

Ediston Property Investment Company plc | Annual Report and Accounts 2022

Ediston Property Investment Company plc 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.



Highlights

FINANCIAL as at 30 September 2022

TOTAL ASSETS

£313.7m

(2021: £303.0 million)

NAV TOTAL RETURN*

11.5%

(2021: 9.6%)

EPRA VACANCY RATE*

6.5%

(2021: 8.6%)

WEIGHTED AVERAGE UNEXPIRED LEASE TERM*

4.5 years

(2021: 5.0 years)

EPRA NAV PER SHARE*

94.9p

(2021: 89.6p)

ANNUALISED DIVIDEND PER SHARE

5.00p

(2021: 4.42p)

RENT COLLECTED IN THE YEAR

98.2%

(2021: 95.7%)

DIVIDEND COVER*

81.2%

(2021: 119.0%)

* Alternative performance measure

OPERATIONAL as at 30 September 2022

Sold four office assets and two leisure assets for £69.5m.

15 lease transactions completed with a contracted rent of £2.5m per annum.

98.2% of rent due was collected.

Portfolio is now 100% in retail warehousing, in line with the new investment strategy, with cash available for further investment at the appropriate time.

A summary of the Company's financial record since inception can be found on page 102.

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

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 experience and depth of our Investment Manager's team gives us the resources and capability to execute this strategy.

An important outcome for the year was the successful implementation of the strategy to focus, for the foreseeable future, on investment in the retail warehouse sector. The Company sold its office and leisure assets, and now has cash available for reinvestment in additional retail warehouse properties, at the appropriate time. The Investment Manager has extensive experience as a developer, investor and asset manager of retail warehouse assets.

The Company has a well-located portfolio of good-quality assets, which offers a reliable income stream and with opportunities to enhance and improve income and value through active asset management.

Going forward, the Company's intention is to invest its available cash in retail warehouse assets, which strengthen the portfolio structure and are accretive to both capital growth and dividend cover.

Case Study

Resilience in retail: why retail warehouses are still winners

READ MORE ON PAGE 15



READ MORE ABOUT
Our Strategy
ON PAGES 10 TO 11



READ MORE ABOUT
Sustainability
ON PAGES 16 TO 23



Our retail warehouse assets

AS AT 30 SEPTEMBER 2022

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

NUMBER OF PROPERTIES

11

PORTFOLIO VALUE

£231.4m

CONTRACTED RENT

£16.2m

WEIGHTED AVERAGE UNEXPIRED LEASE TERM

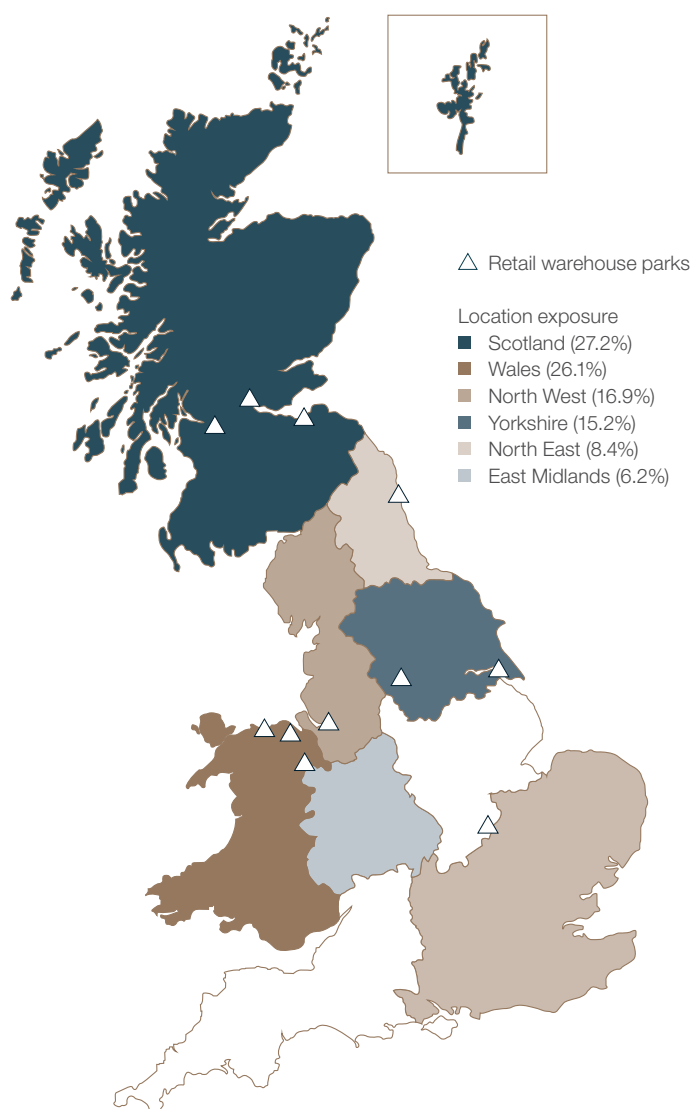
4.5 years

EPRA VACANCY RATE

6.5%

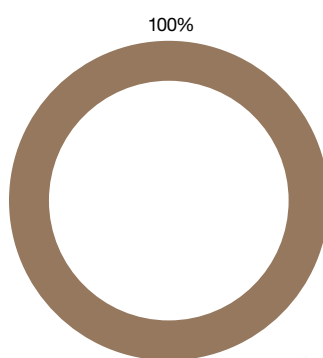
AVERAGE RENT PER SQ. FT.

£14.72



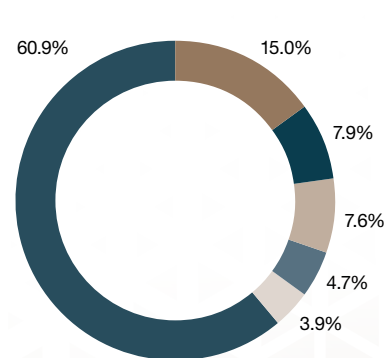
PORTFOLIO COMPOSITION AS AT 30 SEPTEMBER 2022

