

Ediston Property Investment Company plc | Annual Report and Accounts 2021

Recovery and strategic change

ANNUAL REPORT AND ACCOUNTS 2021



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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Highlights

FINANCIAL

as at 30 September 2021

TOTAL ASSETS

£303.0m

(2020: £294.7m)

NAV TOTAL RETURN

9.6%

(2020: -16.6%)

WEIGHTED AVERAGE UNEXPIRED LEASE TERM

5.0 years

(2020: 5.7 years)

EPRA NAV PER SHARE

89.6p

(2020: 86.0p)

RENT COLLECTED IN THE YEAR

95.7%

(2020: 89.3%)

ANNUALISED DIVIDEND PER SHARE

4.42p

(2020: 4.88p)

EPRA VACANCY RATE

8.6%

(2020: 5.1%)

DIVIDEND COVER

119.0%

(2020: 118.9%)

OPERATIONAL

as at 30 September 2021

Dividend was increased by 25%, to 5.00 pence per share annualised, from May 2021

Contracted rent increased by 3.0% and was almost back to pre-pandemic levels at the year-end

Seven lease transactions completed with a contracted rent of £1.8m per annum

Three developments completed delivering £1.1m of additional rent per annum

Two investment transactions and one land sale completed

A summary of the Company's financial record since inception can be found at page 109.

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.

At a Glance

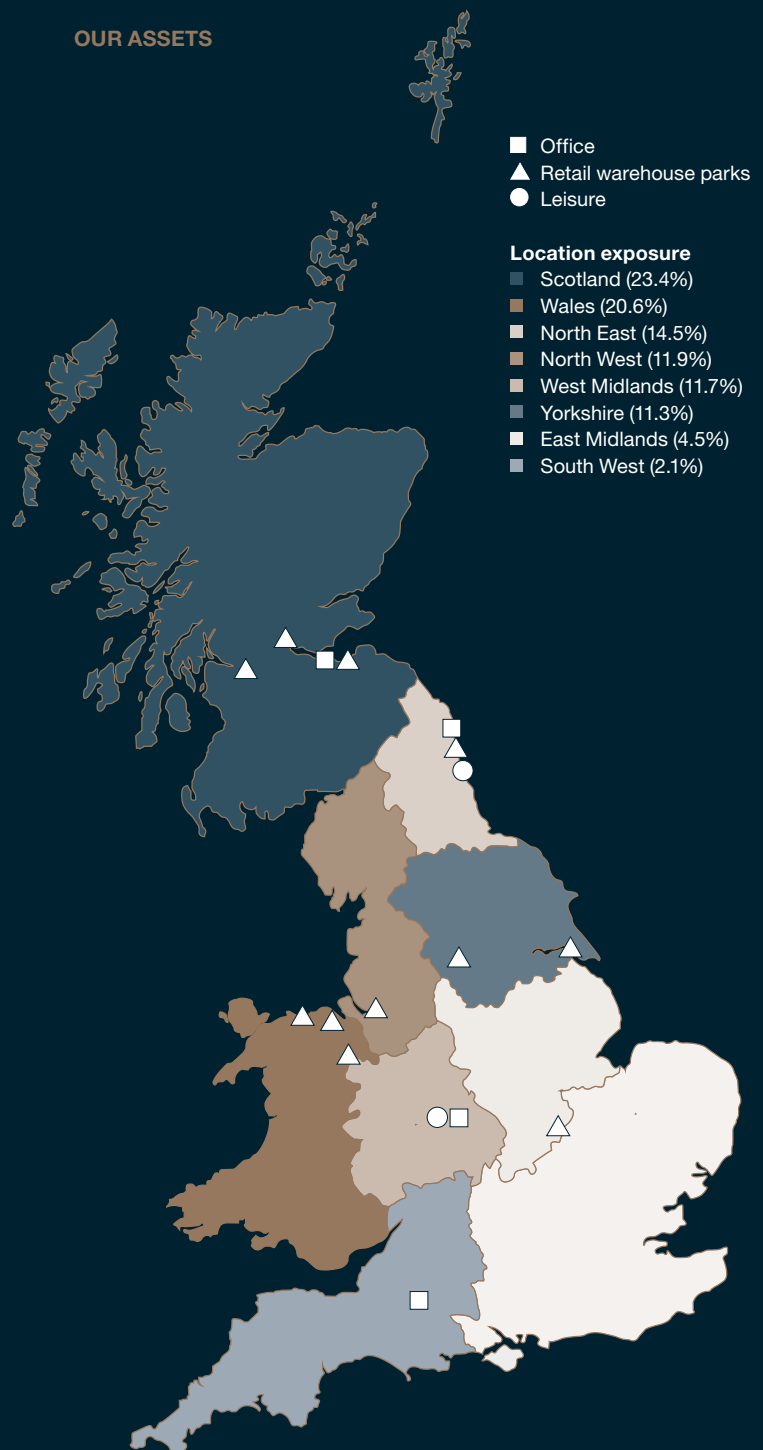
We acquire assets where we can add value through active asset management. Properties that can be enhanced to institutional grade are key targets. The depth of our Investment Manager's team gives us the resources to execute this strategy.

The outcome is a well-located portfolio of good quality assets across regional markets which offers a robust income stream but with opportunities to enhance and improve it.

The focus for the year ended 30 September 2021 was to continue to steer the Company successfully through the pandemic by securing and protecting income and adding value to the property portfolio through intensive asset management.

Going forward the Company will focus investment on the retail warehouse sector, which already constitutes 74.1% of the portfolio. To achieve this, the Company's office assets will be sold, with three of the four offices being sold post year end.

OUR ASSETS



AT 30 SEPTEMBER 2021

NUMBER OF PROPERTIES

17

PORTFOLIO VALUE

£283.3m

CONTRACTED RENT

£20.8m



Retail warehouses

Well-let retail warehouse parks with good income streams and asset management angles.

NUMBER OF PROPERTIES

11

VALUE

£209.8m

SECTOR WEIGHTED AVERAGE
UNEXPIRED LEASE TERM

5.2 years



Offices

Offices let to tenants with strong covenants.

NUMBER OF PROPERTIES

4

VALUE

£68.4m

SECTOR WEIGHTED AVERAGE
UNEXPIRED LEASE TERM

4.6 years



Leisure

Two bingo halls let to a national operator.

NUMBER OF PROPERTIES

2

VALUE

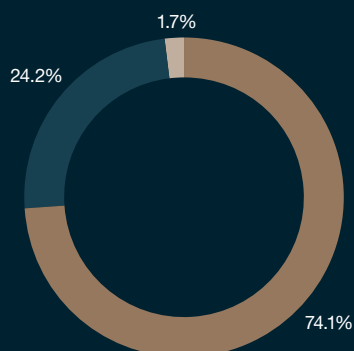
£5.1m

SECTOR WEIGHTED AVERAGE
UNEXPIRED LEASE TERM

1.0 year

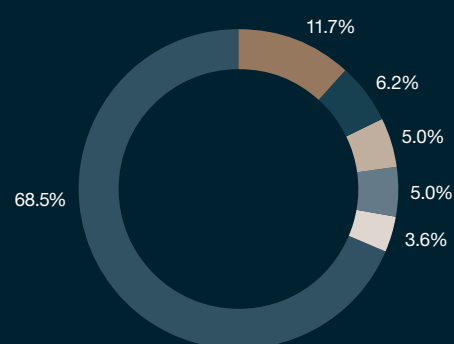
PORTFOLIO COMPOSITION at 30 September 2021

SECTOR EXPOSURE



■ Retail warehouse
■ Office
■ Leisure

TOP FIVE TENANTS

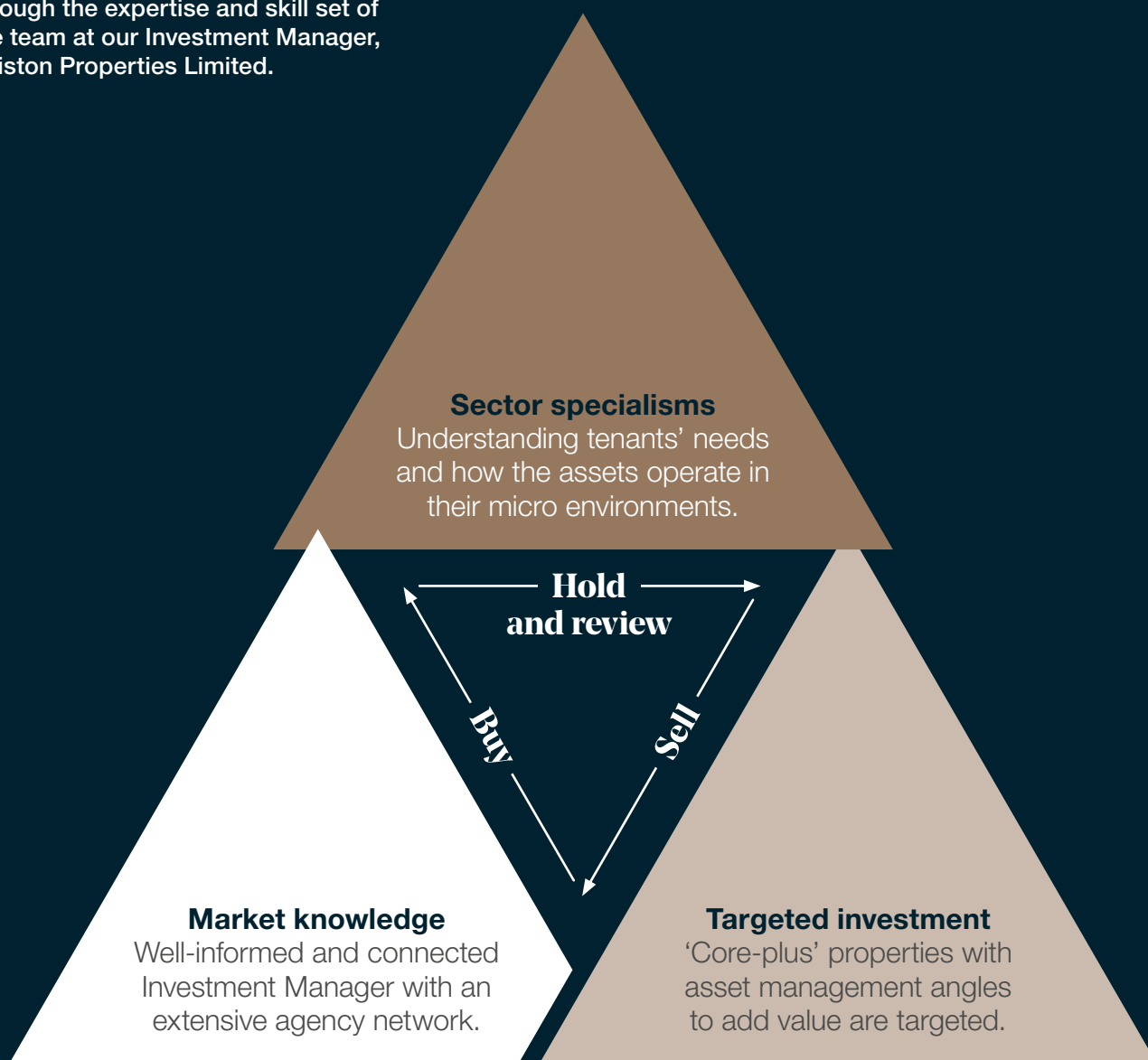


■ B&Q Ltd
■ B&M Retail Ltd
■ Marks & Spencer plc
■ Ernst & Young LLP
■ Boots UK Limited
■ Tenants < 3.6%

Our Investment Manager's Approach

An asset management specialist

We aim to add 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.



Buy

Detailed due diligence and forensic cash flow analysis.

Environmental, Social and Governance (ESG) issues integrated into investment decisions.

Hold and review

Credible and implementable business plan, which considers ESG factors, to deliver positive asset performance; keep on top of market sentiment and price potential; and deliver income and capital growth.

Sell

Sell assets and recycle capital, with the objective of reinvesting in assets with asset management angles to exploit. Consider ESG credentials of each asset when forming any disposal strategy.



Experienced and well advised

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

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.



Unlocking value

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

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



Targeted investment

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

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 portfolio where each asset can ultimately offer a strong and potentially improving cash flow.

AVERAGE EXPERIENCE
OF THE EDISTON TEAM

21 years

CONTRACTED RENT P.A.
OF ALL DEALS COMPLETED

£2.9m

NUMBER OF DEVELOPMENT AND
INVESTMENT TRANSACTIONS
UNDERTAKEN

5

Chairman's Statement



RENT COLLECTED IN THE YEAR

95.7%

OVERVIEW

Last year was the most difficult and frustrating Chairman's report I have had to write. A declining NAV, a cut in dividend and a widening discount were indicative of the challenges the Company faced at that time. However, I was able to point to some emerging positives and reported on these in a more confident tone in my interim statement. I am pleased to report further progress in the second half of the year with a rising NAV and an increased dividend level, with good cover.

This progress, which the Board and Investment Manager are under no illusion are only steps in the right direction, has enabled the Company to get back on to the front foot and to start implementing a refreshed investment strategy, with a focus on retail warehousing. The first part of this strategy was the sale of the Tesco Superstore at Prestatyn and the reinvestment of the proceeds into a high yielding retail warehouse park in Stirling. Since the year end the Company has sold its office buildings in Bath, Edinburgh and Newcastle.

One of the turning points in the Company's year was the 25% increase of the monthly dividend from 4.00 pence to 5.00 pence annualised which was announced in April. The support for this increase came from the success in rent collection. This reflects considerable credit on the Investment Manager, as well as underlining the resilience of the portfolio.

The completion of the current development programme, lettings and transactional activity (offset by some lost income) has lifted the contracted income at the year end to just below the pre-pandemic level. Lettings since year-end have taken the Company's contracted income back to the pre-pandemic level. However, this will fluctuate in the coming months as assets are sold and the capital reinvested.

With an improving NAV, an increased dividend level and significant progress in realigning the portfolio, the Company is in a better position than last year, with its asset allocation already tilted to a segment of the market that is recovering strongly.

INVESTMENT AND SHARE PRICE PERFORMANCE

The Company's NAV per share increased by 4.2%, with a NAV total return for the year of 9.6%. At the year end the share price discount had narrowed from 40.8% to 17.6%.

The value gain was driven by the retail warehouse portfolio, offsetting a decline in the value of the office portfolio. Our Investment Manager has argued for some time that "not all retail is the same" and it is encouraging that the market is increasingly recognising this with yields starting to fall.

Closing the share price discount remains a priority for the Board. Since the year end the share price has increased further, narrowing the discount to 13.4% as at 14 December 2021. Implementing the revised investment strategy should help maintain this positive momentum, as should keeping up our net income cover and the prospect of future dividend increases.

INVESTMENT STRATEGY

Asset allocation

In July, the Company announced the result of its strategy review, noted in my report last year. The outcome was that the Company should maintain its scope as a generalist UK commercial property investment company and continue to operate within its current stated return objectives and investment policy. However, for the foreseeable future, given its attractive investment potential, the Company should concentrate on the retail warehouse sector. This sector already accounts for 74.1% of the Company's property portfolio (30 September 2021).

The Company, therefore, announced that it would sell its offices and recycle the proceeds into retail warehouse assets. This process is well underway. However, it is important that shareholders understand that the sale of the office assets may involve some impact on asset value and income cover until such time as the cash resources are re-deployed. This process will also involve direct purchase costs such as SDLT, which will also affect asset value.

This is a relatively high 'conviction call' based on the belief that there are compelling investment reasons for the retail warehouse sector to recover further and provide ongoing value opportunities. The expectation is that this shift in emphasis in the portfolio will be accretive to both income and capital growth. However, it is important to note that the concentration of investment in the retail warehouse sector is not necessarily a permanent repositioning and, therefore, not a departure from the overall investment objective and policy of the Company.

"In July the Company announced the result of its strategy review... for the foreseeable future the Company should concentrate on the retail warehouse sector."

The Investment Manager has always made a strong case for the retail warehouse sector. It has proved to have been the most resilient retail sub-sector during the COVID-19 pandemic, with favourable rent collection figures and an active tenant market.

Following the sell down across all retail markets, the Investment Manager considers the retail warehouse sub-sector to have been oversold, and there is now increasing recognition in the market that is the case. Yields look attractive when compared to other property sub-sectors, often with income secured on high quality tenants. The anticipated recovery in consumer spending will likely favour many of the retailers that trade from retail warehouses. The format also works well alongside on-line retailing, supporting retailers' omnichannel strategies.

The Board believes the Investment Manager can capitalise on this opportunity through its extensive sectoral knowledge and access to opportunities as an investor, developer and asset manager of UK retail warehouse assets. The Board considers that this revision to strategy should ensure that the Company can fulfil its investment objective of providing investors with an attractive level of income and the potential for capital and income growth. At the same time, the Company retains the ability to reposition into other property assets, when appropriate to do so, as part of the generalist investment objective.

Sustainability

The responsibility that managers of capital have in relation to the climate crisis cannot be any clearer. This is particularly so in real estate, as a major contributor to global carbon emissions. Rapid progress must be made in not only reducing carbon in operation but also the level of embedded carbon which will influence how existing buildings are maintained and refurbished, and how new buildings are constructed.

The Company has progressed its sustainability strategy over the year with vigour. The Company retained its Green Star rating from GRESB, improving its score in the process, and maintained the Gold Award under the EPRA sBPR.

The ESG activities are more fully described on pages 16 to 21. The Company has extended its net zero carbon commitment to include both operational and embedded carbon. This brings the Company into line with the framework set out by the Better Buildings Partnership (BBP), a collaboration of many of the industry's real estate owners, which the Board and Investment Manager have decided to adopt.

The responsibility of acting sustainably, making disclosures and complying with regulations come at a short to medium-term cost but with long term gain for us all, if the worst elements of climate change can be avoided. These direct costs include the Company engaging specialist consultants and carrying out assessments of the portfolio to help us develop a manageable pathway to reduce our carbon emissions in our portfolio now and in the future.

PORTFOLIO ACTIVITY

Over the year several asset management initiatives were delivered, and two investment transactions were completed. They are summarised below:

- sold a low yielding supermarket and acquired a high yielding retail park;
- completed three development projects, on time and on budget;
- delivered seven lease transactions across the office and retail warehouse portfolios, securing £1.8m of income per annum;
- sold a site to an owner occupier for £1.2m (140% ahead of valuation);
- post year end sold three offices realising proceeds of £36.4m for re-investment; and
- post year end completed ten lease transactions securing £1.2m of income per annum.

Portfolio activity is more fully described in the Investment Manager's report.

RENT COLLECTION

Apart from a 'plateau' during the second lockdown in Q1 2021, rent collection levels improved each quarter as the year progressed. As a result, the Company had collected 95.7% of the rent due at the year end, rising to 98.4% at the date of this report.

Chairman's Statement continued

Since the onset of the pandemic, the Company has seen some tenants fail and others use insolvency regulations to reduce their rental liabilities, transferring value from the Company's shareholders to their own. Despite this, the contracted rent at the year-end was only marginally below the pre-pandemic level and subsequent lettings have taken it back to this level. This is encouraging and a notable milestone in the Company's recovery.

GEARING AND CASH RESOURCES

The Company's total debt is unchanged at £111.1m, at a blended 'all-in' fixed rate of 2.9%. The loans do not mature until 2025 and 2027. Gearing on 30 September 2021 was 36.7% of total assets, a slight decrease from last year end. Gearing is within investment policy limits and covenants.

As of 30 September 2021, the Company had approximately £11.6m of cash for follow on investment and operational purposes, and an additional £6.6m of cash available for new investment. This has been supplemented by cash realised from disposals from the office portfolio post year end.

DIVIDENDS

At the height of the uncertainty of the pandemic, the Company reduced its dividend level from 5.75 pence annualised to 4.00 pence annualised as part of prudent cash and net income management. Favourable rent collection levels allowed the Board to pay, from May 2021, a monthly dividend of 5.00 pence per share annualised. The dividend remained well covered at 119% over the year. The annualised dividend paid was 4.42 pence per share for the year just ended.

The Company's policy of having a fully covered dividend and to increase the dividend level whenever possible remains in place. As the Company's contracted income has improved further to reach pre-pandemic levels, the prospect of being in a position to increase the dividend again has improved. However the income will fluctuate in the short term as the disposals are made and new investments are acquired. This may impact both dividend cover and the timing when potential increases in dividend can be made. The Board may

consider, when the sales are largely completed, to use reserves for short periods, if prudent to do so, to help smooth the cash flow.

LONG-TERM GROWTH STRATEGY

The Board remains committed to growing the equity base of the Company in order to improve liquidity, lower the cost base per share and enlarge the investment opportunity set. The progress made in the second half of the year and the revised investment strategy are significant steps towards this goal. However, the Board recognises that growth will require support from both existing and new investors, as well as some closing of the share price discount.

During the year we have seen the percentage of retail investors on the register increase, which the Board welcomes as this has been an objective of the Company for some time. We have also attracted new institutional investment onto the register. With the Company now on a firmer footing, we will start to increase the marketing spend to maintain this positive momentum.

As part of its planning for growth, the Board is asking shareholders to renew our non-pre-emptive authority of 10%, so that we are in a better position to use 'tap issuance' if we were able to do so. We will also consider other means of raising capital if there are substantial acquisitions to be financed. In any fund raising, the interests of existing shareholders and the economics of any fund raising will be of paramount importance in how we price and structure any new issuance or take on any new gearing.

CORPORATE AND BOARD MATTERS

It has been another challenging and busy year for the Board, Investment Manager and all the agents that provide services to the Company. I would like to take this opportunity to thank everyone involved for their dedication and hard work under difficult circumstances. We continue to make progress on a number of corporate fronts, including on governance and oversight issues, the detail of which is covered in the various reports of the Board committees. The alignment of interest between shareholders and the Investment Manager has been strengthened by the purchase of additional

shares by the Manager under its revised fee arrangements announced in last year's report and accounts. Board members have also acquired additional shares during the year.

We appointed a new tax adviser, BDO, as part of our ongoing review of agents. We have worked very closely with both our ESG advisers and our marketing agents, recognising the importance of actions and messaging for the investment community.

We continue to operate as a relatively small and highly engaged board. The nominations committee has concluded from its annual review that the Board is working effectively and has established an outline succession plan to be implemented over the next two to three years. The focus is on ensuring the Board has the necessary depth of experience and skills to fulfil its relatively demanding role.

The Board has not revised its remuneration levels in four years, other than for the senior independent director, as discussed last year in the accounts. The Company did set out last year how it intended to adjust remuneration if the Company's position had changed for the better during the course of the coming year. Although the Company's position is much improved, the Board believes it is still not appropriate, at this stage of the Company's recovery, to add to the cost base. Remuneration will therefore remain unchanged into the fifth year.

ANNUAL GENERAL MEETING (AGM)

Shareholders are invited to attend the Company's AGM to be held at 1 St Andrew Square, Edinburgh EH2 2BD on 24 February 2022. The AGM notice is set out on pages 114 to 115.

Those shareholders who are unable to attend the AGM in person are encouraged to raise any questions in advance with the Company Secretary at epic.reit@jtcgroup.com (please include 'EPIC AGM' in the subject heading). Questions must be received by 5.00 p.m. on 10 February 2022. Any questions received will be replied to by either the Investment Manager or Board, via the Company Secretary, as far as practical before the AGM. A shareholder

"The Board remains committed to growing the equity base of the Company... the progress made in the second half of the year and the revised investment strategy are significant steps towards this goal."

presentation will be made available on the Company website updating shareholders on the activities of the Company.

In light of the continued relative uncertainty in relation to the COVID-19 pandemic, the Board will continue to monitor Government guidance and will update shareholders on any changes to the above arrangements through the Company's website (<https://www.epic-reit.com/>) and by announcement through a regulatory information service.

OUTLOOK

Trying to write an outlook against the turmoil of recent events might 'make astrology look respectable'. John Kenneth Galbraith used this type of illustration in describing economic forecasting. I think it illustrates quite well the difficulties of being too confident about what lies ahead. I am, therefore, going to focus on just two points set out in our investment strategy – asset allocation and sustainability.

Our shift to a concentrated retail warehouse portfolio, where we believe the best investment prospects lie, is important. Significant steps have already been made in repositioning the portfolio with the sale of three of our four offices to release capital for reinvestment. The Company will be active in the investment market over the coming months. It will aim to build a resilient portfolio that can contribute to dividend growth, as well as providing opportunities for capital growth driven by the asset management activity of the Investment Manager. This is an exciting and critical phase in the Company's development.

The pressure on owners and managers of capital to reduce carbon emissions is going to increase. The industry is responding to this agenda and those behind the Better Buildings Partnership and the Green Building Council deserve considerable credit. We can expect further regulation from Government and more demands from the planning system. Progress on measuring investment returns beyond purely financial ones is also likely. The Company will be on top of these developments and will respond positively to them, as it is in accelerating progress on our journey to net zero carbon.

Much work lies ahead. We have in place a distinctive and clear investment strategy that is well on the way to being executed, a NAV which has been on an upward trajectory and increasing income. There is every justification for the share price discount to close. Assuming other events do not work against us, there is a reasonable prospect that the Company will not only deliver attractive returns for shareholders over the short to medium term but also to put itself in a position to grow its equity base and the returns from it.

William Hill
Chairman

Encouraging progress in a challenging market

OUR STRATEGIC PRIORITIES

1

Income protection and growth

to support dividend payments
to investors.

Progress in the period

Letting vacant space, securing extensions of existing leases and completion of development projects to generate new income streams. Intensive and regular dialogue with tenants to secure their ongoing occupation and to maximise rent collection.

Targets

Complete further lettings, rent reviews, lease extensions and developments to protect, and enhance where possible, the Company's income stream.

4

Void management

to minimise the vacancy rate
across the portfolio.

Progress in the period

The EPRA vacancy rate increased to 8.6% at the period end. The vacancy increased as a result of vacant units being acquired in the new retail park and office suites being returned as per the lease restructure agreement with AXA at St Philips Point, Birmingham.

Targets

To let any voids and maintain a low vacancy rate.

2

NAV management

through the active asset
management of the portfolio.

Progress in the period

NAV per share increased 4.2% in the period as a result of valuation improvements in the retail warehouse portfolio, and the completion of proactive asset management initiatives.

Targets

To actively manage the portfolio to continue to rebuild the NAV as the market improves. To undertake development and repositioning projects that generate capital value uplifts to improve the NAV.

5

Regulatory and operational

to ensure compliance with
regulations and to maintain
resilience of operations.

Progress in the period

Changes in management resource, regular and ad hoc meetings, and reporting on specific issues, as well as meeting new regulatory and reporting requirements, including on Environmental, Social and Governance issues.

Targets

Maintain, and improve where possible, strong operational standards and regulatory compliance.

3

Transactional activity

to refresh the portfolio and
enhance the prospect of
income and capital growth.

Progress in the period

Sold a supermarket asset and reinvested the proceeds into a retail warehouse park. Completed three developments and sold a site to an owner occupier for profit.

Targets

Offices to be sold and proceeds reinvested into retail warehousing assets, in line with the revised strategy, to help achieve the Company's objective of income and capital growth.

6

Market value

aim to maintain an orderly market
in the Company's shares and
a strong rating for the shares.

Progress in the period

Share price increased by 45% in the period, albeit recovering from a substantial de-rating following the onset of COVID-19.

Targets

Good secondary market liquidity at levels close to NAV, and have prospects of equity growth.

KEY PERFORMANCE INDICATORS

NAV TOTAL
RETURN

9.6%

2020	-16.6%
2019	-0.8%
2018	8.9%
2017	9.3%

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

SHARE PRICE TOTAL RETURN

54.6%

2020	-35.3%
2019	-17.0%
2018	7.7%
2017	8.3%

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

ANNUALISED DIVIDEND
PER SHARE

4.42p*

2020	4.88p
2019	5.75p
2018	5.75p
2017	5.50p

A key objective is to provide an attractive and sustainable level of dividend to shareholders.

* In May 2021, due to improved rent collection, the dividend was increased by 25% to 5.00 pence annualised.

EPRA VACANCY RATE

8.6%*

2020	5.1%
2019	2.9%
2018	5.7%
2017	0.7%

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.

* On a like-for-like basis, stripping out the vacancy acquired in the new retail park, the vacancy rate is 7.7%.

AVERAGE PREMIUM/DISCOUNT
OF SHARE PRICE TO NAV

-22.1%

2020	-33.2%
2019	-11.6%
2018	-1.6%
2017	-0.3%

The average premium/discount of the 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.

ONGOING CHARGES

1.4%

2020	1.4%
2019	1.4%
2018	1.3%
2017	1.5%

Operating costs incurred by the Company expressed as a proportion of its average net assets. See definition on page 112 for more detail.

Investment Manager's Review



PORTFOLIO VALUE

£283.3m

WEIGHTED AVERAGE UNEXPIRED LEASE TERM

5.0 years

During the first quarter of the financial year the restrictions intended to stop the spread of COVID-19 were tightened. This included the reintroduction of short-term lockdown measures in various parts of the country that prevented certain businesses from opening. Whilst the approval for use of various COVID-19 vaccines and the rolling out of the vaccination programme offered some hope of light at the end of the tunnel, rising cases and hospitalisations resulted in strict lockdown conditions being enforced in December 2020, which lasted until April 2021.

Encouragingly, during this period, rent collection held up as businesses adapted to these conditions. Out of town retailers were better prepared than they had been for previous lockdowns, and many stayed open for trade. Several retailers who were not classed as 'essential' by the Government offered click and collect, appointment only or delivery services to enable sales to be fulfilled. In January 2021, during the national lockdown, 73% (by income) of the Company's retail warehouse portfolio was either open or offering a click and collect service. This compared favourably to the first lockdown in early 2020 when 56% of the Company's income was from tenants who were allowed to open for trade. By comparison, at the time of writing the Company's retail warehouse portfolio can open for trade but the office portfolio is largely unoccupied (although

tenants do continue to pay rent) as office workers have not yet returned in great numbers to their work premises following lockdown. The Company's two leisure assets are also open for trade.

During this period, investment volumes did suffer, but not as badly as was predicted by many commentators. As the economy reopened from April, liquidity improved across the different sub-sectors of the commercial property market.

During the second half of the reporting period investor sentiment towards the retail warehouse sector improved and there was increased investor demand. It is anticipated that this positive momentum will continue, as the yields on offer remain attractive and they are secured against robust income streams. In many ways it has taken a pandemic for the market to fully appreciate the qualities of the retail warehouse sector.

There are reasons to be optimistic, but a degree of caution still needs to be exercised as we learn to live and work with COVID-19 in circulation. In addition to COVID-19 related risks, the disruption to the UK's supply chain will present logistical challenges to some of the Company's tenants as they face difficulties importing goods into the UK and then moving them into their stores.

TOTAL NUMBER OF
LEASE TRANSACTIONS

15

CONTRACTED RENT
PER ANNUM OF ALL DEALS

£2.9m

TOTAL SQ. FT. OF
DEALS COMPLETED

174,170

The UK has also entered a period of increased inflation, which can be good for the real estate market. As the economy expands and the demand for goods and services increases, rents tend to grow, making property investments a relatively good hedge against inflation. However, increased inflation will also drive up the costs of goods and materials used in construction, which when coupled with supply chain issues, will make development and refurbishment works more expensive.

RENT COLLECTION AND DIVIDEND

The Company continued to work closely with its tenants to optimise rent collection and offered assistance to those who were in some financial distress. The number of tenants who required help was significantly lower than in the prior year.

Inevitably, some companies continued to struggle, with their problems compounded by the additional lockdown measures implemented in Q4 2020 and Q1 2021. Once again, some tenants used insolvency measures, such as CVAs and administrations, to reduce their liabilities and restructure their businesses.

As in prior years, the Company was not immune to this and was negatively affected by insolvency events. During the year the loss of rent because of these measures equated to 4.6% of the contracted rent roll.

However, overall rent collection was good, with 95.7% of the rent due collected for the year at the period end. Post period end, this figure has risen to 98.4%, which is a significant improvement from 89.3% in the prior year.

As a result of this robust rent collection, in April, the Company announced it would be increasing its dividend by 25% from 4.00 pence to 5.00 pence per share annualised. The dividend has been paid at this new level since May 2021. The dividend remains well-covered and at the year-end this was 119%.

Due to the completion of asset management initiatives and development projects, and the acquisition of a new retail park asset, the Company's contracted rent has increased in the period, is greater than in the prior year and is almost back to pre-pandemic levels.

PROPERTY VALUATION

The Company's property portfolio is valued by Knight Frank on a quarterly basis throughout the year. As at 30 September 2021 it was valued at £283.3m, a like-for-like increase of 5.3% over the reporting period.

The increase was driven by a rise in value of the retail warehouse portfolio, although the gains were partially offset by a reduction in the value of the office portfolio.

EPRA VACANCY RATE

During the period the EPRA Vacancy Rate increased from 5.1% to 8.6%. This was due to lease expiries, tenant administrations, lease surrenders negotiated by the Company to facilitate wider asset management plans, and the fact that two vacant units were acquired with Springkerse Retail Park.

If the two acquired units are removed from the calculation, the vacancy rate, on a like-for-like basis, would be 7.7%. As a result of post period end activity, the vacancy rate is expected to reduce.

PORTFOLIO UPDATE

Despite the ongoing challenges of COVID-19, the Company has continued to deliver asset management transactions. Over the period seven lease transactions, three developments, two investment deals and one land sale were completed.

LEASE TRANSACTIONS

In the office portfolio two lease restructures were completed, in Birmingham and Newcastle, securing £973,000 of income per annum. Existing tenants AXA Insurance UK plc and N&D (London) Limited ('N&D') regeared their leases and committed to the properties. At St Philips Point, Birmingham, AXA leased 27,990 sq. ft. across three floors, reducing its occupancy by 5,005 sq. ft. As part of the deal, it leased the vacant refurbished first floor suite which extends to 14,208 sq. ft., on a lease which gives a term certain of five years. The rents are in line with passing rents and the independent valuer's ERV.

At Citygate II in Newcastle a lease restructure was completed with N&D. N&D occupies c. 11,000 sq. ft. on the first floor and signed a

ten-year reversionary lease, with a tenant break option after five years. The new rent agreed is 9.0% ahead of the passing rent and 6.5% ahead of the independent valuer's ERV.

Five transactions completed in the retail warehouse portfolio at Rhyl, Sunderland, Hull, Wrexham and Widnes. The deals with Halfords, B&M, Jack's, SDI Fitness and Superdrug secured £855,000 of income per annum.

