

Actively
managing
our income

Ediston Property Investment Company

is a Real Estate Investment Trust (REIT) listed on the London Stock Exchange. Our objective is to provide shareholders with an attractive level of income, coupled with the prospect of income and capital growth, through investing in UK commercial property.

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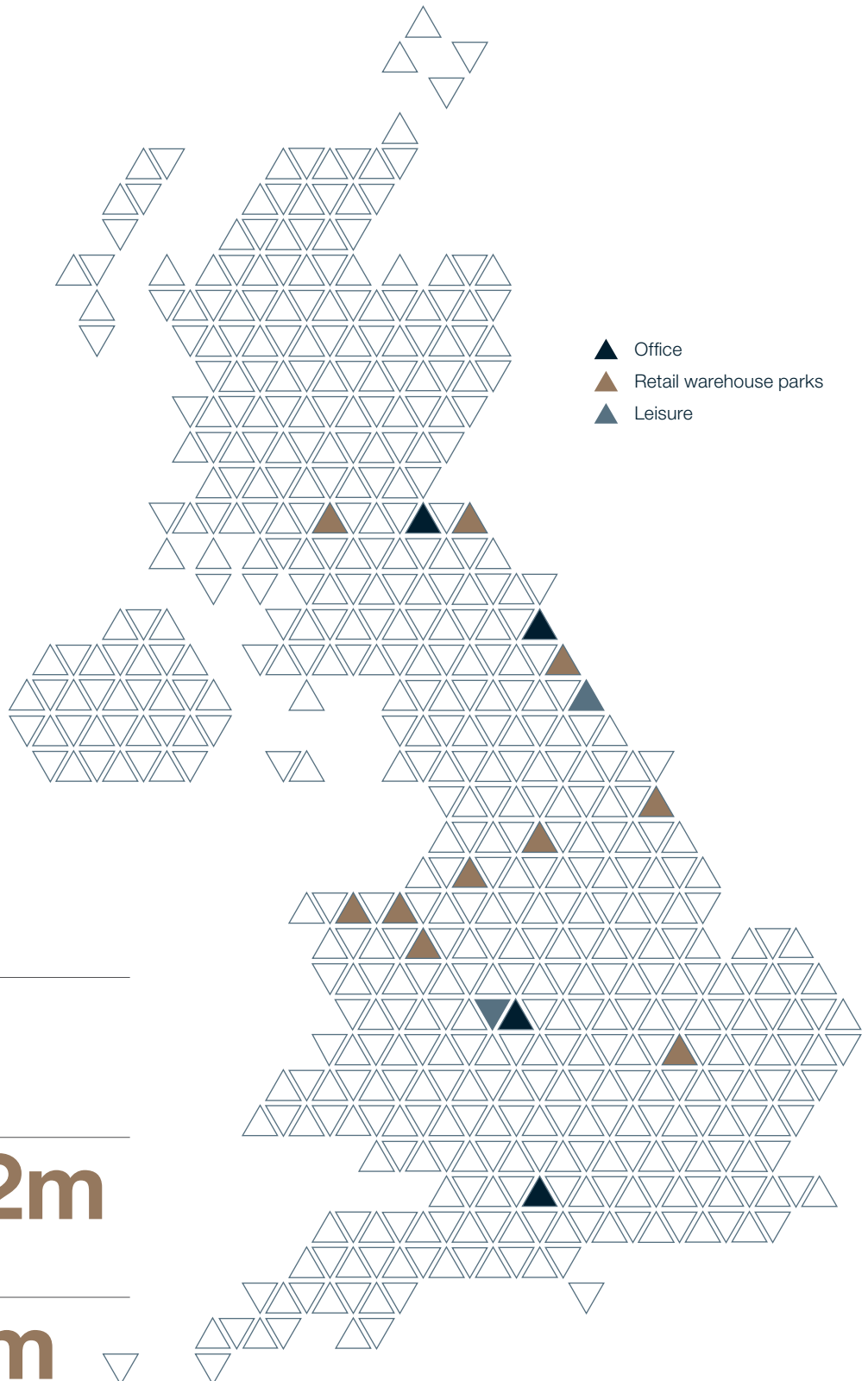
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THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION. If you are in any doubt about the action you should take, you are recommended to seek your own financial advice from your stockbroker, bank manager, solicitor, accountant or other financial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

Our assets

We own a portfolio of commercial properties throughout the UK. We can invest in office, retail warehouse, leisure and industrial assets without regard to any benchmark.



Number of properties

16

Portfolio value

£319.2m

Contracted rent

£21.4m

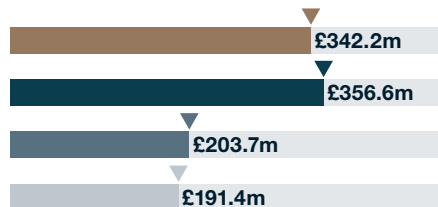
At 30 September

2019 2018 2017 2016

Key information

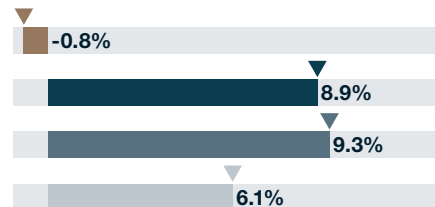
Total assets

£342.2m



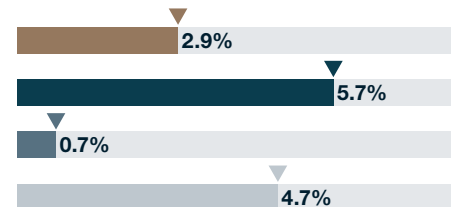
NAV total return

-0.8%



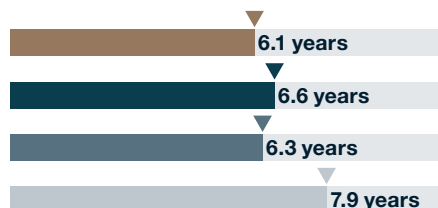
EPRA vacancy rate

2.9%



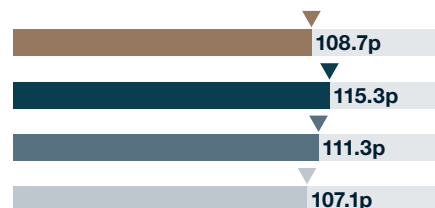
Weighted average unexpired lease term

6.1 years



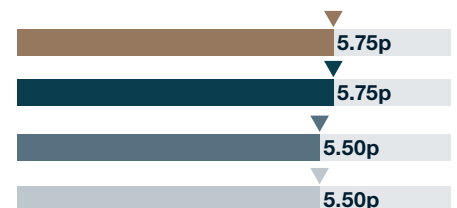
EPRA NAV per share

108.7p



Annualised dividend per share

5.75p



Operational

21 asset management initiatives completed with a contracted rent of £3.1 million per annum.

Asset management activity on 9 out of 10 retail warehouse sites.

Sold one asset in line with valuation, raising £2.9 million.

Reduced EPRA vacancy rate from 5.7% to 2.9%.

Dividend cover of 116% as at 30 September 2019.



Our Chairman's
view on the year
and prospects.

08-11

12-19

Investment Manager's
review.



20-21

Financial review.



At a glance

Securing income

In order to maximise income and capital 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 high street, shopping centre or Central London assets.

We acquire assets where we can add value through management. Properties that can be enhanced to institutional grade are key targets. This gives us a pricing advantage over the assets that are at

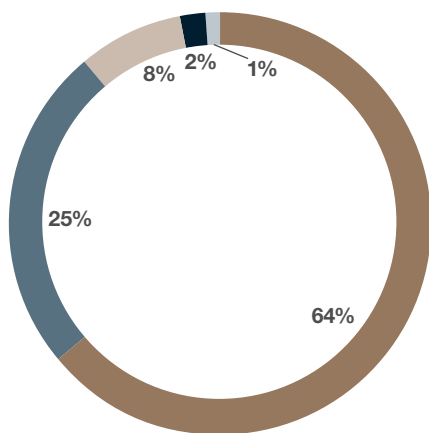
institutional grade already and where pricing competition is the fiercest. The depth of our asset management team gives us the time to execute this strategy. The outcome is a well located, diversified portfolio of good quality assets which offers a robust income stream but with opportunities to enhance and improve it.

Following the enlargement of the property portfolio in the previous financial year, the focus for the year ended 30 September 2019 was income. The intensive asset management style of our Investment Manager has seen 13 lease transactions complete, £2.0 million of income per annum secured, the vacancy rate reduce by 49% and the dividend remain well covered at 116%. In addition, eight agreements for lease have been signed on our development projects. On completion they will generate £1.1 million of income per annum.

PORTFOLIO COMPOSITION

Sector exposure

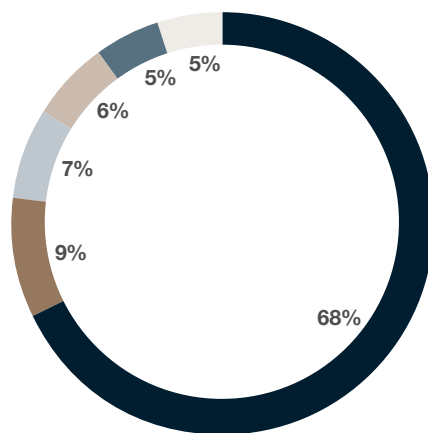
at 30 September 2019



- Retail warehouse
- Office
- Supermarket
- Leisure
- Development

Tenant exposure

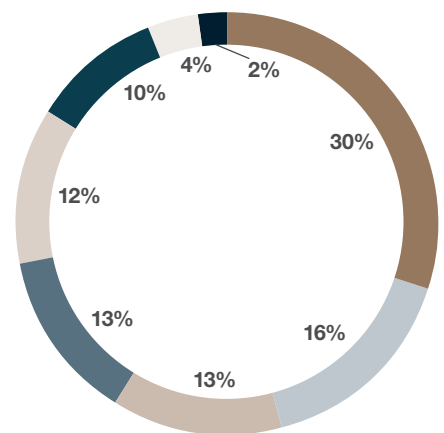
at 30 September 2019



- Tenants <4%
- B&M Retail Ltd
- B&Q plc
- Tesco Stores Ltd
- Ernst & Young LLP
- Marks & Spencer plc

Location exposure

at 30 September 2019



- Wales
- North East
- North West
- West Midlands
- Yorkshire
- North East
- South West
- South West

Number of properties

At 30 September 2019

16

Portfolio value

At 30 September 2019

£319.2m

Contracted rent

At 30 September 2019

£21.4m



Office

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

Retail Warehouse & Supermarket

Well-let retail warehouse parks and a supermarket, with solid income streams and asset management angles.

Leisure

Two bingo halls let to a national operator. Attractive income with alternative use options.

Number of properties

4

Value

£79.1m

Sector weighted average unexpired lease term

5.9 years

Number of properties

10

Value

£233.4m

Sector weighted average unexpired lease term

6.3 years

Number of properties

2

Value

£6.7m

Sector weighted average unexpired lease term

3.0 years

Income and asset management

OUR STRATEGIC PRIORITIES

1	INCOME PROTECTION AND GROWTH to support dividend payments to investors.	Progress in the period Further lettings of vacant space, regears of existing leases and completion of rent reviews. Dividend is fully covered.	Targets Complete further lettings, rent reviews, regears and developments to strengthen the Company's income stream.
2	NAV MANAGEMENT through entrepreneurial asset management of the portfolio.	Progress in the period NAV per share decreased 5.7% in the period as a result of valuation declines. Decline has been mitigated through intensive and proactive asset management.	Targets To actively manage the assets through market weakness to capture NAV growth as the market recovers.
3	TRANSACTIONAL ACTIVITY to keep the portfolio fresh, increase income and enhance the prospect of income and capital growth.	Progress in the period Sold a leisure asset, which had peaked in value, for £2.9 million.	Targets The Company has a strategy for growth and will seek to acquire further properties with existing capital, sales proceeds or with any new capital which is raised. Sales to be considered when assets have matured, or values have peaked.
4	VOID MANAGEMENT to minimise the vacancy rate across the portfolio.	Progress in the period EPRA vacancy rate decreased from 5.7% to 2.9% as a result of vacant space being let.	Targets Aim to let any voids and maintain a low vacancy rate.

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

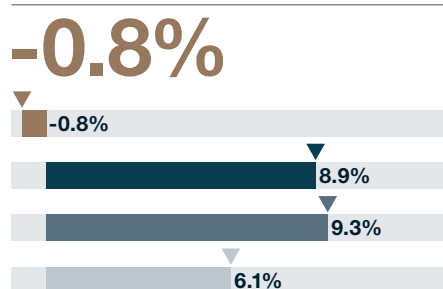
KEY PERFORMANCE INDICATORS

The key performance indicators include alternative performance measures. Refer to the Glossary on pages 82 to 84.

Year ended 30 September

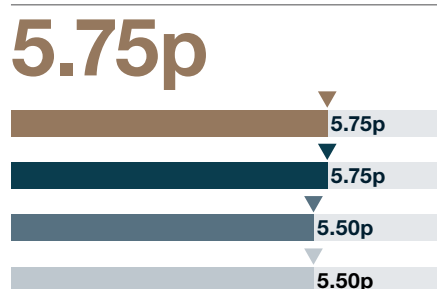
2019 2017 2018 2016

NAV total return



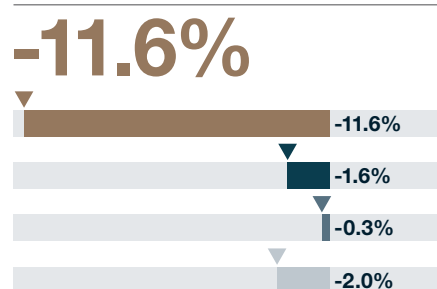
NAV total return reflects the growth or reduction in net assets as well as dividends paid to shareholders. The Board considers this as the best overall measure of value delivered to shareholders.

Annualised dividend per share



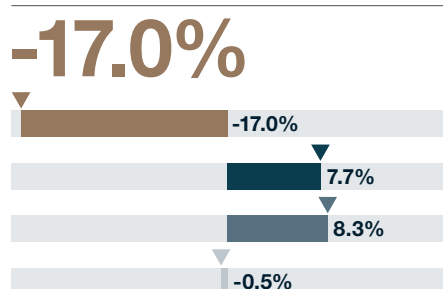
A key objective is to provide an attractive and sustainable level of dividend to shareholders. At each quarterly meeting the Board reviews the level of dividend per share, coupled with detailed financial forecasts, to ensure this objective is being met.

Average premium/discount of share price to NAV



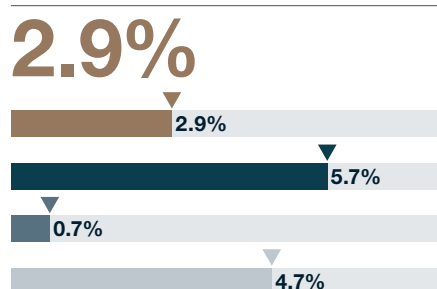
Average premium/discount of share price to NAV is monitored by the Board. The Board believes that long-term total return will be the driver of the rating of the Company's shares. The Board is keen to encourage consistent demand for shares and to reduce pricing volatility where it can.

Share price total return



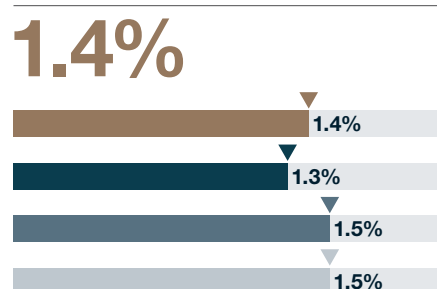
Share price total return reflects the movement in share price as well as dividends paid to shareholders.

EPRA vacancy rate



EPRA vacancy rate measures the percentage of investment property space that is vacant, based on ERV. The Board monitors the vacancy rate closely to ensure the Company's income is maximised.

Ongoing charges



Operating costs incurred by the Company expressed as a proportion of its average net assets. See definition on page 84 for more detail.

Our Investment Manager's approach

An asset management specialist

Our approach is to secure and grow income, as well as adding value at all stages of the investment process. This is achieved through the expertise and skill-set of the team at our Investment Manager, Ediston Properties Limited. Its approach is intensive and targeted and it has a track record of delivering.



Experienced and well advised

The Investment Manager has a focused and talented team of real estate experts, with extensive experience in UK property markets.

The Investment Manager knows 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.

Average experience of the Ediston team

19 years



Unlocking value

The Investment Manager is well-resourced and seeks to identify value-adding opportunities for each asset.

The generous ratio of properties to surveyors 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.

Asset management initiatives completed this year

21



Targeted investment

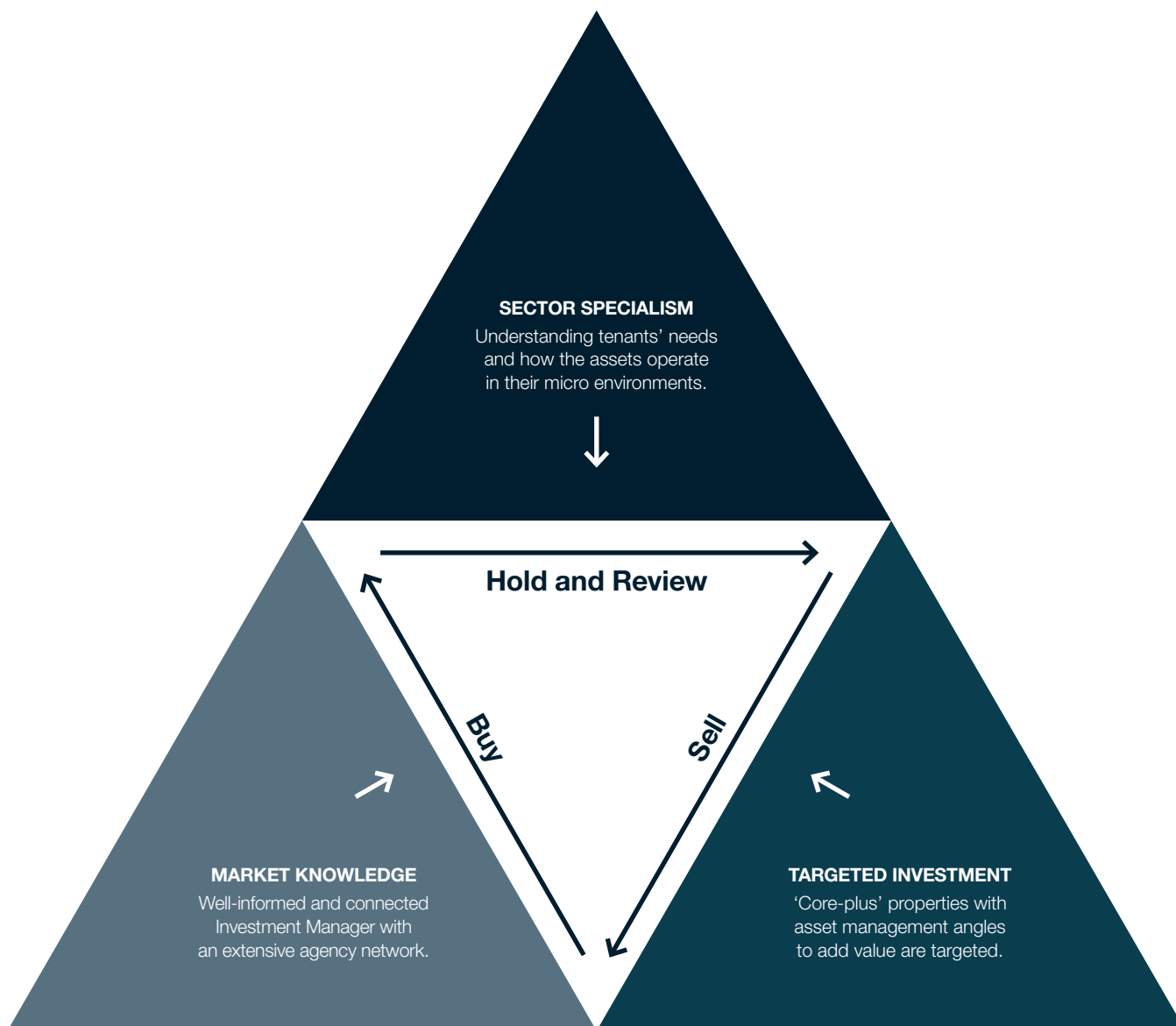
The Investment Manager seeks to identify assets which are mispriced, or are capable of being managed to a higher value, through a detailed analysis of risk and the property fundamentals, combined with good knowledge of the local occupational market.

The Investment Manager looks to acquire assets which can be improved to institutional grade property. The investment policy is not benchmarked against a traditional property relative return benchmark. It is more important for the Company to create a sustainable, diversified portfolio where each asset can ultimately offer a strong and potentially improving cash flow.

Annual portfolio IRR since launch

9.4%

Income secured and value created through intensive and entrepreneurial asset management.



Buy

Detailed due diligence and forensic cash flow analysis.



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.



Sell

Prepare assets for sale, exploit mispricing and recycle capital.

Chairman's statement

Challenges and opportunities

SUMMARY

During the year the Company has had its busiest period of asset management since launch, with 21 leasing transactions undertaken and activity on 9 out of 10 of the retail warehouse sites it owns. The outcome has been to increase the contracted retail income from £16.0 million to £16.2 million and to reduce retail vacancy to two units totalling 15,267 sq. ft. (1.2%). There is a further £1.1 million of potential income from agreements for lease (AFLs) signed during the year from units to be constructed.

The NAV total return has been -0.8% with the fall in the value of the portfolio almost matched by the dividend paid.

The irony is that despite the positive and extensive activity, the share price total return to investors over the year has been extremely disappointing, with the discount to NAV increasing from 5.5% to 21.4% at year end. Much of the impact on the share price has been in the last six months. The derating of the shares would appear to reflect market concerns over the retail sector and the Company's 64% exposure to retail warehousing.

INVESTMENT AND SHARE PRICE PERFORMANCE

A year ago, I pointed to the prospect of a bumpier road ahead linked to the outcome of Brexit. Whilst the Brexit saga continued to dominate the news, the greatest impact on property markets was not the failure to get a Brexit resolution but the collapse of investor confidence in the retail sector. Perhaps this is not surprising given the torrent of CVAs and administrations from retailers, increasing vacancy rates, falling rents and rising yields. However, to the detriment of the Company's share price, the market has not been very discerning in how it has looked at the different parts of the sector.

The Company's retail assets are largely in convenience led retail warehousing, a part of the market that has been the most resilient to the structural change in the wider retail market. Arguably, the sector is benefitting from this change as retail is 'evolving not dying'. Following several asset management initiatives, the Company's contracted retail income is up on the year and vacancy is down. However, with retail yields having risen during the year, the Company's retail assets (72% of the portfolio, including a supermarket) on a like for like basis have declined in value by 5.8% over 12 months. In comparison, the retail warehouse sub-sector

of the MSCI UK quarterly index has seen capital falls of 13.0% in the 12 months to 30 September 2019. This provides evidence that not all retail warehousing is the same.