SECTOR EXPOSURE



■ Retail warehouse

TOP FIVE TENANTS

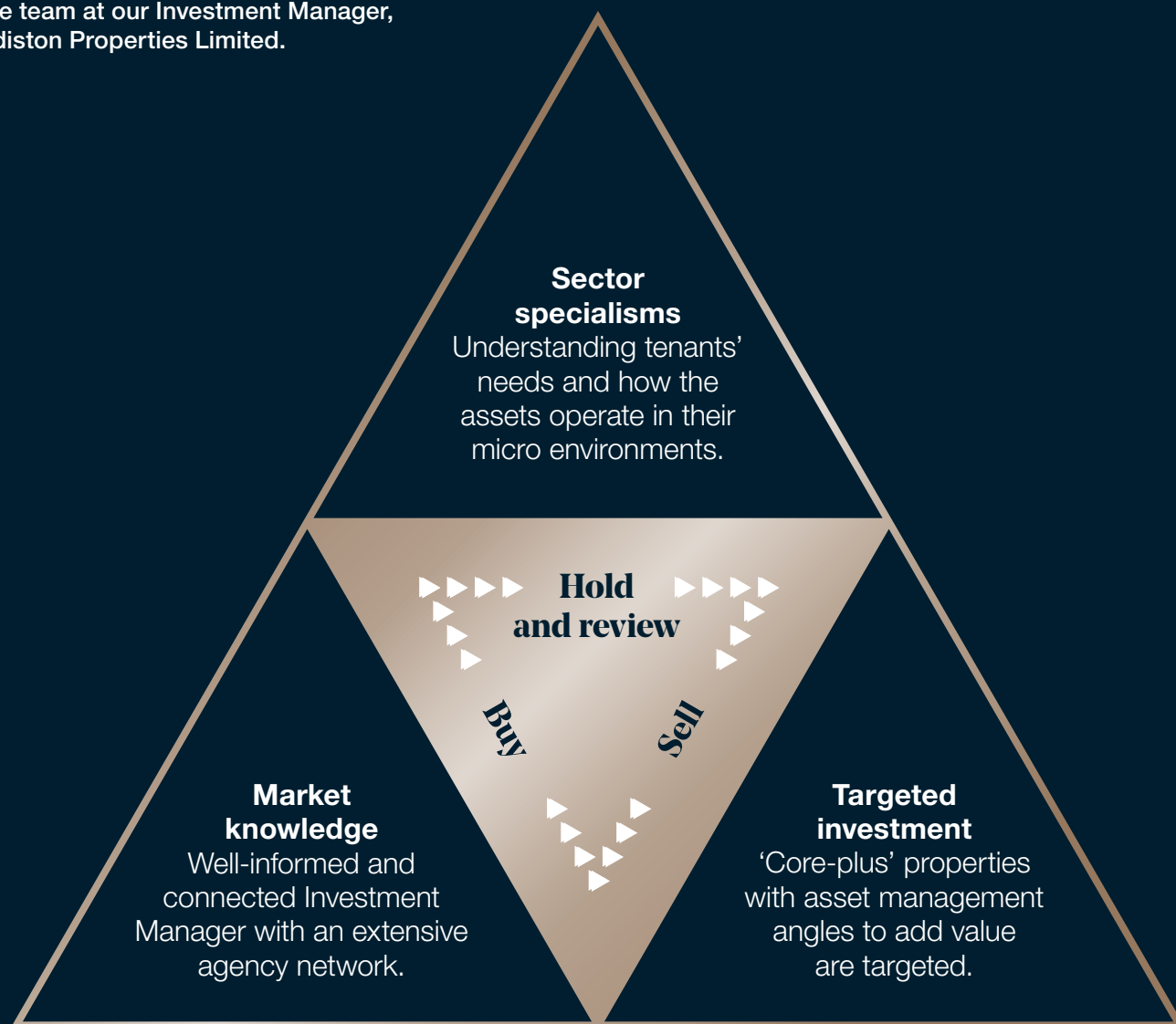


■ B&Q Ltd
■ B&M Retail Ltd
■ Marks & Spencer plc
■ Boots UK Limited
■ Pets at Home Limited
■ Tenants < 3.9%

Our Investment Manager's Approach

A retail warehouse specialist

We aim to add value at all stages of the investment process. This is achieved through the expertise and skills 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 properties 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 understands how the assets fit into the local 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 asset management initiatives can be identified and properly followed through to execution.

Generally, three to six projects are allocated to each surveyor and, 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 that 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 that 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 PER ANNUM
OF ALL ASSET MANAGEMENT
DEALS COMPLETED

£2.5m

NUMBER OF INVESTMENT
TRANSACTIONS COMPLETED

6

“The Company has executed its investment strategy outlined in my statement last year and is now focused on the retail warehouse sector for the foreseeable future.”



RENT COLLECTED IN THE YEAR

98.2%

NAV PER SHARE

94.9p

OVERVIEW

The sale of the office and leisure properties has increased the retail warehouse exposure in the property portfolio from 74.1% to 100% of our invested assets. At the year end, the Company held £31.0m in the debt disposal account earmarked specifically for reinvestment, as well as £50.2m in its operational account.

In my interim statement in May, I commented that, whilst the retail warehouse market had flourished in the first part of the year, the macro-economic position was becoming more challenging due to world events and rising inflation. Behind this caution was the expectation of higher interest rates and a squeeze on business investment and consumer spending to bring inflation under control. This has happened against a background of political chaos in the UK.

The consequent spike in gilt rates has created a wave of fear in real estate markets as investors grapple with the pricing implications of needing higher returns on equity to compensate, and much higher borrowing costs than anticipated. This is reflected in the widened discounts across the closed-ended sector.

For the Company, the most obvious and immediate impact has been the deterioration in the share price, which has moved down from 78.8 pence per share at the half year to 67.6 pence at the year end. Due to a reduction in property values, the Company has seen a fall in Net Asset Value at 30 September, following five quarters of increases.

There are no doubt more real estate bumps in the road to navigate over coming months, with a slowing economy and rising interest rates. A sizeable one in the short term will be the impact of the expected mark down in market valuations at the end of December, based on transactional evidence over the quarter. External geopolitical factors will also remain a significant factor in determining the direction of the economy. The Board will continue to manage risk proactively and where possible ensure the Company is as resilient as it can be to whatever lies ahead. Despite the economic and political difficulties that emerged in 2022, the Company, with its new investment focus and cash to invest, should emerge from this period of disruption in a strong position.

INVESTMENT AND SHARE PRICE PERFORMANCE

The Company's Net Asset Value (NAV) per share increased by 5.9% with an annualised NAV total return as at 30 September 2022 of 11.5%. Like-for-like property values increased by 10.3% over the period.

Despite the increase in NAV, the share price has declined 8.4% over the year from 73.8 pence to 67.6 pence. Allowing for the payment of the dividend, the share price total return was -2.3%.

The increase in NAV for the year was driven by the improvement in valuations in the retail warehouse portfolio due to a combination of yield shift and the gains from asset management initiatives. Some of this value was lost in the last quarter due to markets falling back on economic concerns, the general rise in borrowing costs and the political turmoil. The sale of the office portfolio was completed below the September 2021 valuation, and was a drag on performance for the year. However, the sale was prescient as it is highly likely that, if these assets had not been sold, the current valuation of the offices would be below the sale value, creating a larger offset to the retail warehouse gains.

INVESTMENT STRATEGY

Asset Allocation

The completion of the office sales and the disposal of the two leisure assets during the year has shifted the asset mix from 74.1% to 100% invested in the retail warehouse sector. Uninvested cash resources will be invested into the sector, maintaining a 100% exposure for the foreseeable future and in line with the revised strategy. The Investment Manager had intended for the Company to be fully invested by the half year. However, due to the uncertainty and re-pricing of the market, it was decided that it was prudent to hold cash until the right opportunities were available, and the extent of the correction was more visible.

In considering retail warehouse investments, it is important to note that the sector is not one homogenous group of assets. Investment performance can be influenced by many factors, including planning restrictions on users, tenant focus, tenant mix, size and layout of units, the size of the overall scheme, availability of car parking, accessibility, the nature of the catchment, supply of competing space, property management, sustainability factors, the affordability of the prevailing rent, opportunities to add space and alternative use values. The dispersion of returns can be significant across the sector, accentuating the importance of stock selection and an experienced Investment Manager.

“The completion of the office sales and the disposal of the two leisure assets during the year has shifted the asset mix from 74.1% to 100% invested in the retail warehouse sector.”

Given the focus on the sector, the Investment Manager has provided more information in its review later on in this report. What does come through from the analysis is the strength of the Company's income stream. The credit rating of 85.0% of the tenant line-up is rated by Dun & Bradstreet as having a lower than average risk of business failure. The average rent passing (including the smaller coffee and kiosk units, which command higher rents but ignoring vacant units) is £14.72 per sq. ft. The Company is aware that many of its retailers are making money from this rental base and, with void levels low, it augurs well for rental growth.

What makes the sector especially interesting is that the investment story is much more than the attractive levels of rent and capital value as:

- 1) click-and-collect continues to grow, with out-of-town parks well placed to provide this function;
- 2) retailers remain attracted to the better configured space on retail parks;
- 3) new revenue opportunities exist from creating new spaces such as drive-thru units and electrical vehicle (EV) charging points; and
- 4) densities can be increased with the potential for introducing other uses.

Sustainability

I am delighted that the Company is embracing its sustainability responsibilities and has made further progress during the year in charting its way to net zero. The Sustainability Working Group, comprising the team from the Investment Manager, Savills, Imogen Moss and myself, is proving effective in maintaining the required momentum. It is satisfying that the Investment Manager has secured another green star to last year's rating following the Company's participation in the 2022 GRESB survey.

The ESG activities are more fully described on pages 16 to 23. This is more detailed disclosure than the previous year and hopefully informative for shareholders.

PORTFOLIO ACTIVITY

It has been an exceptionally busy year, with the Investment Manager's report providing full information. The key highlights are:

1) Sales

The four office assets in Bath, Birmingham, Newcastle and Edinburgh, and the leisure assets at Hartlepool and Telford, were sold. The total capital raised from the six transactions was £69.5m. The sales achieved one of the key strategic objectives set last year.

2) Asset Management

The strategic priorities of protecting rent and enhancing NAV were achieved. Fifteen lease transactions involving £2.5m of rent were completed during the year, with one further deal concluding post the year end. The void management target was also achieved with the reduction in the EPRA Vacancy Rate from 8.6% to 6.5%. This all contributed to the value of the retail warehouse assets improving during the year.

RENT COLLECTION

In total, 98.2% of rent due was collected at the year end. Contracted rent had fallen at the year end from 12 months ago due to the loss of income from the office and leisure property sales and the deferral of the reinvestment of the sale proceeds. The objective is to replace as much of this income as possible through reinvestment in suitable retail warehouse assets.