At Rhyl, Halfords signed a five-year lease extension on its 7,500 sq. ft. unit. At Sunderland, B&M upsized from a unit of 20,000 sq. ft. into a vacant unit of 30,000 sq. ft. The lease will expire in 2032. At Widnes, Superdrug signed a five-year lease on a vacant unit of 6,280 sq. ft. The letting means the retail park is now 100% let. Following the administration of DW Sports, SDI Fitness leased the 23,500 sq. ft. gym unit at Plas Coch Retail Park in Wrexham. The deal agreed contains break options which allow the Company to break the lease should a more suitable tenant for the park be identified. Finally, at Hull, Jack's has signed a new 10-year lease, with a five-year break on a vacant unit of 15,000 sq. ft.

DEVELOPMENT UPDATE

Three developments completed during the period. Haddington Retail Park achieved practical completion on 24 June 2021 and was on time and budget. The leases have now been completed, and the tenants have fitted out their units and are open for trade. The Retail Park is 97% pre-let to Aldi, Home Bargains, Food Warehouse, Costa Coffee and Euro Garages, with one unit of 1,500 sq. ft. available to let. Once fully occupied, the retail park will provide the Company with new contracted rental income of £875,000 per annum. The cost of the development was funded by a combination of drawn but uninvested debt from Aviva (60%) and the Company's own cash reserves (40%).

At Barnsley, the development of a drive-thru pod for Costa Coffee was completed. Practical completion was achieved in October 2020, meaning the lease to Costa could complete. Costa has signed a 15-year lease (no break) on a 1,800 sq. ft. unit and pays a rent of £72,500 per annum.

Investment Manager's Review continued

At Coatbridge, two drive-thru pods were developed for Costa Coffee and Burger King. Costa has signed a 15-year lease with a 10-year break option on a 1,800 sq. ft. unit and Burger King has signed a 20-year lease with a 15-year break on a unit which extends to 2,750 sq. ft. The two units provide a combined rental income of £160,000 per annum.

LAND SALE

In June, at Clwyd Retail Park in Rhyl, the Company sold a 1.6-acre site to an owner occupier, having been granted planning permission for a food use. The net price of £1.2m was 140% ahead of the prevailing valuation. The sale delivered a greater profit to the Company than would have been the case if it had completed the development of the site by itself.

INVESTMENT TRANSACTIONS AND REFRESHING THE PORTFOLIO

The Company is always looking for ways to make its capital work harder. One way to do this is to sell lower yielding assets and reinvest in higher yielding ones. With this in mind, the Company sold the Tesco Superstore, which forms part of Prestatyn Shopping Park, for £26.5m, a yield of 5.2%. The price was in line with the prevailing valuation and ahead of the 2017 purchase price.

The Company has retained the remainder of the retail park, which extends to c. 91,500 sq. ft. across 14 units. The retail park is let to 13 tenants, with M&S as an anchor, and has further asset management angles to exploit.

Part of the Prestatyn sale proceeds were reinvested in August, with the acquisition of Springkerse Retail Park in Stirling. The Company paid £21.85m, in an 'off market' transaction for the asset. The price reflects an initial yield of 9.54%.

Stirling is in central Scotland, 26 miles from Glasgow and 35 miles from Edinburgh. The Stirling Council area has a population of just under 100,000, which is forecast to grow at an above average rate and draws on a primary retail catchment of 228,000 people. The asset is the dominant retail park in Stirling and extends to 162,593 sq. ft. across 12 units. It is let to 10 tenants and produces a passing rent of £2.23m per annum.

The Park is anchored by B&Q, with other tenants including Wren Kitchens, DFS, Pets at Home and Halfords represented on the site. The asset will benefit from the intensive asset management style of the Investment Manager. The planned upgrades should improve the letting potential of the two vacant units (13% by ERV), providing an opportunity to increase the income stream and drive capital value

upwards. On completion of the letting of these two vacant units, the yield is expected to rise to 10.8%.

The purchase of this asset is consistent with our recently updated investment strategy of acquiring retail warehouse parks. It is our objective to recycle capital from lower yielding assets into properties which are more suited to our intensive style of asset management, and this acquisition achieves this aim.

STRATEGY UPDATE

As the Chairman notes in his statement, the investment strategy has been revised. The decision was taken to sell the Company's office assets with the next phase of investment being focused on the retail warehouse sector. The Investment Manager believes it can capitalise on this opportunity through its extensive knowledge and expertise as an investor, developer, and asset manager of UK retail warehouse assets, along with its access to investment opportunities.

In line with this strategy, post period end the Company has sold its office properties in Bath, Edinburgh and Newcastle. Whilst there has been some loss on the current holding value in making these disposals (although not when measured against cost), both the Investment Manager and Board are convinced that this is the correct thing to do given the continuing uncertainty over office usage (as a result of the COVID-19 pandemic) and the increasing environmental and social demands on office properties. The proceeds of these sales and existing cash resources will be deployed into higher yielding retail warehouse opportunities.

POST PERIOD END ACTIVITY

Post period end the Company has completed another ten lease transactions securing £1.2m of income per annum.

At Kingston Retail Park in Hull, the letting to the Range has completed. The Range has signed a 15-year lease on a 14,500 sq. ft. unit which was vacated by Outfit (Arcadia) earlier this year. Also at Hull, Greggs has exchanged an Agreement for Lease on a 2,000 sq. ft. unit which is leased to, but not occupied by, Carphone Warehouse. A lease surrender has been agreed with Carphone Warehouse.

At Prestatyn Shopping Park, The Tech Edge has leased a vacant unit of 1,300 sq. ft. on a five-year lease and JD Sports Fashion has signed an agreement for lease on a 7,623 sq. ft. unit. At Rhyl, Now to Bed has leased 8,017 sq. ft. on a three-year lease.

At Barnsley, three deals have completed across 20,000 sq. ft. of space. Bensons has downsized from a unit of 10,000 sq. ft. into

one of 5,036 sq. ft., and has signed a five-year lease. Jysk has signed an agreement for lease on the unit vacated by Bensons. On completion of some landlord works, Jysk will enter into a new ten-year lease with a five-year tenant break option. One Below, who was occupying a 4,996 sq. ft. unit on a short-term lease, has now committed to the park for five years.

In the office portfolio, at Citygate II in Newcastle, UNW LLP signed an extension to its leases meaning they expire in March 2032, with a tenant break option in March 2027.

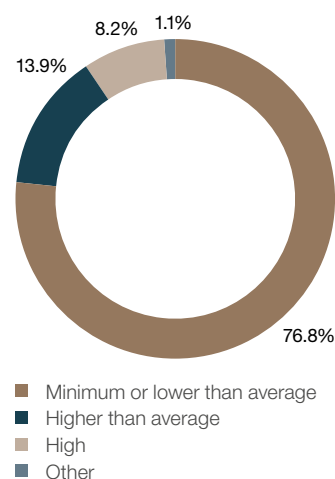
Finally, in the leisure portfolio, at Hartlepool, Mecca Bingo has signed a 10-year reversionary lease with a seven-year tenant break option. The lease will expire in September 2032, with the break option in September 2029.

This is the second year in which the Company's activities have been affected by COVID-19, but this year we have been able to be on the front foot and there has been positive progression on a number of the key metrics. Continued asset management has helped protect, secure and grow the contracted rent, further improvement in rent collection allowed the dividend to be increased, and the improving sentiment towards retail warehousing contributed to an increase in the NAV. It is expected that this positive momentum will continue.

Calum Bruce
Investment Manager

TENANT COVENANT PROFILE

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



PROPERTY PORTFOLIO AS AT 30 SEPTEMBER 2021

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

Overview

There is now broad recognition that responsible investing must go beyond doing less harm, if we are to hit the required reductions in carbon emissions. As an industry we need to rapidly get to zero operating carbon and the Company is fully committed to this.

However, achieving net zero carbon in operation is not enough. We also need to reduce the amount of energy consumed, make our buildings perform more efficiently (including considering life cycle costing), use materials with less embodied carbon and embrace the principles of the circular economy by ensuring materials can be reused.

The Company is fully aligned with these objectives and is committed to work with tenants, suppliers, customers, service providers and the local community to achieve this. The Company also accepts it has a responsibility to use its resources to deliver social and environmental value,

alongside financial value, in supporting the UN sustainable development goals.

The foundation that we laid on ESG management last year enables us to more effectively integrate Environmental, Social and Governance considerations into our decision-making processes.

Good governance and engagement with stakeholders in the Company, which is covered in detail on pages 35 to 37 of these accounts, continues to be at the forefront of the Company's activities as a listed and regulated investment company.

Focus area

Target



HEALTH, SAFETY AND WELLBEING

Ensuring safety and promoting wellbeing of staff, tenants and members of the public across the portfolio

Continue to ensure all incidents are resolved within the required timeframe

Achieve over 90% scores on Health & Safety Risk Rating across all managed properties

Develop a tenant and community engagement programme to promote health and wellbeing initiatives



ESG DISCLOSURE AND TRANSPARENCY

Committed to open and transparent disclosure of our operational performance and the wider impacts

Achieve GOLD Standard for disclosing in line with EPRA sBPR

Achieve 3-star GRESB rating

Align the Company's sustainability objectives with the UN Sustainable Development Goals

Strengthen alignment with the TCFD recommendations



MANAGING ENVIRONMENTAL IMPACTS

Minimising environmental impacts through proactive management of energy, waste, water, materials use and associated carbon emissions across the portfolio

Develop a sustainability action plan for all operationally managed assets

Procure 100% renewable electricity for all landlord controlled areas

Achieve 10% reduction in like-for-like energy intensity for our managed offices, measured against 2019 baseline

Develop a pathway for achieving Net Zero carbon in operation

Maintain zero waste to landfill

Improve measurement of water consumption and waste management



SUSTAINABLE BUILDING DESIGN

Applying sustainable design principles into development and refurbishment strategies to create places that are efficient, healthy, comfortable, productive and resilient

Commit to and promote a set of chosen standards for sustainable design for New Construction, Fit Out and Refurbishment

Engage occupiers to support the delivery of their sustainability programmes for Fit Out and Refurbishment

Disclosure of the Company's GHG emissions and EPRA Sustainability Performance measures can be found on pages 70 to 73.

To support global efforts in combating climate change, we stepped up our commitment on decarbonisation in the year by developing our Net Zero Carbon Commitment and its Delivery Strategy. We also developed asset-level sustainability plans to identify measures that can improve our operational performance.

The progress that the Company has made during the period has been recognised externally, most notably by being awarded the EPRA Sustainability Best Practice Recommendations Gold Award for the second consecutive year and achieving continued improvement on our GRESB score.






OUR SUSTAINABILITY STRATEGY

Four Sustainability Focus Areas

We understand the ESG issues that are relevant and material to our business. The Company developed its sustainability strategy in 2020, which focuses around four areas that support five UN Sustainable Development Goals, and set specific time bound sustainability objectives for long term value creation. A Sustainability Working Group, comprising two Board members (William Hill and Imogen Moss) and the Investment Manager, was established to oversee the implementation of the sustainability strategy and reports on progress in implementing the strategy to the Board at least quarterly.

TARGETS AND 2021 PROGRESS

In 2020, we set fifteen annual and longer-term targets to support our strategic ESG objectives and drive performance across the four focus areas. Each year the targets will be reviewed, with progress reported to the Board regularly by the Investment Manager. As of the end of the reporting period, we have made good progress towards achieving most of our predefined targets.

Target year	Progress		Relevant SDGs
2020 onwards	Ongoing – no unresolved incidents within the required timeframe in 2021	▲	    
2021 onwards	80% of sites achieved Gold or Silver rating (>90% score), with two more assets achieving Gold rating	▶	
2021	Planned to complete by the end of calendar year 2021	▶	
2021	GOLD Award received for the Company since 2020	▲	
2022	Achieved score of 59/100, a seven-point improvement from last year; retained 'Green star' designation	▶	
2020	Completed – The Company has aligned its ESG strategy and objectives to the UN Sustainable Development Goals	▲	
2020 onwards	Ongoing – please see page 20 for further details	▶	
2021	Developed asset sustainability plans for 10 managed assets	▲	
2022	A 24% increase from 60% in 2020 to 84% in 2021	▶	
2023	6% increase in energy intensity across our like-for-like office portfolio in 2021 due to the loosening COVID-19 restrictions	▼	
2021	Developed and officially approved for implementation from 2022 onwards	▲	
2020 onwards	Zero waste to landfill	▲	
2021	Completed implementation of SAV IQ for environmental reporting; further improvements in data quality and reporting processes	▲	
2021 onwards	Currently under development for implementation from 2022 onwards	▶	
2021 onwards	Currently under review	▶	

Net Zero Commitment

Our Commitment

Humankind is facing unprecedented challenges as global Greenhouse Gas (GHG) concentration is approaching a dangerous level. It is therefore a social, and could eventually be a legal, obligation for businesses to take the lead and endeavour to reduce GHG emissions. To join forces with global decarbonisation efforts, the Company has made its official Net Zero Carbon Commitment in 2021.

Formally approved by the Board, the Company has committed to achieve net zero carbon by 2050 for all managed assets including Full Repairing and Insuring (FRI) leases, with interim carbon reduction targets by 2030 to be formulated for Scope 1 & 2 emissions. The strategy covers not just net zero carbon in operation, but also includes embodied carbon from new developments, refurbishments and fit-out works, as well as corporate business travel.

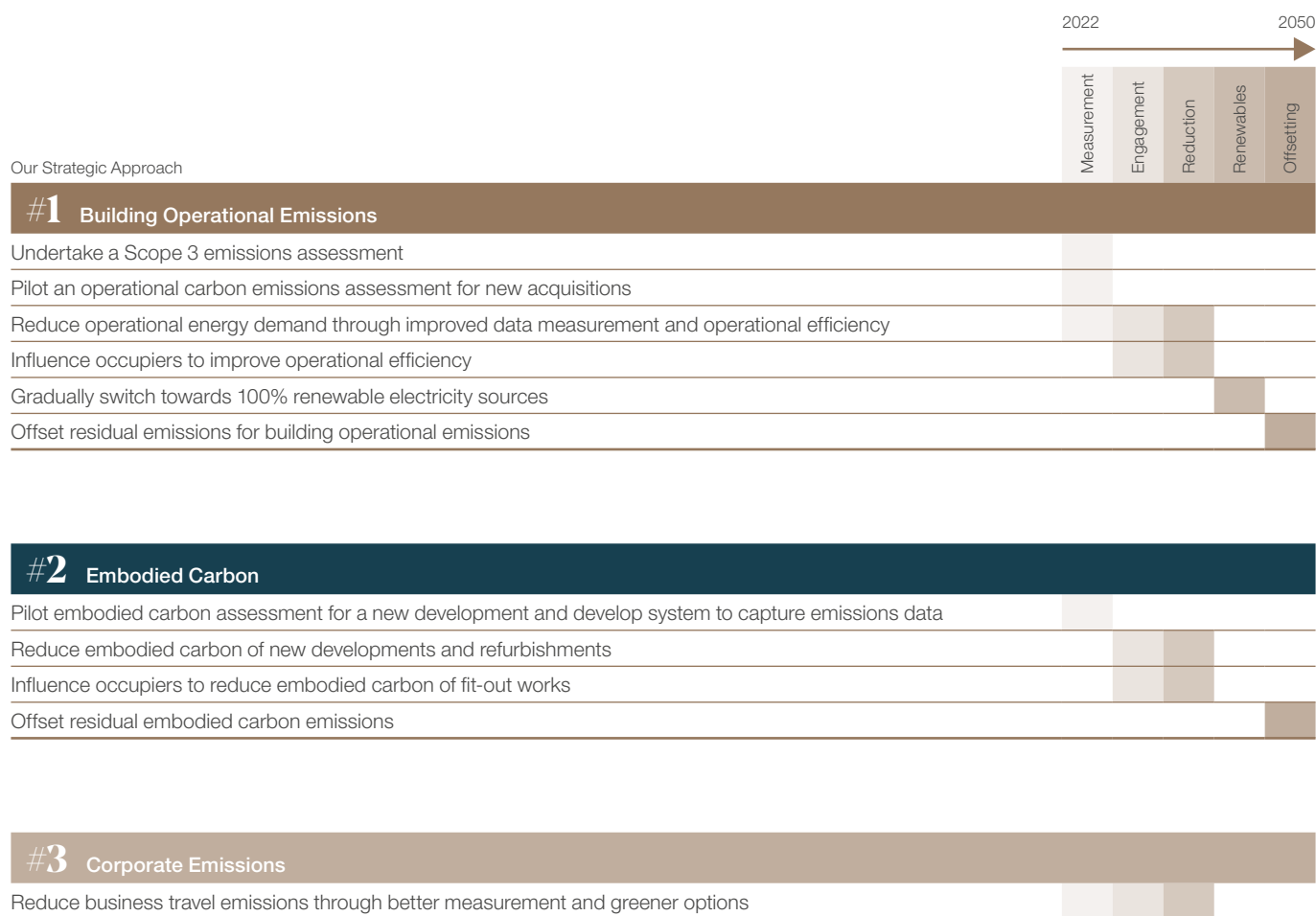
NET ZERO CARBON DELIVERY STRATEGY

Under our commitment, we are now developing our Net Zero Carbon Delivery Strategy that references certain internationally recognised Net Zero Carbon frameworks.

The Delivery Strategy outlines the Company's trajectory towards Net Zero Carbon in its operational portfolio and developments. We follow a carbon management hierarchy in formulating our strategic approach that focuses firstly on measurement, reduction and stakeholder engagement, then will look into a wider application of renewables, and take offsetting as the final option.



“Formally approved by the Board, the Company has committed to achieving Net Zero Carbon by 2050 for all managed assets.”



TCFD

Alignment with the recommendations of the Taskforce of Climate-related Financial Disclosures

GOVERNANCE

The organisation's governance around climate related risks and opportunities

Management of the climate-related risks is outlined within the Company's Sustainability Policy and is overseen by the Sustainability Working Group, chaired by the Chairman and attended by the Management Engagement Committee Chair, the Investment Manager and its sustainability advisors.

The Investment Manager has responsibility for the day-to-day performance management and implementation of the Company's Sustainability policy, reporting at least quarterly to the Sustainability Working Group and the Board.

STRATEGY

The impacts of climate-related risks and opportunities on the organisation's business, strategy, and financial planning

The Company acknowledges the growing potential impacts and its exposure to climate-related risks and opportunities. Assessment of the impacts of climate-related risks and opportunities is included within the principal risks disclosure and can be found on page 32.

The Company is working to further improve its understanding of climate-related and wider ESG impacts to the Company's operations short, medium and long term and is committed to continue to evolve its strategy and approach in relation to climate change. In 2021, the Company committed to achieve Net Zero carbon by 2050, thereby managing future risks and supporting the transition to a low carbon economy. We are also planning for pilot physical climate change risk assessments and a review of risks across the portfolio in 2022. Please refer to page 18 on details of our Net Zero carbon commitment.

RISK MANAGEMENT

How the organisation identifies, assesses, and manages climate-related risks

The Audit and Risk Committee assesses the risks faced by the Company and ensures that appropriate mitigating controls are in place. Failure to manage ESG risks, including climate-related physical and transitional risks, is considered as one of the Company's principal risks and is governed by the Company's risks management processes detailed on page 25. The Investment Manager and the Company's sustainability advisers update the Board on emerging ESG trends and risks on a regular basis.

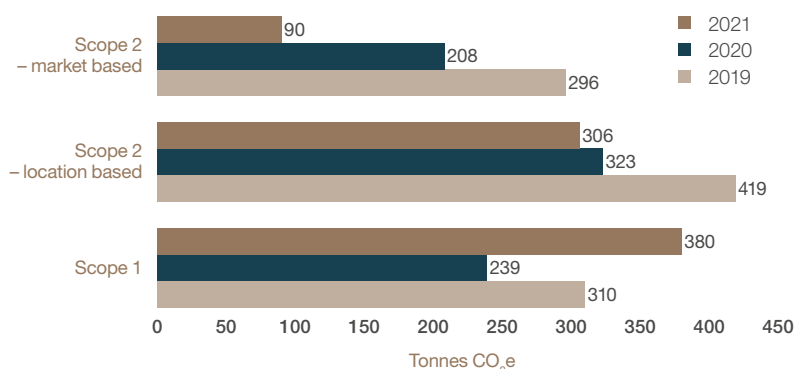
The Investment Manager monitors and ensures compliance with the current and emerging legislative requirements in relation to energy efficiency and climate change. 39% of the assessed portfolio holds A – B Energy Performance Certificate (EPC) ratings. However, we also acknowledge that 2 units are currently graded F – G. We will take corrective action to improve the performance of such units, so to ensure that our portfolio is well placed to address the compliance requirements with the Minimum Energy Efficiency Standard (MEES).

METRICS AND TARGETS

Disclosure of the metrics and targets used to assess and manage relevant climate-related risks and opportunities

Disclosure of the Company's Scope 1 and 2 greenhouse gas emissions and EPRA Environmental Performance measures can be found on pages 71 to 73.

Scopes 1 and 2 GHG Emissions 2019-2021



The Company has set targets to manage its environmental impacts, including targets for renewable energy procurement, energy intensity and a pathway for achieving Net Zero carbon in operation, and in embodied carbon from new developments, refurbishments and fit-out works as well as in corporate business travel. We will continue to work to improve our disclosure and alignment with the TCFD recommendations.

Summary and Outlook

2021 PERFORMANCE UPDATE Key Performance Summary

72%

rental units achieved
EPC rating of 'C' or above

100%

waste diverted from landfill

29%

of total waste recycled
or reused

10

properties developed
Asset Sustainability Plan

Metrics	Unit	2020	2021	Absolute Change	Like-for-like Change
Total landlord energy procured	MWh	2,685	3,512	+31%	+33%
Total landlord Scope 1 & 2 GHG emissions	Tonnes CO ₂ e	562	687	+22%	+8%
Total landlord Scope 1 & 2 GHG emissions intensity	tonnes CO ₂ e/£mil net rental income	27.8	34.1	+23%	–
Total landlord water consumption	m ³	7,318	2,939	-60%	-51%
Percentage of waste recycled or reused	%	27	29	+2%	+2%
% rental units achieved EPC rating of 'C' or above	%	87	72	-15%	–

Actions Highlight and Outlook

To set out our journey in the pursuit of sustainability, the Company arranged its first sustainability training in December 2020 to build internal capacity and develop our first roadmap on the implementation of our newly developed sustainability strategy. As one of the critical steps on the roadmap, we have developed Asset Sustainability Plans (ASPs) for 10 managed assets in 2021. This exercise aims to evaluate the current environmental and social performance of the properties and to support the identification of potential opportunities for operational efficiency

enhancement. In the meantime, inevitably affected by the COVID-19 restrictions in place during the first half of the year, the data that we have captured may not be able to accurately reflect the actual performance of our managed assets, and we expect a rebound on the overall utility consumption in 2022.

Our health and safety assessment score improved in the year. We aim to ensure the highest possible health and safety standard at our properties.

In the forthcoming year, the Company will continue to monitor the ASPs to ensure seamless implementation of the planned sustainability initiatives. It is also a component of our plan to develop a community engagement programme in Q4 2021, which will outline our overall approach to creating broader social value in our local communities.

KEY ACHIEVEMENTS

GRESB Real Estate Sustainability Benchmark

- Achieved a 59/100 score in the 2021 survey, a seven-point improvement from 2020
- Retained 'Green Star' performance rating



EPRA Sustainability Best Practice Recommendations

- Retained the Gold Award





Asset management initiatives supporting rental income.

TOTAL PROFIT

£17.1m

DIVIDEND COVER AT YEAR END

119%

Whilst COVID-19 restrictions have eased in the second half of the reporting period, the past financial year was still impacted by the pandemic and the enforced countrywide lockdowns. However, during the lockdown, the Company benefitted from 73% of its retail tenants being able to trade as they were either classed as essential, had a click and collect platform, were open by appointment only or offered a delivery service.

During the year the Company continued to focus on cash flow management with intensive monitoring of rent collection, whilst aligning this with asset management initiatives, to minimise the effect of the pandemic on the portfolio. The outcome of this is illustrated by the rent collection statistics for the year and the number of asset management transactions completed which has almost returned the contracted rental income to pre-pandemic levels.

This report summarises the financial performance for the year and provides statistics which demonstrate the Company's performance.

CONTRACTED RENT

The Company's contracted rental income at the year end was £20.8m (2020: £20.2m). The increase in the year of £0.6m to £20.8m can be principally explained

by the completion of the development of Haddington Retail Park in June 2021, and the acquisition of Springkerse Retail Park in Stirling in August 2021. The acquisition used most of the sale proceeds from the sale of Tesco at Prestatyn which completed in March 2021. These initiatives contributed a net £1.5m to the rent roll of the portfolio. However, these gains were partially offset by insolvency events, such as CVAs and administrations. During the year the loss of rent, because of these measures, equated to 4.6% of the contracted rent roll. Against this backdrop, it is noteworthy that 76.4% of our tenants received Dun and Bradstreet 4A1 ratings or above, highlighting further the strength of the portfolio's income.

The primary focus this year has been on the intensive management of the portfolio, rent collection and providing assistance to tenants if required. During the year, 95.7% (2020: 89.3%) of rent billed in the year was collected, with an additional 3.9% expected. Of the sum collected to date, 75.5% was collected within seven days of the due date.

Rent-free periods as a percentage of contracted rent at the year end was 9.3% (2020: 1.9%). This has risen due to new lettings and the completion of the Haddington development.

The portfolio continues to provide long-term stability to the Company's income. This is demonstrated by income secured from the completed development at Haddington of £0.8m per annum plus the new acquisition at Stirling contributing £2.3m annually. The EPRA vacancy rate has increased to 8.6% from 5.1% in the year due to the expiry of leases and the fact that two vacant units were acquired with the acquisition of Springkerse Retail Park. The WAULT at the year-end was 5.0 years (2020: 5.7 years) and the decrease can be explained by the passing of another year offset by the asset management activity on the portfolio.

COVID-19 has, for a second year, challenged rent collection. However, the diversification of tenants, the number of retailers and office tenants who managed to trade throughout lockdown measures and rigorous cash collection all highlight the strength and resilience of the Company's income.

INCOME STATEMENT

Rental income for the year was £17.4m (2020: £19.8m). This decrease of £2.4m resulted from tenants going into administration or completing CVAs, COVID-19 variations to leases, and the sale of the Tesco supermarket at Prestatyn in March 2021. This decrease was offset by the acquisition of the retail park in Stirling in August 2021 and the completion of the development at Haddington in June 2021 which have a combined annual rent roll of £3.1m.

Revenue expenditure in the period was £3.0m (2020: £4.0m), including £0.9m of property-specific expenditure and £1.7m relating to the Investment Manager's fee. Net interest costs were £3.1m, all similar to the prior year's expenditure. As a result, revenue profit decreased to £11.3m (2020: £12.6m), a fall of 10.3%.

The value of the investment properties increased by £4.6m in the year, plus there was a further £1.2m gain from the sales of the Tesco at Prestatyn and the site at Rhyl. This resulted in the Company reporting a total profit of £17.1m.

	2021 (£m)	2020 (£m)
Rental income	17.4	19.8
Property expenditure	(1.0)	(1.2)
Net rental income	16.4	18.6
Administration expenses	(2.0)	(2.8)
Net financing costs	(3.1)	(3.2)
Revenue profit	11.3	12.6
Gain/(loss) on revaluation of investment properties	4.6	(50.0)
Profit/(loss) on sale of investment properties	1.2	0.0
Accounting (loss)/profit after tax	17.1	(37.4)
EPRA and diluted EPRA earnings per share	5.34p	5.90p
Dividend per share	4.42p	4.88p
Basic and diluted earnings per share	8.10p	(17.70p)

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 net asset value (NAV) in this year's accounts, or in any of our accounts to date.

	2021	2020
EPRA earnings	£11.3m	£12.5m
EPRA earnings per share	5.34p	5.90p
Diluted EPRA earnings per share	5.34p	5.90p
EPRA NAV per share	89.69p	86.01p
EPRA cost ratio (including direct vacancy costs)	18.4%	20.8%
EPRA cost ratio (excluding direct vacancy costs)	18.0%	20.4%
EPRA net initial yield	6.2%	6.9%
EPRA topped up net initial yield	6.9%	7.0%
EPRA vacancy rate	8.6%	5.1%

NET ASSET VALUE (NAV)

At 30 September 2021 our net assets were £189.5m, equating to net assets per share of 89.6 pence (2020: 86.01 pence) an increase of 4.3%. This is primarily due to an increase in the valuation of the investment properties in the year.

The NAV of £189.5m is summarised in the table below:

	£ million	Pence per share
NAV at 30 September 2020	181.77	86.01
Increase in value of investment properties (net of capital expenditure, gain on sale and transaction costs)	5.83	2.76
Net earnings in the year	11.28	5.34
Less: dividends paid in the year	(9.33)	(4.42)
NAV at 30 September 2021	189.55	89.69

Finance Review continued

NET ASSET VALUE (NAV) CONTINUED

The NAV is predominantly represented by our investment properties, which have a fair value of £283.3m at the year end. This is included in the Financial Statements as 'Investment properties' at £278.0m with the difference relating to lease incentives. The remaining £88.5m of net liabilities is made up of: i) £(110.3m) of amortised debt; ii) £11.6m of cash and cash equivalents; and iii) £10.2m of net current assets.

DEBT

The Company has two debt facilities with Aviva Commercial Finance Limited principally totalling £111.1m. One facility of £56.9m will mature in 2025 and the other of £54.2m will mature in 2027. The facilities have an all-in blended interest rate of 2.86%. The Company is fully compliant with all debt covenants and has significant headroom against income and asset cover breach covenants. Property values in the two facilities would need to drop by more than 26% and 30% respectively, from the 30 September 2021 valuations, for the loan-to-value covenant to be breached.

Gearing (debt to total assets) was 36.7% at the year end (2020: 37.6%). Whilst this is higher than the Board's target range of 30-35%, it does not breach the Company's investment policy, as no new gearing has been taken on. As noted above, there is headroom against the loan-to-value breach covenants of the debt facilities.

Further details are included in Note 13 to the Consolidated Financial Statements.

CASH

As at 30 September 2021 the Company had cash and cash equivalents of £11.6m with a further £6.6m drawn and held in a disposals account under the debt facility which will be used to assist with future asset management or investment opportunities.

DIVIDENDS

At the start of the financial year, the Company was paying monthly dividends at the annual rate of 4.00 pence. The dividend rate was increased to an annual rate of 5.00 pence per share, with the first payment at this new rate being made in May 2021 for the month of April. The average dividend paid in the year was, therefore, 4.42 pence per share and was fully covered for the financial year at 119.0%. The dividend yield at the year end was 6.8%, based on an annual dividend rate of 5.00 pence per share and a share price of 73.80 pence as at 30 September 2021.

The Board declared a dividend of 0.4167 pence per share for the month of September which was paid in October 2021.

The Company continues to monitor passing rent and cash collection in reviewing the dividend level and also reviews the aggregate distributions made to ensure compliance with REIT regulations, which, with some flexibility on timing, requires a REIT to distribute 90% of tax-exempt rental income as Property Income Distributions (PIDs): a condition that the Company has met since inception.

TAX

Owing to the Company's REIT status, income and capital gains from our property rental business are exempt from corporation tax and the tax charge for the year is therefore nil. The Company recovers all of its VAT cost.

The Company continues to meet all the REIT requirements ensuring that its REIT status is maintained.

STRATEGY REVIEW AND IMPLEMENTATION

The Company announced on 22 July 2021 that, following an internal review, it would retain its scope as a generalist UK commercial property company with a focus on income but would, for the foreseeable future, given its attractive investment potential, focus on the retail warehousing sector, which already accounted for over 70% of the Group's portfolio by value.

This will require an orderly disposal of the office part of the portfolio and redeployment of the assets into retail warehousing. Progress has already been made in this direction with the purchase, in August, of Springkerse Retail Park in Stirling, and post period end, the sale of three of the four of the Company's offices. The Company has sold Midland Bridge House, Bath; 145 Morrison Street, Edinburgh; and Citygate II, Newcastle for a combined headline price of £37.36m. Once deductions for topped up rents and rent-free periods are factored in, the Company will have £36.42m to reinvest. It is the Company's intention to sell the remaining office when it is appropriate to do so. The sale of the office assets may involve some impact on asset values and income cover until such time as the cash resources can be re-deployed into the new strategic direction. This process will also involve direct purchase costs such as SDLT, which will also affect asset value. The Company will continue to provide an update on progress through its quarterly announcement of net asset value, which will include reference to net income cover, and is expected to show the positive direction of the existing and future retail assets held.

SUMMARY AND OUTLOOK

COVID-19 continued to present the Company with challenges during the year. However, positive progress was made with rent collection, which returned to pre-pandemic levels. The contracted rent has also increased and has almost reached pre-pandemic levels too.

The portfolio was refreshed by the sale of the Tesco supermarket at Prestatyn and the purchase of Springkerse Retail Park. The development of Haddington Retail Park was finished, and several asset management initiatives were completed. These initiatives generated additional income for the Company.

Neelum Yousaf
Director of Finance

Principal and Emerging Risks

Constant review of risk is essential to protect shareholders' and other stakeholders' interests.

The principal risks and emerging risks have all been reviewed in detail, taking into account the challenging health and economic environment globally and how this impacts or might impact the Company. 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 2019 AIC Code of Corporate Governance (the 'AIC Code'), directors of listed companies are required to confirm in the annual report that they have performed a robust assessment of the Company's emerging and principal risks, including those that would threaten its business model, future income and asset value performance, solvency or liquidity and pricing of the Company's shares.

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 and the Investment Manager.

The Directors review and challenge the risk 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. During the pandemic in 2020, the Board met regularly outside the normal scheduled Board cycle, specifically to try and address the unexpected impacts of the pandemic which had emerged earlier in the year. This focus on risk has continued in 2021.

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, which was the case in 2020 for the impact of the pandemic and in this year includes emerging inflationary pressures, supply lines and continuing changes in the uses of commercial property in the UK.

The Board works closely with the Investment Manager and advisers to the Company to try and manage the risks, including emerging risks, as best as they can. The central aims remain to preserve net income for the Company, resilience in its day-to-day operations (including meeting its regulatory obligations and obligations to its stakeholders), capital value and the price at which shares are traded where it can, whilst looking to the longer term to try and find strategic direction for positive rather than simply protective returns.

The impact of exposure to a particular sector, for example retail and offices, 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 the UK have all resulted in challenges, and emerging opportunities, during the financial year.