The Company's non-retail assets have generally held their value during the year.

Over the period, the NAV per share has therefore declined from 115.3 pence (its peak since launch) to 108.7 pence, a decrease of 5.7%. Taking into account dividends paid in the period, the NAV total return per share over the year was -0.8%.

The Company's share price has declined from 109.0 pence to 85.4 pence per share during the year in what would appear to be a response to the market's negative sentiment to retail. The movement of 21.7% is significantly greater than the decline in NAV per share at the year end, with an average discount to NAV for the year of 11.6% compared to 1.6% last year. The share price total return, taking into account the dividends paid, is -17.0% for the financial year. The shares yielded 6.7% at the year-end at the current dividend level of 5.75 pence, on a closing share price of 85.4 pence.

PORTFOLIO ACTIVITY

21 leasing transactions were completed during the year involving 16 different tenants. Activity was centred on the retail warehouse segment of the portfolio and involved 9 out of the 10 retail sites owned by the Company. These transactions are discussed in more detail in the Investment Manager's review. However, I want to bring out some key points.

- It is possible to increase rents. Uplifts in passing rents were achieved at Sunderland and Prestatyn.
- CVAs can be an opportunity. In Barnsley the CVA of Carpetright opened the door to a letting to B&M which increased their unit size on the park by 40%.
- Tenants are taking space. Iceland (two units), Sue Ryder, JD Sports Gyms, Costa Coffee (three units), Dunelm, Burger King, Aldi, Euro Garages and Home Bargains have all signed new leases or agreements for lease with the Company.

Activity in the office portfolio was more modest and restricted to the completion of the refurbishment of one floor at St Philips Point, Birmingham, which is now available to let.



One property was sold during the year. The leisure asset at Knotty Ash, Liverpool, let to Mecca Bingo Limited until September 2022, was disposed of for £2.9 million, in line with the valuation.

The net effect of the portfolio activity was to increase the contracted retail income from £16.0 million to £16.2 million per annum and to reduce the portfolio's EPRA vacancy rate over the year from 5.7% to 2.9%. The overall contracted income is £21.4 million per annum, down from £21.5 million due to the sale of the asset at Liverpool which contributed £263,300 to income per annum. The potential additional annual income if the AFLs progress to signed leases is £1.1 million, which would produce a return on new capital deployed of approximately 7.8% based on the current budgeted capital expenditure.

The Board remains confident on the quality of the invested portfolio, the income receivable from it and the Investment Manager's initiatives to secure and develop the assets in the portfolio.

INVESTMENT STRATEGY

Despite the retail headwinds, the Board remains supportive of the Investment Manager's strategy and its exposure to the convenience led part of the retail warehouse sector. It is reassured that the properties owned provide the type of accommodation that retailers require in the 'omnichannel retail environment', that rents are largely affordable, and that the current level of pricing provides a very attractive income.

CAPITAL STRUCTURE AND POTENTIAL GROWTH

The Company's total debt is unchanged at £111.1 million at a blended 'all-in' fixed rate of 2.86%. Gearing at 30 September 2019 was 32.5% of total assets, a small increase due to the fall in NAV but well within investment policy limits and covenant. As at 30 September 2019, the Company held £22.8 million of cash on its balance sheet, including £10.8 million drawn under the debt facility. The latter is included within debtors at the period end and is available for investment.

The Company had total assets of £342.2 million and net assets of £229.8 million, as at 30 September 2019. The Company is almost fully invested with identified uses for existing cash. There are sufficient cash resources to fund the construction of Haddington, as well as to undertake a number of asset management initiatives.

DIVIDENDS

At inception in 2014, the Company indicated an annualised dividend of 5.5 pence per share, paid monthly. This has been achieved, and in 2018 the annualised dividend was increased to 5.75 pence per share. Dividend cover has been good, and with sustainable income, paying a progressive and sustainable monthly dividend remains a key investment objective for the Company.

BOARD

The Board carried out an independent evaluation during the period to assess its effectiveness and the workings of its committees. The overall conclusions from the review were positive and it also helped in the succession planning for the Board.

Robert Dick, current Audit and Risk Committee chairman has indicated that he does not intend to stand for re-election at the AGM in 2021. Robert has been a director since the Company launched and I would like to thank him for his support and wise counsel. He will work with Robin Archibald in the orderly handover of his responsibilities during the forthcoming year. Apart from his experience on the EPIC Board, Mr Archibald is an experienced audit chair elsewhere in the closed-ended sector and will continue to serve as senior independent director of the Company.

“
21 leasing transactions were completed during the year involving 16 different tenants... and involved 9 out of the 10 retail sites owned by the Company.”

Chairman's statement continued

As part of the Board's overall succession planning, I am delighted that Imogen Moss, head of global real estate at the law firm Allen & Overy, will join the Board. Ms Moss has over 30 years' experience in the real estate sector advising UK and international institutional investors, private equity funds, sovereign wealth vehicles, real estate companies, public bodies and family offices on all types of complex commercial and residential real estate transactions. Ms Moss's appointment follows a formal external recruitment process and was in accordance with the Board composition policy set out in the Nomination Committee report. In making this new appointment, the Board is diversifying and expanding its skill set, with particular reference to senior legal and property experience, as well as making plans for the future succession of the Board.

There has been no change to Board remuneration during the year, nor any anticipated in the next financial year, other than for any change of roles. All the members of the Board will stand for annual re-election, in accordance with the AIC Code recommendation.

MARKETING COMMITTEE

The overall marketing strategy is to continue to build awareness of the Company's activities and to improve communication with retail investors who remain under-represented on the Company's share register.

The Board believes that continuing to allocate resources to marketing is in the interests of shareholders and an essential part of addressing the recent widening of the discount between the share price and NAV and in expanding the shareholder base of the Company.

ENVIRONMENTAL, SOCIAL AND CORPORATE GOVERNANCE (ESG)

The Board and the Investment Manager consider the broader social, ethical and environmental responsibilities of the Company and its activities, as well as providing an open and competent governance structure.

The Company has signed up to the Global Real Estate Sustainability Benchmark (GRESB) which covers \$4.1 trillion of real estate assets worldwide. The Company is planning to report against this benchmark in 12 months' time. In the meantime, the Board is satisfied that the Company conducts its affairs with responsibility and good oversight for all its activities, including dealings with its investors.

CORPORATE STRATEGY

The Board continues to believe that expanding the size of the Company and widening the breadth of ownership of the Company's shares is in the long-term interest of all shareholders. The Investment Manager continues to look for potential opportunities that could provide medium-term accretion to income and capital and grow the Company and its equity base. However, the Board accepts that at least in the short term this will be challenging given market conditions and the de-rating of the Company's shares. The Board is focussed on addressing the discount which it believes undervalues the Company.

As a measure of the Board's confidence, the Directors acquired 82,788 shares during the last six months, demonstrating a commitment to the Company and confidence in its long-term prospects.

OUTLOOK

It is a bold and possibly foolish chairman that would make an unequivocal statement about the future direction of markets over the next 12 months. I will resist the temptation to be either. This is especially the case given the prevailing political and economic uncertainty. I am confident that the Company can stand up to the foreseeable challenges in front of us. These may include further falls in NAV as sentiment for retail remains weak. The Company has a well-covered dividend, leverage comfortably below covenant limits and assets that are well-let and are subject to a proactive management regime.

Looking further ahead, the advantages of real estate as an asset class remain compelling both as a source of income and as a diversifier. In addition, pricing does not appear stretched relative to bonds. From an international perspective, yields are competitive against the European markets. Supply levels are in check and development activity subdued. Demand for property investment companies to access the market should rise as the liquidity issues in the daily traded property unit trusts continues to be a concern. This should be a positive for the closed-ended investment company sector and its ability to manage illiquid asset classes.

Notwithstanding the positive medium term 'big picture', the Company's rating has been hit hard in the last six months due to investor concerns about retail. The sector has been changing for a long time in how it is carried out as an activity, and in terms of what consumers want to buy and from where. Investors and retailers on the wrong side of this substantial shift are paying a big price. However, retail is not dying, it is changing. The extent of the letting activity in the Company's retail warehouse portfolio during the last 12 months shows that a market clearly exists for the right accommodation which suits retailers with good business propositions.

The Board believes the Company is on the right side of the retail change given its assets are largely in convenience led retail warehousing, and this will increasingly be evident going forward. The Board is as positive as it can be on the medium-term outlook and our belief that our share rating in the future will reflect better the prospects of the 'retail winners and retail losers'. The Board also has a high degree of confidence in the Investment Manager's ability to manage a portfolio of UK commercial property assets for income and capital growth.

William Hill
Chairman

“

...I am confident that the Company can stand up to the foreseeable challenges in front of us... the Company has a well-covered dividend, leverage comfortably below covenant limits and assets that are well-let and are subject to a proactive management regime.”

Investment Manager's review

An active year

MARKET COMMENTARY

UK commercial real estate investment volumes for 2018 were the second strongest in a decade. On the face of it, this was positive, although the deal volume was heavily influenced by several large transactions over the course of the year. That said, the commercial property market proved to be more resilient than many commentators expected it to be.

However, as predicted in last year's Investment Manager's review, there was a drop in the number of deals completed towards the end of the year as investors were starting to be influenced by the uncertainty around Brexit. 2019 got off to a slow start and this pace has continued throughout the year, with investment volumes significantly down on 2018 levels, especially in the retail sub-sector.

The Company has been unable to avoid contagion from the wider retail market, which has caused property values to fall, and has been the principal factor in the NAV decline. However, we have been able to mitigate the declines through active asset management. During the period, this approach has secured £2.0 million of income per annum, given a pipeline of an additional £1.1 million of income per annum, reduced the EPRA vacancy rate and ensured the dividend remains fully covered.

OUTLOOK

The investment market continues to experience lower transaction volumes, driven by political and economic uncertainties, particularly from Brexit. These have acted as a brake on investment activity as investors seek clarity on the key issues before making investment decisions. This inertia is likely to remain until the political landscape alters, but it is difficult to see a change in the next few months.

However, the investment market is not dead. There are deals happening and there is price discovery across the sub-sectors. There are also several significant investors waiting in the wings to deploy capital into the UK market. We continue to look for the right investment opportunities and will invest if we see a deal which supports our investment objective.

There is still occupier activity, as evidenced in the Company's property portfolio, but it is not widespread across the market. Assets which are well-located, trade well and are let off affordable rents are more desirable and are where the deals are taking place.

PORTFOLIO VALUATION

The Company's property portfolio is valued by Knight Frank on a quarterly basis throughout the year. As at 30 September 2019 it was valued at £319.2 million, a like-for-like decrease of 3.5% over the reporting period.

FULLY COVERED DIVIDEND

The Company's dividend remains fully covered.

REFRESHING THE PORTFOLIO

In July we sold our leisure asset at Knotty Ash, Liverpool to an owner occupier in an off-market transaction. The property was let to Mecca Bingo Limited until September 2022. The sale price of £2.9 million was in line with the 30 June 2019 valuation. Over the hold period the asset delivered an IRR of 7.6% per annum.

We believe the sale proceeds can be reinvested in a way which is value accretive for investors, either by carrying out asset management on existing properties or by acquiring a new building in line with the preferred lot size of the Company.

A FALL IN CVAs

During the period, there was only one Compulsory Voluntary Arrangement (CVA) which affected the portfolio, compared with six in the previous reporting period. Fashion retailer Arcadia completed a CVA which was widely reported in the media. The Company has two units let to Arcadia group companies, one in Hull and one in Widnes.

We initially voted against the CVA proposal. However, after further consideration and following some improved terms, we elected to vote in favour. As a result, the Company had to accept a rent reduction of £135,548 per annum across the two properties. This represented 0.6% of the annual rent roll of the Company. Under the terms of the CVA we are entitled to break Arcadia's leases and secure vacant possession of each unit, should we wish to do so.

The CVA process continues to present difficulties to landlords with some concern that it is too one-sided and is being unfairly exploited by retailers. However, with the break clauses in place we are in a stronger position than dealing with an administration, giving us flexibility to aggressively manage the portfolio in the best interest of our shareholders.

“

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Portfolio value

£319.2m

Weighted average unexpired lease term

6.1 years

EPRA vacancy rate

2.9%**PROPERTY PORTFOLIO AS AT 30 SEPTEMBER 2019**

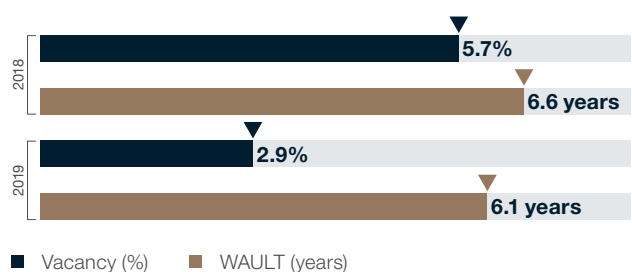
Location	Name	Sub-sector	Market value range (£)	Tenure
OFFICE				
Birmingham	St Philips Point	Office – Rest of UK	35-40m	Freehold
Newcastle	Citygate II	Office – Rest of UK	20-25m	Leasehold
Edinburgh	145 Morrison Street	Office – Rest of UK	10-15m	Heritable
Bath	Midland Bridge House	Office – Rest of UK	5-10m	Freehold
RETAIL				
Prestatyn	Prestatyn Shopping Park	Retail warehouse (53%) Supermarket (47%)	50m+	Freehold
Widnes	Widnes Shopping Park	Retail warehouse	40-45m	Leasehold
Hull	Kingston Retail Park	Retail warehouse	25-30m	Freehold
Sunderland	Pallion Retail Park	Retail warehouse	20-25m	Freehold
Wrexham	Plas Coch Retail Park	Retail warehouse	20-25m	Freehold
Coatbridge	B&Q	Retail warehouse	15-20m	Heritable
Rhyl	Clwyd Retail Park	Retail warehouse	15-20m	Freehold
Barnsley	Barnsley East Retail Park	Retail warehouse	10-15m	Freehold
Daventry	Abbey Retail Park	Retail warehouse	10-15m	Leasehold
LEISURE				
Telford	Mecca Bingo	Leisure	0-5m	Freehold
Hartlepool	Mecca Bingo	Leisure	0-5m	Freehold
DEVELOPMENT				
Haddington	Site	Development	0-5m	Heritable

Investment Manager's review continued

FALLING VACANCY RATE

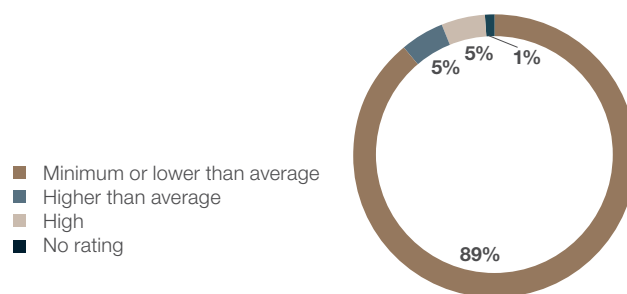
As a result of our active approach to asset management, the EPRA vacancy rate reduced by 49% during the period, falling from 5.7% to 2.9%. The vacancy rate is split between 1.2% in the retail warehouse sector and 1.7% in the office portfolio. We are working on several initiatives to secure and grow the Company's income, and to further reduce the vacancy rate.

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



Tenant covenant profile

Dun and Bradstreet risk of business failure rating. Tenant income as a percentage of the portfolio income.



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%	✓

Park life!

Despite the ‘death of the high street’, there’s plenty of life in retail parks

The internet has transformed our shopping habits. Today, with almost anything deliverable to our doors, convenience is king. But providing that convenience requires much more than a warehouse and a fleet of delivery vans. Increasingly, shoppers are demanding an ‘omnichannel’ experience. While they want to order from home or from the office, they often prefer to pick up those orders in store, so that, for example, they can try clothes on before taking them home. And they expect the same convenience in returning goods.

The growth of online shopping is predicted to level out by 2022 at around 20%, which means 80% of sales will still involve physical stores. But our changing habits mean that many of those stores will not be located in city centres. Meanwhile, retailers have to consider not only how best to balance their online and offline businesses, but also the costs of storage, distribution and returns. For shoppers and shop-owners alike, out-of-town retail parks provide a solution.

We’ve all seen the gloomy headlines about high-profile closures on the high street. But it’s important to realise that people aren’t shopping less in the online era, they’re shopping differently. For example, the number of sales made at traditional department stores has been falling fast.

Retail parks offer retailers a number of attractions for owners and tenants alike. Their lease lengths tend to be good, and the flexibility of their units allows for easy upsizing and downsizing as business conditions change. As a result, vacancy rates tend to be low. And retail parks are well placed to benefit from the shift to online shopping.

That’s because retail parks can provide the joined-up, omnichannel experience that customers want. Out-of-town locations allow commuters to collect or drop off items on their way home. And attractive retail parks with cafés, restaurants and other diversions offer a full ‘experience’ for families at the weekend.

From the retailer’s perspective, both ‘click and collect’ and returns bring customers off the internet and into the stores, where they can be tempted to make additional purchases. And out-of-town locations are ideal for ‘last-mile’ delivery and the storage of goods bought online. So many retailers are taking advantage of retail parks’ strategic locations to maximise the efficiency of their deliveries.

It’s this combination of online and offline that makes retail parks an attractive investment. ‘Bricks’ and ‘clicks’ will work together to deliver the consumer’s preferred experience – and retail parks will be pivotal in facilitating this.

Not all retail parks are equal, however. At Ediston, our investment approach is highly selective. We avoid more than 60% of the retail-park subsector because we’re only interested in parks that dominate their local area. Nor are we interested in ‘over-rented’ properties – where rents are too high and will be difficult to sustain when leases expire. Instead, we favour parks with affordable rents and the potential for us to improve returns through intensive asset management. We aim to get under the skin of each property we own so that we can secure and improve the income streams for our investors.

Our conviction in the right retail parks is so strong that we could build one of our own at our site in Haddington, outside Edinburgh. We’ve had good interest from potential tenants, and most of the units have been pre-let, well before construction starts.

“

Retail isn’t dying – far from it. But it is evolving. We aim to harness that evolution on our investors’ behalf. As e-commerce evolves into omnichannel, we’re confident that the best retail parks have the locations, facilities and flexibility to prosper in the online age.”

Securing income through active management

A major focus for us is securing and growing the portfolio income to ensure we keep our dividend fully covered and provide scope for its increase. Over the period we exchanged or completed 21 lease transactions which have a contracted rent of £3.1 million per annum. We completed new lettings, rent reviews, lease extensions and agreements for lease across nine different assets.

We completed four lease renewals, where existing tenants committed to our retail parks. This secured £994,000 of income per annum across our assets at Rhyl, Sunderland, Prestatyn and Barnsley. By completing six new lettings we reduced the EPRA vacancy rate to 2.9%, a 49% fall, and secured £747,000 in annual rent.

In the three rent reviews we completed, an uplift of 32% was secured in the annual rent received by the Company. This goes against the common-held belief that all rents are under downward pressure.

“

This portfolio activity proves there is still an active occupational market, especially in the retail warehouse sector which is where all our deals have concluded. We have the resources and expertise to execute these transactions which have benefitted the portfolio in a number of ways.”

At our retail warehouse site in Coatbridge, Glasgow, we signed agreements for lease with Costa Coffee and Burger King who have agreed to lease drive-thru units of 1,800 sq. ft. and 2,750 sq. ft. respectively, which the Company will build for them. On completion of the development Costa will enter a 15-year lease with a break option at year 10 and will pay an annual rent of £77,500. Burger King will enter a 20-year lease at an annual rent of £82,500. Costa will receive nine months rent free and Burger King 12 months rent free once their leases commence.

The Company has secured planning consent for the development of these pods and is targeting a start date on site of Q1 2020, with completion due in Q4 2020.

The remaining transactions were at our development site at Haddington and retail park in Barnsley. In Barnsley Costa Coffee has signed an agreement for lease for a 1,800 sq. ft. drive-thru unit and will enter into a 15-year lease (no break) when the unit is constructed. The annual rent will be £72,500 and is to be reviewed five-yearly to RPI compounded, collared at 1% and capped at 3% per annum. Costa will receive a nine-month rent free period from lease commencement. The transaction is subject to planning. A planning application has been submitted and a determination is expected in Q2 2020.

We have made excellent progress pre-letting our retail warehouse development at Haddington, east of Edinburgh. Agreements for lease have been signed with Aldi, Home Bargains, Costa, Iceland and Euro Garages across 46,396 sq. ft. of accommodation. The annual contracted rent when the development has reached completion will be £834,298. A planning application has been submitted and a decision is anticipated shortly.

Assets which are well-located, trade well and are let off affordable rents will continue to see occupational demand from tenants. The affordability of rents is a key point for retail warehousing. The average rent of the deals we completed in the portfolio during the period is £14.24 per sq. ft.

This provides a solid base from which to build.



New lettings

Leasing vacant space to new tenants

Number of deals

6

Contracted rent per annum

£747,000

Area (sq. ft.)

66,552

Average rent per sq. ft.

£11.22

Number of tenants

6



Lease regears

Extending or renewing leases with existing tenants

Number of deals

4

Contracted rent per annum

£994,000

Area (sq. ft.)

80,481

Average rent per sq. ft.

£12.35

Number of tenants

4



Rent reviews

Upwards only to open-market rental value

Number of deals

3

Contracted rent per annum

£286,500

Area (sq. ft.)

10,482

Average rent per sq. ft.

£27.33

Number of tenants

3



Agreements for lease

Tenants committing to new developments on a subject to planning basis

Number of deals

8

Contracted rent per annum

£1.07m

Area (sq. ft.)

52,746

Average rent per sq. ft.

£18.33

Number of tenants

6

Active in the retail warehouse market

Over the period we have completed 21 transactions with retail warehouse tenants, proving there is an active occupational market for the right parks, in the right locations which are let off affordable rents.



New lettings



Location: Sunderland
Rent secured: £187,193
Tenant: GO Outdoors
Lease length: 10 years with a five-year break
Comment: 20% increase in rent



Location: Barnsley
Rent secured: £120,312
Tenant: B&M
Lease length: 8.5 years
Comment: B&M increased its occupation on the park by 40%



Location: Hull
Rent secured: £177,736
Tenant: Iceland
Lease length: 10 years
Comment: First food retailer on the park



Location: Hull
Rent secured: £63,750
Tenant: Sue Ryder
Lease length: 10 years with a five-year break
Comment: Good diversification for tenant line-up



Location: Wrexham
Rent secured: £63,000
Tenant: Costa
Lease length: 15 years
Comment: Drive-thru pod



Location: Widnes
Rent secured: £135,000
Tenant: JD Sports Gyms
Lease length: 15 years, 10-year break
Comment: Good tenant for lower ground floor space



Lease regears



Location: Rhyl
Rent secured: £508,644
Tenant: B&Q
Lease length: 10 years
Comment: 41,520 sq. ft.