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 2022 was 35.41% of total assets, a slight decrease from last year end. Gearing is within investment policy limits and covenants.

As at 30 September 2022, the Company held £81.2m of cash. Of this sum, £31.0m is contained within the security pool and consent from the lender is required where Loan-to-Value (LTV) levels at the time the funds are utilised is above 35%.

Chairman's Statement continued

DIVIDENDS

In my report last year, I stated the Board's commitment to a covered dividend and the prospect of further dividend progress as contracted rental income continued to improve. I also highlighted that the likely mismatch between sales and reinvestment could lead to a period of uncovered dividends and that, if prudent to do so, the shortfall would be made up from reserves.

Delaying the reinvestment of capital from the sales has meant the period of uncovered dividend has become longer than was anticipated. The Board believes the way the Company has responded to the changed market conditions is both responsible and appropriate. The Company is well funded to continue to pay the current monthly dividend. It is the intention of the Board to maintain the dividend at 5.0 pence per share. The expectation remains that when the available capital is invested the dividend will be covered.

LONG-TERM GROWTH STRATEGY

The Board's immediate focus is on NAV per share with the active management of the current assets and ensuring that capital is invested on an accretive basis for the medium term. Longer term, the Board would like to grow the equity base of the Company to improve liquidity, lower the cost base per share and enlarge the investment opportunity set, but this will depend in no small part on the recovery of the Company's share price rating.

Although the issue of new equity is unlikely in the short term, due to the share price being at a discount to NAV, 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 consider other means of raising capital if there are substantial acquisitions to be financed. In any fund raising, the interests of existing shareholders will be of paramount importance in how we price and structure any new issuance or take on any new gearing.

BOARD MATTERS

I would like to thank the Board, Investment Manager and all the agents that provide services to the Company for their hard work.

We have made some Board changes during the year as part of our succession plan. I would like to welcome Karyn Lamont, who joined the Board on 1 September, as our new Audit and Risk Committee Chair. She will stand for election at the AGM in February 2023. Karyn is a chartered accountant, a former audit partner at PwC and an experienced non-executive director on other collective funds, including as audit chair. Imogen Moss became the Senior Independent Director on 1 June this year. These changes result from Robin Archibald stepping down from both these positions to enable a well-managed handover and transition to take place before he retires from the Board at the AGM in 2023.

Robin has been on the Board since the Company floated in October 2014. During his time of service he has made an immense contribution to the management oversight of the Company, and I would like to thank him not only for that but also for all the wise counsel and support he has given me personally. I know Robin will remain active in the Investment Trust sector with his other board appointments and we wish him well with these roles.

The end of my tenure is also in sight, having joined the Board at the same time as Robin. The Board has asked me to continue as Chairman in the coming year and I will, therefore, stand for election at the forthcoming AGM. It is my intention to stand down no later than the AGM in 2024 and between now and then will work with my fellow directors on identifying a new Chair.

The Board has not revised its base remuneration levels in five years. The only modifications to Board remuneration in that period related to changes in roles and the introduction of the arrangements relating to Robin Archibald's remuneration. The Remuneration Committee has concluded that a modest increase is now

justified based on its assessment of market rates following the recruitment process undertaken this year. The proposed increases are significantly below the rate of inflation over the last five years. Shareholders are being asked to approve an increase in the remuneration cap to £275,000, giving the Board the flexibility it might need over its composition in future years and to manage succession. Full details of the proposals are set out in the Remuneration Report on page 53.

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 2023. The AGM notice is set out on pages 107 to 108.

Those shareholders who are unable to attend the AGM in person are encouraged to raise any questions in advance with the Administrator 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 2023. Any questions received will be replied to by either the Investment Manager or Board, via the Administrator, before the AGM. A shareholder presentation will be made available on the Company website following the AGM, updating shareholders on the activities of the Company.

OUTLOOK

The decision to delay the reinvestment of the sales proceeds from the office and leisure disposals has undoubtedly put the Company in a better position to take advantage of the current market uncertainty and setback in asset valuations. We can expect some interesting and attractive opportunities to arise over the coming months, given the expected further falls in market valuations. Real estate markets are now much quicker to adjust than in the past so these opportunities could come quickly. However, the Investment Manager has no specific timetable in mind for the reinvestment and will be led by opportunity and to the extent that the market has re-priced. The timing will also be driven by the need to ensure the Company remains financially resilient to the effects of any sustained market downturn.

“The Board's immediate focus is on NAV per share with the active management of the current assets and ensuring that capital is invested on an accretive basis for the medium term.”

However, it will mean the payment of an uncovered dividend in the meantime.

The immediate focus is on managing the existing assets to protect the NAV per share and ensure the income is maximised to reduce the extent of the uncovered dividend. The Investment Manager did an excellent job in this regard during the COVID-19 Crisis and is well-positioned to do so during a period of economic difficulty.

The attractiveness of large parts of the retail warehouse sector was recognised by investors in the early part of the year and the consequent increase in buying activity started to drive yields down and prices up. The general correction in the last quarter has brought this to an end for the moment. However, the fundamentals remain attractive with many of the tenants in the sector making money from the rebased rents, void levels are low and the click-and-collect model continues to grow in popularity.

There is good prospect that investor interest will return when confidence improves and pressure on asset sales is reduced as open-ended property fund redemptions normalise. This will not only benefit the Company's NAV but should also flow through to an improved share price and a reduction in the discount. Whether this will be evident in the second half of the new financial year will remain to be seen.

Nevertheless, the Board is confident that the Company will be able to emerge from the current turbulence in a strong position to reap the benefits of better times ahead.

William Hill
Chairman

Making progress in a changing market

OUR STRATEGIC PRIORITIES

Income protection and growth

To support dividend payments to investors.

Progress in the period

Letting vacant space, securing extensions of existing leases and completing Agreements for Lease (AFL) to generate new income streams. Regular dialogue with tenants to secure their ongoing occupation and to maximise rent collection.

Targets

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

Sale proceeds to be reinvested into suitable retail warehousing assets, at the appropriate time.

Void management

To minimise the vacancy rate across the portfolio.

Progress in the period

The EPRA Vacancy Rate decreased to 6.5% at the year end.

Targets

To let any voids and maintain a low vacancy rate.

NAV management

Through the active asset management of the portfolio.

Progress in the period

NAV per share increased 5.9% in the period because of valuation improvements in the retail warehouse portfolio, and the completion of proactive asset management initiatives.

Targets

To actively manage the portfolio to protect the NAV against economic headwinds. To undertake refurbishment and repositioning projects that generate capital value uplifts to improve the NAV or help offset any valuation declines.

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 between agents, and reporting on specific issues, as well as meeting new regulatory and reporting requirements, including on ESG issues.

Targets

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

Transactional activity

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

Progress in the period

Sold four office and two leisure assets, in line with the Company's strategy.

Targets

Sale proceeds to be reinvested into suitable retail warehousing assets, at the appropriate time. The objective is income and capital growth.

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 decreased by 8.4% in the period, principally because of changing market conditions brought about by economic and political events outside of the Company's control.

Targets

Good secondary market liquidity to help narrow discount, ideally pricing to levels close to NAV, to give prospects for equity growth.

KEY PERFORMANCE INDICATORS

NAV TOTAL RETURN

11.5%

2022	11.5%
2021	9.6%
2020	-16.6%
2019	-0.8%
2018	8.9%

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

ANNUALISED DIVIDEND PER SHARE

5.00p

2022	5.00p
2021	4.42p
2020	4.88p
2019	5.75p
2018	5.75p

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

AVERAGE PREMIUM/DISCOUNT OF SHARE PRICE TO NAV

-17.9%

2022	-17.9%
2021	-22.1%
2020	-33.2%
2019	-11.6%
2018	-1.6%

The average premium or 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, but that factors outside the Company's control will influence market pricing.

EPRA VACANCY RATE

6.5%

2022	6.5%
2021	8.6%
2020	5.1%
2019	2.9%
2018	5.7%

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.

ONGOING CHARGES

1.4%

2022	1.4%
2021	1.4%
2020	1.4%
2019	1.4%
2018	1.3%

Operating costs incurred by the Company expressed as a proportion of its average net assets. See definition on page 105 for more detail.

SHARE PRICE TOTAL RETURN

-2.3%

2022	-2.3%
2021	54.6%
2020	-35.3%
2019	-17.0%
2018	7.7%

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

“We expect the retail warehouse sector to be the most resilient and flexible part of the retail market, which can adapt to the changing needs of tenants and the integration of their omnichannel strategies.”



