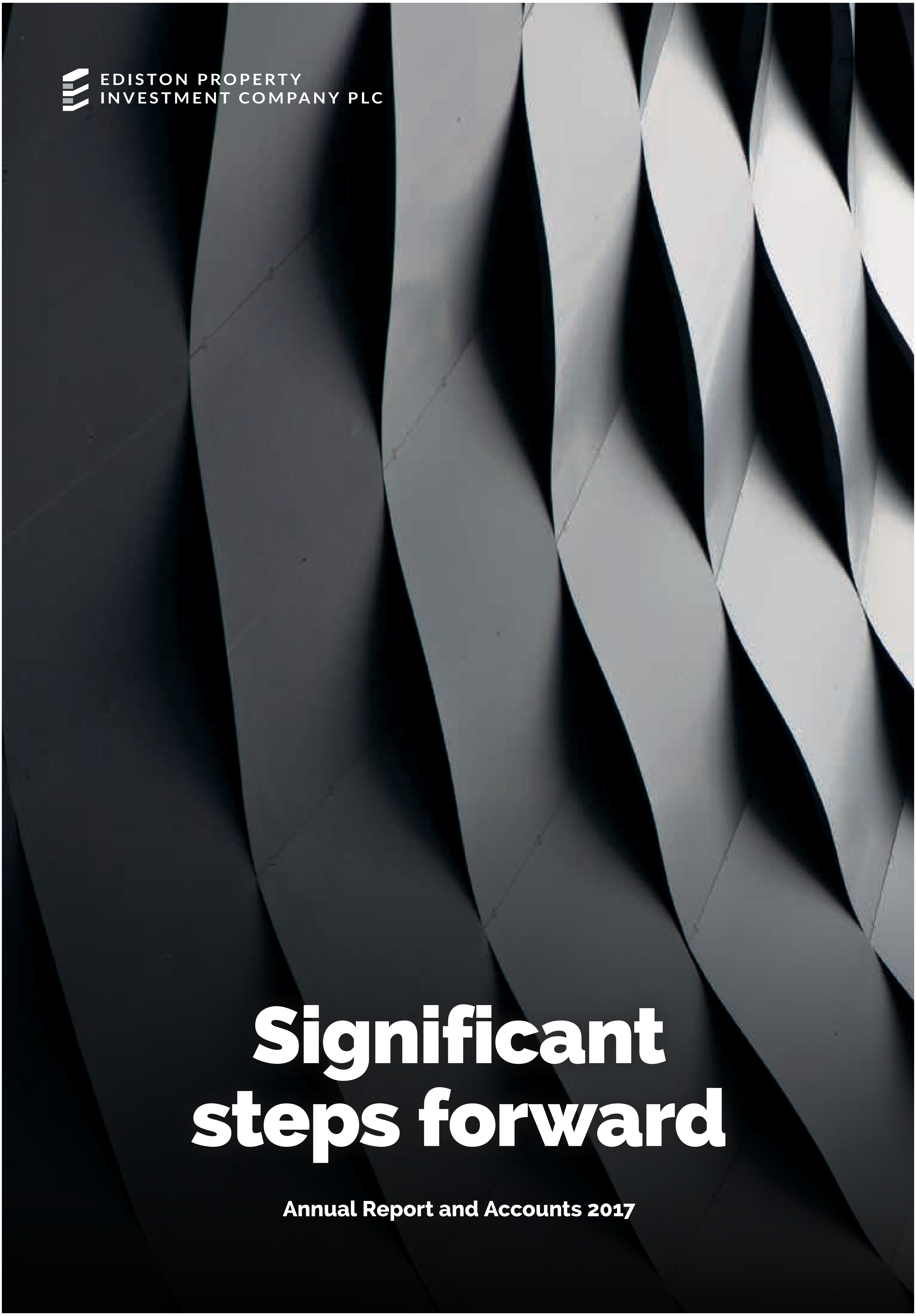
EDISTON PROPERTY
INVESTMENT COMPANY PLC



Significant steps forward

Annual Report and Accounts 2017

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.

THE YEAR IN NUMBERS (TO 30 SEPTEMBER 2017)

Total assets	NAV total return	EPRA vacancy rate
£203.7m	**9.3%**	**0.7%**
Weighted average unexpired lease term	EPRA NAV per share	Dividend per share
6.3 years	**111.32p**	**5.5p**

HIGHLIGHTS IN THE YEAR TO 30 SEPTEMBER 2017

NAV per share at 30 September 2017 of 111.32 pence (30 September 2016: 107.07 pence), an increase of 4.0% after taking into account capital expenditure and transaction costs

–

Fair value independent valuation of the property portfolio as at 30 September 2017 of £173.4 million, a like-for-like increase of 4.8% on the valuation at 30 September 2016

The office at Cutlers Gate, Sheffield, was sold for £20.2 million, a 2.0% premium to the March 2017 valuation

–

The Sheffield sale proceeds were immediately reinvested in the acquisition of Pallion Retail Park, Sunderland for £25.6 million

–

The office building in Reading, Phoenix, was sold for £20.5 million, in line with the June 2017 valuation

–

Improved dividend cover

POST-PERIOD END ACTIVITY, TO 31 DECEMBER 2017

Dividend to be increased by 4.5% to 5.75 pence per share from January 2018, payable from February 2018

–

Acquired four prominent retail parks for £144.0 million

–

Raised approximately £88.7 million of new equity

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%

–

£25.8 million of cash available for further investment and development

–

Total assets of £347.3 million

Find out more information on the new assets on pages 14 and 15

www.ediston-reit.com

IN THIS REPORT

Refreshing the portfolio

Selling mature assets during the period and re-investing the proceeds in new assets with growth potential.

Read more on pages 10 to 13

Transformative transaction

Substantial post-period end activity secures £144.0 million retail warehouse portfolio, following £88.7 million equity raise.

Read more on pages 14 and 15

Our progress

Transactional activity during the period and post-period end increases contracted rent by 79.3%.

Read more on pages 12 to 15

Find out more

edision-reit.com

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At a glance

A portfolio with opportunity

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 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.

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 offer a robust income stream but with opportunities to enhance and improve it.

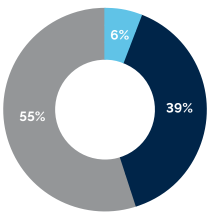
* Acquired post-period end. Further information can be found on pages 14 and 15.

PORTFOLIO COMPOSITION

Sector

At 30 September 2017

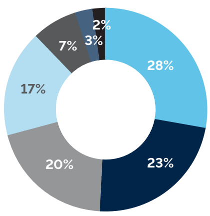
- Leisure
- Office
- Retail warehouse



Geography

At 30 September 2017

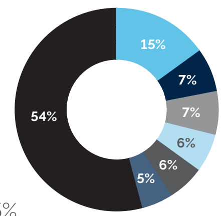
- North East
- Wales
- West Midlands
- Scotland
- East Midlands
- South West
- North West



Tenants

At 30 September 2017

- B&Q plc
- Ernst & Young LLP
- AXA Insurance UK plc
- B&M Retail Ltd
- Capita Business Services Ltd
- Weightmans LLP
- Tenants less than 5%



Number of properties
At 30 September 2017
12

Portfolio value
At 30 September 2017
£173.4m

Contracted rent
At 30 September 2017
£12.1m

Office

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

Number of properties
4

Value
£67.7m

Contracted rent
£4.4m

Sector weighted average unexpired lease term
5.6 years

Retail Warehouse

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

Number of properties
5

Value
£95.5m

Contracted rent
£6.8m

Sector weighted average unexpired lease term
6.9 years

Leisure

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

Number of properties
3

Value
£10.2m

Contracted rent
£0.9m

Sector weighted average unexpired lease term
4.9 years

SIGNIFICANT PORTFOLIO GROWTH POST-YEAR END

ACQUIRED FOUR PROMINENT, WELL-LET RETAIL WAREHOUSE PARKS
- Hull, Kingston Retail Park
- Prestatyn, Prestatyn Shopping Park
- Barnsley, Wombwell Lane Retail Park
- Widnes, Widnes Shopping Park

POTENTIAL FOR GROWTH
- The right planning consents (Open A1, part food)
- Asset management and tenant engineering angles to exploit
- Scope to improve the income stream of each asset
- Yield compression anticipated in the sector

KEY NUMBERS
- Acquired for £144.0m
- WAULT of 7.6 years
- 23 tenants are new to the Company, improving diversification of income

Read more on pages 14 and 15

Delivering for our investors

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

OUR STRATEGIC PRIORITIES

1 Income Growth

to support increased dividend payments to shareholders.

Progress in the period
Further lettings of vacant space and regears of existing leases ahead of estimated rental value. Dividend is fully covered.

Post-period end, dividend increased to 5.75 pence per share. Change to take effect in February 2018.

Targets
Complete further lettings, rent reviews and regears to strengthen the Company's income stream.

2 NAV Growth

through entrepreneurial asset management of the portfolio.

Progress in the period
NAV per share increased 4.0% as a result of asset management initiatives.

Targets
Continued NAV growth through implementation of the Ediston style of asset management.

3 Transactional Activity

to enhance the prospect of income and capital growth.

Progress in the period
Two sales of £40.7 million and one acquisition of £25.6 million, in line with investment policy.

Post-period end, a portfolio of £144.0 million was acquired. This is more fully discussed on pages 14 and 15.

Targets
The Company has a strategy for growth and 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 Reduction

to minimise the vacancy rate across the portfolio.

Progress in the period
Reduced EPRA vacancy rate from 4.7% to 0.7%.

The post-period end acquisition increased the vacancy rate to 3.1%.

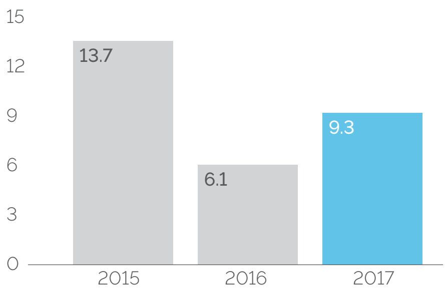
Targets
Aim to let any voids and maintain a low vacancy rate.

KEY PERFORMANCE INDICATORS

NAV total return

9.3%

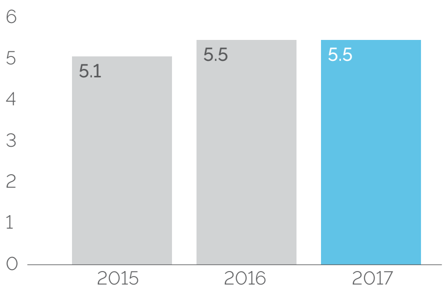
NAV total return reflects both the growth in net assets as well as dividends paid to shareholders. The Board considers this the best overall measure of value delivered to shareholders.



Dividend per share

5.5 pence

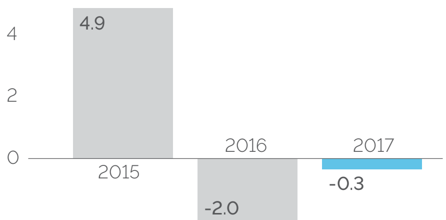
A key objective is to provide an attractive and sustainable level of dividend to our shareholders. At each quarterly meeting the Board reviews the level of dividend per share, coupled with detailed financial forecasts, to ensure that this objective is being met and is suitable.



Average premium/discount of share price to NAV

0.3% discount

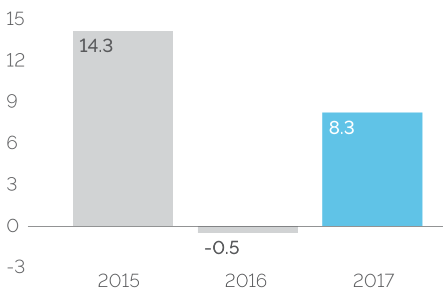
Premium/discount of share price to NAV is monitored by the Board as it believes that long term investment performance is a key driver of the level of premium or discount achieved. However, it is recognised that there could be stock market volatility which can affect this from time to time.



Share price total return

8.3%

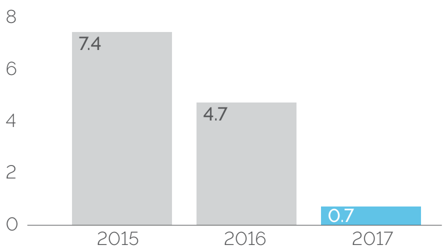
Share price total return reflects both the growth in share price as well as dividends paid to shareholders. The Board considers this to be a good current measure of value that can be realised by shareholders.



EPRA vacancy rate

0.7%

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.



LINK TO CHAIRMAN'S STATEMENT

The Chairman's review of the year, and outlook.

You can read more in the Chairman's Statement on page 08.

LINK TO INVESTMENT MANAGER'S REVIEW

The Investment Manager's review of portfolio activity in the period.

You can read more on page 10.

Experienced, well-resourced and dynamic

EXPERIENCED AND WELL-ADVISED

Our Investment Manager, Ediston Properties Limited has maintained an impressive track record in the UK property market and has a focused and talented team of real estate experts, with experience in the sector ranging between 10 and 26 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. Our well-resourced Investment Manager 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

Our Investment Manager seeks to identify assets which are mispriced, 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.

From left to right: Alastair Dickie Asset Manager; **Neelum Yousaf** Financial Controller; **Calum Bruce** Investment Manager; **Danny O'Neill** Chief Executive Officer

Value is created through intensive and entrepreneurial asset management.