While the effects of the COVID-19 pandemic are ongoing, the immediate restrictions and perceived health risks have significantly reduced during the second part of the current year and this is reflected in the Company's risk matrix. However, the economic impact is likely to have much longer-term impacts which are difficult to evaluate as to their effects on the Company.

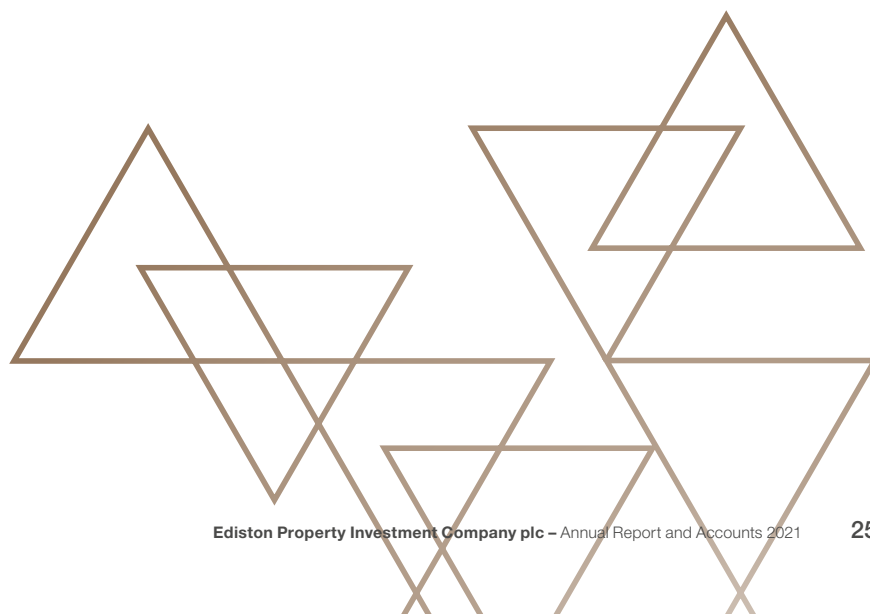
For the purposes of this year's report the concentration has been on looking to the longer term for the significant changes that are impacting on the UK commercial property sector, the eventual outcomes of which are difficult to assess or predict with any accuracy.

The Board and its advisers have identified the following categories of risk:

- investment strategy and performance;
- premium/discount level and share price volatility;
- financial, which includes the impact of gearing;
- regulatory;
- operational; and
- economic, governmental and exogenous risks outside the Company's control.

These categories of risk are broken into individual key risks with an assessment of potential impact controls and mitigation in place and changes in that environment since the previous year end and any other comments on the risk. The risks include those that may be more remote but, should they arise, would have an impact, given the nature of a property investment company with tangible assets.

Detail of all risks facing the Company are set out in the table on the following pages.



Principal and Emerging Risks continued

Risk	Impact	Controls and mitigation in place	Change in the year
Investment strategy and performance			
Strategic direction of the Company and how and where it invests Link to strategy: 1 2 3	Deployment of the Company's capital in areas of the market which are poorer in their return prospects or more affected by structural changes and exogenous risks than other investment areas, with an adverse impact on income and capital values, as well as opportunity cost. Sustainability is a key part of the investment review process in making and retaining investments and how they are developed. Impact if occurred: High	The Board formally reviews the Company's investment objectives and strategies for achieving them on an annual basis, or more regularly if appropriate. During its strategy sessions the Board considers how the assets are positioned and might be better positioned for the longer term. There has been increased focus on sustainability during the year as evidenced by the reports on this subject and the establishment of a specific working group as part of the Investment and Property Valuation Committee. Probability of occurring: Medium	 No change The risk was increased in 2020 as a result of the impact of the COVID-19 pandemic which accelerated the ongoing structural changes in the commercial property sector. Whilst there is greater stability and more certainty in the market, there is still a risk, but it is no greater than last year. The Company has adopted a new strategic investment focus, which is within its investment policy, on retail warehousing with the divestment of office exposure.
Significant exposure to a specific property, tenant, geographic location or to lease expiries in a given year Link to strategy: 1 2 4	Downturn in an area to which the Company has significant exposure resulting in a reduction in the capital value of investment properties. Significant tenant failure causing a material reduction in revenue profits, impacting on cash flow and dividends. Impact if occurred: Medium	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, which links in with overall strategic imperatives. The Company's Alternative Investment Fund Manager and Depositary monitor compliance with the investment policy and will highlight any breaches of concentration limits. Probability of occurring: Medium	 No change The Company's portfolio includes 74.1% investment in retail warehouse assets, and the Company intends to invest further in this sector following the sale of its office portfolio. The retail warehouse assets are in good locations, with strong covenants, at affordable rent levels, have low voids and a WAULT of 5.2 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. The outlook for the retail warehouse sector is more positive than it was in 2020. Investment demand has improved and valuations are increasing, resulting in an increased net asset value (NAV). The share price has also recovered.
Lack of investment opportunities reducing the ability to acquire properties at the required return Poor investment decisions, incomplete due diligence and mistimed investment of capital Link to strategy: 2 3	An inappropriate use of capital which hinders investors' long-term returns. Reduction in revenue profits, impacting on cash flow and dividends. Impact if occurred: Medium	Thorough due diligence and investment process. Regular review of property performance against acquisition plan. Experienced Investment Manager who sources assets which meet agreed investment criteria. Linkage with overall strategic objectives for the Company. The Investment and Property Valuation 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. Probability of occurring: Medium	 No change All available cash resources are currently identified against asset management and development activities. The asset sales and acquisitions made during the financial year have had a positive impact on the Company's revenue. The change in strategic direction will result in the portfolio having significant cash from office sales which the Investment Manager is confident can be re-deployed into suitable retail warehouse assets.

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Risk	Impact	Controls and mitigation in place	Change in the year
Investment strategy and performance continued			
Ineffective active asset management of properties Link to strategy: 1 2 4	<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 and Property Valuation Committee.</p> <p>Proactive approach to key lease events. Third-party letting and managing agents are employed.</p> <p>Management of unexpected events and proactive approach to maintaining and restoring income and capital values from any properties under threat of erosion of value.</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 against a difficult climate for tenants, particularly in parts of the retail sector. The change in strategic direction reflects active management of properties, with resultant changes to the existing invested portfolio.</p>
Poor execution of development and other construction projects Link to strategy: 1 2 4	<p>Poor management of development could result in delays and overrun of costs. If development is speculative (which the Company is unlikely to undertake) letting the space could be difficult which could impact on cash flow.</p> <p>Developments produce unsatisfactory total returns from the completed development, relative to the risk and capital deployed on the projects.</p>	<p>The Investment Manager has an experienced development team and has appropriate PI cover. The Investment Manager also uses several consultants to help execute the project.</p> <p>Experienced members of staff are allocated to each development project to ensure the process is monitored closely and forecasts adhered to. The Company engages experienced contractors/consultants.</p> <p>All development is subject to Board review and authorisation for major capital expenditure. The investment policy has restrictions on the amount of development that can be embarked on.</p>	<p>► No change</p> <p>The Company does not have any ongoing development project, following the successful completion of the development project at Haddington earlier in the year.</p>

Principal and Emerging Risks continued

Risk	Impact	Controls and mitigation in place	Change in the year
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) the underlying NAV 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 Company does not have a significant free float of shares and as has been apparent in the last 12 months, relatively small sales or purchases of shares can produce volatile pricing. In common with many generalist UK property vehicles, the rating of the Company's shares has been dramatically impacted since the advent of the COVID-19 crisis in the second quarter of 2020.</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, institutional investors are kept in regular touch directly with developments in the Company, positive and negative. The Company announces portfolio and any other significant activity between its quarterly NAV announcements and publication of its interim and final accounts.</p> <p>The Company has the ability to allot shares, and has done so in the past, where there has been demand in the secondary market and issuance has not been dilutive to existing shareholders' interests. 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 buybacks would require a change in the strategic direction of the Company, not least in having liquidity in the portfolio which could only be found through realising longer-term assets.</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. The Company has a Marketing Committee that focuses on trade in the Company's shares and how the corporate message is being communicated to existing and prospective new investors.</p>	<p> Increased</p> <p>In common with other property investment companies, market sentiment towards the UK commercial property sector deteriorated in 2020 resulting in a marked fall in the Company's share price. This deterioration in rating was accelerated by the advent of COVID-19, Government restrictions imposed and has not been helped by general political and economic uncertainty either. The share price has seen some significant improvement in recent months and the Board and Investment Manager continue to work with shareholders to reinforce the resilience of the income from the portfolio. There have been changes in the share ownership of the Company, which have been managed by the Company's broker working with the Investment Manager, which has resulted in a higher direct private investor content, new institutional holdings and disposal of the residual part of Stadium groups' holding in the Company.</p>
Link to strategy: 1 2 6	Impact if occurred: High	Probability of occurring: High	

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Risk	Impact	Controls and mitigation in place	Change in the year
Financial			
Gearing Link to strategy: 1 2 5	<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>In extreme circumstances the Company may not be able to refinance gearing when it falls due for repayment or may need to make early repayment, neither of which are in anticipation for the Company.</p>	<p>The Board reviews the level of gearing on a regular basis.</p> <p>The Investment Manager presents for Board review quarterly cash flow forecasts prepared from the level of detail of individual properties, tenants and future rental projections.</p> <p>The Company has its portfolio reviewed and reported on by an external valuer each quarter.</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. In the current circumstances, the level of gearing has exceeded 35% but the covenants, which are based on loan-to-value, remain well covered.</p>	<p>► No change</p> <p>The Board will continue to monitor the level of gearing closely.</p> <p>Gearing has recently had a negative drag on performance whereas in the past it was a positive contributor to performance.</p> <p>The Board is closely appraised of the level of cover over debt covenants on net income and asset levels.</p>
Non-compliance with debt facilities Link to strategy: 1 2 5	<p>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, if the Company is unable to service the debt, leaving the Company without sufficient long-term resources to meet its commitments.</p>	<p>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> <p>The Board intends to maintain gearing at 30%, but will not exceed 35%, of Company gross assets at drawdown. In the current circumstances the level of gearing has exceeded 35% but the covenants, which are based on loan-to-value, remain well covered.</p>	<p>▼ Decreased</p> <p>There was a decrease in the Group's loan-to-value ratio at year end, as defined for the purpose of debt funding covenants, from 37.7% to 36.9%, compared with the covenant limit of 50%. This was due mainly to the increase in the valuation of the portfolio.</p> <p>The size and diversification of the property portfolio reduces the risk that an asset specific event would significantly impact on the Company's debt covenants.</p>

Principal and Emerging Risks continued

Risk	Impact	Controls and mitigation in place	Change in the year
Financial continued			
Insufficient Working Capital	<p>Insufficient funds to meet liabilities, operating cash requirements and dividends.</p>	<p>The Investment Manager has a comprehensive nine-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.</p> <p>The forecast model allows the Investment Manager to monitor the cash position and plan in advance. It is reviewed by the Board quarterly. The cash flow model works to a minimum cash balance of £2m and no lower.</p> <p>The Board monitors operating cash in connection with each monthly dividend announcement and quarterly when the NAV is announced.</p> <p>The Board monitors expense projections and with the Investment Manager, identifies areas of saving where cash can be preserved.</p>	<p>► No change</p> <p>In common with most property investment companies the resilience of cash receipts from tenants has been tested in the last financial year and the asset cover for covenants has also reduced. The Investment Manager and Board have detailed discussions on working capital well in advance of any decisions on dividend level or in application of substantial cash to be invested, taking into account capital realisations and operating expenditure.</p> <p>The Investment Manager also prepares a three-year viability statement which outlines the working capital parameters. This is reviewed and approved annually.</p>
<p>Link to strategy:</p> <p>1 3 5</p>	<p>Impact if occurred: High</p>	<p>Probability of occurring: Medium</p>	
Protection of income and asset value in light of the COVID-19 crisis	<p>Loss of income and/or deterioration in capital values.</p>	<p>Focus on rent collection, protection of future income and reporting to the Board on a regular basis in connection with dividend payments, cash management and debt covenant review. Review on strategic allocation in the invested portfolio for development and divestment opportunities in light of significant changes to market conditions for UK commercial property.</p>	<p>▼ Decreased</p> <p>Following the UK Government's vaccination programme and the easing of lockdown restrictions during the year, the Company's income remains strong. The Board is aware that there remains uncertainty around the development of the pandemic, particularly during the colder winter months, and any changes will be closely monitored. The economic impact of the last eighteen months will have long lasting effects which the Company will try to navigate in the strategic deployment of assets.</p>
<p>Link to strategy:</p> <p>1 2 4 5</p>	<p>Impact if occurred: Medium</p>	<p>Probability of occurring: Medium</p>	

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Risk	Impact	Controls and mitigation in place	Change in the year
Regulatory			
Non-compliance with laws and regulations Link to strategy: 5	The Company is required to comply with REIT rules, the Listing Rules, Disclosure Guidance and Transparency Rules, the UK Corporate Governance Code, IFRS accounting standards and UK legislation (including the UK Bribery Act, Modern Slavery Act, The Criminal Finances Act 2017, Market Abuse Regulations and General Data Protection Regulation).	The Company uses an experienced tax adviser, Auditor, Investment Manager, broker, property managing agent, property valuation agent, Administrator and firm of solicitors to provide advice and support throughout the year. There is a strong compliance culture with regular risk reviews undertaken by the Audit and Risk Committee and interrogation of the reporting process. The resilience of all of the Company agents was reviewed and tested during the year as part of the Management Engagement Committee activities. No significant failings have arisen or been identified despite the more difficult operating conditions.	► No change Changes in the regulatory environment over the year have not had a significant impact on the risk profile of the Company. The Company remains compliant with laws and regulations and monitors and adheres to corporate governance principles as well or where there is any non-compliance with governance guidance, the Company explains why this is the case.
Operational			
Health and safety Link to strategy: 1 2 3 5	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. The Company ensured its managing agent implemented suitable processes and procedures, in accordance with available guidelines for dealing with COVID-19, in all the Company's retail parks and offices, where it had responsibility for shared or public areas.	► No change No significant changes have occurred in relation to health and safety matters over the year. Reference is made to the health epidemic separately.
Lack or failure of internal controls of the Investment Manager or Administrator Link to strategy: 1 2 5	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. Constancy of review and periodic reporting on compliance controls being met.	► No change No significant changes or breaches have occurred in the internal control environment over the year. Distanced working continues from time to time but there is much more physical presence in offices than in 2020 and early 2021.

Principal and Emerging Risks continued

Risk	Impact	Controls and mitigation in place	Change in the year
Operational continued			
Failure to manage Environmental, Social and Governance (ESG) issues Link to strategy: 2 5 6	<p>ESG is becoming increasingly important for investors and featuring in their decision-making processes. If the Company has not adequately addressed ESG matters, new investors may choose to not invest and existing investors could disinvest if the Company does not meet their required ESG standards.</p> <p>At a property level, if ESG matters are not addressed, it could lead to properties being unlettable or unsellable, or could impact on their rental value.</p> <p>Failure to manage climate-related risks including both physical and transition risks, could lead to increased operational costs, business disruption, reduced occupier demand and asset value impairment.</p> <p>Impact if occurred: Medium</p>	<p>Sustainability Policy has been implemented along with targets and objectives following the completion of a materiality assessment which involved engagement with the Company's key stakeholders to identify issues which were important to them.</p> <p>A sustainability working group has been formed to monitor performance against objectives and Savills has been appointed to provide guidance to the Company on sustainability matters.</p> <p>At property level suitable due diligence is undertaken when assets are acquired and when refurbishment, asset management or development take place.</p> <p>The Company is better placed to address shifting consumer and investor preferences, which could lead to increased revenues and capital availability.</p> <p>The Company's Sustainability Policy and its annual ESG objectives includes implementation of energy efficiency measures, which is in turn expected to reduce the energy demand and operating costs at property level.</p> <p>Probability of occurring: Low</p>	<p>► No change</p> <p>Sustainability has always been part of the Company's operating review; however, due to the escalation of market sensitivity, it was introduced as a principal risk in 2019 and remains an evolving area for the Company.</p>
Resilience of sub-agents Link to strategy: 2 5 6	<p>Failure of the sub-agents could result in financial loss, reputational damage or potentially litigation.</p> <p>Impact if occurred: Medium</p>	<p>The Investment Manager and Board are in regular contact with each sub-agent, with most of them reporting to the Board directly in some capacity. Performance is monitored on an ongoing basis and an annual review is completed and shared with the Board. This includes a recommendation from the Investment Manager if the sub-agent should be retained or not. This regular contact will help to identify any issues with the service being provided.</p> <p>The services of each sub-agent are secured via an appointment document with suitable termination provisions.</p> <p>Probability of occurring: Low</p>	<p>► No change</p> <p>As many businesses gradually return to office-based working, the increased risks associated with working from home have lessened. Further, after an extended period of remote working, the Company's sub-agents have not reported any concerning incidents to the Board.</p>

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Risk	Impact	Controls and mitigation in place	Change in the year
Economic, governmental and exogenous			
Weak economic and/or political environment, including the potential impacts of Brexit Link to strategy: 1 2 3 6	Lower occupational demand impacting on income, cash flow, rental growth and capital performance.	To a large extent out of the Company's control. Brexit is nearing its conclusions which may be a disorderly exit from the EU, the impact of which is impossible to factor into the Company's direct situation. Asset management remains a high priority and cash control continues to be a strong focus. Sensitivity analysis of the portfolio is undertaken regularly via a comprehensive cash flow model which includes stress testing of cash flows and capital values against loan covenants and the operational requirements of the business, including the payment of monthly dividends.	▼ Decreased Whilst Brexit increases the risk to returns from the UK commercial property market as a whole, the impact of this on the Company during the year has been minimal. The more important aspects of immediate concern are levels of government support following the pandemic and the growing inflationary pressures.
Exogenous factors outside the Company's control, including the impact of the COVID-19 pandemic Link to strategy: 1 2 3 4 5 6	COVID-19 is a prime example of an unexpected event which is both unexpected and over which the Company has no control but can simply react to the impact. There have been no other direct issues that have impacted on the Company during the year, but events such as a referendum on Scottish Independence or a significant increase in interest rates in the economy have to be taken into account when they arise.	How the COVID-19 pandemic was responded to and regulations imposed is out with the control of the Company as Government guidance on restrictions and social distancing dictated the pace of recovery. The COVID-19 health crisis has also plunged the UK into economic and social crisis which has had a dramatic impact on the use of commercial property in all sectors and the operation of all commercial concerns in the UK, the impact of which will be ongoing irrespective of the status of the health crisis. Taking this crisis into direct effect on the Company, proactive asset management will ensure that lease and investment transactions are undertaken when appropriate to do so. Increased challenges will persist for landlords until, and if, the Government legislation on rent arrears recovery reverts to pre-pandemic methods.	▼ Decreased The impact of COVID-19 on the UK's economic environment is ongoing; however, the recovery process has now begun and there is reduced uncertainty in the market for commercial property but evolving trends on different sub sectors which will have a dramatic impact on commercial property usage in the future.
	Impact if occurred: High	Probability of occurring: High	
	Impact if occurred: High	Probability of occurring: Medium	

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Risk	Impact	Controls and mitigation in place	Change in the year
Economic, governmental and exogenous continued			
Supply chain risks Link to strategy: 1 2 5	<p>Global issues with shipping and national issues with lorry driver shortages could mean that retail tenants could face disruption to their supply chain resulting in them unable to fully stock stores. This could affect Christmas trade for some tenants which could impact on their ability/desire to pay rent to the Company.</p> <p>On refurbishment and development projects this could result in long lead-in times for materials, or materials not being available at all.</p>	<p>To a large extent this is out with the Company's control. However, continued engagement with tenants should identify issues before they become problems.</p> <p>Consideration should be given to project timelines to ensure that sufficient time is allowed for materials to site, especially the delivery of critical path items.</p>	<p>New</p> <p>This risk has been added due to problems with the distribution network in the UK.</p>
Inflation Link to strategy: 1 2 3 6	<p>Whilst inflation can have a positive impact for commercial property valuations, it does bring with it risks. For example, rising prices for goods might impact retail sales, in a sector which is still recovering from the COVID-19 pandemic.</p> <p>Rising inflation is causing the price of goods and materials used in construction to increase. Costs to refurbish or develop are increasing and, as an example, many contractors will only hold tender prices for two weeks, as opposed to the usual four.</p>	<p>To a large extent this is out of the control of the Company, but retailer performance will continue to be monitored closely, particularly for those who sell discretionary goods.</p> <p>The Company will carefully consider the budgets and timing of developments/refurbishment projects to ensure that there is enough contingency to allow for unexpected cost increases and/or delays.</p>	<p>New</p> <p>This risk has been added as a result of being in an inflationary environment at the moment.</p>

Section 172

Engagement and understanding

The Directors consider that in conducting the business of the Company over the course of the year they have complied with Section 172(1) of the Companies Act 2006 (the 'Act') by fulfilling their duty to promote the success of the Company and to act in the way they consider, in good faith, would be most likely to promote the success of the Company for the benefit of its members as a whole, whilst also considering the broad range of stakeholders who interact with and are impacted by the Company's business, especially with regard to major decisions.

Since the Company's inception in 2014, the Board has taken its responsibilities to all the Company's stakeholders as a foremost role in every scheduled Board meeting and annually when relationships with all the stakeholder groups are considered by the Management Engagement Committee and the Marketing Committee.

The purpose of the Company is to act as an investment vehicle to provide, over time, financial returns (both income and capital) to its shareholders. Investment vehicles, such as the Company, are long-term and are typically externally managed, have no employees, and are overseen by an independent non-executive board of directors. The role of the Investment Manager is particularly important, acting in an executive capacity, in engaging with stakeholders in the Company and reporting on developments, positive and negative, to the Board.

ROLE OF THE BOARD

The Board, which comprises four independent non-executive Directors, one woman and three men, has a broad range of skills and experience across all major functions that affect the Company. The Board retains responsibility for taking all decisions relating to the Company's investment objective and policy, gearing, corporate governance and strategy, and for monitoring the performance of the Company's service providers. The Board is engaged with the activities of the Company and all of the Board members have very relevant direct experience for supporting the activities of the Company, including substantial experience on other collective funds and on property-related matters.

The Board aims to ensure that the Company operates in a transparent culture where all parties are treated with respect and provided with the opportunity to offer practical challenge and participate in positive debate which is focused on the aim of achieving the expectations of shareholders and other stakeholders alike. The Board, with the assistance of the Management Engagement Committee, reviews the culture and manner in which the Investment Manager operates at its scheduled meetings and through its annual performance review. Regular reporting and feedback from the other key service providers is also sought and reviewed by the Management Engagement Committee on an annual basis.

The Board is very conscious of the ways it promotes the Company's culture and ensures, as part of its regular oversight that the integrity of the Company's affairs is foremost in the way that the Company's activities are managed and promoted. The Board works very closely with the Investment Manager and the Company Secretary in reviewing how stakeholder issues are handled, ensuring good governance and responsibility in managing the Company's affairs, as well as visibility and openness in how the affairs are conducted.

As the Company is externally managed and has no employees, the Board considers the key stakeholders to be shareholders, providers of debt facilities, agents of the Company, including the Investment Manager, business partners, tenants of the portfolio and the community affected by the portfolio. The Board is acutely aware of its responsibilities to all the stakeholders in the Company and has taken into account the following:

- (a) the likely consequences of any decision in the long term;
- (b) the need to foster and retain the Company's business relationships with suppliers, customers and others;
- (c) the impact of the Company's operations on the community and the environment;
- (d) the desirability of the Company maintaining a reputation for high standards of business conduct; and
- (e) the need to act fairly towards and ensure equal treatment of members of the Company.

The Company regularly interacts with a variety of stakeholders important to its success and strives to strike the right balance between communication and direct engagement. Members of the Board have visited and made detailed enquiry on all the assets in the portfolio and have periodic meetings with all the key stakeholders, as well as being entirely open to contact with stakeholders where there are issues to discuss.

Understanding the stakeholders' views influences the Company's investment strategy, including its focus on acquiring and managing the assets for the future which should provide net income to meet the dividend objectives set and have the possibility of capital growth. When it is in the interests of the Company to dispose of an asset, the Investment Manager will do so in

order to re-deploy the cash into assets which can generate future returns, including through applying intensive asset management to those assets. The Board is also mindful of how shareholders are affected by the secondary market liquidity in the Company's shares and how the shares are rated relative to its net asset value (NAV) and income stream. The Board tries to promote secondary market interest in the Company's shares as part of its ongoing commitment to existing and future shareholders. In the last year there has been development on both the investment strategy and in promoting to the retail investment community to respond directly to changes in the investment landscape for UK commercial property.

STAKEHOLDERS ENGAGEMENT WITH SHAREHOLDERS

As a public company listed on the London Stock Exchange, the Company is subject to the Listing Rules and the Disclosure Guidance and Transparency Rules. The Listing Rules include a principle that a listed company must ensure that it treats all holders of the same class of shares that are in the same position equally in respect of the rights attaching to such shares. With the assistance of regular discussions with and the formal advice of the Company's legal counsel, Company Secretary and corporate broker, the Board abides by the Listing Rules at all times, as it does with other statutory provisions. Likewise, the Board is kept apprised of developments in corporate governance guidance, reporting standards and other non-statutory provisions, and does its best to anticipate and comply or explain why it does not comply.

To continue to preserve and grow the business, the Company needs a well-informed and supportive shareholder base and engagement with prospective investors. The Investment Manager has developed relationships with key shareholders and prospective investors. It is in regular contact with investors and reports back to the Board. When physical meetings have not been possible during lockdown, the Investment Manager has maintained contact via video conference, telephone and e-mail. The Company is owned predominately by institutional and wealth managers but also has an increasing number of private investors who have invested via the Execution Only platforms.

Section 172 continued

During discussions, shareholders often ask for additional information around certain aspects of the Company. Where it is appropriate to do so, the Investment Manager will provide this detail. For example, in the past years additional requests have been made on Environmental, Social and Governance (ESG) matters, which are covered in more detail in the Directors' Report, and on rent collection levels which became an important metric during the COVID-19 pandemic. The degree of dividend cover and impact on revenue of disposals and acquisitions has also been an area of closer focus, particularly after the impact of the pandemic.

The Company will continue to engage with shareholders in the future to ensure that there is an understanding of stakeholders' views on investment strategy, corporate developments, governance and other issues such as the importance of sustainable income, asset growth potential and ESG.

The Company has routine engagement with shareholders and prospective investors through the publication of interim and annual accounts, the Annual General Meeting (AGM) and regular news and quarterly NAV updates, all published on the Company website.

The Company has also engaged with shareholders, on specific matters set out below which influenced actions and outcomes this year:

- security of monthly dividends;
- rent collection statistics;
- income protection and review of costs;
- asset management initiatives, including a development project which came on stream, and potential changes in the makeup of the portfolio; and
- general property market updates, including on asset valuation which carried a material uncertainty provision from the valuers for a significant proportion of the previous year.

At the Company's most recent AGM, the resolution to approve the Directors' Remuneration Policy received 15.58% of votes against. As a result of this, Jamie Skinner, in his capacity as Remuneration Committee Chair reached out to those shareholders who voted against to understand their views, which was largely triggered by negative voting recommendations from voting agencies. The issue was the basis of remuneration of a Director and how that was perceived as offset by a contribution from the Investment Manager to the costs of administering the Company. The Board is conscious of the importance of good dialogue with shareholders, particularly if concerns are being expressed through voting, and welcomes shareholders' views on all the operations of the Company.

ENGAGEMENT WITH THE INVESTMENT MANAGER

The Investment Manager is responsible for the implementation of the investment strategy and the day-to-day investment decisions, including identifying assets for acquisition or disposal. The Board engages constructively with the Investment Manager to ensure the expectations of shareholders are being met and it is aware of the challenges being faced, including meeting the long-term objectives for the Company's growth. The Board and the Investment Manager maintain an ongoing open dialogue on key issues facing the Company. This open dialogue takes the form of regular Board meetings and very regular but more informal contact, as appropriate, including additional ad hoc Board and Board Committee meetings. This ensures that the Company and the Investment Manager have aligned interests to safeguard the Company's position and to try and ensure the future success of the Company.

The Board regularly reviews the Company's performance against its investment objective and undertakes an annual strategy review meeting to ensure that the Company is positioned well for the future delivery of its objective for its shareholders. The Board receives presentations from the Investment Manager at every Board meeting to help it to exercise effective oversight of the Company's strategy and the performance of the Investment Manager. The Board, through the Management Engagement Committee, reviews formally the performance of the Investment Manager, at least annually. Apart from reviewing the Company's performance, comparison is drawn with wider market metrics and other UK commercial property investment companies to put performance into perspective.

ENGAGEMENT WITH TENANTS

It is important for the Company to maintain good relationships with tenants by ensuring that they are satisfied with the properties which they lease and the service they receive from the managing agents. The Board has delegated responsibility for engaging with tenants to the Investment Manager. A key part of the intensive asset management approach adopted is for the Investment Manager to have and to apply a wide knowledge of both existing and potential tenants, what their perceived requirements might be, and how these can be matched by the Company's portfolio now and in the future.

The Investment Manager regularly speaks to and, when lockdown restrictions allow, meets with tenants. This allows the Company to complete asset management initiatives, such as refurbishment projects or leasing events with some certainty on tenant opportunities and requirements. The Investment Manager works closely with tenants to expedite matters

on the asset management initiatives and will continue to assist tenants where required in implementing ESG initiatives and operating in a socially conscious manner. Establishing good relationships with tenants helps the Investment Manager identify and complete asset management initiatives and can make discussions around lease more straightforward. During the COVID-19 crisis the Investment Manager has been mindful of both protecting the Company's interests but also those of its tenants. It has worked with tenants to try to find ways of protecting both parties in these difficult circumstances.

ENGAGEMENT WITH LENDERS

The Company has two long-term debt facilities, both with Aviva, maturing in 2025 and 2027. The facilities are subject to covenants and restrictions and lender consent is required for certain asset management transactions. A good and strong relationship is essential and not just in connection with updates on loan asset and interest cover under the covenants and reporting requirements. The Investment Manager is in regular contact with Aviva to keep it apprised of ongoing property portfolio matters and general market updates so that they have a full understanding of the Company and how it is performing. Pre-pandemic the lender undertook property site visits to understand the asset base and how the Company's business plans are being implemented. The lender will be encouraged to restart this initiative now that COVID-19 restrictions have eased.

ENGAGEMENT WITH BUSINESS PARTNERS AND KEY SERVICE PROVIDERS

The Board seeks to maintain constructive relationships with the Company's suppliers, either directly or through the Investment Manager, with regular communications and meetings. The Management Engagement Committee conducts an annual review of the performance and terms and conditions of the Company's main service providers to ensure that they are performing their responsibilities in line with Board expectations and providing value for money. All of the Company's agents have been able to operate without interruption during the COVID-19 crisis.

During the year the Company made a change of tax adviser to BDO LLP, following a re-tendering process during which the Chair of the Audit and Risk Committee, along with representatives from the Investment Manager, met with several potential firms. Following a rigorous review process, three firms presented a proposal to the full Board for the provision of tax adviser services. The Board unanimously agreed to appoint BDO LLP as the Company's new tax adviser.

Service providers are fundamental to the success of the Company in all its respects, such as business support and governance, as well as engaging with other stakeholders. The aim is to maintain long-term and high quality 'business partnerships' to align the Company with its agents and to provide continuity, whilst the Company pursues its investment strategy.

The Board has most regular contact with the two main service providers, the Investment Manager and the Administrator, through quarterly and ad hoc Board meetings. The Chairman and Audit and Risk Committee Chair meet these service suppliers more regularly. There has also been regular contact with the Company's public relations firm to try and ensure that there is good communication with the market on the Company's activities. This has been relatively successful with further increases in retail investors on the share register.

ENGAGEMENT WITH LOCAL COMMUNITIES AND THE ENVIRONMENT

The Board and Investment Manager are committed to investing in a responsible manner and the Investment Manager embeds ESG considerations into its investment decision-making process and throughout the period of ownership of particular assets. During the year, the AIC launched an option for individual investment company ESG disclosures to be published on its website. The Company has complied with this request and submitted its ESG policy and this is now publicly available on the Company's page on the AIC website.

As a member of EPRA, the Company has adopted EPRA's Sustainability Best Practice Recommendations (SBPR). SBPR intends to raise the standards and consistency of sustainability reporting for listed real estate companies across Europe. Each year, EPRA recognises companies which have issued best-in-class annual sustainability performance reports.

The Company has retained its GRESB green star status. The Board has also discussed a potential strategy to achieve net-zero carbon status within the coming years.

In its Sustainability Policy the Company states it will maximise its social and community contribution to the markets in which it operates. It is an objective of the Company to develop a tenant and community engagement programme to promote health and wellbeing initiatives, now that challenges presented to tenants by the COVID-19 pandemic have lessened. The Board is also committed to ensure that it operates in

a responsible and sustainable manner, having regard for the Company's tenants, suppliers, local communities and the environment. In order to achieve this, the Board has adopted a Sustainability Policy which has been developed to place ESG factors at the heart of our investment objectives and to guide the way we operate. More information on this subject is provided on pages 16 to 21.

KEY BOARD DECISIONS AND SPECIFIC EXAMPLES OF STAKEHOLDER CONSIDERATIONS DURING THE YEAR

The Board is fully engaged in both oversight and the general strategic direction of the Company, and is closely involved in its day-to-day operations. During the year, the Board's main strategic discussions focused around asset management, rent collection, dividend strategy and future growth planning, which included regular direct and indirect communication with the Company's main shareholders and use of the Company's advisers as necessary. Time was also spent in ensuring the Board met corporate governance requirements, which continue to evolve, and that an attractive dividend continued to be paid to shareholders throughout the year. The change in strategic allocation, announced some months ago, was in direct response to changes in the UK commercial market and following discussions with shareholders. The change in tax adviser was part of continued refreshment of advisory links, with changes made in the past to the Administrator and public relations advisers.

Shareholders' interests are best served by ensuring a smooth and orderly succession on the Board which serves to provide continuity and maintain the Board's open and collegiate style, with all the requisite skills for a Board which requires to be closely engaged in all the affairs of the Company. With this in mind, the Board has continued to progress its succession plans during the year, resulting in the implementation of a formal tenure and succession policy for the Directors.

