risk. Property yields still look attractive relative to bonds so there may be scope to absorb bad news.

The Company's portfolio has attractive defensive elements with a bedrock of leases let to strong covenants and few imminent lease expiries. The Investment Manager has identified value-add opportunities within the existing portfolio and the Company is not wholly reliant on market movement for NAV progression. The Investment Manager has demonstrated that it has the skills to execute on these opportunities and I expect to be reporting on a number of further successful initiatives during the forthcoming year.

William Hill
Chairman

Investment demand remains robust

MARKET COMMENTARY

The UK commercial real estate market performed well in the year ended 30 September 2018. The investment market finished 2017 strongly, with both total returns and investment volumes ahead of the start of year predictions. The rebound in deal volumes, double-digit returns and a recovery in rental growth prospects meant 2017 was unexpectedly strong on multiple fronts.

2018 started well with similar levels of activity as the same period in 2017, with plenty of buyers looking to invest. However, a feature of the market was the relatively low levels of stock available to buy. Whilst more assets did come to the market as the year progressed, the lack of liquidity has caused yields to tighten. This is especially evident in the office and industrial markets. Industrial has performed well, but is now looking overpriced.

The market was dominated by overseas buyers who view the UK as an attractive location in which to invest and regard it as a safe haven due to the lack of volatility, a transparent land registry system and strong rule of law, all of which makes transacting property much easier than in other countries. Local Authorities and UK Institutions were also active, with the latter becoming net investors in quarters two and three.

> "Investment demand is robust, particularly for quality assets which offer strong fundamentals. The market is quick to discount stock which is blighted in any way."

Investment demand is robust, particularly for good assets which offer strong fundamentals. The market is quick to discount stock which is blighted in any way, be that by sector, location or build quality. There is a definite polarisation between prime and secondary/tertiary stock with the yield gap widening. There is also a flight to quality evident in the market place.

Office and industrial yields are generally stable for the better quality assets, but in the retail sector the picture is more mixed. The high street and shopping centre markets will remain challenging, with all but the best assets likely to decline in value. There are opportunities in the retail warehouse market as yields, relative to other sectors, look more attractive. However, care must be taken to select assets with strong fundamentals (well-located, with the right planning consents and let off affordable rents) as these offer prospects of rental growth and will otherwise be susceptible to yields softening.

OUTLOOK

As 2018 draws to a close, it is likely that investment volumes for the calendar year will be at a similar level to 2017, when £59.8 billion of assets were transacted.

Looking ahead to 2019 we believe that there might be a reduction in activity as investors adopt a 'wait-and-see' position with regards to Brexit. It is the implications of Brexit which remain the biggest unknowns at the moment and, regardless of whether or not it is a 'hard-Brexit', the UK property market will be impacted in some way. There is no consensus view as to what will happen, but it is likely that there will be a pause and more subdued property market activity.

Assets acquired

£146.8m

Property total return (12 months)

11.1%

Weighted average unexpired lease term

6.6 years

PROPERTY PORTFOLIO AS AT 30 SEPTEMBER 2018

Location	Name	Market value range (£)	Tenure
OFFICE			
Birmingham	St Philips Point	30-35m	Freehold
Newcastle	Citygate II	20-25m	Leasehold
Edinburgh	145 Morrison Street	10-15m	Heritable
Bath	Midland Bridge House	5-10m	Freehold
RETAIL			
Prestatyn	Prestatyn Shopping Park	50m+	Freehold
Widnes	Widnes Shopping Park	45-50m	Leasehold
Hull	Kingston Retail Park	25-30m	Freehold
Sunderland	Pallion Retail Park	25-30m	Freehold
Wrexham	Plas Coch Retail Park	20-25m	Freehold
Coatbridge	B&Q	15-20m	Heritable
Rhyl	Clwyd Retail Park	15-20m	Freehold
Barnsley	Barnsley East Retail Park	10-15m	Freehold
Daventry	Abbey Retail Park	10-15m	Leasehold
LEISURE			
Telford	Mecca Bingo	0-5m	Freehold
Liverpool	Mecca Bingo	0-5m	Freehold
Hartlepool	Mecca Bingo	0-5m	Freehold
DEVELOPMENT			
Haddington	Site	0-5m	Heritable

> "We targeted well-located, prominent retail parks and continue to believe that they offer a good value opportunity when compared to other sectors of the property market, such as industrial and logistics assets, where yields have been reduced as a result of stiff pricing competition."

This occurred immediately after the EU referendum in 2016, when investors and tenants alike took time to consider where the market was heading. At the time, the issues were exacerbated by the liquidity problems faced by the daily traded open-ended real estate vehicles, but it must not be forgotten that the recovery was quite quick thereafter. Central London offices remain the most vulnerable, and the Company has no exposure to this market, but it is likely that all sectors will be impacted in some way.

It is clear that with Brexit there will be challenges. With an active Investment Manager and a portfolio that has the right balance of defensive qualities and asset management upside, the Company should be able to deal with headwinds and capitalise on any opportunities that may appear. In an uncertain market where investors adopt different stances on key issues, there will be upside to exploit.

PORTFOLIO VALUATION

The Company's property portfolio is valued by Knight Frank on a quarterly basis throughout the year. As at 30 September 2018 it was valued at £333.9 million, a like-for-like increase of 6.8% over the period.

FULLY COVERED DIVIDEND

The Company's dividend remains fully covered.

ASSET MANAGEMENT

During the period we completed 13 asset management initiatives across the portfolio in both office and retail warehouse assets. These included rent reviews, lease restructures and new lettings. Some of these are more fully described in pages 14 to 17. Not only did these transactions secure £3.1 million of rental income for the Company, they also had a positive impact on the capital value of the portfolio.

ACQUISITION ACTIVITY

At the start of the period, with industrial property looking expensive and office yields tightening, a move was made, with conviction, to invest in the retail warehouse sector. Against the backdrop of retail warehouse yields looking attractive we identified a portfolio of four retail parks which we acquired in an off-market transaction for £144.0 million. The assets in Prestatyn, Hull, Barnsley and Widnes have strong fundamentals and provide a good income stream for the Company, as well as having asset management angles to exploit.

The acquisition provided the growth the Company had been looking for. At purchase, it increased total assets by 70.5%, contracted rent by 79.3% and the Company's equity base by 60%. The assets were acquired in an extremely cost-efficient manner, which considerably reduced the negative impact that transaction costs would usually have on the NAV. Property costs of the acquisition were just 0.7% of the purchase price. It is not uncommon for the costs of purchasing property assets to be 6.8% of the purchase price. This represents a saving to the Company of approximately £8.8 million.

The purchase was funded by a combination of an equity raise of £88.7 million including shares issued to the vendor, existing cash resources and additional debt secured from Aviva Commercial Finance Limited.

A seven-acre development site in Haddington, which is 19 miles east of Edinburgh, was also purchased in the period. The site, which was acquired for £2.8 million, occupies a prominent position close to the A1. It has planning permission for a supermarket and petrol filling station. It is our intention to seek a new planning consent to permit a retail warehouse development to satisfy the pent-up demand from retailers for the town. Discussions are ongoing with a number of retailers seeking pre-lets on the development.

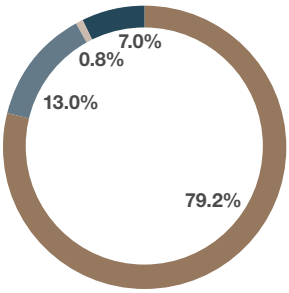
If it were possible to raise fresh equity, we are confident of being able to deploy additional capital well, particularly if assets become mis-priced through general market weakness and uncertainty.

Compliance with investment restrictions

Restriction	Measure	Limit	Status
'Other commercial' exposure	% of total assets	25%	✓
Single asset size	% of total assets	20%	✓
Speculative development	% of total assets	10%	✓
Development	% of total assets	10%	✓
Tenant exposure	% of total rental income	20%	✓
Gearing	Debt to total assets	30-35%	✓

Tenant covenant profile

D&B risk ratings of tenant income as a percentage of the portfolio income



- Minimum
- Lower than average
- Higher than average
- High

Vacancy rate and weighted average unexpired lease term (WAULT)

- Vacancy (%)
- WAULT (years)

* If rental guarantees and agreements for lease are factored in, the vacancy falls to 2.4%.

Addressing the challenges in the retail market

The retail industry is going through an unprecedented transformation. With increasing operating costs on the high street, as well as more demand for digital shopping, many household names have struggled to stay afloat in the stormy market.

Since the start of 2018 there have been a number of tenant failures. Well known retailers such as Toys R Us, Maplin and Poundworld have fallen into administration, whilst others like House of Fraser, Carpetright and New Look have entered Company Voluntary Arrangements (CVAs) and closed stores as they sought to reduce their rental liabilities and property exposure.

Whilst the entire retail sector is facing challenges, we believe it is important to differentiate between the three main sub-sectors of the retail market, namely the high street, shopping centres and out-of-town retail warehouse parks. The greatest issues have been on the high street and in shopping centres with many of the store closures occurring in these locations. High vacancy rates in these two categories reflect an oversupply of properties, expensive and badly configured retail units and the difficult trading conditions in the mainstream comparison shopping markets. It has been well reported that some retailers are reducing their presence in town centres and many are expanding their operations in the out-of-town market.

Retail warehouse parks not only fit the modern needs of shoppers, due to easier access and free parking, but also provide retailers with flexible space which can be adapted to suit their commercial needs. Additionally, out-of-town retail parks can assist retailers with their online strategies and are well-placed to provide services such as click and collect, which is increasing in popularity.

The increase in online shopping has had an impact on the retail sector which has caused speculation that this may be the end of physical retailing, but we do not think that this is the case. We believe the retail sector is evolving as shopping habits change. In our opinion, the penetration of online sales will eventually plateau, a viewed shared by industry experts. The successful retailers will be those who are able get their online and physical strategies working in tandem, making the most of both bricks and clicks in their omni-channel strategies.

Despite these headwinds, our portfolio has been relatively unaffected by the CVAs and administrations in the sector. We have only had two units totalling c. 29,000 sq. ft. returned to us. Of this approximately 5,000 sq. ft. remains vacant. In income terms, this represents just 0.4% of the Company's contracted rent.

Tenant failures can present good opportunities. For example, at Kingston Retail Park in Hull, we were able to re-let the unit vacated by Toys R Us (who went into administration) to an existing tenant who was looking to expand. B&M increased their occupation by upsizing from a unit of 10,271 sq. ft. to one of 24,225 sq. ft. B&M signed a ten-year lease at an annual rent of £302,813 and received an incentive of 12 months' rent-free. To facilitate the letting B&M surrendered the lease on their existing unit, which was due to expire in 2021. This provides another asset management opportunity and we are speaking to tenants interested in taking the space.

We continue to see good tenant demand for retail parks which are well-located, have the right planning consents and are let off sensible rental levels. During the period, at Pallion Retail Park in Sunderland we completed two lettings, to GO Outdoors and Cancer Research, and delivered a Costa Coffee Drive-Thru. In addition, we extended lease terms with Pets At Home on their units at Wrexham and Rhyl.

In Rhyl, we leased an 8,000 sq. ft. unit to Iceland on a ten-year lease at an annual rent of £128,000, in exchange for 12 months' rent-free. We started construction of the unit on a speculative basis as we were confident of identifying a tenant prior to completion. Securing Iceland shortly after extending the Pets at Home lease is hugely positive for the park.

Total value of new retail acquisitions

£146.8m

Total number of retail warehouse acquisitions

5

We have also had success at rent review. At Prestatyn Shopping Park we secured a 23.7% increase on the passing rent on a unit let to River Island, and an 18.2% uplift on a unit leased by Card Factory. This creates good evidence to assist with securing increases from other tenants on the park and shows that securing rental growth is still possible in the current retail environment.

We are always speaking with retailers and with a number of transactions in the pipeline we do not see this trend of doing deals changing.

From an investment perspective, it is important to remember that not all retail warehousing is equal. Those parks which are well-located, have the right planning consents and are let off affordable rents (and are not over-rented) will see better tenant demand and their capital values will be more resilient, especially if the income can be improved through active asset management. We believe our retail warehouse portfolio has many of these positive characteristics.

Protecting and growing income

Over the period we have been actively managing our office portfolio, completing lease restructures and rent reviews in three of our properties. These transactions have secured £1.9 million of rental income for the Company and have moved the rental tone of the assets forward, as well as improving their capital values.

In April, we completed a lease regear with Ernst and Young (EY) at Citygate II in Newcastle. EY occupy 41,935 sq. ft. across five floors, on five leases which were due to expire in March 2022. We worked closely with EY to provide a lease structure which best suits their requirements. We signed an agreement to vary their leases to give an expiry date of 31 December 2027, in exchange for an incentive equivalent to 22 months' rent free. The annual passing rent on these five floors has increased by 20% as a result of the transaction, and EY will be undertaking a refurbishment of their accommodation. Over the period, Citygate II has increased in value by 12.5%.

In June, at St Philips Point in Birmingham we restructured lease terms with Weightmans LLP. Weightmans occupied 37,395 sq. ft. across three floors, on three leases which were due to expire in July 2019. The annual rent was £606,452. We signed an agreement to restructure the terms of their occupation of the property, which became effective on 1 August 2018.

Under the agreement Weightmans signed a new ten-year lease with a five-year break option, on each of the upper ground and third floors, which extend to a total of 23,187 sq. ft. They are paying a rent of £507,430 per annum, a 45.7% increase on the rent currently being paid on these floors. To facilitate the deal the tenant received an incentive of six months' rent-free.

Under the agreement, the tenant surrendered the lease on the first floor, which extends to 14,208 sq. ft. Whilst this will increase the vacancy rate in the short term, it offers us a good opportunity to refurbish then re-let the space at a rental level in excess of the previous passing rent, which could result in an overall increase in net income from the property of c. £220,000 per annum. Over the year to 30 September 2018 the asset has increased in value by 13.8%.

The last transaction we completed was to restructure lease terms with solicitor, Royds Withy King, at our office in Bath, Midland Bridge House. The tenant occupied the entire property, which extends to c. 18,500 sq. ft., on a lease which had been due to expire in March 2023. We signed a six-year lease extension, meaning the lease now expires in March 2029. As part of the deal the tenant received an incentive equivalent to 5.8 months' rent-free.

Royds Withy King will continue to pay a rent of £360,000 per annum. This was agreed following the rent review in March 2018, and was an increase of 11.5% on the previous passing rent. Over the period the capital value has increased by 28.4%.

Calum Bruce
Investment Manager,
Ediston Properties Limited

"These transactions show that if you provide tenants with good-quality accommodation, which meets their requirements, then they will always be open to extending their occupation. There are also benefits for the Company; extending the lease terms enhances the income stream of the portfolio and improves its capital value and liquidity too."

Newcastle

Lease restructure with Ernst & Young.

Value increase in the period

+12.5%

Total contracted rent on asset

£1.5m

Weighted average unexpired lease term

7.4 years

Birmingham

Lease regear with Weightmans LLP.

Value increase in the period

+13.8%

Total contracted rent on asset

£1.9m

Weighted average unexpired lease term

4.1 years

Bath

Rent review and lease extension with Royds Withy King.

Value increase in the period

+28.4%

Total contracted rent on asset

£0.4m

Weighted average unexpired lease term

10.5 years

Secure income boosted by acquisitions

This has been another year of strong financial performance for the Company with new equity of £89.8 million being raised, acquisitions of £146.8 million and intensive asset management activity. The Company increased its dividend from 5.50 pence per share to 5.75 pence. The WAULT and dividend cover have also increased providing investors with even greater security of income.

This report summarises the financial performance for the year and provides a number of statistics, illustrating how the Company is delivering on its objectives.

INCOME STATEMENT

The acquisitions and letting activity in the year helped achieve revenue profit of £12.9 million, an increase of 57.3% from 2017 and generated rental income in the year of £19.4 million. Revenue expenditure in the period was £3.5 million, including £0.4 million of property-specific expenditure and £2.1 million related to the Investment Manager's fee. Net interest costs were £3.0 million.

The positive movement in the value of our investment properties was £7.3 million, which enabled the Company to report a total profit of £20.2 million and an increase in EPRA earnings per share to 6.60 pence.

	2018 (£m)	2017 (£m)
Rental income	**19.4**	12.2
Property expenditure	**(0.4)**	(0.1)
Net rental income	**19.0**	12.1
Administration expenses	**(3.1)**	(2.2)
Net financing costs	**(3.0)**	(1.7)
Revenue profit	**12.9**	**8.2**
Gain on revaluation of investment properties	**7.3**	4.4
Accounting profit after tax	**20.2**	**12.6**
EPRA earnings per share	**6.60p**	**6.34p**
Dividend per share	**5.69p**	**5.50p**
Basic earnings per share	**10.32p**	**9.75p**

RENT

Contracted rent was £21.5 million (2017: £12.1 million) per annum at the year end. The increase was mainly due to the property acquisitions in the period which had contracted rent at the year end of £9.2 million. In addition, asset management delivered a number of new lettings which made a positive contribution to the portfolio. Rent-free periods as a percentage of contracted rent at the year end were 9.5%. 87.0% (2017: 89.1%) of rent for the year was collected within seven days with 91.0% of rent collected within 14 days (2017: 93.0%).

The portfolio continues to provide long-term stability to the Company's income. The EPRA vacancy rate has increased to 5.7% from 0.7%, due largely to the newly-acquired properties having vacant units. If rental guarantees and agreements for lease are factored in the vacancy rate is 2.4%. As a result of acquisitions in the period and various asset management initiatives with tenants, the WAULT has increased to 6.6 years (2017: 6.3 years).

EPRA PERFORMANCE MEASURES

As a member of EPRA, we support EPRA's drive to bring consistency to the comparability and quality of information provided to investors and other key stakeholders of this report. We have therefore included a number of performance measures which are based on EPRA methodology. It should be noted that there is no difference between the Company's IFRS and EPRA NAV in this year's accounts.

	2018	2017
EPRA earnings	**£12.9m**	£8.2m
EPRA earnings per share	**6.60p**	6.34p
Diluted EPRA earnings per share	**6.60p**	6.34p
EPRA NAV per share	**115.30p**	111.32p
EPRA cost ratio (including direct vacancy costs)	**18.1%**	18.6%
EPRA cost ratio (excluding direct vacancy costs)	**17.7%**	18.2%
EPRA net initial yield	**5.3%**	6.0%
EPRA topped up net initial yield	**6.0%**	6.5%
EPRA vacancy rate	**5.7%**	0.7%

The acquisitions in the period have contributed to secure income which have in turn strengthened a number of the financial performance statistics above.

NET ASSET VALUE (NAV)

At 30 September 2018 our net assets were £243.7 million, equating to net assets per share of 115.3 pence (2017: 111.3 pence) resulting in an upward year-on-year growth in the NAV per share of 3.6%.

The increase in net assets to £243.7 million is summarised in the table below:

	£ million	Pence per share
NAV at 30 September 2017	145.8	111.32
Increase in value of investment properties (net of capital expenditure and transaction costs)	7.3	3.43
Net earnings in the year	12.9	6.13
Less: dividends paid in the year	(10.8)	(5.13)
Equity raised in the year (net of equity raising costs)	88.5	(0.45)
NAV at 30 September 2018	**243.7**	**115.30**

The NAV is primarily represented by our investment properties, which had a fair value of £333.9 million at the year end. This is included in the financial statements as Investment Properties at £330.8 million with the adjustments relating to capital incentives. The remaining £87.2 million of net liabilities is made up of: i) £109.8 million of debt; ii) £11.7 million of cash and cash equivalents; and iii) £10.9 million of net current assets.

DEBT

Following the acquisitions in December 2017, an additional debt facility was agreed with Aviva of £54.2 million at an interest rate of 2.73%. The facility will mature in 2027. The blended rate of interest of both facilities totalling £111.1 million is 2.86%. Further details are included within Note 13 of the Financial Statements.

It is the intention of the Board that gearing will not be greater than 35% of total assets and will be closer to 30% or less, which represents significant headroom against the loan to value covenants on the property portfolio. Gearing at the year end was 31.1%.

CASH

As at 30 September 2018 the Company had cash on its Balance Sheet of £11.7 million with a further £10.7 million drawn under the debt facility.

DIVIDENDS

The Board increased the annualised dividend from 5.50 pence per share to 5.75 pence in February 2018. The Company has now provided a fully covered dividend since early 2016. Dividend cover for the year was 119.0%.

The Board declared a dividend of 0.48 pence per share for the month of September which was paid in October 2018. Taking this last dividend with dividends paid to September 2018 of 5.21 pence, the total dividend for the year is 5.69 pence per share in line with the targeted dividend policy. This equates to a dividend yield of 5.3% based on the closing share price of 109.0 pence per share as at the period end. The Company remains committed to monthly dividend payments.

TAX

Owing to the Company's REIT status, income and capital gains from our property rental business are exempt from corporation tax, therefore, the tax charge for the year is £nil.

We continue to pass all the REIT tests ensuring our REIT status is maintained.

OUTLOOK

As a result of the continued strong financial performance of the Company, in the absence of unforeseen circumstances, the Board projects that dividends will continue to be fully covered for the medium term.

The Company has a strong Balance Sheet and good sustainable income. Going forward, it is anticipated that the portfolio asset management initiatives will be financed through existing cash resources.

Neelum Yousaf
Financial Controller,
Ediston Properties Limited

Principal risks and risk management

The successful management of risk is essential in ensuring that the Company delivers on its strategic priorities and aligns the Company's interests with its shareholders.

The Audit and Risk Committee recognises that there are risks and uncertainties that could have a material effect on the Company's results. Under the UK Corporate Governance Code (the 'UK Code'), directors of listed companies are required to confirm in the annual report that they have performed a robust assessment of the principal risks facing their company, including those that would threaten its business model, future performance, solvency or liquidity.

The Group's risk register is the core element of the risk management process. The register is prepared, in conjunction with the Board, by the Administrator, Company Secretary and Investment Manager.

The Directors review and challenge the register on a quarterly basis, assessing the likelihood of each risk, the impact on the Group and the strength of controls operating over each risk. An assessment is also made as to whether any changes have occurred in the nature of the risks faced by the Company, or whether any new risks have arisen, to ensure that appropriate mitigating controls are in operation.

The principal risks facing the business, with their likelihood and impact and how the Company mitigates these, are set out in the table below.

STRATEGIC PRIORITIES

1 Income Protection and Growth 2 NAV Growth 3 Transactional Activity 4 Void Management

Risk	Impact	Controls and mitigation in place	Change from last year
INVESTMENT MANAGEMENT			
Lack of investment opportunities reducing the ability to acquire properties at the required return. **Poor investment decisions, incomplete due diligence and mistimed investment of capital.** Link to strategy: 2 3	An inappropriate use of capital which hinders investors' returns. Reduction in revenue profits impacting on cashflow and dividends. Impact if occurred: **Medium**	Thorough due diligence and investment process. Regular review of property performance against acquisition plan. Experienced Investment Manager who sources assets which meet agreed investment criteria. Investment Committee scrutinises and approves all proposed acquisitions. The Board reviews the portfolio performance at each quarterly meeting and, through the Management Engagement Committee, conducts a formal annual review of the performance of the Investment Manager. Comprehensive profit and cash flow forecasting which models the impact of property transactions at Group level. Probability of occurring: **Low**	**No Change** Following thorough due diligence, investment process and comprehensive modelling, a £144 million portfolio was acquired in December 2017 and a further development site was acquired in February 2018. All available cash resources are currently identified against asset management activities.
Significant exposure to a specific property, tenant, sector, geographic location or to lease expiries in a given year. Link to strategy: 2 4	Downturn in an area to which the Company has significant exposure resulting in a reduction in the capital value of investment properties. Significant tenant failure causing a material reduction in revenue profits, impacting on cash flow and dividends. Impact if occurred: **Medium**	Concentration limits are set by the Board and reviewed quarterly. The limits are monitored at all times by the Investment Manager. The Board and Investment Manager also review at least quarterly other key metrics, such as principal property sector weightings, to ensure these remain appropriate even where there may be no formal limits on exposure. Board approval memorandums state whether there are any concentration issues. Probability of occurring: **Low**	**No Change** Following the portfolio acquisition in December 2017, the Group has increased its exposure to the retail warehouse sector whilst improving tenant diversification and the portfolio's overall WAULT. Tenancy risks in the retail sector overall have increased, however the Board believes these are mitigated: firstly by the quality of the assets, which are in the retail warehouse sector rather than the more exposed high street and shopping centres; and secondly by the Investment Manager's proactive approach to replacing struggling tenants with those with stronger covenants.
Ineffective active asset management of properties. Link to strategy: 1 2 4	High vacancy levels, low tenant retention, sub-optimal rental levels and break clauses exercised resulting in a deterioration of income earned and a fall in the capital value of investment properties. Reduction in revenue profits impacting on cash flow and dividends. Impact if occurred: **Medium**	Investment Manager is experienced in active asset management. Detailed asset management plans are maintained for all properties and details of asset management activities to be undertaken are presented to the Board on at least a quarterly basis. Asset management activity involving significant capital expenditure requires the approval of the Investment Committee. Proactive approach to key lease events. Third party letting and managing agents are employed. Probability of occurring: **Low**	**No Change** The Investment Manager has undertaken various active asset management activities during the year and has others identified.

Risk	Impact	Controls and mitigation in place	Change from last year
FINANCIAL			
Non-compliance with debt facilities.	A substantial fall in the property asset values or rental income levels could lead to a breach of financial covenants within the Group's debt funding arrangements. This could lead to a cancellation of debt funding leaving the Company without sufficient long-term resources to meet its commitments.	Covenants are reviewed on a regular basis. Compliance certificates and reports for the lender are prepared on a quarterly basis by the Investment Manager then reviewed and signed by a Director. The Board intends to maintain gearing at 30% but will not exceed 35% of Company gross assets at drawdown.	**Decreasing** The Company's LTV increased to 30.4% following the drawdown of the additional debt facility in December 2017. However, this reduced to 30.1% over the reminder of the financial year. The additional facility reduced the blended fixed interest rate from 3.06% to 2.86% per annum and staggered the dates on which the various debt facilities fall due for renewal. The increased size and diversification of the property portfolio reduces the risk that an asset specific event would significantly impact on the Group's debt covenants.
Link to strategy: 2	Impact if occurred: **Medium**	Probability of occurring: **Low**	
ECONOMY/TAXATION/REGULATORY			
Weak economic and/or political environment, including the potential impact of Brexit.	Lower occupational demand impacting on income, cash flow, rental growth and capital performance.	To a large extent outwith the Company's control. Brexit will happen in the near future but it is not possible at this time for the Company to understand fully how it will happen and the resulting impact. Sensitivity analysis of the portfolio is undertaken regularly via a comprehensive cash flow model.	**Increasing** The economic and political environment in the UK remains uncertain. This may result in lower occupational demand and, although partially mitigated by the Company's good-quality assets, low vacancy rate, longer WAULT and strong covenants, the heightened uncertainty arising from Brexit increases the risk to the returns from the property market as a whole.
Link to strategy: 1 2 4	Impact if occurred: **High**	Probability of occurring: **Medium**	
Non-compliance with laws and regulations.	The Company is required to comply with REIT rules, the Listing Rules, Disclosure Guidance and Transparency Rules, the UK Code, IFRS accounting standards and UK legislation (including the UK Bribery Act, Modern Slavery Act, The Criminal Finances Act 2017, Market Abuse Regulations and GDPR).	The Company uses experienced tax advisers, auditors, Investment Manager, Company Secretary, Administrator and solicitors. Strong compliance culture with regular risk reviews undertaken by the Audit and Risk Committee.	**No Change** No changes in the regulatory environment over the year have had a significant impact on the risk profile of the Company.
Link to strategy: 2	Impact if occurred: **High**	Probability of occurring: **Low**	
OPERATIONAL			
Health and Safety.	Serious incident occurring at one of the Company's properties resulting in material financial or reputational damage to the Company and/or criminal prosecution.	The Board regularly receives and reviews a quarterly report from the managing agent detailing any relevant matters. The managing agent ensures all matters raised are dealt with promptly. Appropriate insurance cover is in place. Insurers visit each property at least every two years and undertake a risk assessment.	**No Change** No significant changes have occurred in relation to Health and Safety matters over the year.
Link to strategy: 2	Impact if occurred: **High**	Probability of occurring: **Low**	
Lack or failure of internal controls of the Investment Manager or Administrator.	Inadequate segregation of duties or other internal controls could result in a higher probability of error, or fraud not being prevented, resulting in financial loss to the Company.	Significant segregation of duties within the Investment Manager and Administrator as well as between them both, with oversight from the Depositary.	**No Change** As the Group has grown in size since its initial launch in 2014, the supporting infrastructure and internal controls within the Investment Manager and Administrator and the segregation of duties between individual members of staff have increased correspondingly.
	Impact if occurred: **Medium**	Probability of occurring: **Low**	

The Strategic Report on pages 02 to 21 has been approved by the Board and is signed on its behalf by:

William Hill
Chairman
5 December 2018

Board of Directors

The Board comprises four Directors, all of whom are non-executive and independent of the Investment Manager. The Directors are responsible for the determination of the Company's investment policy and the overall supervision of the Company. The members of the Board have complementary skills to bring to the Board, as well as considerable experience of property, listed markets and closed-ended funds. The Directors are as follows:

William Hill
Chairman

William Hill qualified as a Chartered Surveyor with Drivers Jonas in 1985. He left in 1989 to join Schroders and became head of its real estate investment division in 1991.