Targeted investment

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

Sector specialism

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

Market knowledge

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

WHAT SETS US APART

Sell

- Prepare assets for sale
- Exploit mispricing
- Recycle capital

Hold and review

- Credible and implementable business plan to deliver positive asset performance
- Keep on top of market sentiment and price potential
- Deliver income and capital growth

Buy

- Detailed due diligence
- Forensic cash flow analysis

WHAT WE DO

Revenue profit

At 30 September 2017

£8.2m

a 7.9% increase on 2016

Annual dividends per share

At 30 September 2017

5.5p*

*increasing to 5.75 pence per share in January 2018, payable in February 2018

Share price total return

At 30 September 2017

8.3%

VALUE CREATED

See our business model in action on pages 12 to 13.

Delivering on strategy

The Company has continued to make good progress, raising and investing new equity and announcing an increased dividend.

SUMMARY

Property market returns in 2017 have surprised on the upside as investors have shaken off their Brexit blues and taken the loss of the Conservative Party's Parliamentary majority in their stride. This strength in the market, the effect of value generating management activity in the portfolio, and the payment of the dividend of 5.5 pence per share resulted in a net asset value (NAV) per share total return of 9.3% for the year to 30 September 2017.

The Company has taken the opportunity to sell into the stronger parts of the market with the disposal of two mature assets. The office buildings in Sheffield and Reading are the first sales since the Company was floated in late 2014. A new asset, a retail park in Sunderland, was added. The intention to rotate assets in favour of those with greater potential to add value and enhance income was trailed in my half-year statement.

That statement was titled 'Ready for Growth' and gave a clear sense of the direction in which the Board was looking to take the Company. However, it was not until close to the year end that a suitable opportunity to grow the Company in a cost-effective manner with suitable assets was identified. This was successfully converted in early December.

I believe the acquisition of the £144.0 million retail park portfolio and the associated capital raise that has increased the equity base of the Company by 60% is one of several significant steps forward for the Company and achieves a key strategic objective for 2017. I comment on it in more detail below. It is also reported on in the Investment Manager's review and shown in the accounts as a post-balance sheet event.

INVESTMENT AND SHARE PRICE PERFORMANCE

Over the period, the NAV per share has risen from 107.07 pence to 111.32 pence, an increase of 4.0%. Taking into account dividends paid in the period, the NAV total return per share over the year was 9.3%. Total return measured on share price movement over the same period was slightly lower at 8.3% based on a year-end share price of 106.5 pence per share. This is a slightly misleading statistic as, for much of the year, the share price traded in a tight range around the published NAV. The closing share price on the day before and after 30 September 2017 was 111.6 pence and 113.0 pence respectively.

PORTFOLIO ACTIVITY

In my report last year, I referred to the Board's immediate focus on income generation and distributing that income as dividends. The strategic objectives for the Investment Manager during the year were therefore income related, with targets to continue to reduce voids and to bolster the strength of the income stream through management activity.

I am pleased to report that these objectives were met. Another significant reduction in the void rate was achieved with lettings at Birmingham, Reading and Daventry taking the 4.7% rate at the start of the year down to 0.7% at the end. Income was further enhanced with the sale of Cutlers Gate, Sheffield for £20.2 million, reflecting an exit yield of 5.0%, and the simultaneous investment of £25.6 million in Pallion Retail Park, Sunderland at a yield of 6.7%. The combined result was to lift dividend cover to 115.3% putting the Company in a position where a sustainable increase in dividend could be contemplated.

DEBT AND CASH

The portfolio activity was undertaken within the Company's existing debt facility through the substitution rights that were negotiated when the original loan was signed. An additional £4.5 million was drawn. This increased the Company's borrowings to £56.9 million at a blended interest rate of 2.99% per annum fixed until the maturity of the loan in 2025. At 30 September 2017,

Dividend cover	NAV total return	Dividends per share
115.3%	9.3%	5.5p

the loan to value (LTV) was 29.6%. At the year end £5.5 million of the sale proceeds from Reading were held by the lender in a deposit account pending reinvestment. The Company also held cash and cash equivalents of £24.6 million, resulting in gearing to total assets of 27.9%. Post-year end the £5.5 million held by the lender was used for the acquisition of the retail warehouse portfolio.

DIVIDENDS

Total dividends for the year were unchanged at 5.5 pence per share. The improvement in dividend cover referred to above enabled the Board to announce on 15 November 2017 that it intended to increase the annualised dividend by 4.5% to 5.75 pence per share. This will commence with the dividend for January 2018, payable in February 2018. Paying a progressive and sustainable monthly dividend remains a key investment objective for the Company.

GOVERNANCE

The approach taken in relation to governance is set out in the governance section of the report and accounts. However, there are two aspects I wish to comment on specifically. The first relates to the composition of the Board and individual Director roles and the second to Board compensation.

I am pleased to report that, following an extensive recruitment process, Jamie Skinner was appointed a Director of the Company on 1 July 2017. He brings with him considerable experience of the investment trust sector through his roles at Martin Currie and Cazenove. Following his appointment, the Board expects to maintain a Board of four directors for the foreseeable future but with some revised roles and responsibilities. I will continue to chair the Company and lead the Valuation, Investment and the Management Engagement Committees. Robin Archibald is appointed to the currently unfilled role of Senior Independent Director, with specific responsibility for corporate matters, and will continue to chair the Nominations Committee. Robert Dick will remain as chair of the Audit and Risk Committee. Jamie Skinner will become chair of a newly formed Marketing Committee with responsibility for developing new markets for the Company's shares.

Board compensation has been effectively fixed since the Company was floated in 2014. Following consultation with the Company's advisors, it is proposed that this is now adjusted to reflect market conditions, the changed demands for exercising oversight of the Company and the specific roles and responsibilities of the individual non-executive Directors. Barring unforeseen circumstances, the Board is proposing that the revised remuneration and remuneration policy are fixed for a further three years. This is reported on in full in the Remuneration Report and shareholders will be asked to approve the report and remuneration policy at the Company's forthcoming Annual General Meeting.

CORPORATE STRATEGY

From the date of the original flotation of the Company the Board has believed that it is in the interests of shareholders for the Company to grow its 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.

For these reasons, the Company had authorities to issue new shares through its approved tap facility. During the year 2.73 million new shares were issued raising net proceeds of £3.03 million and the Company intends to continue to have tap issuance authority over the forthcoming year to capitalise on demand in the market when appropriate.

However, to achieve a significant step forward a larger capital raise was always recognised as required. The Board and Investment Manager had reviewed a number of strategies and opportunities during the year to grow the Company's assets and income in a sustainable and accretive manner for shareholders. It was not until the end of the financial year that the right situation presented itself, resulting in a significant post-balance sheet event that has transformed the shape of the Company from that reported on at 30 September 2017.

The Company announced on 7 December 2017 that shareholders had approved the acquisition of a portfolio of four retail warehouse parks for £144.0 million and had given the necessary authorities to issue 79.3 million new shares at 111.75 pence per share. Approximately £52.2 million of cash was raised with the balance of the acquisition price met from the issuance of 32.7 million shares to the vendor (with a cash equivalent of £36.5 million), £40.2 million drawn from a new debt facility of £54.2 million and the remainder from existing cash resources. The net effect of the transaction has been to increase the equity base of the Company by approximately 60% and to acquire a pool of attractive assets, with potential to add value from management activities in a very cost-efficient manner. The income from the portfolio improves diversification, enhances the unexpired lease term of the Company's rental base and increases the level of dividend cover. Further information on the transaction is provided in the Investment Manager's report and in the post-balance sheet events note on page 64.

The Board is delighted that the Company has been able to achieve a key part of its growth strategy and is grateful for the support of existing shareholders. It also welcomes a number of new shareholders onto the register, including members of the Stadium Group, the vendor of the retail warehouse portfolio.

Lastly, there is the annual placing programme for up to 60 million new shares, which is available to fund larger opportunities if and when they arise.

OUTLOOK

Demand for UK real estate remains strong from both domestic and international investors. However, with the possibility of headwinds from a further rise in interest rates, geopolitical uncertainty and the prospect of a slowing economy, it seems likely that the reduction in property yields we have seen over recent years is at or close to an end. Future returns will be generated from the resilience of portfolio income, the ability to grow income where there are supply/demand imbalances and the skill to generate new sources of income from management initiatives. The Company is well-served by an Investment Manager who can take advantage of this type of market and, following the portfolio activity over the year and post-year end, has the asset base to exploit these opportunities to full advantage.

Following the activity during the financial year and remaining part of the 2017 calendar year, with total assets of £347.3 million, the Company has made significant steps forward in its development and is well-set for further progression.

William Hill
Chairman

Refreshing the portfolio

In order to keep the portfolio fresh, we have completed sales, purchases and asset management during the period.

MARKET COMMENTARY

The UK commercial real estate market surprised on the upside in the period ended 30 September 2017, following the uncertainty and hesitation caused by the EU referendum and the liquidity issues suffered by the open-ended, daily dealt funds who very quickly became distressed vendors. Whilst the impact of the result of the Brexit vote on the property market was not as severe as many commentators had predicted, it did result in capital value declines for many investors, resulting in the poor total return numbers for 2016 of just 3.0%.

This cautious and risk averse mind-set continued through the first quarter of 2017. Forecast returns for the year ranged from 0% to 5.0%, suggesting limited, if any capital growth.

This resulted in quite a benign market of limited sellers, especially as the open-ended funds had, in the main, re-opened and had returned to more neutral cash positions. Demand was still there, especially from overseas investors, attracted to the UK market as a result of weaker sterling and lower values. However, the lack of supply resulted in this demand becoming pent-up, as it was difficult for the capital to be deployed.

Following the summer period, which included the general election, investment activity picked up across the UK. There was greater demand from UK institutions and the demand from overseas investors remained strong. They were amongst the most active buyers for UK commercial real estate.

The level of investment stock available to purchase has increased, but there is still a notable supply/demand imbalance which has kept pricing firm for the good assets. Yields for industrial and logistics assets have hardened considerably and are starting to look overpriced. Yields for good multi-let estates have never been stronger and the yields on longer distribution income is almost at supermarket or annuity levels of pricing. This yield compression has been driven by strong institutional demand. These buyers are encouraged by the lack of supply (as there has been virtually no development for seven years) and the limited development pipeline.

Retail warehousing is the one sector of the market which is looking attractive, albeit approximately 70% of the market is over-rented, so care needs to be taken in selecting the right assets with rental growth potential. However, the vacancy rate for all retail warehousing is just 5.1%.

The retail warehouse sector is well placed to benefit from yield compression. Following the EU referendum, institutional investors pulled away from the retail warehouse sector. As a result, values fell. As discussed above investors turned their attentions to the industrials and logistics sector, but with this sector now looking expensive, buyers are turning to retail warehousing which offers an attractive yield, the prospect of yield compression, good unexpired lease terms and deliverable asset management and development angles.

OUTLOOK

Investment volumes and the supply of investment stock will be key to the market going forward. Demand looks set to remain steady, however, in a lower return environment transaction costs could be seen as an impediment by some investors in making the decision to trade assets. This could reduce the level of stock being offered to the market for sale. The hunt for yield could overtake the current focus on liquidity as investors seek more value-add assets in core locations, especially where the underlying land values are high and there is an opportunity for alternative uses on the site.

AT 30 SEPTEMBER 2017

1 property acquired for

£25.6m

Portfolio value

£173.4m

Weighted average unexpired lease term

6.3 years

PORTFOLIO VALUATION

The Company's property portfolio is valued by Knight Frank on a quarterly basis throughout the year. As at 30 September 2017 it was valued at £173.4 million, a like-for-like increase of 4.8% over the period.

ASSET MANAGEMENT

During the period, the void rate was reduced from 4.7% to 0.7%. In December 2016, we completed the letting of the eighth floor at St Philips Point, Birmingham. Existing tenant AXA Insurance UK plc leased their fifth floor in the building, taking their occupation to approximately 33,000 sq. ft. over five floors. As a result of this letting, the property is 100% let.

At Reading, we leased 4,333 sq. ft. to Handd Business Solutions Limited. Handd signed a 10 year lease with a five-year option to break at a rent of £30.50 per sq. ft. per annum, which enhanced the rental tone of the building.

During the period, we delivered a complex asset management strategy at Abbey Retail Park in Daventry, which culminated in the successful letting of 17,610 sq. ft. to B&M Retail Limited (B&M). In order to provide the space which B&M required, we had to negotiate two lease surrenders, relocate one tenant to a new unit, then carry out construction work. B&M signed a 10-year full repairing and insuring lease at a rent of £246,540 per annum. The letting has improved footfall for the retail park and has added another strong income stream to the portfolio.

We are working on a number of other asset management opportunities which, if successfully completed, will improve both the capital and income of the Company.

FULLY COVERED DIVIDEND

Over the period we improved our dividend cover. As a result, in November 2017 the Board announced a 4.5% increase in the dividend, to 5.75 pence per share. This will be effective from January 2018, payable in February 2018.

SUMMARY OF SALES AND PURCHASES

During the period the office buildings in Sheffield and Reading were sold for a combined total of £40.7 million. £25.6 million was reinvested by acquiring Pallion Retail Park in Sunderland. These transactions are discussed in more detail on pages 12 and 13. The remaining capital was put towards acquiring the portfolio of retail warehouse assets after the year end and described in more detail on pages 14 and 15.