Location: Sunderland
Rent secured: £86,536
Tenant: The Wallpaper Warehouse
Lease length: 10 years with a five-year break
Comment: 7% increase in rent



Location: Barnsley
Rent secured: £213,600
Tenant: Dunelm
Lease length: 10 years
Comment: 25,370 sq. ft.

Due to confidentiality, we are unable to publish the details of the fourth lease regear, which was at Prestatyn.



Rent reviews



Location: Prestatyn
Rent secured: £58,300
Tenant: Costa
Rental increase: 7%



Location: Prestatyn
Rent secured: £183,000
Tenant: Next
Rental increase: 53%



Location: Prestatyn
Rent secured: £45,200
Tenant: Vodafone
Rental increase: 6%



Agreements for lease



Location: Haddington
Rent secured: £283,200
Tenant: Aldi
Lease length: 15 years
Comment: Conditional on planning



Location: Haddington
Rent secured: £217,500
Tenant: Home Bargains
Lease length: 15 years
Comment: Conditional on planning



Location: Haddington
Rent secured: £166,098
Tenant: Iceland
Lease length: 10 years
Comment: Conditional on planning



Location: Haddington
Rent secured: £67,500
Tenant: Costa
Lease length: 15 years, 10-year break option
Comment: Conditional on planning



Location: Haddington
Rent secured: £100,000
Tenant: Euro Garages
Lease length: 25 years
Comment: Conditional on planning



Location: Barnsley
Rent secured: £72,500
Tenant: Costa
Lease length: 15 years
Comment: Conditional on planning



Location: Coatbridge, Glasgow
Rent secured: £82,500
Tenant: Burger King
Lease length: 20 years
Comment: Planning received; detailed design being worked up



Location: Coatbridge, Glasgow
Rent secured: £77,500
Tenant: Costa
Lease length: 15 years, 10-year break option
Comment: Planning received; detailed design being worked up

Financial review

Resilient income

The focus on asset management has secured income despite challenging circumstances.

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

INCOME STATEMENT

The active asset management and letting activity in the year helped generate rental income of £20.8 million. This increase of £1.4 million on last year was also a result of a full year of rental income following the Stadium acquisition in late 2017. Revenue expenditure in the period was £3.6 million, including £0.4 million of property specific expenditure and £2.2 million related to the Investment Manager's fee. Net interest costs were £3.1 million, all similar to prior year. As a result revenue profit increased to £14.1 million (2018: £12.9 million), a rise of 9.3% from 2018.

The value of our investment properties decreased by £15.8 million in the year, which resulted in the Company reporting a total loss of £1.7 million. A decline in the valuation of the retail warehouse properties, as a result of negative sentiment towards the retail sector, was the principal reason for the valuation decline. An increase in value in the office properties and asset management initiatives over the period (which saw 21 lease transactions complete) helped to minimise the impact on the Company.

	2019 (£m)	2018 (£m)
Rental income	20.8	19.4
Property expenditure	(0.4)	(0.4)
Net rental income	20.4	19.0
Administration expenses	(3.2)	(3.1)
Net financing costs	(3.1)	(3.0)
Revenue profit	14.1	12.9
(Loss)/Gain on revaluation of investment properties	(15.8)	7.3
Accounting (loss)/profit before and after tax	(1.7)	20.2
EPRA and diluted EPRA earnings per share	6.66p	6.60p
Dividend per share	5.75p	5.69p
Basic and diluted earnings per share	(0.83p)	10.32p

RENT

Contracted rent was £21.4 million (2018: £21.5 million) per annum at the year end despite being negatively impacted by a small number of Company Voluntary Arrangements ("CVA") and the sale of the Liverpool asset during the period. On a like for like basis contracted income was up by £100,000 per annum. Income was generated in the year through: i) the letting of vacant units prior to expiry of the rental guarantees, ii) agreeing upwards rent reviews, iii) completion of a unit at Wrexham, and iv) re-letting the majority of the CVA affected units in the year. Rent free periods as a percentage of contracted rent at the year end were 5.1%. 94.9% (2018: 87.0%) of rent for the year was collected within seven days with 95.4% of rent collected within 14 days (2018: 91.0%). 89% of tenants have a minimum or lower than average risk of business failure according to Dun and Bradstreet, contributing further to the strength of the portfolio's income. The Company has not had to make any bad debt write-offs.

The portfolio continues to provide long term stability to the Company's income. The EPRA vacancy rate has decreased to 2.9% from 5.7% in 2018. The WAULT at the end of the year was 6.1 years (2018: 6.6 years) and the decrease can be explained by the passing of another year offset with the letting of the vacant units.

The level of rent, the speed of rent collection, the low vacancy levels and the relatively high WAULT demonstrates the security and resilience of the income.

EPRA PERFORMANCE MEASURES

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

	2019	2018
EPRA earnings	£14.1m	£12.9m
EPRA earnings per share	6.66p	6.60p
Diluted EPRA earnings per share	6.66p	6.60p
EPRA NAV per share	108.72p	115.30p
EPRA cost ratio (including direct vacancy costs)	17.7%	18.1%
EPRA cost ratio (excluding direct vacancy costs)	17.3%	17.7%
EPRA net initial yield	6.0%	5.3%
EPRA topped up net initial yield	6.3%	6.0%
EPRA vacancy rate	2.9%	5.7%



NET ASSET VALUE (NAV)

At 30 September 2019 our net assets were £229.8 million, equating to net assets per share of 108.72 pence (2018: 115.30p) a fall of 5.7%. This is primarily due to a decrease in the valuation of the investment properties in the year.

The decrease in net assets to £229.8 million is summarised in the table below:

	£ million	Pence per share
NAV at 30 September 2018	243.7	115.30
Decrease in value of investment properties (net of capital expenditure and transaction costs)	(15.8)	(7.49)
Net earnings in the year	14.1	6.66
Less: dividends paid in the year	(12.2)	(5.75)
NAV at 30 September 2019	229.8	108.72

The NAV is predominantly represented by our investment properties, which have a fair value of £319.2 million at the year end. This is included in the financial statements as Investment Properties at £315.1 million with the difference relating to lease incentives. The remaining £85.3 million of net liabilities is made up of: i) (£109.9 million) of debt; ii) £12.0 million of cash and cash equivalents; and iii) £12.6 million of net current assets.

DEBT

All debt is provided by Aviva through facilities totalling £111.1 million, with £56.9 million maturing in 2025 and £54.2 million in 2027. The facilities have a blended rate of interest of 2.86%. Further details are included within Note 13 of the financial statements.

It continues to be the intention of the Board that gearing will not be greater than 35% of total assets and should ideally be closer to 30% or less. This also represents significant headroom against the loan to value covenants on the property portfolio. Gearing increased at the year end to 32.5% (2018: 31.1%) due to the fall in the value of the property portfolio.

CASH

As at 30 September 2019 the Company had cash and cash equivalents of £12.0 million with a further £10.8 million drawn under the debt facility which will be applied to assist with future asset management or investment opportunities.

DIVIDENDS

Following the Board's decision to increase the dividend in 2017, this was the first full year the Company paid aggregate dividends of 5.75p and the Company has provided a fully covered dividend since early 2016. Dividend cover for the year was 115.8%.

The Board declared a dividend of 0.48 pence per share for the month of September which was paid in October 2019. Taking this last dividend with dividends paid to September 2019 of 5.27 pence, the total dividend for the year is 5.75 pence per share in line with the targeted dividend policy. This equates to a dividend yield of 6.7% based on a share price of 85.40 pence at year end.

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

The Company has a strong portfolio of assets and good sustainable income. Going forward, it is anticipated that active asset management initiatives will maintain the stability of the Company's income.

Neelum Yousaf
Financial Controller,
Ediston Properties Limited

Principal risks and risk management

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

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

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







The Directors review and challenge the register on a quarterly basis, assessing the likelihood of each risk, including emerging risks, 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 Board is also cognisant of emerging risks defined as potential trends, sudden events or changing risks which are characterised by a high degree of uncertainty in terms of probability of occurrence and possible effects on the Company. Once emerging risks become sufficiently clear, they may be treated as specific risks and added to the Company's matrix of significant risks.



The main changes to risks in the period have been to the impact of exposure to a particular sector, namely retail, the impact of share price volatility on shareholder returns, the effects of gearing when returns are negative and the continuing risks of an uncertain economic and political environment in UK. Two new risks have been added: share price volatility and gearing, which was previously regarded only in the context of non-compliance with debt facilities.



STRATEGIC PRIORITIES

 Income Protection and Growth  NAV Management  Transactional Activity  Void Management






Risk	Impact	Controls and mitigation in place	Change from last year and comments
INVESTMENT STRATEGY & PERFORMANCE			
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 investors' returns. Reduction in revenue profits impacting on cashflow and dividends.	Thorough due diligence and investment process. Regular review of property performance against acquisition plan. Experienced Investment Manager who sources assets which meet agreed investment criteria. Investment Committee scrutinises and approves all proposed acquisitions. The Board reviews the portfolio performance at each quarterly meeting and, through the Management Engagement Committee, conducts a formal annual review of the performance of the Investment Manager. Comprehensive profit and cash flow forecasting which models the impact of property transactions at Group level.	 No Change All available cash resources are currently identified against asset management and development activities.
Link to strategy:  	Impact if occurred: Medium	Probability of occurring: Low	
Significant exposure to a specific property, tenant, sector, geographic location or to lease expires in a given year.	Downturn in an area to which the Company has significant exposure resulting in a reduction in the capital value of investment properties. Significant tenant failure causing a material reduction in revenue profits, impacting on cash flow and dividends.	Although the Company is not invested in accordance with any property benchmark, the investment policy and its restrictions/limits are set by the Board and reviewed quarterly. The limits are monitored at all times by the Investment Manager. The Board and Investment Manager also review at least quarterly other key metrics, such as principal property sector weightings, to ensure these remain appropriate even where there may be no formal limits on exposure. Board approval memorandums state whether there are any concentration issues. The Company's AIFM and Depositary monitor compliance with the investment policy and will highlight any breaches of concentration limits.	 Increased The company's portfolio includes 64% investment in retail warehouse assets. The quality of the retail warehouse assets is robust, with good locations, strong covenants, manageable rents levels, low voids and a WAULT of 6.3 years. The Investment Manager is proactive in monitoring closely developments in the retail industry, anticipating issues, and where appropriate replacing struggling tenants with those with stronger covenants. Share price performance has been impacted negatively by market sentiment affecting all retail property, but particularly high street shops and shopping centres to which the company is not exposed.
Link to strategy:  	Impact if occurred: Medium	Probability of occurring: Medium	

Risk	Impact	Controls and mitigation in place	Change from last year and comments
INVESTMENT STRATEGY & PERFORMANCE CONTINUED			
Ineffective active asset management of properties.	<p>High vacancy levels, low tenant retention, sub-optimal rental levels and break clauses exercised resulting in a deterioration of income earned and a fall in the capital value of investment properties.</p> <p>Reduction in revenue profits impacting on cash flow and dividends.</p>	<p>The Investment Manager is experienced in active asset management. Detailed asset management plans are maintained for all properties and details of asset management activities to be undertaken are presented to the Board on at least a quarterly basis. Asset management activity involving significant capital expenditure requires the approval of the Investment Committee.</p> <p>Proactive approach to key lease events. Third party letting and managing agents are employed.</p>	<p>► No Change</p> <p>The Investment Manager has undertaken various active asset management activities on the portfolio during the year and has others identified for the short and medium term. These initiatives have helped maintain the income stream of the Company.</p>
Link to strategy:			
  	Impact if occurred: Medium	Probability of occurring: Low	

PREMIUM/DISCOUNT LEVEL			
Share price volatility.	<p>The Company's share price could be impacted by a range of factors causing it to be higher than (at a premium) or lower than (at a discount) to the underlying net asset value per share. Fluctuations in the share price can cause volatility which may not be reflective of the underlying investment portfolio and depend on supply and demand for the shares, market conditions, general investor sentiment and other factors, including political and economic uncertainties.</p>	<p>The Board monitors closely the market in the Company's shares, including significant purchases and sales. Through the Investment Manager and the Company's stockbroker, the main investors are kept in regular touch with developments in the Company, positive and negative, and the Company announces portfolio and any other significant activity between its quarterly net asset value announcements and publication of its interim and final accounts. The Company has the ability to allot shares, and has done so, where there has been demand in the secondary market and issuance is not dilutive to existing shareholders. The Company also takes the annual authority to buy back shares. However, the Company's intention is to be fully invested and geared, so the use of share buyback would require a change in the strategic direction of the Company, not least in having liquidity in the portfolio.</p> <p>The Board reviews the strategic direction of the Company regularly to ensure that application of the investment policy, the returns generated from it and the objectives of the shareholders are being met.</p>	<p>► New</p> <p>In common with other property investment companies, market sentiment towards the sector has deteriorated resulting in a market deterioration in the share price, irrespective of the NAV and yield remaining resilient. This deterioration has not been helped by political and economic uncertainty. The Board and Investment Manager continue to work with shareholders to reinforce the value approach taken to investing in UK commercial properties and not least the resilience of the income from the portfolio.</p>
Link to strategy:			
 	Impact if occurred: High	Probability of occurring: High	

FINANCIAL & ECONOMIC			
Gearing.	<p>Gearing will accentuate returns if the cost of debt is less than the equity returns or the reverse effect if equity returns are less than the cost of debt.</p>	<p>The Board reviews the level of gearing on a regular basis.</p> <p>The borrowing facilities have prescribed covenants.</p> <p>The Investment Manger presents for Board review quarterly cash flow forecasts prepared from the level of detail of individual properties and tenants.</p> <p>The Board intends to maintain gearing at 30% of Company gross assets at drawdown but will not exceed 35%, at the time of drawdown.</p>	<p>► New</p> <p>The Board will continue to monitor the level of gearing closely.</p> <p>This has recently had a negative drag on performance whereas in the past it was a positive contributor to performance.</p>
Link to strategy:			
 	Impact if occurred: Medium	Probability of occurring: Medium	

Principal risks and risk management continued

Risk	Impact	Controls and mitigation in place	Change from last year and comments
FINANCIAL & ECONOMIC CONTINUED			
Non-compliance with debt facilities.	A substantial fall in the property asset values or rental income levels could lead to a breach of financial covenants within the Group's debt funding arrangements. This could lead to a cancellation of debt funding leaving the Company without sufficient long-term resources to meet its commitments.	Covenants are reviewed on a regular basis. Compliance certificates and reports for the lender are prepared on a quarterly basis by the Investment Manager then reviewed and signed by a Director.	<p>▲ Increased</p> <p>There was a modest increase in the Company's loan to value ratio at year end, as defined for the purpose of debt funding covenants, from 31.1% to 32.5%, compared with the covenant limit of 50%. The increase was due mainly to the fall in the valuation of the portfolio. Going forward further falls in the valuation would have a negative impact on the ratio although the headroom is significant and the covenant is not considered to be at risk.</p> <p>The increased size and diversification of the property portfolio reduces the risk that an asset specific event would significantly impact on the Group's debt covenants.</p>
Link to strategy:			
	Impact if occurred: High	Probability of occurring: Low	
Weak economic and/or political environment, including the potential impacts of the General Election and Brexit.	Lower occupational demand impacting on income, cash flow, rental growth and capital performance.	<p>To a large extent out of the Company's control.</p> <p>Although the UK appears to be nearer a resolution of Brexit, significant uncertainties remain on form and timing. The General Election currently under way may or may not resolve some of these uncertainties, and may introduce more uncertainties in other areas.</p> <p>Asset management remains a high priority and cash control continues to be strong.</p> <p>Sensitivity analysis of the portfolio is undertaken regularly via a comprehensive cash flow model.</p>	<p>► No Change</p> <p>As last year, the economic and political environment in the UK remains uncertain. This may result in lower occupational demand and, although partially mitigated by the Company's good-quality assets, low vacancy rate, long WAULT and strong covenants, the continuing uncertainty arising from Brexit and now also the General Election increases the risk to returns from the UK Commercial property market as a whole.</p>
Link to strategy:			
  	Impact if occurred: High	Probability of occurring: Medium	
REGULATORY			
Non-compliance with laws and regulations.	The Company is required to comply with REIT rules, the Listing Rules, Disclosure Guidance and Transparency Rules, the UK Code, IFRS accounting standards and UK legislation (including the UK Bribery Act, Modern Slavery Act, The Criminal Finances Act 2017, Market Abuse Regulations and GDPR).	<p>The Company uses experienced tax advisers, auditors, Investment Manager, Company Secretary, Administrator and solicitors to provide advice and support throughout the year.</p> <p>Strong compliance culture with regular risk reviews undertaken by the Audit and Risk Committee.</p>	<p>► No Change</p> <p>No changes in the regulatory environment over the year have had a significant impact on the risk profile of the Company.</p>
Link to strategy:			
	Impact if occurred: High	Probability of occurring: Low	

Risk	Impact	Controls and mitigation in place	Change from last year and comments
OPERATIONAL			
Health and Safety.	Serious incident occurring at one of the Company's properties resulting in material financial or reputational damage to the Company and/or criminal prosecution.	The Board receives and reviews a quarterly report from the managing agent detailing any relevant matters. The managing agent ensures all matters raised are dealt with promptly. Appropriate insurance cover is in place. Insurers visit each property at least every two years and undertake a risk assessment.	► No Change No significant changes have occurred in relation to Health and Safety matters over the year.
Link to strategy:			
	Impact if occurred: High	Probability of occurring: Low	
Lack or failure of internal controls of the Investment Manager or Administrator.	Inadequate segregation of duties or other internal controls could result in a higher probability of error, or fraud not being prevented, resulting in financial loss to the Company.	Significant segregation of duties within the Investment Manager and Administrator as well as between them both, with oversight from the Depositary.	► No Change No significant changes have occurred in the internal control environment over the year.
Link to strategy:			
 	Impact if occurred: Medium	Probability of occurring: Low	

The Strategic Report on pages IFC to 25 has been approved by the Board and is signed on its behalf by:

William Hill
Chairman
5 December 2019

Board of Directors

The Board comprises four Directors, all of whom are non-executive and independent of the Investment Manager. The Directors are responsible for the determination of the Company's investment policy and the overall supervision of the Company.

The members of the Board have complementary skills to bring to the Board, as well as considerable experience of property, listed markets and closed-ended funds. All of the Board members have demonstrated, and re-confirmed, that they have more than adequate time to commit to their roles. As referred to on page 10, the Company is due to appoint a new director, Ms Imogen Moss, in mid 2020 as part of its succession planning and to diversify skills and experience. The Directors are as follows:



William Hill
Chairman

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

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

He is a past chairman of the Association of Real Estate Funds and past master of the Worshipful

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

Current other appointments

He is a non-executive director of Mayfair Capital Investment, part of the Swiss Life Group and chairs the Investment Committee and UK Board, both of which oversee the responsible property investing policies of the group. This includes following the Church of England ethical investment policy for the charity fund and monitoring the GRESB performance of the funds under management. He is a chairman of the Chartered Surveyors Training Trust and is a member of the investment committees/ boards of Mayfair Capital, Ashby Capital, the Old Oak and Park Royal Development Corporation and The Worshipful Company of Goldsmiths. He sits on the investment committee of Guy's and St Thomas' Charity which includes in its remit an allocation to impact investing. It also has a focus on sustainability and health and wellness issues.



Robert Dick
Audit and Risk Committee
Chairman

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

He joined CALA in 1985 when the company had a full London Stock Exchange listing and held several key executive and non-executive positions over a 23-year period, including serving as Group Finance Director for ten years, Chairman of the group's property development business for eight years and a trustee of the group's pension scheme for

15 years, including 11 years as chairman. Robert led the CALA team which completed a successful MBO in 1999, delisting the company and taking it private.

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

He has served as a Trustee of two charities, one supporting homeless people in Edinburgh, the other funding activities helping destitute children in India. He also chaired an advisory group at Inspiring Scotland, a major venture philanthropy charity.

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

Current other appointments

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



Robin Archibald
Senior Independent Director and
Nomination Committee Chairman

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

He qualified as a chartered accountant with Touche Ross in

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

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

Current other appointments

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



Jamie Skinner
Marketing Committee Chairman

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

In 1999 he joined Martin Currie Investment Management Limited as a director and in 2014 was appointed

Head of Client Services. He served as President and CEO of The China Fund, Inc. until 2012, President and CEO of The Taiwan Fund, Inc. until 2014 and President of the Martin Currie Business Trust until 2015. He also served on the boards of Martin Currie, Inc. and the Martin Currie Japan Absolute Return Fund up to his retirement from Martin Currie on 31 July 2018.

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

Current other appointments

He is a non-executive director of the Asian Opportunities Absolute Return Fund Limited, the Asian Equity Special Opportunities Portfolio Limited and is audit chair of both the Baillie Gifford Shin Nippon plc and the Ashoka India Equity Investment Trust plc.

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.

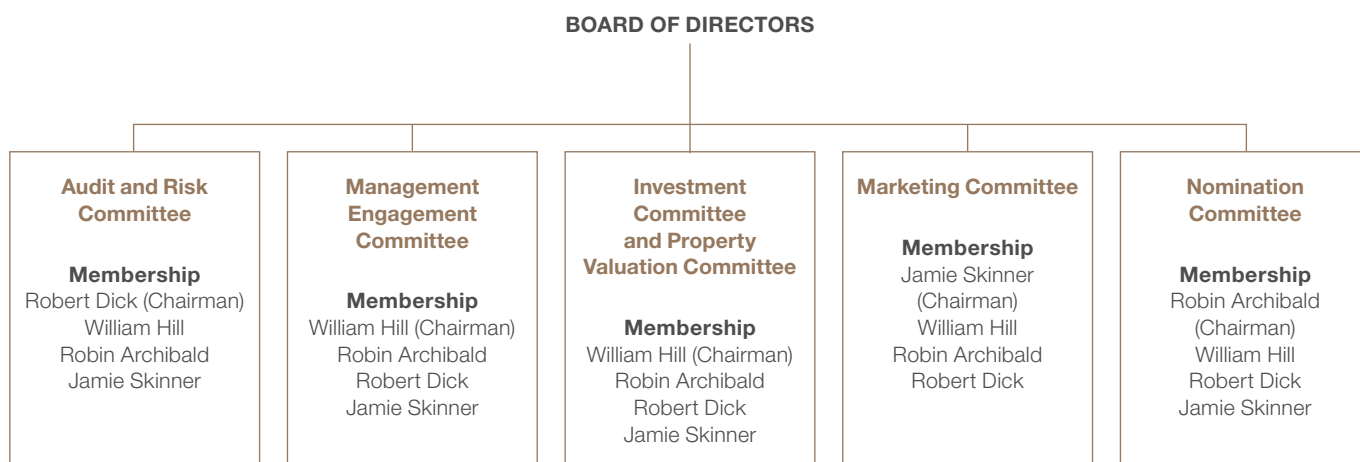
Sound governance is at the heart of the Board's efforts to ensure that the Company continues to meet the investment objective and policy expected by shareholders as well as implementing the strategy established for the Company.