THE IMPACT OF COVID-19

The most significant issue that the Board has given full and repeated consideration to during the financial year has been the impact of COVID-19 on financial markets globally, on UK commercial property markets and on the circumstances of the Company. The Company has continued to experience high levels of rent collection throughout the pandemic and tenant insolvency events were minimal. With social distancing restrictions now eased and a large majority of the UK population vaccinated

against COVID-19, the Board is optimistic about the Company's ability to return to business as usual within the coming months.

DIVIDEND INCREASE

The Board recognises the importance of dividends to shareholders and has, therefore, maintained monthly dividend payments throughout the year. The Board took the decision to continue paying a reduced dividend rate of 4.0 pence annualised from 1 October 2020 to 30 April 2021 given the uncertainties presented by the UK's third national lockdown during this period. Following the achievement of a modest revenue surplus during the first half of the year, the Board increased the dividend rate to 5.0 pence annualised in May 2021. The increased dividend level remains fully covered and has fulfilled the Board's target of maintaining the Company's current levels of cash reserves, whilst continuing to try to pay an attractive and sustainable level of dividend to shareholders.

Paying an attractive level of dividends to shareholders remains a priority, subject to having the cash and covered rental income to do so. The REIT regulations also require the Company to distribute, subject to the detailed regulations, 90% or more of net rental income by way of dividend. Therefore, both the prudential payment of dividends based on cash receipts, which are currently significantly above the dividend rate, and meeting the REIT requirements, may result in an upward recalibration of dividends, either by increasing the monthly rate or by payment of a special dividend.

RENT CONCESSIONS

The Board recognised that some tenants would be unable to make their contracted rent payments due to COVID-19 and authorised the Investment Manager to agree repayment plans with those tenants for rent not collected, which the Investment Manager has done with positive results. The Investment Manager is working with the Company's tenants to ensure these repayment plans are adhered to and to collect the rent owed to the Company in a way that is manageable for the tenants.

The Strategic Report on pages 1 to 37 has been approved by the Board and is signed on its behalf by:

William Hill
Chairman
17 December 2021

Board of Directors

The Board comprises four Directors, all of whom are non-executive and independent of the Investment Manager.

The Directors are responsible for the determination of the Company's investment policy and the overall supervision of the Company. The Directors 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. The current Directors are as follows:



William Hill

Board Chairman and Chair of the Investment and Valuation Committee

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 £10bn 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 has recently been reappointed to the Board as senior non-executive director. He is a 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 Board member of Old Oak Park Royal Development Corporation and chair of its planning committee. He is chairman of the Chartered Surveyors Training Trust and is a member of the investment committees/boards of Ashby Capital 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. Last year he completed a programme of study designed by the University of Cambridge Institute for Sustainable Leadership (CISL) in Sustainable Finance and is currently studying a CISL course on Sustainable Real Estate.



Robin Archibald

Senior Independent Director and Chair of the Audit and Risk Committee

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. Robin has been closely involved in all manner of co-ordinating and advisory activities involving the Company since its inception. Robin continues to demonstrate experience and substantial time commitment for the activities of the Company as a fully independent non-executive director.

Current other appointments

Robin is a director on four other investment company boards. He is chairman of Albion Technology and General VCT PLC, having formerly been audit chair of the company and one of its pre-merger predecessors, since 2010. He is also senior independent director and audit chairman of Capital Gearing Trust PLC (May 2015 appointment to board) and audit chairman of Shires Income (May 2017) and a senior independent director of Henderson European Focus Trust plc (March 2016).



Imogen Moss

Chair of the Management Engagement Committee

Imogen has over 30 years' experience as a solicitor in the real estate sector, advising UK and international institutional investors, listed and unlisted property companies, private equity funds, sovereign wealth vehicles, public bodies and family offices on all types of complex commercial and residential real estate transactions. She was a partner for over 20 years at international law firm Allen & Overy LLP, and the global head of real estate for six years, before retiring in December 2020.

During her legal career, in addition to advising on the real estate aspects, Imogen advised on the corporate aspects of indirect property transactions so is familiar with all property holding vehicles and investment structures. She brings this legal and real estate expertise to the Board, particularly in her role as Chair of the Management Engagement Committee and her participation on the Investment and Property Valuation Committee and the sustainability working group.

From 2014 until 2018 Imogen was also on the strategic advisory board of the Investment Property Forum.

Since retirement Imogen has been working with RARE, leaders in diversity graduate recruitment, coaching and mentoring students from disadvantaged backgrounds interested in a career as a commercial solicitor at the leading London law firms.

Imogen has no other relevant board appointments.



Jamie Skinner

Chair of the Marketing, Nomination and Remuneration Committees

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

Jamie 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 Baillie Gifford Shin Nippon plc and the Ashoka India Equity Investment Trust plc.



Chairman's introduction

Good oversight is vital, as is the experience of the independent Board in exercising oversight and governance.

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 and challenging any changes in strategic direction. Corporate governance has also remained to the fore on matters such as engagement with stakeholders (including the key agents to the Company), Board succession and ESG issues. The Board will continue to put governance and communication as central to the Company's operations, as both will contribute to an understanding of the Company and its strategy to achieve a positive total return through growth of net asset value, income and share price.

The Board is committed to maintaining a high-quality corporate governance framework. The following statement reports on how the Board, supported by the Committees that it has established, has achieved this over the course of the year. The Board has been guided by the best practice principles established by the Financial Reporting Council (FRC), which it has continued to adopt and, importantly for an investment company, the AIC Code of Corporate Governance 2019 (the 'AIC Code'). The Board believes that reporting under the AIC Code provides more relevant information for an investment company than reporting under the UK Corporate Governance Code.

William Hill
Chairman

BOARD

The Board consists solely of non-executive Directors under the chairmanship of William Hill. All 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. As part of its succession planning, the Board continues to review the structure of the Board, the importance of continuity of experience, balanced against the tenure of existing Directors. The Board has introduced new Directors since the inception of the Company some seven years ago and will continue to examine the succession of those Board members, including the Chairman and Audit and Risk Committee Chair, who have served on the Board since the inception of the Company.

The Board considers the other activities of non-executive Board members to ensure that there are no conflicts of interest and that Directors are able to apply the appropriate amount of time and skill to the activities of a small and highly engaged Board and are not 'over boarded'. The Board recognises the benefit of having highly experienced Directors who have skills and contemporary experience drawn from elsewhere and encourages this as part of its make up, so long as it does not create conflict or any constraints in being able to fulfil responsibilities to the Company. There were no changes to the Board's composition or roles fulfilled during the year.

CHAIRMAN

The Chairman is William Hill who was independent on appointment and is still considered to be independent. The Chairman has been in post for just over seven years and his skills and experience in real estate fund management are considered to add significantly to the strength of the Board. The Company is subject to the AIC Code and therefore there is no requirement for a limit on the Chairman's tenure, as approved by the FRC. The Chairman is responsible for setting the agendas for Board meetings, managing the meeting timetable and facilitating open and constructive dialogue during the meetings.

SENIOR INDEPENDENT DIRECTOR

Robin Archibald was appointed as Senior Independent Director in 2018 to help support the Chairman and the general corporate activities of the Company, including providing advisory support, but not formal advice, to the Board based on his corporate finance, accounting and broking experience in the closed-ended investment company sector. As part of this role, Robin Archibald makes himself available as a point of contact for shareholders, should they have a particular concern which is unable to be resolved through the normal channels, such as the Annual General Meeting. Mr Archibald remains very involved in the day-to-day activities of the Company which is reflected in a very senior time commitment to the role he fulfils, as well as drawing on his considerable corporate finance and other experience in the sector.

OTHER NON-EXECUTIVE DIRECTORS

The other two non-executive Directors on the Board, Jamie Skinner appointed in 2017 and Imogen Moss appointed in 2020, have Committee responsibilities as set out below and are very engaged in the activities of the Group, working closely with both the Chairman and the Senior Independent Director in fulfilling their responsibilities.

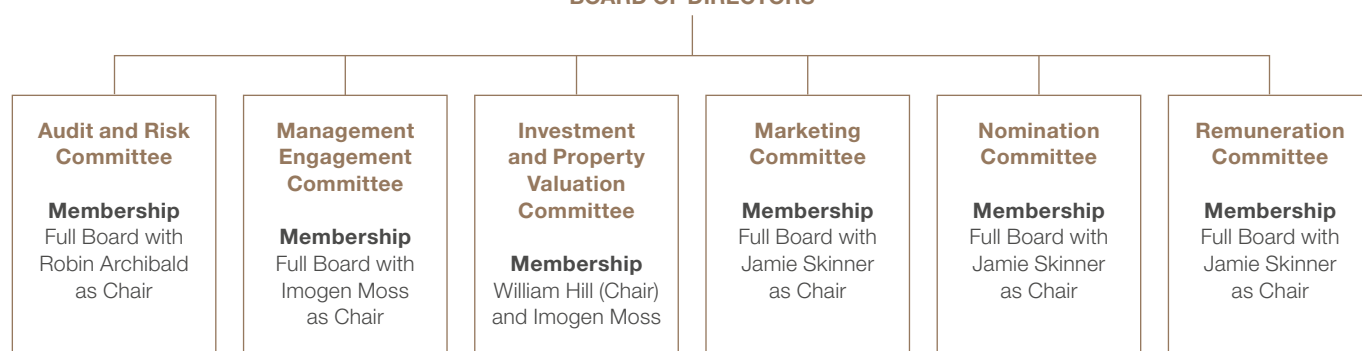
BOARD COMMITTEES

The Board has established six Committees to focus on specific activities of the Company, under the chairmanship of different members of the Board, and ultimately all reporting to the full Board. The activities of these Committees is set out in their specific reports later in this report. A sustainability working group, under the oversight of the Investment and Property Valuation Committee, has also been formed comprising William Hill, Imogen Moss and the Investment Manager.

PURPOSE AND CULTURE

The Company has a clear and consistent purpose, which forms the foundation of its strategic objectives. The Company's culture, which underpins the achievement of this purpose, is informed by a number of factors, including its focus on long-term sustainable income as part of good overall total return, and openness and transparency with stakeholders in what the Company is doing. This attitude is at the heart of how the Directors fulfil their duty under s172 of the Companies Act 2006 and the Board feels strongly that its policies, practices and behaviours contribute effectively to the success of the Company and all of its stakeholders.

BOARD OF DIRECTORS



Corporate Governance Statement continued

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 65.

Ediston Investment Services Limited acts as the Company's alternative investment fund manager (AIFM) and investment manager and provides portfolio and risk management services, including ensuring compliance with the Group's investment policy and the requirements of the Alternative Investment Fund Managers Directive, pursuant to the Investment Management Agreements. Management services, including advising on the acquisition, development, leasing, management and sale of the Group's properties, are delegated to Ediston Properties Limited under the Investment Manager's Delegation Agreement. The Investment Management Agreement and the Investment Manager's Delegation Agreement set out the matters over which the 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 receives full information on the Group's investment performance, assets, liabilities projected cash flow and other relevant information in advance of Board meetings.

JTC (UK) Limited acts as the Company's Administrator and Company Secretary and its responsibilities are set out in the Administration Agreement, detail of which is provided on page 56. The Company otherwise draws on various advisory and service inputs, from agents such as the Company's broker and legal adviser.

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

MEETINGS AND ATTENDANCE

The Board meets formally on a quarterly basis and also holds a strategy meeting every year. There are also ad hoc meetings, which are generally called to approve the monthly dividends, quarterly net asset values, trading updates, specific announcements on portfolio activity and other general corporate matters. The Company Secretary attends all the scheduled meetings and representatives of the AIFM Investment Manager, the external Auditor and other advisers are invited to attend as required.

In addition to the scheduled Board and Committee meetings, there were a further 13 Board and Committee meetings during the year. These meetings included the tender process for a new tax adviser, culminating in the appointment of BDO LLP, the decision to increase the dividend rate and the acquisition of Stirling Springkerse, as well as meeting the changing needs of governance and reporting, including ESG reporting. Attendance at the scheduled Board and Committee meetings throughout the year can be seen in the table at the bottom of this page.

Apart from its contribution at main Board meetings the Investment and Property Valuation Committee also had a number of ad hoc committee meetings during the course of the year.

STATEMENT OF COMPLIANCE WITH AIC CODE

The Listing Rules require the Board to report on compliance with the AIC Code provisions throughout the accounting period. With the exception of the item outlined below, the Company has complied throughout the accounting year ended 30 September 2021 with the provisions set out in Section 5 to 9 of the AIC Code:

- Due to the size of the Board and the nature of the Company's business, the Board considers it appropriate for the entire Board, including the Chairman, to fulfil the role of the Audit Committee (8.2.29).

GOING CONCERN

Under the AIC 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 73.

VIABILITY STATEMENT

The viability statement, under which the Directors assess the prospects of the Group over a longer period, is contained on page 74.

ASSESSMENT OF PRINCIPAL AND EMERGING RISKS

The Board undertook a robust assessment of the Company's emerging and principal risks during the year. Particular focus was given to those risks the Board felt posed a threat to the Company's future performance, ability to carry on business as a REIT and the liquidity of the Company's assets and its subsidiaries. Further details can be found on pages 25 to 34.

The Audit Committee has reviewed the effectiveness of the Company's internal control systems, as well as those of the AIFM, Investment Manager and Administrator. A continuing process, by way of quarterly reports from the Investment Manager giving full details of the Company's financial position, has been established for identifying and evaluating the risks faced by the Company. The Audit and Risk Committee report on pages 44 to 49 provides additional details around the internal controls assessment completed during the year.

	Board	Audit and Risk Committee	Marketing Committee	Nomination Committee	Remuneration Committee
William Hill	5/5	5/5	2/2	3/3	1/1
Robin Archibald	5/5	5/5	2/2	3/3	1/1
Jamie Skinner	5/5	5/5	2/2	3/3	1/1
Imogen Moss	5/5	5/5	2/2	3/3	1/1

In addition to its contribution at main Board meetings the Investment and Property Valuation Committee also had a number of ad hoc committee meetings during the course of the year.

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 Investment Manager takes a leading role in relation to the day-to-day communications with shareholders. The Chairman has also met with shareholders during the year. The Marketing Committee also provides a means for the Board to have engagement with the Company's external advisers who cover this area, such as the Company's broker and PR agents. 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.

An increasing area of engagement with shareholders has been on the Company's approach to sustainability. The Investment Manager and the Chairman have met with some shareholders specifically on this subject and also responded to several questionnaires. The Investment Manager also discussed with a number of shareholders the announced shift in strategy to a more concentrated exposure to retail warehousing.

During the year, an opportunity was given for independent discussion with the Chairman and other members of the Board, if shareholders wanted it. The Board receives quarterly reports from the Company's broker, as well as contact between scheduled Board meetings where required.

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 direct voting rights, most investment platforms have processes in place to allow shareholders to cast votes. Investors holding shares through platforms should contact their investment platform directly for further information. An increase in the number of investors who exercise their right to vote will help the Company reflect the views of its widening 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.

RELATIONS WITH OTHER STAKEHOLDERS

The Board recognises the importance of its relationships with its key stakeholders, in particular its tenants, key service providers, lenders and the wider community affected by its investment activities. Understanding the views of these stakeholders has influenced the Company's investment strategy during this and previous years, including its commitment to acquiring and managing assets which have the possibility of capital growth. Specific examples of stakeholder considerations made during the year can be found in the s172 Statement on pages 35 and 37.



Risks to income, capital and cash are assessed continuously, as are the potential impacts of any strategic changes.

The Audit Committee has continued to play a very involved role in risk assessment and in reporting during the year, to protect the Company's operating position, to communicate changes and to assess the prospects for improving returns after the challenges of the COVID-19 crisis. There is also a continued effort to have strong reporting to stakeholders throughout the year and in year-end reporting and in engagement with stakeholders.

COMPOSITION OF THE AUDIT AND RISK COMMITTEE

The Audit and Risk Committee comprises the full Board and is chaired by Robin Archibald. Due to the size of the Group and the independent non-executive nature of the Directors, the Board considers it appropriate for all of the Directors to be members of the Committee. The Committee's terms of reference were reviewed and updated during the year and are available on the Company's website.

The Board is satisfied that, in line with the recommendations of the AIC Code of Corporate Governance, 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, bringing a broad range of skills and experience to bear. In the case of the Audit and Risk Committee, there are two qualified accountants, both with relevant commercial experience in property or investment companies and the other members of the Committee are experienced corporate practitioners with knowledge of reporting and risk in the listed company and commercial property environment. As the Chairman of the Board was independent on appointment, it is considered appropriate for him to be a member of the Audit and Risk Committee and to bring his considerable property experience to bear on its activities.

RESPONSIBILITIES 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 and reported thereon. The Committee consists wholly of independent non-executive Directors and operates within detailed terms of reference which are reviewed and amended from time to time as circumstances change.

The Committee reviews internal procedures and reports on those of its significant advisers and agents, 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.

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 formally five 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 Chair 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 page 88. Other significant matters considered by the Committee in relation to the Financial Statements during the year are detailed in the table on page 48.
Consideration of the adoption of the going concern basis and long-term viability of the Company.	The Committee carried out a going concern assessment during which it considered all reasonably available information about the future financial prospects of the Company, the possible outcomes of events and changes in conditions and realistic possible responses to such events and conditions, including strategic changes made and proposed. Following such assessment, the Committee considered it was appropriate to adopt the going concern basis of accounting and reviewed the going concern statement to ensure any significant issues were described in a concise and understandable form. The Committee conducted a review of the viability statement on page 74 and concluded that this was a fair representation of the Company's future prospects and that the period of the viability statement remained appropriate.
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, cyber security and the ability to replicate records. These matrices also consider exogenous risks, outside the control of the Company, and how to mitigate, where practical, the impact of these risks, should they arise, with the various impacts of COVID-19 being a significant exogenous event. From a review of these matrices, periodic amendment thereto, a review of regular management information and discussion with the Investment Manager and Administrator, the Committee has satisfied itself on the effectiveness of the risk and control procedures and their resilience in the current market circumstances.
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.	<p>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 49, the Committee concluded that the Annual Report is fair, balanced and understandable.</p> <p>Each Committee Chair reviews the narrative connected to the Committees they chair to ensure that the activities of the year are reflected and that the governance statements taken as a whole reflect the Company's oversight and governance regime.</p>
Evaluation of reports received from the Auditor with respect to the annual Financial Statements.	<p>The Auditor's planning report, areas of audit focus and the related timetable, which is prepared in conjunction with the Investment Manager and Administrator, was considered by the Committee in advance of the audit 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 76 to 83 highlights their view of the areas of greatest risk of misstatement and these points were discussed with the Committee. Particular consideration was given again this year to the impact of COVID-19 on the Company's going concern assessment and valuations, due to the significant estimation uncertainty the pandemic has created and the ongoing economic impacts of the health crisis.</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, Administrator, Investment Manager, AIFM and Auditor, that any developments impacting on its responsibilities are tabled for discussion at Committee or Board meetings.</p> <p>The Committee continues to monitor ongoing developments in accounting and reporting requirements. Any new standards are highlighted in Note 1 to the Consolidated Financial Statements.</p> <p>The Board also reviews adherence to the various governance requirements affecting the Group, endeavours to meet those requirements, including any changes thereto, and explains if governance requirements have not been met and the reasons why they have not been met in the circumstances of the Group.</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 the meeting at which the Annual Report was discussed and had contact with the Chair 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.
Reviewing, in conjunction with the Investment and Property Valuation Committee, the external property valuations.	Each quarter, being involved in the review and reporting of the external property valuations and the Company's net asset value (NAV) and questioning the external valuer on the basis of the report and issues that might have an impact on current and future valuations.

Report of the Audit and Risk Committee continued

RESPONSIBILITIES OF THE AUDIT AND RISK COMMITTEE CONTINUED

Responsibilities of the Committee	How they have been discharged
Management of the Group's taxation and structural compliance.	The Committee considers the Group's ability to meet its taxation requirements, and in particular, meeting the REIT obligations, as well as the structural requirements of managing subsidiaries which contain the assets of the Group and its debt obligations.
Consideration of the resolutions to be proposed at the Annual General Meeting (AGM).	The Committee reports to the Board on the resolutions to be proposed at the AGM of the Company and why these should be recommended by the Board, including taking account of recommendations from the other Committees of the Board.

ACTIVITIES DURING THE YEAR

The Audit and Risk Committee took a key role in the tender process for the Company's tax adviser. The Chair of the Committee, alongside representatives from the Investment Manager and the Administrator, invited a variety of tax advisers to tender, following which three companies were short-listed. The Committee met three potential advisers to present their proposals and to answer questions. The Committee then made a recommendation to the Board, who appointed BDO LLP as the Company's tax adviser on 14 May 2021. The Committee takes responsibility for monitoring the service provided by BDO LLP and no issues or concerns have been raised.

The Committee reviewed and updated its terms of reference during the year and made various changes to reflect the specific activities that the Committee undertakes on an annual basis. These include the review of the periodic returns for the Company's debt provider, the challenge provided to the operating and reporting of the Company's subsidiaries and the escalation of any issues with the audit process to the Audit and Risk Committee Chair. The revised terms of reference were submitted to the Board for approval and are available on the Company's website.

During the year, the Audit and Risk Committee has liaised closely with the Investment Manager and other agents to the Company to seek assurances as to the resilience of the reporting and control systems in place both for the management of the portfolio and for the Company's other operations. The Company has continued to operate efficiently despite the significant challenges presented by the ongoing COVID-19 pandemic and multiple national lockdowns during the first half of the year. The Committee continues to evaluate and challenge the resilience of all the key agents to the Company.

MEETINGS

The Committee met formally five times during the year and attendance is set out on page 42. The meetings were in sufficient detail and committed sufficient time to allow the Committee to consider all the matters of importance and the Committee was satisfied that it received full information in a timely manner to allow it to fulfil its obligations. Members of the Committee were also closely involved in examining the operational resilience and reporting of the Company during the course of the year, including in advance of any announcements on NAV and on monthly dividends.

The formal Audit and Risk Committee meetings were also attended by representatives of the Investment Manager, the Administrator and on one occasion, the Auditor. The Committee also met in connection with the tender process for the new tax adviser.

The Audit and Risk Committee Chair held a number of preparatory discussions with the Finance Director of the Investment Manager, the Administrator and Auditor to ensure they delivered in line with the scope of services and were well placed to hold a constructive discussion with the Audit and Risk Committee. The Committee also offered to meet with the Auditor without other parties present and the opportunity was given for the Auditor to raise any issues of concern, direct or indirect to the audit and reporting process. No issues of concern were raised.

RISK MANAGEMENT AND INTERNAL CONTROLS

RISKS

The Board has ultimate responsibility for effective management of risk for the Group including determining its risk appetite and identifying key strategic and emerging risks. The Audit and Risk Committee serves as a governance body to oversight, and to review and challenge of the risk management processes. The Committee has conducted a robust assessment of the principal risks faced by the Group and was satisfied on the adequacy and effectiveness of the Company's risk management systems with appropriate operational and assurance reporting from third parties. 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 25 to 34. The risk report has changed this year, largely to reflect the gradually lessening risks associated with the COVID-19 pandemic. Following the easing of lockdown restrictions, confidence has started to build in the retail warehouse sector, which has positively impacted the Company's NAV and tenant demand for space has improved. The Board feels confident that these favourable conditions look set to continue and has adjusted its principal risks accordingly.

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 and actual cash flows;
- expenditure, including operating and finance costs and the cash impact;
- capital expenditure, including pre-acquisition diligence and authorisation procedures;
- forecasting and projection of income and capital positions based on different management scenarios;
- dividend payments, including the calculation of Property Income Distributions and distributions made from the subsidiary companies;
- 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 NAV, 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 above 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 amended 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 Committee, all property purchases and sales and any development activities. This includes consideration of sustainability issues and how these affect reporting and risk management.

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 Committee discussed the need for an internal audit function; the debate included input from the Investment Manager and the Auditor and the consideration of the assurance received from third parties under the risk management framework. In light of this consideration, it was decided that there was no current requirement as the Committee was satisfied that the internal controls and risk management were adequate and effective. The Investment Manager has confirmed to the Board that its own internal controls are in order and that no breaches or reportable events occurred during the year. At the Board's request, the AIFM has also undertaken an external audit review of the AIFM function to provide further confidence in this part of the process.

This independent external audit was carried out by IQ EQ Depositary Company (UK) Limited and covered all AIFM activities which inter alia meant a review of the processes and reporting procedures of which the results were favourable. The Board saw no requirement for an internal audit of the Company's activities but is pleased to receive this as part of the support and confidence in the systems and controls relevant to the Company and its agents.

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 Company 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 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, including on the recognition of income and the valuation of assets, the two most important areas in the reporting process for the Company.

Grant Thornton has been the Company's Auditor since the Company's launch in 2014. Following professional guidelines that the audit principal rotates after five years, Sam William Pointon took over as lead audit partner for the year commencing 1 October 2021. The Company is satisfied that other key staff members at Grant Thornton, who have previously been heavily involved with the audit process, provide a satisfactory level of continuity of staffing to ensure that the audit process will continue to run smoothly. 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 2020 and 2021, 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 to avoid compromising the independence of Grant Thornton as Auditor. A separate team within Grant Thornton has the responsibility for completing non-audit work, should it arise. Grant Thornton does not provide any tax services to the Company. There were no non-audit fees incurred during the year ended 30 September 2021.

Service provided (excluding VAT)	2021 fee (£'000)	2020 fee (£'000)
Audit services		
Fees payable for the audit of the consolidation and the parent company accounts	41.5	39
Fees payable for the audit of subsidiaries, pursuant to legislation	36.5	38
	78	77
Non-audit services	0	0
Total	78	77

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 and any significant areas of complexity, judgement and estimation that have been applied in the preparation of the financial statements. The Committee has received reports and recommendations from the Investment Manager and the Auditor setting out the significant areas. These areas of judgement and estimation were discussed with the Investment Manager during the year and with the Auditor at the time the Audit and Risk Committee reviewed and agreed the Auditor's Group audit plan, and when the Auditor presented its findings at the conclusion of its year-end audit. The main areas where significant judgement or estimation was required included the assessment of fair values of investment properties, income recognition and calculation of the AIFM/Investment Manager's fee. Account was also taken of the market uncertainties impacting on the Company as a result of the ongoing COVID-19 pandemic, including on debt covenants and alternative performance measures on cash cover and other significant measures of Company resilience.

The significant matters 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 91.7% of its total assets as at 30 September 2021. 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 NAV. 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 to ensure they have up to date management information in order to value the portfolio. 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 and valuer.</p> <p>The valuation of UK commercial property, in particular the office sector, remains more volatile than it has been through uncertainty in asset values and rental income but is likely to become less so as the UK economy recovers from the COVID-19 pandemic.</p> <p>The Committee discussed with the Auditor the work performed to confirm the valuation and existence of the properties in the portfolio. The Committee also 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 NAV, 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. The Committee and Board was closely involved with the Investment Manager throughout the last 12 months, commenting on review of the testing the resilience of cash received and receivable against the Company's financial obligations and ability to meet dividend payments.</p>
CALCULATION AND PAYMENT OF MANAGEMENT FEES Incorrect interpretation of the relevant provisions in the Investment Management Agreement and/or incorrect calculation of the fees payable to the AIFM could result in an error in the Financial Statements and an incorrect payment to the Manager.	<p>The Committee has discussed the provisions in the Investment Management Agreement 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 Investment Management Agreement in late 2017. It has satisfied itself that the underlying calculations and assumptions which lie behind it are in accordance with the Management Agreement, as is the timing of payment. The Committee also reviewed the AIFM's commitment to invest a proportion of its management fees into the shares of the Company.</p>
COVID-19 AND GOING CONCERN ASSESSMENT The Directors are required to prepare the Financial Statements on a going concern basis unless they intend to liquidate the Company or have no alternative but to do so. The global outbreak of the COVID-19 pandemic has led to unprecedented uncertainty for all organisations. This increases the risk of presence of a material uncertainty in organisations.	<p>In assessing the Company's going concern, the Committee has taken into consideration the current economic situation, the continuing impact of COVID-19, the principal risks facing the Company, its loan covenants and liquidity position. The Company's going concern statement can be found on page 73.</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 2021, taken as a whole, are fair, balanced and understandable and provide 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.

COMMITTEE EVALUATION

A detailed and rigorous evaluation of the Committee was undertaken as part of the Board's annual performance evaluation. The skills and experience of the members was found to be appropriate, including recent and relevant financial experience, and industry experience. The Committee was found to be functioning effectively and all Committee members were satisfied with the overall workings of the Committee. Through the Nomination Committee, there was also consideration of succession issues, and the continued independence of all the members of the Committee.

Robin Archibald

Chair of the Audit and Risk Committee

17 December 2021

Report of the Investment and Property Valuation Committee



COMPOSITION OF THE INVESTMENT AND PROPERTY VALUATION COMMITTEE

The Investment and Property Valuation Committee (the Investment Committee) comprises William Hill (Chair) and Imogen Moss, with the remaining Directors acting as alternates. William Hill as a chartered surveyor and Imogen Moss as a property lawyer both have substantial experience of the UK commercial property market.

The Committee meets ad hoc to deal with ongoing investment transactions and property management issues. When the timing coincides with Board meetings some of its business is dealt with during these meetings. Sustainability also falls under its remit and is managed by a sustainability working group comprising the membership of the Committee and the Investment Manager. The Committee's terms of reference were reviewed during the year and are available on the Company's website.

RESPONSIBILITIES OF THE INVESTMENT AND PROPERTY VALUATION COMMITTEE

The role of the Investment and Property Valuation Committee is to authorise, decline or make recommendations on any property transaction proposed by the Manager, including those in which capital expenditure exceeds the limits set out in the Management Agreement. The Committee also considers the impact of the Company's activities in connection with sustainability issues and uses external input for the purposes of developing a sustainability strategy in conjunction with the Manager.

The duties of the Investment Committee are, inter alia:

- to authorise or decline to authorise, with good reasons provided, or to make recommendations on matters reserved for the Board on all property investment transactions proposed by the Manager;
- to authorise or decline to authorise, with good reasons provided, or to make recommendations on matters reserved for the Board, on any property transaction proposed by the Manager which includes capital expenditure outside the limits set out in the Management Agreement;
- to authorise or decline to authorise, with good reasons provided, property management activities proposed by the Manager which are outside the limits set out in the Management Agreement;

- to approve fees due to the Manager resulting from the carrying out of a development management role;
- to authorise or decline to authorise, with good reasons provided, any proposed property loan agreements and any variations to the terms of the existing property loan agreements secured on the underlying property assets;
- to approve any litigation relating to the management of the property assets outside the limits set out in the Management Agreement;
- to review the quarterly property valuation report produced by the valuer as part of its submission to the Board;
- to consider the impact of the Company's activities in connection with ESG issues and to use external input for the purposes of developing a sustainability strategy in conjunction with the Manager and to report on progress; and
- to provide input to the Board as necessary on the drafting of the quarterly NAV statements.

MEETINGS

The Committee meets both independently and at every scheduled Board meeting, as part of the business of the Board meeting where the Manager's report can include items for oversight or sign off that would otherwise be dealt with in ad hoc meetings. It will meet as often as necessary to consider property transactions proposed by the manager and carry out other duties. The Administrator attends the meetings as Secretary to the Board and representatives of the Investment Manager are also present. The sustainability working group, set up under the oversight of the Committee, meets at least four times a year.

INVESTMENTS AND PORTFOLIO ACTIVITIES

Outside regular Board meetings the Committee met four times during the course of the year. It discussed the sale of the Tesco unit at Prestatyn, the acquisition of Springkerse Retail Park in Stirling, the extension of the lease of Haddington Retail Park to Euro Garages and the surrender of the lease held by Frankie & Benny's at Plas Coch Retail Park, Wrexham. With the exception of the lease extension at Haddington, all transactions were approved and are referred to in the Chairman's and/or Investment Manager's reports. The Committee members were consulted on several occasions by the Investment Manager on other transactions that were within the discretion of the Investment Manager.

VALUATIONS

The Committee liaises closely with the Knight Frank, the Company's valuer, and reviews the quarterly valuation reports prior to these being provided to the wider Board. Knight Frank are invited to present the valuations at each quarterly board meeting and provide the Directors with the opportunity to ask questions and provide challenge.

During the year, the COVID-19 pandemic continued to impact the levels of transactional activity and liquidity in the real estate market. This had a negative impact on the Company's NAV during the first half of the year and the Committee kept in regular contact with the valuer to monitor this situation closely and any potential implication for the Company's debt covenants. In the second half of the year the value of the Company's retail warehouse portfolio started to recover leading to an increase in the Company's NAV in June and September.

ESG

The Company has engaged Savills as sustainability consultant, to assist with its ongoing commitment to ESG. The Company's sustainability working group, which met four times during the year, comprises William Hill, Imogen Moss and the Investment Manager. It maintains close contact with Savills on all matters related to the Company's ESG initiatives.

During the year, the Company has developed asset sustainability plans, asset sustainability targets, liaised with tenants to improve the quality of ESG data being received and taken steps to implement the suggested improvements from the Company's 2020 GRESB submission.

The Investment Committee has also begun to put plans in place for the implementation of a net zero carbon strategy for the Company. The Board recognises the particular importance of the property sector committing to working towards net carbon zero status and this will continue to be a key focus for the Investment Committee during the 2022 financial year.

COMMITTEE EVALUATION

A detailed and rigorous evaluation of the Committee was undertaken as part of the Board's annual performance evaluation. The Board is satisfied that the Committee's membership and its operation are satisfactory and the diversity of skills and experience of the two primary members are considered appropriate.

William Hill

Investment and Property Valuation Committee Chair

17 December 2021

Report of the Marketing Committee



COMPOSITION OF THE MARKETING COMMITTEE

The Marketing Committee comprises the full Board and is chaired by Jamie Skinner. It is considered appropriate that all Directors are members of the Committee due to the size of the Company and importance of all Board members remaining up to date with marketing matters. The Committee's terms of reference were reviewed during the year and are available on the Company's website.

RESPONSIBILITIES OF THE MARKETING COMMITTEE

The Marketing Committee is responsible for reviewing the Company's marketing strategy and ensuring this is in line with the aims and objectives agreed by the Board and the Investment Manager. The Committee reviews the annual marketing budget and allocation of funds before providing a recommendation to the Board. The Committee Chair also meets bi-annually with the Company's PR agent, broker and Investment Manager to review the Company's publications and coverage levels and to evaluate the level and effectiveness of the marketing support received.