Calum Bruce
Investment Manager,
Ediston Properties Limited

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%	✓

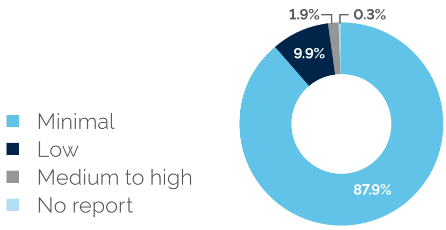
Property portfolio as at 30 September 2017

Location	Name	Market value range (£)	Tenure
Birmingham	St Philips Point	30-35m	Freehold
Newcastle	Citygate 2	15-20m	Leasehold
Edinburgh	145 Morrison Street	10-15m	Heritable
Bath	Midland Bridge House	5-10m	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
Daventry	Abbey Retail Park	10-15m	Leasehold
Telford	Mecca Bingo	0-5m	Freehold
Liverpool	Mecca Bingo	0-5m	Freehold
Hartlepool	Mecca Bingo	0-5m	Freehold

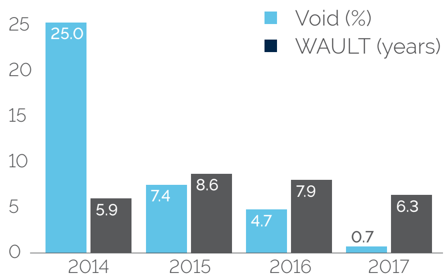
■ Office ■ Retail ■ Leisure

Tenant covenant profile

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



Void rate and weighted average unexpired lease term (WAULT) at 30 September



Our business model in action

CUTLERS GATE, SHEFFIELD

Cutlers Gate was acquired by the Company in October 2014 as part of the seed portfolio. During the hold period, we used our relationship with the tenant to extend the lease term from 11 years to 25 years, improve the rent review provisions to annual RPI uplifts and secure the Capita plc guarantee, all of which improved the value of the asset.

In June we sold Cutlers Gate to a UK institutional investor for £20.2m, which reflects a net initial yield of 5.0%, a 2.0% premium to the March 2017 valuation.

The asset had delivered an IRR of 14.0% per annum since it was acquired, but was forecast to underperform over the next five years. The sale decision was taken as we felt that the capital could be used more efficiently if reinvested in another asset.

Key figures

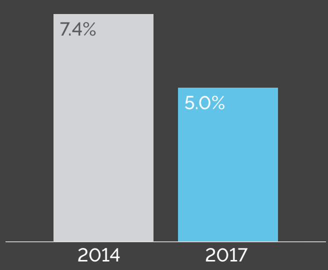
Lease term increased by

14 years

Unexpired lease term on sale

22 years

Initial yield



"Sheffield is a good example of the Ediston style of asset management; unlocking value from a 'dry' asset through a proper understanding of the tenant's needs, creating a robust and attractive income stream and selling on to the institutional market."

Sold

June 2017

£20.2m

5.0% net initial yield

Actively managed

Rent increased by

2.8%

Bought

October 2014

£13.5m

7.4% net initial yield

Reinvested

June 2017

£25.6m

PALLION RETAIL PARK, SUNDERLAND

Simultaneously, the Sheffield sale proceeds were used to acquire a retail park for £25.6 million.

Pallion Retail Park, which occupies a prominent position to the North West of the city centre, extends to 131,349 sq. ft., across nine units. The immediate area is undergoing significant infrastructure change with the construction of the New Wear Bridge and the Sunderland Strategic Transport Corridor, both of which will benefit the asset.

The park has an open A1 (part food) planning consent and is let to tenants including B&M, Dunelm, Matalan, Iceland and Poundstretcher. On acquisition it had a WAULT in excess of eight years.

The asset, which is reversionary, offers a number of asset management opportunities including lease regears, lettings and the development of a Costa Coffee 'drive-thru', which is now under construction. These initiatives will enhance the tenant line-up, improve the already robust income stream and offers the potential for capital growth.

FUNDING

Pallion Retail Park was purchased with a combination of the sale proceeds from the office in Sheffield, a £4.5 million extension to the debt facility provided by Aviva Commercial Finance Limited, and the Company's cash resources.

IMPACT OF TRANSACTION

The sale and purchase transactions fit the Company's objective of selling mature assets out of the portfolio and re-investing the sales proceeds in properties with growth potential, which can be unlocked by our entrepreneurial and intensive style of asset management. The transaction is expected to be return enhancing in the medium term.

The transaction has other portfolio benefits. By arranging the sale and purchase simultaneously, the Company avoided any negative impact of cash drag on the sale proceeds of Sheffield.

"We are pleased to have quickly recycled the capital back into an 'Ediston style' asset which provides attractive asset management angles to exploit. This asset is well-suited to our intensive approach to management and allows us to recommence the value add process with a new property."

A significant step forward

It has been one of our stated objectives that we would grow the Company in a sustainable way. We have reviewed a number of different opportunities with the aim of using them as a seed portfolio for an equity raising exercise. Those ideas were rejected as we did not think they were suitable.

We identified a portfolio of four retail parks which we were able to acquire in an off market transaction. The new properties are good quality, well-located, provide a good income stream and have asset management angles to exploit.

They have provided the growth the Company has been aiming for and gives access to a sector of the real estate market which we believe offers growth potential in both rental and capital terms.

We are an experienced investor in and developer of retail warehouse accommodation across the UK and believe it is the right time to invest in the sector for the following reasons:

- low vacancy rate (currently 5.1% versus 10.0% in 2013);
- good prospects for rental growth and yield compression;
- pipeline of new retail warehouse development restricted by planning authorities looking to protect town centres; and
- retail parks offer a flexible sales platform which can assist with retailers' online sales strategies via:
  - click and collect;
  - last mile delivery; and
  - storage and distribution.

We target well-located, prominent retail parks and 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.

Relative to these industrial yields, retail park pricing looks attractive. The higher yields on offer, the prospect of yield compression and the good income streams have resulted in more interest in the sector. It is anticipated this demand will increase over the next 12 months, which could result in retail warehouse yields reducing.

Calum Bruce
Investment Manager

COMBINED PORTFOLIO AT 31 DECEMBER 2017

Number of properties	Portfolio value	Contracted rent
16	£319.3m	£21.7m

	Office	Retail Warehouse	Leisure
Number of properties	4	9	3
Portfolio value	£68.6m	£240.5m	£10.2m
Contracted rent	£4.4m	£16.4m	£0.9m
Sector weighted average unexpired lease term	5.3 years	7.1 years	4.7 years

THE FOLLOWING ASSETS HAVE BEEN ACQUIRED SINCE THE YEAR END:

1. WIDNES SHOPPING PARK, WIDNES

- Dominant fashion park
- Open A1 (part food) planning consent
- 182,662 sq. ft.
- Town centre location with all the out-of-town benefits
- Close to the new Merseyside Gateway Bridge – infrastructure change
- Strong mix of tenants
- Development potential

Key figures

Purchase price

£46.0m

WAULT as at 31 December 2017

5.7 years

2. PRESTATYN SHOPPING PARK, PRESTATYN

- Dominant fashion park
- Open A1 (part food) planning consent
- 159,429 sq. ft.
- Anchored by a Tesco superstore
- Robust income and 100% let
- Site assembly potential to expand the park

Key figures

Purchase price

£57.5m

WAULT as at 31 December 2017

9.9 years

3. KINGSTON RETAIL PARK, HULL

- Prominent location
- Open A1 (part food) planning consent
- Tenant engineering angles to exploit
- 126,847 sq. ft.

Key figures

Purchase price

£29.0m

WAULT as at 31 December 2017

6.8 years

4. WOMBWELL LANE RETAIL PARK, BARNSLEY

- Fully let retail park
- 80,425 sq. ft.
- Open A1 (part food) planning consent
- Adjacent to a busy supermarket
- Tenant engineering and development angles

Key figures

Purchase price

£11.5m

WAULT as at 31 December 2017

4.5 years

Bought

December 2017

£144.0m

Capital reinvestment supported by secure income

2017 has been another active year of intensive asset management which has improved the Company's fully covered dividend and allowed progress on asset value growth.

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

This year, following property sales of £40.7 million, the Company has reinvested capital through acquisitions of £25.6 million and combined with letting activity has helped to achieve a revenue profit before tax of £8.2 million, an increase of 7.9% from 2016. Rental income generated in the year was £12.2 million. Expenditure in the period was £2.3 million, including £0.1 million of property specific expenditure and £1.4 million related to the Investment Manager's fee. Net interest costs were £1.7 million.

The positive movement in the value of our investment properties was £4.4 million, which enabled the Company to report a total profit of £12.6 million.

RENT

Contracted rent was £12.1 million (2016: £12.1 million) per annum at the year end. As all sale proceeds were not redeployed during the reporting period, this income was maintained through asset management initiatives. Rent-free periods as a percentage of contracted rent at the year end was 10.5% which fell to 4.0% from 31 December 2017. 89.1% (2016: 87.3%) of rent for the year was collected within seven days with 93.0% of rent collected within 14 days (2016: 95.0%).

The portfolio continues to provide relatively long-term stability to the Company's income. The EPRA vacancy rate has reduced to 0.7% from 4.7% in 2016 due to letting activity. As a result of a year passing and the sale of an asset with long term income, the WAULT has decreased to 6.3 years from 7.9 years in 2016.

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 the Company. We have therefore included a number of performance measures which are based on EPRA

	2017 (£m)	2016 (£m)
Rental income	**12.2**	11.3
Property expenditure	**(0.1)**	(0.2)
Net rental income	**12.1**	11.1
Administration expenses	**(2.2)**	(2.0)
Net financing costs	**(1.7)**	(1.5)
Revenue profit	**8.2**	**7.6**
Gain on revaluation of investment properties	**4.4**	0.2
Accounting profit after tax	**12.6**	**7.8**
EPRA earnings per share	**6.34p**	**5.90p**
Dividend per share	**5.50p**	**5.50p**
Basic earnings per share	**9.75p**	**6.08p**

Revenue profit	EPRA earnings per share	EPRA NAV per share
£8.2m	6.34p	111.32p

methodology. It should be noted that there is no difference between the Company's IFRS and EPRA NAV in this year's accounts.

All these statistics have improved due to portfolio and asset management initiatives which have strengthened the financial performance.

NET ASSET VALUE (NAV)

At 30 September 2017 our net assets were £145.8 million, equating to net assets per share of 111.32 pence (2016: 107.07 pence) resulting in year-on-year growth in the NAV of 4.0%. This is positive especially given the slight cash drag effect from the proceeds from the sale of Reading in August which were not reinvested before the year end.

The increase in net assets to £145.8 million is summarised in the table below.

The NAV is primarily represented by our investment properties, which have a fair value of £173.4 million at the year end. This is included in the financial statements as Investment Properties at £171.7 million, with the remainder relating to capital incentives. The remaining £25.9 million of net liabilities is made up of: i) £56.2 million of debt; ii) £24.6 million of cash and cash equivalents; and iii) £5.7 million of net current assets.

DEBT

Following the acquisition of the Sunderland property in June 2017, the existing debt facility was increased by £4.5 million to £56.9 million, by way of an amendment and restatement of the original facility. The blended rate of interest of the £56.9 million of debt is now 2.99% which is fixed until the loan matures in 2025. £5.5 million of the proceeds from the sale of Reading was transferred into a deposit account with the lender as a temporary measure until the funds are reinvested. Further details are included within Note 13 of the financial statements. At the year end the Loan to Value was 29.6%, based on debt net of the amount placed in the Lender deposit account of £51.4 million and the fair value of investment properties of £173.4 million.

It is the intention of the Board that gearing will not be greater than 35% of total assets and will more normally be around 30% or less, which represents significant headroom against the loan to value covenants on the property portfolio.

CASH

As at 30 September 2017 the Company had cash and cash equivalents of £24.6 million.

DIVIDENDS

Dividend cover for the year was 115.3%. The Company has now provided a fully covered dividend since early 2016.

The Board declared a dividend of 0.46 pence per share for the month of September which was paid in October 2017. Taking this last dividend with dividends paid to September 2017 of 5.04 pence, the total dividend for the year is 5.5 pence per share in line with the targeted dividend policy. Taking the total dividend paid for the year, this equates to a dividend yield of 5.2%, based on closing share price on 29 September 2017. 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 to ensure our REIT status is maintained.

OUTLOOK

As a result of the continued strong financial performance of the Company, the Board announced on 15 November 2017 a 4.5% increase in dividend from 5.5 pence per share to 5.75 pence from January 2018. The Board projects that dividends will continue to be fully covered for the foreseeable future.

On 8 December 2017, the Company successfully acquired a portfolio of four assets at a value of £144.0 million. This was funded by equity raised of £88.7 million and debt of £40.2 million and existing cash. The total debt facility is now £111.1 million at a blended all in rate of 2.86%. Loan to value at 31 December 2017 is 30.4% net of the £13.9 million held in the lender deposit account. Annual contracted rent from the new assets is £9.3 million.

The Company has a strong balance sheet position and good sustainable income. Going forward, it is anticipated that the portfolio asset management initiatives will be financed through available cash resources of £25.8 million.