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 and will adopt the revised UK Code of Corporate Governance published in July 2018 when it becomes applicable to the Company for its financial year commencing 1 October 2019.

William Hill
Chairman



Corporate governance statement continued



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 all financial information including the annual and half-yearly accounts, the system of internal controls, the audit plan presented by the auditor and the terms of appointment and remuneration of the auditor.

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

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

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

MANAGEMENT ENGAGEMENT COMMITTEE

William Hill is the Chairman of the Company's Management Engagement Committee which comprises the full Board. The Committee reviews the appropriateness of the continuing appointment of the Investment Manager and other key service providers, together with the terms and conditions thereof and meets formally at least once a year. The provision of key services to the Company is considered throughout the year at Board meetings and if necessary at specially convened meetings for that purpose.

The Company's corporate broker since launch has been Canaccord Genuity, during the year the Canaccord investment company team were part of an orderly departure to join Investec. The Management Engagement Committee reviewed and were content with this change and accordingly, the contractual terms were novated.

Given that the Company listed five years ago, the Board is taking the opportunity to review thoroughly all of its advisory and agent appointments. Any changes will be announced in due course. These will not affect the Investment Manager who retains full confidence of the Board.

INVESTMENT COMMITTEE AND PROPERTY VALUATION COMMITTEE

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

MARKETING COMMITTEE

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

The Committee monitors and manages the Group's marketing programme and budget to help the Company increase its exposure to the retail investor marketplace. The Committee also reviews service providers to ensure they are working to a co-ordinated marketing plan and will consider whether any additional third parties should be engaged by the Company to support the Group's marketing activities.

The Marketing Committee is expected to meet formally at least twice a year.

During the year the Marketing Committee focused on a co-ordinated approach between the different advisers to the Company, covering institutional, wealth manager and retail shareholders, the last category being the least represented on the register, with consistent messages on the Company. The Company has invested, with the help of its marketing consultant Malcolm Dodds, in an improved marketing infrastructure which includes a new website, investor contact management system and new PR consultants for press and media. As a result progress was made, albeit in a difficult year, with the retail sector. The Company obtained good media coverage, with a focus on the sustainability of income. The Investment Manager continues to have a close dialogue with existing institutional and wealth management investors in the Company and with prospective investors, to try and ensure that news and information on the Company is well disseminated. Malcolm Dodds completed his consultancy work for the Company and his work has been appreciated and will be

maintained. The Marketing Committee is clear that promotion of the Company's activities is a task that needs to be worked on in both difficult and propitious markets, not least to try and provide a differentiated message on what the Company is doing.

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.

During the year a full appraisal was conducted of all the Board members and this was used by the Nomination Committee in the recruitment and succession planning for the Board, which is explained in the Chairman's statement on page 09.

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

CORPORATE GOVERNANCE

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

The UK Code includes provisions relating to:

- the role of the chief executive;
- executive Directors' remuneration; and
- the need for an internal audit function.

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

Except for the above provisions, the Company adhered throughout the year with the principles and recommendations of the AIC Code and complied with the relevant provisions of the UK Code.

INDEPENDENCE

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

OPERATIONAL STRUCTURE

The basis on which the Group aims to generate value over the longer term is set out in its investment objective and investment policy as contained on page 39.

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

Robin Archibald was appointed as Senior Independent Director in 2018 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 36, is expected to be revised, if at all, every three years rather than annually, other than where the role or responsibilities of an individual Director changes.

BOARD AND DIRECTORS' PERFORMANCE APPRAISAL

During the year, the performance of the Board, committees and individual directors was externally evaluated through an assessment process led by the Chairman. This process was conducted through a series of interviews and questionnaires by a professional agency. Feedback was provided to individual directors by the Chairman and from the Senior Independent Director on the Chairman's performance. The overall conclusions of this process were positive and it helped in the succession planning for the Board. The Board will continue to have annual appraisals each year of its performance and will use external appraisal from time to time as appropriate, particularly when succession is being considered.

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

Corporate governance statement continued

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 has decided that, in accordance with the latest AIC Code, from the forthcoming Annual General Meeting and at future Annual General Meetings all Directors will stand for election each year.

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. The Company currently has four Directors and will continue to have four directors following the appointment of the new director in mid-2020 and the retirement from the Board of Mr Dick, who is not standing for re-election at the Annual General Meeting in 2021. Consideration will be given to appointing a fifth director when appropriate but it is fundamental to the workings of the Company that it has a highly engaged and involved non-executive Board, working closely together, with the requisite skills and experiences to be brought to bear on the activities of the Company. Diversity of Board construction was an important factor in recent Board succession planning but so too was widening the experience. The proposed appointment of Imogen Moss, as reported in the Chairman's statement, will bring senior legal and property experience to the Board.

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

	Board	Audit and Risk Committee	Management Engagement Committee	Marketing Committee	Nomination Committee
William Hill	5/5	3/3	1/1	2/2	4/4
Robin Archibald	5/5	3/3	1/1	2/2	4/4
Robert Dick	5/5	3/3	1/1	2/2	4/4
Jamie Skinner	5/5	3/3	1/1	2/2	4/4

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

GOING CONCERN

Under the UK Code, the Board needs to consider whether it is appropriate to adopt the going concern basis of accounting in preparing the Financial Statements. The Board continues to adopt the going concern basis and the detailed consideration is contained on page 59. The viability statement, under which the Directors assess the prospects of the Group over a longer period, is contained on page 48.

RELATIONS WITH SHAREHOLDERS

The Board welcomes the views of the Company's shareholders, both institutional and retail, and places great importance on communication with them. The Chairman and the Investment Manager take a leading role in relation to the communication to shareholders. However, all Board members are available to meet shareholders when required to discuss any significant issues and to address any concerns or queries that shareholders may have. The Annual General Meeting will be held on 26 February 2020 and it is hoped that this will provide a forum for shareholders to meet and discuss issues with the Board and the Investment Manager.

The Chairman met recently with many of the Company's large shareholders for an open discussion on the Company and its progress. These meetings were conducted independently of the Investment Manager, who also meets with shareholders throughout the year and is in close touch with shareholders on all corporate developments.

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

Report of the Audit and Risk Committee



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

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

Within this framework, I have pleasure in presenting the Report of the Audit and Risk Committee for the year ended 30 September 2019.

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. The terms of reference are reviewed at each meeting and are available on the Company's website and on request.

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

RESPONSIBILITIES OF THE AUDIT AND RISK COMMITTEE

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 and the Annual Report. At these meetings the Committee also reviewed the Group's key risks. 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 liaised with the Auditor during the year, to discuss the audit plan and the results of the audit of the Annual Report, and reported the results of these interactions to the Committee. The significant judgements and estimates made in the Financial Statements, each of which was considered by the Committee, are detailed on pages 59 and 60. Other significant matters considered by the Committee in relation to the Financial Statements during the year are detailed in the table on page 34.
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.

Report of the Audit and Risk Committee continued

Responsibilities of the Committee	How they have been discharged
Consideration of the narrative elements of the Annual Report, including whether the Annual Report taken as a whole is fair, balanced and understandable and provides the necessary information for shareholders to assess the Group's business model, strategy and performance.	The Committee has reviewed the content and presentation of the Annual Report, including being actively involved in the drafting, and discussed how well it achieves the criteria opposite. As disclosed on page 34, 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.	<p>The Chairman of the Committee, along with the Investment Manager and Administrator, engaged with the Auditor to discuss the audit planning Board report and related timetable, together with the areas of audit focus. This planning report and related timetable was then considered by the Committee in advance of the work commencing. At the conclusion of the audit the Committee discussed the audit findings report with the Auditor, Administrator and Investment Manager.</p> <p>The Independent Auditor's Report on pages 50 to 54 highlights their view of the areas of greatest risk of misstatement and these points were discussed with the Committee.</p>
Monitoring developments in accounting and reporting requirements that impact on the Group's compliance with relevant statutory and listing requirements.	<p>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.</p> <p>Any new standards are highlighted in Note 1 to the Consolidated Financial Statements.</p> <p>The Committee continued to monitor ongoing developments in accounting and reporting requirements; in particular in the current year the Committee considered the requirements of the UK Corporate Governance Code and emerging themes in relation to Environmental, Social and Governance ('ESG') reporting.</p>
Management of the relationship with the external Auditor, including their appointment and the evaluation of the scope, effectiveness, independence and objectivity of their audit.	The Auditor attended one meeting of the Committee and had contact with the Chairman of the Committee on a number of occasions throughout the year. The scope of the audit was discussed at the planning stage along with the staffing and timing of audit procedures to ensure that an effective audit could be undertaken. The Committee has also reviewed the independence and objectivity of the Auditor and has considered the effectiveness of the audit.

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 could threaten its business model, future performance, solvency or liquidity, together with the procedures employed to manage or mitigate them, is included in the Strategic Report on pages 22 to 25.

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, buyback or corporate acquisitions;
- corporate reporting and governance requirements of the Company, including the performance and duties of the AIFM;
- the maintenance of proper accounting records; and
- the reliability of the financial information upon which business decisions are made and which is used for publication, whether to report net asset values, used as the basis for the Interim or Annual Report or for other reporting purposes.

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

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

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

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

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

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

THE AUDITOR

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

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

Grant Thornton has been the Company's auditor since the Company's launch in 2014. Following professional guidelines, the audit principal rotates after five years, the current audit principal being in the fourth year of his appointment. On this basis and having considered the effectiveness of the audit, including reviewing the Audit Quality Inspection Report in relation to Grant Thornton UK LLP published by the Financial Reporting Council in July 2019, the Audit and Risk Committee has recommended the continuing appointment of Grant Thornton to the Board. Grant Thornton's performance will continue to be reviewed annually taking into account all relevant guidance and best practice.

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

Service provided (excluding VAT)	2019 fee (£'000)	2018 fee (£'000)
Audit services		
Fees payable for the audit of the consolidation and the parent company accounts	36.0	29.0
Fees payable for the audit of subsidiaries, pursuant to legislation	34.5	35.0
	70.5	64.0
Non-audit services		
Reporting Accountant	-	83.0*
Total	70.5	147.0

* The non-audit services provided by Grant Thornton during the year ended 30 September 2018 consisted of their appointment as Reporting Accountant in relation to the prospectus published by the Company during the year. The Audit and Risk Committee concluded that it was in the best interests of the Company and its shareholders for this work to be conducted by Grant Thornton given their existing familiarity with the Company's financial model, having acted as Reporting Accountant previously, which would allow them to complete the work in a timely and cost-effective way.

Report of the Audit and Risk Committee continued

ANNUAL REPORT AND FINANCIAL STATEMENTS

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

Matter	Audit and Risk Committee action
VALUATION AND EXISTENCE OF THE INVESTMENT PROPERTY PORTFOLIO The Group's property portfolio accounted for 92.1% of its total assets as at 30 September 2019. 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.	<p>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.</p> <p>The Committee also discussed with the Auditor the work performed to confirm the valuation and existence of the properties in the portfolio, noting that the Auditor had increased its work on the valuation due to Brexit uncertainty, economic conditions and generally tougher trading conditions for retailers. The Committee discussed the September valuation with Knight Frank to ensure that it understood the assumptions underlying the valuation and sensitivities inherent in the valuation and any significant area of judgement.</p>
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.	<p>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.</p>
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.	<p>The Committee has discussed the provisions in the IMA relating to the fee and the controls over fee payments including the process for calculating any adjustment for any uninvested cash as per the amendment to the IMA in late 2017. It has satisfied itself that the underlying calculations and assumptions which lie behind it are in accordance with the IMA, as is the timing of payment.</p>

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 2019, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the Group's business model, strategy and performance.

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

Robert Dick

Chairman of the Audit and Risk Committee

5 December 2019

Remuneration report



Full details of the Group's policy with regards to Directors' fees and fees paid during the year ended 30 September 2019 are shown on the following pages.

The Board has since 2017 comprised four Directors and provides the Board with the appropriate mix of skills and experience to meet the Company's immediate needs. The Board also determined that it should provide particular roles for those Directors and, in addition to the chairmanship of the Company and of the Audit and Risk Committee undertaken by William Hill and Robert Dick respectively, it appointed Robin Archibald, Senior Independent Director and Nomination Committee chair and gave Jamie Skinner responsibility for chairing the Marketing Committee. Further to this mandate Jamie Skinner's remuneration was increased to £38,000 per annum with effect from 1 April 2019. The Board will continue to review the committee structure and how best to manage the Company's oversight activities during the course of the year.

The Board annually considers the level of fees paid to each Director which takes into account the anticipated input required to oversee the Company's activities in the future, as well as giving consideration as to how board remuneration is structured for other alternative asset classes such as property elsewhere. It remains the view that 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 likely to continue to be engaged. However, following a detailed review of remuneration levels in 2017, at which point it was agreed not to amend the remuneration levels for three years, no changes to remuneration level are being proposed this year, other than where there is a specific change in role, workload or responsibilities.

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

William Hill Chairman

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

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

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

Remuneration report continued

REMUNERATION POLICY

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

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

ANNUAL REPORT ON DIRECTORS' REMUNERATION DIRECTORS' EMOLUMENTS FOR THE YEAR

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

	Basic fees 2019 £'000	Additional fees 2019* £'000	Total amount salary & fees 2019 £'000	Basic fees 2018 £'000	Additional fees 2018* £'000	Total amount salary & fees 2018 £'000
William Hill (Chairman)	52	–	52	49	5	54
Robin Archibald (Nomination Committee Chairman)	47	–	47	44	25	69
Robert Dick (Audit and Risk Committee Chairman)	40	–	40	39	–	39
Jamie Skinner	37	–	37	34	–	34
Total	176	–	176	166	30	196

Note: Members of the Board were reimbursed for travel and accommodation expenses incurred in connection with their duties for the Company, which in aggregate amounted to £2,500 (2018: £3,400).

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

Based on the current levels of basic fees and the Directors appointed at the date of this report, Directors' remuneration for the year ending 30 September 2020 would be as follows:

	Basic salary & fees 2020 £'000	Additional fees 2020 £'000	Total amount salary & fees 2020 £'000	Total amount salary & fees 2019 £'000
William Hill (Chairman)	52	–	52	52
Robin Archibald (Senior Independent Director and Nomination Committee Chairman)	47	–	47	47
Robert Dick (Audit and Risk Committee Chairman)	40	–	40	40
Jamie Skinner (Marketing Committee Chairman)	38	–	38	37
Total	177	–	177	176

Ms Moss, when appointed on 1 April 2020, will receive annual remuneration of £35,000.

RELATIVE IMPORTANCE OF SPEND ON PAY

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

	Total amount			Basic fees only		
	2019 £'000	2018 £'000	% change	2019 £'000	2018 £'000	% change
Aggregate Directors' remuneration	176	196	-10.2	176	166	6.0
Aggregate dividends paid to shareholders	12,153	10,843	12.1	12,153	10,843	12.1

The increase of £10,000 in the Directors' basic fees for the year comprises the full-year effects of the increase in basic annual fees that applied from 1 January 2018 (£8,000) and the increase paid to Jamie Skinner as Chairman of the Marketing Committee (£2,000). The Board expects that, in the absence of changes in the individual roles and responsibilities of Directors or significant growth in the demands placed on the Board, remuneration levels will remain unchanged until the remuneration policy is next put forward for shareholder approval at the AGM to be held in early 2021. The 2018 total amounts are inflated by the additional payments made to Directors for the work on corporate action that took place during that period.

DIRECTORS' SHAREHOLDINGS

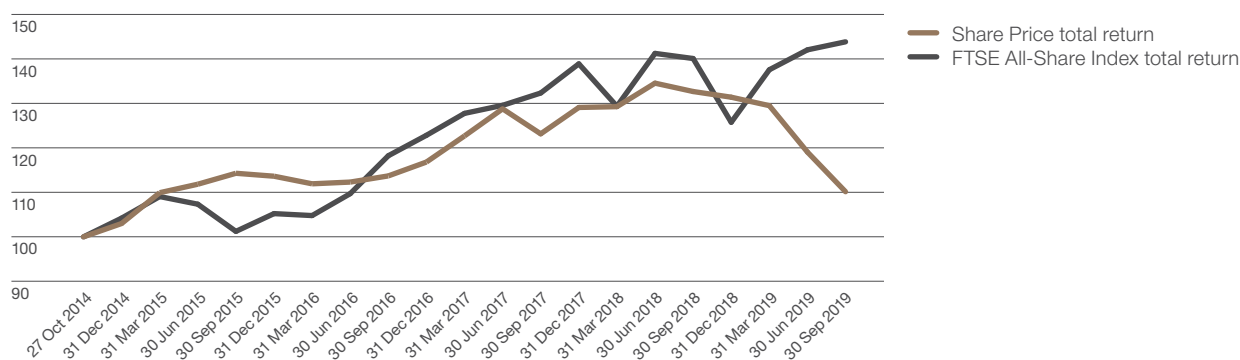
The Directors, including connected parties, who held office at the year end and their interests (all beneficial) in the Ordinary Shares of the Company as at 5 December 2019, 30 September 2019 and 30 September 2018 were as follows:

	Ordinary Shares 5 December 2019	Ordinary Shares 30 September 2019	Ordinary Shares 30 September 2018
William Hill	130,286	130,286	67,756
Robin Archibald	67,602	67,602	42,756
Robert Dick	35,000	35,000	35,000
Jamie Skinner	70,000	70,000	45,000
Total	302,888	302,888	190,512

Since 1 June 2019 to the date of this report, the Directors and their connected persons have acquired 82,788 Ordinary Shares of the Company. Although not forming part of this report, it is also noted that the senior personnel of the Investment Manager held in aggregate 567,948 Ordinary Shares of the Company at 30 September 2019 (2018: 567,948 Ordinary Shares). As at 5 December 2019, these aggregate holdings were 578,948 Ordinary Shares.

COMPANY PERFORMANCE

The Board is responsible for the Company's investment strategy and performance, whilst the management of the investment portfolio is delegated to the Investment Manager. The graph below compares, for the period from launch to 30 September 2019, 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 2019 is given in the Strategic Report.



Figures are rebased to 100.

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

Since its launch in October 2014, the assets of the Company have grown from initial assets of £95.0 million to total assets of £342.2 million as at 30 September 2019.

VOTING AT ANNUAL GENERAL MEETING

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

At the Company's previous AGM, held on 26 February 2019, shareholders approved the Annual Report on Directors' Remuneration for the year ended 30 September 2018. 99.9% of the votes cast were in favour of the resolution. An ordinary resolution for the approval of this Annual Report on Directors' Remuneration will be put to shareholders at the forthcoming AGM.

On behalf of the Board

William Hill

Chairman

5 December 2019

Directors' report

The Directors present their report and Financial Statements of the Group for the year to 30 September 2019. The Corporate Governance Statement on pages 27 to 30 forms part of their report.

INFORMATION CONTAINED ELSEWHERE IN THE ANNUAL REPORT

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

Key Performance Indicators	Page 05	Report of the Audit and Risk Committee	Pages 31 to 34
Principal risks and risk management	Pages 22 to 25	Remuneration report	Pages 35 to 37
Board of Directors	Page 26		

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 55 to 73.

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

The interim dividends paid during the year were as follows, with the annualised dividend rate for the year to 30 September 2019 of 5.75 pence per share:

	Payment date	Rate per share
Twelfth interim dividend for the prior year	31 October 2018	0.4792p
First interim dividend	30 November 2018	0.4792p
Second interim dividend	31 December 2018	0.4792p
Third interim dividend	31 January 2019	0.4792p
Fourth interim dividend	28 February 2019	0.4792p
Fifth interim dividend	29 March 2019	0.4792p
Sixth interim dividend	30 April 2019	0.4792p
Seventh interim dividend	31 May 2019	0.4792p
Eighth interim dividend	28 June 2019	0.4792p
Ninth interim dividend	31 July 2019	0.4792p
Tenth interim dividend	30 August 2019	0.4792p
Eleventh interim dividend	30 September 2019	0.4792p

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

	Payment date	Rate per share
Twelfth interim dividend	31 October 2019	0.4792p
First interim dividend for the year ending 30 September 2019	29 November 2019	0.4792p
Second interim dividend for the year ending 30 September 2019	31 December 2019	0.4792p

A breakdown of the distributions paid analysed between Property Income Distributions (PIDs) and Non-PIDs (see glossary and definitions) is provided on page 79.

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. For the year ended 30 September 2019, the annualised dividend was 5.75 pence per share.

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

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

SUBSIDIARY COMPANIES

The Company has a 100% interest in EPIC (No.1) Limited (company number: 09106328) and EPIC (No.2) Limited (company number: 10978359), both property investment companies, details of which are set out in Note 10 to the Consolidated Financial Statements. These companies hold the Group's property investments and the loan facilities in place at 30 September 2019.

INVESTMENT OBJECTIVE

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

INVESTMENT POLICY

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

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

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

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

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

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

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

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

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

FINANCIAL RISK MANAGEMENT

Details of the financial risk management objectives and policies followed by the Directors can be found on pages 70 to 72.

FUTURE DEVELOPMENTS

The likely future developments of the Company are contained in the Strategic Report on pages 02 to 25.

DIRECTORS

Biographical details of the Directors, all of whom are non-executive, can be found on page 26.

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

Directors' report continued

As stated in the Corporate Governance Statement on page 30, 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 in accordance with governance best practice and the provisions of the latest AIC Code that Directors will all stand for election annually at each AGM. Accordingly, all Directors will retire at the AGM and, being eligible, offer themselves for re-election. The Directors appointment dates and the date of their last election are shown below:

Director	Date of original appointment	Most recent date of re-election
William Hill	17/06/2014	06/03/2018
Robin Archibald	17/06/2014	01/03/2017
Robert Dick	17/06/2014	26/02/2019
Jamie Skinner	01/07/2017	06/03/2018

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 29, 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 all of the Directors be re-elected.

DIRECTORS' DEEDS OF INDEMNITY

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

CONFLICTS OF INTEREST

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

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

INVESTMENT MANAGER

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

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

The Investment Manager provides investment management and other services to the Group. Details of the arrangements between the Group and the Investment Manager in respect of management services are provided in Note 2 to the Consolidated Financial Statements. The Investment Manager is entitled to a fee of 0.95% per annum of the Net Asset Value of the Group up to £250 million, and 0.75% per annum of the Net Asset Value of the Group over £250 million. The Investment Manager is subject to 12 months notice.

The Board, through the Management Engagement Committee, keeps the appropriateness of the Investment Manager's appointment under review. In doing so the Board reviews performance quarterly and considers the past investment performance of the Group and the capability and resources of the Investment Manager to deliver satisfactory investment performance in the future. It also reviews the length of the notice period of the investment management agreement and the fees payable to the Investment Manager, together with the standard of the other services provided. Following such review for the year ended 30 September 2019, the Directors are satisfied with the Investment Manager's ability to deliver satisfactory investment performance and the quality of other services provided. It is therefore their opinion that the continuing appointment of the Investment Manager on the terms agreed is in the interests of shareholders as a whole.