PORTFOLIO VALUE

£231.4m

CONTRACTED RENT PER ANNUM OF ALL ASSET MANAGEMENT DEALS

£2.5m

INTRODUCTION

It has been a busy year for the Company, which has seen improvement across several areas. The NAV has increased, the EPRA Vacancy Rate has fallen, rent collection has improved further and 15 asset management transactions have been completed.

The revised strategy to sell office and leisure assets to focus investment on the retail warehouse sector has been successfully completed. During the period, all six of the office and leisure assets were sold, meaning the Company now only holds retail warehouse assets and has cash available for reinvestment.

The first half of the financial year saw positive momentum build across the portfolio, driven by the continued recovery of the retail warehouse market. Yields hardened as investors recognised the attributes of the retail warehouse sector and tenants continued to lease space.

The Interim Report cautioned that headwinds were building, which they did, and they are now affecting the Company. Rising inflation, interest rates and energy costs, coupled with political instability, have reduced consumer confidence and put a squeeze on household incomes. Reductions in disposable income could affect the retail market, including retail warehousing. Discretionary spending and the purchasing of 'big-ticket' items will be particularly affected. The fact that the Company's portfolio is underpinned by convenience-led tenants, has low average rents and a reduced vacancy rate is important and should help make the portfolio more defensive to these reductions in consumer spending.

If retailers are impacted, there is an increased likelihood of them using Company Voluntary Arrangements (CVAs) and other insolvency processes to reduce costs. The Company is in a better position to deal with these challenges than it was during the COVID-19 Crisis, which it weathered well in terms of sustaining income.

However, the increase in gilt yields has put all property valuations under downward pressure. The Company's property portfolio reduced in value by 2.5%, on a like-for-like basis, at 30 September 2022. Further, larger declines are likely as the property market reprices due to the rise in gilt yields. The expectation is that the property portfolio will fall in value as at 31 December 2022, with the potential for further volatility thereafter.

Despite the more measured short-term outlook, the fundamentals of the retail warehouse sector remain robust. Supply of available space is low, tenant demand is holding up, occupiers are still doing deals and we continue to identify and complete asset management transactions that secure income.

We expect the retail warehouse sector to be the most resilient and flexible part of the retail market, which can adapt to the changing needs of tenants and the integration of their omnichannel strategies. Having sold assets and with cash in the bank, the Company is well placed to capitalise on any investment opportunities that are identified in a re-priced market, but only at the right time and price for the Company.

NUMBER OF ASSET
MANAGEMENT DEALS

15

AVERAGE RENT OF ALL DEALS
COMPLETED (PER SQ. FT.)

£12.32

TOTAL SQ. FT. OF ALL
DEALS COMPLETED

206,814

PROPERTY VALUATION

The Company's property portfolio is valued by Knight Frank on a quarterly basis throughout the year. As at 30 September 2022 it was valued at £231.4m, a like-for-like increase of 10.3% over the reporting period. The increase was driven by falling yields in the retail warehouse portfolio, albeit there was a decrease in the property valuation in the final quarter as some of the yield improvement was reversed.

EPRA VACANCY RATE

During the period the EPRA Vacancy Rate decreased from 8.6% to 6.5%. This was due to the sale of the office at St. Philips Point in Birmingham, which had vacant floors, and the letting of vacant units in the retail warehouse portfolio. Letting the remaining vacant units remains a key focus.

RENT

Over the year, the Company's contracted rent has reduced from £20.8m to £16.2m. This is principally because of the sale of the office and leisure properties, and the fact that the sales proceeds have not been reinvested. It is anticipated that the income will be replaced when suitable assets are acquired.

Rent collection for the year, as at 30 September 2022, was 98.2%, an improvement from 95.7% in the prior year.

IMPLEMENTING THE REVISED STRATEGY

Last year the Company announced its strategy to sell its office and leisure assets to focus on the retail warehouse sector. During the period, the Company sold its four office assets in Bath, Birmingham, Edinburgh and Newcastle for a headline price of £61.9m. This was 3.3% below the property valuations at the time of the sales. Once deductions for topped up rents and rent-free periods were factored in, the net receipt to the Company was £60.0m.

The Company also disposed of its two leisure units, both of which were let to Mecca Bingo. The Lanyard, Hartlepool, was sold for £2.6m. This was 16.4% above the valuation. The second leisure property, Southwater Square, Telford, was sold to an owner occupier for £5.0m, which was 67% above the property valuation.

The next phase of investment activity will be focused on the retail warehouse sector. Whilst the Company recognises the benefits of being fully invested, the deterioration in

the market, coupled with the economic and political challenges, means that it is carefully reviewing opportunities to ensure that the cash is deployed in appropriate assets, at the correct price, at the right time. Despite the recent challenges, we still believe the prospects are attractive for retail warehousing, both in absolute terms and relative to other sectors of the real estate market.

PORTFOLIO ACTIVITY

The Company has continued to deliver asset management transactions across the portfolio, which have helped reduce the EPRA Vacancy Rate and secure the Company's income stream.

During the period the Company completed 15 transactions across the office, leisure and retail warehouse assets.

Thirteen of the 15 deals were completed in the retail warehouse assets, securing £1.8m of rent per annum, of which £0.6m was additional rent. These are summarised as follows:

- at Kingston Retail Park in Hull, The Range signed a 15-year lease on a 14,500 sq. ft. unit;
- also at Hull, Greggs signed a 10-year lease with a five-year tenant break option on a 2,000 sq. ft. unit;
- at Prestatyn Shopping Park, The Tech Edge leased a vacant unit of 1,300 sq. ft. on a five-year lease;
- at Clwyd Retail Park, Rhyl, Now to Bed leased 8,017 sq. ft. on a three-year lease;
- at Barnsley, Bensons downsized from a unit of 10,000 sq. ft. into one of 5,036 sq. ft. and signed a five-year lease;
- Jysk then signed a 10-year lease with a five-year break option on the unit vacated by Bensons;
- in one other deal at Barnsley, One Below, occupying a 4,996 sq. ft. unit on a short-term lease, committed to the park for five years;
- at Widnes Shopping Park, Card Factory signed a five-year lease, without break, on a 1,590 sq. ft. unit;
- at Stirling, Harry Corry signed a five-year lease extension on its 9,968 sq. ft. unit, meaning its lease will now expire in February 2027;
- also at Stirling, Pets at Home agreed to remove its break option, due in 2024, meaning the lease now expires in June 2029; and
- in a third deal at Stirling, existing tenant Bensons signed an agreement for lease on a 9,977 sq. ft. unit. On completion of landlord works it will sign a 10-year lease.

At Prestatyn Shopping Park, JD Sports signed a 10-year lease with breaks at years four and seven on a 7,623 sq. ft. unit, which was previously occupied by New Look. New Look was occupying the unit on a turnover rent basis following the approval of its CVA. Under the terms of the CVA landlords were entitled to break the leases.

We considered that the terms of the CVA were below market, so we took the opportunity to exercise the break clause and identified JD Sports as a more suitable tenant for the space. The rent received from JD Sports is 44.0% higher than the rent being paid by New Look.

At Coatbridge, Glasgow, we completed an AFL with existing tenant B&Q, to secure them on the park for a further 10 years. B&Q had a lease expiry in December 2022. As part of the transaction, B&Q will downsize from 102,000 sq. ft. to 79,960 sq. ft. Aldi has signed an AFL for a 20,000 sq. ft. unit which will be created in the space vacated by B&Q. Planning permission has been obtained for the change to food use. On completion of the landlord works, Aldi will enter into a 20-year lease without break, subject to five-yearly rent reviews linked to RPI.

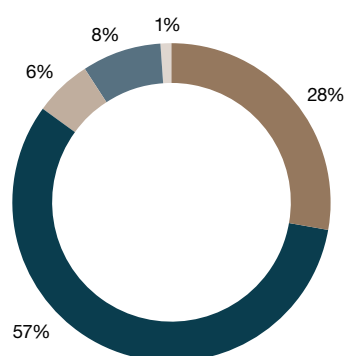
One asset management transaction completed in each of the office and leisure portfolio. These are detailed on the following page. Both properties were then sold during the period.