He successfully grew the business to over £10 billion of assets under management. He also established a number of new business lines including the Schroder Real Estate Investment Trust, a listed investment company he secured the mandate to manage in 2011. William resigned from this position in November 2013 to set up his own consultancy business.

He is a past chairman of the Association of Real Estate Funds and past master of the Worshipful Company of Chartered Surveyors.

William provides particular expertise through his extensive knowledge of the UK commercial property sector and of property investment vehicles.

Robin Archibald
Senior Independent Director and Nomination Committee Chairman

Robin Archibald has over 30 years' experience of working in the corporate finance and corporate broking industries, including roles with Samuel Montagu, SG Warburg Securities, NatWest Wood Mackenzie and Winterflood Investment Trusts, where he was head of corporate finance and broking for ten years before retiring in 2014.

He qualified as a chartered accountant with Touche Ross in 1983. Since the early nineties, Robin has concentrated on advising and managing transactions in the UK closed-ended funds sector and has gained a wide experience in fund raising, reorganisations and restructurings for all types of listed funds.

Robin provides corporate finance and broking expertise and a wide knowledge of the closed-end funds sector.

Robert Dick
Audit and Risk Committee Chairman

Robert Dick qualified as a member of The Institute of Chartered Accountants of Scotland (ICAS) in 1980 and has over 30 years' experience of working in the real estate industry.

He joined CALA in 1985 when the company had a full London Stock Exchange listing and held several key executive and non-executive positions over a 23-year period, including serving as Group Finance Director for ten years, Chairman of the group's property development business for eight years and a trustee of the group's pension scheme for 15 years, including 11 years as chairman. Robert led the CALA team which completed a successful MBO in 1999, delisting the company and taking it private.

He was a member of the ICAS Council from 2009 to 2015 and chaired one of the ICAS Boards from 2009 to 2012.

Robert brings both accounting and property expertise as well as knowledge of listed companies and SMEs.

Jamie Skinner
Marketing Committee Chairman

Jamie Skinner is a qualified accountant and a fellow of the Chartered Institute for Securities and Investment. Jamie joined Cazenove & Co in 1989 as a corporate finance executive working principally on investment companies and also other sector IPO activity, and in 1995 he was appointed Managing Director of the Johannesburg office.

In 1999 he joined Martin Currie Investment Management Limited as a director and in 2014 was appointed Head of Client Services. He served as President and CEO of The China Fund, Inc. until 2012, President and CEO of The Taiwan Fund, Inc. until 2014 and President of the Martin Currie Business Trust until 2015. He also served on the boards of Martin Currie, Inc. and the Martin Currie Japan Absolute Return Fund up to his retirement from Martin Currie on 31 July 2018.

Jamie brings both knowledge of managing closed-ended funds and corporate broking experience, including experience in the marketing of funds.

Current other appointments

He is a non-executive director of Mayfair Capital Investment Management Ltd, part of the Swiss Life Group of Companies and a chairman of the Chartered Surveyors Training Trust. He is a member of the investment committees/boards of Mayfair Capital, Ashby Capital, the Old Oak and Park Royal Development Corporation, The Worshipful Company of Goldsmiths and Guy's and St Thomas' Charity.

He has been a non-executive director and audit chairman of Albion Technology and General VCT PLC, and one of its pre-merger predecessors, since 2010. He is also a non-executive director of Capital Gearing Trust plc since May 2015, Henderson European Focus Trust plc since March 2016 and of Shires Income since May 2017.

Since leaving CALA in 2008 he has worked with a number of businesses as investor, mentor and non-executive director.

He is a non-executive director of the Asian Opportunities Absolute Return Fund Limited, the Asian Equity Special Opportunities Portfolio Limited and the Ashoka India Equity Investment Trust plc.

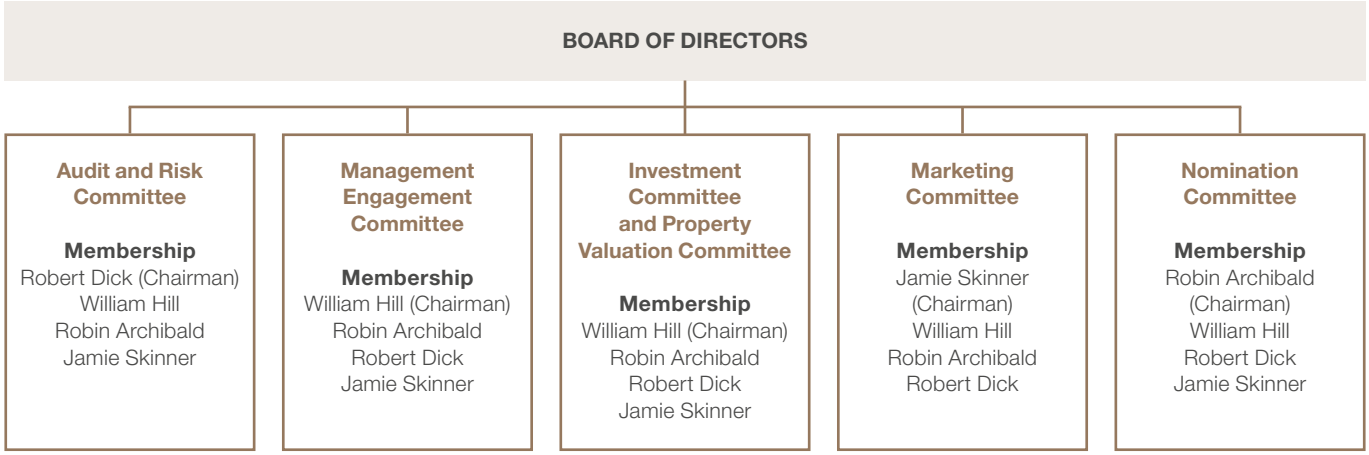
Chairman's introduction

The Board, which consists wholly of independent non-executive Directors, is committed to: implementing high levels of corporate governance within the Company in order to safeguard the interests of its stakeholders; managing the risks that the Company faces; and ensuring the efficient and effective running of the Company.

Sound governance is at the heart of the Board's efforts to ensure that the Company continues to meet the investment objective and policy expected by shareholders as well as implementing the strategy established for the Company.

The following statement reports on how the Board, supported by the Committees that it has established, has continued to achieve these aims over the course of the year. It has been guided by the best practice principles established by the Financial Reporting Council, which it has continued to adopt and, importantly for an investment company like ours, the code published by the Association of Investment Companies. The Board remains committed to maintaining a high quality corporate governance framework and will adopt the revised UK Code of Corporate Governance published in July 2018 when it becomes applicable to the Company for its financial year commencing 1 October 2019.

William Hill
Chairman



Audit and Risk Committee

Robert Dick is the Chairman of the Company's Audit and Risk Committee which comprises the full Board. In discharging its responsibilities the Committee reviews the annual and half-yearly accounts, the system of internal controls, the audit plan presented by the auditor and the terms of appointment and remuneration of the auditor.

The objectivity of the auditor is reviewed by the Committee, which also reviews the terms under which the external auditor is appointed to perform non-audit services. The Committee reviews the scope and results of the audit, its cost-effectiveness and the independence and objectivity of the auditor, with particular regard to non-audit fees.

The Committee is the forum through which the auditor reports to the Board.

The Committee also considers the risks faced by the Company, including strategic, financial and operational risks, and determines the principal risks faced by the Group, ensuring that appropriate mitigating controls are in place and are operating effectively. The Audit and Risk Committee meets at least twice a year.

Management Engagement Committee

William Hill is the Chairman of the Company's Management Engagement Committee which comprises the full Board. The Committee reviews the appropriateness of the continuing appointment of the Investment Manager and other key service providers, together with the terms and conditions thereof and meets formally at least once a year.

Investment Committee and Property Valuation Committee

The Investment Committee and the Property Valuation Committee comprise the full Board and are both chaired by William Hill. The Investment Committee is responsible for authorising all purchases and sales within the Company's portfolio. The meetings are convened as investment opportunities arise and therefore frequency may fluctuate. The Property Valuation Committee is responsible for reviewing the quarterly independent property valuation reports produced by the valuer prior to their submission to the Board.

Marketing Committee

The Marketing Committee comprises the full Board and is chaired by Jamie Skinner. The Marketing Committee was established during the year with the purpose of considering the marketing strategy and budget of the Group, including reviewing publications and other communications by the Company, and evaluating the level and effectiveness of the marketing support provided by the Company's service providers.

The Committee monitors the Group's service providers to ensure they are working to a co-ordinated marketing plan and will consider whether any additional third parties should be engaged by the Company to support the Group's marketing activities.

The Marketing Committee has met regularly during 2018 following its establishment and is expected to meet formally at least twice a year.

It is expected that the Committee will be particularly engaged in 2018/19 in establishing a marketing programme to reach the retail marketplace better. The budgeted annual expenditure of £160,000 may reduce in future years following the initial investment in the establishment of this programme.

Nomination Committee

The Nomination Committee comprises the full Board and is chaired by Robin Archibald. The Board considers that, given its size, it would be unnecessarily burdensome to establish a separate Nomination Committee which did not include the entire Board and believes that this enables all Directors to be kept fully informed of any issues that arise including the diversity of experiences and collective competence of the Board.

The Committee is convened for the purpose of considering the appointment of additional Directors as and when considered appropriate. Any appointments to the Board are based on merit, but in considering appointments the Nomination Committee also takes into account the ongoing requirements of the Company.

The Committee considers carefully corporate governance and other guidelines in examining the constitution of the Board and its succession planning. It places priority on the collective competence and experience of the Board, given the specific requirements of an investment company investing in an alternative asset class as well as the continuity and chemistry of the Board in fulfilling its responsibilities, including in constructive challenge to the various service providers engaged by the Company, particularly the Investment Manager. It also takes account of diversity, size of Board, tenure and independence, all of which will be factored into future appointment decisions.

CORPORATE GOVERNANCE

The Board has considered the principles set out in the UK Corporate Governance Code 2016 (the 'UK Code'), which can be found at www.frc.org.uk, and the Association of Investment Companies Code of Corporate Governance (the 'AIC Code') by reference to the AIC Corporate Governance Guide for Investment Companies (the 'AIC Guide'), both of which can be found at www.theaic.co.uk. The Company is a member of the Association of Investment Companies. The Board has not adopted early the revised UK Code published in July 2018, which first applies to the Company for its financial year commencing 1 October 2019 and awaits publication of the revised AIC Code which is expected before the end of the calendar year.

The UK Code includes provisions relating to:
— the role of the chief executive;
— executive Directors' remuneration; and
— the need for an internal audit function.

For the reasons set out in the AIC Guide, and as explained in the UK Code, the Board considers these provisions are not relevant to the position of the Company, being an externally managed investment company. In particular, all of the Company's day-to-day management and administrative functions are outsourced to third parties. As a result, the Company has no executive Directors, employees or internal operations. The Company has therefore not reported further in respect of these provisions.

As discussed below, the Company appointed a Senior Independent Director during the year. Except for the above provisions, the Company adhered throughout the year with the principles and recommendations of the AIC Code and complied with the relevant provisions of the UK Code.

INDEPENDENCE

The Board consists solely of non-executive Directors with William Hill as Chairman. All of the Directors are considered by the Board to be independent of the Investment Manager. The Board's policy on tenure is that continuity and experience are considered to add significantly to the strength of the Board and, as such, no limit on the overall length of service of any of the Company's Directors, including the Chairman, has been imposed. New Directors will receive an induction from the Investment Manager and the Administrator on joining the Board, and all Directors will receive other relevant training as necessary.

OPERATIONAL STRUCTURE

The basis on which the Group aims to generate value over the longer term is set out in its investment objective and investment policy as contained on page 35.

A management agreement between the Company and the Investment Manager sets out the matters over which the Investment Manager has authority and the limits beyond which Board approval must be sought. All other matters, including investment and dividend policies, corporate strategy, gearing, corporate governance procedures and risk management, are reserved for the approval of the Board of Directors. The Board meets at least quarterly and receives full information on the Group's investment performance, assets, liabilities and other relevant information in advance of Board meetings.

The Group must also operate within any constraints placed upon it by its financing arrangements. The details of loan covenants are included in Note 13 to the Consolidated Financial Statements.

SENIOR INDEPENDENT DIRECTOR

In view of its non-executive nature, and the requirement of the Articles that all Directors retire periodically at least every three years, the Board had previously considered that it was not appropriate for a Senior Independent Director to be appointed. However, in light of the activities required of the Board, including in relation to corporate actions, it was determined during the year that Robin Archibald should be appointed as Senior Independent Director to help support the Chairman and the activities of the Company.

REMUNERATION OF DIRECTORS

The Company does not have a separate remuneration committee as the Board as a whole fulfils the function of a remuneration committee. This subject is discussed annually but, in line with the Company's remuneration policy set out on page 31, is expected to be revised, if at all, every three years rather than annually, other than where the role or responsibilities of an individual Director changes.

BOARD AND DIRECTORS' PERFORMANCE APPRAISAL

During the year, the performance of the Board, Committees and individual Directors was evaluated through an assessment process led by the Chairman. The process was conducted through the completion of questionnaires tailored to suit the nature of the Company, discussions with individual Directors and individual feedback from the Chairman to each of the Directors. The evaluation of the Chairman was led by the Chairman of the Nomination Committee in consultation with the other Directors and subsequent discussion with the Chairman.

The Board has established six committees: Audit and Risk, Management Engagement, Investment, Property Valuation, Marketing and Nomination. Each of the Committees has written terms of reference which are reviewed at least annually and clearly define their responsibilities and duties. The terms of reference for these Committees are available on the Company's website and on request.

APPOINTMENTS, DIVERSITY AND SUCCESSION PLANNING

All new appointments by the Board are subject to election by shareholders at the Annual General Meeting following their appointment. The Company's Articles of Association require all Directors to retire by rotation at least every three years.

The Board believes in the benefits of having a diverse range of skills and backgrounds, and the need to have a balance of experience, independence, diversity, including gender, and knowledge of the Company on its Board of Directors. Since launch, the Company has operated for a period with three Directors, appointed a fourth during the prior year and will consider appointing a fifth when appropriate. All appointments will continue to be based on merit and therefore the Board is unwilling to commit to numerical diversity targets with collective competence to the task, relevant to the sector in which the Company operates, being the most important determinant. The Board believes that the current Directors have the appropriate range of skills and experience required by the Company and works closely together on the Company's activities. Diversity will continue to be considered as an important factor in any future appointments.

Attendance at the scheduled meetings throughout the year has been as below:

	Board	Audit and Risk Committee	Management Engagement Committee	Marketing Committee	Nomination Committee
William Hill	5/5	4/4	1/1	3/3	1/1
Robin Archibald	5/5	4/4	1/1	3/3	1/1
Robert Dick	5/5	4/4	1/1	3/3	1/1
Jamie Skinner	5/5	4/4	1/1	3/3	1/1

In addition to these scheduled meetings, there were a further 20 Board and Board Committee meetings during the year to deal with other corporate matters. This demonstrates the working demands of an alternative asset class investment company and is likely to continue to require close Board attention.

GOING CONCERN

Under the UK Code, the Board needs to consider whether it is appropriate to adopt the going concern basis of accounting in preparing the Financial Statements. The Board continues to adopt the going concern basis and the detailed consideration is contained on page 51. The viability statement, under which the Directors assess the prospects of the Group over a longer period, is contained on page 40.

RELATIONS WITH SHAREHOLDERS

The Board welcomes the views of the Company's shareholders, both institutional and retail, and places great importance on communication with them. Board members are available to meet shareholders when required to discuss any significant issues and to address any concerns or queries that shareholders may have. The Annual General Meeting will be held on 26 February 2019 and it is hoped that this will provide a forum for shareholders to meet and discuss issues with the Board and the Investment Manager.

The Board encourages shareholders to vote on the resolutions to be proposed at the Annual General Meeting. Those retail shareholders who hold their shares through an investment platform are reminded that, although you may not have an automatic voting right, many platforms have processes in place to allow you to cast your vote and you should contact your investment platform directly for further information. An increase in the number of investors who exercise their right to vote will help the Company to understand better the views of its shareholder base. Low voting turnout runs the risk of minority views having a disproportionate impact on the ability to implement the business of the Company to be approved in General Meetings.

Report of the Audit and Risk Committee

The Audit and Risk Committee, which consists wholly of independent non-executive Directors, operates within detailed terms of reference but, in general, is tasked with ensuring the financial and other reporting of the Group is accurate, complete and appropriately audited or otherwise reported thereon.

The Committee also reviews internal procedures, or reports on those of its significant advisers, to ensure that the Group's significant risks have been identified and that suitable steps have been taken to ensure that the controls in place appropriately mitigate these risks. As the Group continues to grow, the role of the Committee in identifying the changing risk environment within which the Group finds itself operating will continue to remain of significant importance in protecting shareholders' interests.

Within this framework, I have pleasure in presenting below the Report of the Audit and Risk Committee for the year ended 30 September 2018.

Robert Dick
Chairman of the Audit and Risk Committee

COMPOSITION OF THE AUDIT AND RISK COMMITTEE

Due to the size of the Group and the independent non-executive nature of the Directors, the Audit and Risk Committee comprises all of the Directors. There are written terms of reference which are reviewed at each meeting and which are available on the Company's website and on request.

The Board is satisfied that, in line with the recommendations of the UK Code, at least one member of the Audit and Risk Committee has recent and relevant financial experience and that the Committee as a whole has competence relevant to the sector in which the Company operates. In the case of the Audit and Risk Committee there are three qualified accountants, all with relevant commercial experience to either property or investment companies.

ROLE OF THE AUDIT AND RISK COMMITTEE

The Committee's responsibilities are shown in the table below together with a description of how they have been discharged. More detailed information on certain aspects of the Committee's work is given in the subsequent text.

Responsibilities of the Committee	How they have been discharged
Consideration of the half-year and annual Financial Statements, the appropriateness of the accounting policies applied and any financial reporting judgements and key assumptions.	The Committee met four times during the year to consider the Interim Report, the audit plan and the Annual Report. At these meetings the Committee also reviewed the risks, internal controls and corporate governance of the Group. The Investment Manager and Administrator attended all meetings and the Auditor attended the meeting at which the Annual Report was discussed. The Chairman of the Committee also met separately with the Auditor twice during the year, to discuss the audit plan and the results of the audit of the Annual Report, and reported the results of these meetings to the Committee. The significant judgements and estimates made in the Financial Statements, each of which was considered by the Committee, are detailed on pages 51 and 52. Other significant matters considered by the Committee in relation to the Financial Statements during the year are detailed in the table on page 30.
Evaluation of the effectiveness of the risk management and internal control procedures.	The Investment Manager and Administrator maintain risk matrices which summarise the Group's key risks and which include the Group's key internal controls over its principal financial systems including information technology and cyber security. From a review of these matrices, periodic amendment thereto, a review of regular management information and discussion with the Investment Manager, Administrator and Company Secretary, the Committee has satisfied itself on the effectiveness of the risk and control procedures.

Responsibilities of the Committee	How they have been discharged
Consideration of the narrative elements of the Annual Report, including whether the Annual Report taken as a whole is fair, balanced and understandable and provides the necessary information for shareholders to assess the Group's business model, strategy and performance.	The Committee has reviewed the content and presentation of the Annual Report, including being actively involved in the drafting, and discussed how well it achieves the criteria opposite. As disclosed on page 30, the Committee concluded that the Annual Report is fair, balanced and understandable.
Evaluation of reports received from the Auditor with respect to the annual Financial Statements.	The Chairman of the Committee, along with the Investment Manager and Administrator, met with the Auditor to discuss the audit planning Board report and related timetable, together with the areas of audit focus. This planning report and related timetable was then considered by the Committee in advance of the work commencing. At the conclusion of the audit the Committee discussed the audit findings report with the Auditor, Administrator and Investment Manager. The Independent Auditor's Report on pages 42 to 46 highlights their view of the areas of greatest risk of misstatement and these points were discussed with the Committee.
Monitoring developments in accounting and reporting requirements that impact on the Group's compliance with relevant statutory and listing requirements.	The Company ensures through its legal adviser, Company Secretary, Administrator, Investment Manager and Auditor, that any developments impacting on its responsibilities are tabled for discussion at Committee or Board meetings. Any new standards are highlighted in Note 1 to the Consolidated Financial Statements. The Committee continued to monitor ongoing developments in accounting and reporting requirements; in particular in the current year the Committee considered the requirements of the Packaged Retail and Insurance-based Investment Products (PRIIPs) Regulation which, although not a direct responsibility of the Company, affects disclosures made in relation to it. The Committee also ensured that appropriate policies and procedures were in place prior to the commencement of the General Data Protection Regulation, which became effective from 25 May 2018. The Committee also continued to consider the potential impact of the adoption of IFRS 9, IFRS 15 and IFRS 16.
Management of the relationship with the external Auditor, including their appointment and the evaluation of scope, effectiveness, independence and objectivity of their audit.	The Auditor has attended one meeting of the Committee and has had contact with the Chairman of the Committee on a number of occasions throughout the year. The scope of the audit was discussed at the planning stage along with the staffing and timing of audit procedures to ensure that an effective audit could be undertaken. The Committee has also reviewed the independence and objectivity of the Auditor and has considered the effectiveness of the audit. The Committee took into account the requirement of independent financial reporting required for the portfolio acquisition which completed in December 2017 and the existing audit relationship and concluded that knowledge of the Company, the time constraints of concluding the transaction, the use of a separate team from the audit team and the overall independent relationship with the audit firm justified, on balance, the appointment of Grant Thornton as Reporting Accountant. See page 29 for further details.

RISK MANAGEMENT AND INTERNAL CONTROLS

RISKS

The Directors have conducted a robust assessment of the principal risks faced by the Group. A description of these risks including those that would threaten its business model, future performance, solvency or liquidity, together with the procedures employed to manage or mitigate them, are included in the Strategic Report on pages 20 and 21.

INTERNAL CONTROLS

The Board is responsible for the internal financial control systems of the Group and for reviewing their effectiveness. It has contractually delegated to external agencies the services the Group requires, but the Directors are fully informed of the internal control framework established by the Investment Manager and the Administrator to provide reasonable assurance on the effectiveness of internal financial control in the following areas:

- income flows, including rental income;
- expenditure, including operating and finance costs;
- capital expenditure, including pre-acquisition diligence and authorisation procedures;
- dividend payments, including the calculation of Property Income Distributions;
- taxation, including compliance with the requirements of the REIT regime;
- corporate events that might impact on the Company such as share issuance, buy back or corporate acquisitions;
- the maintenance of proper accounting records; and
- the reliability of the financial information upon which business decisions are made and which is used for publication, whether to report net asset values, used as the basis for the Interim or Annual Report or for other reporting purposes.

As the Group has evolved, the Investment Manager and Administrator have developed the system of internal controls covering the processes listed on the previous page which they have subsequently presented in the form of a risk register and which they have discussed with the Committee. The risk register is subject to regular review by the Committee and amendment as required.

The Directors receive and consider quarterly reports from the Investment Manager, giving full details of the portfolio and of all aspects of the financial position of the Group. Additional ad hoc reports are received as required and Directors have access at all times to the advice and services of the Company Secretary, which is responsible to the Board for ensuring that Board procedures are followed and that applicable rules and regulations are complied with.

The Investment Manager reports in writing to the Board on operations and compliance issues prior to each meeting, and otherwise as necessary. The Investment Manager reports directly to the Audit and Risk Committee concerning the internal controls applicable to the Investment Manager's investment and general office procedures. The Audit and Risk Committee also receives a regular report from the Depositary whose duties in respect of investments, cash and similar assets include: safekeeping; verification of ownership and valuation; and cash monitoring. This report would detail any material irregularities the Depositary detected whilst undertaking their cash flow monitoring, ownership verification and compliance oversight services to the Group.

In addition, the Board keeps under its own direct control, through the Investment and Property Valuation Committees, all property transactions.

The review procedures detailed above have been in operation during the year and the Board is satisfied with their effectiveness. The procedures are designed to manage rather than eliminate risk and, by their nature, can only provide reasonable, but not absolute, assurance against material misstatement or loss.

The Board has reviewed the need for an internal audit function. It has decided that the systems and procedures employed by the Investment Manager and the Administrator provide sufficient assurance that a sound system of internal control, which safeguards the Group's assets, is maintained. An internal audit function specific to the Group is therefore considered unnecessary. The Board also receives regular reports on the operation of all the main service providers to the Company.

THE AUDITOR

As part of the review of auditor independence and effectiveness, Grant Thornton UK LLP (Grant Thornton) has confirmed that they are independent of the Group and have complied with relevant auditing standards. In evaluating Grant Thornton's performance, the Audit and Risk Committee has taken into consideration the standing, skills and experience of the firm and of the audit team.

The Committee assessed the effectiveness of the audit process through the quality of the formal reports it received from Grant Thornton at the planning and conclusion of the audit, together with the contribution which Grant Thornton made to the discussion of any matters raised in these reports or by Committee members. The Committee also took into account any relevant observations made by the Investment Manager and the Administrator. The Committee is satisfied that Grant Thornton provides an effective independent challenge in carrying out its responsibilities.

Following professional guidelines, the audit principal rotates after five years. The current audit principal is in the third year of his appointment. The appointment of Grant Thornton has not been put out to tender since the Company's launch in 2014 and a tender is not expected to be undertaken during the following 12 months. On this basis and having considered the effectiveness of the audit, including reviewing the Audit Quality Inspection Report in relation to Grant Thornton UK LLP published by the Financial Reporting Council in June 2018, the Audit and Risk Committee has recommended the continuing appointment of Grant Thornton to the Board. Grant Thornton's performance will continue to be reviewed annually taking into account all relevant guidance and best practice.