Neelum Yousaf
Financial Controller,
Ediston Properties Limited

	2017	2016
EPRA earnings	**£8.2m**	£7.6m
EPRA earnings per share	**6.34p**	5.90p
Diluted EPRA earnings per share	**6.34p**	5.90p
EPRA NAV per share	**111.32p**	107.07 p
EPRA cost ratio (including direct vacancy costs)	**18.6%**	20.0%
EPRA cost ratio (excluding direct vacancy costs)	**18.2%**	19.2%
EPRA net initial yield	**6.0%**	5.3%
EPRA topped up net initial yield	**6.5%**	6.2%
EPRA vacancy rate	**0.7%**	4.7%

NAV at 30 September 2016	£137.3m
Increase in value of investment properties (net of capital expenditure and transaction costs)	£4.4m
Net earnings in the year	£8.2m
Less: dividends paid in the year	(£7.1m)
Equity raised in the year	£3.0m
NAV at 30 September 2017	**£145.8m**

How we **manage risk**

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, Directors of listed companies are required to confirm in the annual report that they have performed a robust assessment of the principal risks facing the 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 Growth
2 NAV Growth
3 Transactional Activity
4 Reduce Voids

KEY FOR IMPACT AND PROBABILITY

Low | Medium | High

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.**	An inappropriate use of capital which hinders investor returns. Reduction in revenue profits impacting on cash flow and dividends.	Thorough due diligence and investment process with regular reviews 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. Comprehensive profit and cash flow forecasting which models the impact of property transactions at Company level.	**No Change** The Company completed its first disposals in the year, with one disposal being completed back to back with a property acquisition. Following thorough due diligence, investment process and comprehensive modelling, a £144 million portfolio was acquired post year end.
Link to strategy: 2 3	Impact if occurred: Medium	Probability of occurring: Low	
Over-exposure to a specific property, tenant, sector, geographic location or to lease expiries in a given year.	Reduced liquidity resulting in a reduction in the capital value of investment properties. Tenant failure causing a material reduction in revenue profits impacting on cash flow and dividends.	Concentration limits are set by the Board and reviewed quarterly. The limits are monitored at all times by the Investment Manager. Board approval memoranda state whether there are any concentration issues.	**No Change** Following the portfolio acquisition on 8 December 2017, the Company has increased its exposure to the retail warehouse sector, whilst improving tenant diversification and the portfolio's overall WAULT.
Link to strategy: 2 4	Impact if occurred: Medium	Probability of occurring: Low	
Ineffective active asset management of properties.	High vacancy levels, low tenant retention, sub-optimal rental levels and break clauses exercised. Reduction in revenue profits impacting on cash flow and dividends.	Investment Manager is experienced in active asset management. Pro-active approach to key lease events. Letting and managing agents are also employed.	**No Change** The Investment Manager has identified and undertaken various active asset management activities during the year and has others identified, within both the existing and recently acquired properties.
Link to strategy: 1 2 4	Impact if occurred: Medium	Probability of occurring: Low	

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 its debt funding arrangements. This could lead to a cancellation of debt funding which could leave the Company without sufficient long term resources to meet its commitments.	Forecasts of covenant compliance are reviewed on a regular basis. Compliance certificates and reports 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.	**No Change** The Company's LTV increased to 30.4% following the drawdown of the additional debt facilities during the year and in December 2017, although this also reduced the blended fixed interest rate from 3.06% to 2.86% and staggered the dates by which the various debt facilities fall due for renewal.
Link to strategy: 2	Impact if occurred:	Probability of occurring:	
ECONOMY/TAXATION/REGULATORY			
Weak economic and/or political environment (including the potential impact of Brexit).	Lower occupational demand impacting on income, rental growth and capital performance.	To a large extent outwith the Company's control. Although it is known that Brexit will happen, the Company cannot know how it will happen and the resulting impact. However, sensitivity analysis of the portfolio is undertaken via a comprehensive cash flow model.	**Increasing** The Board believes the Company faces increasing uncertainty, particularly in relation to Brexit and the outlook for interest rates.
Link to strategy: 1 2 4	Impact if occurred:	Probability of occurring:	
Non-compliance with laws and regulations.	The Company is required to comply with REIT rules, the Listing Rules, Disclosure Guidance and Transparency Rules, IFRS accounting standards and UK legislation.	The Company uses experienced tax advisers, auditors, Investment Manager, Administrator and solicitors. Strong compliance culture with regular risk reviews undertaken by the Audit and Risk Committee.	**No Change** No significant changes have occurred in the regulatory environment over the year.
Link to strategy: 2	Impact if occurred:	Probability of occurring:	
OPERATIONAL			
Health and Safety.	Health and safety processes could fail leading to serious financial or reputational damage to the Company.	The Board regularly receives and reviews a report detailing any relevant matters. The managing agent ensures all matters raised are dealt with promptly. Insurance cover is in place and insurers visit each property 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:	Probability of occurring:	
Lack or failure of internal controls of the Investment Manager or Administrator.	The possibility of self review, human error, cyber risk and even fraud can occur.	Significant segregation of duties within the Investment Manager and Administrator as well as between them both, with oversight from the Depositary. Clear structure on internal controls, including disaster recovery.	**No Change** No significant changes have occurred in the internal control environment over the year.
	Impact if occurred:	Probability of occurring:	

The Strategic Report on pages 02 to 19 has been approved by the Board and is signed on its behalf by:

William Hill
Chairman
23 January 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 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 non-executive director of Mayfair Capital Investment Management Ltd, part of the Swiss Life Group of Companies and a director of the Chartered Surveyors Training Trust. He is a member of the investment committees/boards of Mayfair Capital, Ashby Capital, The Worshipful Company of Goldsmiths and Guy's and St Thomas' Charity. He is a past chairman of the Association of Real Estate Funds and immediate past master of the Worshipful Company of Chartered Surveyors.

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. Robin 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 was a non-executive director and audit chairman of Albion Income and Growth VCT from September 2010 until November 2013, when the company merged with Albion Technology and General VCT PLC and he was appointed to the successor company board as audit chairman. He is also a non-executive director of Capital Gearing Trust plc since May 2015, Henderson European Focus Trust plc since March 2016, and most recently of Shires Income since May 2017. Robin was also chairman of the Stewart Ivory Financial Education Trust for three years until September 2017.

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 10 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. Since leaving CALA in 2008 he has worked with a number of businesses as investor, mentor and non-executive director. He was a member of the ICAS Council from 2009 to 2015 and chaired one of the ICAS Boards from 2009 to 2012.

Jamie Skinner

Non-executive Director

Jamie Skinner has the client relationship role for a range of key segregated accounts at Martin Currie Investment Management Limited as well as responsibility for all the firm's closed-ended and offshore funds. In addition, he is a director of Martin Currie Inc., the Martin Currie Japan Absolute Return Fund, the Asian Opportunities Absolute Return Fund Limited and the Asian Equity Special Opportunities Portfolio Limited. He was previously appointed Head of Client Services in 2004, having held primary responsibility for Martin Currie's clients outside of North America for five years. He joined Martin Currie from Cazenove & Co., where he was managing director of the company's Johannesburg office, having moved to South Africa in 1995 to develop Cazenove's corporate finance activity. His role was to generate new business for the firm and service its existing clients. Jamie started with Cazenove in London in 1989 as a corporate finance executive after qualifying as a chartered accountant with Coopers & Lybrand. He is also a member of the Chartered Institute for Securities and Investment.

Date of Appointment

William Hill	Robin Archibald	Robert Dick	Jamie Skinner
17 June 2014	17 June 2014	17 June 2014	1 July 2017

Corporate governance statement
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.

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 Committee also considers the risks faced by the Company, including strategic, financial and operational risks, and will determine the principal risks faced by the Group and ensure appropriate mitigating controls are in place and are operating effectively. It is also the forum through which the auditor reports to the Board. The Audit and Risk Committee meets at least twice a year. The objectivity of the auditor will be reviewed by the Committee, which will also review the terms under which the external auditor is appointed to perform non-audit services. The Committee will review 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.

Membership
Robert Dick (Chairman)
William Hill
Robin Archibald
Jamie Skinner

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 on a regular basis and meets formally at least once a year.

Membership
William Hill (Chairman)
Robin Archibald
Robert Dick
Jamie Skinner

The Investment Committee and the 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.

Membership
William Hill (Chairman)
Robin Archibald
Robert Dick
Jamie Skinner

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 Articles require that Directors submit themselves for re-election at least every three years. In addition, the Board has agreed that any Director with more than nine years' service will be required to stand for re-election at each Annual General Meeting.

Membership
Robin Archibald (Chairman)
William Hill
Robert Dick
Jamie Skinner

CORPORATE GOVERNANCE

The Board has considered the principles set out in the UK Corporate Governance Code (revised 2016), 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 UK Corporate Governance 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 Corporate Governance 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.

Except for the above provisions, and the provision relating to the appointment of a Senior Independent Director discussed below, the Company adhered throughout the year with the principles and recommendations of the AIC Code and complied with the relevant provisions of the UK Corporate Governance 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 33.

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 has been determined subsequent to the year end 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 29, is expected to be revised, if at all, every three years rather than annually.

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.

The Board has established five committees: Audit and Risk, Management Engagement, Investment, Property Valuation 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. 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.

In the Annual Report and Accounts published in December 2016, the Directors indicated an intention to appoint another Director to the Board. The Company appointed an external recruitment consultant and, following a detailed and extensive recruitment process co-ordinated by the Nomination Committee, Jamie Skinner was appointed to the Board with effect from 1 July 2017. The recruitment process involved the production by the Nomination Committee of a detailed role specification, noting the skills and experience required by the Company and those of the existing Directors, the production of a list of candidates by the external recruitment consultant for consideration by the Committee and a two-stage interview process. The external recruitment consultant used during this process is independent and does not have any other relationship with the Company. A resolution proposing Jamie Skinner's election will be proposed at the Annual General Meeting.

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

	Board		Audit and Risk Committee		Management Engagement Committee		Nomination Committee	
	Held	Attended	Held	Attended	Held	Attended	Held	Attended
William Hill	4	4	3	3	1	1	3	3
Robin Archibald	4	4	3	3	1	1	3	3
Robert Dick	4	4	3	3	1	1	3	3
Jamie Skinner (appointed 1 July 2017)	1	1	1	1	1	1	–	–

In addition to these scheduled meetings, there were a further 18 Board and Board Committee meetings during the year to deal with other corporate matters.

GOING CONCERN

Under the UK Corporate Governance 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 49. The viability statement, under which the Directors assess the prospects of the Group over a longer period, is contained on page 38.

RELATIONS WITH SHAREHOLDERS

The Company seeks the views of its shareholders and places great importance on communication with them. The Board receives regular reports, from the Investment Manager and from the Corporate Broker, on the views of shareholders, and the Chairman and other Directors make themselves available to meet shareholders, when required, to discuss any significant issues that have arisen and to address shareholder concerns and queries.

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 will also review 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 2017.

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.

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 three times during the year to consider the interim report, the audit plan for the Financial Statements 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 during the year and reported the results of these meetings to the Committee. The significant judgements and estimates made in the Financial Statements, each of which were considered by the Committee, are detailed on pages 49 and 50. Other significant matters considered by the Committee in relation to the Financial Statements during the year are detailed in the table on page 27.

Responsibilities of the Committee	How they have been discharged
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.
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 and discussed how well it achieves the criteria opposite. As disclosed on page 27, 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 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 40 to 44 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 forthcoming requirements of the Packaged Retail and Insurance-based Investment Products ('PRIIPs) Regulation, the requirements of The Criminal Finances Act 2017 and the updated guidance published by the AIC in relation to the Market Abuse Regulation. The Committee also considered 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 Audit and Risk 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.

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 described in the Strategic Report on pages 18 and 19.

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 Annual Report or for other reporting purposes.

INTERNAL CONTROLS CONTINUED

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 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 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 second year of his appointment, following the retirement of the previous incumbent. 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 twelve months. On this basis and having considered the effectiveness of the audit, including considering the outcome of an Audit Quality Review conducted by the Financial Reporting Council in relation to the audit of the Company for the year ended 30 September 2016, 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, it has been agreed that all non-audit work to be carried out by the auditor must be approved in advance by the Audit and Risk Committee and any special projects must also be approved in advance so as not to compromise the independence of Grant Thornton as auditor. A separate team within Grant Thornton has the responsibility for completing the non-audit work. The non-audit services provided by Grant Thornton during the year ended 30 September 2017 consisted of their appointment as Reporting Accountant in relation to a draft prospectus prepared by the Company during the year. The Audit Committee concluded that it was in the best interests of the Company for this work to be conducted by Grant Thornton given their familiarity with the Company's financial model, having acted as Reporting Accountant previously.

Service provided (excluding VAT)	Fee (£'000)
Audit services	
Fees payable for the audit of the consolidation and the parent company accounts	28
Fees payable for the audit of subsidiaries, pursuant to legislation	28
Non-audit services	
Reporting Accountant services	10
Total	66

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 84.3% of its total assets as at 30 September 2017. 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. 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 2017, 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 a 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
23 January 2018

Full details of the Group's policy with regards to Directors' fees and fees paid during the year ended 30 September 2017 are shown on the following pages. The Remuneration Report and Remuneration Policy will be put to shareholders at the Annual General Meeting in 2018.

The Board considers the level of Directors' fees annually but has not revised them since the Company was launched in October 2014, other than to increase Robin Archibald's fees from £30,000 per annum to £35,000 per annum due to his additional activities, including chairing the Nomination Committee. Jamie Skinner joined the Board on 1 July 2017 after an extensive and comprehensive recruitment exercise. The Board previously consisted of three directors after the untimely death of the former Chairman in early 2015 and took time in managing the recruitment to find a suitable candidate to help meet the Company's requirements going forward. The Board considers that it has the appropriate complement of skills for the Company's immediate needs.

The consideration of Directors' fees by the Board, undertaken in association with its advisers, followed a thorough assessment of the experience of the last three years, the anticipated input required to oversee the Company's activities in the future, as well as how board remuneration is structured for other alternative asset classes such as property. The review process also encompassed Board composition and Board responsibilities, to ensure the Board is organised as efficiently as possible to undertake its activities.