Investment Manager's Review continued

NUMBER OF TENANTS INVOLVED IN ASSET MANAGEMENT DEALS

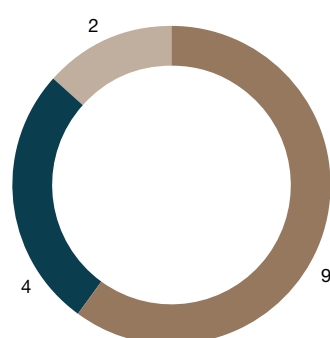
14

TENANT COVENANT PROFILE DUN & BRADSTREET RISK RATINGS – PORTFOLIO



■ Minimum
■ Lower than average
■ Higher than average
■ High
■ Other

NUMBER OF DEALS



■ New lettings
■ Lease extensions
■ Agreements for lease

NUMBER OF ASSETS WITH ASSET MANAGEMENT ACTIVITY

9

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

At Hartlepool, Mecca Bingo signed a 10-year reversionary lease with a seven-year tenant break option on its 31,284 sq. ft unit. The lease expiry date was extended to September 2032, with a break option in September 2029.

POST PERIOD END ACTIVITY

Post period end, at Wombwell Lane Retail Park, Barnsley, B&M agreed to extend its occupation at the park by 10 years.

The lease now expires in September 2037 and the passing rent increased by 6.0%. To facilitate the deal, B&M was granted a 15-month rent-free period. This underscores B&M's commitment to the location.

EPRA VACANCY RATE

6.5%

OUTLOOK

Despite the growing economic and property market headwinds, there is still occupational demand for the Company's properties. There is interest in not only the Company's vacant units, but also in let units where we are trying to accommodate the demand by right sizing tenants to secure their ongoing occupation. The fact that we can modify units to match tenant requirements demonstrates the flexibility offered by retail warehouse parks.

Protecting income and growing it where possible remains a key focus. There will be challenges to contend with, but with a reshaped portfolio (with no office or leisure exposure), a good tenant line up, a low vacancy rate (6.5%) an attractive WAULT (4.5 years) and ongoing asset management opportunities, the Company has a robust platform on which to build. Further, the Company has cash available for investment into a re-priced market, at the appropriate time.

Calum Bruce
Investment Manager

PROPERTY PORTFOLIO AS AT 30 SEPTEMBER 2022

Location	Name	Sub-sector	Market value range (£m)	Tenure
Widnes	Widnes Shopping Park	Retail Warehouse	35-40	Leasehold
Prestatyn	Prestatyn Shopping Park	Retail Warehouse	25-30	Freehold
Stirling	Springkerse Retail Park	Retail Warehouse	25-30	Heritable
Hull	Kingston Retail Park	Retail Warehouse	20-25	Freehold
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	15-20	Heritable
Daventry	Abbey Retail Park	Retail Warehouse	10-15	Leasehold
Barnsley	Wombwell Lane Retail Park	Retail Warehouse	10-15	Freehold

Case Study

Resilience in retail: why retail warehouses are still winners

Since the COVID-19 Crisis began, retail warehousing has demonstrated its resilience – holding up much better than most other areas of the UK retail market. But now, as we contend with a cost of living crisis, does the sector still have more to offer?

We believe it does. That's why the Ediston Property Investment Company has become a retail warehouse specialist. During the period, we sold the last of our office and leisure holdings. With every week that passes, we are reassured that this was the right thing to do.

Retail warehousing's strengths shone during the pandemic. Many stores in retail parks were able to stay open even during the most stringent lockdowns. Their out-of-town locations proved attractive, and online and offline shopping worked in harmony.

But these attractions aren't transitory. The 'omnichannel' approach – which combines online and offline shopping – has found permanent favour with both retailers and the public. Its most obvious manifestation is the click-and-collect model, which allows customers to browse and order from the comfort of their homes before picking up in person.

As ever, convenience is king. Click-and-collect gives you the chance to try on clothes or check that you're happy with your goods. It allows for quicker transactions as you pick up your purchases rather than wait for delivery. And it avoids the need to wait at home until your order arrives.

Crucially, omnichannel still has room to grow. For example, several retailers have improved their click-and-collect offers. That's because consumers love it. And retail warehouses provide the combination of logistics and location that makes it work best.

Retail parks have other attractions for customers too. Out-of-town locations work well for many commuters, allowing people to pick up items on their way home from work, with retail parks typically having later operating hours than town centres. Also, retail parks generally offer free parking – making an afternoon's shopping cheaper, more convenient and much less stressful than trying to negotiate the more congested city centre, where parking is often more difficult.

Another advantage of retail parks is that they increasingly offer charging points for EVs. Some clean-energy companies are working with park owners to roll out EV charging nationwide. With EVs set to account for a third of all road vehicles by the end of this decade, charging points adds to retail parks' attractiveness as 'one-stop' destinations – where you can shop, eat out and charge your car all in one go.

Meanwhile, retailers benefit from the omnichannel model because customers tend to make additional purchases when they come to collect their goods. Industry reports suggest that around 40% of click-and-collect customers make other purchases in store when they pick up online orders. And both customers and retailers benefit from savings on postage and packing.

Then there's flexibility. Retailers know that their needs can change rapidly. To make the most of their outlets, they often want to contract or expand. Retail warehousing is inherently flexible, as units can be split, combined or swapped to give tenants the space that best fits their requirements.



That flexibility extends to function too. Retail warehouses can serve as shops, distribution hubs and storage depots rolled into one.

And they can accommodate drive-thru facilities, which are consistently popular with consumers and are the preferred option for many of the coffee and fast-food operators. We have built drive-thrus on several of our sites. We believe that development is a good way to build 'something from nothing' on land we already own. It allows us to create new income streams, and capital upside, in a risk-controlled way.

With challenges ahead, out-of-town retail parks are the retail outlets that look best placed to thrive. In part, that's down to the convenience-led nature of their tenants, including variety and discount retailers. But it's also because retail parks simply cater to current shopping habits better than the high street. That's why we continue to see retail warehouses as long-term winners – and why we intend to focus exclusively on the sector for the foreseeable future.

Introduction

The Company recognises the importance of the real estate industry addressing ESG issues and the important role responsible property investment plays in helping the transition to a net zero world. The Company has committed to achieving net zero carbon by 2050 for all managed assets and is dedicated to placing sustainability at the heart of its strategy.

The Company has continued to make good progress with its ESG objectives and delivered improvements across most areas of its sustainability strategy. At the centre of this strategy, the Company is working with tenants, suppliers, service providers and local communities to deliver social and environmental value, alongside financial value, as well as supporting the United Nations Sustainable Development Goals (UN SDGs). Good governance and engagement with stakeholders in the Company continues to be at the forefront of the Company's activities as a listed and regulated investment company.

During the year the Company progressed development of its Net Zero Carbon Commitment and Net Zero Carbon Roadmap, including its first Scope 3 Greenhouse Gas (GHG) Emissions report. The Company's Net Zero Carbon Roadmap outlines key projects and timelines needed for the Company to achieve its target by 2050. Its delivery strategy specifies actions and measures for the pathway to net zero operations and developments, capturing performance improvement opportunities and gradually reducing the portfolio and corporate carbon footprints.

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 that all incidents are resolved within the required timeframe. Achieve over 90% scores on Health & Safety Risk Rating across all managed properties. Develop and implement a tenant and community engagement programme to promote health and wellbeing initiatives.
	ESG DISCLOSURE AND TRANSPARENCY Committed to open and transparent disclosure of 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 SDGs. 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 and implement sustainability action plans for all operationally managed assets. Procure 100% renewable electricity for landlord controlled common areas. Achieve 10% reduction in like-for-like energy intensity for our managed offices, measured against 2019 baseline, m³/ m². 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 61 to 64.

* Targets revised in 2022, ensuring that the overarching goals are well supported, and target year moved to 2023 where relevant.

This year the Company completed its first physical climate-related risk assessments, covering 10 retail warehouse assets. These identify and assess the risks associated with the transition to a low carbon economy.






To support the Company's goals within its four focus areas, the ESG objectives have been integrated into Asset Sustainability Plans (ASPs) for its multi-tenanted properties, with good progress made against them. These plans outline specific targets and initiatives for all operationally managed assets, aimed at improving environmental efficiency, health and wellbeing, and tenant and community

engagement on environmental and social issues. Example initiatives include habitat creation, the installation of bug hotels and planters, LED lighting replacements, metering upgrades and installation of EV charging points. The Company has also supported charitable initiatives throughout the year. The Company intends to expand these initiatives.

The progress made during the period has been recognised externally, most notably by GRESB which awarded the Company a 2-star rating. This is an improvement on the scores received in prior years. It has increased by 17 points from 52 in 2020 to 69 in 2022. The Company

has also been awarded the EPRA sBPR Gold Award for the third consecutive year.