In relation to the provision of non-audit services by the auditor, all non-audit work to be carried out by Grant Thornton must be approved in advance by the Audit and Risk Committee and any special projects must also be approved in advance so as to avoid compromising the independence of Grant Thornton as auditor. A separate team within Grant Thornton has the responsibility for completing non-audit work. Grant Thornton does not provide any tax services to the Company.

The non-audit services provided by Grant Thornton during the year ended 30 September 2018 consisted of their appointment as Reporting Accountant in relation to the prospectus published by the Company during the year. This prospectus was required to be published within a tight timescale in order to complete the significant transaction, successfully concluded by the Company in December 2017. The Audit and Risk Committee concluded that it was in the best interests of the Company and its shareholders for this work to be conducted by Grant Thornton given their existing familiarity with the Company's financial model, having acted as Reporting Accountant previously, which would allow them to complete the work in a timely and cost-effective way. The Committee took into account the timescale required, and the importance of the transaction. The Committee noted that the work was completed by a separate team from that which completed the audit work, that Grant Thornton did not believe this work impacted on their independence as auditors and that it is generally accepted under the Financial Reporting Council's Ethical Standard that the auditors of a company are an appropriate provider of reporting accountant services. The Audit Committee considered the appointment of Grant Thornton to undertake this work in advance of their appointment and concluded that such appointment would not threaten their independence as Auditor and made the appointment accordingly.

Service provided (excluding VAT)	Fee (£'000)
Audit services	
Fees payable for the audit of the consolidation and the parent company accounts	29
Fees payable for the audit of subsidiaries, pursuant to legislation	35
Non-audit services	
Reporting Accountant	83
Total	147

ANNUAL REPORT AND FINANCIAL STATEMENTS

The Board of Directors is responsible for preparing the Annual Report and Financial Statements. The Audit and Risk Committee considers the form and content of the Annual Report and Financial Statements, any issues which may arise and any specific areas which require judgement. The Audit and Risk Committee considered certain significant issues during the year. These are noted in the table below:

Matter	Audit and Risk Committee action
VALUATION AND EXISTENCE OF THE INVESTMENT PROPERTY PORTFOLIO The Group's property portfolio accounted for 92.8% of its total assets as at 30 September 2018. Although valued by an independent firm of valuers, Knight Frank LLP (Knight Frank), the valuation of the investment property portfolio is inherently subjective, requiring significant judgement by the valuers. Errors in the valuation could have a material impact on the Group's net asset value. Further information about the property portfolio and inputs to the valuations are set out in Note 9 to the Consolidated Financial Statements.	The Investment Manager liaises with the valuers on a regular basis and meets with them prior to the production of each quarterly valuation. The valuers also report directly to the Board at each quarterly meeting in relation to both the property market as a whole and the Company's property portfolio in particular. The Audit and Risk Committee reviewed the results of the valuation procedure throughout the year and discussed in detail the process of producing each of the quarterly valuations with the Investment Manager. The Committee discussed the September valuation with Knight Frank to ensure that it understood the assumptions underlying the valuation and the sensitivities inherent in the valuation and any significant area of judgement. The Committee also discussed with the Auditor the work performed to confirm the valuation and existence of the properties in the portfolio.
INCOME RECOGNITION Incomplete or inaccurate income recognition could have an adverse effect on the Group's net asset value, earnings per share, its level of dividend cover and compliance with REIT regulations.	The Audit and Risk Committee reviewed the Investment Manager's and Administrator's processes and controls around the recording of investment income. It also compared the final level of income received for the year to the budget and forecasts.
CALCULATION AND PAYMENT OF MANAGEMENT FEES Incorrect interpretation of the relevant provisions in the Investment Management Agreement (IMA) and/or incorrect calculation of the fees payable to the Investment Manager could result in an error in the Financial Statements and an incorrect payment to the Investment Manager.	The Committee has discussed the provisions in the IMA relating to the fee and the controls over fee payments including the process for calculating any adjustment for any uninvested cash as per the amendment to the IMA in late 2017. It has satisfied itself that the underlying calculations and assumptions which lie behind it are in accordance with the IMA, as is the timing of payment.

CONCLUSION WITH RESPECT TO THE ANNUAL REPORT AND FINANCIAL STATEMENTS

The Audit and Risk Committee has concluded that the Annual Report and Financial Statements for the year ended 30 September 2018, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the Group's business model, strategy and performance.

The Audit and Risk Committee has reported its conclusions to the Board of Directors. The Audit and Risk Committee reached this conclusion through knowledge of the Company and its activities and a detailed process of review of the document and enquiries of the various parties involved in the preparation of the Annual Report and Financial Statements.

Robert Dick
Chairman of the Audit and Risk Committee
5 December 2018

Remuneration report

Full details of the Group's policy with regards to Directors' fees and fees paid during the year ended 30 September 2018 are shown on the following pages.

As disclosed in my report in the prior year, following an extensive and comprehensive recruitment exercise, Jamie Skinner joined the Board on 1 July 2017. This brought the Board up to its current complement of four Directors and provides the Board with the appropriate mix of skills and experience to meet the Company's immediate needs. The Board also determined that it should provide particular roles for those Directors and, in addition to the chairmanship of the Company and of the Audit and Risk Committee, appointed Robin Archibald to the new role of Senior Independent Director and gave Jamie Skinner responsibility for establishing and chairing a new Marketing Committee.

Following these changes in roles, the Board considered the level of fees paid to each Director which, undertaken in association with its advisers, took into account a thorough assessment of the experience of the previous three years, the anticipated input required to oversee the Company's activities in the future, as well as consideration as to how board remuneration is structured for other alternative asset classes such as property. This review noted that the Company had been through a series of successful corporate transactions and events, significantly expanding its scale, which had required significant input from the Board and in relation to which additional fees had been paid to reflect individual contributions by Directors where considered appropriate by the remainder of the Board. It was concluded that the Company had required, and was likely to continue to require, significant input from all the members of the Board due to the activities in which the Company is likely to continue to be engaged.

Accordingly, and after taking input from the Company's advisers, it was determined that from 1 January 2018, the Chairman would receive £52,000, the Senior Independent Director £47,000, the Audit and Risk Committee Chairman £40,000 and the other Director £35,000 per annum.

The above changes, which increased the fees for the year ended 30 September 2018 as reported in the Annual Report on Directors' Remuneration on the following pages, was first reported in the prior year Annual Report and received the support of shareholders at the Annual General Meeting (AGM) held on 6 March 2018.

As previously stated, in the absence of a change in the individual roles, workload or responsibilities of the Directors, it is the Board's intention that the Directors' fee levels will be held at the current level until the remuneration policy is next put forward for shareholder approval, which is expected to be at the AGM to be held in early 2021.

William Hill
Chairman

The Board comprises only independent non-executive Directors. The Group has no executive Directors or employees. For these reasons, it is not considered appropriate to have a separate Remuneration Committee. The full Board determines the level of Directors' fees and takes external input where required in its assessment.

The remuneration policy was approved by shareholders at the AGM held on 6 March 2018 and it is intended that the current policy will continue for the three-year period ending at the AGM in 2021, at which point it, including any amendments proposed, will be subject to renewal.

The Board, which welcomes shareholders' views on all the operations of the Company, has not received any direct views from shareholders in respect of the levels of Directors' remuneration.

REMUNERATION POLICY

The Group's policy is that the remuneration of the Directors should take into account the experience of the Board as a whole and the time commitment required, be fair, and be comparable with that of other similar companies. Furthermore, the level of remuneration should be sufficient to attract and retain the Directors needed to oversee the Group properly and to reflect its specific circumstances.

The fees for the Directors are determined within the limit set out in the Company's Articles of Association. The present limit is an aggregate of £250,000 per annum and may not be changed without seeking shareholder approval at a General Meeting. The fees are fixed and are payable in cash, monthly in arrears. Directors are not eligible for bonuses, pension benefits, share options, long-term incentive schemes or other benefits. In the nature of the Company, there may be circumstances where additional remuneration is paid to Directors for requirements outside the normal activities of the Board. Directors are also eligible to receive out of pocket expenses for approved expenses incurred wholly and exclusively in fulfilling Company duties.

ANNUAL REPORT ON DIRECTORS' REMUNERATION

DIRECTORS' EMOLUMENTS FOR THE YEAR

The Directors who served during the year received the following emoluments (excluding employers' NIC) in the form of fees:

	Basic fees 2018 £'000	**Additional fees 2018* £'000**	**Total amount salary & fees 2018 £'000**	Basic fees 2017 £'000	Additional fees 2017 £'000	Total amount salary & fees 2017 £'000
William Hill (Chairman)	**49**	**5**	**54**	40	–	40
Robin Archibald (Nomination Committee Chairman)	**44**	**25**	**69**	35	–	35
Robert Dick (Audit and Risk Committee Chairman)	**39**	**–**	**39**	35	–	35
Jamie Skinner (appointed 1 July 2017)	**34**	**–**	**34**	8	–	8
Total	**166**	**30**	**196**	118	–	118

* Members of the Board had significant involvement in the proposals to acquire the new portfolio and to issue new shares as described on page 65. A committee of the Board was established to work closely with advisers and, as a result, additional directorial fees of £30,000 were set aside for this additional work in accordance with the Articles and the published remuneration policy of the Company. Disclosure of this arrangement was made in the prospectus dated 20 November 2017 and the Annual Report published in January 2018. It was determined by the other Directors that William Hill should receive £5,000 and Robin Archibald £25,000 for their involvement, which would have been waived if the proposals had not completed. In both cases, the Company benefited from the particular skills and experience that these two Directors were able to bring to bear in connection with a complicated corporate transaction.

Based on the current levels of basic fees and the Directors appointed at the date of this report, Directors' remuneration for the year ending 30 September 2019 would be as follows:

	Basic salary & fees 2019 £'000	**Additional fees 2019 £'000**	**Total amount salary & fees 2019 £'000**	Total amount salary & fees 2018 £'000
William Hill (Chairman)	**52**	**–**	**52**	54
Robin Archibald (Senior Independent Director and Nomination Committee Chairman)	**47**	**–**	**47**	69
Robert Dick (Audit and Risk Committee Chairman)	**40**	**–**	**40**	39
Jamie Skinner (Marketing Committee Chairman)	**35**	**–**	**35**	34
Total	**174**	**–**	**174**	196

RELATIVE IMPORTANCE OF SPEND ON PAY

The table below shows the actual expenditure during the year in relation to Directors' remuneration and shareholder distributions:

	Total amount			Basic fees only		
	2018 £'000	2017 £'000	% Change	**2018 £'000**	2017 £'000	% Change
Aggregate Directors' remuneration	**196**	118	66.1	**166**	118	40.7
Aggregate dividends paid to shareholders	**10,843**	7,112	52.5	**10,843**	7,112	52.5

The increase of £78,000 in the Directors' fees for the year comprises the appointment of an additional Director (£26,000), the one-off additional fees paid in relation to the corporate transaction as described on page 65 (£30,000) and the increase in basic annual fees that applied from 1 January 2018 (£22,000). The Board expects that, in the absence of changes in the individual roles and responsibilities of Directors or significant growth in the demands placed on the Board, remuneration levels will remain unchanged until the remuneration policy is next put forward for shareholder approval at the AGM to be held in early 2021. The Company grew in size from £202.1 million to total assets (less current liabilities) of £353.5 million as at 30 September 2018, an increase of 74.9%.

DIRECTORS' SHAREHOLDINGS

The Directors, including connected parties, who held office at the year end and their interests (all beneficial) in the Ordinary Shares of the Company as at 5 December 2018, 30 September 2018 and 30 September 2017 were as follows:

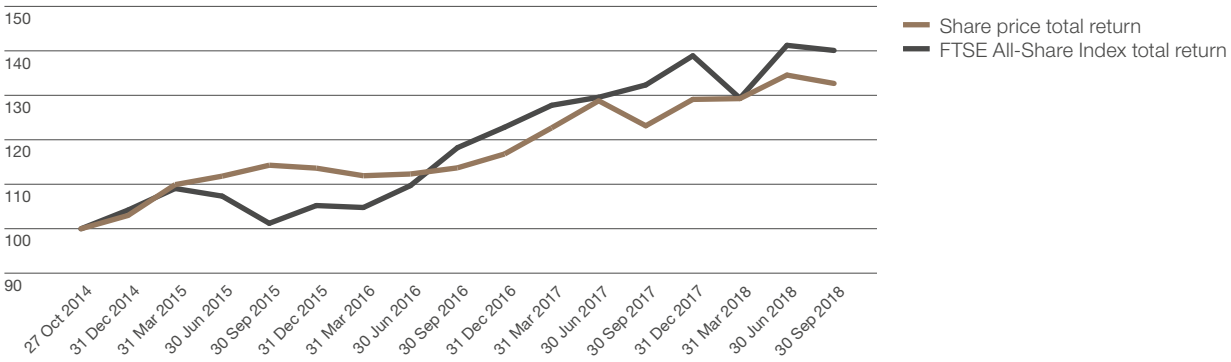
	Ordinary Shares 5 December 2018	**Ordinary Shares 30 September 2018**	Ordinary Shares 30 September 2017
William Hill	**67,756**	**67,756**	50,000
Robin Archibald	**42,756**	**42,756**	25,000
Robert Dick	**35,000**	**35,000**	30,000
Jamie Skinner	**45,000**	**45,000**	30,000
Total	**190,512**	**190,512**	135,000

The increases in the Directors' shareholdings between 30 September 2017 and 30 September 2018 were all in relation to shares acquired at the time of the Company's share issue in December 2017.

Although not forming part of this report, it is also noted that the senior personnel of the Investment Manager held in aggregate 567,948 Ordinary Shares of the Company at 30 September 2018 (2017: 338,629 Ordinary Shares). As at 5 December 2018, these aggregate holdings were 567,948 Ordinary Shares.

COMPANY PERFORMANCE

The Board is responsible for the Company's investment strategy and performance, whilst the management of the investment portfolio is delegated to the Investment Manager. The graph below compares, for the period from launch to 30 September 2018, the total return (assuming all dividends are reinvested) to ordinary shareholders compared to the FTSE All-Share Index. This index was chosen as it is considered an indicative measure of the expected return from an equity stock. A more detailed explanation of the performance of the Company for the year ended 30 September 2018 is given in the Strategic Report.



It is a company law requirement to compare the performance of the Company's share price to a single broad equity market index on a total return basis. However, it should be noted that constituents of the comparative index used above are typically larger in size than the Company and that the Company was not fully invested over the whole of the period under review. The Company does not have a benchmark index.

Since its launch in October 2014, the assets of the Company have grown from initial assets of £95.0 million to total assets (less current liabilities) of £353.5 million as at 30 September 2018.

VOTING AT ANNUAL GENERAL MEETING

At the Company's previous AGM, held on 6 March 2018, shareholders approved the Directors' Remuneration Policy. 99.9% of the votes cast were in favour of the resolution. An ordinary resolution for the approval of the Directors' Remuneration Policy is proposed every three years and will next be put to shareholders at the AGM to be held in 2021.

At the Company's previous AGM, held on 6 March 2018, shareholders approved the Annual Report on Directors' Remuneration for the year ended 30 September 2017. 99.9% of the votes cast were in favour of the resolution. An ordinary resolution for the approval of this Annual Report on Directors' Remuneration will be put to shareholders at the forthcoming AGM.

On behalf of the Board

William Hill
Chairman
5 December 2018

Directors' report

The Directors present their report and Financial Statements of the Group for the year to 30 September 2018. The Corporate Governance Statement on pages 23 to 26 forms part of their report.

INFORMATION CONTAINED ELSEWHERE IN THE ANNUAL REPORT

Information required to be part of this Directors' Report can be found elsewhere in the Annual Report as indicated in the table below and is incorporated into this report by reference:

PRINCIPAL ACTIVITIES AND STATUS

Ediston Property Investment Company plc (the Company) is registered as a public limited company in terms of the Companies Act 2006 (number: 09090446). It is an investment company as defined by Section 833 of the Companies Act 2006.

The Company and its subsidiaries, EPIC (No.1) Limited and EPIC (No.2) Limited, (together 'the Group') is a closed-ended property investment group which was launched in October 2014. The Company has a single class of Ordinary Shares in issue, which are listed on the premium segment of the Official List and traded on the London Stock Exchange's Main Market. The Group follows the Real Estate Investment Trust (REIT) regime for the purposes of UK taxation.

The Company is a member of the Association of Investment Companies (AIC).

RESULTS AND DIVIDENDS

The results for the year are set out in the financial statements on pages 47 to 65.

It is the policy of the Directors to declare and pay dividends as monthly interim dividends. The Directors do not, therefore, recommend a final dividend. Shareholder approval of the Company's dividend policy is sought at each AGM.

The interim dividends paid during the year were as follows, with the annualised dividend rate increasing from 5.50 pence per share to 5.75 pence per share in February 2018:

	Payment date	Rate per share
Twelfth interim dividend for the prior year	31 October 2017	0.4587p
First interim dividend	30 November 2017	0.4583p
Second interim dividend	29 December 2017	0.4583p
Third interim dividend	31 January 2018	0.4583p
Fourth interim dividend	28 February 2018	0.4792p
Fifth interim dividend	29 March 2018	0.4792p
Sixth interim dividend	30 April 2018	0.4792p
Seventh interim dividend	31 May 2018	0.4792p
Eighth interim dividend	29 June 2018	0.4792p
Ninth interim dividend	31 July 2018	0.4792p
Tenth interim dividend	31 August 2018	0.4792p
Eleventh interim dividend	28 September 2018	0.4792p

The interim dividends paid/announced subsequent to the year end were as follows:

	Payment date	Rate per share
Twelfth interim dividend	31 October 2018	0.4792p
First interim dividend for the year ending 30 September 2019	30 November 2018	0.4792p
Second interim dividend for the year ending 30 September 2019	31 December 2018	0.4792p

A breakdown of the distributions paid analysed between Property Income Distributions (PIDs) and Non-PIDs (see glossary and definitions) is provided on page 71.

DIVIDEND POLICY

Subject to market conditions and the Group's performance, financial position and financial outlook, it is the Directors' intention to continue to pay an attractive level of dividend income to shareholders on a monthly basis. Whilst not forming part of its investment policy, the Company has targeted and paid an annual dividend of not less than 5.5 pence per share since launch in October 2014. During the year ended 30 September 2018, the monthly dividend was increased to 0.4792 pence, equating to an annualised dividend of 5.75 pence per share.

In determining the level of future dividends, the Board will seek to ensure that any dividend is sustainable over the medium term taking into account any expected increase in dividend cover and the projected income performance of the Group.

It is the Board's intention that shareholders will be given the opportunity to vote on this policy annually at the AGM.

SUBSIDIARY COMPANIES

The Company has a 100% interest in EPIC (No.1) Limited (company number: 09106328) and EPIC (No.2) Limited (company number: 10978359), both property investment companies, details of which are set out in Note 10 to the Consolidated Financial Statements. These companies hold the Group's property investments and the loan facilities in place at 30 September 2018.

INVESTMENT OBJECTIVE

The Company's investment objective is to provide shareholders with an attractive level of income together with the prospect of income and capital growth.

INVESTMENT POLICY

The Company pursues its investment objective by investing in a diversified portfolio of UK commercial properties.

The Group invests principally in three commercial property sectors: office, retail (including retail warehouses) and industrial, without regard to a traditional property market relative return benchmark.

The Group invests predominantly in income producing investments. Investment decisions are based on analysis of, inter alia, prospects for future income and capital growth, sector and geographic prospects, tenant covenant strength, lease length, initial and equivalent yields and the potential for active asset management of the property.

The Group does not invest in other investment companies or funds. However, the Group may hold property through special purpose vehicles and is permitted to invest in joint ventures which hold real estate directly. The Group is also permitted to forward fund purchases of properties on a pre-let or a non-pre-let basis and obtain options over properties.

Investment risk is spread through investing in a range of geographical areas and sectors, and through letting properties, where possible, to low risk tenants. Although the Group has not set any maximum geographic exposure or maximum weightings in any of the principal property sectors, it may invest no more than 25% of total assets, at the time of investment, in other sectors such as leisure, residential, student residential, healthcare and hotels. Once the Group is fully invested (including drawdown of available debt facilities), no single property may exceed 20% of total assets at the time of investment. Speculative development (i.e. properties under construction which have not been pre-let) is restricted to a maximum of 10% of total assets at the time of investment or commencement of the development. Pre-let development is also restricted to a maximum of 10% of total assets at the time of investment or commencement of the development.

Once the Group is fully invested (including drawdown of available debt facilities), the Group is not permitted to acquire an investment if, as a result, income receivable from any one tenant, or from tenants within the same group (other than from central or local government), would in any one financial year exceed 20% of the total rental income of the Group for that financial year.

The Group is permitted to invest cash held for working capital purposes and awaiting investment in cash deposits, gilts and money market funds.

The Board currently intends that gearing, calculated as borrowings as a percentage of the Group's gross assets, will not exceed 30% at the time of drawdown. In any event, gearing will not exceed a maximum of 35% at the time of drawdown.

Any material change to the investment policy will require the prior approval of shareholders.

FINANCIAL RISK MANAGEMENT

Details of the financial risk management objectives and policies followed by the Directors can be found on pages 62 to 64.

FUTURE DEVELOPMENTS

The likely future developments of the Company are contained in the Strategic Report on pages 02 to 21.

DIRECTORS

Biographical details of the Directors, all of whom are non-executive, can be found on page 22.

It is the Board's policy that Directors do not have service contracts, but each new Director is provided with a letter of appointment. The Directors' letters of appointment are available on request at the Company's registered office during business hours and will be available for 15 minutes prior to and during the forthcoming AGM. The terms of Directors' appointments provide that Directors should retire and be subject to election at the first AGM after their appointment and, in accordance with the recommendations of the UK Code, the Board has agreed that all Directors will seek re-election at least every three years.

DIRECTORS CONTINUED

As stated in the Corporate Governance Statement on page 26, the Articles of Association require that each Director retire by rotation and be re-elected at least every three years. The Board has agreed that the Directors will adopt a staggered rotation of elections with at least one Director standing for re-election at each AGM. Accordingly, Robert Dick will retire at the AGM and, being eligible, offers himself for re-election. The latest dates for re-election are set out below, although Directors may retire and seek re-election earlier than the latest date required. This practice will be considered next year in light of the new UK Code and anticipated AIC Code guidance.

Director	Date of original appointment	Most recent date of re-election	Latest due date for re-election
William Hill	17/06/2014	06/03/2018	AGM 2021
Robin Archibald	17/06/2014	01/03/2017	AGM 2020
Robert Dick	17/06/2014	22/03/2016	AGM 2019
Jamie Skinner	01/07/2017	06/03/2018	AGM 2021

The Directors believe that the Board has an appropriate balance of skills, experience, independence and knowledge of the Company and the sector in which it operates to enable it to provide effective strategic leadership and proper guidance of the Company. The Board confirms that, following the evaluation process set out in the Corporate Governance Statement on page 25, the performance of each of the Directors continues to be effective and demonstrates commitment to the role. The Board therefore believes that it is in the interests of shareholders that Robert Dick, who retires by rotation, is re-elected.

DIRECTORS' DEEDS OF INDEMNITY

The Company has entered into deeds of indemnity in favour of each of the Directors. The deeds of indemnity give each Director the benefit of an indemnity, out of the assets and profits of the Company, to the extent permitted by the Companies Act 2006 and subject to certain limitations against liabilities incurred by each of them in the execution of their duties and exercise of the powers as Directors of the Company. A copy of each deed of indemnity is available for inspection at the Company's registered office during normal business hours and will be available for inspection at the AGM.

CONFLICTS OF INTEREST

Under the Companies Act 2006 a Director must avoid a situation where he or she has, or could have, a direct or indirect interest that conflicts, or possibly may conflict, with the Company's interests. The requirement is very broad and could apply, for example, if a Director becomes a director of another company or a trustee of another organisation. The Companies Act 2006 allows directors of public companies to authorise conflicts and potential conflicts, where appropriate, where the Articles of Association contain a provision to this effect. The Company's Articles of Association give the Directors authority to approve such situations.

The Company maintains a register of Directors' conflicts of interest which have been disclosed and approved by the other Directors. This register is kept up-to-date and the Directors are required to disclose to the Company Secretary any changes to conflicts or any potential new conflicts.

INVESTMENT MANAGER

The Company's Investment Manager, pursuant to the Investment Managers' Delegation Agreement, is Ediston Properties Limited ('Ediston' or the 'Investment Manager'). Ediston is responsible for the day-to-day management of the Company and advises the Group on the acquisition of its investment portfolio and on the development, management and disposal of UK commercial assets in its portfolio.

Ediston Investment Services Limited has been appointed by the Company, pursuant to the Investment Management Agreement, to be the Company's Alternative Investment Fund Manager (AIFM), under which it is responsible for overall portfolio management and compliance with the Group's investment policy, ensuring compliance with the requirements of the Alternative Investment Fund Managers Directive (AIFMD) that apply to the Company, and undertaking all risk management. Under the requirements of the AIFMD, the Company is also required to appoint a Depositary which further strengthens the corporate governance structure of the Group. The Depositary's oversight duties include, but are not limited to, oversight of share issues or buy backs, dividend payments and adherence to investment limits. The Company's appointed Depositary is Augentius Depositary Limited.

The Investment Manager provides investment management and other services to the Group. Details of the arrangements between the Group and the Investment Manager in respect of management services are provided in Note 2 to the Consolidated Financial Statements.

The Board, through the Management Engagement Committee, keeps the appropriateness of the Investment Manager's appointment under review. In doing so the Board reviews performance quarterly and considers the past investment performance of the Group and the capability and resources of the Investment Manager to deliver satisfactory investment performance in the future. It also reviews the length of the notice period of the investment management agreement and the fees payable to the Investment Manager, together with the standard of the other services provided. Following such review for the year ended 30 September 2018, the Directors are satisfied with the Investment Manager's ability to deliver satisfactory investment performance and the quality of other services provided. It is therefore their opinion that the continuing appointment of the Investment Manager on the terms agreed is in the interests of shareholders as a whole.

During the year a side letter to the Investment Management Agreement was entered into which provided that the management fee payable on any cash awaiting investment (excluding cash required for working capital and capital expenditure) is reduced to 0.475% per annum whilst such cash remains uninvested.

SUBSTANTIAL INTERESTS IN SHARE CAPITAL

As at 30 September 2018, the Company had received notification of the following holdings of voting rights (under the Financial Conduct Authority's Disclosure Guidance and Transparency Rules):

	30 September 2018	
	Number of Ordinary Shares held	Percentage held*
Old Mutual plc	35,415,185	16.8**
Investec Wealth & Investment Limited	20,828,621	9.9
Stadium Retail (Holdings) Limited	19,600,581	9.3
Stadium Parkgate (Holdings) Limited	13,061,611	6.2
Momentum Global Investment Management Limited	11,486,988	5.4
Architas Multi-Manager Limited	9,000,000	4.3
AXA Investment Managers S.A.	8,000,000	3.8
Close Asset Management Limited	6,905,044	3.3

* Based on 211,333,737 Ordinary Shares in issue as at 30 September 2018.

** There were no individual corporate shareholders which were beneficially entitled to 10% or more of the share capital or of the distributions paid by the Company or which controlled 10% or more of the voting power in the Company.

Since the year end, the Company has been notified that the holding of voting rights of Momentum Global Investment Management Limited has changed to 10,439,885 Ordinary Shares (4.9%). There have been no other changes notified to the Company in respect of the above holdings, and no other new holdings notified, since the year end.

Since the issue of the shares to Stadium Group in relation to the portfolio acquisition in December 2017, an orderly conduct agreement has been in place over the holdings of Stadium Retail (Holdings) Limited and Stadium Parkgate (Holdings) Limited, as detailed above. Although the agreement that the vendor would not dispose of these shares will expire on 8 December 2018, Stadium Group are still bound by an agreement to only dispose of their shares in an orderly and considered manner and after providing three business days' notice to the Company.