The duties of the Marketing Committee are, inter alia:

- to consider the marketing strategy for the Company;
- to review the annual marketing budget;
- to review, from a marketing perspective, the design and contents of the Company's website and any other publications by the Company, such as quarterly factsheets;

- to review the Company's communications with its shareholders, investment platforms, the stockmarket and public media;
- to evaluate the level and effectiveness of any marketing support provided by the Investment Manager for the Company, whether under the terms of the Management Agreement or simply as part of a non-contractual obligation or understanding;
- to compare and contrast, to the extent possible, the Company's level and relative effectiveness of marketing effort and materials with other REITs, comparable property companies and investment companies;
- to evaluate the level and effectiveness of any marketing support provided to the Company by, inter alia, the Company's brokers, marketing consultants, designers and public relations agency; and
- to consider whether any additional third parties should be engaged by the Company to further support the Company's marketing activities.

MEETINGS

The Marketing Committee met twice during the year to discuss the Company's media plan and review the marketing budget and expenditure for 2021/22. The Administrator attends the meetings as Secretary to the Committee. In addition, representatives of the Investment Manager and the Company's PR agent are also invited to attend.

MARKETING BUDGET

Following a curtailment of marketing spend during 2020 due to the onset of the COVID-19 pandemic, the Marketing Committee considered the marketing budget requirements for the upcoming financial year, including the re-instatement of advertising costs. It is the view of the Marketing Committee that an increased budget is required to support the Company's growth ambitions. Following the Committee's recommendation, the Board approved an increased marketing budget of £95,000 for the period 1 October 2021 to 30 September 2022. Marketing spend and associated costs will be kept under review throughout the year.

PUBLIC RELATIONS AND MEDIA COVERAGE

The Company's PR agent, Kaso Legg, was present at both meetings during the year, providing the Committee with an update regarding the Company's press and media coverage. Kaso Legg also met with the Company's broker and was in regular dialogue with the Investment Manager, who has close contact with the Company's major investors. The Marketing Committee was pleased to note the excellent media coverage of the Company throughout the year. The Board considers this to be an important part of the communication strategy of reaching out to existing and prospective shareholders.

MARKETING STRATEGY

The Marketing Committee is clear in its objectives that promotion of the Company's activities needs to be worked on with consistency and effort, especially given the challenging times since the advent of COVID-19. During the first half of the year, the Company's marketing efforts focused on communication with existing investors and the defensive case for investment in the Company, recognising the market uncertainties impacting on all of the UK commercial property market. As economic conditions improved throughout 2021, the Committee engaged Kepler Group as property research reporters, to convey the Company's developments more widely to the market. The Company meets with its broker at most scheduled board meetings, with a formal submission from the broker for each meeting. The broking arrangements are kept under review both for the secondary market trading in the Company's shares and with the prospect of raising fresh equity.

COMMITTEE EVALUATION

A detailed and rigorous evaluation of the Committee was undertaken as part of the Board's annual performance evaluation. The Committee was found to be functioning well, despite more challenging economic circumstances, and the Board was pleased with the level of press coverage achieved through the combined efforts of Kaso Legg, the Committee and the Investment Manager.

Jamie Skinner

Marketing Committee Chair

17 December 2021



Performance of key service providers is constantly monitored to maximise value to the Company.

COMPOSITION OF THE MANAGEMENT ENGAGEMENT COMMITTEE

The Management Engagement Committee comprises the full Board with Imogen Moss as Chair. The Committee's terms of reference were reviewed and updated during the year and are available on the Company's website.

RESPONSIBILITIES OF THE MANAGEMENT ENGAGEMENT COMMITTEE

The duty of the Management Engagement Committee is to review the terms of appointment of, and the performance by, the Investment Manager, the AIFM, the Administrator and the other key service providers appointed by the Company, and to decide whether it is in the best interests of shareholders for those appointments to continue. The Company's auditor and tax adviser are not included in this review as their appointments fall under the remit of the Audit and Risk Committee.

In respect of the Investment Manager and AIFM the following are considered particular areas of focus:

- monitor and evaluate the Investment Manager's investment performance, looking at key performance metrics including the Company's net asset value (NAV) total return, the share price total return and average discount, dividend cover, rent collection statistics and asset management initiatives and comparing this performance to the Company's peer group;

- investigate any breaches of agreed investment limits and any deviation from the agreed investment policy and strategy;
- evaluate the level and effectiveness of any marketing support provided by the Investment Manager to the Company and how the Investment Manager works with external marketing providers;
- review the resources dedicated to the Company and the management of key person risk;
- assess the level of fees charged and how these fees compare with those charged to peer group companies;
- in the case of the AIFM, review the provision of the AIFM and compliance services; and
- review their risk management and internal control systems, conflicts of interest policy and financial standing.

In addition to the Committee members drawing on their own experiences of working with the service providers, the Committee also had the Investment Manager and the Administrator complete assessments of the performance of the other service providers and of each other. This feedback was carefully reviewed and discussed by the Committee.

MEETINGS

The Committee met twice during the year to review the service levels and the fees for the AIFM, Investment Manager and other key service providers to the Company. The Administrator attends the meetings as Secretary to the Committee but takes no part in the Committee's review of its performance as company secretary and administrator to the Company. In addition, representatives of the Investment Manager and the AIFM attend as required but are not present during discussions regarding their own performance.

ACTIVITIES DURING THE YEAR

CHANGES TO THE MANAGEMENT AGREEMENTS

In December 2020 the terms of the Company's agreements with the Investment Manager and the AIFM were updated and also amended to reflect the changes highlighted in last year's Corporate Governance Statement being:

- a commitment by the AIFM to acquire shares in the Company each quarter, for a period of three years ending on 31 December 2023, equating to 20% of the quarterly management fee;
- a quarterly reduction of £10,000 (£40,000 per annum) in the management fee to contribute to the costs of administering the Company;
- a new tier to the management fee for net assets over £500m, lowering the fee from the previous tiered fee of 0.75% to 0.65%; and
- clarification of management resource to be provided to the Company.

These changes align interests, demonstrate ambition for growth and secure a contribution to the Company's operating costs. The first acquisition of shares by the AIFM took place in January 2021 and it has acquired shares in each subsequent quarter as envisaged by the agreement. Whilst the engagement is in place there are restrictions on voluntary disposals of such shares before the earlier of 31 December 2024 and three years from the date of acquisition. The Committee continues to liaise closely with the AIFM and Investment Manager to ensure the above arrangements remain appropriate.

APPOINTMENT OF NEW TAX ADVISER

Following a review in 2020, the Board decided to change tax adviser. A formal selection process resulted in the appointment of BDO LLP on 14 May 2021. The Audit and Risk Committee took a lead role in the selection of BDO with the Management Engagement Committee being involved in the review of the BDO engagement letter. The Board expressed its thanks to the former adviser, Ernst & Young, who had been engaged since the Company's inception.

UPDATE TO TERMS OF REFERENCE

The Management Engagement Committee reviewed and updated its terms of reference during the year and ensured that the other Committees carried out a similar exercise.

INVESTMENT MANAGER

The day-to-day management of the Company, and in particular, the management of the Company's property portfolio, is delegated by the AIFM to the Investment Manager. The Committee carried out a robust assessment of the Investment Manager during the year including evaluating its investment and operational performance and fee levels. The feedback was positive, with particular praise for the strong rent collection statistics and high levels of tenant engagement achieved by the Investment Manager in the difficult circumstances created by the pandemic. Some additional suggestions have been made in relation to the delegation of roles between the Investment Manager and the Administrator, to ensure maximum possible efficiency is achieved and duplication of work avoided.

The Committee has worked closely with the Investment Manager on how they might best protect and serve the Company and its stakeholders in the challenging market conditions and remains firmly of the view that the Investment Manager demonstrates the skills and commitment to perform its role. The Committee recommended the Investment Manager's continued appointment to the Board and it was unanimously agreed that this is in the best interests of shareholders.

AIFM

In consultation with the Audit and Risk Committee, who receive a compliance update from the AIFM three times annually, the Management Engagement Committee conducted a review of the performance of the AIFM. The Committee was satisfied that the AIFM has complied with its relevant obligations under the AIFMD and REIT regulations and no operational issues or concerns were raised during the year.

Under the terms of the Investment Management Agreement, which was updated during the year, the AIFM is entitled to a fee in relation to the services it and the Investment Manager provide to the Company. The management fee is 0.95% of the Company's NAV, where the NAV is less than or equal to £250m, and 0.75% of the amount by which the NAV exceeds £250m. If the NAV reaches £500m, the management fee on the amount over £500m reduces to 0.65%. The Committee reviewed the fee arrangements and concluded they were reasonable.

At the Board's request, the AIFM agreed to an external audit review of the AIFM function and the AIFM's processes and reporting procedures. Due to the pandemic this independent review was delayed until after the year end but has since been carried out by IQEQ. Further details can be found in the Audit and Risk Committee Report on page 47.

Following the Committee's recommendation, the Board agreed that the continued appointment of the AIFM is in the best interests of the Company and its shareholders.

Report of the Management Engagement Committee continued

ADMINISTRATOR AND COMPANY SECRETARY

JTC (UK) Limited serves as administrator and company secretary to the Company following its appointment in December 2019.

Under the terms of the Administration Agreement, the Administrator is entitled to:

- an annual fee in respect of accounting and administration services of £115,000; and
- an annual fee in respect of company secretarial services of £62,000.

Additional fees of £2,250 were paid to the Administrator for two specific reports outside the scope of the Administration Agreement. The Administration Agreement can be terminated by either party, on six months written notice.

As mentioned above, some suggestions were made on the allocation of roles between the Investment Manager and the Administrator, and on communication between the UK and South African teams at the Administrator working on the account, to ensure efficiencies are achieved.

Following the Committee's recommendation, the Board agreed that the continued appointment of the Administrator is in the best interests of the Company and its shareholders.

OTHER SERVICE PROVIDERS

During the year, the Management Engagement Committee conducted a review of the Company's other key service providers. The sustainability consultant was included in the review this year. The Committee reviewed the actual fees incurred against the budget for the year and requested further explanation if fees significantly exceeded the budget. The Committee was satisfied that in the few instances where this occurred such additional fees were reasonable in the circumstances. The Committee also reviewed the terms of engagement to ensure they were still fit for purpose and, where appropriate, updated engagement letters are being put in place.

The Committee was satisfied that the key service providers were operating satisfactorily and could continue to perform their functions, under an adequate system of operating and internal controls, irrespective of Government and other restrictions imposed during the first half of this year. Feedback was provided to service providers on their performance, where necessary.

As mentioned above, BDO LLP replaced Ernst & Young as tax adviser in May 2021.

The Committee has recommended retention of all other existing service providers to the Company, having challenged fee and service levels as appropriate. This will be kept under review alongside the regular monitoring of performance throughout the year and of the costs borne by the Company for all the services it receives.

COMMITTEE EVALUATION

A detailed and rigorous evaluation of the Committee was undertaken as part of the Board's annual performance evaluation. Overall, the Committee was found to be functioning well and the skills and experience of the members were considered appropriate.

Imogen Moss

Chair of the Management Engagement Committee

17 December 2021



COMPOSITION OF THE NOMINATION COMMITTEE

The Nomination Committee comprises the full Board and is chaired by Jamie Skinner. The Board considers that, given its size, it would be unnecessarily burdensome to establish a 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 on Board issues, including the diversity of experience, collective competence of the Board, evaluation of its membership and planning for succession. The Committee's terms of reference were reviewed during the year and are available on the Company's website.

RESPONSIBILITIES OF THE NOMINATION COMMITTEE

The role of the Nomination Committee is to ensure that there is a formal, rigorous and transparent procedure for the appointment of new directors to the Board, to lead the process for Board appointments and make recommendations to the Board. The Committee assists the Board in ensuring its composition is regularly reviewed and refreshed so that it is effective and able to operate in the best interests of shareholders.

The Committee has various functions, the most important of which are:

- annually review the structure, size and composition (including the skills, experience, independence, knowledge and diversity) of the Board and make recommendations to the Board with regard to any changes;
- review and nominate candidates for the approval of the Board to fill vacancies, although ultimate appointments are decided by the Board;
- ensure a formal, rigorous and transparent procedure is in place for the appointment of new directors to the Board;

- give full consideration to succession planning for Directors, taking into account the challenges and opportunities facing the Company, and the skills and expertise needed on the Board in the future;
- review annually the time required from Directors, including the Chairman, Audit Chair and chairing of the various Committees. Performance evaluation is used to assess whether the Directors are spending enough time to fulfil their duties;
- consider the recommendations for re-election on retirement, and also the re-appointment of any Director at the conclusion of his/her specified term of office; and
- assist the Chairman of the Board with the implementation of an annual evaluation process to assess the overall and individual performance and effectiveness of the Board and its Committees, including consideration of the balance of skills, experience, independence and knowledge of the Board, its diversity, including gender, how it works together as a unit, and other factors relevant to the Board's effectiveness.

Report of the Nomination Committee continued

MEETINGS

The Nomination Committee meets formally at least once a year and also when required (there were three meetings this year). At the formal meeting, the Committee discussed succession planning and also reviewed the results of the annual evaluation of the effectiveness of the Board and its Committees. The Administrator attends the meetings as Secretary to the Committee. In addition, representatives of the Investment Manager are invited to attend as required.

SUCCESSION PLANNING

The Committee considered succession planning during the year in line with its succession planning and Board tenure policies. Overall, the Committee was satisfied that there was sufficient variability in the appointment dates to the Board to prevent the need for any immediate rotation of Board members. Each Director has indicated their preferences and intentions with regards to their length of service on the Board, with consideration being given to the Company's succession planning policy and the AIC Code of Corporate Governance's (the 'AIC Code's') recommendation of a maximum term of nine years, and provisional timings have been agreed for the recruitment of any new Board members which may be required upon the retirement of the existing Directors. Any new Board members who will replace the Chairman of the Board or the Chair of the Audit Committee will be appointed prior to the existing Director's resignation to ensure an effective handover is delivered. There are no expected Board changes for the year ending 30 September 2022.

DIVERSITY

The Board recognises the benefits that diversity brings. Diversity includes and makes good use of differences in knowledge and understanding of relevant diverse geographies, peoples and their backgrounds including race or ethnic origin, sexual orientation, gender, age, disability or religion. Appointments to the Board are made on merit and objective criteria, in the context of complementing and expanding the skills, knowledge and experience of the Board as a whole. The Board's approach is to appoint the best possible candidate, considered on merit and against objective criteria (and in accordance with the Equality Act 2010). At the year-end, 25% of the Board was female. In terms of the current Board, all of the members have been drawn from diverse working and social experience with no prior connections between individual Board members.

BOARD EVALUATION

During the year, a formal and rigorous evaluation of the performance of the Board, its Committees and the individual Directors was carried out through an assessment process led by the Nomination Committee Chair and Board Chairman. The process was conducted through the completion of questionnaires tailored to suit the nature of the Company. A number of topics were raised and discussed and overall the Board was found to be functioning well. Areas of particular strength included the balance of skills on the Board and the level of engagement and commitment shown by all members. The Board's close working relationship with the Investment Manager and detailed knowledge of the Company's assets, services provided by external advisers, strategy and the issues the Company faces were also noted.

The material areas for enhancement related to the timing and content of Board meetings. The Committee members provided some suggested improvements to ensure the time dedicated to these was being used to its maximum potential. The evaluation process continued to recognise the contributions made by Robin Archibald in relation to the corporate activity of the Company and its operation. It was noted that these contributions were in addition to his role as Senior Independent Director and Chair of the Audit Committee, and would need to be taken into account during any succession planning.

The evaluation of the Chairman was led by the Chair of the Nomination Committee with contributions from the other Directors. The Nomination Committee recognised the Chairman's extensive knowledge of the property sector, Environmental, Social and Governance, and sustainability, and the ways in which this benefitted the Company. The Directors' feedback also showed that the Chairman effectively promoted a culture of openness and debate, facilitated constructive Board relations and ensured all Board members contributed effectively.

The Committee also considered the requirement for an independent Board evaluation in accordance with the AIC Code's recommendation that this be carried out every three years. The Board carried out an independent evaluation of the Board during the period ending 30 September 2019, and as there were no significant concerns raised during the Board evaluation process, it was decided that an external evaluation was not currently required. However, this would be kept under review throughout the year.

COMMITTEE EVALUATION

A detailed and rigorous evaluation of the Committee was undertaken as part of the Board's annual performance evaluation. The Committee was deemed to be functioning well and the diversity of skills and experience of the members were considered appropriate and sufficient to ensure informed debate and constructive challenge.

Jamie Skinner

Nomination Committee Chair

17 December 2021

Report of the Remuneration Committee



COMPOSITION OF THE REMUNERATION COMMITTEE

The Remuneration Committee comprises the full Board and is chaired by Jamie Skinner. Given the size of the Board, all Directors are members of the Remuneration Committee. The Board believes that this enables all Directors to be kept fully informed of any issues that arise, including time commitment and roles performed by different Board members which may necessitate additional payments or a variety of remuneration levels. The Committee operates in such a way that individual assessment of Directors' performance and remuneration issues are considered without conflict.

No Director is involved in any determination of their own evaluation, remuneration or election for re-appointment to the Board. The Committee's terms of reference were reviewed during the year and are available on the Company's website.

RESPONSIBILITIES OF THE REMUNERATION COMMITTEE

The Committee is responsible for determining and agreeing with the Board the framework and policy for the remuneration of the Company's Chairman and non-executive Directors.

The duties of the Remuneration Committee are:

- determining and agreeing with the Board the framework and policy for the remuneration of the Company's Chairman and non-executive Directors pursuant to the Company's Articles of Association and taking into account Board committee responsibilities and any other roles undertaken;
- in determining such policy, taking into account all factors which it deems necessary including relevant legal and regulatory requirements, the provisions and recommendations of the AIC Code of Corporate Governance and associated guidance;
- when setting the remuneration policy for Directors, reviewing and having regard to the remuneration trends across the Investment Companies (where relevant);
- reviewing the ongoing appropriateness and relevance of the Remuneration Policy;
- obtaining reliable, up to date information about external remuneration trends and market conditions, including remuneration in other comparable companies;
- setting the remuneration of non-executive Directors and ensuring that no individual Director is involved in any decisions as to their own remuneration;
- ensuring that contractual terms on termination, and any payments made, are fair to the individual and the Company, that failure is not rewarded and that the duty to mitigate loss is fully recognised;
- agreeing the policy for authorising claims for expenses for the Directors;
- taking into account any activities outside the normal scope that are engaged in by individual Board members, requiring consideration of additional remuneration and agree the policy for authorising one-off payments deemed fair and reasonable for extra work and duties undertaken by individual members of the Board; and
- considering such other matters as are referred to the Committee by the Board in relation to remuneration and benefits.

Report of the Remuneration Committee continued

MEETINGS

The Remuneration Committee meets formally at least once a year and also when required. There was one meeting during the year, at which the Committee reviewed the Board's remuneration including any proposed increases and the additional remuneration of the Senior Independent Director for services provided outside the normal course of duties. The Administrator attends the meetings as Secretary to the Committee.

ACTIVITIES DURING THE YEAR

REMUNERATION POLICY

The Company's Remuneration Policy can be found in the Director's Remuneration Report on page 61. The Remuneration Policy was last approved by shareholders at the Annual General Meeting (AGM) held on 23 February 2021 and will therefore be put to a vote at the AGM in 2024 as part of the regulatory three yearly approval process.

During the period, the Committee carried out a review of the Remuneration Policy and was satisfied that it remained appropriate and continued to support the Company's strategy and promote its long-term sustainable success. Principles P and Q of the AIC Code of Corporate Governance 2019, which require remuneration policies and practices to focus on strategy and long-term sustainable success, were referred to during the review of the Remuneration Policy and it was found that these have been applied appropriately.

BOARD REMUNERATION

A detailed review of Board emolument levels was undertaken by the Committee during the 2020 financial year, supported by a fee analysis report prepared by the Company Secretary and taking into account the time commitment required of the Directors. The Committee noted that the Board had not received a fee increase since 2018, other than for additional roles, and that the aggregate remuneration levels were well within the remuneration policy limit. However, it was agreed that no increases should be implemented until the outlook for the Company was more stable.

During the year, the Committee reviewed an updated fee analysis report prepared by the Company Secretary and unanimously agreed that Board remuneration should continue to remain unchanged. The situation will be kept under review until such time as the increases are appropriate to implement.

REMUNERATION OF THE SENIOR INDEPENDENT DIRECTOR

As previously reported in 2020, the Board agreed that an additional £10,000 per quarter should be paid to the Senior Independent Director Robin Archibald, to reflect the extended role he is carrying out. The Committee remains of the view that Robin Archibald continues to perform duties beyond those normally expected as part of his non-executive appointment and the Board continues to rely heavily on his corporate expertise and experience in the listed company arena. The Committee, therefore, concluded that the additional fee paid to Robin Archibald was appropriate and should continue to be paid. Robin Archibald has not participated in the discussions relating to his remuneration and will continue to be subject to the same appointment terms as the other members of the Board. The payment of this additional fee will be kept under review to ensure it remains appropriate. Further detail on Directors' remuneration can be found in the Directors' Remuneration Report on page 61.

COMMITTEE EVALUATION

Following a review of the Committee, the skills and experience of the members were found to be appropriate. Committee meetings were considered effective and efficient, and all members contributed appropriately.

Directors' Remuneration Report

The Board considers annually the level of fees paid to each Director. This review takes into account the individual responsibilities of the Board member under the Committee structure; anticipated input required to oversee the Company's activities in the future; and how Board remuneration is structured for other alternative asset class boards, such as property.

Whilst the Board has final determination of the level of Directors' fees, the Remuneration Committee is responsible for assessing whether the current fee levels are appropriate. The Remuneration Committee takes external input where required in its assessment and also takes into account the results of Directors' evaluation and Board succession issues. The Remuneration Committee's Report can be found on pages 59 to 60.

BOARD REMUNERATION REMUNERATION POLICY

The Group's policy is that the remuneration of the Directors should take into account the experience of the Board as a whole and the time commitment required; be fair, comparable with that of similar companies; and be specific to the requirements of the Company. The level of remuneration should be appropriate and sufficient to attract and retain the quality, experience and competence of directors needed to oversee the Company properly and to reflect its specific circumstances at any given time, including in response to out of the ordinary events.

Shareholders must vote on the Remuneration Policy every three years, or sooner, if the Company wants to make changes to the Remuneration Policy. The Remuneration Policy was approved by shareholders at the Annual General Meeting (AGM) held on 23 February 2021. It is intended that the current Remuneration Policy will continue for the three-year period ending at the AGM in 2024, at which point it, including any amendments proposed, will be subject to renewal.

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, as approved by shareholders at a General Meeting. The fees are fixed and are payable in cash, monthly in arrears. No element of the Directors' remuneration is performance related, nor does any Director have any entitlement to pensions, share options, any long-term incentive plans or termination protections from the Company. The Company may periodically also choose to benchmark Directors' fees with an independent review, to ensure they remain fair and reasonable. 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 or where the scope requires specific commitment from individual Directors over and above the standard time commitment. Directors are also eligible to receive out of pocket expenses for approved expenses incurred wholly and exclusively in fulfilling Company duties.

The Directors hold their office in accordance with the Articles of Association and their appointment letters. No Director has a service contract with the Company, nor are any such contracts proposed. The Directors' appointments can be terminated in accordance with the Articles of Association and without compensation.

DIRECTORS' EMOLUMENTS FOR THE YEAR

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

	Basic fees 2021 £'000	Additional fees 2021 £'000	Total amount salary and fees 2021 £'000	Basic fees 2020 £'000	Additional fees 2020 £'000	Total amount salary and fees 2020 £'000
William Hill (Chairman)	52	–	52	52	–	52
Robin Archibald*	47	40	87	47	–	47
Imogen Moss**	35	–	35	18	–	18
Jamie Skinner	38	–	38	38	–	38
Robert Dick***	–	–	–	20	–	20
Total	172	40	212	175	–	175

* Robin Archibald receives additional remuneration of £40,000 per annum in recognition of the services he provides to the Company described in the Remuneration Committee Report on page 60.

** Imogen Moss was appointed to the Board on 1 April 2020.

*** Robert Dick retired as a Director on 31 March 2020. No additional fees were paid to Robert Dick for loss of office.

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 £428 (2020: £1,700). No additional fees or special remuneration was paid during the year.

FUTURE BOARD EMOLUMENTS

Based on the current levels of fees and the Directors appointed at the date of this report, Directors' remuneration for the year ending 30 September 2022 will be as follows:

	Basic salary and fees 2022 £'000	Additional fees 2022 £'000	Total amount salary and fees 2022 £'000	Total amount salary and fees 2021 £'000
William Hill (Chairman)	52	–	52	52
Robin Archibald (Senior Independent Director and Audit and Risk Committee Chair)	47	40	87	87
Imogen Moss (Management Engagement Committee Chair)	35	–	35	35
Jamie Skinner (Marketing Committee, Remuneration Committee and Nomination Committee Chair)	38	–	38	38
Total	172	40	212	212

Directors' Remuneration Report continued

RELATIVE IMPORTANCE OF SPEND ON PAY

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

	2021 £'000	2020 £'000	% change
Aggregate Directors' remuneration	172*	175	-1.7
Aggregate dividends paid to shareholders	9,334	10,611	-12.0

* This does not include the additional remuneration of £40,000 paid to Robin Archibald.

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 17 December 2021, 30 September 2021 and 30 September 2020 were as follows:

	Ordinary Shares 17 December 2021	Ordinary Shares 30 September 2021	Ordinary Shares 30 September 2020
William Hill	144,893	144,893	130,286
Robin Archibald	109,093	109,093	67,602
Imogen Moss	76,069	76,069	46,632
Jamie Skinner	100,000	100,000	100,000
Total	430,055	430,055	344,520

No additional shares in the Company have been bought since 1 October 2021.

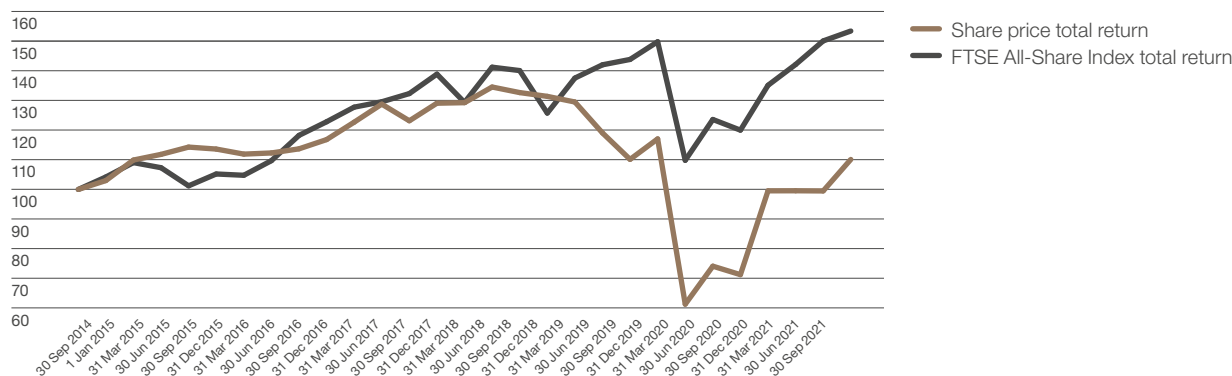
MANAGEMENT SHAREHOLDINGS

Although not forming part of this report, it is also noted that the senior personnel of the Investment Manager held in aggregate 1,984,667 Ordinary Shares of the Company as at 30 September 2021 (2020: 1,532,593 Ordinary Shares). As at 17 December 2021, these aggregate holdings were 1,990,792 Ordinary Shares.

As part of its role as Alternative Investment Fund Manager, Ediston Investment Services Limited will continue to purchase shares in the Company each quarter following publication of the net asset value and following receipt of its management fee. The commitment is to apply 20% of the management fee to acquire shares in the Company. The commitment expires on 21 December 2023.

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 2021, 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 2021 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. The Company does not have a benchmark index.

Since its launch in October 2014, the gross assets of the Company have grown from initial assets of £95.0m to total assets of £303m as at 30 September 2021.

VOTING AT ANNUAL GENERAL MEETING

At the Company's AGM, held on 23 February 2021, shareholders approved the Directors' Remuneration Policy with 84.4% of the votes cast in favour of the resolution. As detailed in the Section 172 statement on page 36, the Remuneration Committee Chair contacted those shareholders who voted against this resolution, to understand their views which had largely been influenced by comments made by voting agencies. The Board is satisfied that suitable engagement and explanation was given on this issue.

An ordinary resolution for the approval of the Directors' Remuneration Policy is proposed every three years and will therefore be put to shareholders at the next AGM to be held in 2024.

Shareholders also approved the Annual Report on Directors' Remuneration for the year ended 30 September 2020 with 100% of the votes cast 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.

Jamie Skinner

Remuneration Committee Chair

17 December 2021

Directors' Report

The Directors present their report and Financial Statements of the Group for the year to 30 September 2021. The Corporate Governance Statement on pages 40 to 43 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 11	Report of the Marketing Committee	Pages 52 to 53
Principal risks and risk management	Pages 25 to 34	Report of the Management Engagement Committee	Pages 54 to 56
Board of Directors	Pages 38 to 39	Report of the Nomination Committee	Pages 57 to 58
Report of the Audit and Risk Committee	Pages 44 to 49	Report of the Remuneration Committee	Pages 59 to 60
Report of the Investment and Property Valuation Committee	Pages 50 to 51	Remuneration Report	Pages 61 to 62

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. The Ordinary Shares 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 84 to 101.

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 Annual General Meeting (AGM).

The interim dividends paid during the year were as follows, with the annualised dividend rate for the year to 30 September 2021 of 4.42 pence per share:

	Payment date	Rate per share
Twelfth interim dividend for the prior year	30 October 2020	0.3333p
First interim dividend	30 November 2020	0.3333p
Second interim dividend	31 December 2020	0.3333p
Third interim dividend	29 January 2021	0.3333p
Fourth interim dividend	26 February 2021	0.3333p
Fifth interim dividend	31 March 2021	0.3333p
Sixth interim dividend	30 April 2021	0.3333p
Seventh interim dividend	28 May 2021	0.4167p
Eighth interim dividend	30 June 2021	0.4167p
Ninth interim dividend	30 July 2021	0.4167p
Tenth interim dividend	31 August 2021	0.4167p
Eleventh interim dividend	30 September 2021	0.4167p

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

	Payment date	Rate per share
Twelfth interim dividend	29 October 2021	0.4167p
First interim dividend for the year ending 30 September 2022	30 November 2021	0.4167p
Second interim dividend	31 December 2021	0.4167p

A breakdown of the distributions paid analysed between Property Income Distributions (PIDs) and Non-PIDs (see glossary and definitions) is provided on page 107.

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 sustainable and covered dividends to shareholders on a monthly basis. As previously reported, following the impact of COVID-19, the dividend for the period from 1 October 2020 to 30 April 2021 was reduced to 4.0 pence per share annualised. The ending of the national lockdown in spring 2021 resulted in an improved outlook for income and rent collection, and the Company, therefore, increased the dividend rate to 5.0 pence per share annualised from May 2021. As a result, for the year ended 30 September 2021, the annualised dividend was 4.42 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. The Board also has to take account of the distributions required in order for the Company to qualify as a REIT.

It is the Board's intention that shareholders will continue to be given the opportunity to vote on the dividend 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 have the loan facilities in place as at 30 September 2021.

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

During the period, the Board made a non-material update to the Company's investment policy in order to reflect sustainability and the Company's refreshed strategy. The Board received legal advice which confirmed that the changes made were not material and therefore did not require shareholder approval.

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, sustainability factors, 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 across a variety of assets with a diverse range of tenants, lease lengths and covenant strengths. Investment risks can also be managed by geographical areas and sectors. However, although the Company can invest in all the principal commercial property sectors, it does not diversify for diversification's sake. There is no constraint in the prospectus limiting the maximum weighting in any of the principal property sectors. Instead, the focus is on asset performance and to let 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 25 to 34.

FUTURE DEVELOPMENTS

The likely future developments of the Company are contained in the Strategic Report on pages 10 and 11.

Directors' Report continued

DIRECTORS

Biographical details of the Directors, all of whom are non-executive, can be found on pages 38 and 39.

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.

The Articles of Association require that each Director retires 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 AIC Code of Corporate Governance (the 'AIC Code'), 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	23/02/2021
Robin Archibald	17/06/2014	23/02/2021
Jamie Skinner	01/07/2017	23/02/2021
Imogen Moss	01/04/2020	23/02/2021

The Directors believe that the Board has an appropriate balance of skills, experience, independence and knowledge of the Company and the sector in which it operates to enable it to provide effective strategic leadership and proper guidance of the Company. The Board confirms that, following the evaluation process set out in the Report of the Nomination Committee on page 58, the performance of each of the Directors is, and continues to be, effective and demonstrates commitment to the role. The Board believes, therefore, that it is in the interests of shareholders that each 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.

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 AND ALTERNATIVE INVESTMENT FUND MANAGER (AIFM)

Ediston Investment Services Limited has been appointed as the Company's AIFM and Investment Manager and provides portfolio and risk management services, including ensuring compliance with the Group's investment policy and the requirements of the Alternative Investment Fund Managers Directive (AIFMD), through the Investment Management Agreement. Management services, including advising on the acquisition, development, leasing, management and sale of the Group's properties, are delegated to Ediston Properties Limited under the Investment Manager's Delegation Agreement. Both agreements are subject to 12 months' notice, other than in a breach scenario.

The AIFM is entitled to an annual fee of 0.95% of the Group's net asset value (NAV) up to £250m, 0.75% of the NAV over £250m and 0.65% for assets over £500m, payable quarterly.

The last contractual amendments took place in 2020, when a side letter to the Management Agreement provided that the management fee payable would be reduced by £40,000, in order to put this towards the administrative costs of the Company, and a commitment from the AIFM to apply each quarter 20 per cent of the management fee to buying shares in the Company. Some additional amendments were also made to the Management Agreement and the Investment Manager's Delegation Agreement, principally relating to the management resource to be applied and what should happen if a satisfactory replacement was not found for Danny O'Neill.

Under the requirements of the AIFMD, the Company has appointed a Depositary with oversight duties including share issues, buy backs, dividend payments and adherence to investment limits. The Company's Depositary is IQ EQ Depositary Company (UK) Limited.

SHARE CAPITAL

Information on the Company's Share Capital, including voting rights, as at 30 September 2021 can be found in Note 16 to the Consolidated Financial Statements.