In the upcoming year, the Company will continue to implement initiatives in line with its Net Zero Carbon Roadmap. As part of the plan, the Company is aiming to promote and engage occupiers on sustainable construction, fit out and refurbishment standards.

Target year	2022 Progress	Relevant SDGs
2020 onwards	▶ Ongoing – another year with no unresolved incidents within the required timeframe.	    
2021 onwards	▲ All managed properties have achieved Gold or Silver rating (> 90% score), with three assets with Gold rating in place. An improvement from last year.	
2021 onwards	▲ Biodiversity and habitat creation initiatives have been implemented.	
2021	▶ Gold Award received for the Company since 2020.	
2023*	▲ Achieved a score of 69/100, a 10-point improvement from last year and gained a 2-star GRESB rating for the first time.	
2020	▶ The Company continues to align its ESG strategy and objectives to the UN SDGs.	
2020 onwards	▲ Completed physical climate risk modelling for 10 assets, focused on hazard identification and exposure, and undertook a portfolio transition climate-related risks and opportunities assessment.	
2021 onwards	▲ Annual ASP review completed and continued implementing the improvement actions.	
2023*	▲ A 5% increase from 84% in 2021 to 89% renewable energy purchased in 2022.	
2023	n/a Target is no longer relevant due to the portfolio changes and is being revised. New energy target for retail portfolio will be set in 2023.	
2022*	▲ Net Zero Carbon Roadmap developed this year.	
2020 onwards	▶ Zero waste to landfill maintained.	
2021 onwards	▲ Implementation of SavIQ for environmental reporting and data quality checks completed.	
2021 onwards	▶ Limited new construction, fit out and refurbishment activity during 2022. Being developed for implementation for potential future projects.	
2021 onwards	▶ Established a process for rolling out green lease clauses to encourage information sharing and landlord – tenant cooperation on improving building performance.	

Progress key: ▶ Ongoing ▲ Achieved

Net Zero Commitment and Roadmap

NET ZERO COMMITMENT

The Company has committed to achieving net zero carbon by 2050 for all managed assets, with interim carbon reduction targets by 2030 to be formulated for Scopes 1 and 2 GHG emissions. The strategy covers net zero carbon in operation and embodied carbon from new developments, refurbishments and fit-out works, as well as corporate business travel.

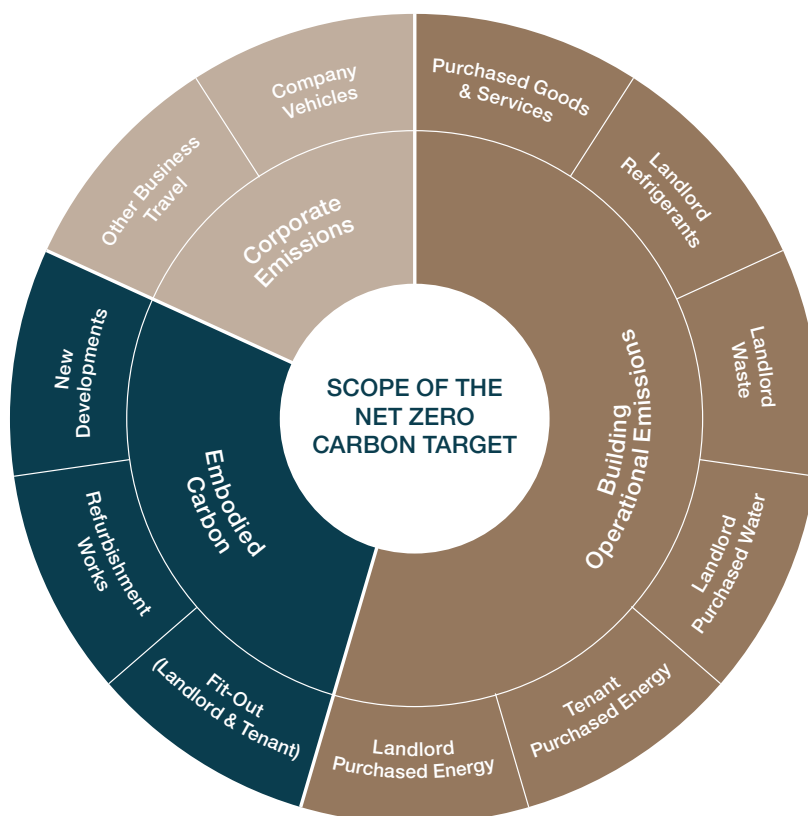
BASELINE GHG EMISSIONS BY SCOPE

The baseline GHG emissions report, commissioned by the Company, provides GHG emissions data in tonnes carbon dioxide equivalent (tCO₂e) for 2022 and covers both landlord and tenant emissions across Scopes 1, 2 and 3.

- **Scope 1** – Direct GHG emissions from landlord controlled operations such as combustion of fuels in owned or controlled boilers and refrigerant gases.
- **Scope 2** – Indirect emissions from landlord purchased electricity.
- **Scope 3** – Other indirect emissions associated with the portfolio activities that are not captured within Scope 2. This includes emissions from purchased goods and services, capital goods, landlord water use, and waste generated, tenant purchased energy (downstream leased assets) and other fuel- and energy-related emissions.

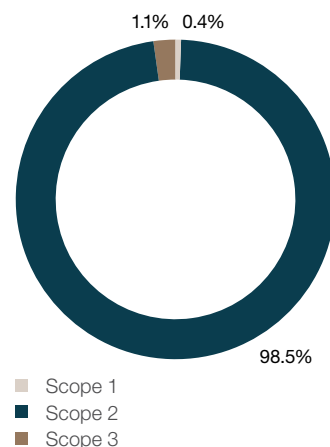
Corporate GHG emissions in scope of the net zero carbon commitment relates to business travel, which is reported separately from the portfolio GHG emissions figures in the table below. During the baseline period, the Company had no direct or indirect corporate emissions, including no company vehicles, to be accounted as Scopes 1 and 2.

For the portfolio Scope 1 and 2 reporting methodology please refer to pages 61 to 64.



BUILDING OPERATIONAL GHG EMISSIONS		2022	%
tonnes CO ₂ e			
Our net zero commitment scope	GHG Protocol Category		
Landlord Purchased Energy	Scopes 1, 2 & Scope 3 Fuel- and Energy-Related Activities	180	1.459%
Tenant Purchased Energy	Scope 3 – Downstream Leased Assets	11,859	96.404%
Landlord Water	Scope 3 – Purchased Goods & Services	0.5	0.004%
Landlord Waste	Scope 3 – Waste Generated in Operations	0.9	0.008%
Landlord Refrigerants	Scope 1	–	0.0%
Purchased Goods & Services	Scope 3 – Purchased Goods & Services, Upstream Transmission & Distribution	261	2.125%
TOTAL:		12,302	100%
Total Operational Emissions CO₂e per 1,000 sq. ft.		7.9	

GHG EMISSIONS BY SCOPE



Scope 3 emissions are reported in accordance with the revised edition of the GHG Protocol Corporate Accounting and Reporting Standard and the GHG Protocol Corporate Value Chain (Scope 3) Standard. Purchased goods and services and capital goods cover embodied emissions from new developments, refurbishments and property management. The methodology used to estimate the supply chain emissions from purchased goods and services and capital goods is based on the Exiobase environmentally extended input-output dataset. The input-output analysis is a top-down model able to take into account transactions between activities measured in monetary units and extend them at the environmental level in terms of GHG emissions.





Scope 3 tenant emissions were estimated based on the actual tenant energy use data obtained for 2021 and gap-filled using the Chartered Institution of Building Services Engineers benchmark, which provided the energy intensity by unit type and tenant operations across the office and retail properties.

At present, the Company is unable to report emissions from tenant fit-out, whilst new construction and refurbishments activity was limited during 2022. The Company will engage its tenants and work to capture the embodied carbon data for future projects.

During the baseline period, the Company had no direct or indirect corporate emissions, including no company vehicles, to be accounted as Scopes 1 and 2. Corporate GHG emissions in scope of the Company's net zero carbon commitment relates to business travel, which will be reported from 2023.

NET ZERO ROADMAP

The Company's roadmap to net zero follows a carbon management hierarchy that focuses on measurement, reduction and stakeholder engagement, with offsetting being introduced later, as the final option for the residual emissions in scope.