OTHER COMPANIES ACT 2006 DISCLOSURES

- The Company's equity capital structure consists wholly of Ordinary Shares. Details of the share capital, including voting rights, are set out in Note 16 to the Consolidated Financial Statements. Details of voting rights are also set out in the Notes to the Notice of AGM.
- Details of the substantial shareholders in the Company are listed above.
- The rules for the appointment and replacement of Directors are contained in the Articles of Association of the Company. In respect of retirement by rotation, the Articles of Association provide that each Director is required to retire at the third AGM after the AGM at which last elected.
- Amendment of the Articles of Association and powers to issue and buy back shares require shareholder authority.
- There are no significant restrictions concerning the transfer of securities in the Company (other than certain restrictions imposed by laws and regulations such as insider trading laws); no agreements known to the Company concerning restrictions on the transfer of securities in the Company or on voting rights; and no special rights with regard to control attached to securities. Pursuant to the Company's loan facility, mandatory prepayment may be required in the event of a change of control of the Company; there are no other significant agreements which the Company is a party to that might be affected by a change of control of the Company following a takeover bid.
- There are no agreements between the Company and the Directors providing for compensation for loss of office that occurs because of a takeover bid.

SHARE ISSUANCE AUTHORITY

TAP ISSUANCE

At the AGM held on 6 March 2018, shareholders granted authority for the Company to issue up to 21,033,374 Ordinary Shares under its tap issuance authority, without first offering them to existing shareholders in proportion to their existing holdings. Since that date, the Company has issued 1,000,000 Ordinary Shares under this authority, at a premium to the prevailing NAV and raising net proceeds of £1,119,000, and therefore has remaining authority to issue 20,033,374 Ordinary Shares. The Company has in place approval from the UK Listing Authority for a block listing, under which up to nine million shares can be issued, allowing the issuance of shares under the tap issuance authority to be made on a timely and cost-efficient basis.

This shareholder authority will expire at the AGM to be held on 26 February 2019 and, recognising the advantages to existing shareholders from the Company being able to issue shares under such tap issuance in order to satisfy ongoing market demand, the Company will be proposing resolutions at the AGM to renew this authority, the full details of which are set out on the following page. Notwithstanding the recent regulatory change which permits the Company to issue up to 20% of its shares in issue over a rolling 12-month basis without publishing a prospectus, the authorities requested have been restricted to a maximum of 10% of the shares in issue at the date of passing of the resolution. Any authority granted by the passing of these resolutions would continue until the AGM expected to be held in early 2020.

The Company will only issue shares under the tap issuance authority at a premium to the prevailing net asset value at the time of issue to avoid dilution to existing shareholders' interests.

PLACING PROGRAMME

In addition to the tap issuance authorities, at the General Meeting held on 7 December 2017, shareholders granted authority for the Company to issue up to 60 million Ordinary Shares under a placing programme as part of the arrangements in relation to the acquisition which completed in December 2017. This authority has now expired and there is no intention of replacing it without specific corporate initiatives having been identified. Instead the Company will use tap issuance authorities to help with organic growth.

RESOLUTIONS TO BE PROPOSED AT THE AGM

DIRECTORS' REMUNERATION REPORT AND REMUNERATION POLICY

The Directors' Remuneration Policy and Annual Report on Directors' Remuneration, which can be found on pages 31 to 33, provide detailed information on the remuneration arrangements for Directors of the Company. Shareholders will be asked to approve the Annual Report on Directors' Remuneration (resolution 2). The Directors' Remuneration Policy will next be put to shareholders at the AGM in 2021.

AUDITOR

The Independent Auditor's Report can be found on pages 42 to 46. Grant Thornton UK LLP has indicated its willingness to continue in office with the Company and separate resolutions will be proposed at the AGM to re-appoint it (resolution 3) and to authorise the Directors to determine their remuneration (resolution 4).

RESOLUTION TO APPROVE DIVIDEND POLICY

Subject to market conditions and the Company's performance, financial position and financial outlook, it is the Directors' intention to pay an attractive level of dividend income to shareholders on a monthly basis. In order to be able to continue paying a consistent dividend on a regular basis, and to ensure that sufficient distributions are made to meet the Company's REIT status, the Company intends to continue to pay all dividends as interim dividends. Recognising that this means that shareholders will not have the opportunity to vote on a final dividend, the Company will instead propose a non-binding resolution to approve the Company's dividend policy at the AGM (resolution 6). The Directors expect that such non-binding resolution to approve the Company's dividend policy will be proposed annually.

AUTHORITY TO ISSUE SHARES ON A NON-PRE-EMPTIVE BASIS

The Directors are seeking authority to allot new shares. Resolution 7 will, if passed, authorise the Directors to allot new shares up to an aggregate nominal amount of £211,334 or, if less, the aggregate nominal amount representing 10% of the issued shares at the date of the passing of resolution 7. This resolution would therefore authorise the Directors to allot up to 21,133,373 Ordinary Shares.

In accordance with the provisions of the Company's Articles of Association and the Listing Rules, the directors of a premium listed company are not permitted to allot new shares (or grant rights over shares) for cash at a price below the net asset value per share of those shares without first offering them to existing shareholders in proportion to their existing holdings. Resolution 8, which is a special resolution, seeks to provide the Directors with the authority to issue shares or sell shares held in treasury on a non-pre-emptive basis for cash (i.e. without first offering such shares to existing shareholders pro-rata to their existing holdings) up to an aggregate nominal amount of £211,334 or, if less, the aggregate nominal amount representing 10% of the issued Ordinary Share capital of the Company at the date of the passing of resolution 8.

The authorities granted under resolutions 7 and 8 will expire at the conclusion of the next AGM of the Company after the passing of the resolutions, or on the expiry of 15 months from the passing of the resolutions, unless they are previously renewed, varied or revoked. It is expected that the Company will seek these authorities on an annual basis.

The authorities sought under resolutions 7 and 8 will only be used to issue shares at a premium to net asset value and only when the Directors believe that it would be in the best interests of the Company to do so.

AUTHORITY TO MAKE MARKET PURCHASES OF ORDINARY SHARES

Given the Company is engaged in growth, subject to market conditions, as part of the strategy to enhance liquidity in the Company's shares, it is unlikely that the Directors will buy back any Ordinary Shares in the near term. Thereafter any buy back of Ordinary Shares will be subject to the Companies Act 2006 (as amended), the Listing Rules and within guidelines established by the Board from time to time (which take into account the income and cash flow requirements of the Company).

Resolution 9 will be proposed as a special resolution and seeks to provide the Directors with the authority to purchase up to 31,678,927 Ordinary Shares or, if less, the number representing approximately 14.99% of the Company's Ordinary Shares in issue at the date of the passing of resolution 9. Any shares purchased by the Company may be cancelled or held in treasury. The Company does not currently hold any shares in treasury.

For each Ordinary Share, the minimum price (excluding expenses) that may be paid on the exercise of this authority will not be less than £0.01. Under the Listing Rules, the maximum price that may be paid on the exercise of this authority must not exceed the higher of: (i) 105% of the average of the middle market quotations (as derived from the Daily Official List of the London Stock Exchange) for the shares over the five business days immediately preceding the date of purchase; and (ii) the higher of the last independent trade and the highest current independent bid on the trading venue on which the purchase is carried out.

This authority will expire at the conclusion of the next AGM of the Company after the passing of this resolution unless it is previously renewed, varied or revoked.

NOTICE PERIOD FOR GENERAL MEETINGS

Resolution 10 is being proposed to reflect the provisions of the Companies Act 2006 relating to meetings and the minimum notice period for listed company General Meetings being increased to 21 clear days, but with an ability for companies to reduce this period to 14 clear days (other than for AGMs), provided that the Company offers facilities for shareholders to vote by electronic means and that there is an annual resolution of shareholders approving the reduction in the minimum period for notice of General Meetings (other than for AGMs) from 21 clear days to 14 clear days. The Board is therefore proposing resolution 10 as a special resolution to ensure that the minimum required period for notice of General Meetings of the Company (other than for AGMs) is 14 clear days.

The approval will be effective until the earlier of 15 months from the passing of the resolution or the conclusion of the next AGM of the Company when it is intended that a similar resolution will be proposed. The Board intends that this flexibility of a shorter notice period to be available to the Company will be used only for non-routine business and only where needed in the interests of shareholders as a whole.

RECOMMENDATION ON RESOLUTIONS TO BE PROPOSED AT THE AGM

The Directors consider the passing of the resolutions to be proposed at the AGM to be in the best interests of the Company and its shareholders as a whole and likely to promote the success of the Company for the benefit of its shareholders as a whole. Accordingly, the Directors unanimously recommend that shareholders should vote in favour of the resolutions, as they intend to in respect of their own beneficial shareholdings amounting to 190,512 Ordinary Shares.

SOCIAL, COMMUNITY, EMPLOYEE RESPONSIBILITY AND ENVIRONMENTAL POLICY

The Directors recognise that their first duty is to act in the best financial interest of the Company's shareholders and to achieve good financial returns against acceptable levels of risk, in accordance with the objective of the Company.

The Investment Manager acquires and manages properties on behalf of the Group. It is recognised that these activities have both direct and indirect environmental impacts.

The Investment Manager is required to take into account the broader social, ethical and environmental issues around the investment properties. As a real estate investment trust with its current structure, the Company has no direct, social, community or employee responsibilities of its own. Further information on the Company's environmental disclosures is shown below.

At 30 September 2018, there were four male Directors and, whilst there is no particular policy on the makeup of the Board, other than having collective competence to the task, the Board recognises the potential benefits of diversity on a Board. As a general principle, the Company will continue to show no bias for age, gender, race, sexual orientation, marital status, religion, nationality, ethnic or national origins, or disability in considering the appointment of Directors.

As an investment vehicle the Company does not provide goods or services in the normal course of business and does not have customers. Accordingly, the Directors consider that the Company does not fall within the scope of the Modern Slavery Act 2015 and is not, therefore, obliged to make a slavery and human trafficking statement. In any event, the Company considers its supply chains to be of low risk as its suppliers are typically professional advisers.

In line with the requirements of The Criminal Finances Act 2017, the Directors confirm that the Company has a commitment to zero tolerance towards the criminal facilitation of tax evasion.

In order to ensure compliance with the UK Bribery Act 2010, the Directors confirm that the Company has zero tolerance towards bribery and a commitment to carry out business openly, honestly and fairly.

SUSTAINABILITY

The Company has measured its greenhouse gas emissions (GHG) for the year to 30 September 2018. The GHG emissions for the year totalled 805 tCO_2e (2017: 1,005 tCO_2e). In order to satisfy the mandatory GHG emissions reporting requirements, the table below reports the Company's absolute Scope 1 and 2 emissions and their intensity based on floor area. The Company has also put in place measures to enable voluntary reporting of the Scope 3 emissions that are material to the business. Absolute Scope 1 and 2 emissions have reduced by 20 percent due to changes in our portfolio and the decrease in UK grid electricity emission factors.

GHG scope*	**Year to 30 September 2018**	% change	Year to 30 September 2017	Year to 30 September 2016
Absolute Greenhouse Gas Emissions[1] (tCO_2e)				
Scope 1	**293**	21%	241	185
Scope 2 – Location-based	**435**	-35%	672	741
Scope 2 – Market-based	**563**	-25%	746	nr
Scope 1 and 2 total[2]	**728**	**-20%**	**913**	**926**
Scope 3	**77**	-16%	92	91
Total[2]	**805**	**-20%**	**1,005**	**1,017**
Greenhouse Gas Emissions Intensity				
tCO_2e/m^2 (Scope 1 and 2)[2,3]	**0.016**	**-24%**	**0.021**	**0.023**

1 Scope definitions:
– Scope 1: Covers direct GHG emissions from controlled operations such as combustion in owned boilers.
– Scope 2: Covers indirect GHG emissions from the use of purchased electricity, heat or steam.
– Scope 3: Indirect emissions from the use of water, business travel and waste management.

2 Scope 2 Location-based emissions used for reporting total emissions and Greenhouse Gas Emissions Intensity.

3 GHG Emissions Intensity restated for previous years.

GOING CONCERN

Under the UK Code, the Board needs to consider whether it is appropriate to adopt the going concern basis of accounting in preparing the financial statements. The detailed consideration is contained on page 51. Based on this information the Directors believe that the Company has the ability to meet its financial commitments for a period of at least 12 months from the date of approval of the accounts. For this reason they continue to adopt the going concern basis in preparing the accounts.

VIABILITY STATEMENT

In accordance with the UK Code, the Directors have also assessed the prospects of the Group over a period longer than the 12 months required by the 'Going Concern' provision. The Board conducted this review for a period of three years, which was selected for the following reasons:

- The Group was established in the last four years and is continuing to grow in size and, although the Board regularly considers a detailed cash flow model covering a longer time period which does not indicate any matters which would give concern over the Group's longer-term viability, the property portfolio held by the Group is not expected to remain unchanged over the longer term. The Investment Manager is expected to undertake property acquisitions and sales in line with the Company's investment objective and policy and, therefore, the longer the time horizon which is considered, the higher the degree of uncertainty over the exact constituents of the Group's investment property portfolio. On balance, the Board considers that a period of three years is an appropriate length of time over which a detailed sensitivity analysis can be conducted whilst retaining a reasonable level of accuracy regarding forecast rental income and valuation movements.
- The Company is subject to both endogenous and exogenous factors, the latter being difficult to predict. Consequently a three-year period is considered a satisfactory long-term period to use in consideration of the Company's viability, albeit with longer-term horizons for the portfolio and the inherent expectation that the Company, with no continuation or other dated events, will be able to continue beyond that period.

The three-year viability assessment conducted by the Board considered the Group's cash flows, dividend cover, REIT compliance and other key financial ratios over the period. These metrics are subject to sensitivity analysis which involves flexing a number of main assumptions underlying the forecast, including a fall in the property market resulting in a decrease in the capital value of the property portfolio held or a decline in the occupational market resulting in default by an existing significant tenant or a delay in letting the current vacant space in the portfolio. This analysis also evaluates the potential impact of the principal risks, such as Brexit, actually occurring. The sensitivity analysis was completed assuming severe but plausible scenarios and was based on the Group's position as at the date of approval of this report.

The three-year review considers whether additional gearing will be required and forecasts compliance with the covenants of both the Group's current debt and the expected terms of any additional debt required. Current debt consists of secured term loan agreements with Aviva Commercial Finance Limited totalling £111.1 million, of which £56.9 million has a maturity date of May 2025 and £54.2 million has a maturity date of December 2027. Therefore, unless the loan covenants are breached, these loans will not fall due for re-finance within the three-year time horizon considered. Interest rates have been fixed for the entire duration of each loan, at an overall weighted average of 2.86%. There were no breaches of the covenants during the year. At the time of approval of this report, the Group held sufficient cash balances to finance currently identified capital expenditure opportunities within the Group's existing property portfolio.

The principal risks faced by the Group, together with the steps taken to mitigate them, are highlighted in the Strategic Report on pages 20 and 21, and in the Report of the Audit and Risk Committee on page 30. The Board seeks to ensure that risks are kept to a minimum at all times.

Based on the results of this analysis, the Directors have a reasonable expectation that the Group will be able to continue in operation and meet its liabilities as they fall due, over the period of their assessment.

By order of the Board

Maitland Administration Services (Scotland) Limited
Secretary
5 December 2018

Statement of Directors' responsibilities

The Directors are responsible for preparing the Strategic Report, the Directors' Report, the Directors' Remuneration Report and the Financial Statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have to prepare the Consolidated financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union and have elected to prepare the parent company financial statements in accordance with United Kingdom Generally Accepted Accounting Practice, including FRS 101 'Reduced Disclosure Framework' (UK Accounting Standards and applicable law). 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 and profit or loss of the Company and Group for that period. In preparing these Financial Statements, the Directors are required to:

— select suitable accounting policies and then apply them consistently;
— make judgements and accounting estimates that are reasonable and prudent;
— state whether applicable IFRSs have been followed, subject to any material departures disclosed and explained in the Financial Statements; and
— prepare the Financial Statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the Financial Statements and the Directors' Remuneration Report comply with the Companies Act 2006 and Article 4 of the IAS Regulation. They are also responsible for safeguarding the assets of the 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 United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

DIRECTORS' RESPONSIBILITY STATEMENT IN RESPECT OF THE ANNUAL REPORT AND FINANCIAL STATEMENTS

The Directors are responsible for preparing the Annual Report in accordance with applicable law and regulations. The Directors consider the Annual Report and the Financial Statements, taken as a whole, provides the information necessary to assess the Company's performance, business model and strategy and is fair, balanced and understandable.

DIRECTORS' RESPONSIBILITY STATEMENT UNDER THE DISCLOSURE GUIDANCE AND TRANSPARENCY RULES

To the best of our knowledge:

— the Group Financial Statements, prepared in accordance with IFRSs as adopted by the European Union, 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; and
— the Annual Report, including the Strategic Report and the Directors' 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.

DISCLOSURE OF INFORMATION TO THE AUDITOR

The Directors confirm that:

— so far as each Director is aware, there is no relevant audit information of which the Company's auditor is unaware; and
— the Directors have taken all the steps that they ought to have taken as Directors in order to make themselves aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

William Hill
Chairman
5 December 2018

Independent auditor's report to the members of Ediston Property Investment Company PLC

OUR OPINION ON THE FINANCIAL STATEMENTS IS UNMODIFIED

We have audited the financial statements of Ediston Property Investment Company PLC (the 'Parent Company') and its subsidiaries (the 'Group') for the year ended 30 September 2018, which comprise the Consolidated Statement of Comprehensive Income, the Consolidated and Parent Company Statements of Financial Position, the Consolidated and Parent Company Statements of Changes in Equity, the Consolidated Statement of Cash Flow and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in the preparation of the Group financial statements is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union. The financial reporting framework that has been applied in the preparation of the Parent Company financial statements is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 101 'Reduced Disclosures Framework' (United Kingdom Generally Accepted Accounting Practice).

In our opinion:
- the financial statements give a true and fair view of the state of the Group's and of the Parent Company's affairs as at 30 September 2018 and of the Group's profit for the year then ended;
- the Group financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union;
- the Parent Company financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006 and, as regards the Group financial statements, Article 4 of the IAS Regulation

BASIS FOR OPINION

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the 'Auditor's responsibilities for the audit of the financial statements' section of our report. We are independent of the Group and the Parent Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard as applied to listed public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

WHO WE ARE REPORTING TO

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.

CONCLUSIONS RELATING TO PRINCIPAL RISKS, GOING CONCERN AND VIABILITY STATEMENT

We have nothing to report in respect of the following information in the annual report, in relation to which the ISAs (UK) require us to report to you whether we have anything material to add or draw attention to:
- the disclosures in the annual report set out on pages 20 and 21 that describe the principal risks and explain how they are being managed or mitigated;
- the Directors' confirmation, set out on page 28 of the annual report that they have carried out a robust assessment of the principal risks facing the Group, including those that would threaten its business model, future performance, solvency or liquidity;
- the Directors' statement, set out on page 51 of the financial statements about whether the Directors considered it appropriate to adopt the going concern basis of accounting in preparing the financial statements and the Directors' identification of any material uncertainties to the Group and the Parent Company's ability to continue to do so over a period of at least twelve months from the date of approval of the financial statements;
- whether the Directors' statement relating to going concern required under the Listing Rules in accordance with Listing Rule 9.8.6R(3) is materially inconsistent with our knowledge obtained in the audit; or
- the Directors' explanation, set out on page 40 of the annual report as to how they have assessed the prospects of the Group, over what period they have done so and why they consider that period to be appropriate, and their statement as to whether they have a reasonable expectation that the Group will be able to continue in operation and meet its liabilities as they fall due over the period of their assessment, including any related disclosures drawing attention to any necessary qualifications or assumptions.

OVERVIEW OF OUR AUDIT APPROACH

- Overall materiality: £3,650,000, which represents 1.5% of the Group's net assets;
- Key audit matters were identified as valuation of investment properties and recognition of revenue; and
- We performed full scope audit procedures on the financial statements of the Parent Company and on the financial information of the two subsidiaries, EPIC (No.1) Limited and EPIC (No.2) Limited.

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) that we identified. These matters included those that had the greatest effect on: the overall audit strategy; the allocation of resources in the audit; and directing the efforts of the engagement team. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key Audit Matter – Group	How the matter was addressed in the audit – Group
VALUATION OF INVESTMENT PROPERTIES The Group's investment property portfolio is required to be held at fair value under International Accounting Standard (IAS) 40 'Investment Property'. The valuation of the properties within this portfolio is inherently subjective due to the specific factors affecting each property. Knight Frank LLP was appointed as the independent, external valuer (the 'valuer'). The valuer takes into account property-specific information such as the current tenancy profile and applies assumptions for other inputs such as yields and estimated market rent. The existence of significant estimation uncertainty, together with the material value of the properties, gives rise to this being an area of special audit considerations. We therefore identified valuation of investment properties as a significant risk, which was one of the most significant assessed risks of material misstatement.	Our audit work included, but was not restricted to: — obtaining the year end valuations for each property from the independent valuer, noting the specialist's independence, and key assumptions used in coming to the valuation; — carrying out industry research in order to assess the key assumptions forming the basis of the valuation, calculating expected valuations and revenue yields to highlight potential outliers; and — undertaking a conference call with the valuer at which we were able to challenge specific assumptions particularly as related to those highlighted as potential outliers. The specialist discussed the specific characteristics of the investment properties and the existing leases, as well as the micro and macro economic conditions of each site. The Group's accounting policy on investment properties is shown in note 1(F) to the consolidated financial statements and related disclosures are included in note 9. The Audit and Risk Committee identified valuation and existence of the investment property portfolio as a significant issue in its report on page 30, where the Audit and Risk Committee also described the action that it has taken to address this issue. **KEY OBSERVATIONS** From the audit work performed, we found the valuation methodologies and the inherent assumptions utilised to develop them to be balanced and consistent with our expectation. We have not identified any material errors in the valuation calculations. We consider the disclosures in Note 9 to the consolidated financial statements to be reasonable.
RECOGNITION OF REVENUE Revenue for the Group consists of rental income, recognised in accordance with IAS 17: 'Leases'. This income is based on tenancy agreements as well as rental guarantee clauses contained in certain sale and purchase agreements. Included within these agreements are certain terms, which increase the risk of error, including lease incentives. Incomplete or inaccurate revenue recognition could have an adverse impact on the Group's net asset value, earnings per share, its level of dividend cover and compliance with Real Estate Investment Trust (REIT) regulations. We therefore identified recognition of revenue as a significant risk, which was one of the most significant assessed risks of material misstatement.	Our audit work included, but was not restricted to: — agreeing rental income to signed lease agreements and tenancy schedules; — creating an expectation of rental income and accrued income taking into account any lease incentives and rental guarantees; — comparing our expectation to the rental income and accrued income recognised in the financial statements and seeking explanations for any differences greater than our defined acceptance range; and — considering the Group's revenue recognition policy in the context of our substantive testing, to assess whether the policy has been correctly applied and is in accordance with IAS 17: 'Leases'. The Group's accounting policy on revenue recognition is shown in note 1(B) to the consolidated financial statements. The Audit and Risk Committee identified income recognition as a significant issue in its report on page 30, where the Audit and Risk Committee also described the action that it has taken to address this issue. **KEY OBSERVATIONS** From the audit work performed, our assessment is that revenue is recognised within the financial statements in a manner that is consistent with the stated accounting policies, lease contracts, guarantees and incentives. We did not note any material errors in relation to revenue recognition.

No key audit matters were identified in respect of the audit of the financial statements of the Parent Company.

OUR APPLICATION OF MATERIALITY

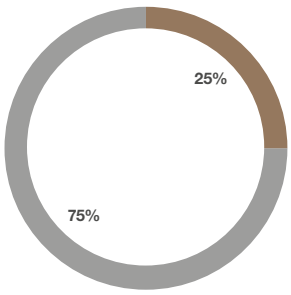
We define materiality as the magnitude of misstatement in the financial statements that makes it probable that the economic decisions of a reasonably knowledgeable person would be changed or influenced. We use materiality in determining the nature, timing and extent of our audit work and in evaluating the results of that work.

Materiality was determined as follows:

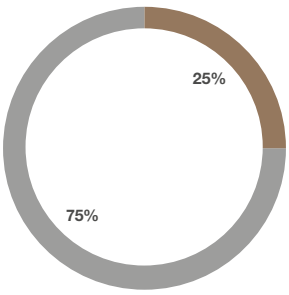
Materiality measure	Group	Parent
Financial statements as a whole	£3,650,000, which is 1.5% of the Group's net assets. This benchmark is considered the most appropriate because of the nature of the Group as a Real Estate Investment Trust, where stakeholders are most interested in the Group's net asset value (NAV) as opposed to its profitability. Materiality for the current year is higher than the level that we determined for the year ended 30 September 2017 to reflect the increase in the Group's net assets in the year.	£2,737,000, which is 1.5% of the Parent Company's net assets, restricted to 75% of Group materiality. This benchmark is considered the most appropriate because as a holding company the focus is on the return from investments. The restriction to 75% is applied because the Parent Company is considered to be a significant component. Materiality for the current year is higher than the level that we determined for the year ended 30 September 2017 to reflect the increase in the Company's net assets in the year, restricted to the Group's increased net assets in the year.
Performance materiality used to drive the extent of our testing	75% of financial statement materiality.	75% of financial statement materiality.
Specific materiality	We also determined a lower level of specific materiality for certain areas such as the revenue column of the Consolidated Statement of Comprehensive Income, Directors' remuneration and related party transactions.	We also determined a lower level of specific materiality for certain areas such as Directors' remuneration and related party transactions.
Communication of misstatements to the Audit and Risk Committee	£182,500 and misstatements below that threshold that, in our view, warrant reporting on qualitative grounds.	£137,000 and misstatements below that threshold that, in our view, warrant reporting on qualitative grounds.

The graph below illustrates how performance materiality interacts with our overall materiality and the tolerance for potential uncorrected misstatements.

Overall materiality – Group



Overall materiality – Parent



Tolerance for potential uncorrected misstatements
Performance materiality

AN OVERVIEW OF THE SCOPE OF OUR AUDIT

Our audit approach was based on a thorough understanding of the Group's business and is risk based, and in particular included:

- an evaluation of the components of the Group based on a measure of materiality considered as a percentage of Group assets, revenues and profit before taxes, to assess the significance of the components and to determine the planned audit response. Our assessment was that the two subsidiaries, EPIC (No.1) Limited and EPIC (No.2) Limited, and the Parent Company were significant components;
- a full scope audit performed by the Group audit team on the financial statements of the Parent Company and on the financial information of its subsidiaries;
- evaluation of the Group's internal controls environment including its IT systems and controls; and
- a substantive approach using professional judgement to determine the extent of testing required over each balance in the financial statements.

OTHER INFORMATION

The Directors are responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of the other information, we are required to report that fact.

We have nothing to report in this regard.

In this context, we also have nothing to report in regard to our responsibility to specifically address the following items in the other information and to report as uncorrected material misstatements of the other information where we conclude that those items meet the following conditions:

- Fair, balanced and understandable set out on page 30 – the statement given by the Directors that they consider the annual report and financial statements taken as a whole is fair, balanced and understandable and provides the information necessary for shareholders to assess the Group's performance, business model and strategy, is materially inconsistent with our knowledge obtained in the audit; or
- Audit and Risk Committee reporting set out on pages 27 to 30 –the section describing the work of the Audit and Risk Committee does not appropriately address matters communicated by us to the Audit and Risk Committee; or
- Directors' statement of compliance with the UK Corporate Governance Code set out on page 25 – the parts of the Directors' statement required under the Listing Rules relating to the Company's compliance with the UK Corporate Governance Code containing provisions specified for review by the auditor in accordance with Listing Rule 9.8.10R(2) do not properly disclose a departure from a relevant provision of the UK Corporate Governance Code.