During the year there were no changes to the Investment Management Agreement. The last amendment to the Agreement took place in 2018, when a side letter to the Investment Management Agreement was entered into which provided that the management fee payable on any cash awaiting investment (excluding cash required for working capital and capital expenditure) was reduced to 0.475% per annum whilst such cash remains uninvested.

SUBSTANTIAL INTERESTS IN SHARE CAPITAL

As at 30 September 2019, 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 2019	
	Number of Ordinary Shares held	Percentage held*
Quilter PLC	33,807,792	15.9
Investec Wealth & Investment Limited	20,828,621	9.9
Stadium Retail (Holdings) Limited	17,600,581	8.3
Stadium Parkgate (Holdings) Limited	13,061,611	6.2
Baillie Gifford	10,616,665	5.0
Seneca Investment Managers	10,739,300	5.1
Momentum Global Investment Management Limited	10,314,885	4.9
Architas Multi-Manager Limited	9,000,000	4.3
AXA Framlington Investment Managers S.A.	8,000,000	3.8

* Based on 211,333,737 Ordinary Shares in issue as at 30 September 2019.

The Company is not aware, nor has it been notified, of any individual corporate shareholders which were beneficially entitled to 10% or more of the share capital or of the distributions paid by the Company or which controlled 10% or more of the voting power in the Company.

Since the year end, the Company has been notified that the holding of voting rights of Stadium Retail (Holdings) Limited has changed to 12,600,581 Ordinary Shares (6%). There have been no other changes notified to the Company in respect of the above holdings, and no other new holdings notified, since the year end.

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

OTHER COMPANIES ACT 2006 DISCLOSURES

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

SHARE ISSUANCE AUTHORITY**TAP ISSUANCE**

At the AGM held on 26 February 2019, shareholders granted authority for the Company to issue up to 21,133,374 Ordinary Shares under its tap issuance authority, without first offering them to existing shareholders in proportion to their existing holdings. Since that date, the Company has not issued Ordinary Shares under this authority. The Company has in place approval from the UK Listing Authority for a block listing, under which up currently 9,369,393 shares can be issued, allowing the issuance of shares under the tap issuance authority to be made on a timely and cost-efficient basis.

This shareholder authority will expire at the AGM to be held on 26 February 2020 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. The Company will only issue shares under the tap issuance authority at a premium to the prevailing net asset value at the time of issue to avoid dilution to existing shareholders' interests. Any authority granted by the passing of these resolutions would continue until the AGM expected to be held in early 2021.

Directors' report continued

RESOLUTIONS TO BE PROPOSED AT THE AGM

There are thirteen resolutions being proposed at the forthcoming AGM, ten as ordinary resolutions, including approval of the annual accounts, and three as special resolutions, requiring the majority of the votes cast and 75 per cent of the votes cast to be in favour of the resolutions, respectively, in order for the resolutions to carry. Further information on some of these resolutions is given below.

DIRECTORS' REMUNERATION REPORT AND REMUNERATION POLICY

The Directors' Remuneration Policy and Annual Report on Directors' Remuneration, which can be found on pages 35 to 37, provide detailed information on the remuneration arrangements for Directors of the Company. Shareholders will be asked to approve the Annual Report on Directors' Remuneration (resolution 2). The Directors' Remuneration Policy will next be put to shareholders at the AGM in 2021.

AUDITOR

The Independent Auditor's Report can be found on pages 50 to 54. Grant Thornton UK LLP has indicated its willingness to continue in office with the Company and separate resolutions will be proposed at the AGM to re-appoint it (resolution 3) and to authorise the Directors to determine their remuneration (resolution 4).

RESOLUTIONS TO RE-APPOINT DIRECTORS

The assessment of the Directors performance and the recommendation to re-appoint the Directors can be found on pages 29 and 30. Resolutions 5 to 8 propose the re-appointment of each of the Company's Directors. This change has been made to ensure that the Company is aligned to recent changes to corporate governance best practice.

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 9). The Directors expect that such non-binding resolution to approve the Company's dividend policy will be proposed annually.

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

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

In accordance with the provisions of the Company's Articles of Association and the Listing Rules, the directors of a premium listed company are not permitted to allot new shares (or grant rights over shares) for cash at a price below the net asset value per share of those shares without first offering them to existing shareholders in proportion to their existing holdings. Resolution 11, which is a special resolution, seeks to provide the Directors with the authority to issue shares or sell shares held in treasury on a non-pre-emptive basis for cash (i.e. without first offering such shares to existing shareholders pro-rata to their existing holdings) up to an aggregate nominal amount of £211,334 or, if less, the aggregate nominal amount representing 10% of the issued Ordinary Share capital of the Company at the date of the passing of resolution 11.

The authorities granted under resolutions 10 and 11 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 10 and 11 will only be used to issue shares at a premium to net asset value and only when the Directors believe that it would be in the best interests of the Company to do so.

AUTHORITY TO MAKE MARKET PURCHASES OF ORDINARY SHARES

In common with most other investment companies, the Company takes annual buy back authority as part of the strategy to potentially enhance liquidity in the shares. However, given that the Company is fully invested in relatively illiquid assets and has structural gearing in place, the exercise of significant buyback is not as available to the Company as for those investment companies with relatively liquid portfolios and no structural gearing. The Company is engaged in growth, subject to market conditions, and for these reasons it is unlikely that the Company will buy back Ordinary Shares in the near term. Any buyback 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 12 will be proposed as a special resolution and seeks to provide the Directors with the authority to purchase up to 31,678,927 Ordinary Shares or, if less, the number representing approximately 14.99% of the Company's Ordinary Shares in issue at the date of the passing of resolution 12. Any shares purchased by the Company may be cancelled or held in treasury. The Company does not currently hold any shares in treasury.

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

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

NOTICE PERIOD FOR GENERAL MEETINGS

Resolution 13 is being proposed to reflect the provisions of the Companies Act 2006 relating to meetings and the minimum notice period for listed company General Meetings being increased to 21 clear days, but with an ability for companies to reduce this period to 14 clear days (other than for AGMs), provided that the Company offers facilities for shareholders to vote by electronic means and that there is an annual resolution of shareholders approving the reduction in the minimum period for notice of General Meetings (other than for AGMs) from 21 clear days to 14 clear days. The Board is therefore proposing resolution 13 as a special resolution to ensure that the minimum required period for notice of General Meetings of the Company (other than for AGMs) is 14 clear days.

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

RECOMMENDATION ON RESOLUTIONS TO BE PROPOSED AT THE AGM

The Directors consider the passing of the resolutions to be proposed at the AGM to be in the best interests of the Company and its shareholders 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 302,888 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.

As investors are now increasingly considering and integrating environmental, social and governance (ESG) issues into the portfolio management and decision making processes, we have undertaken a review of the Company's sustainability reporting to ensure that the Company provides investors and other stakeholders with a set of metrics disclosed in-line with the industry best practise. Subsequently, the Company has aligned the disclosure of sustainability performance with the majority of the EPRA Sustainability Best Practice Recommendations (sBPR). We continue to report the greenhouse gas emissions (GHG) in line with the GHG Protocol Corporate Accounting and Reporting Standard.

In 2019, the Company submitted its first GRESB Real Estate Assessment. Insights from our submission will be used to identify performance strengths and areas for improvement. We will continue benchmarking our performance and intend to undertake our next GRESB assessment in 2020. Next year we will also be developing our sustainability strategy, and setting the Company's objectives and targets to address environmental and social issues material to the Company and our stakeholders.

REPORTING METHODOLOGY

The Company's reporting boundary has been based on the principle of operational control, meaning that emission activities are accounted for where the Company has the authority, via its managing agents, to introduce and implement its operating policies and procedures. Using this principle, we have excluded emission activities within assets held by the Company where there is limited or no operational control. Examples of this included instances where tenants are responsible for their own supply of utilities, heating and waste disposal. The Company is externally managed and does not occupy any offices for its business activities, nor own or lease any vehicles.

We aim to report as complete and accurate data as feasible and practicable. Where data was found to be partially incomplete for a specific period, and actual consumption was available for the other periods to predict the missing usage with reasonable confidence, we have used estimates to fill-in the data gaps. Where this is not possible, the assets with incomplete data sets are excluded from the report unless noted otherwise. Please see 'Disclosure coverage – number of properties' on page 45 for information of our environmental data coverage.

Scope 1 and Scope 2 location-based GHG emissions have been calculated using the UK Government GHG Conversion Factors for Company Reporting for the respective reporting periods. Scope 2 market-based GHG emissions have been calculated using the European Residual Mixes factors (versions 2017 and 2018) and the zero emissions factor for the REGO backed electricity supplies. Proportion from renewable sources is based on renewable energy purchases. There is no on-site renewable energy generation to account for 2018 and 2019.

Energy and water intensity ratios have been expressed as landlord procured utility per net lettable area. Net rental income was selected as a basis for our Direct and Indirect (Scopes 1 and 2) GHG emissions intensity. Only assets which have been owned and managed during the full reporting year (12 months), with sufficient data availability, have been included in the calculation of emission intensity.

Energy Performance Certification (EPCs) includes a number of certificates which have recently expired and are under review.

Directors' report continued

Performance data has been reviewed and checked by Savills, acting as our sustainability consultants.

2019 PERFORMANCE HIGHLIGHTS

- 4.8% reduction in absolute GHG emissions;
- 52% renewable electricity (up from 45% last year);
- 0% waste to landfill;
- 45% EPCs A-B rated; and
- 100% of assets with H&S assessments in place.

ENVIRONMENTAL PERFORMANCE MEASURES

In 2019, the Company procured 3,258 MWh energy for use in our managed offices and retail properties. The performance data includes retail assets acquired in 2017 and has now been reported for the full financial year for all properties in scope, resulting in a 0.5% year on year increase in energy use. The like-for-like energy use has increased by 0.5%, driven by a higher heating demand. We have also seen a 9.1% increase in the annual water use, and have consequently instructed sustainability audits at two of our highest consuming assets to identify energy and water efficiency improvement opportunities. We will report on the outcomes of the audits undertaken within our annual report next year.

The Scopes 1 and 2 GHG emissions for the year to 30 September 2019 totalled 715 tCO₂e (2018: 751 tCO₂e). Absolute Scopes 1 and 2 emissions have decreased by 4.8%, predominately due to the UK grid decarbonisation and the decrease in electricity emission factors. Decrease in our Scope 2-market based emissions reflects our continued transition to the REGO backed electricity contracts. The renewable electricity purchases have increased from 45% in 2018 to 52% this year.

We have reported on landlord managed waste for 6 out of 10 properties, including one office with partial data reported for 2019. The total managed and reported waste accounted to 160 tonnes, of which 12% was re-used or recycled and none sent directly to landfill. We are working with suppliers on improving the accuracy and consistency of the waste data reported.

GREENHOUSE GAS EMISSIONS

tCO₂e

EPRA indicator	Managed portfolio						Like-for-like		
	2018		2019	2018		2019	% change		
	Offices	Retail		Offices	Retail				
Direct emissions GHG-Dir-Abs, GHG-Dir-LfL	309	–	309	302	–	302	211	215	1.7%
Indirect emissions GHG-Indir-Abs, GHG-Indir-LfL	294	148	442	260	154	413	195	174	-11.0%
	167	148	315	139	157	296	14	11	-16.7%
Total Direct and Indirect emissions	603	148	751	562	154	715	407	389	-4.4%
GHG emissions intensity GHG-Int	28.1	6.9	34.9	26.2	7.2	33.4	–	–	–
	2 of 2	7 of 7	9 of 9	2 of 2	7 of 7	9 of 9	4 of 4	4 of 4	–

* Scope 1: Direct GHG emissions from controlled operations such as combustion in owned boilers.

** Scope 2: Indirect GHG emissions from the use of purchased electricity, heat or steam.

*** Scope 2 location-based emissions used for reporting total emissions and GHG emissions intensity.

ENERGY CONSUMPTION

MWh

EPRA indicator	Managed portfolio						Like-for-like			
	2018			2019			2018	2019	%	
	Offices	Retail	TOTAL	Offices	Retail	TOTAL		change		
Electricity Elec-Abs, Elec-LfL	Landlord controlled areas	1,039	522	1,560	1,017	601	1,618	690	679	-1.5%
	Proportion from renewable sources	56%	23%	45%	64%	31%	52%	95%	96%	1.0%
District heating and cooling DH&C-Abs, DH&C-LfL	Landlord controlled areas	-	-	-	-	-	-	-	-	-
	Proportion from renewable sources	-	-	-	-	-	-	-	-	-
Fuels Fuels-Abs, Fuels-LfL	Landlord controlled areas	1,681	-	1,681	1,641	-	1,641	1,149	1,169	1.8%
	Proportion from renewable sources	-	-	-	-	-	-	-	-	-
Total Energy	Total landlord procured	2,719	522	3,241	2,658	601	3,258	1,839	1,849	0.5%
	Proportion estimated	0%	2%	0%	0%	0%	0%	0%	0%	0.0%
	Disclosure coverage – number of properties	2 of 2	7 of 7	9 of 9	2 of 2	7 of 7	9 of 9	4 of 4	4 of 4	-
Energy intensity Energy-Int	Landlord controlled areas, kWh/m ²	176.5	4.0	-	172.5	7.6	-	-	-	-

WATER CONSUMPTIONm³

EPRA indicator	Managed portfolio						Like-for-like			
	2018			2019			2018	2019	%	
	Offices	Retail	TOTAL	Offices	Retail	TOTAL		change		
Water Water-Abs, Water-LfL	Landlord procured	11,145	-	11,145	12,155	-	12,155	11,145	12,155	9.1%
	Proportion estimated	11%	-	11%	6%	-	6%	11%	6%	-4.5%
	Disclosure coverage – number of properties	2 of 2	0 of 1	2 of 3	2 of 2	0 of 1	2 of 3	2 of 3	2 of 3	-
Water intensity Water-Int	Landlord procured, m ³ /m ²	0.72	-	-	0.79	-	-	-	-	-

WASTE MANAGEMENT

tonnes

EPRA indicator	Managed portfolio						% change	Like-for-like			
	2018			2019				2018	2019	%	
	Offices	Retail	TOTAL	Offices	Retail	TOTAL			change		
Total weight of waste by disposal route Waste-Abs, Waste-LfL	Recycled or Re-used	24.5	-	24.5	19.2	-	19.2	-22%	1.8	2.6	44%
	Off-site materials recovery facility	31.0	12.6	43.6	28.3	8.4	36.7	-16%	12.6	11.5	-9%
	Incineration with energy recovery	122.6	8.8	131.4	95.8	8.6	104.3	-21%	85.0	68.6	-19%
	Sent to landfill	-	-	-	-	-	-	0%	-	-	0%
	TOTAL	178.1	21.5	199.5	143.4	17.0	160.4	-20%	99.4	82.7	-17%
	Proportion estimated	3%	-	3%	-	-	-	-3%	5%	-	-5%
Disclosure coverage – number of properties	2 of 2	2 of 8	4 of 10	2 of 2	4 of 8	6 of 10	-	3 of 7	3 of 7	-	
Proportion of waste by disposal route Waste-Abs, Waste-LfL	Recycled or Re-used	14%	0%	12%	13%	0%	12%	0%	2%	3%	74%
	Off-site materials recovery facility	17%	59%	22%	20%	50%	23%	1%	13%	14%	10%
	Incineration with energy recovery	69%	41%	66%	67%	50%	65%	-1%	85%	83%	-3%
	Sent to landfill	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%

Directors' report continued

BUILDING CERTIFICATION

EPRA indicator	2019		
	Number of assets	% floor area	
Energy Performance Certification (EPC's) Cert-Tot	A – B rated	53	45%
	C – E rated	61	55%
	F – G rated	0	0%

SOCIAL PERFORMANCE MEASURES

The Company has reported on all applicable EPRA sBPR social performance metrics. For an externally managed company with no employees, this is limited to the Board of Directors' gender diversity, asset health and safety, and community engagement measures.

We are looking into opportunities for improving diversity of our Board of Directors. During 2020, we will also be focusing on expanding our community engagement activity, and identifying local needs and initiatives we are keen to support.

Reporting period: year ended 30 September 2019.

EPRA indicator		2019	
Gender diversity* Diversity-Emp	Board of Directors	Female	0%
		Male	100%
Employee metrics: Gender diversity (Diversity-Emp), Gender pay ratio (Diversity-Pay), Employee training and development (Emp-Training), Employee performance appraisals (Emp-Dev), New hires and turnover (Emp-Turnover), Employee health and safety H&S-Emp	Ediston Property Investment Company plc is an externally managed investment company. All of the Company's day-to-day management and administrative functions are outsourced to third parties. The Company has no employees.		
Asset health and safety assessments H&S-Asset	Proportion of assets	100%	
Asset health and safety compliance H&S-Comp	Number of incidents; unresolved within the required timeframe	0	
Community engagement, impact assessments and development programmes Comty-Eng	Proportion of assets	20%	

* Gender diversity ratio as at 30 September 2019.

GOVERNANCE PERFORMANCE MEASURES

We have summarised the core EPRA sBPR governance measures in the table on page 47.

At 30 September 2019, there were four male Directors but as mentioned in the Chairman's statement Ms Imogen Moss is due to join the board in 2020 and Mr Robert Dick is not standing for re-election in 2021. Apart from bringing considerable property and legal experience to the Board, the succession planning demonstrates greater diversity on the Board as well as competence to task and this will continue to be the Board's approach to any future recruitment and succession planning. As a general principle, the Company will continue to show no bias for age, gender, race, sexual orientation, marital status, religion, nationality, ethnic or national origins, or disability in considering the appointment of Directors.

EPRA GOVERNANCE PERFORMANCE MEASURES

Reporting period: year ended 30 September 2019.

	2019	
Composition of the highest governance body Gov-Board	Number of executive Board members	0
	Number of independent/non-executive Board members	4
	Average tenure on the governance body	4.75
	Number of independent/non-executive Board members with competencies relating to environmental and social topics	2 Please refer to page 26 for details
Process for nominating and selecting the highest governance body Gov-Selec	Please refer to page 29, Nomination Committee	
Process for managing conflicts of interest Gov-Col	Please refer to page 40, Conflicts of Interest	

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

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

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

Directors' report continued

GOING CONCERN

Under the UK Code, the Board needs to consider whether it is appropriate to adopt the going concern basis of accounting in preparing the financial statements. The detailed consideration is contained on page 59. Based on this information the Directors believe that the Company has the ability to meet its financial commitments for a period of at least 12 months from the date of approval of the accounts. For this reason they continue to adopt the going concern basis in preparing the accounts.

VIABILITY STATEMENT

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

- The Group was established over five years ago and the aim is for it to continue to grow in size. The Board regularly considers a detailed cash flow model covering a longer time period than three years, which does not indicate any matters that 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 and the growth strategy will be influenced by market conditions outside the Company's control. The Investment Manager is expected to undertake property acquisitions and sales in line with the Company's investment objective and policy and, therefore, the longer the time horizon which is considered, the higher the degree of uncertainty over the exact constituents of the Group's investment property portfolio or its market rating.
- 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 for a closed-ended fund, investing in an illiquid asset class, whilst retaining a reasonable level of accuracy regarding forecast rental income, costs and valuation movements. The three year time horizon also takes account of the principal risks and uncertainties as shown on pages 22 to 25 of this annual report.
- The Company is subject to both endogenous and exogenous factors, the latter being difficult to predict. Consequently, a three-year period is considered a satisfactory period to use in consideration of the Company's viability, albeit with longer-term horizons for the portfolio and the inherent expectation that the Company, with no continuation or other dated events, will be able to continue beyond that period.

The three-year viability assessment conducted by the Board considered the Group's cash flows, dividend cover, REIT compliance, debt covenants 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.

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

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 three year period of their assessment.

By order of the Board

Maitland Administration Services (Scotland) Limited

Secretary

5 December 2019

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, provide the information necessary to assess the Company's performance, business model and strategy and are fair, balanced and understandable.

DIRECTORS' RESPONSIBILITY STATEMENT UNDER THE DISCLOSURE GUIDANCE AND TRANSPARENCY RULES

To the best of our knowledge:

- the Group Financial Statements, prepared in accordance with IFRSs as adopted by the European Union, give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company and the undertakings included in the consolidation taken as a whole; and
- the Annual Report, including the Strategic Report and the Directors' Report, includes a fair review of the development and performance of the business and the position of the Company and the undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties that they face.

DISCLOSURE OF INFORMATION TO THE AUDITOR

The Directors confirm that:

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

William Hill

Chairman

5 December 2019

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

OUR OPINION ON THE FINANCIAL STATEMENTS IS UNMODIFIED

We have audited the financial statements of Ediston Property Investment Company plc (the 'parent company') and its subsidiaries (the 'group') for the year ended 30 September 2019 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 Disclosure 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 2019 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.

CONCLUSIONS RELATING TO PRINCIPAL RISKS, GOING CONCERN AND VIABILITY STATEMENT

We have nothing to report in respect of the following information in the annual report, in relation to which the ISAs (UK) require us to report to you whether we have anything material to add or draw attention to:

- the disclosures in the annual report set out on page 22 to 25 that describe the principal risks and explain how they are being managed or mitigated;
- the directors' confirmation, set out on page 32 of the annual report that they have carried out a robust assessment of the principal risks facing the group, including those that would threaten its business model, future performance, solvency or liquidity;
- the directors' statement, set out on page 59 of the financial statements about whether the directors considered it appropriate to adopt the going concern basis of accounting in preparing the financial statements and the directors' identification of any material uncertainties to the group and the parent company's ability to continue to do so over a period of at least twelve months from the date of approval of the financial statements;
- whether the directors' statement relating to going concern required under the Listing Rules in accordance with Listing Rule 9.8.6R(3) is materially inconsistent with our knowledge obtained in the audit; or
- the directors' explanation, set out on page 48 of the annual report as to how they have assessed the prospects of the group, over what period they have done so and why they consider that period to be appropriate, and their statement as to whether they have a reasonable expectation that the group will be able to continue in operation and meet its liabilities as they fall due over the period of their assessment, including any related disclosures drawing attention to any necessary qualifications or assumptions.

OVERVIEW OF OUR AUDIT APPROACH

- Overall materiality: £3,239,000, which represents 1.5% of the group's net assets;
- Key audit matters were identified as valuation of investment properties and recognition of revenue; and
- We performed full scope audit procedures of the financial statements of the parent Company and on the financial information of the two subsidiaries, EPIC (No.1) Limited and EPIC (No.2) Limited.

KEY AUDIT MATTERS

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

Key Audit Matter – Group

RISK 1 – VALUATION OF INVESTMENT PROPERTIES

The group's investment property portfolio is required to be held at fair value under International Accounting Standard (IAS) 40 'Investment Property'. The valuation of the properties within this portfolio is inherently subjective due to the specific factors affecting each property.

Knight Frank LLP was appointed by management as the independent external valuer (the 'valuer').