	<div> <div>2022</div> <div>2030 Interim Carbon Reduction Target</div> <div>2050 Net Zero Carbon</div> </div>				
	Measurement	Engagement	Reduction	Renewables	Offsetting
 BUILDING OPERATIONAL EMISSIONS Scope 1 + 2 + 3	Undertake a Scope 3 emissions assessment Pilot an operational carbon emissions assessment for new acquisitions Reduce operational energy demand through improved data measurement and operational efficiency	Influence occupiers to improve operational efficiency		Gradually switch towards 100% renewable electricity sources	Offset residual emissions
EMBODIED CARBON Scope 3	Pilot embodied carbon assessment for a new development and develop system to capture emissions data	Reduce embodied carbon of new developments and refurbishments Influence occupiers to reduce embodied carbon of fit-out works			
CORPORATE EMISSIONS Scope 1	Reduce business travel emissions through better measurement and greener options				
RELEVANT SDGS					

Climate-Related Financial Disclosures

The Company has prepared its disclosures addressing the eleven recommendations of the Task Force on Climate-Related Financial Disclosures (TCFD) and it is largely consistent with the specific recommended disclosures for All Sectors. These disclosures are made on a voluntary basis.

In this section climate-related governance and risk management processes are outlined and are aligned with the TCFD pillars for Governance. The disclosures for TCFD Strategy and Metrics and Targets pillars are consistent with most of the recommended disclosures. The climate-related risks and opportunities that have been identified over the short, medium, and long term have been described. The climate-related metrics, including Scope 1, 2 and 3 emissions and other performance indicators and targets are disclosed.

The Company remains committed to further strengthening its alignment to the recommendations. It will continue to assess the impact of the identified climate-related risks and opportunities on the Company's business operations, strategy and financial performance. Additional climate-related metrics will be considered when reviewing the delivery strategy of the Net Zero Carbon Roadmap. This would improve the Company's understanding of climate-related risk and opportunities, how they change over time, and thereby inform the investment strategy.

GOVERNANCE

The organisation's governance around climate-related risks and opportunities

MANAGEMENT'S ROLE IN ASSESSING AND MANAGING CLIMATE-RELATED RISKS AND OPPORTUNITIES

The Company's approach to managing environmental impacts and its governance are outlined within the Company's Sustainability Policy. The Sustainability Working Group oversees the Sustainability Programme and management of climate-related risks and opportunities, to ensure risk management objectives are met and aligned with the overall business risk management framework. The Sustainability Working Group acts as a body to ensure the Company identifies and considers climate-related risks and opportunities. In light of emerging trends and new regulations, the Sustainability Working Group evaluates targets and advises on actions to help mitigate climate-related risks.

The Sustainability Working Group is chaired by the Company's Chair and is attended by Imogen Moss, the Investment Manager, and independent sustainability advisers. It meets at least half-yearly, and receives regular updates from the Investment Manager on day-to-day performance. Where required, internal stakeholders, such as asset managers, or external stakeholders are invited to Working Group meetings to provide updates and insights to support decision-making.

BOARD OVERSIGHT OF CLIMATE-RELATED RISKS AND OPPORTUNITIES

The Investment Manager has the responsibility for the day-to-day performance management and implementation of the Company's Sustainability Policy, reporting at least half-yearly to the Sustainability Working Group and the Board. The Sustainability Working Group updates the Board regularly to help with considerations of climate-related risks and opportunities in decision making, including when guiding and reviewing strategy, business planning and risk management processes.

STRATEGY

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

The Company acknowledges its increasing exposure to climate-related risks and opportunities, and the corresponding impacts. Climate change has been added to the Company's risk register. The assessment of climate-related risks and opportunities, and the impacts this has on the Company, are considered when making business decisions.

In 2022, the Company completed its first physical climate risk assessment of 10 assets, as well as the portfolio transition risk assessment in line with the TCFD recommendations. The outcomes of both assessments help to inform the continuous improvement of the Company's risk register. This ensures that climate-related risks are appropriately captured, and addressed when asset level or portfolio level decisions are being made.

CLIMATE-RELATED RISKS AND OPPORTUNITIES OVER THE SHORT, MEDIUM, AND LONG TERM

The Company has been working to improve its understanding of the climate-related and wider ESG impacts on its operations in the short (2025), medium (2030-2032) and long term (2050), and has evolved the strategy and approach in relation to climate change.

The Company has identified climate-related risks such as potential damage to assets due to flooding, the increasing cost to upgrade buildings, compliance with new standards and regulations, and reputational risk. The Company has also identified climate-related opportunities, including the reduction of operational costs due to improvement in resource efficiency, declining cost of renewable energy, and the potential opportunities around changing customer preferences, especially where younger generations are considering greener investment options.

The Company is committed to achieving net zero carbon by 2050, thereby managing future risks and supporting the transition to a low carbon economy. The Company's Net Zero Carbon Roadmap demonstrates the Company's efforts to mitigate climate change within its sphere of influence. Please refer to page 18 for details of the Company's 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, including climate-related physical and transition risks, is one of the Company's risks and is governed by the Company's risk management processes. The Investment Manager and the Company's sustainability adviser update the Board on emerging ESG trends and risks on a regular basis. This process is supported through the development and use of ASPs. The ASPs are a tool to guide decisions making, as they evaluate environmental and social performance of properties and present actions for business planning.

PHYSICAL RISK ASSESSMENT

The Company understands that climate change generates material risks and opportunities, which can affect buildings' performance now and in the future. Assessing the physical climate change risks can help to inform creation of adaptation and mitigation measures and improve buildings' resilience.

The physical risk assessment looked at medium (2030) and longer term (2050 and 2100) time periods and was based on three of the Intergovernmental Panel on Climate Change Representative Concentration Pathways (RCP) scenarios. These were:

- RCP2.6 – 2 Degree. A moderate scenario leading to warming at the end of the 21st century of probably less than 2°C, relative to the pre-industrial period.
- RCP4.5 – Partial Mitigation. An intermediate scenario at the end of the 21st century of more than 2°C, relative to the pre-industrial period.
- RCP8.5 – Most severe scenario leading to a warming at the end of the 21st century of probably more than 4°C, relative to the pre-industrial period.

The work was supported by the Company's sustainability adviser, Savills Sustainability, who has been instructed to provide a report on the climate-related physical risks that apply or may apply to 10 selected assets within the Company's retail portfolio. Munich RE's 'Location Risk Intelligence Platform' was used to assess the hazard exposures for selected assets. The individual hazard scores and associated risk ratings were used to determine the climate change risk materiality for each hazard in scope of the assessment. The following climate hazards were included in this assessment: sea level rise, river flood, tropical cyclone, drought stress, precipitation stress, heat stress and fire weather stress.

Overall, the portfolio assessed has shown a low-medium risk to physical hazards and corresponding potential impacts. One retail park in the assessment has shown a high risk that relates to sea level rise. This is due to its coastal location and low elevation. However, the asset is in an area protected by flood defences.

The table below shows a summary of the model outputs under RCP 8.5 (Business as Usual) by 2050 for 10 assets selected for the first assessment.

Physical hazard	Examples of potential impacts	No risk/Low risk		Low		Medium		High	
		2050	Change	2050	Change	2050	Change	2050	Change
River flood	Significant damage and repair costs	8	No change	–	–	–	–	2	No change
Tropical cyclone	Extreme damage to buildings and wider in infrastructure	10	No change	–	–	–	–	–	–
Drought stress	Soil subsidence affecting asset stability	5	+1	4	-2	1	+1	–	–
Precipitation stress	Significant damage and repair costs	–	–	8	-2	2	+2	–	–
Heat stress	Opportunity for structural deformation; energy costs due to cooling	3	-7	7	+7	–	–	–	–
Fire weather stress	Damage to infrastructure, damage and repair costs	3	-6	7	+6	–	–	–	–

i) The change between current baseline data and 2050 under RCP 8.5.

ii) Drought Current data is not available. As 2030 is closest to 2022 and RCP8.5 is the closest scenario to current GHG concentrations, the Drought Stress RCP8.5 2030 data values were used as the nearest possible data points.

The comprehensive assessment report informs the Company's approach to climate-related risks and its TCFD disclosures, and includes site-specific summaries. Where risk was assessed to be medium or high, site-specific resilience assessments will be undertaken to more fully understand the implications and timeframes.

A workshop was held to present the findings of the report to the Company's investment and asset managers, as well as the Finance Director. In addition, the Sustainability Working Group and Board have been informed about the results of the assessment.