The Company has been through a series of successful corporate transactions and events, significantly expanding its scale. This has required significant input from the Board in the process. In the last year alone an additional 18 meetings over and above the scheduled quarterly Board meeting cycle took place. The Company has required, and is likely to continue to require, significant input from all the members of the Board due to the activities in which the Company is engaged, and is likely to continue to be engaged.

In reviewing the Company's situation, the Board has determined that it is likely to continue with four non-executive directors, providing the appropriate complement of skills for the Company, for the near term. The Board also determined that it should provide for particular roles for those Directors, including chairmanship of the Company and of the Audit and Risk Committee, as well as appointing a new Senior Independent Director in Robin Archibald and, in due course, giving Jamie Skinner responsibility for a new marketing committee. Accordingly, and after taking input from the Company's advisers specifically on remuneration, it has been determined that from 1 January 2018 the Chairman will receive £52,000, the Senior Independent Director will receive £47,000, the Audit and Risk Committee Chairman will receive £40,000 and the other Director will receive £35,000 per annum.

Whilst this remuneration rate is within the remuneration level of £200,000 per annum set out in the Company's Articles, it is thought prudent to increase the level permitted under the Articles to £250,000 to provide flexibility for possible recruitment over the medium to longer term and for any possible amendment to remuneration levels, should the individual roles and responsibilities of Directors change or should there be further significant growth in the demands placed on the Board. There is, however, no intention of doing either in the near term, having conducted such a thorough review this year. The current expectation is that Board remuneration levels will remain unchanged until the remuneration policy is next put forward for shareholder approval in three years' time. The proposed increase in this limit in the Articles is being put forward as a resolution for approval at the Annual General Meeting, along with separate resolutions for the approval of the remuneration report and the remuneration policy.

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, as it has this year, where required in its assessment.

The remuneration policy was first approved by shareholders in 2015, when the Company was launched, and will be put to shareholders for renewal at the AGM. As explained above, this will be proposed alongside a separate ordinary resolution to increase the limit on the aggregate fees which may be paid to Directors to £250,000 per annum, in accordance with Article 102 of the Company's Articles of Association. If approved, it is intended that the 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 views from shareholders in respect of the levels of Directors' remuneration in the past.

REMUNERATION POLICY

The Group's policy is that the remuneration of the Directors should reflect the experience of the Board as a whole, the time commitment required, and be fair and 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 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.

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 Annual General Meeting. The terms of Directors' appointments provide that Directors should retire and be subject to election at the first Annual General Meeting after their appointment and, in accordance with the recommendations of the UK Corporate Governance Code, the Board has agreed that all Directors will seek re-election at least every three years.

Although not required by the Company's Articles, the Board believes that it is best practice to stagger the re-election of the Directors and ensure that at least one Director retires periodically at each Annual General Meeting. The Directors may therefore retire and seek re-election earlier than the latest date required under the terms of their appointment as set out below.

Director	Date of original appointment	Most recent date of re-election	Latest due date for re-election
William Hill	17/06/2014	24/03/2015	AGM 2018
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	–	AGM 2018

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 2017 £'000	**Additional fees 2017 £'000**	**Total amount salary & fees 2017 £'000**	Basic fees 2016 £'000	Additional fees 2016 £'000	Total amount salary & fees 2016 £'000
William Hill (Chairman)	**40**	**–**	**40**	40	–	40
Robin Archibald (Nomination Committee Chairman)	**35**	**–**	**35**	33	–	33
Robert Dick (Audit and Risk Committee Chairman)	**35**	**–**	**35**	35		35
Jamie Skinner (appointed on 1 July 2017)	**8**	**–**	**8**	–	–	–
Total	**118**	**–**	**118**	108	–	108

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 2018 would be as follows:

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

Members of the Board have had significant involvement in the proposals to acquire the new portfolio and to issue new shares as described on page 64. 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. 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 could bring to bear in connection with a complicated corporate transaction.

Given the increase in the Group's net assets following the completion of the proposals post year end, the basic fees payable to the Directors for the year ending 30 September 2018, although higher in absolute terms, will reduce relative to average shareholders' funds, being expected to equate to approximately 0.07% of net assets (2017: 0.08%).

RELATIVE IMPORTANCE OF SPEND ON PAY

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

	2017 £'000	2016 £'000	% Change
Aggregate Directors' remuneration	118	108	9.3
Aggregate dividends paid to shareholders	7,112	7,054	0.8

The increase in the year related mainly to the appointment of an additional Director.

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 23 January 2018, 30 September 2017 and 30 September 2016 were as follows:

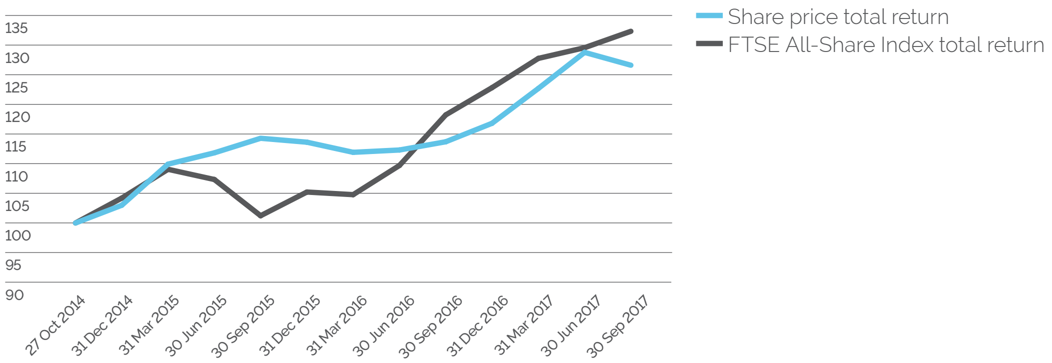
	Ordinary Shares 23 January 2018	Ordinary Shares 30 September 2017	Ordinary Shares 30 September 2016
William Hill	**67,756**	**50,000**	50,000
Robin Archibald	**42,756**	**25,000**	25,000
Robert Dick	**35,000**	**30,000**	30,000
Jamie Skinner	**45,000**	**30,000**	–
Total	**190,512**	**135,000**	105,000

The increases in the Directors' shareholdings between 30 September 2017 and 23 January 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 338,629 Ordinary Shares of the Company at 30 September 2017 (2016: 338,629 Ordinary Shares). As at 23 January 2018, these aggregate holdings were 567,944 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 2017, 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 2017 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 million to total assets of £204 million as at 30 September 2017, with the recent transaction having taken the total assets to £347 million as at 31 December 2017.

VOTING AT ANNUAL GENERAL MEETING

At the Company's Annual General Meeting, held on 24 March 2015, shareholders approved the Directors' Remuneration Policy. All votes were in favour of the resolution. An ordinary resolution for the approval of the Directors' Remuneration Policy is proposed every three years and will be put to shareholders at the Annual General Meeting to be held in 2018.

At the Company's previous Annual General Meeting, held on 1 March 2017, shareholders approved the Annual Report on Directors' Remuneration for the year ended 30 September 2016. All votes 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 Annual General Meeting.

On behalf of the Board

William Hill
Chairman
23 January 2018

Directors' report

The Directors present their report and financial statements of the Group for the year to 30 September 2017. The Corporate Governance Statement on pages 21 to 23 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 on the right 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 45 to 64.

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.

The interim dividends paid during the year were as follows:

	Payment date	Rate per share
Twelfth interim dividend for the prior year	31 October 2016	0.4587p
First interim dividend	30 November 2016	0.4583p
Second interim dividend	30 December 2016	0.4583p
Third interim dividend	31 January 2017	0.4583p
Fourth interim dividend	28 February 2017	0.4583p
Fifth interim dividend	31 March 2017	0.4583p
Sixth interim dividend	28 April 2017	0.4583p
Seventh interim dividend	31 May 2017	0.4583p
Eighth interim dividend	30 June 2017	0.4583p
Ninth interim dividend	31 July 2017	0.4583p
Tenth interim dividend	31 August 2017	0.4583p
Eleventh interim dividend	29 September 2017	0.4583p

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

	Payment date	Rate per share
Twelfth interim dividend	31 October 2017	0.4587p
First interim dividend for the year ending 30 September 2018	30 November 2017	0.4583p
Second interim dividend for the year ending 30 September 2018	29 December 2017	0.4583p
Third interim dividend for the year ending 30 September 2018	31 January 2018	0.4583p

As announced on 15 November 2017, the Board intends to increase the annualised dividend level by 4.5 per cent from 5.5 pence per share to 5.75 pence per share, in the absence of unforeseen circumstances. This new dividend level, of 0.4792 pence per share, is expected to commence with the dividend in respect of the month ending 31 January 2018 which will be paid towards the end of February 2018.

A breakdown of the distributions paid analysed between Property Income Distributions (PIDs) and Non-PIDs (see glossary and definitions) is provided on page 70.

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.

As referred to on the previous page, the Board intends to increase the dividend level from the dividend payable in February 2018 onwards. 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.

SUBSIDIARY COMPANIES

The Company has a 100% interest in EPIC (No.1) Limited (number: 09106328), a property investment company, details of which are set out in Note 10 to the Consolidated Financial Statements. This company holds property investments and the loan facilities in place at 30 September 2017. Subsequent to the year end, the Company established a new, wholly-owned subsidiary, EPIC (No.2) Limited (number: 10978359), which holds additional property investments and a further debt facility.

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 three 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. Development, other than speculative 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 (less cash) 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 60 to 63.

FUTURE DEVELOPMENTS

The likely future developments of the Company are contained in the Strategic Report on pages 02 to 19.

DIRECTORS

Biographical details of the Directors, all of whom are non-executive, can be found on page 20.

As stated in the Corporate Governance Statement on page 23, 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 Annual General Meeting. Accordingly, William Hill will retire at the Annual General Meeting and, being eligible, offers himself for re-election.

DIRECTORS CONTINUED

The Articles of Association also require new appointments by the Board to be subject to election by shareholders at the Annual General Meeting following their appointment. Following the appointment process set out on page 23, Jamie Skinner was appointed with effect from 1 July 2017 and a resolution regarding his election will be proposed at the forthcoming Annual General Meeting.

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 22, 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 William Hill, who retires by rotation, is re-elected and Jamie Skinner, who was appointed during the year, is 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 Annual General Meeting.

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, Augentius Depositary Limited, 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 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 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 2017, 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.

SUBSTANTIAL INTERESTS IN SHARE CAPITAL

As at 30 September 2017, 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 2017	
	Number of Ordinary Shares held	Percentage held*
Investec Wealth & Investment Limited	24,854,430	19.0**
Old Mutual plc	21,738,311	16.6**
Henderson Global Investors	15,000,000	11.5**
Momentum Global Investment Management Limited	9,206,388	7.0
Architas Multi-Manager Limited	9,000,000	6.9
AXA Investment Managers S.A.	8,000,000	6.1
Close Asset Management Limited	6,905,044	5.3
Quilter Cheviot Limited	6,500,000	5.0
Baillie Gifford & Co.	6,230,000	4.8

* Based on 130,993,931 Ordinary Shares in issue as at 30 September 2017.

** 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.

The changes to the above notifications received subsequent to the year end are shown on the following page.

Since the year end, the Company has issued 79,339,806 Ordinary Shares and therefore there were 210,333,737 Ordinary Shares in issue at 23 January 2018. Following the issue of shares to the Vendors in relation to the transaction post year end, the Company has been notified that Stadium Retail (Holdings) Limited holds voting rights on 19,600,581 (9.3%) Ordinary Shares and Stadium Parkgate (Holdings) Limited holds voting rights on 13,061,611 (6.2%) Ordinary Shares. The Company has also been notified that the holdings of voting rights of Old Mutual plc, Investec Wealth & Investment Limited and Momentum Global Investment Management Limited have changed to 35,415,185 (16.8%), 24,009,878 (11.4%) and 11,486,988 (5.5%) Ordinary Shares respectively. Baillie Gifford & Co has advised that their holding has reduced below the level which is required to be notified to the Company. 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.

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.

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 Annual General Meeting.
- Details of the substantial shareholders in the Company are listed on pages 34 and 35.
- The rules for the appointment and replacement of Directors are contained in the Articles of Association of the Company. In respect of retrial by rotation, the Articles of Association provide that each Director is required to retire at the third Annual General Meeting after the Annual General Meeting 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 Annual General Meeting (AGM) held on 1 March 2017, shareholders granted authority for the Company to issue up to 12,876,393 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 2,230,000 Ordinary Shares under this authority and therefore has remaining authority to issue 10,646,393 Ordinary Shares. With effect from 29 June 2017, the Company made a successful application to the UK Listing Authority for a block listing for just over 10 million shares which will allow the issuance of shares under the tap issuance authority to be made on a more timely and cost efficient basis.

This shareholder authority will expire at the AGM to be held on 6 March 2018 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 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 March 2019.

PLACING PROGRAMME

In addition to the above 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. This authority will enable the Company to raise additional capital when it identifies properties that are suitable for acquisition and will allow the Company to issue further Ordinary Shares where there is demand in the market which will give the Company further flexibility to grow. In pricing any issue pursuant to the placing programme the Board will take into account the costs associated with any issues under the Placing Programme, dilution that may arise in investing in further property assets and the share price. This authority will expire on 19 November 2018 and does not require to be renewed at the forthcoming AGM.

The Company will only issue shares under either the tap issuance authority or placing programme at a premium to the prevailing net asset value at the time of issue.