The valuer takes into account property-specific information such as the current tenancy profile and applies assumptions for other inputs such as yields and estimated market rent. The existence of significant estimation uncertainty, together with the material value of the properties, gives rise to this being an area of special audit considerations.

We therefore identified valuation of investment properties as a significant risk, which was one of the most significant assessed risks of material misstatement.

How the matter was addressed in the audit – Group

Our audit work included, but was not restricted to:

- Obtaining the year end valuations for each property from the independent valuer, confirming management's expert's (the valuer's) independence and key assumptions used in coming to the valuation;
- Using the experience and expertise of our internal valuation experts, we tested and challenged the appropriateness of the key assumptions used in the valuations;
- Carrying out industry research in order to assess the key assumptions forming the basis of the valuation, calculating expected valuations and revenue yields to highlight potential outliers;
- Undertaking a meeting with the valuer at which we were able to challenge specific assumptions particularly as related to those highlighted as potential outliers. Management's expert discussed the specific characteristics of the investment properties and the existing leases, as well as the micro and macro economic conditions of each site.

The group's accounting policy on investment properties is shown in Note 1 (Section F) to the 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 34, where the Audit and Risk Committee also described the action that it has taken to address this issue.

KEY OBSERVATIONS

From the audit work performed, we found the valuation methodologies and the inherent assumptions utilised to develop them to be supportable in light of available and comparable market evidence. We have not identified any material errors in the valuation calculations. We consider the disclosures in Note 9 to the consolidated financial statements to be reasonable and in line with the accounting standards.

RISK 2 – RECOGNITION OF REVENUE

Under ISA (UK) 240 there is a rebuttable presumed risk that revenue may be misstated due to improper recognition of revenue.

Revenue for the group consists of rental income, recognised in accordance with IAS 17: 'Leases'. This income is based on tenancy agreements as well as rental guarantee clauses contained in certain sale and purchase agreements. Included within these agreements are certain terms, which increase the risk of error, including lease incentives.

Incomplete or inaccurate revenue recognition could have an adverse impact on the group's net asset value, earnings per share, its level of dividend cover and compliance with the Real Estate Investment Trust (REIT) regulations.

We therefore identified recognition of revenue as a significant risk, which was one of the most significant assessed risks of material misstatement.

Our audit work included, but was not restricted to:

- Agreeing rental income to supporting evidence including signed lease agreements and tenancy schedules;
- Creating an expectation of rental income and accrued income taking into account any lease incentives and rental guarantees;
- Comparing our expectation to the rental income and accrued income recognised in the financial statements and seeking corroborative explanations and support for any differences greater than our defined acceptance range; and
- Considering the group's revenue recognition policy in the context of our substantive testing, to assess whether the policy has been correctly applied and is in accordance with IAS 17: 'Leases'.

The group's accounting policy on revenue recognition is shown in Note 1 (Section B). The Audit and Risk Committee identified revenue recognition as a significant issue in its report on page 34, where the Audit and Risk Committee also described the action that it has taken to address this issue.

KEY OBSERVATIONS

From the audit work performed, our assessment is that revenue is recognised within the financial statements in a manner that is consistent with the stated accounting policies, lease contracts, guarantees and incentives. We did not note any material errors in relation to revenue recognition or in our assessment of the accounting policy in line with IAS 17: 'Leases'.

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

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

OUR APPLICATION OF MATERIALITY

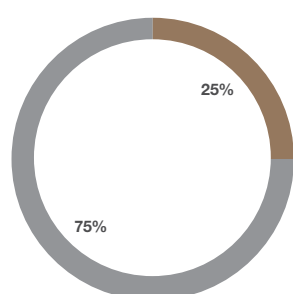
We define materiality as the magnitude of misstatement in the financial statements that makes it probable that the economic decisions of a reasonably knowledgeable person would be changed or influenced. We use materiality in determining the nature, timing and extent of our audit work and in evaluating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

Materiality was determined as follows:

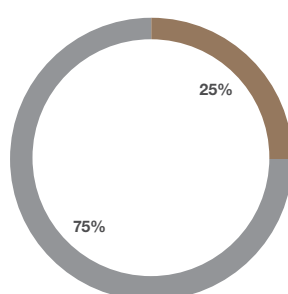
Materiality measure	Group	Parent company
Financial statements as a whole	<p>£3,446,000 which is 1.5% of group Net Assets. This benchmark is considered the most appropriate because of the nature of the group as a Real Estate Investment Trust, where stakeholders are most interested in the group's net asset value (NAV) as opposed to its profitability.</p> <p>Materiality for the current year is lower than the level that we determined for the year ended 30 September 2018 to reflect the decrease in the group's net assets.</p>	<p>£3,239,000 which is 1.5% of the parent Company's net assets. This benchmark is considered the most appropriate because as a holding company the focus is on the return from investments. Materiality for the current year is higher than the level that we determined for the year ended 30 September 2018 as a restriction was applied to the materiality level in the prior year.</p>
Performance materiality used to drive the extent of our testing	75% of financial statement materiality.	75% of financial statement materiality.
Specific materiality	We determined a lower level of specific materiality for certain areas such as the revenue column of the Consolidated Statement of Comprehensive Income, Directors remuneration and related party transactions.	We determined a lower level of specific materiality for certain areas such as directors' remuneration and related party transactions.
Communication of misstatements to the Audit and Risk Committee	£172,300 and misstatements below that threshold that, in our view, warrant reporting on qualitative grounds.	£162,100 and misstatements below that threshold that, in our view, warrant reporting on qualitative grounds.

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

Overall materiality – Group



Overall materiality – Parent company



■ Tolerance for potential uncorrected mis-statements
■ Performance materiality

AN OVERVIEW OF THE SCOPE OF OUR AUDIT

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

- an evaluation of the components of the group based on a measure of materiality considered as a percentage of group assets, revenues and profit before taxes, to assess the significance of the components and to determine the planned audit response. Our assessment was that the two subsidiaries, EPIC (No.1) Limited and EPIC (No.2) Limited, and the parent Company were significant components;
- a full scope audit performed by the group audit team on the financial statements of the parent Company and on the financial information of the subsidiaries;
- evaluation of the Group's internal control 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.

EXPLANATION AS TO WHAT EXTENT THE AUDIT WAS CONSIDERED CAPABLE OF DETECTING IRREGULARITIES, INCLUDING FRAUD

The objectives of our audit are to identify and assess the risks of material misstatement of the financial statements due to fraud or error; to obtain sufficient appropriate audit evidence regarding the assessed risks of material misstatement due to fraud or error; and to respond appropriately to those risks. Owing to the inherent limitations of an audit, there is an unavoidable risk that material misstatements in the financial statements may not be detected, even though the audit is properly planned and performed in accordance with the ISAs (UK).

In identifying and assessing risks of material misstatement in respect of irregularities, including fraud and non-compliance with laws and regulations, our procedures included the following:

- We obtained an understanding of the legal and regulatory frameworks applicable to the group and industry in which they operate. We determined that the following laws and regulations were most significant: IFRS, Companies Act 2006, UK Corporate governance code and UK REIT regime;
- We understood how the group is complying with those legal and regulatory frameworks by making inquiries to the management and the Audit and Risk Committee. We corroborated our inquiries through our review of board minutes and papers provided to the Audit and Risk Committee;
- We assessed the susceptibility of the group's financial statements to material misstatement, including how fraud might occur. Audit procedures performed by the group engagement team included:
 - identifying and assessing the design effectiveness of controls management has in place to prevent and detect fraud;
 - challenging assumptions and judgments made by management in its significant accounting estimates;
 - identifying and testing journal entries, particularly any journal entries posted with unusual account combinations;
 - assessing the extent of compliance with the relevant laws and regulations as part of our procedures on the related financial statement item.

OTHER INFORMATION

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

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

We have nothing to report in this regard.

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

- Fair, balanced and understandable set out on page 34 – the statement given by the directors that they consider the annual report and financial statements taken as a whole is fair, balanced and understandable and provides the information necessary for shareholders to assess the group's performance, business model and strategy, is materially inconsistent with our knowledge obtained in the audit; or
- Audit and Risk committee reporting set out on pages 31 to 34 – the section describing the work of the Audit and Risk Committee does not appropriately address matters communicated by us to the Audit and Risk; or
- Directors' statement of compliance with the UK Corporate Governance Code set out on page 29 – the parts of the directors' statement required under the Listing Rules relating to the company's compliance with the UK Corporate Governance Code containing provisions specified for review by the auditor in accordance with Listing Rule 9.8.10R(2) do not properly disclose a departure from a relevant provision of the UK Corporate Governance Code.

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

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

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

- the information given in the strategic report and the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and the directors' report have been prepared in accordance with applicable legal requirements.

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

In the light of the knowledge and understanding of the group and the parent company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or the directors' report.

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

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 directors' responsibilities statement set out on page 49, 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.

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

OTHER MATTERS WHICH WE ARE REQUIRED TO ADDRESS

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

The period of total uninterrupted engagement is 5 years, covering the period ended 30 September 2014 and subsequent financial years.

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.

USE OF OUR REPORT

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.

Paul Flatley

Senior Statutory Auditor

for and on behalf of Grant Thornton UK LLP

Statutory Auditor, Chartered Accountants

London

5 December 2019

Consolidated Statement of Comprehensive Income

For the year ended 30 September 2019

	Notes	Year ended 30 September 2019			Year ended 30 September 2018		
		Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
Revenue							
Rental income		20,847	–	20,847	19,391	–	19,391
Total revenue		20,847	–	20,847	19,391	–	19,391
Unrealised (loss)/gain on revaluation of investment properties	9	–	(15,732)	(15,732)	–	7,286	7,286
Loss on sale of investment properties realised	9	–	(94)	(94)	–	–	–
Total income		20,847	(15,826)	5,021	19,391	7,286	26,677
Expenditure							
Investment management fee	2	(2,239)	–	(2,239)	(2,112)	–	(2,112)
Other expenses	3	(1,377)	–	(1,377)	(1,390)	–	(1,390)
Total expenditure		(3,616)	–	(3,616)	(3,502)	–	(3,502)
Profit/(loss) before finance costs and taxation		17,231	(15,826)	1,405	15,889	7,286	23,175
Net finance costs							
Interest receivable	4	101	–	101	23	–	23
Interest payable	5	(3,263)	–	(3,263)	(3,005)	–	(3,005)
Profit/(loss) before taxation		14,069	(15,826)	(1,757)	12,907	7,286	20,193
Taxation	6	–	–	–	–	–	–
Profit/(loss) and total comprehensive income for the year		14,069	(15,826)	(1,757)	12,907	7,286	20,193
Basic and diluted earnings per share	8	6.66p	(7.49)p	(0.83)p	6.60p	3.72p	10.32p

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 2019

	Notes	As at 30 September 2019 £'000	As at 30 September 2018 £'000
Non-current assets			
Investment properties	9	315,143	330,825
		315,143	330,825
Current assets			
Trade and other receivables	11	15,091	14,078
Cash and cash equivalents	12	11,976	11,735
		27,067	25,813
Total assets		342,210	356,638
Non-current liabilities			
Loans	13	(109,946)	(109,780)
		(109,946)	(109,780)
Current liabilities			
Trade and other payables	14	(2,504)	(3,188)
Total liabilities		(112,450)	(112,968)
Net assets		229,760	243,670
Equity and reserves			
Called-up equity share capital	16	2,113	2,113
Share premium		125,559	125,559
Capital reserve – investments held		2,626	18,149
Capital reserve – investments sold		2,382	2,685
Special distributable reserve		83,639	84,158
Revenue reserve		13,441	11,006
Equity shareholders' funds		229,760	243,670
Net asset value per Ordinary Share	15	108.72p	115.30p

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

Company number: 09090446.

The Financial Statements on pages 55 to 73 were approved by the Board of Directors on 5 December 2019 and signed on its behalf by:

William Hill
Chairman

Consolidated Statement of Changes in Equity

For the year ended 30 September 2019

	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 2018		2,113	125,559	18,149	2,685	84,158	11,006	243,670
Loss and total comprehensive income for the year		–	–	(15,732)	(94)	–	14,069	(1,757)
Transfer of prior years' revaluations to realised reserve		–	–	209	(209)	–	–	–
Transactions with owners recognised in equity:								
Issue of Ordinary Shares	16	–	–	–	–	–	–	–
Dividends paid	7	–	–	–	–	–	(12,153)	(12,153)
Transfer from special reserve		–	–	–	–	(519)	519	–
As at 30 September 2019		2,113	125,559	2,626	2,382	83,639	13,441	229,760

For the year ended 30 September 2018

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

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

Consolidated Statement of Cash Flow
For the year ended 30 September 2019

	Notes	Year ended 30 September 2019 £'000	Year ended 30 September 2018 £'000
Cash flows from operating activities			
(Loss)/profit before tax		(1,757)	20,193
Adjustments for:			
Interest receivable		(101)	(23)
Interest payable		3,263	3,005
Unrealised revaluation loss/(gain) on property portfolio		15,732	(7,286)
Loss on sale of investment property realised		94	–
Operating cash flows before working capital changes		17,231	15,889
Increase in trade and other receivables		(731)	(6,511)
(Decrease)/increase in trade and other payables		(592)	1,266
Net cash inflow from operating activities		15,908	10,644
Cash flows from investing activities			
Purchase of investment properties		–	(146,750)
Capital expenditure		(3,413)	(5,264)
Sale of investment properties		2,906	–
Net cash outflow from investing activities		(507)	(152,014)
Cash flows from financing activities			
Loans drawn down, net of costs	13	–	53,382
Issue of Ordinary Share capital, net of costs		–	88,504
Dividends paid		(12,147)	(10,809)
Interest received		101	23
Interest paid		(3,114)	(2,646)
Net cash (outflow)/inflow from financing activities		(15,160)	128,454
Net increase/(decrease) in cash and cash equivalents		241	(12,916)
Opening cash and cash equivalents		11,735	24,651
Closing cash and cash equivalents	12	11,976	11,735

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

Notes to the Consolidated Financial Statements

1. ACCOUNTING POLICIES

(A) BASIS OF PREPARATION

BASIS OF ACCOUNTING

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

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

GOING CONCERN

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

- the Group's projections for the next two years, in particular the cash flows, borrowings and occupancy rate;
- the ongoing ability to comply comfortably with the Group's financial covenants (details of the loan covenants are included in Note 13);
- the risks included on the Group's risk register that could impact on the Group's liquidity and solvency over the next 12 months (details of risks are included in the Strategic Report on pages 22 to 25); and
- the risks on the Group's risk register that could be a potential threat to the Group's business model (details of risks are included in the Strategic Report on pages 22 to 25).

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

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

SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

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

KEY ESTIMATES

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

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

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

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

Level 3: unobservable inputs for the asset or liability. Value is the Directors' best estimate, based on advice from 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.

Notes to the Consolidated Financial Statements continued

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.

BASIS OF CONSOLIDATION

The Consolidated Financial Statements comprise the financial statements of the Company and all of its subsidiaries drawn up to 30 September 2019. 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.

Notes to the Consolidated Financial Statements continued

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 expected credit loss methodology is applied to applicable trade and other receivables. 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:

– IFRS 9 ‘Financial Instruments’

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.

This standard has not had any material impact on the Group’s Financial Statements as presented for the current year as there has been no change in categorisation or basis of measurement of the Group’s financial assets and the expected credit loss model has not led to a material increase in impairment due to the nature and size of the Group’s financial instruments.

– IFRS 15 ‘Revenue from Contracts with Customers’

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’. This standard does not have any material impact on the Group’s financial statements as presented for the current year as the majority of the Group’s revenue consists of rental income from the Group’s investment properties which is outside the scope of IFRS 15.

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 16 ‘Leases’

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

IFRS 16 applies to annual reporting periods beginning on or after 1 January 2019. As the IFRS 16 approach to lessor accounting is substantially unchanged from IAS 17, 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.

Notes to the Consolidated Financial Statements continued

2. INVESTMENT MANAGEMENT FEE

	Year ended 30 September 2019 £'000	Year ended 30 September 2018 £'000
Investment management fee	2,239	2,112
Total	2,239	2,112

Ediston Investment Services Limited has been appointed as the Company's Alternative Investment Manager (AIFM) and Investment Manager, with the property management arrangements of the Group being delegated to Ediston Properties Limited. The Investment Manager is entitled to a fee calculated as 0.95% per annum of the net assets of the Group up to £250,000,000 and 0.75% per annum of the net assets of the Group over £250,000,000. The management fee on any cash available for investment (being all cash held by the Group except cash required for working capital and capital expenditure) is reduced to 0.475% per annum while such cash remains uninvested.

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

3. OTHER EXPENSES

	Year ended 30 September 2019 £'000	Year ended 30 September 2018 £'000
Direct operating expenses for investment properties:		
– from which income is received	356	423
– from which income is not received	–	–
Administration fee	193	187
Valuation and other professional fees	220	222
Directors' fees	176	196
Public relations and marketing	199	131
Auditor's remuneration for:		
Audit services:		
– fees payable for the audit of the consolidation and the parent company accounts	36	29
– fees payable for the audit of subsidiaries, pursuant to legislation	35	35
Non-audit services:		
– Reporting Accountant services*	–	–
Listing and registrar fees	46	49
Other	116	118
Total	1,377	1,390

* During the prior financial year ended 30 September 2018, additional fees paid to Grant Thornton LLP in relation to their role as Reporting Accountant totalling £83,000 were charged to Share Premium as part of issue costs.

4. INTEREST RECEIVABLE

	Year ended 30 September 2019 £'000	Year ended 30 September 2018 £'000
Deposit interest	101	23
Total	101	23

5. INTEREST PAYABLE

	Year ended 30 September 2019 £'000	Year ended 30 September 2018 £'000
Loan interest	3,097	2,853
Amortisation of loan set-up costs	166	152
Total	3,263	3,005

6. TAXATION

	Year ended 30 September 2019 £'000	Year ended 30 September 2018 £'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 2019 £'000	Year ended 30 September 2018 £'000
Profit before taxation	(1,757)	20,193
UK tax at a rate of 19.0% (2018: 19.0%)	(334)	3,837
Effects of:		
REIT exempt profits	(2,771)	(2,549)
REIT exempt losses/(gains)	3,007	(1,384)
Excess management expenses of residual business	98	96
Total tax charge	–	–

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

The Group has unutilised tax losses carried forward in its residual business of £1,693,000 at 30 September 2019 (2018: £1,295,000). 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 2019		Year ended 30 September 2018	
	Pence per share	£'000	Pence per share	£'000
In respect of the prior year:				
Twelfth interim dividend	0.4792	1,012	0.4587	601
In respect of the current year:				
First interim dividend	0.4792	1,012	0.4583	600
Second interim dividend	0.4792	1,013	0.4583	600
Third interim dividend	0.4792	1,013	0.4583	964
Fourth interim dividend	0.4792	1,013	0.4792	1,008
Fifth interim dividend	0.4792	1,013	0.4792	1,008
Sixth interim dividend	0.4792	1,012	0.4792	1,008
Seventh interim dividend	0.4792	1,013	0.4792	1,008
Eighth interim dividend	0.4792	1,013	0.4792	1,008
Ninth interim dividend	0.4792	1,013	0.4792	1,012
Tenth interim dividend	0.4792	1,013	0.4792	1,013
Eleventh interim dividend	0.4792	1,013	0.4792	1,013
Total	5.7504	12,153	5.6672	10,843

Dividends paid/announced subsequent to the year end were:

	Record date	Payment date	Pence per share
Twelfth interim dividend	18 October 2019	31 October 2019	0.4792
<i>In respect of the year ending 30 September 2020:</i>			
First interim dividend	8 November 2019	29 November 2019	0.4792
Second interim dividend	13 December 2019	31 December 2019	0.4792

It is the policy of the Directors to declare and pay dividends as interim dividends. The Directors do not therefore recommend a final dividend for the year ended 30 September 2019. A non-binding resolution to approve the Company's dividend policy will be proposed at the Annual General Meeting (see resolution 9).

Notes to the Consolidated Financial Statements continued

8. EARNINGS PER SHARE

Basic and diluted earnings per share.

	Year ended 30 September 2019		Year ended 30 September 2018	
	£'000	Pence per share	£'000	Pence per share
Revenue earnings	14,069	6.66	12,907	6.60
Capital earnings	(15,826)	(7.49)	7,286	3.72
Total earnings	(1,757)	(0.83)	20,193	10.32
Average number of shares in issue	211,333,737		195,592,787	

9. INVESTMENT PROPERTIES

	As at 30 September 2019 £'000	As at 30 September 2018 £'000
Freehold and leasehold properties		
Opening book cost	312,676	160,876
Opening unrealised appreciation	18,149	10,863
Opening fair value	330,825	171,739
Movements for the period		
Purchases	–	146,750
Sales – proceeds	(2,906)	–
– loss on sales	(303)	–
Capital expenditure	3,050	5,050
Movement in book cost	(159)	151,800
Unrealised loss realised during the year	209	–
Unrealised gains on investment properties	1,400	9,689
Unrealised losses on investment properties	(17,132)	(2,403)
Movement in fair value	(15,682)	159,086
Closing book cost	312,517	312,676
Closing unrealised appreciation	2,626	18,149
Closing fair value	315,143	330,825

The Group received £2,906,000 (2018: £0) from investments sold in the year. The book cost of this investment when it was purchased was £3,080,200 (2018 £0). This investment has been revalued over time and until it was sold any unrealised gains/losses were included in the fair value of the investments.

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

	As at 30 September 2019 £'000	As at 30 September 2018 £'000
Closing fair value	315,143	330,825
Lease incentives held as debtors (Note 11)	4,032	3,025
Appraised market value per Knight Frank	319,175	333,850

Changes in the valuation of investment properties:

	Year ended 30 September 2019 £'000	Year ended 30 September 2018 £'000
Loss on sale of investment properties	(303)	–
Unrealised loss realised during the year	209	–
Loss on sale of investment properties realised*	(94)	–
Unrealised gains on investment properties	1,400	9,689
Unrealised losses on investment properties	(17,132)	(2,403)
Total (loss)/gain on revaluation of investment properties	(15,826)	7,286

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

The (loss)/gain on revaluation of investment properties reconciles to the movement in appraised market value as follows:

	Year ended 30 September 2019 £'000	Year ended 30 September 2018 £'000
Total (loss)/gain on revaluation of investment properties	(15,826)	7,286
Purchases		146,750
Capital expenditure	3,050	5,050
Sales – proceeds	(2,906)	–
Movement in fair value	(15,682)	159,086
Movement in lease incentives held as debtors	1,007	1,354
Movement in appraised market value	(14,675)	160,440

At 30 September 2019, the investment properties were valued at £319,175,000 (2018: £333,850,000, 2017: £173,410,000) by Knight Frank LLP (Knight Frank), in their capacity as external valuers. The valuation was undertaken in accordance with the RICS Valuation – Global Standards 2017, incorporating the International Valuation Standards, and RICS Professional Standards UK January 2014 (revised April 2015). Fair value is based on an open market valuation (the price that would be received to sell an asset, or paid to transfer a liability, in an orderly transaction between market participants at the measurement date), provided by Knight Frank on a quarterly basis, using recognised valuation techniques as set out in the Group's accounting policies.