OUR OPINIONS ON OTHER MATTERS PRESCRIBED BY THE COMPANIES ACT 2006 ARE UNMODIFIED

In our opinion, the part of the Directors' remuneration report to be audited has been properly prepared in accordance with the Companies Act 2006.

In our opinion, based on the work undertaken in the course of the audit:

- 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; and
- the strategic report and the Directors' report have been prepared in accordance with applicable legal requirements.

MATTERS ON WHICH WE ARE REQUIRED TO REPORT UNDER THE COMPANIES ACT 2006

In the light of the knowledge and understanding of the Group and the Parent Company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or the Directors' report.

MATTERS ON WHICH WE ARE REQUIRED TO REPORT BY EXCEPTION

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept by the Parent Company, or returns adequate for our audit have not been received from branches not visited by us; or
- the Parent Company financial statements and the part of the Directors' remuneration report to be audited are not in agreement with the accounting records and returns; or
- certain disclosures of Directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

RESPONSIBILITIES OF DIRECTORS FOR THE FINANCIAL STATEMENTS

As explained more fully in the statement of Directors' responsibilities set out on page 41, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

We are responsible for obtaining reasonable assurance that the financial statements taken as a whole are free from material misstatement, whether caused by fraud or error. Owing to the inherent limitations of an audit, there is an unavoidable risk that material misstatements of the financial statements may not be detected, even though the audit is properly planned and performed in accordance with the ISAs (UK). Our audit approach is a risk-based approach and is explained more fully in the 'An overview of the scope of our audit' section of our audit report.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

OTHER MATTERS WHICH WE ARE REQUIRED TO ADDRESS

Following the recommendation of the Audit and Risk Committee, we were appointed by Ediston Property Investment Company PLC on 8 January 2015 to audit the financial statements for the period ended 30 September 2014 and subsequent financial years.

The period of total uninterrupted engagement is 4 years, covering the periods ended 30 September 2014 to 30 September 2018.

The non-audit services prohibited by the FRC's Ethical Standard were not provided to the Group or the Parent Company and we remain independent of the Group and the Parent Company in conducting our audit.

Our audit opinion is consistent with the additional report to the Audit and Risk Committee.

Paul Flatley
Senior Statutory Auditor
for and on behalf of Grant Thornton UK LLP
Statutory Auditor, Chartered Accountants
London
5 December 2018

Consolidated Statement of Comprehensive Income

For the year ended 30 September 2018

	Notes	Year ended 30 September 2018 Revenue £'000	Capital £'000	Total £'000	Year ended 30 September 2017 Revenue £'000	Capital £'000	Total £'000
Revenue							
Rental income		**19,391**	**–**	**19,391**	12,154	–	12,154
Total revenue		**19,391**	**–**	**19,391**	12,154	–	12,154
Unrealised gain on revaluation of investment properties	9	**–**	**7,286**	**7,286**	–	4,613	4,613
Losses on sale of investment properties realised	9	**–**	**–**	**–**	–	(203)	(203)
Total income		**19,391**	**7,286**	**26,677**	12,154	4,410	16,564
Expenditure							
Investment management fee	2	**(2,112)**	**–**	**(2,112)**	(1,352)	–	(1,352)
Other expenses	3	**(1,390)**	**–**	**(1,390)**	(902)	–	(902)
Total expenditure		**(3,502)**	**–**	**(3,502)**	(2,254)	–	(2,254)
Profit before finance costs and taxation		**15,889**	**7,286**	**23,175**	9,900	4,410	14,310
Net finance costs							
Interest receivable	4	**23**	**–**	**23**	8	–	8
Interest payable	5	**(3,005)**	**–**	**(3,005)**	(1,708)	–	(1,708)
Profit before taxation		**12,907**	**7,286**	**20,193**	8,200	4,410	12,610
Taxation	6	**–**	**–**	**–**	–	–	–
Profit and total comprehensive income for the year		**12,907**	**7,286**	**20,193**	8,200	4,410	12,610
Basic earnings per share	8	**6.60p**	**3.72p**	**10.32p**	6.34p	3.41p	9.75p

The total column of this statement represents the Group's Consolidated Statement of Comprehensive Income, prepared in accordance with IFRS.

The supplementary revenue return and capital return columns are prepared under guidance published by the Association of Investment Companies.

All revenue and capital items in the above statement are derived from continuing operations.

No operations were acquired or discontinued in the year.

The accompanying notes are an integral part of these Financial Statements.

Consolidated Statement of Financial Position
As at 30 September 2018

	Notes	As at 30 September 2018 £'000	As at 30 September 2017 £'000
Non-current assets			
Investment properties	9	**330,825**	171,739
		330,825	171,739
Current assets			
Trade and other receivables	11	**14,078**	7,317
Cash and cash equivalents	12	**11,735**	24,651
		25,813	31,968
Total assets		**356,638**	203,707
Non-current liabilities			
Loans	13	**(109,780)**	(56,246)
		(109,780)	(56,246)
Current liabilities			
Trade and other payables	14	**(3,188)**	(1,645)
Total liabilities		**(112,968)**	(57,891)
Net assets		**243,670**	145,816
Equity and reserves			
Called-up equity share capital	16	**2,113**	1,310
Share premium		**125,559**	37,858
Capital reserve – investments held		**18,149**	10,863
Capital reserve – investments sold		**2,685**	2,685
Special distributable reserve		**84,158**	84,668
Revenue reserve		**11,006**	8,432
Equity shareholders' funds		**243,670**	145,816
Net asset value per Ordinary Share	15	**115.30p**	111.32p

The accompanying notes are an integral part of these Financial Statements.

Company number: 09090446.

The Financial Statements on pages 47 to 65 were approved by the Board of Directors on 5 December 2018 and signed on its behalf by:

William Hill
Chairman

Consolidated Statement of Changes in Equity

For the year ended 30 September 2018

	Notes	Share capital account £'000	Share premium £'000	Capital reserve – investments held £'000	Capital reserve – investments sold £'000	Special distributable reserve £'000	Revenue reserve £'000	Total equity £'000
As at 30 September 2017		1,310	37,858	10,863	2,685	84,668	8,432	145,816
Profit and total comprehensive income for the year		–	–	7,286	–	–	12,907	20,193
Transactions with owners recognised in equity:								
Issue of Ordinary Shares	16	803	87,701	–	–	–	–	88,504
Dividends paid	7	–	–	–	–	–	(10,843)	(10,843)
Transfer from special reserve		–	–	–	–	(510)	510	–
As at 30 September 2018		**2,113**	**125,559**	**18,149**	**2,685**	**84,158**	**11,006**	**243,670**

For the year ended 30 September 2017

	Notes	Share capital account £'000	Share premium £'000	Capital reserve – investments held £'000	Capital reserve – investments sold £'000	Special distributable reserve £'000	Revenue reserve £'000	Total equity £'000
As at 30 September 2016		1,283	34,898	9,138	–	85,115	6,897	137,331
Profit and total comprehensive income for the year		–	–	4,613	(203)	–	8,200	12,610
Transfer of prior years' revaluations to realised reserve		–	–	(2,888)	2,888	–	–	–
Transactions with owners recognised in equity:								
Issue of Ordinary Shares	16	27	2,960	–	–	–	–	2,987
Dividends paid	7	–	–	–	–	–	(7,112)	(7,112)
Transfer from special reserve		–	–	–	–	(447)	447	–
As at 30 September 2017		1,310	37,858	10,863	2,685	84,668	8,432	145,816

The accompanying notes are an integral part of these Financial Statements.

Consolidated Statement of Cash Flow

For the year ended 30 September 2018

	Notes	**Year ended 30 September 2018 £'000**	Year ended 30 September 2017 £'000
Cash flows from operating activities			
Profit before tax		**20,193**	12,610
Adjustments for:			
Interest receivable		**(23)**	(8)
Interest payable		**3,005**	1,708
Unrealised revaluation gains on property portfolio		**(7,286)**	(4,410)
Operating cash flows before working capital changes		**15,889**	9,900
Increase in trade and other receivables		**(6,511)**	(3,208)
Increase/(decrease) in trade and other payables		**1,266**	(460)
Net cash inflow from operating activities		**10,644**	6,232
Cash flows from investing activities			
Purchase of investment properties		**(146,750)**	(26,100)
Capital expenditure		**(5,264)**	(1,353)
Sale of investment properties		**–**	37,255
Net cash (outflow)/inflow from investing activities		**(152,014)**	9,802
Cash flows from financing activities			
Loans drawn down, net of costs	13	**53,382**	4,385
Issue of Ordinary Share capital, net of costs		**88,504**	2,987
Dividends paid		**(10,809)**	(7,114)
Interest received		**23**	8
Interest paid		**(2,646)**	(1,616)
Net cash inflow/(outflow) from financing activities		**128,454**	(1,350)
Net (decrease)/increase in cash and cash equivalents		**(12,916)**	14,684
Opening cash and cash equivalents		**24,651**	9,967
Closing cash and cash equivalents	12	**11,735**	24,651

The accompanying notes are an integral part of these Financial Statements.

Notes to the Consolidated Financial Statements

1. ACCOUNTING POLICIES

(A) BASIS OF PREPARATION

BASIS OF ACCOUNTING

These Consolidated Financial Statements have been prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union, applicable legal and regulatory requirements of the Companies Act 2006 and the Disclosure Guidance and Transparency Rules and Article 4 of the IAS Regulation. The accounts have been prepared on a historical cost basis, except for investment property valuations that have been measured at fair value.

The Notes and Financial Statements are presented in pounds sterling (being the functional currency and presentational currency for the Company) and are rounded to the nearest thousand except where otherwise indicated.

GOING CONCERN

Under the UK Code, the Board needs to report whether the business is a going concern. In considering this requirement, the Directors have taken the following into account:

- the Group's forecast for the next two years, in particular the cash flows, borrowings and occupancy rate;
- the ongoing ability to comply comfortably with the Group's financial covenants (details of the loan covenants are included in Note 13);
- the risks included on the Group's risk register that could impact on the Group's liquidity and solvency over the next 12 months (details of risks are included in the Strategic Report on pages 20 to 21); and
- the risks on the Group's risk register that would be a potential threat to the Group's business model (details of risks are included in the Strategic Report on pages 20 to 21).

The Group's business activities, together with the factors likely to affect its future development, performance and position are set out in the Strategic Report. The Strategic Report also includes the Group's risks and risk management processes.

Having due regard to these matters and after making appropriate enquiries, the Directors have reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. Therefore, the Board continues to adopt the going concern basis in preparing these Consolidated Financial Statements.

SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

The preparation of Financial Statements requires management to make estimates and assumptions that affect the amounts reported for assets and liabilities as at the year end date and the amounts reported for revenue and expenses during the period. The nature of the estimation means that actual outcomes could differ from those estimates. Estimates and underlying assumptions are reviewed on an ongoing basis.

KEY ESTIMATES

The only significant source of estimation uncertainty relates to the investment property valuations. The fair value of investment properties is determined by independent real estate valuation experts using recognised valuation techniques. The properties have been valued on the basis of 'Fair Value' in accordance with the RICS Valuation – Professional Standards VPS4 (7.1) Fair Value and VPGA 1 Valuations for Inclusion in Financial Statements, which adopt the definition of Fair Value adopted by the International Accounting Standards Board. In line with the recommendation of the European Public Real Estate Association, all properties have been deemed to be Level 3 under the fair value hierarchy classification set out below. This is described in more detail in Note 9. Revisions to accounting estimates are recognised in the year in which the estimate is revised if the revision affects only that year, or in the year of the revision and future years if the revision affects both current and future years.

The fair value measurement for the assets and liabilities are categorised into different levels in the fair value hierarchy based on the inputs to valuation techniques used. The different levels have been defined as follows:

Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities that the Group can access at the measurement date.

Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.

Level 3: unobservable inputs for the asset or liability. Value is the Directors' best estimate, based on advice from relevant knowledgeable experts, use of recognised valuation techniques and on assumptions as to what inputs other market participants would apply in pricing the same or a similar instrument. As explained in more detail in Note 9, all investment properties are included in Level 3.

The Group recognises transfers between levels of the fair value hierarchy as of the end of the reporting period during which the transfer has occurred.

KEY JUDGEMENTS

Key judgements relate to the treatment of compliance with REIT status and property acquisitions where different accounting policies could be applied. These are described in more detail on the following page, or in the relevant notes to the financial statements.

1. ACCOUNTING POLICIES CONTINUED

(A) BASIS OF PREPARATION CONTINUED

COMPLIANCE WITH REIT STATUS

As disclosed in Note 6, the Group has been approved as a group REIT. As a result, the Group does not pay UK corporation tax on its profits and gains from qualifying rental business in the UK provided it meets certain conditions. Non-qualifying profits and gains of the Group continue to be subject to corporation tax as normal. In order to retain group REIT status certain ongoing criteria must be maintained and these are set out within accounting policy (E) regarding taxation.

The Directors intend that the Group should continue as a group REIT for the foreseeable future, with the result that deferred tax is not recognised on temporary differences relating to the property rental business. Should the ongoing criteria not continue to be met, the corporation tax payable by the Group may be significantly higher.

PROPERTY ACQUISITIONS AND BUSINESS COMBINATIONS

The Group acquires real estate either as individual properties or as the acquisition of a portfolio of properties either directly or through the acquisition of a corporate entity. At the time of acquisition, the Group considers whether the acquisition represents the acquisition of a business or a property. The Group accounts for an acquisition as a business combination where an integrated set of activities is acquired in addition to the property.

Goodwill on business combinations is measured as the fair value of the consideration transferred less the net recognised amount (fair value) of the identifiable assets acquired and liabilities assumed, all measured as of the acquisition date. When the excess is negative, this is recognised immediately in the Consolidated Statement of Comprehensive Income. Transaction costs, other than those associated with the issue of debt or equity securities, that the Group incurs in connection with a business combination are expensed as incurred.

When the acquisition of a property portfolio, or subsidiary, does not represent a business, it is accounted for as an acquisition of an investment property. Given the nature of the transactions undertaken during the year and the prior year which consisted of the acquisition of individual properties and the transfer of a portfolio of assets without the additional transfer of significant activities, operations or employees, and the fact they are held as investment properties, all acquisitions have been determined to be the purchases of investment properties and the accounting treatment followed is that set out in accounting policy (F) on page 53.

BASIS OF CONSOLIDATION

The Consolidated Financial Statements comprise the financial statements of the Company and all of its subsidiaries drawn up to 30 September 2018. Subsidiaries are those entities, including special purpose entities, controlled by the Company and are detailed in Note 10. Control exists when the Company is exposed, or has rights, to variable returns from its investment with the investee and has the ability to affect those returns through its power over the investee. In assessing control, potential voting rights that presently are exercisable are taken into account. The financial statements of subsidiaries are included in the Consolidated Financial Statements from the date that control commences until the date that control ceases.

In preparing the Consolidated Financial Statements, intra-Group balances, transactions and unrealised gains or losses have been eliminated in full. Uniform accounting policies are adopted for all companies within the Group.

(B) REVENUE RECOGNITION

RENTAL INCOME

Rental income, excluding VAT, arising on investment properties is accounted for in the Statement of Comprehensive Income on a straight-line basis over the terms of the individual leases.

Lease incentives including rent-free periods and payments to tenants, are allocated to the Statement of Comprehensive Income on a straight-line basis over the lease term or on another systematic basis, if applicable. Where income is recognised in advance of the related cash flows, an adjustment is made to ensure that the carrying value of the relevant property, including accrued rent disclosed separately within 'trade and other receivables', does not exceed the external valuation.

The Group may from time to time receive surrender premiums from tenants who break their leases early. To the extent they are deemed capital receipts to compensate the Group for loss in value of property to which they relate, they are credited through the capital column of the Statement of Comprehensive Income to capital reserves. All other surrender premiums are recognised within rental income in the Statement of Comprehensive Income.

Amounts drawn down from escrow which arise from rent-free periods are accounted for on an accruals basis and recognised as rental income within the Statement of Comprehensive Income over the length of the time that the rental guarantee exists as it pertains to vacant space and/or rent-free periods.

INTEREST INCOME

Interest income is accounted for on an accruals basis.

SERVICE CHARGES AND EXPENSES RECOVERABLE FROM TENANTS

Where service charges and other expenses are recharged to tenants, the expense and the income received in reimbursement are offset within the Statement of Comprehensive Income and are not separately disclosed, as the Directors consider that the Group acts as agent in this respect. Service charges and other property-related expenses that are not recoverable from tenants are recognised in expenses on an accruals basis.

(C) OTHER EXPENSES

Expenses are accounted for on an accruals basis. The Group's investment management and administration fees, finance costs and all other expenses are charged to revenue through the Statement of Comprehensive Income.

Amounts drawn down from escrow which arise from non-recoverable expenses relating to vacant space are recognised as a deduction from expenses.

(D) DIVIDENDS PAYABLE

Dividends are accounted for in the period in which they are paid.

(E) TAXATION

The Group is a REIT and is thereby exempt from tax on both rental profits and chargeable gains. In order to retain REIT status, certain ongoing criteria must be maintained. The main criteria are as follows:

- at the start of each accounting period, the assets of the tax-exempt business must be at least 75% of the total value of the Group's assets;
- at least 75% of the Group's total profits must arise from the tax-exempt business;
- at least 90% of the tax-exempt rental business profits must be distributed in the form of a Property Income Distribution; and
- the Group must hold a minimum of three properties with no single property exceeding 40% of the portfolio value.

The Directors intend that the Group should continue as a REIT for the foreseeable future, with the result that deferred tax is not recognised on temporary differences relating to the property rental business which is within the REIT structure.

Taxation on any profit or loss for the period not exempt under UK-REIT regulations comprises current and deferred tax. Taxation is recognised in the Statement of Comprehensive Income except to the extent that it relates to items recognised as direct movements in equity, in which case it is also recognised as a direct movement in equity.

Current tax is the expected tax payable on the taxable income for the period, using tax rates and laws enacted or substantively enacted at the year-end date.

Deferred tax is provided using the liability method on all temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes calculated using rates and laws enacted or substantively enacted by the end of the period expected to apply. Deferred tax assets are recognised only to the extent that it is probable that taxable profit will be available against which deductible temporary differences, carried forward tax credits or tax losses can be utilised. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities. In determining the expected manner of realisation of an asset the Directors consider that the Group will recover the value of investment property through sale. Deferred tax relating to items recognised directly in equity is recognised in equity and not in profit or loss.

(F) INVESTMENT PROPERTIES

Investment properties consist of land and buildings which are not occupied for use by or in the operations of the Group or for sale in the ordinary course of business but are held to earn rental income together with the potential for capital and income growth.

Investment properties are initially recognised at cost, being the fair value of consideration given, including transaction costs associated with the investment property. Any subsequent capital expenditure incurred in improving investment properties is capitalised in the period incurred and included within the book cost of the property.

After initial recognition, investment properties are measured at fair value, with gains and losses recognised in the Statement of Comprehensive Income. Fair value is based on an open market valuation provided by Knight Frank LLP, Chartered Surveyors at the year-end date using recognised valuation techniques appropriately adjusted for unamortised lease incentives, lease surrender premiums and rental adjustments.

The determination of the fair value of investment properties requires the use of estimates such as future cash flows from assets (including lettings, tenants' profiles, future revenue streams, capital values of fixtures and fittings, plant and machinery, any environmental matters and the overall repair and condition of the property) and discount rates applicable to those assets. These estimates are based on local market conditions existing at the reporting date.

Investment property is derecognised when it has been disposed of or permanently withdrawn from use and no future economic benefit is expected from its disposal. On derecognition, gains and losses on disposals of investment properties are recognised in the Statement of Comprehensive Income and transferred to the capital reserve – investments sold. Recognition and derecognition occurs on the completion of a sale.

1. ACCOUNTING POLICIES CONTINUED

(G) CASH AND CASH EQUIVALENTS

Cash and cash equivalents consist of cash in hand and short-term deposits in banks with an original maturity of three months or less.

(H) TRADE AND OTHER RECEIVABLES

Rents receivable, which are generally due for settlement at the relevant quarter end, are recognised and carried at the original invoice amount less an allowance for any uncollectable amounts. An estimate for doubtful debts is made when collection of the full amount is no longer probable. Bad debts are written off when identified.

(I) INTEREST-BEARING LOANS AND BORROWINGS

All loans and borrowings are initially recognised at cost, being fair value of the consideration received net of arrangement costs associated with the borrowing. After initial recognition, all interest-bearing loans and borrowings are subsequently measured at amortised cost; any difference is recognised in the Statement of Comprehensive Income over the period of the borrowing using the effective interest method. Amortised cost is calculated by taking into account any loan arrangement costs and any discount or premium on settlement.

(J) PROPERTY ACQUISITIONS

Where property is acquired, via corporate acquisitions or otherwise, management considers the substance of the assets and activities of the acquired entity in determining whether the acquisition represents the acquisition of a business or the acquisition of an asset.

Where such acquisitions are not judged to be an acquisition of a business, they are not treated as business combinations. Rather, the cost to acquire the corporate entity is allocated between the identifiable assets and liabilities of the entity based on their relative fair values at the acquisition date. Accordingly, no goodwill or additional deferred taxation arises. Otherwise, acquisitions are accounted for as business combinations.

(K) RESERVES

SHARE PREMIUM

The surplus of net proceeds received from the issuance of new shares over their par value is credited to this account and the related issue costs are deducted from this account. The reserve is non-distributable.

CAPITAL RESERVES

The following are accounted for in the capital reserve – investments sold:

— realised gains and losses arising on the disposal of investment properties.

The following are accounted for in the capital reserve – investments held:

— increases and decreases in the fair value of investment properties held at the period end.

REVENUE RESERVE

The net profit/(loss) arising in the revenue column of the Statement of Comprehensive Income is added to or deducted from this reserve which is available for paying dividends. Where the Company's revenue reserve is insufficient to fund the dividends paid, a transfer is made to this reserve from the special distributable reserve.

SPECIAL DISTRIBUTABLE RESERVE

Shortly after the launch of the Company, an application to Court was successfully made for the cancellation of the initial share premium account which allowed the balance of the share premium account at that date to be transferred to the special distributable reserve. This reserve is available for paying dividends and buying back the Company's shares.

CAPITAL MANAGEMENT

The Group's capital is represented by the Ordinary Shares, share premium, capital reserves, revenue reserve and special distributable reserve. The Group is not subject to any externally-imposed capital requirements.

The capital of the Group is managed in accordance with its investment policy, in pursuit of its investment objective. Capital management activities may include the allotment of new shares, the buy back or re-issuance of shares from treasury, the management of the Group's discount to net asset value and consideration of the Group's net gearing level.

There have been no changes in the capital management objectives and policies or the nature of the capital managed during the year.

(L) CHANGES IN ACCOUNTING POLICIES

The accounting policies adopted are consistent with those of the previous financial year, except that the following new standards have become effective in the current year:

— **IAS 7 'Disclosure Initiative – Amendments to IAS 7'**
The amendments to IAS 7 require additional disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities. These additional disclosures have been included in Note 13.

— **Annual Improvements for IFRSs 2014-2016 Cycle**
This cycle of annual improvements for IFRSs became effective for the Group in the current year but do not have any significant impact on the Group.

STANDARDS ISSUED BUT NOT YET EFFECTIVE

The following standards have been issued but are not effective for this accounting year and have not been adopted early:

— **IFRS 9 'Financial Instruments'**
In July 2014, the IASB published the final version of IFRS 9 'Financial Instruments' which replaces the existing guidance in IAS 39 'Financial Instruments: Recognition and Measurement'. This was endorsed by the EU on 2 November 2016.

The IFRS 9 requirements represent a change from the existing requirements in IAS 39 in respect of financial assets. The standard contains two primary measurement categories for financial assets: amortised cost and fair value. A financial asset would be measured at amortised cost if it is held within a business model whose objective is to hold assets in order to collect contractual cash flows, and the asset's contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal outstanding. All other financial assets would be measured at fair value. The standard eliminates the existing IAS 39 categories of held-to-maturity, available-for-sale and loans and receivables.

For financial liabilities, IFRS 9 largely carries forward without substantive amendment the guidance on classification and measurement from IAS 39. The main change is that, in cases where the fair value option is taken for financial liabilities, the part of a fair value change due to an entity's own credit risk is recorded in other comprehensive income rather than in profit or loss.

The standard introduces new requirements for hedge accounting that align hedge accounting more closely with risk management and establishes a more principles-based approach to hedge accounting. The standard also adds new requirements to address the impairment of financial assets and means that a loss event will no longer need to occur before an impairment allowance is recognised.

The standard will be effective for annual periods beginning on or after 1 January 2018, and is required to be applied retrospectively with some exemptions. This standard will not have any material impact on the Group's Financial Statements as presented for the current year as there will be no change in categorisation or basis of measurement of the Group's financial assets and the expected credit loss model is not expected to lead to a material increase in impairment due to the nature and size of the Group's financial instruments.

— **IFRS 15 'Revenue from Contracts with Customers'**
In May 2014, the IASB published the final version of IFRS 15 'Revenue from Contracts with Customers'. IFRS 15 specifies how and when an IFRS reporter will recognise revenue as well as requiring such entities to provide users of financial statements with more informative, relevant disclosures.

IFRS 15 does not apply to lease contracts within the scope of IAS 17 'Leases' or, from its date of application, IFRS 16 'Leases' (see below).

The standard will be effective for annual periods beginning on or after 1 January 2018. This standard will not have any material impact on the Group's financial statements as presented for the current year as the majority of the Group's revenue consists of rental income from the Group's investment properties which is outside the scope of IFRS 15.

— **IFRS 16 'Leases'**
In January 2016, the IASB published the final version of IFRS 16 'Leases' and it was endorsed by the EU on 31 October 2017. IFRS 16 specifies how an IFRS reporter will recognise, measure, present and disclose leasing arrangements. The standard provides a single lessee accounting model, requiring lessees to recognise assets and liabilities for all leases unless the lease term is 12 months or less or the underlying asset has a low value. Lessors continue to classify leases as operating or finance, with IFRS 16's approach to lessor accounting substantially unchanged from its predecessor, IAS 17.

IFRS 16 applies to annual reporting periods beginning on or after 1 January 2019. The Group is yet to assess IFRS 16's full impact but it is not currently anticipated that this standard will have any material impact on the Group's financial statements as presented for the current year.

The Group does not consider that the future adoption of any new standards, in the form currently available, will have any material impact on the financial statements as presented.

2. INVESTMENT MANAGEMENT FEE

	Year ended 30 September 2018 £'000	Year ended 30 September 2017 £'000
Investment management fee	**2,112**	1,352
Total	**2,112**	1,352

Ediston Investment Services Limited has been appointed as the Company's Alternative Investment Fund Manager (AIFM) and Investment Manager, with the property management arrangements of the Company being delegated to Ediston Properties Limited. The Investment Manager was entitled to a fee calculated as 0.95% per annum of the net assets of the Group up to £250 million and 0.75% per annum of the net assets of the Group over £250 million. The management fee payable on any cash available for investment is reduced to 0.475% per annum while such cash remains uninvested.