RESOLUTIONS TO BE PROPOSED AT THE AGM

DIRECTORS' REMUNERATION REPORT AND REMUNERATION POLICY

The Directors' remuneration policy and annual remuneration report, which can be found on pages 28 to 31, 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). Also included is the Directors' Remuneration Policy which will be put to shareholders at the AGM in 2018 (resolution 3).

AUDITOR

The Independent Auditor's Report can be found on pages 40 to 44. Grant Thornton UK LLP has indicated its willingness to continue in office with the Company and a resolution will be proposed at the AGM to re-appoint it (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 7). The Directors expect that such non-binding resolution to approve the Company's dividend policy will be proposed annually.

AUTHORITY TO INCREASE THE MAXIMUM AGGREGATE DIRECTORS' FEES

The maximum aggregate amount that can be paid by way of Directors' fees is set out in the Company's Articles of Association. The current limit of £200,000 per annum was set on the Company's launch in 2014 and, at the rates proposed to take effect from 1 January 2018, the annual fees payable to the Company's four Directors amount to £174,000. Although not currently planned, the Board believes that it is appropriate to have the flexibility to be able to make another appointment to the Board should the need arise. The Directors therefore consider it timely to seek authority from shareholders for an increase of the limit in the Articles of Association and propose, under Resolution 8, a maximum aggregate sum of £250,000 per annum.

In accordance with the Board's normal practice, the level of Directors' fees payable is reviewed annually although, as explained on pages 22 and 28, unless circumstances change, it is anticipated that fees will only be revised every three years concurrent with shareholders being given the opportunity to vote on the Company's remuneration policy.

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

The Directors are seeking authority to allot new shares. Resolution 9 will, if passed, authorise the Directors to allot new shares up to an aggregate nominal amount of £210,334 or, if less, the aggregate nominal amount representing 10% of the issued shares at the date of the passing of resolution 9. This resolution would therefore authorise the Directors to allot up to 21,033,373 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 10, 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 £210,334 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 10.

The authorities granted under resolutions 9 and 10 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 9 and 10 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. The authority to issue shares under the Company's current prospectus and placing programme is in addition to these authorities.

AUTHORITY TO MAKE MARKET PURCHASES OF ORDINARY SHARES

Given the Company is currently in an investment phase, it is unlikely that the Directors will buy back any Ordinary Shares in the short 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 11 will be proposed as a special resolution and seeks to provide the Directors with the authority to purchase up to 31,529,027 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 11. Any shares purchased by the Company may be cancelled or held in treasury. The Company does not currently hold any shares in treasury.

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 12 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 Annual General Meetings), 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 Annual General Meetings) from 21 clear days to 14 clear days. The Board is therefore proposing resolution 12 as a special resolution to ensure that the minimum required period for notice of General Meetings of the Company (other than for Annual General Meetings) 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 Annual General Meeting 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 2017, 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 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.

SUSTAINABILITY

The Company has measured its greenhouse gas emissions (GHG) for the year to 30 September 2017. The GHG emissions for the year totalled 1,005 tCO_2e. (2016: 1,017 tCO_2e). In order to satisfy the mandatory carbon 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.

	Year to 30 September 2017		Year to 30 September 2016	
GHG scope*	**Absolute GHG emissions (tCO_2e)**	**Absolute GHG intensity (tCO_2e/m^2)**	Absolute GHG emissions (tCO_2e)	Absolute GHG intensity (tCO_2e/m^2)
1	**241**	**0.006**	185	0.005
2	**672**	**0.018**	741	0.023
Gross emissions	**913**	**0.024**	926	0.028
3	**92**	**0.002**	91	0.003
Total	**1,005**	**0.026**	1,017	0.031

* 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: Covers other indirect emissions, such as business travel, waste management and water.

GOING CONCERN

Under the UK Corporate Governance Code (the '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 49. 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 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 reason:

– The Group was established relatively recently 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 with the Investment Manager expected to undertake property acquisitions and sales in line with the Company's investment objective and policy. 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 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 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, incorporating the impact of the post balance sheet transaction detailed in Note 23 to the Consolidated Financial Statements and on pages 14 to 15.

The three-year review considers whether additional gearing will be required and forecast compliance with the covenants of both the Group's current debt and the expected terms of any additional debt required. Current debt, including that put in place subsequent to 30 September 2017 as disclosed in Note 23 to the Consolidated Financial Statements, 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. The loans have been fixed at a weighted average interest rate of 2.86% for the entire duration of each loan and there were no breaches of the covenants during the year. At the time of approval of this report, the Group held a sufficient cash balance 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 18 and 19, and in the Report of the Audit and Risk Committee on pages 25 to 26. 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
23 January 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
23 January 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 subsidiary (the 'Group') for the year ended 30 September 2017 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 2017 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 GOING CONCERN

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the Directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the Directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Group's or the Parent Company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

OVERVIEW OF OUR AUDIT APPROACH

- Overall materiality: £2,187,000 , which represents 1.5% of the Group's net assets;
- Key audit matters were identified as recognition of revenue and valuation of investment properties; and
- We performed full scope audit procedures on both the Parent Company and EPIC (No. 1) Limited, the Parent Company's sole subsidiary.

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
RECOGNITION OF REVENUE Revenue for the Group consists of rental income, recognised in accordance with International Accounting Standard (IAS) 18: 'Revenue'. 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 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 tenancy agreements and sale and purchase agreements; – creating an expectation of rental income taking into account any lease incentives and rental guarantees, and comparing to rental income recognised in the financial statements; – comparing our expectation to the rental 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 confirm that the policy has been correctly applied and that it is in accordance with IAS 18: 'Revenue'. 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 27, where the Committee also described the action that it has taken to address this issue. **KEY OBSERVATIONS** Overall, based on our audit work, our assessment is that the revenue recognised is consistent with the terms of the lease contracts, incentives and guarantees. We found no errors in the calculations.
VALUATION OF INVESTMENT PROPERTIES The Group's investment property portfolio is required to be held at fair value under 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, coupled with the clearly material value of the properties, gives rise to this being an area of key audit focus. 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, ensuring that the valuation approach for each was appropriate and in line with standard industry practice, and that any factual inputs were accurate by comparing the rental data used in the valuer's calculations to the rental schedule prepared by management; – creating an expectation of the value of each property based on rental yield, and comparing our expected yields in the relevant markets with those used by the valuer to establish any properties where the assumptions used were considered to be outliers when compared to the published benchmarks, any outliers were discussed with the valuer to determine whether they were an indicator of misstatement; – attending a meeting with the valuer at which the valuations of all properties, and the assumptions and data contained therein were discussed in detail to understand for example why particular rental yields were used and the appropriateness of rental data used in calculations, taking into account property-specific factors; and – exercising professional scepticism by challenging the valuer on the assumptions that they applied to each property. 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 27, where the Committee also describes the action that it has taken to address this issue. **KEY OBSERVATIONS** Based on our audit work, we found the valuation methodologies and the assumptions inherent within them to be balanced and consistent with our expectations. We found no errors in the calculations. We consider that the Group's disclosures within Note 9 are appropriate.

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.

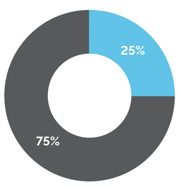
Materiality was determined as follows:

Materiality measure	Group	Parent
Financial statements as a whole	£2,187,000 which is 1.5% of 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 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 2016 to reflect the increase in net assets in the current year.	£1,927,000 which is 1.5% of net assets. This benchmark is considered the most appropriate because the nature of the entity is that of an investment company, where stakeholders are most interested in the 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 2016 to reflect the increase in net assets in the current 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 of £729,000 for certain areas such as the revenue column of the Consolidated Statement of Comprehensive Income, with a further specific materiality of £1,000 for Directors' remuneration and related party transactions.	We also determined a lower level of specific materiality of £729,000 for certain areas such as the revenue column of the Consolidated Statement of Comprehensive Income, with a further specific materiality of £1,000 for Directors' remuneration and related party transactions.
Communication of misstatements to the Audit and Risk Committee	£109,350 and misstatements below that threshold that, in our view, warrant reporting on qualitative grounds.	£96,350 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.

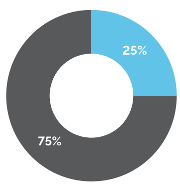
Overall materiality – group

- Performance materiality
- Tolerance for potential uncorrected mistakes



Overall materiality – parent

- Performance materiality
- Tolerance for potential uncorrected mistakes



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 by the Group audit team based on a measure of materiality considered as a percentage of Group assets, revenues and profit before taxes, to assess the significance of the component and to determine the planned audit response. Our assessment was that the sole subsidiary was a significant component;
- a full scope audit performed by the Group audit team for the Parent Company and its sole subsidiary;
- 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 set out on pages 01 to 80, 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 this other information, we are required to report that fact.

We have nothing to report in this regard.

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 39, 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

We were appointed by Ediston Property Investment Company plc on 8 January 2015. Our total uninterrupted period of engagement is four years, covering the periods ending 30 September 2014 to 30 September 2017.

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
23 January 2018

Consolidated Statement of Comprehensive Income

For the year ended 30 September 2017

	Notes	Year ended 30 September 2017 Revenue £'000	Year ended 30 September 2017 Capital £'000	Year ended 30 September 2017 Total £'000	Year ended 30 September 2016 Revenue £'000	Year ended 30 September 2016 Capital £'000	Year ended 30 September 2016 Total £'000
Revenue							
Rental income		**12,154**	**–**	**12,154**	11,323	–	11,323
Total revenue		**12,154**	**–**	**12,154**	11,323	–	11,323
Unrealised gain on revaluation of investment properties	9	**–**	**4,613**	**4,613**	–	231	231
Losses on sale of investment properties realised	9	**–**	**(203)**	**(203)**	–	–	–
Total income		**12,154**	**4,410**	**16,564**	11,323	231	11,554
Expenditure							
Investment management fee	2	**(1,352)**	**–**	**(1,352)**	(1,309)	–	(1,309)
Other expenses	3	**(902)**	**–**	**(902)**	(958)	–	(958)
Total expenditure		**(2,254)**	**–**	**(2,254)**	(2,267)	–	(2,267)
Profit before finance costs and taxation		**9,900**	**4,410**	**14,310**	9,056	231	9,287
Net finance costs							
Interest receivable	4	**8**	**–**	**8**	65	–	65
Interest payable	5	**(1,708)**	**–**	**(1,708)**	(1,553)	–	(1,553)
Profit before taxation		**8,200**	**4,410**	**12,610**	7,568	231	7,799
Taxation	6	**–**	**–**	**–**	–	–	–
Profit and total comprehensive income for the year		**8,200**	**4,410**	**12,610**	7,568	231	7,799
Basic earnings per share	8	**6.34p**	**3.41p**	**9.75p**	5.90p	0.18p	6.08p

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 2017

	Notes	As at 30 September 2017 £'000	As at 30 September 2016 £'000
Non-current assets			
Investment properties	9	**171,739**	177,534
		171,739	177,534
Current assets			
Trade and other receivables	11	**7,317**	3,940
Cash and cash equivalents	12	**24,651**	9,967
		31,968	13,907
Total assets		**203,707**	191,441
Non-current liabilities			
Loans	13	**(56,246)**	(51,783)
		(56,246)	(51,783)
Current liabilities			
Trade and other payables	14	**(1,645)**	(2,327)
Total liabilities		**(57,891)**	(54,110)
Net assets		**145,816**	137,331
Equity and reserves			
Called up equity share capital	16	**1,310**	1,283
Share premium		**37,858**	34,898
Capital reserve – investments held		**10,863**	9,138
Capital reserve – investments sold		**2,685**	–
Special distributable reserve		**84,668**	85,115
Revenue reserve		**8,432**	6,897
Equity shareholders' funds		**145,816**	137,331
Net asset value per Ordinary Share	15	**111.32p**	107.07p

The accompanying notes are an integral part of these financial statements.

Company number: 09090446.

The Financial Statements on pages 45 to 64 were approved by the Board of Directors on 23 January 2018 and signed on its behalf by:

William Hill
Chairman

Consolidated Statement of Changes in Equity
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:								
Ordinary Shares issued	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**

For the year ended 30 September 2016

	Notes	Share capital account £'000	Share premium £'000	Capital reserve – investments held £'000	Special distributable reserve £'000	Revenue reserve £'000	Total equity £'000
As at 30 September 2015		1,283	34,898	8,907	89,035	2,463	136,586
Profit and total comprehensive income for the year		–	–	231	–	7,568	7,799
Transactions with owners recognised in equity:							
Dividends paid	7	–	–	–	(755)	(6,299)	(7,054)
Transfer from special reserve		–	–	–	(3,165)	3,165	–
As at 30 September 2016		1,283	34,898	9,138	85,115	6,897	137,331

The accompanying notes are an integral part of these financial statements.