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

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

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

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

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

The key unobservable inputs made in determining the fair values are:

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

Information on these significant unobservable inputs is disclosed below:

Significant unobservable input	30 September 2019		30 September 2018	
	Range	Weighted average	Range	Weighted average
Estimated rental value per sq. ft. per annum	£5 – £38	£16	£6 – £40	£16
Net equivalent yield	5.0% – 9.0%	6.3%	5.0% – 8.9%	6.2%

The Estimated Rental Value (ERV) for the total portfolio is not materially different from the contracted rent which is disclosed on page 02.

A decrease in the net equivalent yield applied to the portfolio by 0.25% will increase the fair value of the portfolio by £13,100,000 (2018: £14,100,000), 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 £12,100,000 (2018: £13,000,000) and reduce the Group's income.

Notes to the Consolidated Financial Statements continued

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 2019 was £127,100,000 (2018: £130,400,000). The profit of EPIC (No.1) Limited for the year to 30 September 2019 was £3,400,000 (2018: £17,000,000).

EPIC (No.2) Limited is a wholly-owned subsidiary of Ediston Property Investment Company plc and is incorporated in England and Wales (Company number: 10978359). EPIC (No.2) Limited was incorporated on 23 September 2017, having been established to hold the five properties acquired by the Group during the prior year and to enter into the Group's additional loan facility. The net asset value of EPIC (No.2) Limited as at 30 September 2019 was £96,400,000 (2018: £106,500,000). The loss of EPIC (No.2) Limited for the period to 30 September 2019 was £4,600,000 (2018: profit of £3,700,000).

EPIC (No.2) Limited acquired five subsidiaries as part of the prior year acquisition. The properties held by these five subsidiaries were transferred immediately after acquisition and at 30 September 2019 were held directly by EPIC (No.2) Limited. Since this transfer, the five subsidiaries have remained dormant. Four have been liquidated with the fifth expected to be liquidated shortly.

11. TRADE AND OTHER RECEIVABLES

	As at 30 September 2019 £'000	As at 30 September 2018 £'000
Secured balance held with loan provider	10,767	10,721
Capital and rental lease incentives	4,032	3,025
Rent receivable (net of provision for bad debts)	281	167
Other debtors and prepayments	11	165
Total	15,091	14,078

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

Capital and rental lease incentives consist of £3,132,000 (2018: £2,407,000) being the prepayments for rent-free periods recognised over the life of the lease and £900,000 (2018: £618,000) 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 2019 £'000	As at 30 September 2018 £'000
Cash and cash equivalents	11,976	11,735
Total	11,976	11,735

13. LOANS

	As at 30 September 2019 £'000	As at 30 September 2018 £'000
Principal amount outstanding	111,076	111,076
Set-up costs	(1,612)	(1,612)
Amortisation of loan set-up costs	482	316
Total	109,946	109,780

The Group's loan arrangements are with Aviva Commercial Finance Limited.

The Group has loans totalling £56,920,000 which carry a blended fixed interest rate of 2.99% and mature in May 2025. This rate is fixed for the period of the loan as long as the loan-to-value is maintained below 40%, increasing by ten basis points if the loan-to-value is 40% or higher. These loans are secured over EPIC (No.1) Limited's property portfolio.

The Group also has a loan totalling £54,156,000 which carries a fixed interest rate of 2.73% and matures in December 2027. This rate is fixed for the period of the loan as long as the loan-to-value is maintained below 40%, increasing by ten basis points if the loan-to-value is 40% or higher. This loan is secured over EPIC (No.2) Limited's property portfolio.

The Group's weighted average cost of borrowings was 2.86% at 30 September 2019 (2018: 2.86%).

Under the financial covenants relating to the loans the Group has to ensure that for each of EPIC (No.1) Limited and EPIC (No.2) Limited:

- the Historic Interest Cover and Projected Interest Cover, each being the passing rental income as a percentage of finance costs and generally calculated over a period of 12 months to/from the calculation date, is at least 300%; and
- the Loan-to-Value Ratio, being the adjusted value of the loan as a percentage of the aggregate market value of the relevant properties, must not exceed 50%.

Breach of the financial covenants, subject to various cure rights, may lead to the loans falling due for repayment earlier than the final maturity dates stated above. The Group has complied with all the loan covenants during the year. Under the terms of early repayment relating to the loans, the cost of repaying the loans on 30 September 2019, based on the yield on the Treasury 5% 2025 and Treasury 4.25% 2027 plus a margin of 0.5%, would have been approximately £122,890,000 (2018: £118,860,000), including repayment of the principal of £111,076,000 (2018: £111,076,000).

The fair value of the loans based on a marked-to-market basis, being the yield on the relevant Treasury plus the appropriate margin, was £115,445,000 as at 30 September 2019 (2018: £110,786,000). This includes the principal amount borrowed.

Analysis of net debt:

	Cash and cash equivalents 2019 £'000	Borrowing 2019 £'000	Net debt 2019 £'000	Cash and cash equivalents 2018 £'000	Borrowing 2018 £'000	Net debt 2018 £'000
Opening balance	11,735	(109,780)	(98,045)	24,651	(56,246)	(31,595)
Cash flows	241	–	241	(12,916)	(53,382)	(66,298)
Non-cash flows	–	(166)	(166)	–	(152)	(152)
Closing balance	11,976	(109,946)	(97,970)	11,735	(109,780)	(98,045)

14. TRADE AND OTHER PAYABLES

	As at 30 September 2019 £'000	As at 30 September 2018 £'000
Rental income received in advance	944	543
VAT payable to HMRC	37	828
Investment management fee payable	547	580
Loan interest payable	427	444
Capital expenditure payable	88	81
Other payables	461	712
Total	2,504	3,188

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 108.72 pence (2017: 115.30 pence) is based on equity shareholders' funds of £229,770,000 (2018: £243,670,000) and on 211,333,737 (2018: 211,333,737) 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 2019 and 30 September 2018.

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 2018	211,333,737	2,113
Issue of Ordinary Shares	–	–
Closing balance as at 30 September 2019	211,333,737	2,113

During the year to 30 September 2019, the Company did not issue any Ordinary Shares (year ended 30 September 2018: issued 80,339,806 Ordinary Shares, raising net proceeds of £88,504,000). The Company did not buyback or resell from treasury any Ordinary Shares during the year (2018: 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 in the prior year, net of the total expenses of issue of £1,293,000, was 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.

Notes to the Consolidated Financial Statements continued

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 £175,500 (2018: £196,000) of which £nil (2018: £nil) remained payable at the year end.

Ediston Properties Limited, being the AIFM and Investment Manager, received investment management fees of £2,239,000 in relation to the year (2018: £2,112,000) of which £547,000 (2018: £580,000) remained payable at the year end. Ediston Properties Limited received development management fees of £92,000 in relation to the year (2018: £nil) of which £nil (2018: £nil) 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 2019 (2018: 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 2019		As at 30 September 2018	
	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	–	11,048	–	10,888
Cash and cash equivalents	–	11,976	–	11,735
	–	23,024	–	22,623
Financial liabilities				
Loan	–	(109,946)	–	(109,780)
Trade and other payables	–	(1,523)	–	(1,817)
	–	(111,469)	–	(111,597)

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 £23,024,000 (2018: £22,623,000), consisting of cash of £11,976,000 (2018: £11,735,000), the secured balance held with the loan provider of £10,767,000 (2018: £10,721,000) and rent receivable of £281,000 (2018: £167,000).

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

Where there are concerns over the recoverability of rental income, the amounts outstanding will be fully provided for. There were no financial assets which were either past due or considered impaired at 30 September 2019 or at 30 September 2018.

At 30 September 2019, the Group held £6,400,000 (2018: £6,200,000) with RBS and £5,550,000 (2018: £5,500,000) with Bank of Scotland plc. Bankruptcy or insolvency of the bank holding cash balances may cause the Group's ability to access cash placed with them to be delayed, limited or lost. Both RBS and Bank of Scotland plc are rated by all the main rating agencies. Should the credit quality or the financial position of the banks currently employed significantly deteriorate, cash holdings would be moved to another bank. As at 30 September 2019, 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 are relatively illiquid assets, requiring individual attention to sell in an orderly way. As a result, the Group may not be able to liquidate quickly its investments in these properties at an amount close to their fair value in order to meet its liquidity requirements.

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

FINANCIAL ASSETS AS AT 30 SEPTEMBER 2019

	Three months or less £'000	More than three months but less than one year £'000	More than one year but less than three years £'000	More than three years £'000	Total £'000
Cash and cash equivalents	11,976	–	–	–	11,976
Secured balance held with loan provider	10,767	–	–	–	10,767
Rent receivable	281	–	–	–	281
Total	23,024	–	–	–	23,024

FINANCIAL ASSETS AS AT 30 SEPTEMBER 2018

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

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

FINANCIAL LIABILITIES AS AT 30 SEPTEMBER 2019

	Three months or less £'000	More than three months but less than one year £'000	More than one year but less than three years £'000	More than three years £'000	Total £'000
Loan	–	–	–	111,076	111,076
Interest payable on loan	793	2,379	6,361	12,548	22,081
Other payables	1,096	–	–	–	1,096
Total	1,889	2,379	6,361	123,624	134,253

Notes to the Consolidated Financial Statements continued

20. FINANCIAL INSTRUMENTS CONTINUED

LIQUIDITY RISK CONTINUED

FINANCIAL LIABILITIES AS AT 30 SEPTEMBER 2018

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

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

INTEREST RATE RISK

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

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

	As at 30 September 2019		As at 30 September 2018	
	Fixed rate £'000	Variable rate £'000	Fixed rate £'000	Variable rate £'000
Cash and cash equivalents	–	11,976	–	11,735
Secured balance held with loan provider	–	10,767	–	10,721
Loan	(109,946)	–	(109,780)	–

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 2019 by £114,000 (2018: £112,000), a decrease of 0.50% in interest rates would have had an equal and opposite effect. These calculations are based on the variable rate balances at the respective balance sheet date and are not representative of the year as a whole, nor reflective of actual future conditions.

FIXED RATE

Considering the effect on the loan balance, it is estimated that an increase of 0.50% in interest rates as at the balance sheet date would have decreased its fair value by approximately £3,500,000 (2018: £3,700,000) and a decrease of 0.50% would have increased its fair value by approximately £3,600,000 (2018: £3,900,000). 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 2019 would have increased net assets available to shareholders and increased the net income for the year by £31,500,000 (2018: £33,100,000); an equal and opposite movement would have decreased net assets and decreased the net income by an equivalent amount.

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

21. CAPITAL COMMITMENTS

The Group did not have any material contractual commitments to refurbish, construct or develop any investment property, or for repair, maintenance or enhancements as at 30 September 2019 (2018: 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 6.1 years (2018: 6.6 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 2019 £'000	As at 30 September 2018 £'000
Less than one year	19,320	20,514
Between two and five years	62,646	64,385
Over five years	50,391	56,619
Total	132,357	141,518

The largest single tenant at the year end accounted for 8.6% (2018: 8.8%) of the contracted rent.

23. 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 2019 are shown below:

Leverage exposure	Gross method	Commitment method
Maximum limit	3.00	3.00
Actual	1.45	1.47

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 2019

	Notes	As at 30 September 2019 £'000	As at 30 September 2018 £'000
Non-current assets			
Investment in subsidiary undertakings	3	200,557	209,665
		200,557	209,665
Current assets			
Trade and other receivables	4	1,046	1,640
Cash and cash equivalents	5	6,226	6,986
		7,272	8,626
Total assets		207,829	218,291
Current liabilities			
Trade and other payables	6	(977)	(1,812)
Total liabilities		(977)	(1,812)
Net assets		206,852	216,479
Equity and reserves			
Called-up equity share capital	7	2,113	2,113
Share premium		125,559	125,559
Capital reserve – investments sold		4,649	4,649
Capital reserve – investments held		(9,108)	–
Special distributable reserve		83,639	84,158
Revenue reserve		–	–
Equity shareholders' funds		206,852	216,479
Net asset value per Ordinary Share	8	97.9p	102.4p

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 2019 of £2,526,000 (2018: £10,333,000).

The Company Financial Statements on pages 74 to 78 were approved by the Board of Directors on 5 December 2019 and signed on its behalf by:

William Hill
Chairman

Company Statement of Changes in Equity

For the year ended 30 September 2019

	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 2018		2,113	125,559	–	4,649	84,158	–	216,479
Profit and total comprehensive income for the year		–	–	(9,108)	–	–	11,634	2,526
Transactions with owners recognised in equity:								
Issue of Ordinary Shares	7	–	–	–	–	–	–	–
Dividends paid	2	–	–	–	–	–	(12,153)	(12,153)
Transfer from special reserve		–	–	–	–	(519)	519	–
As at 30 September 2019		2,113	125,559	(9,108)	4,649	83,639	–	206,852

For the year ended 30 September 2018

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

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 55 to 73. The accounting policies adopted are consistent with those adopted by the Group as stated in Note 1 to the Consolidated Financial Statements. The only additional policy applied is in relation to investments in subsidiary undertakings and this is set out below.

The Company has taken advantage of the following exemptions permitted under FRS 101:

- an exemption from preparing the Company cash flow statement and related notes;
- an exemption from listing any new or revised standards that have not been adopted or providing information about their likely impact; and
- an exemption from disclosing transactions between the Company and its wholly-owned subsidiaries.

Shareholders were informed about the Company's intention to use the above disclosure exemptions in the Annual Report and Accounts 2017 and no objections have since been 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 59.

INVESTMENTS IN SUBSIDIARY UNDERTAKINGS

Investments in subsidiary undertakings are stated at cost less, where applicable, any provision for impairment under the provisions of IAS 36. During the year a provision for impairment value has been taken to reflect the movement in net asset value in the subsidiary which is below the cost of the investment based on current valuations of the property assets in the subsidiary. This situation could reverse in the future if the valuations of the unrealised net assets move above the cost of investment in the subsidiary. In accordance with IAS 36, provisions for impairment will be reduced or increased dependent on the assessment of the recoverable amount of the subsidiary in future.

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 62.

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 £2,526,000 (2018: £10,333,000).

The Company does not have any employees (2018: 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 £158,000 (2018: £176,000) was subsequently reallocated to the subsidiaries to reflect the work completed by the Directors in relation to the property assets held by those companies.

Audit fees in relation to the parent company only were £36,000 (2018: £29,000), excluding VAT. There were no non-audit fees paid to Grant Thornton UK LLP by the Company during the year (2018: £83,000 – for acting as reporting accountant in relation to the Company's prospectus, these costs were charged to the Share Premium as part of the issue costs of the Ordinary Shares).

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 2019 £'000	As at 30 September 2018 £'000
Opening balance – Investment in EPIC (No.1) Limited	104,160	123,680
Opening balance – Investment in EPIC (No.2) Limited	105,505	–
Opening balance – Investments in subsidiaries	209,665	123,680
Additions – EPIC (No.2) Limited	–	105,505
Impairment loss – EPIC (No.2) Limited	(9,108)	–
Repurchase of equity – EPIC (No.1) Limited	–	(19,520)
Closing balance – Investment in EPIC (No.1) Limited	104,160	104,160
Closing balance – Investment in EPIC (No.2) Limited	96,397	105,505
Closing balance – Investments in subsidiaries	200,557	209,665

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

During the year ended 30 September 2018, the Company subscribed for shares in a newly-incorporated subsidiary, EPIC (No.2) Limited.

The Company's two property owning subsidiaries above have been impacted by the decrease in investment property values over the course of the year to 30 September 2019. Details of the movement in the fair value of the investment properties of the Group are set out in Note 9 to the Consolidated Financial Statements. At 30 September 2019, an assessment of potential impairment of the equity investment in EPIC (No.2) Limited was conducted pursuant to the principles of IAS 36: Impairment of Assets. Following the principles of IAS 36, an impairment of £9,108,000 was determined and has been taken into account in the carrying value of the subsidiary and through the capital reserves of the Company.

In the assessment of this impairment, consideration was given to the nature of the assets and liabilities of EPIC (No.2) Limited and a suitable determination of the recoverable amount of the investment in EPIC (No.2) Limited. EPIC (No.2) Limited has a net asset value of £96,397,000 (2018: £106,505,000) which is considered an appropriate recoverable amount. The impairment thus reflects the amount by which the carrying amount of the investment in the subsidiary EPIC (No.2) Limited of £105,505,000 (2018: £105,505,000) exceeds its recoverable amount.

No adjustment to the carrying value of the investment in EPIC (No.1) Limited was required.

See Note 10 to the Consolidated Financial Statements on page 68 for further details on the Group structure.

4. TRADE AND OTHER RECEIVABLES

	As at 30 September 2019 £'000	As at 30 September 2018 £'000
Amount due from subsidiary undertakings	1,036	1,629
Other receivables and prepayments	10	11
Total	1,046	1,640

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

5. CASH AND CASH EQUIVALENTS

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

6. TRADE AND OTHER PAYABLES

	As at 30 September 2019 £'000	As at 30 September 2018 £'000
VAT payable to HMRC	37	828
Investment management fee payable	547	580
Tax withheld on dividends paid	193	187
Other payables	200	217
Total	977	1,812

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

Notes to the Company Financial Statements continued

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 2018	211,333,737	2,113
Issue of Ordinary Shares	–	–
Closing balance as at 30 September 2019	211,333,737	2,113

During the year to 30 September 2019, the Company did not issue any Ordinary Shares (year ended 30 September 2018: issued 80,339,806 Ordinary Shares, raising gross proceeds of £89,797,000 (net £88,504,000)). The Company did not buyback or resell from treasury any Ordinary Shares during the year (2018: 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 97.9 pence (2018: 102.4 pence) is based on equity shareholders' funds of £206,852,000 (2018: £216,479,000) and on 211,333,737 (2018: 211,333,737) 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 70 to 72.

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 £7,262,000 (2018: £8,615,000), consisting of the Company's cash balance of £6,226,000 (2018: £6,986,000) and current account balances due from its wholly-owned subsidiaries of £1,036,000 (2018: £1,629,000).

The maturity of the Company's financial liabilities (on a contractual maturity basis) at 30 September 2019 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	940	–	–	940

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

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

The Company's only financial instrument exposed to interest rate risk at 30 September 2019 was its cash balance of £6,226,000 (2018: £6,986,000) 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 £31,000 (2018: £35,000). A decrease of 0.50% in interest rates would have had an equal and opposite effect. These calculations are based on the variable rate balances at the respective balance sheet date and are not representative of the year as a whole, nor reflective of actual future conditions.

10. RELATED PARTY TRANSACTIONS

Other than transactions between the Company and its wholly-owned Subsidiaries, in relation to which the Company has adopted the permitted exemption allowed by FRS 101, related party transactions are the same for the Company as for the Group. For details refer to Note 17 to the Consolidated Financial Statements on page 70. The fees payable to the Directors and the Investment Manager are initially paid by the Company, but may be re-allocated, in whole or in part, to the Subsidiaries.

Shareholder information

TAX STRUCTURE

Ediston Property Investment Company plc is tax resident in the UK and is a Real Estate Investment Trust (REIT) under Part 12 of the Corporation Tax Act 2010, subject to continuing compliance with the REIT rules and regulations. The main REIT rules with which the Group must comply are set out in the section entitled 'Compliance with REIT Status' on page 60.

A REIT does not pay 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 2018 and 30 September 2019 is set out below. Details of all the dividends paid since the Company's launch are available at www.ediston-reit.co.uk

Distribution	Ex-dividend date	Payment date	PID (per share)	Non-PID (per share)	Total (per share)
In relation to the year ended 30 September 2018:					
First interim	09/11/17	30/11/17	0.4583p	–	0.4583p
Second interim	14/12/17	29/12/17	0.4583p	–	0.4583p
Third interim	18/01/18	31/01/18	0.4583p	–	0.4583p
Fourth interim	08/02/18	28/02/18	0.4792p	–	0.4792p
Fifth interim	08/03/18	29/03/18	0.4792p	–	0.4792p
Sixth interim	19/04/18	30/04/18	0.4792p	–	0.4792p
Seventh interim	10/05/18	31/05/18	0.4792p	–	0.4792p
Eighth interim	14/06/18	29/06/18	0.4792p	–	0.4792p
Ninth interim	19/07/18	31/07/18	0.4792p	–	0.4792p
Tenth interim	09/08/18	31/08/18	0.4792p	–	0.4792p
Eleventh interim	13/09/18	28/09/18	0.4792p	–	0.4792p
Twelfth interim	18/10/18	31/10/18	0.4792p	–	0.4792p
Total in relation to the year ended 30 September 2018			5.6877p	–	5.6877p
In relation to the year ended 30 September 2019:					
First interim	08/11/18	30/11/18	0.4792p	–	0.4792p
Second interim	13/12/18	31/12/18	0.4792p	–	0.4792p
Third interim	17/01/19	31/01/19	0.4792p	–	0.4792p
Fourth interim	07/02/19	28/02/19	0.4792p	–	0.4792p
Fifth interim	07/03/19	29/03/19	0.4792p	–	0.4792p
Sixth interim	11/04/19	30/04/19	0.4792p	–	0.4792p
Seventh interim	09/05/19	31/05/19	0.4792p	–	0.4792p
Eighth interim	13/06/19	28/06/19	0.4792p	–	0.4792p
Ninth interim	18/07/19	31/07/19	0.4792p	–	0.4792p
Tenth interim	08/08/19	30/08/19	0.4792p	–	0.4792p
Eleventh interim	12/09/19	30/09/19	0.4792p	–	0.4792p
Twelfth interim	17/10/19	31/10/19	0.4792p	–	0.4792p
Total in relation to the year ended 30 September 2019			5.7504p	–	5.7504p

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.

Shareholder information continued

UK TAXATION OF NON-PID DIVIDENDS

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

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

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

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

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

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

No shares were issued during the year.

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

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.