SUBSTANTIAL INTERESTS IN SHARE CAPITAL

As at 30 September 2021, the Company had received notification of the following holdings of voting rights (under the Financial Conduct Authority's Disclosure Guidance and Transparency Rules):

Investor	30 September 2021	
	Number of Ordinary Shares held	Percentage held*
Quilter Investors**	28,245,142	13.37**
Momentum Global Investment Management **	26,900,220	12.73**
Hargreaves Lansdown, stockbrokers (EO)	16,290,043	7.71
Investec Wealth & Investment	15,635,321	7.40
Thames River Capital	13,600,000	6.44
AXA Framlington Investment Managers	13,286,092	6.29
Baillie Gifford	11,304,825	5.35
Mattioli Woods	9,938,926	4.70
Interactive Investor (EO)	7,770,151	3.68
Capital International, stockbrokers	7,578,877	3.59
Close Brothers Asset Management	7,044,402	3.33

* Based on 211,333,737 Ordinary Shares in issue as at 30 September 2021. Source RDI 30 September 2021 report and DTR5 Disclosure notices. The Company has only one class of share.

** No individual underlying shareholder or fund owns more than 10%.

Since the year end, the Company has been notified of the following changes in holding of voting rights in the Company:

- Quilter Investors has changed to 27,800,000 Ordinary Shares (12.21%);
- Momentum Global Investment Management has changed to 23,182,520 Ordinary Shares (10.97%);
- Thames River Capital has changed to 21,423,318 Ordinary Shares (9.18%);
- Hargreaves Lansdown, stockbrokers (EO) has changed to 16,943,974 Ordinary Shares (8.02%);
- Investec Wealth & Investment has changed to 14,691,479 Ordinary Shares (6.95%);
- Mattioli Woods has changed to 9,863,511 Ordinary shares (4.67%);
- Interactive Investor (EO) has changed to 7,975,175 Ordinary Shares (3.77%);
- Close Brothers Asset Management has changed to 7,056,902 Ordinary Shares (3.34%); and
- Baillie Gifford has changed to 10,364,732 Ordinary Shares (4.9%).

There have been no other changes notified to the Company in respect of the above holdings, and no other new holdings notified, since the year end.

RELATED PARTY TRANSACTIONS

Related party transactions during the period to 30 September 2021 can be found in Note 17 to the Consolidated Financial Statements.

DIRECTORS' SHAREHOLDINGS

Information on the Directors' shareholdings as at 30 September 2021 can be found in the Directors' Remuneration Report on page 62.

OTHER COMPANIES ACT 2006 DISCLOSURES

- 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 or other corporate events.

ARTICLES OF ASSOCIATION

These are available on the Company's website at <http://www.epic-reit.com/investor-information/> or by application to the Company Secretary. Any amendment to the Company's Articles of Association may only be made by passing special resolution of the shareholders of the Company.

BRANCHES OUTSIDE THE UK

The Company does not have any branches outside the UK.

POLITICAL DONATIONS

No political donations were made during the year.

EMPLOYEES

The Group has no employees and therefore no employee share scheme or policies for the employment of disabled persons or employee engagement.

ADDITIONAL INFORMATION

There are no disclosures required in accordance with Listing Rule 9.8.4R.

Directors' Report continued

SHARE ISSUANCE AUTHORITY

TAP ISSUANCE

At the AGM held on 23 February 2021, 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 Financial Conduct Authority for a block listing, under which 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 on 22 May 2022 or at the 2022 AGM, whichever is the earlier 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 and extend this authority. The Company will only issue shares under the tap issuance authority at a premium to the prevailing NAV 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 2023.

2022 AGM

Shareholders are invited to attend the Company's AGM to be held at 1 St Andrews Square, Edinburgh EH2 2HN on 24 February 2022. The AGM notice is set out on pages 114 to 115.

Those shareholders who are unable to attend the AGM in person are encouraged to raise any questions in advance with the Company Secretary at epic.reit@jtcgroup.com (please include 'EPIC AGM' in the subject heading). Questions must be received by 5.00 p.m. on 10 February 2022. Any questions received will be replied to by either the Investment Manager or Board via the Company Secretary before the AGM. A shareholder presentation will be made available on the Company website updating shareholders on the activities of the year.

In light of the continued relative uncertainty in relation to the COVID-19 pandemic, the Board will continue to monitor Government guidance and will update shareholders on any changes to the above arrangements through the Company's website (<https://www.epic-reit.com/>) and by announcement through a regulatory information service.

RESOLUTIONS TO BE PROPOSED AT THE AGM

There are 13 resolutions being proposed at the forthcoming AGM, 10 as ordinary resolutions, including approval of the annual accounts (resolution 1), and 3 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 these resolutions is given below.

ANNUAL REPORT AND ACCOUNTS (RESOLUTION 1)

The first resolution being put to shareholders is the receipt of the Annual Report and Accounts for the year ended 30 September 2021.

DIRECTORS' REMUNERATION REPORT (RESOLUTION 2)

The Directors' Remuneration Policy and Annual Report on Directors' Remuneration, which can be found on pages 61 to 63, 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 was put to shareholders at the AGM in February 2021 and will next be put to shareholders at the AGM in 2024.

AUDITOR (RESOLUTIONS 3 AND 4)

The Independent Auditor's Report can be found on pages 76 to 83. 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 them (resolution 3) and to authorise the Directors to determine their remuneration (resolution 4).

RESOLUTIONS TO RE-ELECT DIRECTORS (RESOLUTIONS 5 TO 8)

The assessment of the Directors performance and the recommendation to re-appoint the Directors can be found on pages 58 and 66. Resolutions 5 to 8 propose the re-appointment of each of the Company's Directors.

RESOLUTION TO APPROVE DIVIDEND POLICY (RESOLUTION 9)

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). This non-binding resolution to approve the Company's dividend policy is proposed annually.

AUTHORITY TO ALLOT SHARES (RESOLUTION 10)

The Board continues to have growth as part of their strategic priorities and the ability to issue shares under existing shareholder authorities granted at an AGM and without having to incur the costs of publishing a prospectus is part of that strategic positioning and an economic way of growing where it can be applied.

Accordingly, resolution 10 (along with resolution 11 which is described below) is intended to authorise the Board 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), on a non pre-emptive basis.

Accordingly, resolution 10 authorises the Board to allot Ordinary Shares generally and unconditionally in accordance with section 551 of the Companies Act up to an aggregate nominal value of £704,375.35 representing approximately 33.33 per cent of the issued ordinary share capital at the date of this Notice of AGM.

The Board believes that the passing of resolution 10 is in shareholders' interests given that:

- the authority is intended to be used to fund the growth of the Company, thereby mitigating the potential dilution of investment returns for existing Shareholders; and
- shares issued under this authority will only be issued where the issue price per share is greater than the prevailing net asset value per share and should therefore not be dilutive to the net asset value per existing share.

DISAPPLICATION OF STATUTORY PRE-EMPTION RIGHTS (RESOLUTION 11)

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 NAV 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, under resolution 10, 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 per cent of the issued Ordinary Share capital of the Company at the date of the passing of resolution 11.

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.

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.

AUTHORITY TO MAKE MARKET PURCHASES OF ORDINARY SHARES (RESOLUTION 12)

In common with most other investment companies, the Company takes annual buyback 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 it would be for those investment companies with relatively liquid portfolios and no structural gearing. The Company is engaged in a growth strategy, 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)

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 430,055 Ordinary Shares.

SUSTAINABILITY PERFORMANCE

The Company recognises that its activities have both direct and indirect environmental and social impacts, and it is committed to operating in a responsible and sustainable manner. The Investment Manager acquires and manages properties on behalf of the Company and has responsibility for the day-to-day management and implementation of the Company's Sustainability Policy. Progress on implementing the Sustainability Policy is disclosed within the Sustainability Report on pages 16 to 21.

The Company aligns its disclosure of sustainability performance with the majority of the EPRA Sustainability Best Practice Recommendations (SBPR). The Company continues to report the greenhouse gas (GHG) emissions in line with the GHG Protocol Corporate Accounting and Reporting Standard.

Directors' Report continued

REPORTING METHODOLOGY

The Company's reporting boundary is 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, emission activities within assets held by the Company are excluded where there is limited or no operational control. Examples of this includes 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, estimates were used to fill-in the data gaps. Where this is not possible, the assets with incomplete data sets were excluded from the report unless noted otherwise. The new acquisition at Stirling and Haddington Retail Park are excluded from the report due to limited data availability. Please see 'Disclosure coverage – number of properties' on page 71 for information of our environmental data coverage.

The 2020 datasets were restated where more accurate data was acquired from our suppliers for utility services. This resulted in an 8% improvement to both the total energy use and GHG emissions reported last year, and a 24% improvement to the total water consumption. We will continue to work with suppliers on improving the accuracy and consistency of the data reported.

Scope 1 and Scope 2 location-based GHG emissions were calculated using the UK Government GHG Conversion Factors for Company Reporting for the respective reporting periods. Scope 2 market-based GHG emissions were calculated using the European Residual Mixes factors (version 2018) and the zero emissions factor for the Renewable Energy Guarantees of Origin (REGO) backed electricity supplies. Proportion from renewable sources is based on renewable energy purchases. There was no on-site renewable energy generation to account for 2020 and 2021.

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

Energy Performance Certification (EPCs) includes a number of certificates which have expired in 2021 and are under review.

The environmental and social performance data was reviewed and checked by Savills (UK) Limited, acting as our sustainability consultants.

ENVIRONMENTAL PERFORMANCE MEASURES

In 2021, the Company procured 3,512 MWh of energy for use across the managed offices and retail properties, which is 33% higher energy use than in 2020. The comparatively higher energy use is largely linked to lower energy demand in the second half of last reporting year, which reflects the impacts of COVID-19 and reduced operational activity during that period. Besides, 88% of the increase was contributed by the increase in gas consumption at one of our offices, due to loosening COVID-19 restrictions and improved occupancy rate. The total water consumption reduced by 60% to 2,939 cubic meters. The significant reduction is as a result of limited data availability, therefore may not effectively reflect actual consumption of our portfolio during the reporting year.

Scopes 1 and 2 GHG emissions for the year to 30 September 2021 total 687 tonnes CO₂e (2020: 562 tonnes CO₂e). Our absolute Scopes 1 and 2 and the two year like-for-like emissions increased by 59% and decreased by 4% accordingly. The increase in Scope 1 emissions is strongly linked to the loosening COVID-19 restrictions, whilst the increase in electricity consumption was countervailed by the UK grid decarbonisation, resulting in a reduction in Scope 2-location based emissions. The significant decrease in the Scope 2-market based emissions reflects our continued efforts to transition to the REGO backed electricity contracts. The renewable electricity purchases increased by 24% and now accounts for 84% of the total electricity purchased (2020: 60%).

During the year we developed Asset Sustainability Plans for 10 assets with operational control. This enables us to identify potential opportunities to enhance the overall sustainability performance of our portfolio.

Our reporting scope for waste continues to cover 6 out of 12 assets. Since data for one of these properties was provided by the waste management contractor through rough estimation, only 5 properties fall under the two year like-for-like reporting scope to ensure meaningful comparison. In 2021, the total managed and reported waste was 97 tonnes, of which 29% was re-used or recycled and none sent directly to landfill.

GREENHOUSE GAS EMISSIONS

tCO₂e

EPRA indicator	Managed portfolio								Like-for-like		
	2020			2021			% change		2020	2021	% change
	Offices	Retail	TOTAL	Offices	Retail	TOTAL					
Direct emissions GHG-Dir-Abs, GHG-Dir-LfL	Scope 1*	239	–	239	380	–	380	59%	239	380	59%
Indirect emissions GHG-Indir-Abs, GHG-Indir-LfL	Scope 2 – location based**	150	173	323	184	122	306	-5%	304	293	-4%
	Scope 2 – market based**	115	94	208	4	87	91	-57%	177	67	-62%
Total Direct and Indirect	Scopes 1 and 2	388	173	562	564	123	687	22%	416	447	8%
	Disclosure coverage – number of properties	2 of 2	7 of 7	9 of 9	2 of 2	7 of 9	9 of 11	–	9 of 9	9 of 9	–
GHG emissions intensity GHG-Int	Scopes 1 and 2, tonnes CO ₂ e/£million net rental income***	19.2	8.9	27.8	28.0	6.1	34.1	23%	–	–	–

* 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 are used for reporting total emissions and GHG emissions intensity.

ENERGY CONSUMPTION

MWh

EPRA indicator	Managed portfolio								Like-for-like		
	2020			2021			% change		2020	2021	% change
	Offices	Retail	TOTAL	Offices	Retail	TOTAL					
Electricity Elec-Abs, Elec-LfL	Landlord controlled areas	643	744	1,387	868	577	1,445	4%	1,305	1,382	6%
	Proportion from renewable sources	53%	67%	60%	99%	60%	84%	24%	64%	87%	23%
Fuels Fuels-Abs, Fuels-LfL	Landlord controlled areas	1,297	1	1,298	2,067	0	2,067	59%	1,297	2,067	59%
	Proportion from renewable sources	–	–	–	–	–	–	–	–	–	–
Total energy*	Total landlord procured	1,940	744	2,685	2,935	577	3,512	31%	2,602	3,499	33%
	Proportion estimated	0%	1.49%	0.41%	0%	2%	1%	–	–	–	–
	Disclosure coverage – number of properties	2 of 2	7 of 7	9 of 9	2 of 2	7 of 9	9 of 11	–	9 of 9	9 of 9	–
Energy intensity Energy-Int	Landlord procured, kWh/m ²	125.9	9.5	–	190.5	7.3	–	–	–	–	–

* There are no district heating and cooling systems in place (DH&C-Abs, DH&C-LfL).

WATER CONSUMPTION

m³

EPRA indicator	Managed portfolio								Like-for-like		
	2020			2021			% change		2020	2021	% change
	Offices	Retail	TOTAL	Offices	Retail	TOTAL					
Water Water-Abs, Water-LfL	Landlord procured	6,982	336	7,318	2,675	265	2,939	-60%	3,661	1,800	-51%
	Proportion estimated	0%	0%	0%	5%	22%	27%	–	–	–	–
	Disclosure coverage – number of properties	2 of 2	4 of 4	6 of 6	2 of 2	3 of 5	5 of 7	–	4 of 6	4 of 6	–
Water intensity Water-Int	Landlord procured, m ³ /m ²	0.45	0.02	0.47	0.17	0.02	0.19	–	–	–	–

Directors' Report continued

WASTE MANAGEMENT

Tonnes

EPRA indicator	Managed portfolio								Like-for-like		
	2020			2021			% change		2020	2021	% change
	Offices	Retail	TOTAL	Offices	Retail	TOTAL					
Total weight of waste by disposal route Waste-Abs, Waste-LfL	Recycled or Re-used	20.4	18.7	39.0	10.5	17.6	28.1	-28%	37.3	26.7	-28%
	Incineration with energy recovery	84.0	19.6	103.6	45.1	23.5	68.6	-34%	99.1	64.8	-35%
	Sent to landfill	–	–	–	–	–	–	–	–	–	–
	TOTAL	104.3	38.3	142.6	55.6	41.1	96.7	-32%	136.4	91.5	-33%
	Proportion estimated	–	–	–	–	–	–	–	–	–	–
Proportion of waste by disposal route Waste-Abs, Waste-LfL	Disclosure coverage – number of properties	2 of 2	4 of 8	6 of 10	2 of 2	4 of 10	6 of 12	–	5 of 6	5 of 6	–
	Recycled or Re-used	20%	49%	27%	19%	43%	29%	2%	27%	29%	2%
	Incineration with energy recovery	80%	51%	73%	81%	57%	71%	-2%	73%	71%	-2%
	Sent to landfill	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%

BUILDING CERTIFICATION

BUILDING CERTIFICATION		2020		2021	
	EPRA indicator	Number of units	% floor area	Number of units	% floor area
Energy Performance Certification (EPC's) Cert-Tot	A-B rated	60	47%	45	39.8%
	C-E rated	59	53%	69	58.7%
	F-G rated	0	0%	2	1.5%
	Disclosure coverage – % of NLA		90%		98.5%

SOCIAL PERFORMANCE MEASURES

The Company 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. No community engagement activities took place at our managed assets this year due to the COVID-19 restrictions.

EPRA indicator		2019	2020	2021
Gender diversity* Diversity-Emp	Board of Directors			
	Female	0%	25%	25%
	Male	100%	75%	75%
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%	100%	100%
Asset health and safety compliance H&S-Comp	Number of incidents; unresolved within the required timeframe	0	0	0
Community engagement, impact assessments and development programmes Comty-Eng	Proportion of assets	20%	0%	0%

* Gender diversity ratio as at 30 September 2021.

GOVERNANCE PERFORMANCE MEASURES

		2020	2021
Composition of the highest governance body Gov-Board	Number of executive Board members	0	0
	Number of independent/non-executive Board members	4	4
	Average tenure on the governance body	4.4	5.1
	Number of independent/non-executive Board members with competencies relating to environmental and social topics	2	2 Please refer to page 38 for details
Process for nominating and selecting the highest governance body Gov-Selec			Please refer to page 56, Nomination Committee
Process for managing conflicts of interest Gov-Col			Please refer to page 66, 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.

In considering the appointment of Directors, the Company will continue to show no bias for age, gender, race, sexual orientation, marital status, religion, nationality, ethnic or national origins, or disability.

BUSINESS ETHICS

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In considering the appointment of Directors, the Company will continue to show no bias for age, gender, race, sexual orientation, marital status, religion, nationality, ethnic or national origins, or disability.

GOING CONCERN

The Directors consider that the Group has adequate resources to meet its financial commitments for a period of twelve months from the date of approval of the accounts.

The Board regularly monitors the Company's ability to continue as a going concern. The Strategic Report describes in detail the financial position, rental income and debt facilities as at 30 September 2021. The Board believes that the Company remains well placed to navigate effectively through a prolonged period of uncertainty and to mitigate the risks presented by it. The Company has a robust balance sheet and high-quality portfolio of commercial property assets let to a wide range of strong tenant covenants highly diversified by tenant and location.

The Directors have taken into consideration the current economic situation, the continuing impact of COVID-19, the principal risks facing the Company, its loan covenants and liquidity position. The Directors have also considered scenario analysis on the impact of different levels of rent collection across the portfolio and, over varying timescales, on the Company's financial position and the Company's ability to reduce outflows such as dividends, in extremis, were liquid resources to be required. The Company and the Investment Manager have so far been able to ensure the operational and trading integrity of the Company, and under all of these scenarios the Group, has sufficient cash resources to continue its operations, and remains compliant with its loan covenants, for a period of at least twelve months from the date of approval of the accounts. Sensitivity analysis and modelling has been undertaken to support this.

With this information and considering the nature of the Group's business and assets, the Directors continue to adopt the going concern basis in preparing the accounts.

Directors' Report continued

POST BALANCE SHEET EVENTS

Following the year end, the Company sold its office buildings in Bath, Edinburgh and Newcastle.

These sales are in line with the Company's strategy to sell its office portfolio and to reinvest the proceeds in retail warehouses.

Further details are included in Note 23 to the Consolidated Financial Statements.

VIABILITY STATEMENT

In accordance with the AIC Code and FRC Guidance on Risk Management, Internal Controls and Related Financial and Business Reporting, the Directors have assessed the prospects of the Company and its subsidiaries (the Group) over a period longer than the 12 months required by the 'Going Concern' provision noted above.

The Board considers the Company, with no fixed life, to be a long-term investment vehicle with a longer-term strategic objective and business model. For purposes of the viability statement, the Board has decided that three years is an appropriate period over which to report. The Board considers that this period reflects a balance between a longer-term investment horizon and the inherent uncertainties in markets, exacerbated by current market circumstances which have been impacted by the COVID-19 pandemic.

In assessing the viability of the Group over the review period, the Directors have focused on the following factors:

- **Cash flow:** The Group was established over seven years ago and the aim is for it to grow in the medium to longer term. The Board regularly considers short term cash flow models and 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 expected to change over the medium to 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 considered, the higher the degree of uncertainty over the exact constituents of the Group's investment property portfolio or the Company's market rating.
- **Sensitivity analysis:** 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 in the portfolio. Sensitivities were performed to analyse the impact to the Company if there were (i) increased void times due to not letting vacant space in the forecast timeline, (ii) a severe loss of income and (iii) a fall in asset values which could cause breaches in loan covenants. These scenarios provided the Board and Asset Manager with comfort that there was scope in the cash flow model to cope with unforeseen circumstances to a certain degree.
- **Risk factors:** The Company is subject to both endogenous and exogenous risk factors, the latter being difficult to predict and have been radically impacted by the recent COVID-19 health crisis and its effects on all developed economies, including on UK commercial property. The time horizon of three years takes account of the principal risks and uncertainties as shown on pages 25 to 34 of this annual report.

Although a three-year period is considered a satisfactory period to use in consideration of the Company's viability, the inherent expectation is that the Company, with no continuation or other dated events, will be able to continue beyond that period.

The three-year viability assessment considered the Group's cash flows, dividend cover, REIT compliance provisions, debt covenants and other key financial ratios over the period. These metrics are subject to sensitivity analysis which involves flexing the assumptions underlying the forecast, including stress in the property market resulting in a decrease in the capital values of the property portfolio, or declines in the occupational market, which could result in defaults by existing tenants or delays in letting vacant space in the portfolio. During the current COVID-19 pandemic, the Company's financial model was stress tested under various scenarios experienced during lockdown, such as low rent collection rates, extended void periods and against the loan-to-value 'LTV' covenants.

The potential impact of the principal risks was also considered. The Directors recognise that these risks could have an impact on longer term emerging risks such as behavioural changes, political or regulatory changes, advances in technology, environmental factors and economic conditions or demographic changes that might impact on the Group's operations. The Company's operational risks and resilience of portfolio and provision of services are also taken into account.

The three-year review considers whether re-gearing might be required and forecasts compliance with the covenants of the Company's current debt facilities and revised debt arrangements. Current debt facilities have maturity dates of May 2025 and 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 duration of each loan, at an overall blended rate of 2.86%. At the time of approval of this report, the Group held sufficient cash balances to finance currently identified capital expenditure within the Group's existing property portfolio and to meet the operational cash requirements of the Company.

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

REQUIREMENTS OF THE LISTING RULES

Listing Rule 9.8.4 requires the Company to include specified information in a single identifiable section of the annual report or a cross reference table indicating where the information is set out. The Directors confirm that there are no disclosures required in relation to Listing Rule 9.8.4.

By order of the Board

JTC (UK) Limited
Company Secretary
17 December 2021

Directors' Responsibilities Statement

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.

These Consolidated Financial Statements have been prepared in accordance with international accounting standards (IAS) in conformity with the requirements of the Companies Act 2006 and in accordance with international financial reporting standards (IFRS) adopted pursuant to Regulation (EC) No 1606/2002 as it applies in the European Union. 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 IFRS 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

17 December 2021

Independent Auditor's Report to the Members of Ediston Property Investment Company plc

OPINION

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 2021 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 adopted pursuant to Regulation (EC) No. 1606/2002 as it applies in the European Union and international accounting standards in conformity with the requirements of the Companies Act 2006. 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 2021 and of the group's profit for the year then ended;
- the group financial statements have been properly prepared in accordance with international financial reporting standards adopted pursuant to Regulation (EC) No. 1606/2002 as it applies in the European Union and international accounting standards in conformity with the requirements of the Companies Act 2006;
- 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 GOING CONCERN

We are responsible for concluding on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the group's and the parent company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify the auditor's opinion. Our conclusions are based on the audit evidence obtained up to the date of our report. However, future events or conditions may cause the group or the parent company to cease to continue as a going concern.

A description of our evaluation of management's assessment of the ability to continue to adopt the going concern basis of accounting, and the key observations arising with respect to that evaluation is included in the Key Audit Matters section of our report.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the group's and the parent company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

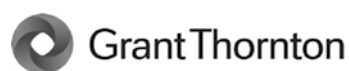
In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

In relation to the group's and the parent company's reporting on how they have applied the UK Corporate Governance Code, we have nothing material to add or draw attention to in relation to the directors' statement in the financial statements about whether the directors considered it appropriate to adopt the going concern basis of accounting.

The responsibilities of the directors with respect to going concern are described in the 'Responsibilities of directors for the financial statements' section of this report.

OUR APPROACH TO THE AUDIT

Overview of our audit approach



Overall materiality:

Group: £2,843,000, which represents 1.5% of the group's net assets.

Parent company: £2,741,000, which represents 1.5% of the parent company's **net assets**.

Key audit matters were identified as:

- Valuation of investment properties (same as previous year);
- Occurrence of revenue (same as previous year); and
- Going concern (same as previous year)

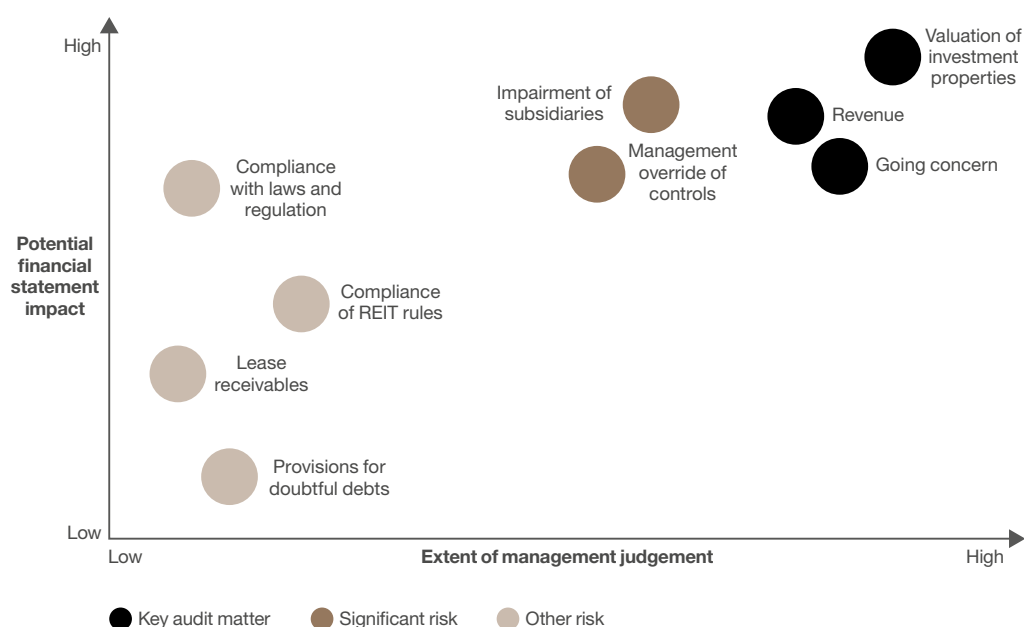
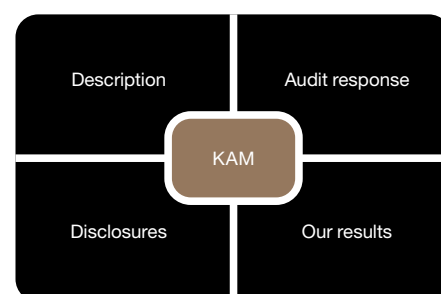
Our auditor's report for the year ended 30 September 2020 included no key audit matters that have not been reported as key audit matters in our current year's report.

We performed an audit of the financial information of components using component materiality (full scope audit) of the two subsidiaries, EPIC (No.1) Limited and EPIC (No.2) Limited. There has been no change in the scope of the audit from the prior year.

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.

In the graph below, we have presented the key audit matters, significant risks and other risks relevant to the audit.



Independent Auditor's Report to the Members of Ediston Property Investment Company plc continued

Key Audit Matter – Group

RISK 1 – VALUATION OF INVESTMENT PROPERTIES

We identified valuation of investment properties as one of the most significant assessed risks of material misstatement due to error. The group's investment property portfolio totals £278m (2020: £268m) and is held at fair value under International Accounting Standard (IAS) 40 'Investment Property' (IAS 40).

The valuation of the properties within this portfolio is inherently subjective due to the specific factors affecting each property and Knight Frank LLP has been 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 consideration.

Relevant disclosures in the Annual Report and Accounts

- Financial statements: Note 9, Investment properties.
- Audit committee report: Valuation and existence of the investment property portfolio.

How our scope addressed the matter – Group

In responding to the key audit matter, we performed the following audit procedures:

- Obtaining the year end valuations of each property directly from the management expert. We assessed the competence, credentials, independence and objectivity of the management expert through independent research and understanding the terms of their agreement with the group;
- Using the experience and expertise of our internal property valuation specialists, we challenged and corroborated the key assumptions, judgements and inputs used in the valuations of properties;
- Undertaking meetings with the management expert to understand the micro and macro-economic conditions impacting each site and challenging specific inputs used in valuations, especially those which were considered as potential outliers;
- Carrying out industry research in order to assess the appropriateness of these key assumptions including estimated rental value, comparable yields and void periods;
- Testing rental and capital lease incentives that affect valuations by agreeing these to underlying lease agreements; and
- Assessing whether the disclosures in the financial statements are compliant with IAS 40.

Our results

From the audit work performed, we found that the valuation methodologies and the inherent assumptions made to develop them to be supportable in light of available and comparable market evidence. We have not identified any material misstatements in the valuations.

RISK 2 – OCCURRENCE OF REVENUE

We identified occurrence of revenue as one of the most significant assessed risks of material misstatement due to fraud.

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 from investment properties. This income is based on tenancy agreements as well as rental guarantee clauses contained in certain sale and purchase agreements. These lease agreements include terms in relation to lease incentives and may also include lease modification due to COVID-19 pandemic which increases the risk of error or fraud.

Inaccurate revenue recognition arising as a result of these modifications 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.

In responding to the key audit matter, we performed the following audit procedures:

- Agreeing rental income to supporting evidence including signed lease agreements and tenancy schedules;
- Creating and comparing our expectation of rental and accrued income (taking into account lease incentives and rental guarantees) to the financial statements and seeking corroborative evidence of any differences greater than our acceptance range;
- Agreeing modified leases to signed amended agreements and recalculating their impact on rental income recognised; and
- Assessing whether the group's revenue recognition policy and disclosures are in accordance with IFRS 16 'Leases'.

Our results

From the audit work performed we did not note any material misstatements in relation to revenue recognition or in our assessment of the accounting policy in line with IFRS 16.

Key Audit Matter – Group

How our scope addressed the matter – Group

RISK 3 – GOING CONCERN

We identified going concern as one of the most significant assessed risks of material misstatement.

The directors are required to determine the appropriateness of preparing the financial statements on a going concern basis. In carrying out this assessment, they are required to consider the ability of the group to meet its financial obligations as they fall due, for a period of at least 12 months from the date of approval of the financial statements. They are also required to consider the adequacy of relevant disclosures in the financial statements.

The group has external debt of £111m through its subsidiaries. The loan facilities have financial covenants associated with net asset values and interest cover. Breach of these financial covenants may lead to a requirement to repay the loans earlier than their final maturity dates, subject to certain cure rights.

In our evaluation of the directors' conclusions, we also considered the inherent risks associated with the group's and the parent company's business model including effects arising from macro-economic uncertainties such as Brexit and COVID-19 which continues to have significant impact on the economy and uncertainty remains over the long-term impact on property values.

We assessed and challenged the reasonableness of estimates associated with management's decision to adopt the going concern basis of accounting in the preparation of the financial statements and the related disclosures. We analysed how those risks might affect the group's and the parent company's financial resources or ability to continue operations over the going concern period.

Relevant disclosures in the Annual Report and Accounts

- Financial statements: Note 1(A), Going Concern.
- Audit committee report: Going concern and Viability statement.

In responding to the key audit matter, we performed the following audit procedures:

- Assessing the reasonableness of the going concern review period and that it covered a period of at least 12 months from the date of approval of the financial statements;
- Discussing with the Audit and Risk Committee and the investment manager as to whether in their opinion there is any material uncertainty regarding the group's ability to pay liabilities as they fall due;
- Assessing the cashflow forecasts and challenging the reasonableness of the key assumptions underpinning the forecasts;
- Evaluating management's assessment of current and forecasted compliance with debt covenants and the company's ability to repay the facility should the need arise;
- Evaluating management's stress testing and worst-case scenarios including the continued impact of COVID-19 on rental income and property valuations on the group's financial position and performance and whether these events and conditions individually or collectively may cast significant doubt on the group's ability to continue as a going concern;
- Challenging management's forecast by performing our own sensitivity analysis on expected cashflows and forecast compliance with loan covenants;
- Assessing the accuracy of management's past forecasting by comparing management's forecasts for previous years to the actual results and considering any variances for indicators of possible management bias;
- Assessing the impact of the mitigating factors available to management in respect of the ability to restrict the cash impact, including the level of available facilities; and
- Assessing the adequacy of related disclosures within the annual report.

Our results

We have nothing to report in addition to that stated in the 'Conclusions relating to principal risks, going concern and viability statement' section of our report.

We did not identify any key audit matters relating to 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

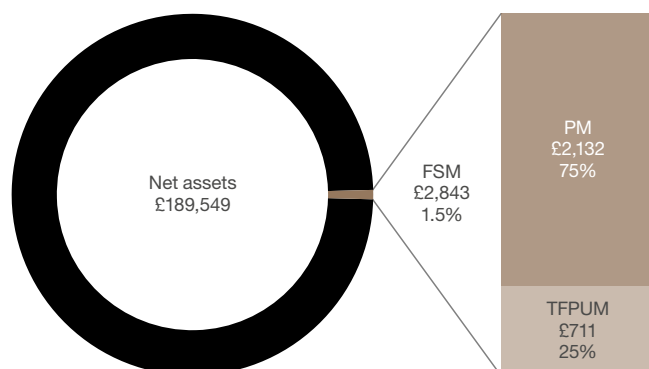
We apply the concept of materiality both in planning and performing the audit, and in evaluating the effect of identified misstatements on the audit and of uncorrected misstatements, if any, on the financial statements and in forming the opinion in the auditor's report.