Consolidated Statement of Cash Flow
For the year ended 30 September 2017

	Notes	Year ended 30 September 2017 £'000	Year ended 30 September 2016 £'000
Cash flows from operating activities			
Profit before tax		**12,610**	7,799
Adjustments for:			
Interest receivable		**(8)**	(65)
Interest payable		**1,708**	1,553
Unrealised revaluation gains on property portfolio		**(4,410)**	(231)
Operating cash flows before working capital changes		**9,900**	9,056
Increase in trade and other receivables		**(3,208)**	(356)
(Decrease)/increase in trade and other payables		**(460)**	539
Net cash inflow from operating activities		**6,232**	9,239
Cash flows from investing activities			
Purchase of investment properties		**(26,100)**	(41,353)
Capital expenditure		**(1,353)**	(2,781)
Sale of investment properties		**37,255**	–
Net cash inflow/(outflow) from investing activities		**9,802**	(44,134)
Cash flows from financing activities			
Loans drawn down, net of costs	13	**4,385**	12,257
Issue of Ordinary Share capital, net of costs		**2,987**	–
Dividends paid		**(7,114)**	(7,011)
Interest received		**8**	65
Interest paid		**(1,616)**	(1,434)
Net cash (outflow)/inflow from financing activities		**(1,350)**	3,877
Net increase/(decrease) in cash and cash equivalents		**14,684**	(31,018)
Opening cash and cash equivalents		**9,967**	40,985
Closing cash and cash equivalents	12	**24,651**	9,967

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 (IFRS) 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 Corporate Governance 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 the Strategic Report on page 17 and 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 18 to 19);
- 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 18 to 19); and
- the impact on the above, and the Group. from the significant transaction undertaken in December 2017 as set out in Note 23.

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' and VPGA1 Valuations for Inclusion in Financial Statements, which adopt the definition of Fair Value as 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 Note 1(F) on page 51.

BASIS OF CONSOLIDATION

The Consolidated Financial Statements comprise the financial statements of the Company and all of its subsidiaries drawn up to 30 September 2017. 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 1 'disclosure initiative – amendments to IAS 1'

The amendments to IAS 1 clarify, rather than significantly change, the existing IAS 1 requirements. The amendments clarify:

- the materiality requirements in IAS 1;
- that specific line items in the statement(s) of profit or loss and other comprehensive income and the statement of financial position may be disaggregated;
- that entities have flexibility as to the order in which they present the notes to financial statements; and
- that the share of other comprehensive income of associates and joint ventures accounted for using the equity method must be presented in aggregate as a single line item, and classified between those items that will or will not be subsequently reclassified to profit or loss.

Furthermore, the amendments clarify the requirements that apply when additional subtotals are presented in the Statement of Financial Position and the Statement of Comprehensive Income. These amendments do not have any significant impact on the Group.

– Annual improvements for IFRSs 2012-2014 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'.

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. The Group is yet to assess IFRS 9'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.

– 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. The Group is yet to assess IFRS 15'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.

– IFRS 16 'Leases'

In January 2016, the IASB published the final version of IFRS 16 'Leases'. 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 2017 £'000	Year ended 30 September 2016 £'000
Investment Manager's fee	**1,352**	1,309
Total	**1,352**	1,309

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.

As detailed in Note 23, subsequent to the year end the AIFM and the Investment Manager agreed to reduce future management fees payable on any cash available for investment by 50 per cent 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 there occurs a change of Key Managers to which the Board has not given its prior consent.

3. OTHER EXPENSES

	Year ended 30 September 2017 £'000	Year ended 30 September 2016 £'000
Direct operating expenses for investment properties:		
– from which income is received	**88**	157
– from which income is not received	**–**	–
Administration fee	**131**	134
Valuation and other professional fees	**229**	254
Directors' fees	**118**	108
Public relations and marketing	**95**	38
Auditor's remuneration for:		
Audit services:		
– fees payable for the audit of the consolidation and the parent company accounts	**28**	33
– fees payable for the audit of subsidiaries, pursuant to legislation	**28**	28
Non-audit services:		
– Reporting Accountant services	**10**	–
Listing and registrar fees	**44**	44
Other	**131**	162
Total	**902**	958

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.

4. INTEREST RECEIVABLE

	Year ended 30 September 2017 £'000	Year ended 30 September 2016 £'000
Deposit interest	**8**	65
Total	**8**	65

5. INTEREST PAYABLE

	Year ended 30 September 2017 £'000	Year ended 30 September 2016 £'000
Loan interest	**1,630**	1,485
Amortisation of loan set-up costs	**78**	68
Total	**1,708**	1,553

6. TAXATION

	Year ended 30 September 2017 £'000	Year ended 30 September 2016 £'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 2017 £'000	Year ended 30 September 2016 £'000
Profit before taxation	**12,610**	7,799
UK tax at a rate of 19.5% (2016: 20.0%)	**2,459**	1,560
Effects of:		
REIT exempt profits	**(1,686)**	(1,577)
REIT exempt gains	**(860)**	(46)
Excess management expenses of residual business	**87**	63
Total tax charge	**–**	–

The Company served notice to HM Revenue & Customs that the Company, and its subsidiary, 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 £971,000 at 30 September 2017 (2016: £524,000). 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 2017		Year ended 30 September 2016	
	Pence per share	**£'000**	Pence per share	£'000
In respect of the prior year:				
Twelfth interim dividend	**0.4587**	**588**	0.4583	588
In respect of the current year:				
First interim dividend	**0.4583**	**588**	0.4583	588
Second interim dividend	**0.4583**	**590**	0.4583	588
Third interim dividend	**0.4583**	**590**	0.4583	588
Fourth interim dividend	**0.4583**	**590**	0.4583	588
Fifth interim dividend	**0.4583**	**590**	0.4583	588
Sixth interim dividend	**0.4583**	**590**	0.4583	588
Seventh interim dividend	**0.4583**	**590**	0.4583	588
Eighth interim dividend	**0.4583**	**594**	0.4583	588
Ninth interim dividend	**0.4583**	**600**	0.4583	588
Tenth interim dividend	**0.4583**	**601**	0.4583	587
Eleventh interim dividend	**0.4583**	**601**	0.4583	587
Total	**5.5000**	**7,112**	5.4996	7,054

Dividends paid/announced subsequent to the year end were:

	Record date	Payment date	Pence per share
Twelfth interim dividend	20 October 2017	31 October 2017	0.4587
In respect of the year ending 30 September 2018:			
First interim dividend	10 November 2017	30 November 2017	0.4583
Second interim dividend	15 December 2017	29 December 2017	0.4583
Third interim dividend	19 January 2018	31 January 2018	0.4583

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 2017. A non-binding resolution to approve the Company's dividend policy will be proposed at the Annual General Meeting (see Resolution 7).

8. EARNINGS PER SHARE

	Year ended 30 September 2017		Year ended 30 September 2016	
	£'000	**Pence per share**	£'000	Pence per share
Revenue earnings	**8,200**	**6.34**	7,568	5.90
Capital earnings	**4,410**	**3.41**	231	0.18
Total earnings	**12,610**	**9.75**	7,799	6.08
Average number of shares in issue		**129,342,917**		128,263,931

9. INVESTMENT PROPERTIES

Freehold and leasehold properties	As at 30 September 2017 £'000	As at 30 September 2016 £'000
Opening book cost	**168,396**	124,126
Opening unrealised appreciation	**9,138**	8,907
Opening fair value	**177,534**	133,033
Purchases	**26,100**	41,353
Sales – proceeds	**(37,255)**	–
– gain on sales	**2,685**	–
Capital expenditure	**950**	2,917
Unrealised gains realised during the year	**(2,888)**	–
Unrealised gains on investment properties	**4,656**	3,749
Unrealised losses on investment properties	**(43)**	(3,518)
Closing book cost	**157,988**	168,396
Closing unrealised appreciation	**13,751**	9,138
Closing fair value	**171,739**	177,534

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

	As at 30 September 2017 £'000	As at 30 September 2016 £'000
Closing fair value	**171,739**	177,534
Lease incentives held as debtors (Note 11)	**(1,671)**	(3,876)
Appraised market value per Knight Frank	**173,410**	181,410

Changes in the valuation of investment properties:

	Year ended 30 September 2017 £'000	Year ended 30 September 2016 £'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	**4,656**	3,749
Unrealised losses on investment properties	**(43)**	(3,518)
Total gain on revaluation of investment properties	**4,410**	231

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

At 30 September 2017, the investment properties were valued at £173,410,000 (2016: £181,410,000) by Knight Frank LLP (Knight Frank), in their capacity as external valuers. The valuation was undertaken in accordance with the RICS Valuation – Professional Standards VPS4 (1.5) Fair Value and VPGA1 Valuations for Inclusion in Financial Statements, which adopt the definition of Fair Value adopted by the International Accounting Standards Board. 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.

9. INVESTMENT PROPERTIES CONTINUED

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 2017		30 September 2016	
Significant unobservable input	**Range**	**Weighted average**	Range	Weighted average
Estimated rental value per sq. ft. per annum	**£6 – £28**	**£15**	£6 – £28	£16
Net equivalent yield	**5.3% – 8.5%**	**6.6%**	4.9% – 8.3%	6.5%

The Estimated Rental Value (ERV) for the total portfolio is not materially different from the passing rent which is disclosed on page 3.

A decrease in the net equivalent yield applied to the portfolio by 0.25% will increase the fair value of the portfolio by £6.8 million (2016: £7.4 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 £6.4 million (2016: £6.8 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 2017 was £141.0 million (2016: £135.1 million) and the book cost was £123.7 million (2016: £123.7 million). The profit of EPIC (No.1) Limited for the year to 30 September 2017 was £13.1 million (2016: £8.2 million).

11. TRADE AND OTHER RECEIVABLES

	As at 30 September 2017 £'000	As at 30 September 2016 £'000
Secured balance held with loan provider	**5,520**	–
Capital and rental lease incentives	**1,671**	3,876
Rent receivable (net of provision for bad debts)	**66**	30
Other debtors and prepayments	**60**	34
Total	**7,317**	3,940

Following the sale of the Group's property in Reading, rather than repay the loan relating to this property, the Group placed a proportion of the sales proceeds in a secured account with the loan provider. These monies are available for reinvestment in the Group's investment property portfolio.

Capital and rental lease incentives consist of £1,302,000 (2016: £3,676,000) being the prepayments for rent-free periods recognised over the life of the lease and £369,000 (2016: £200,000) 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 2017 £'000	As at 30 September 2016 £'000
Cash and cash equivalents	**24,651**	9,967
Total	**24,651**	9,967

13. LOANS

	As at 30 September 2017 £'000	As at 30 September 2016 £'000
Principal amount outstanding	**56,920**	52,420
Set-up costs	**(838)**	(723)
Amortisation of loan set-up costs	**164**	86
Total	**56,246**	51,783

In May 2015, the Group entered into a £40 million secured 10-year term loan arrangement with Aviva Commercial Finance Limited. In February 2016 and June 2017, the Group borrowed an additional £12.42 million and £4.50 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 million loan, at 2.95% on the loan of £12.42 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 10 basis points if the loan-to-value is 40% or higher. The Group's weighted average cost of borrowings was therefore 2.99% at 30 September 2017 (2016: 3.06%). The loans are secured over EPIC (No.1) Limited's current property portfolio.

Under the financial covenants relating to the loans the Group has to ensure that for EPIC (No.1) 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 date 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 2017, based on the yield on the Treasury 5% 2025 plus a margin of 0.5 per cent, would have been approximately £62,418,000, including repayment of the principal (2016: £60,839,000).

The fair value of the loans based on a marked-to-market basis, being the yield on the Treasury 5% 2025 plus the appropriate margin, was £59,297,000 as at 30 September 2017 (2016: £57,500,000). This includes the principal amount borrowed of £56,920,000 (2016: £52,420,000).

14. TRADE AND OTHER PAYABLES

	As at 30 September 2017 £'000	As at 30 September 2016 £'000
Rental income received in advance	**407**	723
VAT payable to HMRC	**170**	361
Investment Manager's fees payable	**347**	327
Loan interest payable	**238**	224
Other payables	**483**	692
Total	**1,645**	2,327

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 111.32 pence (2016: 107.07 pence) is based on equity shareholders' funds of £145,816,000 (2016: £137,331,000) and on 130,993,931 (2016: 128,263,931) 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 2017 and 30 September 2016.

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 2016	128,263,931	1,283
Issue of Ordinary Shares	2,730,000	27
Closing balance as at 30 September 2017	**130,993,931**	**1,310**

During the year ended 30 September 2017, the Company issued 2,730,000 Ordinary Shares, raising gross proceeds of £3,046,000 (2016: £nil). The Company did not buyback or resell from treasury any Ordinary Shares during the year (2016: 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 £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 £118,000 (2016: £108,000) of which £nil (2016: £nil) remained payable at the year end.

Ediston Properties Limited, being the AIFM and Investment Manager, received £1,352,000 in relation to the year (2016: £1,309,000) of which £347,000 (2016: £327,000) 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 2017 (2016: 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 2017		As at 30 September 2016	
	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	**–**	**5,586**	–	30
Cash and cash equivalents	**–**	**24,651**	–	9,967
	–	**30,237**	–	9,997
Financial liabilities				
Loan	**–**	**(56,246)**	–	(51,783)
Trade and other payables	**–**	**(1,068)**	–	(1,243)
	–	**(57,314)**	–	(53,026)

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 £30,237,000 (2016: £9,997,000), consisting of cash of £24,651,000 (2016: £9,967,000), the secured balance held with the loan provider of £5,520,000 (2016: £nil) and rent receivable of £66,000 (2016: £30,000).

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 relet. 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 was no provision required at 30 September 2017 (2016: £10,000). Of the provision at 30 September 2016, £10,000 was subsequently recovered, no amount remained outstanding and nothing was written off. There were no other financial assets which were either past due or considered impaired at 30 September 2017 or at 30 September 2016.

All of the Group's cash was placed with The Royal Bank of Scotland plc (RBS) as at 30 September 2017 and 30 September 2016. 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. RBS is rated by all the main rating agencies. Due to the increase in the cash balance, subsequent to the year end the Group opened an additional deposit account with Bank of Scotland plc which will permit the Group to diversify its credit risk when significant cash balances are held. 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 2017, Standard & Poor's credit rating for RBS was A-2 and Moody's was P-2. 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.