T: 0370 707 1079

E: www.investorcentre.co.uk/contactus

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 2020

January 2020	Announcement of Net Asset Value as at 31 December 2019
26 February 2020	Annual General Meeting
April 2020	Announcement of Net Asset Value as at 31 March 2020
May 2020	Publication of Half Yearly Report for the six months to 31 March 2020
July 2020	Announcement of Net Asset Value as at 30 June 2020
October 2020	Announcement of Net Asset Value as at 30 September 2020
December 2020	Publication of Annual Report for the year to 30 September 2020

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

HISTORIC RECORD

	Total assets less current liabilities £'000	Shareholders' funds £'000	Property portfolio £'000	EPRA net asset value per share p	Share price p	Premium/ (discount) %	EPRA earnings per share p	Dividends per share p	Ongoing charges* %
27 October 2014 (launch)	93,171	93,171	76,700	98.07	100.0	1.9	–	–	–
30 September 2015	176,044	136,586	136,400	106.49	109.5	2.8	4.15	5.09	1.4
30 September 2016	189,114	137,331	181,410	107.07	103.4	(3.4)	5.90	5.50	1.5
30 September 2017	202,062	145,816	173,410	111.32	106.5	(4.3)	6.34	5.50	1.5
30 September 2018	353,450	243,670	333,850	115.30	109.0	(5.5)	6.60	5.69	1.3
30 September 2019	339,706	229,760	319,175	108.72	85.4	(21.5)	6.66	5.75	1.4

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

KEY INFORMATION DOCUMENT

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

INVESTMENT PLATFORMS

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

HOW TO INVEST

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

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

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

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

WARNING TO SHAREHOLDERS – BEWARE OF SHARE FRAUD

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

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

Glossary of terms, definitions and alternative performance measures

GLOSSARY AND ALTERNATIVE PERFORMANCE MEASURES

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

AIC	Association of Investment Companies. This is the trade body for Closed-end Investment Companies (www.theaic.co.uk).
AIFMD	Alternative Investment Fund Managers Directive. Issued by the European Parliament in 2012 and 2013, the Directive requires the Company to appoint an Alternative Investment Fund Manager (AIFM). The Board of Directors of a Closed-ended Investment Company, nevertheless, remains fully responsible for all aspects of the Company's strategy, operations and compliance with regulations.
AIFM	Alternative Investment Fund Manager. The entity that provides portfolio management and risk management services to the Company and which ensures the Company complies with the AIFMD. The Company's AIFM is Ediston Investment Services Limited.
Basic Total Earnings per Share	Total profit after taxation divided by the weighted average number of Ordinary Shares in issue during the period.
Break Clause/Option	A clause in a Lease which provides the landlord or tenant with an ability to terminate the Lease before its contractual expiry date.
Closed-end Investment Company	A company with a fixed issued ordinary share capital which is traded on a stock exchange at a price not necessarily related to the Net Asset Value of the company and where shares can only be issued or bought back by the company in certain circumstances. This contrasts with an open-ended investment company, which has units not traded on an exchange but issued or bought back from investors at a price directly related to the Net Asset Value.
Company	Ediston Property Investment Company plc (Company number 09090446). The Annual Report and Accounts of the Company consolidate the results of its subsidiary undertakings, details of which are contained in Note 10 to the Consolidated Financial Statements, collectively referred to as 'the Group'. References throughout this document to 'the Company' may also encompass matters relevant to the subsidiary undertakings.
Contracted Rent*	The annualised rent adjusting for the inclusion of rent subject to rent-free periods and rental guarantees.
Covenant Strength*	This refers to the quality of a tenant's financial status and its ability to perform the covenants in the Lease.
Debt Utilised	The debt facilities with Aviva (2019: £111,076,000), less the secured balance held in a blocked account (2019: £10,767,000) which is available for future acquisitions and capital expenditure.
Depository	Under AIFMD rules, the Company must appoint a Depository, whose duties in respect of investments, cash and similar assets include: safekeeping; verification of ownership and valuation; and cash monitoring. The Depository's oversight duties include, but are not limited to, oversight of share buy backs, dividend payments and adherence to investment limits. The Company's Depository is Augentius Depository Limited.
Discount (or Premium) of Share Price to NAV*	If the share price is less than the Net Asset Value per share, the shares are trading at a discount. If the share price is greater than the Net Asset Value per share, the shares are trading at a premium. The discount (or premium) is calculated by reporting the difference between the Net Asset Value per share and the Share Price as a percentage of the Net Asset Value per share.
Dividend	The income from an investment. The Company currently pays dividends to shareholders monthly.
Dividend Cover*	Revenue profit for the period, excluding exceptional items, divided by dividends paid during the period.
Dividend Yield*	Calculated using the annual dividend as a percentage of the share price at the year end.
Dividends per Share	Dividends declared for the year.
EPRA	The European Public Real Estate Association, the industry body for European REITs.
EPRA Cost Ratio (including direct vacancy costs)*	The ratio of net overheads and operating expenses against gross rental income (with both amounts excluding ground rents payable). Net overheads and operating expenses relate to all administrative and operating expenses.
EPRA Cost Ratio (excluding direct vacancy costs)*	The ratio calculated above, but with direct vacancy costs removed from net overheads and operating expenses balance.
EPRA Earnings per Share*	Recurring earnings from core operational activities. A key measure of a company's underlying operating results from its property rental business and an indication of the extent to which current dividend payments are supported by earnings.
EPRA NAV*	NAV adjusted to include properties and other investment interests at fair value and to exclude certain items not expected to crystallise in a long-term investment property business model. Makes adjustments to the IFRS NAV to provide stakeholders with the most relevant information on the fair value of the assets and liabilities within a true real estate investment company with a long-term investment strategy. At 30 September 2019 and 30 September 2018, the EPRA NAV was the same as the IFRS NAV.

* Alternative Performance Measure.

EPRA Net Asset Value (NAV) per Share*	EPRA NAV at the year end divided by the number of Ordinary Shares in issue at that date.
EPRA Net Asset Value (NAV) per Share increase*	EPRA NAV at 30 September 2019 minus the NAV at 30 September 2018. 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 policies and Note 9 to the Consolidated Financial Statements.
Fixed and Minimum Uplift Rents	Rents subject to fixed uplifts at an agreed level on agreed dates stipulated within the Lease, or rents subject to contracted minimum uplifts at specified review dates.
Gearing	Unlike open-ended investment companies, Closed-end Investment Companies have the ability to borrow to invest. This term is used to describe the level of borrowings that an Investment Company has undertaken. The higher the level of borrowings, the higher the gearing ratio. This is expressed as a percentage of the principal value of borrowings against total assets.
Increase/decrease in NAV*	The movement in NAV in the period, shown in total and as a movement per share. Expressed in whole numbers and as a percentage.
Investment Manager	The Company's Investment Manager, pursuant to the Investment Managers' Delegation Agreement, is Ediston Properties Limited. The Investment Manager is responsible for the day-to-day management of the Company and advises the Group on the acquisition of its investment portfolio and on the development, management and disposal of UK commercial assets in its portfolio.
Lease	A legally binding contract between a landlord and a tenant which sets out the basis on which the tenant is permitted to occupy a property, including the Lease length.
Lease Incentive	A payment used to encourage a tenant to take on a new Lease, for example by a landlord paying a tenant a sum of money to contribute to the cost of a tenant's fit-out of a property or by allowing a rent-free period.
Lease Re-gear	This term is used to describe the renegotiation of a Lease during the term and is often linked to another Lease event; for example, a Break Clause/Option or Rent Review.
Lease Surrender	An agreement whereby the landlord and tenant bring a Lease to an end other than by contractual expiry or the exercise of a Break Clause/Option. This will frequently involve the negotiation of a surrender premium by one party to the other.
Like-for-like Movement*	The like-for-like increase (or decrease) in the property portfolio is calculated as the movement in the fair value of the property portfolio excluding any properties bought or sold in the period.
Loan to Value*	Debt outstanding and drawn at the period end, net of any cash held in the Lender deposit account, expressed as a percentage of the market value of all property assets.
Net Assets (or Shareholders' Funds)	This is calculated as the value of the investments and other assets of an Investment Company, plus cash and debtors, less borrowings and any other creditors. It represents the underlying value of an Investment Company at a point in time.
Net Asset Value (NAV) per Ordinary Share (or 'IFRS NAV')	This is calculated as the net assets of the Group calculated under its accounting policies as set out on pages 59 to 63 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 56. At 30 September 2019 and 30 September 2018, 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.

Glossary of terms, definitions and alternative performance measures continued

Net Income	The net income from a property after deducting ground rent and non-recoverable expenditure.
Net Initial Yield*	The initial Net Income from a property at the date of purchase, expressed as a percentage of the gross purchase price including the costs of purchase.
Non-PID	Non-Property Income Distribution. The dividend received by a shareholder of the Company arising from any source other than profits and gains of the Tax Exempt Business of the REIT Group. This is similar to a dividend paid by any other company resident in the UK. From 6 April 2018, individual shareholders who are resident in the UK for taxation purposes are entitled to a tax-free dividend allowance of £2,000 per annum. Any dividend income (including Non-PID Dividends but excluding PIDs) in excess of this allowance is subject to income tax. UK resident corporate shareholders (other than dealers and certain insurance companies) are not liable to corporation tax or income tax in respect of UK dividends provided that the dividends are exempt under Part 9A of the Corporation Tax Act 2009.
Ongoing Charges*	Operating costs incurred by the Company, expressed as a proportion of its average Net Assets over the reporting year. The costs of buying and selling investment properties and the costs of buying back or issuing Ordinary Shares are excluded. The Company also excludes direct operating expenses for investment properties as these are variable in nature and tend to be specific to lease events occurring during the period. Refer page 85 for calculation.
Ordinary Shares	The main type of equity capital issued by conventional Investment Companies. Shareholders are entitled to their share of both income, in the form of dividends paid by the Company, and any capital growth. Ordinary Shares carry voting rights at General Meetings of the Company.
PID	Property Income Distribution. A dividend received by a shareholder of the Company in respect of profits and gains of the tax exempt business of the Group. Such distributions are taxable as profits of a UK property business and, in the case of a shareholder, are chargeable to UK income tax at their highest marginal rates in the case of UK resident individuals or to UK corporation tax in the case of UK resident companies.
Premium (or Discount) of Share Price to NAV	If the share price is less than the Net Asset Value per share, the shares are trading at a discount. If the share price is greater than the Net Asset Value per share, the shares are trading at a premium. The premium (or discount) is calculated by reporting the difference between the Net Asset Value per share and the Share Price as a percentage of the Net Asset Value per share.
Property Total Return*	The valuation movement plus net income (after deducting interest payable) expressed as a percentage of the opening book value together with the time weighted value for capital expenditure incurred during the year, all of which is net of Debt Utilised.
REIT	Real Estate Investment Trust. A company which complies with Part 12 of the Corporation Tax Act 2010. Subject to the continuing relevant UK-REIT criteria being met, the profits from the property business of a REIT, arising from both income and capital gains, are exempt from corporation tax.
Rent Review	A periodic review of rent during the term of a Lease, as provided for within a Lease agreement.
Reversion	Increase in rent estimated by the Company's External Valuer, where the passing rent is below the ERV. The increases to rent arise on rent reviews and lettings.
Share Price	The value of a share at a point in time as quoted on a stock exchange. The Company's Ordinary Shares are quoted on the Main Market of the London Stock Exchange.
Share Price Total Return*	The percentage change in the Share Price assuming dividends are reinvested to purchase additional Ordinary Shares at the prevailing share price.
SORP	Statement of Recommended Practice 'Financial Statements of Investment Trust Companies and Venture Capital Trusts' issued by the AIC.
Surrender Premium	The amount received from tenants who break their leases early, or paid to tenants in order to reclaim vacant possession of the property.
Total Assets	This is calculated as the value of the investment properties and other assets of the Company, plus cash and debtors.
Total Return	The return to shareholders calculated on a per share basis by adding dividends paid in the period to the increase or decrease in the Share Price or NAV. The dividends are assumed to have been reinvested in the form of Ordinary Shares or Net Assets, excluding any cost of reinvestment.
UK Corporate Governance Code or UK Code	A code issued by the Financial Reporting Council which sets out standards of good practice in relation to board leadership and effectiveness, remuneration, accountability and relations with shareholders. All companies with a Premium Listing of equity shares in the UK are required under the Listing Rules to report on how they have applied the UK Code in their annual report and accounts.
Voids*	The amount of rent relating to properties which are unoccupied and generating no rental income. Stated as a percentage of ERV.
WAULT*	Weighted Average Unexpired Lease Term. The average lease term remaining to first break, or expiry, across the portfolio weighted by contracted rental income (including rent-frees). The calculation excludes properties allocated as developments.

* Alternative Performance Measure.

Unaudited Supplementary Information – Ongoing Charges

	September 2019 £'000	September 2018 £'000	September 2017 £'000
Investment management fee (Note 2)	2,239	2,112	1,352
Other expenses (Note 3)	1,377	1,390	902
Less: direct property costs (Note 3)	(356)	(423)	(134)
Operating costs (A)	3,260	3,079	2,120
Average net assets for the 12 months ended September (B)	235,839	238,187	142,707
Ongoing charges (A/B)	1.38%	1.29%	1.49%

In accordance with AIC guidance, the Company calculates the Ongoing Charges (the recurring operating and investment management costs, as a percentage of average net assets) for the annual report on a consistent basis with those published in previous years, to facilitate comparison. The Ongoing Charges definition is contained on page 84.

The Key Information Document (KID), contains a measure of costs (Reduction in Yield – 'RIY') calculated in accordance with EU PRIIPS regulations. The KID (dated 25 October 2019), on the Company's website, is published by the Company's AIFM under rules prescribed by the FCA and indicates an RIY of 3.65%. The differences between the RIY and the Ongoing Charges consist primarily of the costs of gearing (1.52%), direct property costs (0.19%) and transaction costs relating to making purchases for the portfolio (which includes stamp duty revenue tax) (0.42%). Per EU PRIIPS regulations, the period over which figures are averaged in the KID can be longer than the 12 months applicable to the Ongoing Charges, which uses annual audited figures for the year, thus further contributing to the difference between these two cost measures.

Notice of Annual General Meeting

NOTICE IS HEREBY GIVEN that the sixth Annual General Meeting of Ediston Property Investment Company plc will be held at the offices of Dickson Minto W.S., Broadgate Tower, 20 Primrose Street, London EC2A 2EW on 26 February 2020 at 2.00 p.m. for the purposes of considering and, if thought fit, passing the following resolutions, of which resolutions 1 to 10 inclusive will be proposed as ordinary resolutions and resolutions 11 to 13 inclusive will be proposed as special resolutions:

ORDINARY RESOLUTIONS

1. That the Annual Report and Accounts for the year ended 30 September 2019 be received.
2. That the Directors' Remuneration Report for the year ended 30 September 2019 be approved.
3. That Grant Thornton UK LLP be re-appointed as the Company's Auditor until the conclusion of the next Annual General Meeting.
4. That the Directors be authorised to determine the Auditor's remuneration.
5. That Robin Archibald be re-elected as a Director of the Company.
6. That Robert Dick be re-elected as a Director of the Company.
7. That William Hill be re-elected as a Director of the Company.
8. That Jamie Skinner be re-elected as a Director of the Company.
9. That the Company's dividend policy be approved.
10. That, in addition to any existing authority, in accordance with section 551 of the Companies Act 2006, the Directors be generally and unconditionally authorised to exercise all powers of the Company to allot shares in the capital of the Company and to grant rights to subscribe for or to convert any security into shares in the Company (Securities) up to an aggregate nominal amount of £211,334 or, if less, the aggregate nominal amount equal to 10% of the Company's issued share capital immediately prior to the passing of this resolution, provided that this authority shall, unless renewed, varied or revoked by the Company, expire at the conclusion of the next Annual General Meeting of the Company or on 15 months from the passing of this resolution, whichever is the earlier, save that the Company may, before such expiry, make offers or agreements which would or might require Securities to be allotted and the Directors may allot Securities in pursuance of such offer or agreement notwithstanding that the authority conferred by this resolution has expired.

SPECIAL RESOLUTIONS

11. That, subject to the passing of resolution 10, 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 10 or by way of a sale of treasury shares as if section 561 of the Act did not apply to any such allotment, provided that this power:
 - (a) expires at the conclusion of the next Annual General Meeting of the Company after the passing of this resolution or on expiry of 15 months from the passing of this resolution, whichever is the earlier, unless renewed, varied or revoked by the Company prior to or on such date, and save that the Company may, before such expiry, make offers or agreements which would or might require equity securities to be allotted after such expiry and the Directors may allot equity securities in pursuance of any such offer or agreement notwithstanding that the power conferred by this resolution has expired; and
 - (b) shall be limited to the allotment of equity securities for cash up to an aggregate nominal amount of £211,334 or, if less, the aggregate nominal amount equal to 10% of the nominal value of the issued share capital of the Company immediately prior to the passing of this resolution.
12. To authorise the Company generally and unconditionally to make market purchases (within the meaning of section 693(4) of the Companies Act 2006) of Ordinary Shares of £0.01 each provided that:
 - (a) the maximum aggregate number of Ordinary Shares that may be purchased is 31,678,927 Ordinary Shares or, if less, 14.99% of the issued Ordinary Share capital of the Company immediately prior to the passing of this resolution (excluding treasury shares);
 - (b) the minimum price (excluding expenses) which may be paid for each Ordinary Share is £0.01;
 - (c) the maximum price (excluding expenses) which may be paid for each Ordinary Share is the higher of:
 - (i) 105% of the average market value of an Ordinary Share in the Company for the five business days prior to the day the purchase is made; and
 - (ii) the higher of the last independent trade and the highest current independent bid on the London Stock Exchange; and
 - (d) unless previously varied, revoked or renewed, the authority hereby conferred shall expire at the conclusion of the Company's next Annual General Meeting or on 15 months from the passing of this resolution, whichever is the earlier, save that the Company may, before the expiry of the authority granted by this resolution, enter into a contract to purchase Ordinary Shares which will or may be executed wholly or partly after the expiry of such authority.
13. That, the Company be and is hereby generally and unconditionally authorised to hold general meetings (other than Annual General Meetings) on 14 clear days' notice, such authority to expire at the conclusion of the next Annual General Meeting of the Company or 15 months from the passing of this resolution, whichever is the earlier.

By order of the Board

Maitland Administration Services (Scotland) Limited
Company Secretary

Registered office: Level 13, Broadgate Tower, 20 Primrose Street, London EC2A 2EW
5 December 2019

NOTES

1. Only those shareholders registered in the Company's register of members at 6.00 p.m. on 24 February 2020 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 24 February 2020 or, in the event of an adjournment of the meeting, 48 hours before the adjourned meeting.

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

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

In order for a proxy appointment made using the CREST service to be valid, the appropriate CREST message (a 'CREST Proxy Instruction') must be properly authenticated in accordance with Euroclear UK & Ireland Limited's (EUI) specifications and must contain the information required for such instructions, as described in the CREST Manual. The message, regardless of whether it constitutes the appointment of a proxy or is an amendment to the instruction given to a previously appointed proxy, must, in order to be valid, be transmitted so as to be received by Computershare Investor Services PLC (ID 3RA50) no later than 2.00 p.m. on 24 February 2020 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.

Notice of Annual General Meeting continued

8. As at 6.00 p.m. on 5 December 2019, the Company's issued share capital comprised 211,333,737 Ordinary Shares of £0.01 each. Each Ordinary Share carries the right to one vote at a General Meeting of the Company and, therefore, the total number of voting rights in the Company as at 6.00 p.m. on 5 December 2019 is 211,333,737.

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

9. Under section 319A of the Act, any member attending the meeting has a right to ask questions. The Company must answer any question you ask relating to the business being dealt with at the meeting unless:
- (a) answering the question would interfere unduly with the preparation for the meeting or involve the disclosure of confidential information;
 - (b) the answer has already been given on a website in the form of an answer to a question; or
 - (c) it is undesirable in the interests of the Company or the good order of the meeting that the question be answered.
10. Under section 338 of the Act, a member or members meeting the qualification criteria set out in Note 13 below may, subject to certain conditions, require the Company to circulate to members notice of a resolution which may properly be moved and is intended to be moved at that meeting. The conditions are that:
- (a) the resolution must not, if passed, be ineffective (whether by reason of inconsistency with any enactment or the Company's constitution or otherwise);
 - (b) the resolution must not be defamatory of any person, frivolous or vexatious; and
 - (c) the request: (i) may be in hard copy form or in electronic form; (ii) must identify the resolution of which notice is to be given by either setting out the resolution in full or, if supporting a resolution sent by another member, clearly identifying the resolution which is being supported; (iii) must be authenticated by the person or persons making it; and (iv) must be received by the Company not later than six weeks before the meeting to which the request relates.
11. Under section 338A of the Act 2006, a member or members meeting the qualification criteria set out at Note 13 below may require the Company to include in the business to be dealt with at the Annual General Meeting a matter (other than a proposed resolution) which may properly be included in the business (a matter of business). The request must have been received by the Company not later than 15 January 2020. 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 22 Forth Street, Edinburgh EH1 3LH;
 - (b) either set out the statement in full or, if supporting a statement sent by another shareholder, clearly identify the statement which is being supported;
 - (c) be authenticated by the person or persons making it; and
 - (d) be received by the Company at least one week before the meeting.
13. In order to be able to exercise the members' rights in Notes 10 to 12, the relevant request must be made by:
- (a) a member or members having a right to vote at the meeting and holding at least 5% of total voting rights of the Company; or
 - (b) at least 100 members having a right to vote at the meeting and holding, on average, at least £100 of paid-up share capital.
14. If you are a person who has been nominated under section 146 of the Companies Act 2006 to enjoy information rights (Nominated Person), you may have a right under an agreement between you and the shareholder of the Company who has nominated you to have information rights (Relevant Shareholder) to be appointed or to have someone else appointed as a proxy for the meeting. If you either do not have such a right or if you have such a right but do not wish to exercise it, you may have a right under an agreement between you and the Relevant Shareholder to give instructions to the Relevant Shareholder as to the exercise of voting rights. Your main point of contact in terms of your investment in the Company remains the Relevant Shareholder (or, perhaps, your custodian or broker) and you should continue to contact them (and not the Company) regarding any changes or queries relating to your personal details and your interest in the Company (including any administrative matters). The only exception to this is where the Company expressly requests a response from you. The statement of the rights of members in relation to the appointment of proxies in Notes 3 and 4 on page 87 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

DIRECTORS

William Hill
Robin Archibald
Robert Dick
Jamie Skinner

REGISTERED OFFICE

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

REGISTERED NUMBER

09090446
Registered in England and Wales

AIFM

Ediston Investment Services Limited
Level 13, Broadgate Tower
20 Primrose Street
London
EC2A 2EW

INVESTMENT MANAGER

Ediston Properties Limited
Level 13, Broadgate Tower
20 Primrose Street
London
EC2A 2EW

ADMINISTRATOR AND COMPANY SECRETARY

Maitland Administration Services
(Scotland) Limited
22 Forth Street
Edinburgh
EH1 3LH

LEGAL ADVISER

Dickson Minto W.S.
Level 13, Broadgate Tower
20 Primrose Street
London
EC2A 2EW

PROPERTY VALUER

Knight Frank LLP
55 Baker Street
London
W1U 8AN

INDEPENDENT AUDITOR

Grant Thornton UK LLP
30 Finsbury Square
London
EC2P 2YU

TAX ADVISER

Ernst & Young LLP
Atria One
144 Morrison Street
Edinburgh
EH3 8EX

REGISTRARS

Computershare Investor Services PLC
The Pavilions
Bridgwater Road
Bristol
BS13 8AE

CORPORATE BROKER

Investec Bank PLC
30 Gresham Street
London
EC2V 7QP

DEPOSITARY

IQ EQ Depository Company (UK) Limited
Two London Bridge
London
SE1 9RA

PUBLIC RELATIONS

Kaso Legg Communications
1-6 Yarmouth Place
London
W1J 7BU

WEBSITE

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