The Investment Management Agreement may be terminated by either party by giving not less than 12 months' notice. The agreement may be terminated earlier by the Group provided that a payment in lieu of notice, equivalent to the amount the Investment Manager would otherwise have received during the notice period, is made. The Investment Management Agreement may be terminated immediately without compensation if the Investment Manager: is in material breach of the agreement; is guilty of negligence, wilful default or fraud; is the subject of insolvency proceedings; or if there occurs a change of key managers to which the Board has not given its prior consent.

3. OTHER EXPENSES

	Year ended 30 September 2018 £'000	Year ended 30 September 2017 £'000
Direct operating expenses for investment properties:		
– from which income is received	**423**	88
– from which income is not received	**–**	–
Administration fee	**187**	131
Valuation and other professional fees	**222**	229
Directors' fees	**196**	118
Public relations and marketing	**131**	95
Auditor's remuneration for:		
Audit services:		
– fees payable for the audit of the consolidation and the parent company accounts	**29**	28
– fees payable for the audit of subsidiaries, pursuant to legislation	**35**	28
Non-audit services:		
– Reporting Accountant services*	**–**	10
Listing and registrar fees	**49**	44
Other	**118**	131
Total	**1,390**	902

The valuer of the investment properties, Knight Frank LLP, has agreed to provide valuation services in respect of the property portfolio. The valuation agreement states that fees will be payable quarterly in arrears based on quarterly rates of £500 per property.

* During the year ended 30 September 2018, additional fees paid to Grant Thornton LLP in relation to their role as Reporting Accountant totalling £83,000 (2017: £nil) have been charged to Share Premium as part of issue costs. Further details are contained on page 29.

4. INTEREST RECEIVABLE

	Year ended 30 September 2018 £'000	Year ended 30 September 2017 £'000
Deposit interest	**23**	8
Total	**23**	8

5. INTEREST PAYABLE

	Year ended 30 September 2018 £'000	Year ended 30 September 2017 £'000
Loan interest	**2,853**	1,630
Amortisation of loan set-up costs	**152**	78
Total	**3,005**	1,708

6. TAXATION

	Year ended 30 September 2018 £'000	Year ended 30 September 2017 £'000
Total tax charge	–	–

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

	Year ended 30 September 2018 £'000	Year ended 30 September 2017 £'000
Profit before taxation	**20,193**	12,610
UK tax at a rate of 19.0% (2017: 19.5%)	**3,837**	2,459
Effects of:		
REIT exempt profits	**(2,549)**	(1,686)
REIT exempt gains	**(1,384)**	(860)
Excess management expenses of residual business	**96**	87
Total tax charge	**–**	–

The Company served notice to HM Revenue & Customs that the Company, and its subsidiaries, qualified as a Real Estate Investment Trust with effect from 31 October 2014. Subject to continuing relevant UK-REIT criteria being met, the profits from the Group's property rental business, arising from both income and capital gains, are exempt from corporation tax.

The Group has unutilised tax losses carried forward in its residual business of £1,295,000 at 30 September 2018 (2017: £971,000). No deferred tax asset has been recognised on this amount as the Group cannot be certain that there will be taxable profits arising within its residual business from which the future reversal of the deferred tax asset could be deducted.

7. DIVIDENDS

Dividends paid as distributions to equity shareholders during the year were:

	Year ended 30 September 2018		Year ended 30 September 2017	
	Pence per share	£'000	Pence per share	£'000
In respect of the prior year:				
Twelfth interim dividend	**0.4587**	**601**	0.4587	588
In respect of the current year:				
First interim dividend	**0.4583**	**600**	0.4583	588
Second interim dividend	**0.4583**	**600**	0.4583	590
Third interim dividend	**0.4583**	**964**	0.4583	590
Fourth interim dividend	**0.4792**	**1,008**	0.4583	590
Fifth interim dividend	**0.4792**	**1,008**	0.4583	590
Sixth interim dividend	**0.4792**	**1,008**	0.4583	590
Seventh interim dividend	**0.4792**	**1,008**	0.4583	590
Eighth interim dividend	**0.4792**	**1,008**	0.4583	594
Ninth interim dividend	**0.4792**	**1,012**	0.4583	600
Tenth interim dividend	**0.4792**	**1,013**	0.4583	601
Eleventh interim dividend	**0.4792**	**1,013**	0.4583	601
Total	**5.6672**	**10,843**	5.5000	7,112

Dividends paid/announced subsequent to the year end were:

	Record date	Payment date	Pence per share
Twelfth interim dividend	19 October 2018	31 October 2018	0.4792
In respect of the year ending 30 September 2019:			
First interim dividend	9 November 2018	30 November 2018	0.4792
Second interim dividend	14 December 2018	31 December 2018	0.4792

It is the policy of the Directors to declare and pay dividends as interim dividends. The Directors do not therefore recommend a final dividend for the year ended 30 September 2018. A non-binding resolution to approve the Company's dividend policy will be proposed at the Annual General Meeting (see Resolution 6).

8. EARNINGS PER SHARE

	Year ended 30 September 2018		Year ended 30 September 2017	
	£'000	**Pence per share**	£'000	Pence per share
Revenue earnings	**12,907**	**6.60**	8,200	6.34
Capital earnings	**7,286**	**3.72**	4,410	3.41
Total earnings	**20,193**	**10.32**	12,610	9.75
Average number of shares in issue		**195,592,787**		129,342,917

9. INVESTMENT PROPERTIES

Freehold and leasehold properties	**As at 30 September 2018 £'000**	As at 30 September 2017 £'000
Opening book cost	**160,876**	168,396
Opening unrealised appreciation	**10,863**	9,138
Opening fair value	**171,739**	177,534
Purchases	**146,750**	26,100
Sales – proceeds	**–**	(37,255)
– gain on sales	**–**	2,685
Capital expenditure	**5,050**	950
Unrealised gains realised during the year	**–**	(2,888)
Unrealised gains on investment properties	**9,689**	4,656
Unrealised losses on investment properties	**(2,403)**	(43)
Closing book cost	**312,676**	160,876
Closing unrealised appreciation	**18,149**	10,863
Closing fair value	**330,825**	171,739

The fair value of the investment properties reconciled to the appraised value as follows:

	As at 30 September 2018 £'000	As at 30 September 2017 £'000
Closing fair value	**330,825**	171,739
Lease incentives held as debtors (Note 11)	**3,025**	1,671
Appraised market value per Knight Frank	**333,850**	173,410

Changes in the valuation of investment properties:

	Year ended 30 September 2018 £'000	Year ended 30 September 2017 £'000
Gain on sale of investment properties	**–**	2,685
Unrealised gains realised during the year	**–**	(2,888)
Losses on sale of investment properties realised*	**–**	(203)
Unrealised gains on investment properties	**9,689**	4,656
Unrealised losses on investment properties	**(2,403)**	(43)
Total gain on revaluation of investment properties	**7,286**	4,410

* Represents the difference between the sales proceeds, net of costs, and the property valuation at the end of the prior year.

At 30 September 2018, the investment properties were valued at £333,850,000 (2017: £173,410,000) by Knight Frank LLP (Knight Frank), in their capacity as external valuers. The valuation was undertaken in accordance with the RICS Valuation – Global Standards 2017, incorporating the International Valuation Standards, and RICS Professional Standards UK January 2014 (revised April 2015). Fair value is based on an open market valuation (the price that would be received to sell an asset, or paid to transfer a liability, in an orderly transaction between market participants at the measurement date), provided by Knight Frank on a quarterly basis, using recognised valuation techniques as set out in the Group's accounting policies.

The Group is required to classify fair value measurements of its investment properties using a fair value hierarchy, in accordance with IFRS 13 'Fair Value Measurement'. In determining what level of the fair value hierarchy to classify the Group's investments within, the Directors have considered the content and conclusion of the position paper on IFRS 13 prepared by the European Public Real Estate Association (EPRA), the representative body of the publicly listed real estate industry in Europe. This paper concludes that, even in the most transparent and liquid markets, it is likely that valuers of investment property will use one or more significant unobservable inputs or make at least one significant adjustment to an observable input, resulting in the vast majority of investment properties being classified as Level 3.

Observable market data is considered to be that which is readily available, regularly distributed or updated, reliable and verifiable, not proprietary and provided by independent sources that are actively involved in the relevant market. In arriving at the valuation Knight Frank will have to make adjustments to observable data of similar properties and transactions to determine the fair value of a property and this will involve the use of considerable judgement.

Considering the Group's specific valuation process, industry guidance, and the level of judgement required in the valuation process, the Directors believe it appropriate to classify the Group's assets within Level 3 of the fair value hierarchy.

All leasehold properties are carried at fair value rather than amortised over the term of the lease. The same valuation criteria are therefore applied to leasehold as freehold properties. All leasehold properties have more than 100 years remaining on the lease term.

The Group's investment properties, which are all commercial properties, are considered to be a single class of assets. There have been no changes to the valuation technique used through the period, nor have there been any transfers between levels.

The key unobservable inputs made in determining the fair values are:
- estimated rental value (ERV): the rent at which space could be let in the market conditions prevailing at the date of valuation; and
- net equivalent yield: the equivalent yield is defined as the internal rate of return of the cash flow from the property, assuming a rise to ERV at the next review, but with no further rental growth.

Information on these significant unobservable inputs is disclosed below:

	30 September 2018		30 September 2017	
Significant unobservable input	**Range**	**Weighted average**	Range	Weighted average
Estimated rental value per sq. ft. per annum	**£6 – £40**	**£16**	£6 – £28	£15
Net equivalent yield	**5.0% – 8.9%**	**6.2%**	5.3% – 8.5%	6.6%

The Estimated Rental Value (ERV) for the total portfolio is not materially different from the contracted rent which is disclosed on page 2.

A decrease in the net equivalent yield applied to the portfolio by 0.25% will increase the fair value of the portfolio by £14.1 million (2017: £6.8 million), and consequently increase the Group's reported income from unrealised gains on investments. An increase in yield by 0.25% will decrease the fair value of the portfolio by £13.0 million (2017: £6.4 million) and reduce the Group's income.

10. INVESTMENT IN SUBSIDIARIES

EPIC (No.1) Limited is a wholly-owned subsidiary of Ediston Property Investment Company plc and is incorporated in England and Wales (Company number: 09106328). EPIC (No.1) Limited was incorporated on 27 June 2014 and began trading on 5 May 2015. On 5 May 2015, the ownership of the property portfolio held by the Company at that date was transferred to EPIC (No.1) Limited. The net asset value of EPIC (No.1) Limited as at 30 September 2018 was £130.4 million (2017: £141.0 million) and the book cost was £104.2 million (2017: £123.7 million). The profit of EPIC (No.1) Limited for the year to 30 September 2018 was £17.0 million (2017: £13.1 million).

EPIC (No.2) Limited is a wholly-owned subsidiary of Ediston Property Investment Company plc and is incorporated in England and Wales (Company number: 10978359). EPIC (No.2) Limited was incorporated on 23 September 2017, having been established to hold the five properties acquired by the Group during the year and to enter into the Group's additional loan facility. The net asset value of EPIC (No.2) Limited as at 30 September 2018 was £106.5 million and the book cost was £105.5 million. The profit of EPIC (No.2) Limited for the period to 30 September 2018 was £3.7 million.

EPIC (No.2) Limited acquired five subsidiaries as part of the acquisition in December 2017 (see Note 23). The Group considered the acquisition of these companies as representing the acquisition of properties rather than a business combination. The properties held by these five subsidiaries were transferred immediately after acquisition and at 30 September 2018 were held directly by EPIC (No.2) Limited. Since this transfer, the five subsidiaries have remained dormant and are expected to be liquidated shortly.

11. TRADE AND OTHER RECEIVABLES

	As at 30 September 2018 £'000	As at 30 September 2017 £'000
Secured balance held with loan provider	**10,721**	5,520
Capital and rental lease incentives	**3,025**	1,671
Rent receivable (net of provision for bad debts)	**167**	66
Other debtors and prepayments	**165**	60
Total	**14,078**	7,317

The secured balance held with the loan provider represents monies that have been drawn under the Group's loan facilities, which are not currently invested in properties and which have been placed in a secured account with Aviva until required. These monies are available for reinvestment in the Group's investment property portfolio or, if necessary, could be used to partially repay the Group's borrowings.

Capital and rental lease incentives consist of £2,407,000 (2017: £1,302,000) being the prepayments for rent-free periods recognised over the life of the lease and £618,000 (2017: £369,000) relating to capital incentives paid to tenants. As set out in the accounting policy for rental income, an adjustment is made for these amounts to the fair value of the investment properties (see Note 9) to prevent double counting.

12. CASH AND CASH EQUIVALENTS

All cash balances at the year end were held in cash, current accounts or deposit accounts.

	As at 30 September 2018 £'000	As at 30 September 2017 £'000
Cash and cash equivalents	**11,735**	24,651
Total	**11,735**	24,651

13. LOANS

	As at 30 September 2018 £'000	As at 30 September 2017 £'000
Principal amount outstanding	**111,076**	56,920
Set-up costs	**(1,612)**	(838)
Amortisation of loan set-up costs	**316**	164
Total	**109,780**	56,246

In May 2015, the Group entered into a £40.0 million secured ten-year term loan arrangement with Aviva Commercial Finance Limited. In February 2016 and June 2017, the Group borrowed an additional £12.4 million and £4.5 million, respectively, also from Aviva Commercial Finance Limited. The final maturity date of all three loans is May 2025. The annual interest rate is fixed at 3.09% on the original £40.0 million loan, at 2.95% on the loan of £12.4 million and 2.22% on the third loan of £4.5 million. Each of these rates is fixed for the period of the loan as long as the loan-to-value is maintained below 40%, with each increasing by ten basis points if the loan-to-value is 40% or higher. The loans are secured over EPIC (No.1) Limited's property portfolio.

On 8 December 2017, the Group drew down a new £54.2 million ten-year term loan arranged with Aviva Commercial Finance Limited. The total interest rate payable is fixed at 2.73% for the period of the loan, increasing by ten basis points if the loan-to-value is 40% or higher. The loan is secured over EPIC (No.2) Limited's property portfolio.

The Group's weighted average cost of borrowings was 2.86% at 30 September 2018 (2017: 2.99%).

Under the financial covenants relating to the loans the Group has to ensure that for each of EPIC (No.1) Limited and EPIC (No.2) Limited:
- the Historic Interest Cover and Projected Interest Cover, each being the passing rental income as a percentage of finance costs and generally calculated over a period of 12 months to/from the calculation date, is at least 300%; and
- the Loan-to-Value Ratio, being the adjusted value of the loan as a percentage of the aggregate market value of the relevant properties, must not exceed 50%.

Breach of the financial covenants, subject to various cure rights, may lead to the loans falling due for repayment earlier than the final maturity dates stated above. The Group has complied with all the loan covenants during the year. Under the terms of early repayment relating to the loans, the cost of repaying the loans on 30 September 2018, based on the yield on the Treasury 5% 2025 and Treasury 4.25% 2027 plus a margin of 0.5%, would have been approximately £118,860,000 (2017: £62,418,000), including repayment of the principal of £111,076,000 (2017: £56,920,000).

The fair value of the loans based on a marked-to-market basis, being the yield on the relevant Treasury plus the appropriate margin, was £110,786,000 as at 30 September 2018 (2017: £59,297,000). This includes the principal amount borrowed.

Analysis of net debt:

	Cash and cash equivalents 2018 £'000	**Borrowing 2018 £'000**	**Net debt 2018 £'000**	Cash and cash equivalents 2017 £'000	Borrowing 2017 £'000	Net debt 2017 £'000
Opening balance	**24,651**	**(56,246)**	**(31,595)**	9,967	(51,783)	(41,816)
Cash flows	**(12,916)**	**(53,382)**	**(66,298)**	14,684	(4,385)	10,299
Non-cash flows	**–**	**(152)**	**(152)**	–	(78)	(78)
Closing balance	**11,735**	**(109,780)**	**(98,045)**	24,651	(56,246)	(31,595)

14. TRADE AND OTHER PAYABLES

	As at 30 September 2018 £'000	As at 30 September 2017 £'000
Rental income received in advance	**543**	407
VAT payable to HMRC	**828**	170
Investment management fee payable	**580**	347
Loan interest payable	**444**	238
Capital expenditure payable	**81**	–
Other payables	**712**	483
Total	**3,188**	1,645

The Group's payment policy is to ensure settlement of supplier invoices in accordance with stated terms.

15. NET ASSET VALUE

The Group's net asset value per Ordinary Share of 115.30 pence (2017: 111.32 pence) is based on equity shareholders' funds of £243,670,000 (2017: £145,816,000) and on 211,333,737 (2017: 130,993,931) Ordinary Shares, being the number of shares in issue at the year end.

The net asset value calculated under IFRS above is the same as the EPRA net asset value at 30 September 2018 and 30 September 2017.

16. CALLED-UP EQUITY SHARE CAPITAL

Allotted, called-up and fully paid Ordinary Shares of 1 pence par value	Number of shares	£'000
Opening balance as at 30 September 2017	130,993,931	1,310
Issue of Ordinary Shares	80,339,806	803
Closing balance as at 30 September 2018	**211,333,737**	**2,113**

During the year ended 30 September 2018, the Company issued 80,339,806 (2017: 2,730,000) Ordinary Shares, raising gross proceeds of £89,797,000 (2017: £3,046,000). The Company did not buyback or resell from treasury any Ordinary Shares during the year (2017: nil). The Company did not hold any shares in treasury. Under the Company's Articles of Association, the Company may issue an unlimited number of Ordinary Shares.

The consideration received in excess of the par value of the Ordinary Shares issued, net of the total expenses of issue of £1,293,000 (2017: £59,000), has been credited to the share premium account.

Ordinary shareholders are entitled to all dividends declared by the Company and to all of the Company's assets after repayment of its borrowings and ordinary creditors. Ordinary shareholders have the right to vote at meetings of the Company. All Ordinary Shares carry equal voting rights.

17. RELATED PARTY TRANSACTIONS

The Directors are considered to be related parties. No Director has an interest in any transactions which are, or were, unusual in their nature or significant to the nature of the Group. There are no other key management personnel, as the entity has no employees except for the Directors.

The Directors of the Group received fees for their services. Total fees for the year were £196,000 (2017: £118,000) of which £nil (2017: £nil) remained payable at the year end.

Ediston Properties Limited, being the AIFM and Investment Manager, received £2,112,000 in relation to the year (2017: £1,352,000) of which £580,000 (2017: £347,000) remained payable at the year end.

18. CONTINGENT ASSETS AND LIABILITIES

The Group acquired the units in a Jersey Property Unit Trust on 7 November 2014. Prior to the sale of the units to the Group, the seller transferred a property to another group entity by way of a distribution in specie for nil consideration. The Group indemnified the seller should any Stamp Duty Land Tax (SDLT) arise as a result of that property transfer. Both the seller's and the Group's tax advice is that there is a low probability of an SDLT liability on the transaction.

19. OPERATING SEGMENTS

The Board has considered the requirements of IFRS 8 'Operating Segments'. The Board is of the view that the Group is engaged in a single unified business, being property investment, and in one geographical area, the United Kingdom, and that therefore the Group has no segments. The Board of Directors, as a whole, has been identified as constituting the chief operating decision maker of the Group. The key measure of performance used by the Board to assess the Group's performance is the total return on the Group's net asset value. As the total return on the Group's net asset value is calculated based on the net asset value per share calculated under IFRSs as shown at the foot of the Consolidated Statement of Financial Position, the key performance measure is that prepared under IFRSs. Therefore no reconciliation is required between the measure of profit or loss used by the Board and that contained in the Financial Statements.

The view that the Group is engaged in a single unified business is based on the following considerations:

- one of the key financial indicators received and reviewed by the Board is the total return from the property portfolio taken as a whole;
- there is no active allocation of resources to particular types or groups of properties in order to try to match the asset allocation of an index or benchmark; and
- the management of the portfolio is ultimately delegated to a single property manager, Ediston Properties Limited.

20. FINANCIAL INSTRUMENTS

Consistent with its objective, the Group holds UK commercial property investments. In addition, the Group's financial instruments comprise cash and receivables and payables that arise directly from its operations. The Group does not have exposure to any derivative instruments.

The Group is exposed to various types of risk that are associated with financial instruments. The most important types are credit risk, liquidity risk, interest rate risk and market price risk. There is no foreign currency risk as all assets and liabilities of the Group are maintained in pounds sterling.

The Board reviews and agrees policies for managing the Group's risk exposure. These policies are summarised below and have remained unchanged for the period under review. These disclosures include, where appropriate, consideration of the Group's investment properties which, whilst not constituting financial instruments as defined by IFRSs, are considered by the Board to be integral to the Group's overall risk exposure.

SECURITIES FINANCING TRANSACTIONS (SFT)

The Company has not, during the year to 30 September 2018 (2017: same), participated in any: repurchase transactions; securities lending or borrowing; buy-sell back transactions; margin lending transactions; or total return swap transactions (collectively called SFT). As such, it has no disclosure to make in satisfaction of the EU regulations on transparency of SFT.

The following table summarises the Group's financial assets and liabilities into the categories required by IFRS 7 'Financial Instruments: Disclosures':

	As at 30 September 2018		As at 30 September 2017	
	Held at fair value through profit or loss £'000	**Financial assets and liabilities at amortised cost £'000**	Held at fair value through profit or loss £'000	Financial assets and liabilities at amortised cost £'000
Financial assets				
Trade and other receivables	**–**	**10,888**	–	5,586
Cash and cash equivalents	**–**	**11,735**	–	24,651
	–	**22,623**	–	30,237
Financial liabilities				
Loan	**–**	**(109,780)**	–	(56,246)
Trade and other payables	**–**	**(1,817)**	–	(1,068)
	–	**(111,597)**	–	(57,314)

Apart from the Aviva loans, as disclosed in Note 13, the fair value of financial assets and liabilities is not materially different from their carrying value in the financial statements.

CREDIT RISK

Credit risk is the risk that an issuer or counterparty will be unable or unwilling to meet a commitment that it has entered into with the Group. At the reporting date, the Group's financial assets exposed to credit risk amounted to £22,623,000 (2017: £30,237,000), consisting of cash of £11,735,000 (2017: £24,651,000), the secured balance held with the loan provider of £10,721,000 (2017: £5,520,000) and rent receivable of £167,000 (2017: £66,000).

In the event of default by a tenant if it is in financial difficulty or otherwise unable to meet its obligations under the lease, the Group will suffer a rental shortfall and incur additional expenses until the property is re-let. These expenses could include legal and surveyor's costs in re-letting, maintenance costs, insurances, rates and marketing costs and may have a material adverse impact on the financial condition and performance of the Group and/or the level of dividend cover. The Board receives regular reports on concentrations of risk and any tenants in arrears. The Investment Manager monitors such reports in order to anticipate, and minimise the impact of, defaults by occupational tenants.

Where there are concerns over the recoverability of rental income, the amounts outstanding will be fully provided for. There were no financial assets which were either past due or considered impaired at 30 September 2018 or at 30 September 2017.

All of the Group's cash was placed with The Royal Bank of Scotland plc (RBS) as at 30 September 2017. Due to the quantum of the cash balances held, during the year ended 30 September 2018 the Group opened an additional deposit account with Bank of Scotland plc which permitted the Group to diversify its credit risk when significant cash balances were held. At 30 September 2018, the Group held £6.2 million with RBS and £5.5 million with Bank of Scotland plc. Bankruptcy or insolvency of the bank holding cash balances may cause the Group's ability to access cash placed with them to be delayed, limited or lost. Both RBS and Bank of Scotland plc are rated by all the main rating agencies. Should the credit quality or the financial position of the banks currently employed significantly deteriorate, cash holdings would be moved to another bank. As at 30 September 2018, Standard & Poor's credit rating for RBS was A-2 and Moody's was P-1. The equivalent credit ratings for Bank of Scotland plc were A-1 and P-1, respectively. There has been no change in the fair values of cash or receivables as a result of changes in credit risk in the current or prior periods.

LIQUIDITY RISK

Liquidity risk is the risk that the Group will encounter difficulties in realising assets or otherwise raising funds to meet financial commitments. The Group's investments comprise commercial properties.

Property and property-related assets in which the Group invests are not traded in an organised public market and may be illiquid. As a result, the Group may not be able to liquidate quickly its investments in these properties at an amount close to their fair value in order to meet its liquidity requirements.

The Group's liquidity risk is managed on an ongoing basis by the Investment Manager and monitored on a quarterly basis by the Board. In order to mitigate liquidity risk the Group has a comprehensive ten-year cash flow forecast that aims to have sufficient cash balances, taking into account projected receipts for rental income and property sales, to meet its obligations for a period of at least 12 months. At the reporting date, the maturity of the financial assets was:

FINANCIAL ASSETS AS AT 30 SEPTEMBER 2018

	Three months or less £'000	**More than three months but less than one year £'000**	**More than one year but less than three years £'000**	**More than three years £'000**	**Total £'000**
Cash and cash equivalents	**11,735**	**–**	**–**	**–**	**11,735**
Secured balance held with loan provider	**10,721**	**–**	**–**	**–**	**10,721**
Rent receivable	**167**	**–**	**–**	**–**	**167**
Total	**22,623**	**–**	**–**	**–**	**22,623**

FINANCIAL ASSETS AS AT 30 SEPTEMBER 2017

	Three months or less £'000	More than three months but less than one year £'000	More than one year but less than three years £'000	More than three years £'000	Total £'000
Cash and cash equivalents	24,651	–	–	–	24,651
Secured balance held with loan provider	5,520	–	–	–	5,520
Rent receivable	66	–	–	–	66
Total	30,237	–	–	–	30,237

At the reporting date, the financial liabilities on a contractual maturity basis were:

FINANCIAL LIABILITIES AS AT 30 SEPTEMBER 2018

	Three months or less £'000	**More than three months but less than one year £'000**	**More than one year but less than three years £'000**	**More than three years £'000**	**Total £'000**
Loan	**–**	**–**	**–**	**111,076**	**111,076**
Interest payable on loan	**802**	**2,379**	**6,353**	**15,729**	**25,263**
Other payables	**1,373**	**–**	**–**	**–**	**1,373**
Total	**2,175**	**2,379**	**6,353**	**126,805**	**137,712**

20. FINANCIAL INSTRUMENTS CONTINUED

LIQUIDITY RISK CONTINUED

FINANCIAL LIABILITIES AS AT 30 SEPTEMBER 2017

	Three months or less £'000	More than three months but less than one year £'000	More than one year but less than three years £'000	More than three years £'000	Total £'000
Loan	–	–	–	56,920	56,920
Interest payable on loan	429	1,273	3,409	8,070	13,181
Other payables	830	–	–	–	830
Total	1,259	1,273	3,409	64,990	70,931

Included in the tables above are payments due to Aviva, including interest payable, in connection with the loans as detailed in Note 13.

INTEREST RATE RISK

Some of the Group's financial instruments will be interest-bearing. They are a mix of both fixed and variable rate instruments with differing maturities. As a consequence, the Group is exposed to interest rate risk due to fluctuations in the prevailing market rate. The Group's exposure to floating interest rates gives cash flow interest rate risk and its exposure to fixed interest rates gives fair value interest rate risk.

The following table sets out the carrying amount of the Group's financial instruments that are exposed to interest rate risk:

	As at 30 September 2018		As at 30 September 2017	
	Fixed rate £'000	**Variable rate £'000**	Fixed rate £'000	Variable rate £'000
Cash and cash equivalents	**–**	**11,735**	–	24,651
Secured balance held with loan provider	**–**	**10,721**	–	5,520
Loan	**(109,780)**	**–**	(56,246)	–

VARIABLE RATE

When the Group retains cash balances, they will ordinarily be held on interest-bearing deposit accounts. The Group's policy is to hold cash in variable rate or short-term fixed rate bank accounts. Exposure varies throughout the year as a consequence of changes in the composition of the net assets of the Group arising out of the investment and risk management policies.