Materiality was determined as follows:

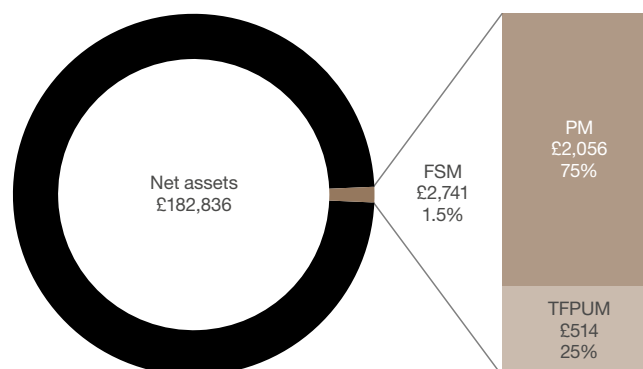
Materiality measure	Group	Parent company
Materiality for financial statements as a whole	We define materiality as the magnitude of misstatement in the financial statements that, individually or in the aggregate, could reasonably be expected to influence the economic decisions of the users of these financial statements. We use materiality in determining the nature, timing and extent of our audit work.	
Materiality threshold	£2,843,000 which is 1.5% of net assets.	£2,741,000, which is 1.5% of net assets.
Significant judgements made by auditor in determining the materiality	<p>In determining materiality, we made the following significant judgements:</p> <ul style="list-style-type: none"> – Net Asset Value (NAV) is a key performance metric used to measure the performance of the group and is of primary interest to the users of the financial statements; and – 1.5% was considered to be an appropriate percentage as it is within the acceptable range used in the industry. <p>Materiality for the current year is higher than the level that we determined for the year ended 30 September 2020 due to the increase in the group's net assets.</p>	<p>In determining materiality, we made the following significant judgements:</p> <ul style="list-style-type: none"> – NAV is the focus of the users is on its investments in a holding company and therefore considered the most appropriate benchmark due to the nature of the company's activity as a Real Estate Investment Trust; and – 1.5% was considered to be an appropriate percentage as it is within the acceptable range used in the industry. <p>Materiality for the current year is higher than the level that we determined for the year ended 30 September 2020 due to increase in the company's net assets.</p>
Performance materiality used to drive the extent of our testing	We set performance materiality at an amount less than materiality for the financial statements as a whole to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements exceeds materiality for the financial statements as a whole.	
Performance materiality threshold	£2,132,000, which is 75% of financial statement materiality.	£2,056,000, which is 75% of financial statement materiality.
Significant judgements made by auditor in determining the performance materiality	<p>In determining materiality, we made the following significant judgements:</p> <ul style="list-style-type: none"> – the engagement team's experience of the audit in previous years; – the key functions are outsourced, and no significant control deficiencies have been identified; and – no significant misstatements identified in the prior years. 	<p>In determining materiality, we made the following significant judgements:</p> <ul style="list-style-type: none"> – the engagement team's experience of the audit in previous years; – the key functions are outsourced, and no significant control deficiencies have been identified; and – no significant misstatements identified in the prior years.
Specific materiality	We determine specific materiality for one or more particular classes of transactions, account balances or disclosures for which misstatements of lesser amounts than materiality for the financial statements as a whole could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.	
Specific materiality	<p>We determined a lower level of specific materiality for the following areas:</p> <ul style="list-style-type: none"> – Items in the revenue column of the Consolidated Statement of Comprehensive income; – Related party transactions including Director's remuneration. 	<p>We determined a lower level of specific materiality for the following areas:</p> <ul style="list-style-type: none"> – Related party transactions including Director's remuneration.
Communication of misstatements to the audit committee	We determine a threshold for reporting unadjusted differences to the audit committee.	
Threshold for communication	£142,000 and misstatements below that threshold that, in our view, warrant reporting on qualitative grounds.	£137,000 and misstatements below that threshold that, in our view, warrant reporting on qualitative grounds.

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

OVERALL MATERIALITY – GROUP (£'000s)



OVERALL MATERIALITY – PARENT COMPANY (£'000s)



FSM: Financial statements materiality

PM: Performance materiality

TFPUM: Tolerance for potential uncorrected misstatements

AN OVERVIEW OF THE SCOPE OF OUR AUDIT

We performed a risk-based audit that requires an understanding of the group's and the parent company's business and in particular included:

- An evaluation of both the group and company components to assess the significance of that component and to determine the planned audit response based on the relevant materiality thresholds. We assessed that the two subsidiaries, EPIC (No.1) Limited and EPIC (No.2) Limited were significant components.
- A detailed assessment of the processes and controls in place at the parent company including its IT systems and controls. This was extended to the key service organisations and the investment manager and walkthroughs to test the design effectiveness of controls relating to significant risk areas.
- In order to gain sufficient appropriate audit evidence to address the risks described above:
 - An audit of financial information was carried out for the group and each significant reporting component including disclosures in the annual report and accounts that is a full scope audit using component materiality. These procedures covered 100 percent of rental income.
 - A substantive approach using professional judgement to determine the extent of testing required over each item in the financial statements for the group including company's components.
 - Assessed the design and implementation of the processes and controls in relation to the investment property valuation process and revenue recognition process.
- There were no significant changes to the scope of the audit from prior year.

OTHER INFORMATION

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

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

We have nothing to report in this regard.

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

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

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

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

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

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

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.

CORPORATE GOVERNANCE STATEMENT

The Listing Rules require us to review the directors' statement in relation to going concern, longer-term viability and that part of the Corporate Governance Statement relating to the group's and the parent company's compliance with the provisions of the UK Corporate Governance Code specified for our review.

Based on the work undertaken as part of our audit, we have concluded that each of the following elements of the Corporate Governance Statement is materially consistent with the financial statements or our knowledge obtained during the audit:

- the directors' statement in 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's 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;
- the directors' explanation in the annual report and accounts as to how they have assessed the prospects of the group and the parent company, 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 and the parent company will be able to continue in operation and meet their liabilities as they fall due over the period of their assessment, including any related disclosures drawing attention to any necessary qualifications or assumptions;
- the directors' statement 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 and the parent company's performance, business model and strategy;
- the directors' confirmation in the annual report that they have carried out a robust assessment of the principal and emerging risks facing the group and the parent company including the impact of Brexit and COVID-19 and the disclosures in the annual report that describe the principal risks, procedures to identify emerging risks and an explanation of how they are being managed or mitigated;
- the section of the annual report that describes the review of the effectiveness of group's and the parent company's risk management and internal control systems, covering all material controls, including financial, operational and compliance controls; and
- the section of the annual report describing the work of the audit committee, including significant issues that the audit committee considered relating to the financial statements and how these issues were addressed.

RESPONSIBILITIES OF DIRECTORS FOR THE FINANCIAL STATEMENTS

As explained more fully in the directors' responsibilities statement, 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.

Explanation as to what extent the audit was considered capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. 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).

The extent to which our procedures are capable of detecting irregularities, including fraud, is detailed below:

- We obtained an understanding of the legal and regulatory frameworks applicable to the company and industry in which it operates. We determined that the following laws and regulations were most significant: The Companies Act 2006, the UK Corporate Governance Code, the REIT rules and the relevant provisions of HMRC's regulations applicable to a Real Estate Investment Trust company. We enquired of management to obtain an understanding of how the company is complying with those legal and regulatory frameworks and whether they had any knowledge of actual or suspected fraud. We corroborated the results of our enquiries through our review of the board minutes for the year;
- In assessing the potential risks of material misstatement, we obtained an understanding of the company's operations, including the nature of its investments, its objectives and strategies to understand the classes of transactions, account balances, expected financial statement disclosures and business risks that may result in risks of material misstatement;
- In assessing the appropriateness of the collective competence and capabilities of the engagement team to identify or recognise non-compliance with laws and regulations, the engagement partner considered the engagement team's:
 - understanding of, and practical experience with, audit engagements of a similar nature and complexity through appropriate training and participation;
 - the specialist skills required in relation to valuation of unquoted investments; and
 - knowledge of the industry in which the client operates.
- We assessed the susceptibility of the company's financial statements to material misstatement, including how fraud might occur. Audit procedures performed by the engagement team included:
 - identifying and assessing the design effectiveness of controls management has in place to prevent and detect fraud;
 - challenging assumptions and judgements made by management in its significant accounting estimates;
 - identifying and testing journal entries, in particular manual journal entries made at year end for financial statement preparation; and
 - assessing the extent of compliance with the relevant laws and regulations as part of our procedures on the related financial statement item.

We did not identify any key audit matters relating to irregularities, including fraud.

OTHER MATTERS WHICH WE ARE REQUIRED TO ADDRESS

Following the recommendation of the audit committee, we were appointed by Ediston Property Investment Company plc on 8 January 2015 to audit the financial statements for the year ending 30 September 2014 and subsequent financial periods.

The period of total uninterrupted engagement including previous renewals and reappointments of the firm is 8 years, covering the periods ended 30 September 2014 to 30 September 2021.

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 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.

William Pointon

Senior Statutory Auditor

for and on behalf of Grant Thornton UK LLP
Statutory Auditor, Chartered Accountants
London
17 December 2021

Consolidated Statement of Comprehensive Income

For the year ended 30 September 2021

	Notes	Year ended 30 September 2021			Year ended 30 September 2020		
		Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
Revenue							
Rental income		17,371	–	17,371	19,857	–	19,857
Total revenue		17,371	–	17,371	19,857	–	19,857
Unrealised gain/(loss) on revaluation of investment properties	9	–	4,655	4,655	–	(49,991)	(49,991)
Realised gain on sale of investment properties realised	9	–	1,179	1,179	–	–	–
Total income		17,371	5,834	23,205	19,857	(49,991)	(30,134)
Expenditure							
Investment management fee	2	(1,687)	–	(1,687)	(1,882)	–	(1,882)
Other expenses	3	(1,914)	–	(1,914)	(1,460)	–	(1,460)
Total expenditure		(3,601)	–	(3,601)	(3,342)	–	(3,342)
Movement in expected credit losses	11	615	–	615	(700)	–	(700)
Profit/(loss) before finance costs and taxation		14,385	5,834	20,219	15,815	(49,991)	(34,176)
Net finance costs							
Interest receivable	4	–	–	–	58	–	58
Interest payable	5	(3,109)	–	(3,109)	(3,258)	–	(3,258)
Profit/(loss) before taxation		11,276	5,834	17,110	12,615	(49,991)	(37,376)
Taxation	6	–	–	–	–	–	–
Profit/(loss) and total comprehensive income for the year		11,276	5,834	17,110	12,615	(49,991)	(37,376)
Basic and diluted earnings per share (pence)	8	5.34p	2.76p	8.10p	5.97p	(23.66)p	(17.69)p

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 2021

	Notes	As at 30 September 2021 £'000	As at 30 September 2020 £'000
Non-current assets			
Investment properties	9	277,984	268,246
		277,984	268,246
Current assets			
Trade and other receivables	11	13,390	14,164
Cash and cash equivalents	12	11,642	12,308
		25,032	26,472
Total assets		303,016	294,718
Non-current liabilities			
Loans	13	(110,277)	(110,112)
		(110,277)	(110,112)
Current liabilities			
Trade and other payables	14	(3,190)	(2,833)
Total liabilities		(113,467)	(112,945)
Net assets		189,549	181,773
Equity and reserves			
Called-up equity share capital	16	2,113	2,113
Share premium		125,559	125,559
Capital reserve – investments held		(42,710)	(47,365)
Capital reserve – investments sold		3,561	2,382
Special distributable reserve		82,711	83,162
Revenue reserve		18,315	15,922
Equity shareholders' funds		189,549	181,773
Net asset value per Ordinary Share (pence)	15	89.69p	86.01p

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

Company number: 09090446.

The Financial Statements on pages 84 to 101 were approved by the Board of Directors on 17 December 2021 and signed on its behalf by:

William Hill
Chairman

Consolidated Statement of Changes in Equity

For the year ended 30 September 2021

	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 2020		2,113	125,559	(47,365)	2,382	83,162	15,922	181,773
Profit and total comprehensive income for the year		–	–	4,655	1,179	–	11,276	17,110
Transactions with owners recognised in equity:								
Dividends paid	7	–	–	–	–	–	(9,334)	(9,334)
Transfer from special reserve		–	–	–	–	(451)	451	–
As at 30 September 2021		2,113	125,559	(42,710)	3,561	82,711	18,315	189,549

For the year ended 30 September 2020

	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 2019		2,113	125,559	2,626	2,382	83,639	13,441	229,760
Loss and total comprehensive income for the year		–	–	(49,991)	–	–	12,615	(37,376)
Transactions with owners recognised in equity:								
Dividends paid	7	–	–	–	–	–	(10,611)	(10,611)
Transfer from special reserve		–	–	–	–	(477)	477	–
As at 30 September 2020		2,113	125,559	(47,365)	2,382	83,162	15,922	181,773

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

Consolidated Statement of Cash Flow

For the year ended 30 September 2021

	Notes	Year ended 30 September 2021 £'000	Year ended 30 September 2020 £'000
Cash flows from operating activities			
Profit/(loss) before tax		17,110	(37,376)
Adjustments for:			
Interest receivable		–	(58)
Interest payable		3,109	3,258
Unrealised revaluation (gain)/loss on property portfolio		(4,655)	49,991
Realised gain on sale of investment property realised		(1,179)	–
Operating cash flows before working capital changes		14,385	15,815
Decrease in trade and other receivables		1,823	620
(Decrease)/increase in trade and other payables		(492)	1,169
Net cash inflow from operating activities		15,716	17,604
Cash flows from investing activities			
Capital expenditure		(10,345)	(3,355)
Acquisition of investment properties		(21,640)	–
Sale of investment properties		27,953	–
Net cash outflow from investing activities		(4,032)	(3,355)
Cash flows from financing activities			
Dividends paid		(9,334)	(10,803)
Interest received		–	58
Interest paid		(3,016)	(3,172)
Net cash outflow from financing activities		(12,350)	(13,917)
Net (decrease)/increase in cash and cash equivalents		(666)	332
Opening cash and cash equivalents		12,308	11,976
Closing cash and cash equivalents	12	11,642	12,308

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 accounting standards (IAS) in conformity with the requirements of the Companies Act 2006 and in accordance with international financial reporting standards (IFRS) adopted pursuant to Regulation (EC) No 1606/2002 as it applies in the European Union. 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 AIC Code of Corporate Governance (the 'AIC 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 three 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 25 to 37); 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 25 to 37).

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.

The Directors made an assessment of Going Concern, under the guidelines of the AIC. Details of this assessment is included in the Directors' Report on page 73.

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 current editions of RICS Valuation – Global Standards, which incorporate the International Valuation Standards, and the RICS UK National Supplement. Investment property under construction is subject to a higher estimation uncertainty than that of investment property due to the estimation required for future expenditure, which is factored into the valuation models for these properties. In line with the recommendation of the European Public Real Estate Association (EPRA), all properties have been deemed to be Level 3 under the fair value hierarchy classification set out below. This is described in more detail in Note 9. Revisions to accounting estimates are recognised in the year in which the estimate is revised if the revision affects only that year, or in the year of the revision and future years if the revision affects both current and future years.

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

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

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

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

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

KEY JUDGEMENTS

Key judgements relate to property acquisitions where different accounting policies could be applied and operating lease contracts. These are described in more detail below, or in the relevant notes to the financial statements.

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. During the year, judgement was applied in determining whether the acquisition of the Springkerse Retail Park represented the acquisition of a business or a property. Management considered that an integrated set of activities, capable of being independently conducted and managed for the purpose of generating a return, was not acquired in addition to the property, and as such, accounted for the acquisition as an addition to the property portfolio, rather than a business combination.

OPERATING LEASE CONTRACTS – THE GROUP AS LESSOR

The Group has determined, based on an evaluation of the terms and conditions of the arrangements, particularly the duration of the lease terms and minimum lease payments, that it retains all the significant risks and rewards of ownership of these properties and so accounts for the leases as operating leases. Management has applied judgement by considering key new leases this year and have assessed that no lease exceeds a term of 40 years and as such determined that the terms and conditions of the arrangements do not result in a transfer of significant risks and rewards of ownership of these properties and that these should therefore be accounted for as operating leases.

The leases when signed, are for between five and 35 years. At the inception of the lease, management do not consider any extension of the leases to be reasonably certain and, as such do not factor any lease extensions into their considerations of lease incentives and the treatment of rental income.

BASIS OF CONSOLIDATION

The Consolidated Financial Statements comprise the financial statements of the Company and its two subsidiaries drawn up to 30 September 2021. 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.

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.

(D) DIVIDENDS PAYABLE

Dividends are accounted for in the period in which they are paid. All of the dividends are paid as interim dividends and the dividend policy is put to shareholders for approval.

Notes to the Consolidated Financial Statements continued

1. ACCOUNTING POLICIES CONTINUED

(E) TAXATION

The Group is a Real Estate Investment Trust (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 (PID); 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 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.

In terms of IAS 40, investments property under construction is 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. The determination of the fair value of investment property under construction 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.

(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 (ECL) methodology is applied to applicable trade and other receivables. Expected credit losses are recognised in the Statement of Comprehensive Income as part of the ongoing assessment. Any incurred losses are written off when identified.

The Group applies the IFRS 9 simplified approach to measuring the expected credit losses for trade receivables whereby the allowance or provision for all trade receivables are based on the lifetime expected credit losses. The Group considers historical defaults over the expected life of the trade receivables and any information related to the debtors available at year end to determine forward-looking estimates of possible defaulting. This is consistent with the approach followed in prior periods.

(I) INTEREST-BEARING LOANS AND BORROWINGS

All loans and borrowings are initially recognised at the 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.

The Company discloses the bases and impact of early repayment of debt and also the fair value of the loans but includes the creditor amounts on the accounting policy above.

(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. The initial share premium account, on the launch of the Company in 2014, was transferred to the special distributable reserve, following shareholder approval and successful application to court.

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 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 can be 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 buyback 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 16 'Leases'** COVID-19-Related Rent Concessions – As a result of the coronavirus (COVID-19) pandemic, rent concessions have been granted to lessees. Such concessions might take a variety of forms, including payment holidays and deferral of lease payments. Lessees can elect to account for such rent concessions in the same way as they would if they were not lease modifications. In many cases, this will result in accounting for the concession as variable lease payments in the period(s) in which the event or condition that triggers the reduced payment occurs.

This standard has not had any impact on the Group's Financial Statements as presented for the current year as there has been no change in the accounting principles applicable to the lessor.

Notes to the Consolidated Financial Statements continued

1. ACCOUNTING POLICIES CONTINUED

(L) CHANGES IN ACCOUNTING POLICIES CONTINUED

STANDARDS ISSUED BUT NOT YET EFFECTIVE

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

- **IAS 1 (amended)** – Amendments regarding classifications of liabilities, and disclosure of accounting policies – effective from 1 January 2023.
- **IAS 8 (amended)** – Amendments regarding the definition of accounting estimates – effective from 1 January 2023.
- **IAS 12 (amended)** – Amendments regarding deferred tax on leases and decommissioning obligations – effective from 1 January 2023.

Adoption of the new or amended standards and relevant interpretations in future periods is not expected to have a material impact on the Financial Statements of the Group.

The Group does not consider the adoption of any new standards or amendments, other than those noted above, to be applicable to the Group.

2. INVESTMENT MANAGEMENT FEE

	Year ended 30 September 2021 £'000	Year ended 30 September 2020 £'000
Investment management fee	1,687	1,882
Total	1,687	1,882

Ediston Investment Services Limited has been appointed as the Company's Alternative Investment Fund Manager (AIFM) and Investment Manager, with the property management service of the Group being delegated to Ediston Properties Limited. Ediston Investment Services Limited is entitled to a fee calculated as 0.95% per annum of the net assets of the Group up to £250m, 0.75% per annum of the net assets of the Group over £250m and up to £500m and 0.65% per annum of the net assets of the Group over £500m. 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 management fee is reduced by a quarterly contribution of £10,000 (£40,000 per annum) towards the overall management costs of the Company.

Ediston Investment Services Limited has committed to investing 20.0% of the quarterly management fee in the Company's shares each quarter for a period of three years commencing 1 October 2020. Refer to Note 17 for further information.

3. OTHER EXPENSES

	Year ended 30 September 2021 £'000	Year ended 30 September 2020 £'000
Direct operating expenses for investment properties:		
– from which income is received	1,016	512
– from which income is not received	–	–
Administration fee	179	231
Valuation and other professional fees	157	235
Directors' fees	212	175
Public relations and marketing	73	111
Auditor's remuneration for:		
Audit services:		
– fees payable for the audit of the consolidation and the parent company accounts	42	39
– fees payable for the audit of subsidiaries, pursuant to legislation	36	38
Listing and registrar fees	46	47
Other	153	72
Total	1,914	1,460

The movement in expected credited losses, which was previously grouped with other expenses, has been reconsidered and whilst this is immaterial, it has been presented separately on the face of the Consolidated Statement of Comprehensive Income, in line with the requirements of IAS 1.

4. INTEREST RECEIVABLE

	Year ended 30 September 2021 £'000	Year ended 30 September 2020 £'000
Deposit interest	–	58
Total	–	58

5. INTEREST PAYABLE

	Year ended 30 September 2021 £'000	Year ended 30 September 2020 £'000
Loan interest	2,938	3,092
Amortisation of loan set-up costs	165	166
Bank interest	6	–
Total	3,109	3,258

6. TAXATION

	Year ended 30 September 2021 £'000	Year ended 30 September 2020 £'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 2021 £'000	Year ended 30 September 2020 £'000
Profit/(loss) before taxation	17,110	(37,376)
UK tax at a rate of 19.0% (2020: 19.0%)	3,251	(7,101)
Effects of:		
REIT exempt profits	(2,228)	(2,488)
REIT exempt (gains)/losses	(1,109)	9,498
Excess management expenses of residual business	86	91
Total tax charge	–	–

The Company served notice to HM Revenue & Customs that the Company, and its subsidiaries, qualified as a REIT 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 £2,566,000 at 30 September 2021 (2020: £2,044,000). No deferred tax asset has been recognised on this amount as the Group cannot be certain that there will be taxable revenue profits arising within its residual business from which the future reversal of the deferred tax asset could be deducted. Although the Group anticipates sufficient capital profits, these cannot be offset against losses which are revenue in nature.

7. DIVIDENDS

Seven monthly dividends of 0.3333 pence per share and five monthly dividends of 0.4167 pence per share, at a total cost of £9,334,000 (2020: seven monthly dividends at a rate of 0.4792 pence per share and five monthly dividends at a rate of 0.3333 pence per share, at a cost of £10,611,000) were paid during the year. This equates to an annualised dividend of 4.42 pence (2020: 5.02 pence) per share. The rate was increased from 0.3333 pence per share to 0.4167 pence per share in May 2021.

Since the year end, interim dividends, each of 0.4167 pence per share, have been paid on 29 October 2021 and 30 November 2021. A further interim dividend, of 0.4167 pence per share, will be paid on 31 December 2021. This monthly dividend of 0.4167 pence per share equates to an annualised dividend level of 5.00 pence per share. All of the distributions made by the Company have been PIDs.

8. EARNINGS PER SHARE

Basic and diluted earnings per share.

	Year ended 30 September 2021		Year ended 30 September 2020	
	£'000	Pence per share	£'000	Pence per share
Revenue earnings	11,276	5.34	12,615	5.97
Capital earnings	5,834	2.76	(49,991)	(23.66)
Total earnings	17,110	8.10	(37,376)	(17.69)
Average number of shares in issue		211,333,737		211,333,737

Notes to the Consolidated Financial Statements continued

9. INVESTMENT PROPERTIES

	As at 30 September 2021 £'000	As at 30 September 2020 £'000
Freehold and leasehold properties		
Opening book cost	315,611	312,517
Opening unrealised (depreciation)/appreciation	(47,365)	2,626
Opening fair value	268,246	315,143
Movements for the period		
Acquisitions	21,850	–
Sales – proceeds	(27,953)	–
– gain on sales	1,179	–
Capital expenditure	10,007	3,094
Movement in book cost	5,083	3,094
Unrealised gains on investment properties	10,798	–
Unrealised losses on investment properties	(6,143)	(49,991)
Movement in fair value	4,655	(49,991)
Closing book cost	320,694	315,611
Closing unrealised depreciation	(42,710)	(47,365)
Closing fair value	277,984	268,246

During the year ended 30 September 2021 the Group sold the Tesco Superstore, which forms part of Prestatyn Shopping Park, a strip of undeveloped land at Hull (which was acquired from us by way of a compulsory purchase order) and land at Rhyl. The Group received a net amount of £27,953,000 (2020: £nil) from investments sold during the year. The total book cost of the investments when it was purchased was £26,774,000. These investments have been revalued over time and, until it was sold, any unrealised gains/losses were included in the fair value of the investments.

In August 2021 the Group acquired Springkerse Retail Park in Stirling, Scotland at a cost of £21,850,000.

During the year, expenditure totalling £10,007,000 (2020: £3,094,000), incurred in improving investment properties, has been capitalised to the book cost of the property.

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

	As at 30 September 2021 £'000	As at 30 September 2020 £'000
Closing fair value	277,984	268,246
Lease incentives held as debtors (Note 11)	5,361	4,729
Appraised market value per Knight Frank	283,345	272,975

Changes in the valuation of investment properties:

	Year ended 30 September 2021 £'000	Year ended 30 September 2020 £'000
Gain on sale of investment properties	1,179	–
Unrealised profit realised during the year	–	–
Gain on sale of investment properties realised*	1,179	–
Unrealised gains on investment properties	–	–
Unrealised gains/(losses) on investment properties	4,655	(49,991)
Total gain/(loss) on revaluation of investment properties	5,834	(49,991)

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

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

	Year ended 30 September 2021 £'000	Year ended 30 September 2020 £'000
Total gain/(loss) on revaluation of investment properties	4,655	(49,991)
Purchases	21,850	–
Capital expenditure	10,007	3,094
Sales – net proceeds	(26,774)	–
Movement in fair value	9,738	(46,897)
Movement in lease incentives held as debtors	632	697
Movement in appraised market value	10,370	(46,200)

At 30 September 2021, the investment properties were valued at £283,345,000 (2020: £272,975,000) by Knight Frank LLP (Knight Frank), in their capacity as external valuers. This includes no investment property under construction (2020: £3,150,000). The valuation was undertaken in accordance with the current editions of RICS Valuation – Global Standards, which incorporate the International Valuation Standards, and the RICS UK National Supplement. 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 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 applied to leasehold and 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 2021		30 September 2020	
	Range	Weighted average	Range	Weighted average
ERV per sq. ft. per annum	£5 – £43	£13.80	£5 – £43	£13
Net equivalent yield	6.0% – 9.8%	7.0%	5.1% – 9.5%	6.8%

The ERV for the total portfolio is not materially different from the contracted rent which is disclosed on page 2.

A decrease in the net equivalent yield applied to the portfolio by 0.25% will increase the fair value of the portfolio by £10,500,000 (2020: £10,400,000), 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 £9,800,000 (2020: £9,700,000) and reduce the Group's income.

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 2021 would have increased net assets available to shareholders and increased the net income for the year by £28,000,000 (2020: £27,000,000); 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.

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) with registered address The Scalpel, 18th Floor, 52 Lime Street, London EC3M 7AF. 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 2021 was £102,605,000 (2020: £103,379,000). The profit of EPIC (No.1) Limited for the year to 30 September 2021 was £4,716,000 (2020: £17,852,000 loss).

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) with registered address The Scalpel, 18th Floor, 52 Lime Street, London EC3M 7AF. EPIC (No.2) Limited was incorporated on 23 September 2017, having been established to hold the five properties acquired by the Group and to enter into the Group's additional loan facility. The net asset value of EPIC (No.2) Limited as at 30 September 2021 was £81,576,000 (2020: £72,576,000). The profit of EPIC (No.2) Limited for the period to 30 September 2021 was £12,680,000 (2020: £19,046,000 loss).

11. TRADE AND OTHER RECEIVABLES

	As at 30 September 2021 £'000	As at 30 September 2020 £'000
Secured balance held with loan provider	6,837	8,297
Capital and rental lease incentives	5,361	4,729
Rent receivable (net of allowance for expected credit losses)	1,175	1,121
Other debtors and prepayments	17	17
Total	13,390	14,164

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. The balance includes interest receivable of £186,000 (2020: £nil). 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. During the year ended 30 September 2021, the Company utilised a net amount of £1,646,000 (2020: £2,500,000) from the secured account.

Capital and rental lease incentives consist of £3,717,000 (2020: £3,434,000) being the prepayments for rent-free periods recognised over the life of the lease and £1,644,000 (2020: £1,295,000) 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.

Rent receivable is shown net of an allowance for expected credit losses balance of £85,000 (2020: £700,000). The movement in the allowance is shown below and reflected in the Statement of Comprehensive Income.

Allowance for expected credit losses	£'000
Opening balance as at 30 September 2020	700
Reversal of allowance for expected credit losses	(615)
Closing balance as at 30 September 2021	85

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 2021 £'000	As at 30 September 2020 £'000
Cash and cash equivalents	11,642	12,308
Total	11,642	12,308

13. LOANS

	As at 30 September 2021 £'000	As at 30 September 2020 £'000
Principal amount outstanding	111,076	111,076
Set-up costs	(1,612)	(1,612)
Amortisation of loan set-up costs	813	648
Total	110,277	110,112

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 (LTV) is maintained below 40%, increasing by ten basis points if the LTV 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 LTV is maintained below 40%, increasing by ten basis points if the LTV is 40% or higher. This loan is secured over EPIC (No.2) Limited's property portfolio. At year end the covenants were both below 40% LTV.

The Group's weighted average cost of borrowings remained 2.86% at 30 September 2021.

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 LTV 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 2021, based on the yield on the Treasury 5% 2025 and Treasury 4.25% 2027 plus a margin of 0.5%, would have been approximately £120,268,000 (2020: £126,362,000), including repayment of the principal of £111,076,000 (2020: £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 £114,918,000 as at 30 September 2021 (2020: £119,668,000). This includes the principal amount borrowed. Analysis of net debt:

	Cash and cash equivalents 2021 £'000	Borrowing 2021 £'000	Net debt 2021 £'000	Cash and cash equivalents 2020 £'000	Borrowing 2020 £'000	Net debt 2020 £'000
Opening balance	12,308	(110,112)	(97,804)	11,976	(109,946)	(97,970)
Cash flows	(666)	–	(666)	332	–	332
Non-cash flows	–	(165)	(165)	–	(166)	(166)
Closing balance	11,642	(110,277)	(98,635)	12,308	(110,112)	(97,804)

14. TRADE AND OTHER PAYABLES

	As at 30 September 2021 £'000	As at 30 September 2020 £'000
Rental income received in advance	1,320	1,441
VAT payable to HMRC	549	224
Investment management fee payable	437	430
Loan interest payable	444	444
Capital expenditure payable	2	59
Other payables	438	235
Total	3,190	2,833

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 89.69 pence (2020: 86.01 pence) is based on equity shareholders' funds of £189,549,000 (2020: £181,773,000) and on 211,333,737 (2020: 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 2021 and 30 September 2020.

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 2020	211,333,737	2,113
Issue of Ordinary Shares	–	–
Closing balance as at 30 September 2021	211,333,737	2,113

The Company did not issue any Ordinary Shares in the last two financial years. The Company did not hold any shares in treasury during the previous two years. Under the Company's Articles of Association, the Company may issue an unlimited number of Ordinary Shares but issuance is subject to shareholder approval.

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 PARTIES

There have been no material transactions between the Company and its Directors during the year other than amounts paid to them in respect of expenses and remuneration for which there were no outstanding amounts payable at the year end.

Ediston Investment Services Limited has received investment management fees of £1,687,000 in relation to the year ended 30 September 2021 (2020: £1,882,000) of which £437,000 (2020: £430,000) remained payable at the year end. Ediston Investment Services Limited received development management fees of £257,000 in relation to the year ended 30 September 2021 (2020: £nil) of which £nil (2020: £nil) remained payable at the year end.

Ediston Investment Services Limited acquired 121,944 shares in the Company during the year ended 30 September 2021 (2020: 276,971) as part of its commitment to reinvest 20 per cent of its quarterly management fee.

The aggregate shareholding of the Manager and its senior personnel as at 30 September 2021 is 1,984,667 (2020: 1,532,593) shares, 0.9% (2020: 0.7%) of the issued share capital as at that date.

18. 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.

19. 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 and interest rate risk. There is no foreign currency risk as all assets and liabilities of the Group are maintained in pounds sterling. The Group has insignificant exposure to market price risk related to financial instruments.

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 2021 (2020: 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 2021		As at 30 September 2020	
	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	–	8,012	–	9,418
Cash and cash equivalents	–	11,642	–	12,308
	–	19,654	–	21,726
Financial liabilities				
Loan	–	(110,277)	–	(110,112)
Trade and other payables	–	(1,321)	–	(1,168)
	–	(111,598)	–	(111,280)

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 a 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 £19,654,000 (2020: £21,726,000), consisting of cash of £11,642,000 (2020: £12,308,000), the secured balance held with the loan provider of £6,837,000 (2020: £8,297,000) and rent receivable of £1,175,000 (2020: £1,121,000).

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 an adverse impact on the financial condition and performance of the Group. 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. In assessing the probability of default of the individual debtor. The Directors have considered a number of factors including history of default, past experience, future expectations as well as the support the debtor receives from its parent company and the ability to settle the amount receivable when due.

Where there are concerns over the recoverability of rental income, the Group monitors creditworthiness of the tenants and makes provision for potential bad debts based on the expected credit loss model. The Group considers historical defaults over the expected life of the trade receivables and any information related to the debtors available at year end to determine forward-looking estimates of possible defaulting. This is consistent with the approach followed in prior periods. Given an improved rent profile of tenants and having considered their ability to pay, the wider expected credit losses considered by the Group has reduced to £85,000 at 30 September 2021 from £700,000 at 30 September 2020. Having given consideration to these criteria, the Group has determined that there are no additional expected credit losses other than those already recognised. As at 30 September 2021, collection plans are in place to recover any outstanding amounts. There were no other financial assets which were either past due or considered impaired at 30 September 2021 or at 30 September 2020.

At 30 September 2021, the Group held £8,789,000 (2020: £8,239,000) with RBS and £2,853,000 (2020: £4,069,000) 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 2021, Standard & Poor's credit rating for RBS was A-1 and Moody's was P-1. The equivalent credit ratings for Bank of Scotland plc were A-1 and P-1, respectively. There has been no change in the fair values of cash or receivables as a result of changes in credit risk in the current or prior periods.

LIQUIDITY RISK

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

Property and property-related assets in which the Group invests are not traded in an organised public market and 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 2021

	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	11,642	–	–	–	11,642
Secured balance held with loan provider	6,837	–	–	–	6,837
Rent receivable	1,175	–	–	–	1,175
Total	19,654	–	–	–	19,654

FINANCIAL ASSETS AS AT 30 SEPTEMBER 2020

	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	12,308	–	–	–	12,308
Secured balance held with loan provider	8,297	–	–	–	8,297
Rent receivable	1,121	–	–	–	1,121
Total	21,726	–	–	–	21,726

Notes to the Consolidated Financial Statements continued

19. FINANCIAL INSTRUMENTS CONTINUED

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

FINANCIAL LIABILITIES AS AT 30 SEPTEMBER 2021

	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	2,378	6,389	6,162	15,731
Other payables	877	–	–	–	877
Total	1,679	2,378	6,389	117,238	127,684

FINANCIAL LIABILITIES AS AT 30 SEPTEMBER 2020

	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	6,361	9,367	18,909
Other payables	724	–	–	–	724
Total	1,526	2,379	6,361	120,443	130,709

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

As at 30 September 2021 the Group remain in compliance with the loan covenants.