20. FINANCIAL INSTRUMENTS CONTINUED

LIQUIDITY RISK CONTINUED

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 10-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 2017

	Three months or less £'000	More than three months 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

FINANCIAL ASSETS AS AT 30 SEPTEMBER 2016

	Three months or less £'000	More than three months but less than three years £'000	More than three years £'000	Total £'000
Cash and cash equivalents	9,967	–	–	9,967
Rent receivable	30	–	–	30
Total	9,997	–	–	9,997

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

FINANCIAL LIABILITIES AS AT 30 SEPTEMBER 2017

	Three months or less £'000	More than three months but less than three years £'000	More than three years £'000	Total £'000
Loan	–	–	56,920	56,920
Interest payable on loan	429	4,682	8,070	13,181
Other payables	830	–	–	830
Total	1,259	4,682	64,990	70,931

FINANCIAL LIABILITIES AS AT 30 SEPTEMBER 2016

	Three months or less £'000	More than three months but less than three years £'000	More than three years £'000	Total £'000
Loan	–	–	52,420	52,420
Interest payable on loan	403	4,413	9,193	14,009
Other payables	1,019	–	–	1,019
Total	1,422	4,413	61,613	67,448

The tables above detail the total 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 2017		As at 30 September 2016	
	Fixed rate £'000	**Variable rate £'000**	Fixed rate £'000	Variable rate £'000
Cash and cash equivalents	**–**	**24,651**	–	9,967
Secured balance held with loan provider	**–**	**5,520**	–	–
Loan	**(56,246)**	**–**	(51,783)	–

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 2017 by £151,000 (2016: £50,000), 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 £1.9 million (2016: £2.1 million) and a decrease of 0.50% would have increased its fair value by approximately £2.0 million (2016: £2.2 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 2017 would have increased net assets available to shareholders and increased the net income for the year by £17.2 million (2016: £17.8 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 contractual commitments to refurbish, construct or develop any investment property, or for repair, maintenance or enhancements as at 30 September 2017 (2016: 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 6.3 years (2016: 7.9 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 2017 £'000	As at 30 September 2016 £'000
Less than one year	**12,020**	11,952
Between two and five years	**39,021**	44,143
Over five years	**29,078**	47,191
Total	**80,119**	103,286

The largest single tenant at the year end accounted for 15.2% (2016: 15.2%) of the passing rental income.

23. POST-BALANCE SHEET 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 79,339,806 Ordinary Shares at a price of 111.75 pence per share on 7 December 2017. This included 32,662,192 Ordinary Shares which were issued, at the same price, to the vendors. The shares issued to the vendors are covered by a twelve 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 twelve month period after providing notice to the Company.

As at 23 January 2018, the Company has a total of 210,333,737 Ordinary Shares in issue. The Company has authority from shareholders to issue further shares, without pre-emption rights, under an annual placing program for 60 million shares running to November 2018, and further authority to issue additional shares, again without pre-emption rights, as tap issuance going forward, subject to such authority being renewed at the AGM.

The Company also fully drew down an additional 10-year debt facility of £54 million at a fixed rate (including the margin) of 2.73% per annum. Following this drawdown, the Group had aggregate borrowings of £111 million with a blended fixed interest rate of 2.86% and two distinct repayment dates. The other significant terms of the facility are consistent with those of the existing facility.

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 equates to 2.2% of the value of the properties acquired, exceptionally low for a property acquisition. The net initial yield on the portfolio acquired of 6.02%, combined with the expected reduction in the Group's total expense ratio from 1.06% to 0.85% (annualised) by spreading fixed costs over the enlarged Group, improved further the Group's dividend cover.

The Manager has agreed to reduce future management fees payable on any cash available for investment (being all cash held by the Company except cash required for working capital and capital expenditure) by 50 per cent while such cash remains uninvested.

The Group had total assets at 31 December 2017 of £347.3 million, including cash and available debt finance of £25.8 million. This equates to a net asset value per share of 111.02 pence. At the same date, the Group's LTV was 30.4% and its gearing was 32.0%.

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 2017 are shown below:

Leverage exposure	Gross method	Commitment method
Maximum limit	3.00	3.00
Actual	1.18	1.38

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 2017

	Notes	As at 30 September 2017 £'000	As at 30 September 2016 £'000
Non-current assets			
Investment in subsidiary undertaking	3	**123,680**	123,680
		123,680	123,680
Current assets			
Trade and other receivables	4	**561**	169
Cash and cash equivalents	5	**4,878**	2,873
		5,439	3,042
Total assets		**129,119**	126,722
Current liabilities			
Trade and other payables	6	**(634)**	(777)
Total liabilities		**(634)**	(777)
Net assets		**128,485**	125,945
Equity and reserves			
Called up equity share capital	7	**1,310**	1,283
Share premium		**37,858**	34,898
Capital reserve – investments sold		**4,649**	4,649
Special distributable reserve		**84,668**	85,115
Revenue reserve		**–**	–
Equity shareholders' funds		**128,485**	125,945
Net asset value per Ordinary Share	8	**98.1p**	98.2p

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 2017 of £6,665,000 (2016: £3,134,000).

The Company financial statements on pages 65 to 69 were approved by the Board of Directors on 23 January 2018 and signed on its behalf by:

William Hill
Chairman

Company Statement of Changes in Equity

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**

For the year ended 30 September 2016

	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 2015		1,283	34,898	4,649	89,035	–	129,865
Profit and total comprehensive income for the year		–	–	–	–	3,134	3,134
Transactions with owners recognised in equity:							
Dividends paid	2	–	–	–	(755)	(6,299)	(7,054)
Transfer from special reserve		–	–	–	(3,165)	3,165	–
As at 30 September 2016		**1,283**	**34,898**	**4,649**	**85,115**	**–**	**125,945**

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 45 to 64. 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 subsidiary.

Shareholders were informed about the Company's intention to use the above disclosure exemptions in the Annual Report and Accounts 2016 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 49.

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 52.

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 £6,665,000 (2016: £3,134,000).

The Company does not have any employees (2016: 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 £106,000 was subsequently reallocated to the subsidiary to reflect the work completed by the Directors in relation to the property assets held by that Company.

Audit fees in relation to the Parent Company only were £28,000 (2016: £33,000), excluding VAT, and fees for audit-related services, for acting as the reporting accountant on a draft prospectus were £10,000 (2016: £nil). 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 2017 £'000	As at 30 September 2016 £'000
Opening balance	**123,680**	91,200
Additions	**–**	32,480
Closing balance	**123,680**	123,680

The Company has a single equity investment in a wholly owned subsidiary, EPIC (No.1) Limited. See Note 10 to the Consolidated Financial Statements on page 58. During the year ended 30 September 2017, the Company did not subscribe for any further shares in EPIC (No.1) Limited (2016: the Company subscribed in cash for 32,480,000 shares in EPIC (No.1) Limited).

Subsequent to the year end, 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.

4. TRADE AND OTHER RECEIVABLES

	As at 30 September 2017 £'000	As at 30 September 2016 £'000
Amount due from subsidiary undertaking	**527**	134
Other receivables and prepayments	**34**	35
Total	**561**	169

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 2017 £'000	As at 30 September 2016 £'000
Investment Manager's fees payable	**347**	327
Tax withheld on dividends paid	**152**	155
Other payables	**135**	295
Total	**634**	777

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 2016	128,263,931	1,283
Issue of Ordinary Shares	2,730,000	27
Closing balance as at 30 September 2017	**130,993,931**	**1,310**

During the year ended 30 September 2017, the Company issued 2,730,000 Ordinary Shares, raising gross proceeds of £3,046,000 (2016: £nil). The Company did not buyback or resell any Ordinary Shares during the year (2016: 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 98.1 pence (2016: 98.2 pence) is based on equity shareholders' funds of £128,485,000 (2016: £125,945,000) and on 130,993,931 (2016: 128,263,931) 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 60 to 63.

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 £5,405,000 (2016: £3,007,000), consisting of the Company's cash balance of £4,878,000 (2016: £2,873,000) and a current account balance due from its wholly owned subsidiary of £527,000 (2016: £134,000).

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 maturity of the Company's financial liabilities (on a contractual maturity basis) at 30 September 2016 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	777	–	–	777

The Company's only financial instrument exposed to interest rate risk at 30 September 2017 was its cash balance of £4,878,000 (2016: £2,873,000) 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 £24,000 (2016: £14,000). 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 subsidiary, 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 60. 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 Subsidiary.

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 50.

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 2016 and 30 September 2017 is set out below.

Distribution	Ex-dividend Date	Payment Date	PID (per share)	Non-PID (per share)	Total (per share)
In relation to the year ended 30 September 2016					
First interim	12/11/15	30/11/15	0.4583p	–	0.4583p
Second interim	10/12/15	31/12/15	0.4583p	–	0.4583p
Third interim	21/01/16	29/01/16	0.1768p	0.2815p	0.4583p
Fourth interim	11/02/16	29/02/16	0.4583p	–	0.4583p
Fifth interim	10/03/16	31/03/16	0.4583p	–	0.4583p
Sixth interim	21/04/16	29/04/16	0.4583p	–	0.4583p
Seventh interim	12/05/16	31/05/16	0.4583p	–	0.4583p
Eighth interim	09/06/16	30/06/16	0.4583p	–	0.4583p
Ninth interim	21/07/16	29/07/16	0.4583p	–	0.4583p
Tenth interim	11/08/16	31/08/16	0.4583p	–	0.4583p
Eleventh interim	08/09/16	30/09/16	0.4583p	–	0.4583p
Twelfth interim	20/10/16	31/10/16	0.4587p	–	0.4587p
Total in relation to the year ended 30 September 2016			**5.2185p**	**0.2815p**	**5.5000p**
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**

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 £5,000 per annum (falling to £2,000 with effect from April 2018) 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 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 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 60.

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 2018

January 2018	Announcement of Net Asset Value as at 31 December 2017
6 March 2018	Annual General Meeting
April 2018	Announcement of Net Asset Value as at 31 March 2018
May 2018	Publication of Half Yearly Report for the six months to 31 March 2018
July 2018	Announcement of Net Asset Value as at 30 June 2018
October 2018	Announcement of Net Asset Value as at 30 September 2018
December 2018	Publication of Annual Report for the year to 30 September 2018
January 2019	Announcement of Net Asset Value as at 31 December 2018

It is the intention of the Board that dividends will continue to be announced and paid monthly. Barring unforeseen circumstances, the annualised rate of dividend payment will increase from 5.50 pence to 5.75 pence per share for dividends paid from February 2018 onwards.

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**

* 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.

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 nonexistent, 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 undertaking, 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 undertaking.
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.
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 declared for 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.

* Alternative Performance Measure.

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 2017 and 30 September 2016, the EPRA NAV was the same as the IFRS NAV.
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 2017 minus the NAV at 30 September 2016. 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 total 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.

* Alternative Performance Measure.

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.
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 49 to 53 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 46. At 30 September 2017 and 30 September 2016, the IFRS NAV was the same as the EPRA NAV.
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 Group. This is similar to a dividend paid by any other company resident in the UK. From 6 April 2016, individual shareholders who are resident in the UK for taxation purposes are entitled to a tax free dividend allowance of £5,000 per annum (falling to £2,000 with effect from April 2018). 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	All 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.
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.
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.
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.

* Alternative Performance Measure.

Glossary of terms, definitions and alternative performance measures
continued

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 Expenses Ratio	The total expenditure of the Group, excluding direct operating expenses for investment properties, expressed as a percentage of the Group's average total assets
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.
UK Corporate Governance 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 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 fourth Annual General Meeting of Ediston Property Investment Company plc will be held at 39 George Street, Edinburgh EH2 2HN on 6 March 2018 at 2.00 p.m. for the purposes of considering and, if thought fit, passing the following resolutions, of which resolutions 1 to 9 inclusive will be proposed as ordinary resolutions and resolutions 10 to 12 inclusive will be proposed as special resolutions:

ORDINARY RESOLUTIONS

1. That the Annual Report and Accounts for the year ended 30 September 2017 be received.

2. That the Directors' Remuneration Report for the year ended 30 September 2017 be approved.

3. That the Directors' Remuneration Policy be approved.

4. That Grant Thornton UK LLP be re-appointed as the Company's auditor and that the Directors be authorised to determine their remuneration.

5. That Jamie Skinner be elected as a Director of the Company.

6. That William Hill, who retires by rotation, be re-elected as a Director of the Company.

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

8. That, in accordance with Article 102 of the Company's Articles of Association, the maximum aggregate Directors' fees payable be increased from £200,000 to £250,000 per annum with immediate effect.

9. 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 £210,334 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

10. That, subject to the passing of resolution 9, 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 9 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 £210,334 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.

11. 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 31,529,027 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.

12. 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:
Broadgate Tower
20 Primrose Street
London
EC2A 2EW
23 January 2018

NOTES

1. Only those shareholders registered in the Company's register of members at 6.00 p.m. on 2 March 2018 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 2 March 2018 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 (T: 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 2 March 2018 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 23 January 2018, the Company's issued share capital comprised 210,333,737 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 23 January 2018 is 210,333,737.

   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 on the following page 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 on the following page 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 23 January 2018. 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 Note 10 to Note 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.

Corporate information

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Robin Archibald
Robert Dick
Jamie Skinner

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Registered in England and Wales

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INVESTMENT MANAGER
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ADMINISTRATOR AND COMPANY SECRETARY
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