An increase of 0.50% in interest rates would have increased the reported profit for the year and the net assets at 30 September 2018 by £112,000 (2017: £151,000), a decrease of 0.50% in interest rates would have had an equal and opposite effect. These calculations are based on the variable rate balances at the respective balance sheet date and are not representative of the year as a whole, nor reflective of actual future conditions.

FIXED RATE

Considering the effect on the loan balance, it is estimated that an increase of 0.50% in interest rates as at the balance sheet date would have decreased its fair value by approximately £3.7 million (2017: £1.9 million) and a decrease of 0.50% would have increased its fair value by approximately £3.9 million (2017: £2.0 million). As the loan balance is recognised in the Consolidated Financial Statements at amortised cost, this change in fair value would not have resulted in a change in the reported profit for the year, nor the net assets of the Group at the year end.

MARKET PRICE RISK

The management of market price risk is part of the investment management process and is typical of a property investment company. The portfolio is managed with an awareness of the effects of adverse valuation movements through detailed and continuing analysis, with an objective of maximising overall returns to shareholders. Investments in property and property-related assets are inherently difficult to value due to the individual nature of each property. As a result, valuations are subject to substantial uncertainty. There is no assurance that the estimates resulting from the valuation process will reflect the actual sales price even where such sales occur shortly after the valuation date. Such risk is minimised through the appointment of external property valuers. The basis of valuation of the property portfolio is set out in detail in the accounting policies.

Any changes in market conditions will directly affect the profit and loss reported through the Statement of Comprehensive Income. Details of the Group's investment property portfolio held at the balance sheet date are disclosed in Note 9. A 10% increase in the value of the investment properties held as at 30 September 2018 would have increased net assets available to shareholders and increased the net income for the year by £33.1 million (2017: £17.2 million); an equal and opposite movement would have decreased net assets and decreased the net income by an equivalent amount.

The calculations are based on the investment property valuations at the respective balance sheet date and are not representative of the year as a whole, nor reflective of future market conditions.

21. CAPITAL COMMITMENTS

The Group did not have any material contractual commitments to refurbish, construct or develop any investment property, or for repair, maintenance or enhancements as at 30 September 2018 (2017: nil).

22. LEASE LENGTH

The Group leases out its investment properties under operating leases. These properties are measured under the fair value model as the properties are held to earn rentals. All leases are non-cancellable with a weighted average unexpired lease term of 6.6 years (2017: 6.3 years).

The minimum lease payments based on the unexpired lessor lease length at the year end were as follows (based on actual rentals):

	As at 30 September 2018 £'000	As at 30 September 2017 £'000
Less than one year	**20,514**	12,020
Between two and five years	**64,385**	39,021
Over five years	**56,619**	29,078
Total	**141,518**	80,119

The largest single tenant at the year end accounted for 8.8% (2017: 15.2%) of the contracted rent.

23. SIGNIFICANT EVENTS

On 15 November 2017, the Company announced that it had entered into a conditional acquisition agreement with the Stadium Group in relation to the acquisition of a new portfolio of four retail warehouse parks with an aggregated market value of approximately £144 million. This acquisition, funded by an equity issue, an additional debt facility and utilising some of the Group's existing cash, was approved by shareholders. The transaction and fund raising was successfully achieved, with the acquisition subsequently completing on 8 December 2017.

In order to finance this acquisition, the Company allotted 79.3 million Ordinary Shares at a price of 111.75 pence per share on 7 December 2017. This included 32.7 million Ordinary Shares which were issued, at the same price, to the vendors. The shares issued to the vendors were covered, from the date of issuance, by a 12-month agreement, subject to customary exceptions, not to dispose of the shares for 12 months from the date of allotment and to only dispose of such shares in the following 12-month period after providing notice to the Company. The Company also fully drew down an additional ten-year debt facility of £54 million at a fixed rate, including the margin, of 2.73% per annum (see Note 13).

The total costs of the transaction, incorporating the entirety of the costs of the share issuance, the acquisition of the property portfolio and the additional debt facility, were £3.1 million which equated to 2.2% of the value of the properties acquired.

24. ALTERNATIVE INVESTMENT FUND MANAGERS (AIFM) DIRECTIVE

Ediston Investment Services Limited (EISL) has been authorised as an AIFM by the FCA under the AIFMD regulations and became the Group's AIFM with effect from 24 February 2016. In accordance with the AIFM Directive, information in relation to the Group's leverage and the remuneration of the Company's AIFM is required to be made available to investors. EISL has provided disclosures on its website, www.ediston.com/ediston-investment-services-ltd incorporating the requirements of the AIFMD regulations regarding remuneration.

The Group's maximum and actual leverage levels at 30 September 2018 are shown below:

Leverage exposure	Gross method	Commitment method
Maximum limit	3.00	3.00
Actual	1.36	1.45

For the purposes of the AIFM Directive, leverage is any method which increases the Group's exposure, including the borrowing of cash and the use of derivatives. It is expressed as a percentage of the Group's exposure to its net asset value and is calculated on both a gross and commitment method.

Under the gross method, exposure represents the sum of the Group's positions after deduction of cash balances, without taking account of any hedging or netting arrangements. Under the commitment method, exposure is calculated without the deduction of cash balances and after certain hedging and netting positions are offset against each other.

The leverage limits are set by the AIFM and approved by the Board and are in line with the maximum leverage levels permitted in the Company's Articles of Association. The AIFM is also required to comply with the gearing parameters set by the Board in relation to borrowings.

Detailed regulatory disclosures to investors in accordance with the AIFM Directive are contained on the Company's website.

Company Statement of Financial Position
As at 30 September 2018

	Notes	As at 30 September 2018 £'000	As at 30 September 2017 £'000
Non-current assets			
Investment in subsidiary undertakings	3	**209,665**	123,680
		209,665	123,680
Current assets			
Trade and other receivables	4	**1,640**	561
Cash and cash equivalents	5	**6,986**	4,878
		8,626	5,439
Total assets		**218,291**	129,119
Current liabilities			
Trade and other payables	6	**(1,812)**	(634)
Total liabilities		**(1,812)**	(634)
Net assets		**216,479**	128,485
Equity and reserves			
Called-up equity share capital	7	**2,113**	1,310
Share premium		**125,559**	37,858
Capital reserve – investments sold		**4,649**	4,649
Special distributable reserve		**84,158**	84,668
Revenue reserve		**–**	–
Equity shareholders' funds		**216,479**	128,485
Net asset value per Ordinary Share	8	**102.4p**	98.1p

The accompanying notes are an integral part of these Financial Statements.

Company number: 09090446.

The Company made a profit for the year ended 30 September 2018 of £10,333,000 (2017: £6,665,000).

The Company Financial Statements on pages 66 to 70 were approved by the Board of Directors on 5 December 2018 and signed on its behalf by:

William Hill
Chairman

Company Statement of Changes in Equity

For the year ended 30 September 2018

	Notes	Share capital account £'000	Share premium £'000	Capital reserve – investments sold £'000	Special distributable reserve £'000	Revenue reserve £'000	Total equity £'000
As at 30 September 2017		1,310	37,858	4,649	84,668	–	128,485
Profit and total comprehensive income for the year		–	–	–	–	10,333	10,333
Transactions with owners recognised in equity:							
Issue of Ordinary Shares	7	803	87,701	–	–	–	88,504
Dividends paid	2	–	–	–	–	(10,843)	(10,843)
Transfer from special reserve		–	–	–	(510)	510	–
As at 30 September 2018		**2,113**	**125,559**	**4,649**	**84,158**	**–**	**216,479**

For the year ended 30 September 2017

	Notes	Share capital account £'000	Share premium £'000	Capital reserve – investments sold £'000	Special distributable reserve £'000	Revenue reserve £'000	Total equity £'000
As at 30 September 2016		1,283	34,898	4,649	85,115	–	125,945
Profit and total comprehensive income for the year		–	–	–	–	6,665	6,665
Transactions with owners recognised in equity:							
Issue of Ordinary Shares		27	2,960	–	–	–	2,987
Dividends paid	2	–	–	–	–	(7,112)	(7,112)
Transfer from special reserve		–	–	–	(447)	447	–
As at 30 September 2017		**1,310**	**37,858**	**4,649**	**84,668**	**–**	**128,485**

The accompanying notes are an integral part of these Financial Statements.

Notes to the Company Financial Statements

1. ACCOUNTING POLICIES

BASIS OF PREPARATION

The Company Financial Statements have been prepared in accordance with FRS 101: Reduced Disclosure Framework and applicable legal and regulatory requirements of the Companies Act 2006.

The accounts have been prepared on a historical cost basis. The notes and financial statements are presented in pounds sterling (being the functional currency and presentational currency for the Company) and are rounded to the nearest thousand except where otherwise indicated.

The major accounting policies of the Company are set out below and have been applied consistently throughout the current and prior year.

The results of the Company have been included in the Group's Consolidated Financial Statements as presented on pages 47 to 65. The accounting policies adopted are consistent with those adopted by the Group as stated in Note 1 to the Consolidated Financial Statements. The only additional policy applied is in relation to investments in subsidiary undertakings and this is set out below.

The Company has taken advantage of the following exemptions permitted under FRS 101:
— an exemption from preparing the Company cash flow statement and related notes;
— an exemption from listing any new or revised standards that have not been adopted or providing information about their likely impact; and
— an exemption from disclosing transactions between the Company and its wholly-owned subsidiaries.

Shareholders were informed about the Company's intention to use the above disclosure exemptions in the Annual Report and Accounts 2017 and no objections were received. A shareholder holding, or shareholders holding in aggregate, 5% or more of the total allotted shares in Ediston Property Investment Company plc may serve objections to the future use of the disclosure exemptions on Ediston Property Investment Company plc, in writing, to its registered office (Broadgate Tower, 20 Primrose Street, London EC2A 2EW) to be received not later than 90 days prior to the end of Company's relevant reporting period.

GOING CONCERN

The Financial Statements are prepared on the going concern basis as explained for the Consolidated Financial Statements on page 51.

INVESTMENTS IN SUBSIDIARY UNDERTAKINGS

Investments in subsidiary undertakings are stated at cost less, where applicable, any provision for impairment.

CAPITAL MANAGEMENT

The Company's capital is represented by the Ordinary Shares, Share Premium, Capital Reserves, Revenue Reserve and Special Distributable Reserve and is managed in line with the policies set out for the Group on page 54.

COMPANY PROFIT FOR THE FINANCIAL YEAR AFTER TAX

Under Section 408 of the Companies Act 2006 the Company is exempt from the requirement to present its own profit and loss account. The profit after tax for the year was £10,333,000 (2017: £6,665,000).

The Company does not have any employees (2017: nil). Details of the Directors' fees paid during the year are disclosed in the Group's Remuneration Report and in Note 3 to the Consolidated Financial Statements. All of the Directors' fees were paid by the parent company, although £176,000 (2017: £106,000) was subsequently reallocated to the subsidiaries to reflect the work completed by the Directors in relation to the property assets held by those companies.

Audit fees in relation to the parent company only were £29,000 (2017: £28,000), excluding VAT, and fees for audit-related services, for acting as the reporting accountant in relation to the Company's prospectus, were £83,000 (2017: £10,000). Of the fees for audit-related services, £83,000 (2017: £nil) was charged to Share Premium as part of the issue costs of the Ordinary Shares. There were no other non-audit fees paid to Grant Thornton UK LLP by the Company during the year or the prior year.

2. DIVIDENDS

Details of dividends paid by the Company are included in Note 7 to the Consolidated Financial Statements.

3. INVESTMENTS IN SUBSIDIARIES

	As at 30 September 2018 £'000	As at 30 September 2017 £'000
Opening balance	**123,680**	123,680
Additions	**105,505**	–
Repurchase of equity	**(19,520)**	–
Closing balance	**209,665**	123,680

At 1 October 2017, the Company has a single equity investment in a wholly-owned subsidiary, EPIC (No.1) Limited. During the year ended 30 September 2018, EPIC (No.1) Limited repurchased £19,520,000 of the equity previously issued to the Company.

During the year ended 30 September 2018, the Company subscribed for shares in a newly-incorporated subsidiary, EPIC (No.2) Limited. This subsidiary holds the four properties and the additional debt facility as detailed in Note 23 to the Consolidated Financial Statements.

See Note 10 to the Consolidated Financial Statements on page 59 for further details on the Group structure.

4. TRADE AND OTHER RECEIVABLES

	As at 30 September 2018 £'000	As at 30 September 2017 £'000
Amount due from subsidiary undertakings	**1,629**	527
Other receivables and prepayments	**11**	34
Total	**1,640**	561

The amount due from subsidiary undertakings is a short-term balance which arises from the reallocation of the Group VAT payment and certain expenses between members of the Group on a quarterly basis and is settled in cash shortly after each quarter end.

5. CASH AND CASH EQUIVALENTS

All cash balances at the year end were held in cash, current accounts or deposit accounts.

6. TRADE AND OTHER PAYABLES

	As at 30 September 2018 £'000	As at 30 September 2017 £'000
VAT payable to HMRC	**828**	–
Investment management fee payable	**580**	347
Tax withheld on dividends paid	**187**	152
Other payables	**217**	135
Total	**1,812**	634

The Company's payment policy is to ensure settlement of supplier invoices in accordance with stated terms.

7. SHARE CAPITAL

Allotted, called-up and fully paid Ordinary Shares of 1 pence par value	Number of shares	£'000
Opening balance as at 30 September 2017	130,993,931	1,310
Issue of Ordinary Shares	80,339,806	803
Closing balance as at 30 September 2018	**211,333,737**	**2,113**

During the year ended 30 September 2018, the Company issued 80,339,806 (2017: 2,730,000) Ordinary Shares, raising gross proceeds of £89,797,000 (2017: £3,046,000). The Company did not buyback or resell from treasury any Ordinary Shares during the year (2017: nil). The Company did not hold any shares in treasury. Under the Company's Articles of Association, the Company may issue an unlimited number of Ordinary Shares.

Ordinary shareholders are entitled to all dividends declared by the Company and to all of the Company's assets after repayment of its borrowings and ordinary creditors. Ordinary shareholders have the right to vote at meetings of the Company. All Ordinary Shares carry equal voting rights.

8. NET ASSET VALUE

The Company's net asset value per Ordinary Share of 102.4 pence (2017: 98.1 pence) is based on equity shareholders' funds of £216,479,000 (2017: £128,485,000) and on 211,333,737 (2017: 130,993,931) Ordinary Shares, being the number of shares in issue at the year end.

9. FINANCIAL INSTRUMENTS

The Company's risks associated with financial instruments and the policies for managing its risk exposure are consistent with those detailed in Note 20 to the Consolidated Financial Statements on pages 62 to 64.

With regards to the categorisation required by IFRS 7 'Financial Instruments: Disclosures' all of the Company financial assets and liabilities are categorised as 'financial assets and liabilities at amortised cost'. The Company's financial assets consist of trade and other receivables and cash and cash equivalents. The Company's financial liabilities consist of trade and other payables.

At the reporting date, the Company's financial assets exposed to credit risk amounted to £8,615,000 (2017: £5,405,000), consisting of the Company's cash balance of £6,986,000 (2017: £4,878,000) and current account balances due from its wholly-owned subsidiaries of £1,629,000 (2017: £527,000).

9. FINANCIAL INSTRUMENTS CONTINUED

The maturity of the Company's financial liabilities (on a contractual maturity basis) at 30 September 2018 was as follows:

	Three months or less £'000	More than three months but less than three years £'000	More than three years £'000	Total £'000
Other payables	**984**	**–**	**–**	**984**

The maturity of the Company's financial liabilities (on a contractual maturity basis) at 30 September 2017 was as follows:

	Three months or less £'000	More than three months but less than three years £'000	More than three years £'000	Total £'000
Other payables	634	–	–	634

The Company's only financial instrument exposed to interest rate risk at 30 September 2018 was its cash balance of £6,986,000 (2017: £4,878,000) which received a variable rate of interest. An increase of 0.50% in interest rates would have increased the reported profit for the year, and the net assets at year end, by £35,000 (2017: £24,000). A decrease of 0.50% in interest rates would have had an equal and opposite effect. These calculations are based on the variable rate balances at the respective balance sheet date and are not representative of the year as a whole, nor reflective of actual future conditions.

10. RELATED PARTY TRANSACTIONS

Other than transactions between the Company and its wholly-owned Subsidiaries, in relation to which the Company has adopted the permitted exemption allowed by FRS 101, related party transactions are the same for the Company as for the Group. For details refer to Note 17 to the Consolidated Financial Statements on page 61. The fees payable to the Directors and the Investment Manager are initially paid by the Company, but may be re-allocated, in whole or in part, to the Subsidiaries.

Shareholder information

TAX STRUCTURE

Ediston Property Investment Company plc is tax resident in the UK and is a Real Estate Investment Trust (REIT) under Part 12 of the Corporation Tax Act 2010, subject to continuing compliance with the REIT rules and regulations. The main REIT rules with which the Group must comply are set out in the section entitled 'Compliance with REIT Status' on page 52.

A REIT does not suffer UK corporation tax on the profits (income and capital gains) derived from its qualifying property rental businesses in the UK and elsewhere (the Tax-Exempt Business), provided that certain conditions are satisfied. Instead, distributions in respect of the Tax-Exempt Business will be treated for UK tax purposes as UK property income in the hands of shareholders (see further below for details on the UK tax treatment of shareholders in a REIT). A dividend paid by the Company relating to profits or gains of the Tax-Exempt Business is referred to in this section as a Property Income Distribution (PID).

However, UK corporation tax remains payable in the normal way in respect of income and gains from the Company's business (generally including any property trading business) not included in the Tax-Exempt Business (the Residual Business). Dividends relating to the Residual Business are treated for UK tax purposes as normal dividends. Any normal dividend paid by the Company is referred to as a Non-PID Dividend.

Distributions to shareholders may potentially include both PID and Non-PID Dividends as calculated in accordance with specific attribution rules. The Company provides shareholders with a certificate setting out how much, if any, of their dividends is a PID and how much is a Non-PID dividend. A breakdown of the dividends paid in relation to the years ended 30 September 2017 and 30 September 2018 is set out below. Details of all the dividends paid since the Company's launch are available at www.ediston-reit.co.uk.

Distribution	Ex-dividend date	Payment date	PID (per share)	Non-PID (per share)	Total (per share)
In relation to the year ended 30 September 2017:					
First interim	10/11/16	30/11/16	0.4583p	–	0.4583p
Second interim	08/12/16	30/12/16	0.4583p	–	0.4583p
Third interim	19/01/17	31/01/17	0.4583p	–	0.4583p
Fourth interim	09/02/17	28/02/17	0.4583p	–	0.4583p
Fifth interim	09/03/17	31/03/17	0.4583p	–	0.4583p
Sixth interim	20/04/17	28/04/17	0.4583p	–	0.4583p
Seventh interim	11/05/17	31/05/17	0.4583p	–	0.4583p
Eighth interim	15/06/17	30/06/17	0.4583p	–	0.4583p
Ninth interim	20/07/17	31/07/17	0.4583p	–	0.4583p
Tenth interim	10/08/17	31/08/17	0.4583p	–	0.4583p
Eleventh interim	14/09/17	29/09/17	0.4583p	–	0.4583p
Twelfth interim	19/10/17	31/10/17	0.4587p	–	0.4587p
Total in relation to the year ended 30 September 2017			**5.5000p**	**–**	**5.5000p**
In relation to the year ended 30 September 2018:					
First interim	09/11/17	30/11/17	0.4583p	–	0.4583p
Second interim	14/12/17	29/12/17	0.4583p	–	0.4583p
Third interim	18/01/18	31/01/18	0.4583p	–	0.4583p
Fourth interim	08/02/18	28/02/18	0.4792p	–	0.4792p
Fifth interim	08/03/18	29/03/18	0.4792p	–	0.4792p
Sixth interim	19/04/18	30/04/18	0.4792p	–	0.4792p
Seventh interim	10/05/18	31/05/18	0.4792p	–	0.4792p
Eighth interim	14/06/18	29/06/18	0.4792p	–	0.4792p
Ninth interim	19/07/18	31/07/18	0.4792p	–	0.4792p
Tenth interim	09/08/18	31/08/18	0.4792p	–	0.4792p
Eleventh interim	13/09/18	28/09/18	0.4792p	–	0.4792p
Twelfth interim	18/10/18	31/10/18	0.4792p	–	0.4792p
Total in relation to the year ended 30 September 2018			**5.6877p**	**–**	**5.6877p**

UK TAXATION OF PIDS

A PID is, together with any property income distribution from any other REIT company, treated as taxable income from a UK property business. The basic rate of income tax (currently 20%) will be withheld by the Company (where required) on the PID unless the shareholder is entitled to receive PIDs without income tax being deducted at source and they have notified the Registrar of this entitlement sufficiently in advance of a PID being paid.

Shareholders who are individuals may, depending on their particular circumstances, either be liable to further UK income tax on their PID at their applicable marginal income tax rate, incur no further UK tax liability on their PID, or be entitled to claim repayment of some or all of the UK income tax withheld on their PID.

Corporate shareholders who are resident for tax purposes in the UK will generally be liable to pay UK corporation tax on their PID and if income tax is withheld at source, the tax withheld can be set against their liability to UK corporation tax or against any income tax which they themselves are required to withhold in the accounting period in which the PID is received.

UK TAXATION OF NON-PID DIVIDENDS

Under current UK legislation, most individual shareholders who are resident in the UK for taxation purposes receive a tax-free dividend allowance of £2,000 per annum (with effect from April 2018, previously £5,000) and any dividend income (including Non-PID Dividends) in excess of this allowance is subject to income tax.

UK resident corporate shareholders (other than dealers and certain insurance companies) are not liable to corporation tax or income tax in respect of UK dividends provided that the dividends are exempt under Part 9A of the Corporation Tax Act 2009.

UK TAXATION OF CHARGEABLE GAINS IN RESPECT OF ORDINARY SHARES IN THE COMPANY

Any gain on disposal (by sale, transfer or redemption) of Ordinary Shares by shareholders resident in the UK for taxation purposes will be subject to capital gains tax in the case of an individual shareholder, or UK corporation tax on chargeable gains in the case of a corporate shareholder.

For the purposes of calculating chargeable gains, the following table sets out the price at which the Company has issued significant numbers of shares since launch:

Date of issuance	Share price (per share)
27 October 2014	100.00p
8 July 2015	108.00p
8 December 2017	111.75p

In addition to the significant share issuance on the dates above, the Company has issued small amounts of shares through tap issuance to meet ongoing market demand. The total number of shares issued during the year is shown in Note 16 to the Consolidated Financial Statements on page 61.

The statements on taxation above are intended to be a general summary of certain tax consequences that may arise in relation to the Company and shareholders. This is not a comprehensive summary of all technical aspects of the taxation of the Company and its shareholders and is not intended to constitute legal or tax advice to investors.

The statements relate to the UK tax implications of a UK resident individual investing in the Company (unless expressly stated otherwise). The tax consequences may differ for investors who are not resident in the UK for tax purposes. The statements are based on current tax legislation and HMRC practice, both of which are subject to change at any time, possibly with retrospective effect.

Prospective investors should familiarise themselves with, and where appropriate should consult their own professional advisers on, the overall tax consequences of investing in the Company.

CONTACTS

Investor relations

Information on Ediston Property Investment Company plc, including the latest share price:
www.ediston-reit.com

Registrar:
Computershare Investor Services PLC
The Pavilions
Bridgwater Road
Bristol BS99 6ZZ

T: 0370 707 1079
E: www.investorcentre.co.uk/contactus

Enquiries about the following administrative matters should be addressed to the Company's registrar:

- Change of address notification.
- Lost share certificates.
- Dividend payment enquiries.
- Dividend mandate instructions. Shareholders may have their dividends paid directly into their bank or building society accounts by completing a dividend mandate form. Tax vouchers, where applicable, are sent directly to shareholders' registered addresses.
- Amalgamation of shareholdings. Shareholders who receive more than one copy of the Annual Report are invited to amalgamate their accounts on the share register.

Shareholders can view and manage their shareholdings online at www.investorcentre.co.uk, including updating address records, making dividend payment enquiries, updating dividend mandates and viewing the latest share price. Shareholders will need their Shareholder Reference Number (SRN), which can be found on their share certificate or a recent dividend tax voucher, to access this site. Once signed up to Investor Centre, an activation code will be sent to the shareholder's registered address to enable the shareholder to manage their holding.

FINANCIAL CALENDAR 2019

January 2019	Announcement of Net Asset Value as at 31 December 2018
26 February 2019	Annual General Meeting
April 2019	Announcement of Net Asset Value as at 31 March 2019
May 2019	Publication of Half Yearly Report for the six months to 31 March 2019
July 2019	Announcement of Net Asset Value as at 30 June 2019
October 2019	Announcement of Net Asset Value as at 30 September 2019
December 2019	Publication of Annual Report for the year to 30 September 2019

It is the intention of the Board that dividends will continue to be announced and paid monthly.

HISTORIC RECORD

	Total assets less current liabilities £'000	Shareholders' funds £'000	Property portfolio £'000	EPRA net asset value per share p	Share price p	Premium/ (discount) %	EPRA earnings per share p	Dividends per share p	Ongoing charges* %
27 October 2014 (launch)	93,171	93,171	76,700	98.07	100.0	1.9	–	–	–
30 September 2015	176,044	136,586	136,400	106.49	109.5	2.8	4.15	5.09	1.4
30 September 2016	189,114	137,331	181,410	107.07	103.4	(3.4)	5.90	5.50	1.5
30 September 2017	202,062	145,816	173,410	111.32	106.5	(4.3)	6.34	5.50	1.5
30 September 2018	**353,450**	**243,670**	**333,850**	**115.30**	**109.0**	**(5.5)**	**6.60**	**5.69**	**1.3**

* Excludes direct operating expenses for investment properties as these are variable in nature and tend to be specific to lease events occurring during the period.

KEY INFORMATION DOCUMENT

Investors should be aware that the Packaged Retail and Insurance-based Investment Products Regulation (PRIIPs) Regulation requires the AIFM, as the PRIIP manufacturer, to prepare a key information document (KID) in respect of the Company. This KID must be made available by the Investment Manager to retail investors prior to them making any investment decision and is available on the Company's website. The Company is not responsible for the information contained in the KID and investors should note that the procedures for calculating the risks, costs and potential returns are prescribed by the law. The figures in the KID may not reflect the expected returns for the Company and anticipated performance returns cannot be guaranteed.

INVESTMENT PLATFORMS

The Board encourages shareholders to vote on the resolutions to be proposed at the AGM. Those retail shareholders who hold their shares through an investment platform are reminded that, although you may not have an automatic voting right, many platforms have processes in place to allow you to cast your vote and you should contact your investment platform directly for further information.

HOW TO INVEST

Shares in Ediston Property Investment Company plc are listed on the main market of the London Stock Exchange (LSE: EPIC).

As with any publicly quoted company, the shares can be bought and sold on the stock market. This can be done directly through a platform provider or through a wealth manager, financial adviser or stock broker.

Another option is to use one of the platform providers who offer an 'execution only' service. Links to such providers are available on the Company's website at www.ediston-reit.com. Potential investors should note that by clicking on any of the links contained thereon, you will leave the Company's website and go to an external website. The Company is not responsible for the content or accuracy of these external websites.

Please remember that the value of investments and the income from them is not guaranteed and can go down as well as up. Also, past performance is not a reliable indicator of future performance and investors might not get back the original amount invested.

WARNING TO SHAREHOLDERS – BEWARE OF SHARE FRAUD

Fraudsters use persuasive and high-pressure tactics to lure investors into scams. They may offer to sell shares that turn out to be worthless or non-existent, or to buy shares at an inflated price in return for an up-front payment.