As at 30 September 2021, EPIC 1 reported a LTV of 36.99% (LTV of 50% required), the historical interest cover was reported at 605.09% (historical interest cover of at least 300% required) and the projected interest cover was reported at 532.97% (projected interest cover of at least 300% required).

As at 30 September 2021, EPIC 2 reported a LTV of 36.68% (LTV of 50% required), the historical interest cover was reported at 437.38% (historical interest cover of at least 300% required) and the projected interest cover was reported at 614.39% (projected interest cover of at least 300% required).

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 2021		As at 30 September 2020	
	Fixed rate £'000	Variable rate £'000	Fixed rate £'000	Variable rate £'000
Cash and cash equivalents	–	11,642	–	12,038
Secured balance held with loan provider	–	6,837	–	8,297
Loan	(110,277)	–	(110,112)	–

VARIABLE RATE

An increase of 0.50% in interest rates would have increased the reported profit for the year and increased the net assets at 30 September 2021 by £92,000 (2020: £102,000), 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 £2,500,000 (2020: £3,200,000) and a decrease of 0.50% would have increased its fair value by approximately £2,600,000 (2020: £3,300,000). 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 loss for the year, nor the net assets of the Group at the year end.

20. CAPITAL COMMITMENTS

The Group had contractual commitments totalling £405,000 in relation to capital works at Coatbridge Pods, Barnsley, Rhyl, Hull, Birmingham, Widnes and Haddington, as at 30 September 2021 (30 September 2020: £4,666,000).

21. OPERATING LEASES

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 5.0 years (2020: 5.7 years).

The Group's investment properties are leased to tenants under the terms of property leases that include rent reviews as determined at the inception of the lease. These reviews can be linked to Retail Price Index, fixed rate or stepped rent increases.

The following table sets out the maturity analysis of leases receivables, showing the undiscounted lease payments under non-cancellable operating leases receivable by the Group:

	As at 30 September 2021 £'000	As at 30 September 2020 £'000
Year 1	19,448	18,646
Year 2	16,136	17,210
Year 3	14,267	13,727
Year 4	12,887	12,111
Year 5	10,643	11,033
Year 6 and onwards	27,507	39,881
Total	100,888	112,608

The largest single tenant at the year end accounted for 6.4% (2020: 6.6%) of the contracted rent.

22. ALTERNATIVE INVESTMENT FUND MANAGERS DIRECTIVE (AIFMD)

Ediston Investment Services Limited has been authorised as an AIFM by the Financial Conduct Authority under the AIFMD regulations and became the Group's AIFM with effect from 24 February 2016. In accordance with the AIFMD, information in relation to the Group's leverage and the remuneration of the Company's AIFM is required to be made available to investors. Ediston Investment Services Limited has provided disclosures on its website, <https://www.ediston.com/about-us-ediston-investment-services-limited/> incorporating the requirements of the AIFMD regulations regarding remuneration.

The Group's maximum and actual leverage levels at 30 September 2021 are shown below:

Leverage exposure	Gross method	Commitment method
Maximum limit	3.00	3.00
Actual	1.55	1.56

For the purposes of the AIFMD, 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 AIFMD are contained on the Company's website.

23. SUBSEQUENT EVENTS

On 24 November 2021, the Company sold its office building, Midland Bridge House, Bath, for £5.925m. The net initial yield is 5.7%, which is in line with the 30 September 2021 valuation.

On 13 December 2021 the Company sold its office buildings in Edinburgh (145 Morrison Street) and Newcastle (Citygate II). The headline price of £31,435,000 is 3.4% below the 30 September 2021 valuation. Once deductions for topped up rents and rent-free periods are factored in, the net receipt to the Company is £30,496,770. These sales are in line with the Company's new strategy to sell its office portfolio and to reinvest the proceeds in retail warehouses, a sector in which the Investment Manager has considerable experience as an investor, developer and asset manager.

No further significant events have occurred between the Statement of Financial Position date and the date when the Financial Statements have been approved, which would require adjustments to, or disclosure in the Financial Statements.

Company Statement of Financial Position

As at 30 September 2021

	Notes	As at 30 September 2021 £'000	As at 30 September 2020 £'000
Non-current assets			
Investment in subsidiary undertakings	3	177,448	177,376
		177,448	177,376
Current assets			
Trade and other receivables	4	3,521	1,498
Cash and cash equivalents	5	2,989	5,132
		6,510	6,630
Total assets		183,958	184,006
Current liabilities			
Trade and other payables	6	(1,143)	(812)
Total liabilities		(1,143)	(812)
Net assets		182,815	183,194
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		(32,217)	(32,289)
Special distributable reserve		82,711	83,162
Revenue reserve		–	–
Equity shareholders' funds		182,815	183,194
Net asset value per Ordinary Share (pence)	10	86.51p	86.69p

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 2021 of £8,955,000 (2020: loss of £13,047,000).

The Company Financial Statements on pages 102 to 106 were approved by the Board of Directors on 17 December 2021 and signed on its behalf by:

William Hill
Chairman

Company Statement of Changes in Equity

For the year ended 30 September 2021

		Distributable reserves						
	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 2020		2,113	125,559	(32,289)	4,649	83,162	–	183,194
Profit and total comprehensive income for the year		–	–	72	–	–	8,883	8,955
Transactions with owners recognised in equity:								
Issue of Ordinary Shares	7	–	–	–	–	–	–	–
Dividends paid	2	–	–	–	–	–	(9,334)	(9,334)
Transfer from special reserve		–	–	–	–	(451)	451	–
As at 30 September 2021		2,113	125,559	(32,217)	4,649	82,711	–	182,815

For the year ended 30 September 2020

	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 2019		2,113	125,559	(9,108)	4,649	83,639	–	206,852
Profit and total comprehensive income for the year		–	–	(23,181)	–	–	10,134	(13,047)
Transactions with owners recognised in equity:								
Issue of Ordinary Shares	7	–	–	–	–	–	–	–
Dividends paid	2	–	–	–	–	–	(10,611)	(10,611)
Transfer from special reserve		–	–	–	–	(477)	477	–
As at 30 September 2020		2,113	125,559	(32,289)	4,649	83,162	–	183,194

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 84 to 101. 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 (The Scalpel, 18th Floor, 52 Lime Street, London EC3M 7AF) 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 88.

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. A provision for impairment is recognised to reflect the recoverable amount (Note 3) of the subsidiaries. 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. The value of investments can never exceed costs.

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 91.

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 £8,955,000 (2020: loss of £13,047,000).

The Company does not have any employees (2020: 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 £202,000 (2020: £157,000) 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 £42,000 (2020: £39,000), excluding VAT. There were no non-audit fees paid to Grant Thornton UK LLP by the Company during the year (2020: nil).

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 2021 £'000	As at 30 September 2020 £'000
Opening balance – Investment in EPIC (No.1) Limited	104,160	104,160
Opening balance – Investment in EPIC (No.2) Limited	73,216	96,397
Opening balance – Investments in subsidiaries	177,376	200,557
Impairment loss – EPIC (No.1) Limited	(4,633)	–
Impairment loss reversal/(impairment loss) – EPIC (No.2) Limited	4,705	(23,181)
Closing balance – Investment in EPIC (No.1) Limited	99,527	104,160
Closing balance – Investment in EPIC (No.2) Limited	77,921	73,216
Closing balance – Investments in subsidiaries	177,448	177,376

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 seen an increase in investment property values over the course of the year to 30 September 2021. 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 2021, an assessment of potential impairment of the equity investment in EPIC (No.1) Limited and EPIC (No.2) Limited was conducted, pursuant to the principles of IAS 36: Impairment of Assets. The net assets of EPIC (No.1) Limited were lower than its carrying value which triggered an impairment. This was caused by a decline in the property values held within the company. For EPIC (No.2) Limited this was already impaired and a review was performed this year, which resulted in a partial write back of the impairment because the property values have increased in the year within the company. Following the principles of IAS 36, an impairment of £4,633,000 (2020: £nil) in EPIC (No.1) Limited and a reversal of impairment of £4,705,000 (2020: £23,181,000 impairment) in EPIC (No.2) Limited was determined.

In terms of IAS 36, an asset should be carried at no more than their recoverable amount. The recoverable amount is determined as the higher of an asset's fair value less costs of disposal (FVLCD) and its value in use. The value in use of an asset is the present value of the future cash flows expected to be derived from the asset.

In the assessment of this impairment, consideration was given to the nature of the assets and liabilities of the subsidiaries and a suitable determination of the recoverable amount of the investment in the subsidiaries. In line with the requirements of IAS 36, the value in use of each subsidiary was determined using projected cash flows over a five year period using a discount rate of 7% (2020: 7%) and an expected growth rate of 2% for periods beyond the projected period of five years. The fair value of the asset is determined based on the NAV of the underlying subsidiary. The valuation technique is the sum of the fair value of the different components within the subsidiaries. Properties are carried at fair value, cash and working capital are held at amortized cost however it is considered to have the same fair value and the fair value of debt was discounted based on an appropriate market rate of 2.49% for EPIC (No.1) Limited and 2.23% for EPIC (No.2) Limited (rather than the delta). The fair value assessed as part of the fair value less costs of disposal assessment sits as a level 3 asset (refer to the accounting policies in the group accounts for the definition of a level 3 asset). The cost of disposal used in determining the recoverable amount was 1.5% of the fair value of the asset. The inputs to the calculations are subject to a high degree of estimation uncertainty.

EPIC (No.1) Limited has a FVLCD of £99,527,000, which is considered an appropriate recoverable amount. The impairment thus reflects the amount by which the carrying amount of the investment in EPIC (No.1) Limited of £104,160,000 exceeds its recoverable amount. To demonstrate sensitivity of the fair value of debt, using a lower market rate of 1.99% the recoverable amount would have decreased to £98,558,000, and thus the carrying amount would exceed the recoverable amount, resulting in an impairment of £5,603,000.

EPIC (No.2) Limited has a FVLCD of £77,921,000, which is considered an appropriate recoverable amount. A reversal of previous impairment of £4,705,000 has therefore been raised, as the recoverable amount of the investment in EPIC (No.2) Limited exceeds its carrying amount of £73,216,000. To demonstrate sensitivity of the fair value of debt, using a lower market rate of 1.73% the recoverable amount would have decreased to £76,355,000, and thus the recoverable amount would exceed the carrying amount, resulting in a reversal of previous impairment of £3,140,000.

See Note 10 to the Consolidated Financial Statements on page 96 for further details on the Group structure.

4. TRADE AND OTHER RECEIVABLES

	30 September 2021 As at £'000	30 September 2020 As at £'000
Amount due from subsidiary undertakings	3,504	1,481
Other receivables and prepayments	17	17
Total	3,521	1,498

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.

Based on the assessment of impairment of the subsidiaries, there are no expected credit losses related to the amounts due from subsidiary undertakings.

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

	30 September 2021 As at £'000	30 September 2020 As at £'000
VAT payable to HMRC	549	224
Investment management fee payable	437	430
Other payables	157	158
Total	1,143	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 2020	211,333,737	2,113
Issue of Ordinary Shares	–	–
Closing balance as at 30 September 2021	211,333,737	2,113

During the year to 30 September 2021, the Company did not issue any Ordinary Shares (year ended 30 September 2020: did not issue any Ordinary Shares). The Company did not buyback or resell from treasury any Ordinary Shares during the year (2020: 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. 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 19 to the Consolidated Financial Statements on pages 98 to 100.

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 £6,493,000 (2020: £6,613,000), consisting of the Company's cash balance of £2,989,000 (2020: £5,132,000) and current account balances due from its wholly-owned subsidiaries of £3,504,000 (2020: £1,481,000).

The maturity of the Company's financial liabilities (on a contractual maturity basis) at 30 September 2021 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	594	–	–	594

The maturity of the Company's financial liabilities (on a contractual maturity basis) at 30 September 2020 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	588	–	–	588

The Company's only financial instrument exposed to interest rate risk at 30 September 2021 was its cash balance of £2,989,000 (2020: £5,132,000) 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 £15,000 (2020: £26,000). 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.

9. RELATED PARTY TRANSACTIONS AND TRANSACTIONS WITH THE INVESTMENT MANAGER

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 98. 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.

10. NET ASSET VALUE

The Company's net asset value per Ordinary Share of 86.51 pence (2020: 86.69 pence) is based on equity shareholders' funds of £182,815,000 (2020: £183,194,000) and on 211,333,737 (2020: 211,333,737) Ordinary Shares, being the number of shares in issue at the year end.

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 'Taxation' on page 90.

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 2020 and 30 September 2021 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 2020:					
First interim	07/11/19	29/11/19	0.4792p	–	0.4792p
Second interim	12/12/19	31/12/19	0.4792p	–	0.4792p
Third interim	16/01/20	31/01/20	0.4792p	–	0.4792p
Fourth interim	13/02/20	28/02/20	0.4792p	–	0.4792p
Fifth interim	12/03/20	31/03/20	0.4792p	–	0.4792p
Sixth interim	16/04/20	30/04/20	0.4792p	–	0.4792p
Seventh interim	14/05/20	29/05/20	0.3333p	–	0.3333p
Eighth interim	11/06/20	30/06/20	0.3333p	–	0.3333p
Ninth interim	16/07/20	31/07/20	0.3333p	–	0.3333p
Tenth interim	13/08/20	31/08/20	0.3333p	–	0.3333p
Eleventh interim	10/09/20	30/09/20	0.3333p	–	0.3333p
Twelfth interim	15/10/20	30/10/20	0.3333p	–	0.3333p
Total in relation to the year ended 30 September 2020			4.8750p	–	4.8750p
In relation to the year ended 30 September 2021:					
First interim	07/11/20	29/11/20	0.3333p	–	0.3333p
Second interim	12/12/20	31/12/20	0.3333p	–	0.3333p
Third interim	16/01/21	31/01/21	0.3333p	–	0.3333p
Fourth interim	13/02/21	28/02/21	0.3333p	–	0.3333p
Fifth interim	12/03/21	31/03/21	0.3333p	–	0.3333p
Sixth interim	16/04/21	30/04/21	0.3333p	–	0.3333p
Seventh interim	14/05/21	28/05/21	0.4167p	–	0.4167p
Eighth interim	11/06/21	30/06/21	0.4167p	–	0.4167p
Ninth interim	16/07/21	30/07/21	0.4167p	–	0.4167p
Tenth interim	13/08/21	31/08/21	0.4167p	–	0.4167p
Eleventh interim	10/09/21	30/09/21	0.4167p	–	0.4167p
Twelfth interim	15/10/21	30/10/21	0.4167p	–	0.4167p
Total in relation to the year ended 30 September 2021			4.5000p	–	4.5000p

UK TAXATION OF PIDS

A PID is, together with any PID 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

TAX STRUCTURE 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

Registrar:

Computershare Investor Services PLC

The Pavilions

Bridgwater Road

Bristol BS99 6ZZ

T: 0370 707 1079

E: www.investorcentre.co.uk/contactus

Information on Ediston Property Investment Company plc, including the latest share price:

www.ediston-reit.com

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

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

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

ANTICIPATED FINANCIAL CALENDAR 2022

January 2022	Announcement of net asset value as at 31 December 2021
February 2022	Annual General Meeting (AGM)
April 2022	Announcement of net asset value as at 31 March 2022
May 2022	Publication of Half Yearly Report for the six months to 31 March 2022
July 2022	Announcement of net asset value as at 30 June 2022
October 2022	Announcement of net asset value as at 30 September 2022
December 2022	Publication of Annual Report for the year to 30 September 2022

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
30 September 2020	291,885	181,773	272,975	86.01	50.9	(40.8)	5.90	4.88	1.4
30 September 2021	299,826	189,549	283,345	89.69	73.8	(17.6)	5.34	4.42	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 (PRIIPs) Regulation requires the Alternative Investment Fund Manager, as the PRIIP manufacturer, to prepare a key information document (KID) in respect of the Company. This KID must be made available 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 stockbroker.

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

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 Generally Accepted Accounting Practice 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.

Administrator	The entity that provides administration and company secretarial services to the Company pursuant to the Administration Agreement, being JTC (UK) Limited.
Administration Agreement	The agreement between the Administrator and the Company which establishes services to be provided by the Administrator and any terms thereto.
AIC	Association of Investment Companies. This is the trade body for closed-end investment companies (www.theaic.co.uk).
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 Alternative Investment Fund Managers Directive (AIFMD). The Company's AIFM is Ediston Investment Services Limited.
AIFMD	Alternative Investment Fund Managers Directive. Issued by the European Parliament in 2012 and 2013, the Directive requires the Company to appoint an AIFM. The Board of Directors of a closed-end investment company, nevertheless, remains fully responsible for all aspects of the Company's strategy, operations and compliance with regulations.
Basic total earnings per share	Total profit/(loss) 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.
COVID-19 crisis	The health and attendant economic, financial and social crises that emerged in early 2020 and are subject to uncertain outcomes but are having significant adverse impacts on financial markets globally, including on commercial property markets.
Debt utilised	The debt facilities with Aviva (£111,076,000), less the secured balance held in a blocked account (£6,837,000), 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 buybacks, dividend payments and adherence to investment limits. The Company's Depository is IQ EQ Depository Company (UK) Limited.
Discount (or Premium) of Share Price to Net Asset Value (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.
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.

* Alternative Performance Measure.

Net Asset Value (NAV)*	Net asset value 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 real estate investment company with a long-term investment strategy. At 30 September 2021 and 30 September 2020, the EPRA NAV was the same as the IFRS NAV.
EPRA Net Asset Value (NAV) per Share*	EPRA NAV at the year end divided by the number of Ordinary Shares in issue at that date.
EPRA Net Asset Value (NAV) per Share increase*	EPRA NAV at 30 September 2021 minus the net asset value at 30 September 2020. 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.
ESG	Environmental, Social and Governance issues which are increasingly factored into the analysis of how corporate entities, including investment companies, conduct their activities.
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 Net Asset Value (NAV)*	The movement in net asset value in the period, shown in total and as a movement per share. Expressed in whole numbers and as a percentage.
Investment Manager's Delegation Agreement	The investment management agreement under which certain management services are delegated to Ediston Properties Limited.
Investment Management Agreement	The management agreement between the Company and Ediston Investment Services Limited under which Ediston Investment Services Limited is appointed to provide portfolio and risk management services.
Investment Manager	The Company's Investment Manager, pursuant to the Investment Manager's 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.

* Alternative Performance Measure.

Glossary of Terms, Definitions and Alternative Performance Measures continued

Manager	Used from time-to-time to refer to the Investment Manager or the AIFM as applicable.
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 88 to 92 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 85. At 30 September 2021 and 30 September 2020, the IFRS NAV was the same as the EPRA NAV.
Net Asset Value (NAV) Total Return*	The growth in net asset value plus dividends reinvested, and this can be expressed as a percentage of net asset value per share at the start of the year.
Net income	The net income from a property after deducting ground rent and non-recoverable expenditure.
Net Initial Yield*	The initial net income from a property at the date of purchase, expressed as a percentage of the gross purchase price including the costs of purchase.
Non-PID	Non-Property Income Distribution. The dividend received by a shareholder of the Company arising from any source other than profits and gains of the Tax Exempt Business of the REIT Group. This is similar to a dividend paid by any other company resident in the UK. From 6 April 2018, individual shareholders who are resident in the UK for taxation purposes are entitled to a tax-free dividend allowance of £2,000 per annum. Any dividend income (including Non-PID Dividends but excluding PIDs) in excess of this allowance is subject to income tax. UK resident corporate shareholders (other than dealers and certain insurance companies) are not liable to corporation tax or income tax in respect of UK dividends provided that the dividends are exempt under Part 9A of the Corporation Tax Act 2009.
Ongoing Charges*	Operating costs incurred by the Company, expressed as a proportion of its average net assets over the reporting year. The costs of buying and selling investment properties and the costs of buying back or issuing Ordinary Shares are excluded. The Company also excludes direct operating expenses for investment properties and the allowance for expected credit losses, as these are variable in nature and tend to be specific to lease events occurring during the period. Please refer to page 113 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 collection	The Rent collection figure expresses rent collected as a percentage of the rent due from tenants at the payment date.
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.
SAV IQ	Sustainability data reporting platform.
Share price	The price 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 net asset value. The dividends are assumed to have been reinvested in the form of Ordinary Shares or net assets, excluding any cost of reinvestment.

* Alternative Performance Measure.

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 2021 £'000	September 2020 £'000	September 2019 £'000
Investment management fee (Note 2)	1,687	1,882	2,239
Other expenses (Note 3)	1,914	2,160	1,377
Less: direct property costs (Note 3)	(1,016)	(512)	(356)
Less: Allowance for expected credit losses (Note 3)	–	(700)	–
Operating costs (A)	2,585	2,830	3,260
Average net assets for the 12 months ended September (B)	182,637	198,743	235,839
Ongoing Charges (A/B)	1.42%	1.42%	1.38%

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 112.

The Key Information Document (KID), contains a measure of costs (Reduction in Yield – 'RIY') calculated in accordance with EU PRIIPs regulations. The KID (dated 4 February 2021), on the Company's website, is published by the Company's AIFM under rules prescribed by the Financial Conduct Authority and indicates an RIY of 3.09%. The differences between the RIY and the Ongoing Charges consist primarily of the costs of gearing (1.5%), and direct property costs (0.56%). 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 eighth Annual General Meeting of Ediston Property Investment Company plc will be held at the offices of Ediston Investment Services Limited at 1 St Andrew Square, Edinburgh, EH2 2BD on 24 February 2022 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 2021 be received.
2. THAT the Directors' Remuneration Report for the year ended 30 September 2021 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 William Hill be re-elected as a Director of the Company.
7. THAT Imogen Moss 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 to pay 12 interim dividends per financial year 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 £704,375.35 or, if less, the aggregate nominal amount equal to 33.33% 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 11 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.

JTC (UK) Limited
Company Secretary

Registered office: The Scalpel, 18th Floor, 52 Lime Street, London EC3M 7AF
17 December 2021

Notice of Annual General Meeting continued

NOTES TO THE NOTICE OF ANNUAL GENERAL MEETING

ENTITLEMENT TO ATTEND AND VOTE

Only those Shareholders registered in the Company's register of members at:

- close of business on 22 February 2022,
- if this meeting is adjourned, the time which is 48 hours before the time fixed for the adjourned meeting,

shall be entitled to 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 vote at the meeting, subject to the below restrictions on attendance at the Annual General Meeting (AGM), speak and vote at the meeting.

Pursuant to regulation 41 of the Uncertificated Securities Regulations 2001, entitlement to attend and vote at the meeting and the number of votes which may be cast thereat will be determined by reference to the Register of Members of the Company at close of business on the day which is two days before the day of the meeting. Changes to entries on the Register of Members after that time shall be disregarded in determining the rights of any person to attend and vote at the meeting.

WEBSITE GIVING INFORMATION REGARDING THE MEETING

Information regarding the meeting, including the information required by section 311A of the Companies Act, can be found at www.epic-reit.com.

ATTENDING IN PERSON

Shareholders are invited to attend the Company's AGM in person. However, given the risks posed by the spread of COVID-19, if the law or Government guidance so requires at the time of the AGM, in the interest of the health and safety of the Company's shareholders, the Chairman will limit the number of individuals in attendance at the AGM in accordance with the Company's Articles of Association.

Please note that, as explained in the Directors' Report, in light of the continued relative uncertainty in relation to the COVID-19 pandemic, the Board will continue to monitor Government guidance and will provide updates to its Shareholders should attendance in person no longer be possible. The Company will notify Shareholders of any changes to the AGM arrangements prior to the AGM via an RNS announcement and on its website www.epic-reit.com.

APPOINTMENT OF PROXIES

A member entitled to attend and vote at the meeting convened by the above Notice is entitled to appoint one or more proxies to exercise all or any of the rights of the member to attend and speak and vote in his/her place. If a Shareholder wishes to appoint more than one proxy and so requires additional proxy forms, the Shareholder should contact the Company's Registrar Computershare Investor Services PLC, The Pavilions, Bridgwater Road, Bristol, BS99 6ZY (Telephone: +44 (0)370 707 1079). A proxy need not be a member of the Company.

To be valid any proxy form must be received by post or (during normal business hours only) by hand at Computershare Investor Services PLC, The Pavilions, Bridgwater Road, Bristol, BS99 6ZY, no later than 48 hours before the time appointed for holding the meeting or any adjourned meeting.

CREST members who wish to appoint a proxy or proxies through the CREST electronic proxy appointment service may do so by using the procedures described in the CREST Manual. CREST Personal Members or other CREST sponsored members, and those CREST members who have appointed a 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 or instruction 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 specifications, and must contain the information required for such instruction, as described in the CREST Manual (available via www.euroclear.com/CREST). 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 the issuer's agent (ID 3RA50) by the latest time(s) for the receipt of proxy appointments specified in Note 2. For this purpose, the time of receipt will be taken to be the time (as determined by the time stamp applied to the message by the CREST Application 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 Euroclear UK & Ireland Limited 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, to procure that his 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 system 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.

Any corporation which is a member can appoint one or more corporate representatives who may exercise on its behalf all of its powers as a member provided that they do not do so in relation to the same shares.

CHANGING OR REVOKING PROXY INSTRUCTIONS

To change your proxy instructions simply submit a new proxy appointment using the methods set out above. Any amended proxy appointment must be received no later than 2.00 p.m., on 22 February 2022 and any amended proxy appointment received after the relevant cut-off time will be disregarded.

If you have appointed a proxy and would like to change the instructions using another proxy form, please contact Computershare on +44 (0)370 707 1079 and ask for another proxy form.

If you submit more than one valid proxy appointment in respect of the same share for the purposes of the same meeting, the appointment last delivered or received shall prevail in conferring authority on the person named in it to attend the meeting and speak and vote. If the Company is unable to determine which appointment was last validly received, none of them shall be treated as valid in respect of the relevant share(s).

In order to revoke a proxy instruction you will need to inform the Company by sending notice in writing clearly stating your intention to revoke your proxy appointment to Computershare Investor Services PLC, The Pavilions, Bridgwater Road, Bristol, BS99 6ZY accompanied by the power of attorney or other authority (if any) under which the revocation notice is signed or a notarially certified copy of such power or authority). The revocation notice must be received no later than 2.00 p.m., on 22 February 2022.

In the case of a member which is a company, the revocation notice must be executed under its common seal or signed on its behalf by an officer of the company or an attorney for the company.

If you attempt to revoke your proxy appointment but the revocation is received after the time specified above then your proxy appointment will remain valid (unless you attend the meeting and vote in person).

NOMINATED PERSONS

Any person to whom this notice is sent who is a person nominated under section 146 of the Companies Act 2006 to enjoy information rights (a '**Nominated Person**') may, under an agreement between him or her and the member by whom he or she was nominated, have a right to be appointed (or to have someone else appointed) as a proxy for the AGM. If a Nominated Person has no such proxy appointment right or does not wish to exercise it, he or she may, under any such agreement, have a right to give instructions to the member as to the exercise of voting rights.

The statement of the rights of members in relation to the appointment of proxies does not apply to Nominated Persons. The rights described in those notes can only be exercised by members of the Company.

The main point of contact for a Nominated Person in terms of their investment in the Company remains the member by whom he or she was nominated (or perhaps a custodian or broker who administers the investment) and a Nominated Person should continue to contact them (and not the Company) regarding changes or queries relating to their personal details and their interest in the Company (including any administrative matters). The only exception to this is where the Company expressly requests a response from a Nominated Person.

APPOINTMENT OF PROXY BY JOINT MEMBERS

In the case of joint holders, where more than one of the joint holders completes a proxy appointment, only the appointment submitted by the most senior holder will be accepted. Seniority is determined by the order in which the names of the joint holders appear in the Company's register of members in respect of the joint holding (the first-named being the most senior).

CORPORATE REPRESENTATIVES

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

WITHHELD VOTES

A vote withheld is not a vote in law, which means that the vote will not be counted in the calculation of votes for or against the resolution. If you either select the 'Discretionary' option or if no voting indication is given, your proxy will vote or abstain from voting at his or her discretion. Your proxy will vote (or abstain from voting) as he or she thinks fit in relation to any other matter which is put before the meeting.

ISSUED SHARES AND TOTAL VOTING RIGHTS

As at 9.00 a.m. on 17 December 2021, which is the latest practicable date before publication of this notice, 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 on that date is 211,333,737. No shares are held in treasury.

The Company's website will include information on the number of shares and voting rights.

QUESTIONS BEFORE THE MEETING

Shareholders are encouraged to raise any questions in advance of the AGM with the Company Secretary at epic.reit@jtcgroup.com (please include 'EPIC AGM' in the subject heading). Questions must be received by 5.00 p.m. on 10 February 2022. Any questions received will be replied to by either the Investment Manager or Board via the Company Secretary before the AGM.

Notice of Annual General Meeting continued

NOTES TO THE NOTICE OF ANNUAL GENERAL MEETING CONTINUED

STATEMENTS PURSUANT TO SECTION 527 OF THE COMPANIES ACT

Under section 527 of the Companies Act, Shareholders meeting the threshold requirements set out in that section have the right to require the Company to publish on a website a statement setting out any matter relating to: (i) 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 AGM; or (ii) any circumstances connected with an auditor of the Company ceasing to hold office since the previous meeting at which annual accounts and reports were laid in accordance with section 437 of the Companies Act. The Company may not require the Shareholders requesting any such website publication to pay its expenses in complying with sections 527 or 528 of the Companies Act. Where the Company is required to place a statement on a website under section 527 of the Companies Act, it must forward the statement to the Company's Auditor not later than the time when it makes the statement available on the website. The business which may be dealt with at the AGM includes any statement that the Company has been required under section 527 of the Companies Act to publish on a website.

The request:

- may be in hard copy form or in electronic form (see below);
- either set out the statement in full or, if supporting a statement sent by another Shareholder, clearly identify the statement which is being supported;
- must be authenticated by the person or persons making it (see below); and
- be received by the Company by close of business on 17 February 2022, which is at least one week before the meeting.

SUBMISSION OF HARD COPY AND ELECTRONIC REQUESTS AND AUTHENTICATION REQUIREMENTS

Where a Shareholder (or Shareholders) wishes to request the Company publish audit concerns, the request must be made by either sending:

- A hard copy request signed by the Shareholder, stating the full name, address and Shareholder Reference Number to: Company Secretary Ediston Property Investment Company plc c/o JTC (UK) Limited, The Scalpel, 18th Floor, 52 Lime Street, London EC3M 7AF; or
- A request which stating the full name and address and Shareholder Reference Number to epic.reit@jtcgroup.com. Please state 'AGM' in the subject line of the email.

SHAREHOLDERS' POWER TO REQUIRE CIRCULATION OF RESOLUTIONS FOR AGMS

Members representing 5% or more of the total voting rights of all the members or at least 100 persons (being either members who have a right to vote at the AGM and hold shares on which there has been paid up an average sum, per member, of £100, or persons satisfying the requirements set out in section 152(2) of the Companies Act) may:

- a. require the Company, under section 338 of the Companies Act, to give notice of a resolution which may properly be moved at the AGM. Any such request, which must comply with section 338(4) of the Companies Act, must be received by the Company no later than six weeks before the date fixed for the AGM; and
- b. require the Company, under section 338A of the Companies Act to include a matter (other than a proposed resolution) in the business to be dealt with at the AGM. Any such request, which must comply with section 338A(3) of the Companies Act, must be received by the Company no later than six weeks before the date fixed for the AGM.

DOCUMENTS ON DISPLAY

Copies of the letters of appointment of the non-executive Directors' and the Company's Articles of Association are available for inspection at the Company's registered office during normal business hours. If you wish to inspect any of these documents, you should e-mail epic.reit@jtcgroup.com to arrange an appointment.

VOTING

Voting on all resolutions will be conducted by way of a poll rather than a show of hands. This is a more transparent method of voting as member votes are to be counted according to the number of shares held. As soon as practicable following the meeting, the results of the voting and the number of proxy votes cast for and against and the number of votes actively withheld in respect of each of the resolutions will be announced via a regulatory information service and also placed on the Company's website.

COMMUNICATION

Except as provided above, Shareholders who have general queries about the meeting should telephone Computershare's helpline on +44 (0)370 707 1079. Calls cost 5.1 pence per minute plus your phone company's access charge. Calls outside the United Kingdom will be charged at the applicable international rate. Lines are open between 9 a.m. to 5.30 p.m., Monday to Friday excluding public holidays in England and Wales. No other methods of communication will be accepted.

You may not use any electronic address provided in this notice of Annual General Meeting, or in any related documents for communicating with the Company for the purposes other than those expressly stated.

Notes

Notes

Corporate Information

DIRECTORS

William Hill
Robin Archibald
Jamie Skinner
Imogen Moss

REGISTERED OFFICE

The Scalpel, 18th Floor
52 Lime Street
London EC3M 7AF

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

JTC (UK) Limited
The Scalpel, 18th Floor
52 Lime Street
London EC3M 7AF

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 EC2A 1AG

TAX ADVISER (FROM 14 MAY 2021)

BDO LLP Atria One
144 Morrison Street
Edinburgh EH3 8EX

TAX ADVISER (UNTIL 14 MAY 2021)

Ernst & Young LLP
55 Baker Street
London W1U 7EU

REGISTRAR

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

CORPORATE BROKER

Investec Bank PLC
30 Gresham Street
London 3C2V 7QN

DEPOSITARY

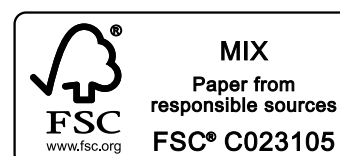
IQ EQ Depositary Company (UK) Limited
Two London Bridge
London SE1 9RA

PUBLIC RELATIONS

Kaso Legg Communications
40 Queen Street
London EC4R 1DD

WEBSITE

www.ediston-reit.com



The outer cover of this report has been laminated with a biodegradable film. Around 20 months after composting, an additive within the film will initiate the process of oxidation.



Ediston Property Investment Company plc
The Scalpel, 18th Floor
52 Lime Street
London EC3M 7AF

www.ediston-reit.com