If you are approached by fraudsters please tell the Financial Conduct Authority (FCA) by using the share fraud reporting form at www.fca.org.uk/consumers where you can find out more about investment scams. You can also call the FCA Consumer Helpline on 0800 111 6768. If you have already paid money to share fraudsters you should contact Action Fraud on 0300 123 2040.

Glossary of terms, definitions and alternative performance measures

GLOSSARY AND ALTERNATIVE PERFORMANCE MEASURES

The Company uses a number of technical terms in reporting its results and this glossary is to assist investors in their understanding of these terms. The Company uses alternative performance measures (APMs). APMs do not have a standard meaning prescribed by GAAP and therefore may not be comparable to similar measures presented by other entities. The APMs used by the Company are highlighted in the glossary below.

AIC	Association of Investment Companies. This is the trade body for Closed-end Investment Companies (www.theaic.co.uk).
AIFMD	Alternative Investment Fund Managers Directive. Issued by the European Parliament in 2012 and 2013, the Directive requires the Company to appoint an Alternative Investment Fund Manager (AIFM). The Board of Directors of a Closed-ended Investment Company, nevertheless, remains fully responsible for all aspects of the Company's strategy, operations and compliance with regulations.
AIFM	Alternative Investment Fund Manager. The entity that provides portfolio management and risk management services to the Company and which ensures the Company complies with the AIFMD. The Company's AIFM is Ediston Investment Services Limited.
Basic Total Earnings per Share	Total profit after taxation divided by the weighted average number of Ordinary Shares in issue during the period.
Break Clause/Option	A clause in a Lease which provides the landlord or tenant with an ability to terminate the Lease before its contractual expiry date.
Closed-end Investment Company	A company with a fixed issued ordinary share capital which is traded on a stock exchange at a price not necessarily related to the Net Asset Value of the company and where shares can only be issued or bought back by the company in certain circumstances. This contrasts with an open-ended investment company, which has units not traded on an exchange but issued or bought back from investors at a price directly related to the Net Asset Value.
Company	Ediston Property Investment Company PLC (Company number 09090446). The Annual Report and Accounts of the Company consolidate the results of its subsidiary undertakings, details of which are contained in Note 10 to the Consolidated Financial Statements, collectively referred to as 'the Group'. References throughout this document to 'the Company' may also encompass matters relevant to the subsidiary undertakings.
Contracted Rent*	The annualised rent adjusting for the inclusion of rent subject to rent-free periods and rental guarantees.
Covenant Strength*	This refers to the quality of a tenant's financial status and its ability to perform the covenants in the Lease.
Debt Utilised	The debt facilities with Aviva (2018: £111.1million), less the secured balance held in a blocked account (2018: £10.7 million) which is available for future acquisitions and capital expenditure.
Depositary	Under AIFMD rules, the Company must appoint a Depositary, whose duties in respect of investments, cash and similar assets include: safekeeping; verification of ownership and valuation; and cash monitoring. The Depositary's oversight duties include, but are not limited to, oversight of share buy backs, dividend payments and adherence to investment limits. The Company's Depositary is Augentius Depositary Limited.
Discount (or Premium) of Share Price to NAV*	If the share price is less than the Net Asset Value per share, the shares are trading at a discount. If the share price is greater than the Net Asset Value per share, the shares are trading at a premium. The discount (or premium) is calculated by reporting the difference between the Net Asset Value per share and the Share Price as a percentage of the Net Asset Value per share.
Dividend	The income from an investment. The Company currently pays dividends to shareholders monthly.
Dividend Cover*	Revenue profit for the period, excluding exceptional items, divided by dividends paid during the period.
Dividend Yield*	Calculated using the annual dividend as a percentage of the share price at the year end.
Dividends per Share	Dividends declared for the year.
EPRA	The European Public Real Estate Association, the industry body for European REITs.
EPRA Cost Ratio (including direct vacancy costs)*	The ratio of net overheads and operating expenses against gross rental income (with both amounts excluding ground rents payable). Net overheads and operating expenses relate to all administrative and operating expenses.
EPRA Cost Ratio (excluding direct vacancy costs)*	The ratio calculated above, but with direct vacancy costs removed from net overheads and operating expenses balance.
EPRA Earnings per Share*	Recurring earnings from core operational activities. A key measure of a company's underlying operating results from its property rental business and an indication of the extent to which current dividend payments are supported by earnings.
EPRA NAV*	NAV adjusted to include properties and other investment interests at fair value and to exclude certain items not expected to crystallise in a long-term investment property business model. Makes adjustments to the IFRS NAV to provide stakeholders with the most relevant information on the fair value of the assets and liabilities within a true real estate investment company with a long-term investment strategy. At 30 September 2018 and 30 September 2017, the EPRA NAV was the same as the IFRS NAV.

* Alternative Performance Measure.

EPRA Net Asset Value (NAV) per Share*	EPRA NAV at the year end divided by the number of Ordinary Shares in issue at that date.
EPRA Net Asset Value (NAV) per Share increase*	EPRA NAV at 30 September 2018 minus the NAV at 30 September 2017. This is then divided by the opening EPRA NAV to compute the percentage increase in the period.
EPRA Net Initial Yield*	The annualised rental income based on cash rents passing at the year end less non-recoverable property expenditure expressed as a percentage of the gross market value of the property portfolio.
EPRA Topped Up Net Initial Yield*	Calculated by adjusting the EPRA Net Initial Yield in respect of the expiration of rent-free periods or other unexpired lease incentives such as discounted or step rents.
EPRA Vacancy Rate*	Estimated Market Rental Value (ERV) of vacant space expressed as a percentage of the ERV of the whole portfolio. The vacancy rate excludes those properties which are under development or major refurbishment.
Equivalent Yield*	The internal rate of return of the cash flow from the property, assuming a rise to ERV at the next review but with no further rental growth.
Escrow	Funds placed in custody or trust until a certain condition has been fulfilled. For example, amounts provided by the seller of a property to cover rent-free periods or vacant units and generally held by a legal firm and released to the Group gradually over the length of the rent-free or vacant period in order to compensate the Group for the anticipated rental shortfall for an agreed period subsequent to purchase.
Estimated Rental Value (ERV)*	The estimated annual market rental value of a property as determined by the Company's External Valuer. This will normally be different from the actual rent being paid.
External Valuer	An independent external valuer of a property. The Company's External Valuer is Knight Frank LLP and detailed information regarding the valuation of the Company's properties is included in the accounting polices and Note 9 to the Consolidated Financial Statements.
Fixed and Minimum Uplift Rents	Rents subject to fixed uplifts at an agreed level on agreed dates stipulated within the Lease, or rents subject to contracted minimum uplifts at specified review dates.
Gearing	Unlike open-ended investment companies, Closed-end Investment Companies have the ability to borrow to invest. This term is used to describe the level of borrowings that an Investment Company has undertaken. The higher the level of borrowings, the higher the gearing ratio. This is expressed as a percentage of the principal value of borrowings against total assets.
Increase/decrease in NAV*	The movement in NAV in the period, shown in total and as a movement per share. Expressed in whole numbers and as a percentage.
Investment Manager	The Company's Investment Manager, pursuant to the Investment Managers' Delegation Agreement, is Ediston Properties Limited. The Investment Manager is responsible for the day-to-day management of the Company and advises the Group on the acquisition of its investment portfolio and on the development, management and disposal of UK commercial assets in its portfolio.
Lease	A legally binding contract between a landlord and a tenant which sets out the basis on which the tenant is permitted to occupy a property, including the Lease length.
Lease Incentive	A payment used to encourage a tenant to take on a new Lease, for example by a landlord paying a tenant a sum of money to contribute to the cost of a tenant's fit-out of a property or by allowing a rent-free period.
Lease Re-gear	This term is used to describe the renegotiation of a Lease during the term and is often linked to another Lease event; for example, a Break Clause/Option or Rent Review.
Lease Surrender	An agreement whereby the landlord and tenant bring a Lease to an end other than by contractual expiry or the exercise of a Break Clause/Option. This will frequently involve the negotiation of a surrender premium by one party to the other.
Like-for-like Movement*	The like-for-like increase (or decrease) in the property portfolio is calculated as the movement in the fair value of the property portfolio excluding any properties bought or sold in the period.
Loan to Value*	Debt outstanding and drawn at the period end, net of any cash held in the Lender deposit account, expressed as a percentage of the market value of all property assets.
Net Assets (or Shareholders' Funds)	This is calculated as the value of the investments and other assets of an Investment Company, plus cash and debtors, less borrowings and any other creditors. It represents the underlying value of an Investment Company at a point in time.
Net Asset Value (NAV) per Ordinary Share (or 'IFRS NAV')	This is calculated as the net assets of the Group calculated under its accounting policies as set out on pages 51 to 55 divided by the number of shares in issue, excluding those shares held in treasury. This is the number disclosed at the foot of the Consolidated Statement of Financial Position on page 48. At 30 September 2018 and 30 September 2017, the IFRS NAV was the same as the EPRA NAV.

* Alternative Performance Measure.

Glossary of terms, definitions and alternative performance measures continued

NAV Total Return*	The growth in NAV plus dividends reinvested, and this can be expressed as a percentage of NAV per share at the start of the year.
Net Income	The net income from a property after deducting ground rent and non-recoverable expenditure.
Net Initial Yield*	The initial Net Income from a property at the date of purchase, expressed as a percentage of the gross purchase price including the costs of purchase.
Non-PID	Non-Property Income Distribution. The dividend received by a shareholder of the Company arising from any source other than profits and gains of the Tax Exempt Business of the REIT Group. This is similar to a dividend paid by any other company resident in the UK. From 6 April 2018, individual shareholders who are resident in the UK for taxation purposes are entitled to a tax-free dividend allowance of £2,000 per annum. Any dividend income (including Non-PID Dividends but excluding PIDs) in excess of this allowance is subject to income tax. UK resident corporate shareholders (other than dealers and certain insurance companies) are not liable to corporation tax or income tax in respect of UK dividends provided that the dividends are exempt under Part 9A of the Corporation Tax Act 2009.
Ongoing Charges*	Operating costs incurred by the Company, expressed as a proportion of its average Net Assets over the reporting year. The costs of buying and selling investment properties and the costs of buying back or issuing Ordinary Shares are excluded. The Company also excludes direct operating expenses for investment properties as these are variable in nature and tend to be specific to lease events occurring during the period.
Ordinary Shares	The main type of equity capital issued by conventional Investment Companies. Shareholders are entitled to their share of both income, in the form of dividends paid by the Company, and any capital growth. Ordinary Shares carry voting rights at General Meetings of the Company.
PID	Property Income Distribution. A dividend received by a shareholder of the Company in respect of profits and gains of the tax exempt business of the Group. Such distributions are taxable as profits of a UK property business and, in the case of a shareholder, are chargeable to UK income tax at their highest marginal rates in the case of UK resident individuals or to UK corporation tax in the case of UK resident companies.
Premium (or Discount) of Share Price to NAV	If the share price is less than the Net Asset Value per share, the shares are trading at a discount. If the share price is greater than the Net Asset Value per share, the shares are trading at a premium. The premium (or discount) is calculated by reporting the difference between the Net Asset Value per share and the Share Price as a percentage of the Net Asset Value per share.
Property Total Return*	The valuation movement plus net income (after deducting interest payable) expressed as a percentage of the opening book value together with the time weighted value for capital expenditure incurred during the year, all of which is net of Debt Utilised.
REIT	Real Estate Investment Trust. A company which complies with Part 12 of the Corporation Tax Act 2010. Subject to the continuing relevant UK-REIT criteria being met, the profits from the property business of a REIT, arising from both income and capital gains, are exempt from corporation tax.
Rent Review	A periodic review of rent during the term of a Lease, as provided for within a Lease agreement.
Reversion	Increase in rent estimated by the Company's External Valuer, where the passing rent is below the ERV. The increases to rent arise on rent reviews and lettings.
Share Price	The value of a share at a point in time as quoted on a stock exchange. The Company's Ordinary Shares are quoted on the Main Market of the London Stock Exchange.
Share Price Total Return*	The percentage change in the Share Price assuming dividends are reinvested to purchase additional Ordinary Shares at the prevailing share price.
SORP	Statement of Recommended Practice 'Financial Statements of Investment Trust Companies and Venture Capital Trusts' issued by the AIC.
Surrender Premium	The amount received from tenants who break their leases early, or paid to tenants in order to reclaim vacant possession of the property.
Total Assets	This is calculated as the value of the investment properties and other assets of the Company, plus cash and debtors.
Total Return	The return to shareholders calculated on a per share basis by adding dividends paid in the period to the increase or decrease in the Share Price or NAV. The dividends are assumed to have been reinvested in the form of Ordinary Shares or Net Assets, excluding any cost of reinvestment.
UK Corporate Governance Code or UK Code	A code issued by the Financial Reporting Council which sets out standards of good practice in relation to board leadership and effectiveness, remuneration, accountability and relations with shareholders. All companies with a Premium Listing of equity shares in the UK are required under the Listing Rules to report on how they have applied the UK Code in their annual report and accounts.
Voids*	The amount of rent relating to properties which are unoccupied and generating no rental income. Stated as a percentage of ERV.
WAULT*	Weighted Average Unexpired Lease Term. The average lease term remaining to first break, or expiry, across the portfolio weighted by contracted rental income (including rent-frees). The calculation excludes properties allocated as developments.

* Alternative Performance Measure.

Notice of Annual General Meeting

NOTICE IS HEREBY GIVEN that the fifth Annual General Meeting of Ediston Property Investment Company plc will be held at the offices of Dickson Minto W.S., Broadgate Tower, 20 Primrose Street, London EC2A 2EW on 26 February 2019 at 2.00 p.m. for the purposes of considering and, if thought fit, passing the following resolutions, of which resolutions 1 to 7 inclusive will be proposed as ordinary resolutions and resolutions 8 to 10 inclusive will be proposed as special resolutions:

ORDINARY RESOLUTIONS

1. That the Annual Report and Accounts for the year ended 30 September 2018 be received.

2. That the Directors' Remuneration Report for the year ended 30 September 2018 be approved.

3. That Grant Thornton UK LLP be re-appointed as the Company's Auditor until the conclusion of the next Annual General Meeting.

4. That the Directors be authorised to determine the Auditor's remuneration.

5. That Robert Dick, who retires by rotation, be re-elected as a Director of the Company.

6. That the Company's dividend policy be approved.

7. That, in addition to any existing authority, in accordance with section 551 of the Companies Act 2006, the Directors be generally and unconditionally authorised to exercise all powers of the Company to allot shares in the capital of the Company and to grant rights to subscribe for or to convert any security into shares in the Company (Securities) up to an aggregate nominal amount of £211,334 or, if less, the aggregate nominal amount equal to 10% of the Company's issued share capital immediately prior to the passing of this resolution, provided that this authority shall, unless renewed, varied or revoked by the Company, expire at the conclusion of the next Annual General Meeting of the Company or on 15 months from the passing of this resolution, whichever is the earlier, save that the Company may, before such expiry, make offers or agreements which would or might require Securities to be allotted and the Directors may allot Securities in pursuance of such offer or agreement notwithstanding that the authority conferred by this resolution has expired.

SPECIAL RESOLUTIONS

8. That, subject to the passing of resolution 7, the Directors be given the general power, pursuant to section 570 of the Companies Act 2006 (the 'Act'), to allot equity securities (as defined in section 560 of the Act) for cash pursuant to the authority under section 551 of the Act either conferred by resolution 7 or by way of a sale of treasury shares as if section 561 of the Act did not apply to any such allotment, provided that this power:
   (a) expires at the conclusion of the next Annual General Meeting of the Company after the passing of this resolution or on expiry of 15 months from the passing of this resolution, whichever is the earlier, unless renewed, varied or revoked by the Company prior to or on such date, and save that the Company may, before such expiry, make offers or agreements which would or might require equity securities to be allotted after such expiry and the Directors may allot equity securities in pursuance of any such offer or agreement notwithstanding that the power conferred by this resolution has expired; and
   (b) shall be limited to the allotment of equity securities for cash up to an aggregate nominal amount of £211,334 or, if less, the aggregate nominal amount equal to 10% of the nominal value of the issued share capital of the Company immediately prior to the passing of this resolution.

9. To authorise the Company generally and unconditionally to make market purchases (within the meaning of section 693(4) of the Companies Act 2006) of Ordinary Shares of £0.01 each provided that:
   (a) the maximum aggregate number of Ordinary Shares that may be purchased is 31,678,927 Ordinary Shares or, if less, 14.99% of the issued Ordinary Share capital of the Company immediately prior to the passing of this resolution (excluding treasury shares);
   (b) the minimum price (excluding expenses) which may be paid for each Ordinary Share is £0.01;
   (c) the maximum price (excluding expenses) which may be paid for each Ordinary Share is the higher of:
      (i) 105% of the average market value of an Ordinary Share in the Company for the five business days prior to the day the purchase is made; and
      (ii) the higher of the last independent trade and the highest current independent bid on the London Stock Exchange; and
   (d) unless previously varied, revoked or renewed, the authority hereby conferred shall expire at the conclusion of the Company's next Annual General Meeting or on 15 months from the passing of this resolution, whichever is the earlier, save that the Company may, before the expiry of the authority granted by this resolution, enter into a contract to purchase Ordinary Shares which will or may be executed wholly or partly after the expiry of such authority.

10. That, the Company be and is hereby generally and unconditionally authorised to hold general meetings (other than Annual General Meetings) on 14 clear days' notice, such authority to expire at the conclusion of the next Annual General Meeting of the Company or 15 months from the passing of this resolution, whichever is the earlier.

By order of the Board
Maitland Administration Services (Scotland) Limited
Company Secretary

Registered office:
Level 13, Broadgate Tower
20 Primrose Street
London
EC2A 2EW
5 December 2018

NOTES

1. Only those shareholders registered in the Company's register of members at 6.00 p.m. on 22 February 2019 or, if the meeting is adjourned, 6.00 p.m. on the day two working days prior to the adjourned meeting, shall be entitled to attend and vote at the meeting.

   Changes to the register of members after the relevant deadline shall be disregarded in determining the rights of any person to attend and vote at the meeting.

2. Information regarding the meeting, including the information required by section 311A of the Companies Act 2006 (the 'Act'), can be found at www.ediston-reit.com.

3. As a member you are entitled to appoint a proxy to exercise all or any of your rights to attend, speak and vote at the meeting and you should have received a proxy form with this notice of meeting. A proxy does not need to be a shareholder of the Company but must attend the meeting to represent you. You may appoint more than one proxy provided each proxy is appointed to exercise rights attached to different shares. You can only appoint a proxy using the procedures set out in these notes and the notes to the proxy form. You may not use any electronic address provided either in this notice or any related documents (including the financial statements and proxy form) to communicate with the Company for any purpose other than those expressly stated.

4. Shareholders can:
   (a) appoint a proxy and give proxy instructions by returning the enclosed proxy form by post (see Note 5); or
   (b) if a CREST member, register their proxy appointment by utilising the CREST electronic proxy appointment service (see Note 6).

   Appointment of a proxy does not preclude you from attending the meeting and voting in person. If you have appointed a proxy and attend the meeting and vote in person, your proxy appointment will automatically be terminated.

5. The notes to the proxy form explain how to direct your proxy how to vote on each resolution or withhold their vote. To appoint a proxy using the proxy form, the form must be:
   (a) completed and signed;
   (b) sent or delivered to Computershare Investor Services PLC at The Pavilions, Bridgwater Road, Bristol BS99 6ZY; and
   (c) received by Computershare Investor Services PLC no later than 2.00 p.m. on 22 February 2019 or, in the event of an adjournment of the meeting, 48 hours before the adjourned meeting.

   In the case of a shareholder which is a company, the proxy form must be executed under its common seal or signed on its behalf by an officer of the company or an attorney for the company. Any power of attorney or any other authority under which the proxy form is signed (or a duly certified copy of such power or authority) must be included with the proxy form. If you have not received a proxy form and believe that you should have one, or if you require additional proxy forms, please contact Computershare Investor Services PLC, The Pavilions, Bridgwater Road, Bristol BS99 6ZY (Telephone: 0370 707 1079).

6. CREST members who wish to appoint a proxy or proxies by utilising the CREST electronic proxy appointment service may do so for the meeting and any adjournment(s) of it by using the procedures described in the CREST manual (available via www.euroclear.com). CREST personal members or other CREST sponsored members, and those CREST members who have appointed a voting service provider(s), should refer to their CREST sponsor or voting service provider(s), who will be able to take the appropriate action on their behalf.

   In order for a proxy appointment made using the CREST service to be valid, the appropriate CREST message (a 'CREST Proxy Instruction') must be properly authenticated in accordance with Euroclear UK & Ireland Limited's (EUI) specifications and must contain the information required for such instructions, as described in the CREST Manual. The message, regardless of whether it constitutes the appointment of a proxy or is an amendment to the instruction given to a previously appointed proxy, must, in order to be valid, be transmitted so as to be received by Computershare Investor Services PLC (ID 3RA50) no later than 2.00 p.m. on 22 February 2019 or, in the event of an adjournment of the meeting, 48 hours before the adjourned meeting. For this purpose, the time of receipt will be taken to be the time (as determined by the timestamp applied to the message by the CREST applications host) from which the issuer's agent is able to retrieve the message by enquiry to CREST in the manner prescribed by CREST. After this time, any change of instructions to proxies appointed through CREST should be communicated to the appointee through other means.

   CREST members and, where applicable, their CREST sponsors or voting service providers should note that EUI does not make available special procedures in CREST for any particular message. Normal system timings and limitations will therefore apply in relation to the input of CREST proxy instructions. It is the responsibility of the CREST member concerned to take (or, if the CREST member is a CREST personal member or sponsored member, or has appointed a voting service provider(s), to procure that his/her CREST sponsor or voting service provider(s) take(s)) such action as shall be necessary to ensure that a message is transmitted by means of the CREST system by any particular time. In this connection, CREST members and, where applicable, their CREST sponsors or voting service providers are referred, in particular, to those sections of the CREST manual concerning practical limitations of the CREST system and timings.

   The Company may treat as invalid a CREST proxy instruction in the circumstances set out in Regulation 35(5)(a) of the Uncertificated Securities Regulations 2001.

7. A corporation which is a shareholder can appoint one or more corporate representatives who may exercise, on its behalf, all its powers as a member provided that no more than one corporate representative exercises powers over the same share.

8. As at 6.00 p.m. on 5 December 2018, the Company's issued share capital comprised 211,333,737 Ordinary Shares of £0.01 each. Each Ordinary Share carries the right to one vote at a General Meeting of the Company and, therefore, the total number of voting rights in the Company as at 6.00 p.m. on 5 December 2018 is 211,333,737.

   The website referred to in Note 2 will include information on the number of shares and voting rights.

9. Under section 319A of the Act, any member attending the meeting has a right to ask questions. The Company must answer any question you ask relating to the business being dealt with at the meeting unless:
   (a) answering the question would interfere unduly with the preparation for the meeting or involve the disclosure of confidential information;
   (b) the answer has already been given on a website in the form of an answer to a question; or
   (c) it is undesirable in the interests of the Company or the good order of the meeting that the question be answered.

10. Under section 338 of the Act, a member or members meeting the qualification criteria set out in Note 13 below may, subject to certain conditions, require the Company to circulate to members notice of a resolution which may properly be moved and is intended to be moved at that meeting. The conditions are that:
    (a) the resolution must not, if passed, be ineffective (whether by reason of inconsistency with any enactment or the Company's constitution or otherwise);
    (b) the resolution must not be defamatory of any person, frivolous or vexatious; and
    (c) the request: (i) may be in hard copy form or in electronic form; (ii) must identify the resolution of which notice is to be given by either setting out the resolution in full or, if supporting a resolution sent by another member, clearly identifying the resolution which is being supported; (iii) must be authenticated by the person or persons making it; and (iv) must be received by the Company not later than six weeks before the meeting to which the request relates.

11. Under section 338A of the Act 2006, a member or members meeting the qualification criteria set out at Note 13 below may require the Company to include in the business to be dealt with at the Annual General Meeting a matter (other than a proposed resolution) which may properly be included in the business (a matter of business). The request must have been received by the Company not later than 15 January 2019. The conditions are that the matter of business must not be defamatory of any person, frivolous or vexatious. The request must identify the matter of business by either setting it out in full or, if supporting a statement sent by another member, clearly identify the matter of business which is being supported. The request must be accompanied by a statement setting out the grounds for the request. Members seeking to do this should write to the Company providing their full name and address.

12. Under section 527 of the Act, a member or members meeting the qualification criteria set out at Note 13 below may have the right to request the Company to publish on its website a statement setting out any matter that such members propose to raise at the meeting relating to the audit of the Company's accounts (including the Auditor's Report and the conduct of the audit) that are to be laid before the meeting. Where the Company is required to publish such a statement on its website:
    (a) it may not require the shareholders making the request to pay any expenses incurred by the Company in complying with the request;
    (b) it must forward the statement to the Company's auditors no later than the time the statement is made available on the Company's website; and
    (c) the statement may be dealt with as part of the business of the meeting.

    The request must:
    (a) be in writing to Maitland Administration Services (Scotland) Limited at 20 Forth Street, Edinburgh EH1 3LH;
    (b) either set out the statement in full or, if supporting a statement sent by another shareholder, clearly identify the statement which is being supported;
    (c) be authenticated by the person or persons making it; and
    (d) be received by the Company at least one week before the meeting.

13. In order to be able to exercise the members' rights in Notes 10 to 12, the relevant request must be made by:
    (a) a member or members having a right to vote at the meeting and holding at least 5% of total voting rights of the Company; or
    (b) at least 100 members having a right to vote at the meeting and holding, on average, at least £100 of paid-up share capital.

14. If you are a person who has been nominated under section 146 of the Companies Act 2006 to enjoy information rights (Nominated Person), you may have a right under an agreement between you and the shareholder of the Company who has nominated you to have information rights (Relevant Shareholder) to be appointed or to have someone else appointed as a proxy for the meeting. If you either do not have such a right or if you have such a right but do not wish to exercise it, you may have a right under an agreement between you and the Relevant Shareholder to give instructions to the Relevant Shareholder as to the exercise of voting rights. Your main point of contact in terms of your investment in the Company remains the Relevant Shareholder (or, perhaps, your custodian or broker) and you should continue to contact them (and not the Company) regarding any changes or queries relating to your personal details and your interest in the Company (including any administrative matters). The only exception to this is where the Company expressly requests a response from you. The statement of the rights of members in relation to the appointment of proxies in Notes 3 and 4 on page 78 does not apply to a Nominated Person.

15. Any person holding 3% or more of the total voting rights of the Company who appoints a person other than the Chairman of the meeting as his proxy will need to ensure that both he and his proxy comply with their respective disclosure obligations under the UK Disclosure Guidance and Transparency Rules.

16. Copies of the Directors' letters of appointment are available for inspection at the Company's registered office during normal business hours and at the place of the meeting from at least 15 minutes prior to the meeting until the end of the meeting.

Notes

Corporate information

DIRECTORS
William Hill
Robin Archibald
Robert Dick
Jamie Skinner

REGISTERED OFFICE
Level 13, Broadgate Tower
20 Primrose Street
London
EC2A 2EW

REGISTERED NUMBER
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Registered in England and Wales

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London EC2A 2EW

INVESTMENT MANAGER
Ediston Properties Limited
Level 13, Broadgate Tower
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London
EC2A 2EW

ADMINISTRATOR AND COMPANY SECRETARY
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Edinburgh
EH1 3LH

LEGAL ADVISER
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