RISK MANAGEMENT

CONTINUED

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

TRANSITION RISK ASSESSMENT

To assess the materiality of the potential transition risks identified, the Company held a workshop session led by independent sustainability advisers and attended by the Investment Manager. The assessment was then completed through in-depth discussions led by the Investment Manager.

Main climate change transition risks and opportunities identified by the Company relate to policy and regulation, market and social changes, and reputation. These risks were assessed for the short (2025) and medium term (2032). The risk assessment was conducted based on the existing risk management scoring methodology, which considers the likelihood and impact associated with the identified risks.

The Company's risks management process is detailed on page 27. Mitigation measures include the Company's development of a Net Zero Pathway, and the development of fit out and refurbishment standards for sustainable design.

The Company continues to monitor and ensures compliance with the current and emerging legislative requirements in relation to energy efficiency and climate change. A total of 45% (2021, 39%) of the assessed portfolio holds A – B Energy Performance Certificate (EPC) ratings. 32% holds grade C ratings.

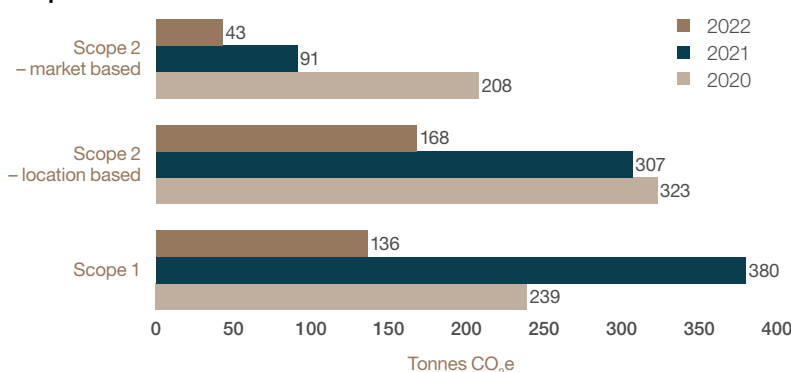
There are currently two units still graded F – G and the Company will seek to take corrective action to improve the performance of such units, so to ensure that the portfolio is well placed to address the compliance requirements with the Minimum Energy Efficiency Standard.

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 GHG emissions and EPRA Environmental Performance measures can be found on pages 61 to 64. In 2022, the Company has reported its Scope 3 GHG emissions for the first time. The Company's portfolio operational Scope 3 emissions include the indirect GHG emissions resulting from the purchase and procurement of goods and services, as well as from tenant purchased energy. While they are under the indirect influence of the Company, it acknowledges the importance of measuring and monitoring Scope 3 emissions, and identifying ways to incentivise tenants, suppliers and other value chain partners to reduce emissions under their direct control.

Scopes 1 and 2 GHG Emissions 2020-2022



The Company 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.

Summary and Key Achievements

2022 PERFORMANCE UPDATE

17%

like-for-like decrease
in total energy procured
by landlord

25%

like-for-like decrease
in landlord Scope 1 & 2
GHG emissions

100%

waste diverted from landfill

11

ASPs in place

91%

scored on health and
safety risk ratings for all
managed properties

KEY ACHIEVEMENTS

GRESB Real Estate Sustainability Benchmark

- Achieved a 69/100 score in the 2022 assessment, a 10-point improvement from 2021. This is a total of 17 points increase since the first submission in 2020.
- Achieved a two 'Green Star' GRESB rating.



EPRA Sustainability Best Practice Recommendations

- Retained the Gold Award for the third year.



2022 PERFORMANCE METRICS

Metrics	Unit	2020	2021	2022	Absolute change	Like-for-like change
Total Landlord energy procured	MWh	2,685	3,512	1,622	-54%	-17%
Total landlord Scope 1 & 2 GHG emissions	tCO ₂ e	562	687	304	-56%	-25%
Total landlord Scope 1 & 2 GHG emissions intensity	tCO ₂ e/£m net rental income	27.8	34.1	18.8	-45%	–
Total landlord water consumption	m ³	7,318	3,048	1,288	-58%	-33%
Percentage of waste recycled or re-used	%	27	29	33	14%	-4%
% rental units achieved EPC rating of 'C' or above	%	87	72	81	13%	–

“The strategic decision to sell the remaining offices and leisure properties has provided significant cash reserves.”



TOTAL PROFIT

£21.5m

NET ASSETS

£200.5m

RENT COLLECTED

98.2%

The positive net asset value performance this year has been driven by general yield improvement in the retail warehouse portfolio, combined with the effect of the 15 asset management transactions completed. The strategic decision to sell the remaining office and leisure properties has provided significant cash reserves. This gives the Company funds to deploy at the right time and at the right level, as well as retaining sufficient cash to manage operationally through current economic uncertainty.

RENTAL INCOME

During the year, 98.2% of contracted income was collected (2021: 95.7%), of which 86.9% was collected within seven days. The remaining 1.8% is expected to be collected. This is an improvement on prior years and is also better than the collection rates pre-pandemic. The focus on rent collection continues to contribute to the improvement in payment rates.

The Company's contracted rent at the year end was £16.2m (2021: £20.8m).

The decrease in the year can be largely explained by the sale of the office and leisure properties which contributed £5.1m to the contracted rent, offset by the asset management initiatives completed in the year.

Rent free periods as a percentage of contracted rent at the year end was 3.1% (2021: 9.3%) which equates to £0.5m (2021: £1.9m). This has fallen due to tenants coming out of their rent-free periods and the effect of the office disposals where there were a number of rent-free periods in place.

The portfolio continues to provide long-term stability to the Company's income. This is demonstrated by 85.0% of our tenants having a lower than average risk of business failure, according to Dun & Bradstreet. The EPRA Vacancy Rate has fallen from 8.6% to 6.5% due to the letting of vacant units in the period and the sale of the office in Birmingham which had some vacant space. The WAULT at year end was 4.5 years (2021: 5.0 years). The decrease was due to the passing of another year offset by the 15 asset management transactions completed in the year. The disposals also impacted on the ability to show a like-for-like comparison.

INCOME STATEMENT

Rental income for the year was £16.4m (2021: £17.4m). This decrease of £1.0m was due to the disposal of several assets in the year, which have yet to be replaced, offset partially by asset management transactions.

Revenue expenditure in the year was £4.8m (2021: £3.0m), including £2.1m property specific expenditure and £1.7m relating to the Investment Manager's fee. Net financing costs were £3.0m (2021: £3.1m), a decrease on the prior year due to the sale proceeds earning some interest in the year. Revenue profit decreased to £8.6m (2021: £11.3m). This decrease of 23.9% is largely due to the fall in rental income following the sale of all the office and leisure assets, plus the increase in property expenditure which relates to £1.1m of voids paid in the year and for costs relating to transactions which have not concluded. Administration expenses are £0.6m higher due to the increases in investment manager fees and other operational costs in the year, such as auditors' fees.

The positive movement in the value of our investment properties of £15.9m, combined with a loss of £3.0m on the properties sold, has enabled the Company to report a total profit of £21.5m. The sale proceeds received for the office and leisure assets sold during the year was £3.1m higher than their acquisition costs.

	2022 (£m)	2021 (£m)
Rental and other income	16.4	17.4
Property expenditure	(2.1)	(1.0)
Net rental income	14.3	16.4
Administration expenses	(2.7)	(2.0)
Net financing costs	(3.0)	(3.1)
Revenue profit	8.6	11.3
Gain on revaluation of investment properties	15.9	4.6
Loss on sale of investment properties	(3.0)	1.2
Accounting profit after tax	21.5	17.1
EPRA and diluted EPRA earnings per share	4.06p	5.34p
Dividend per share	5.00p	4.42p
Basic and diluted earnings per share	10.17p	8.10p

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 property company reports. We therefore continue to include performance measures, which are based on EPRA methodology.

It should be noted that there is no difference between the Company's IFRS and EPRA NAV in this year's accounts, or in any of our accounts to date.

	2022	2021
EPRA earnings	£8.6m	£11.3m
EPRA earnings per share	4.06p	5.34p
Diluted EPRA earnings per share	4.06p	5.34p
EPRA NAV per share	94.86p	89.69p
EPRA cost ratio (including direct vacancy costs)	29.6%	18.4%
EPRA cost ratio (excluding direct vacancy costs)	23.6%	18.0%
EPRA net initial yield	5.9%	6.2%
EPRA topped up net initial yield	6.1%	6.9%
EPRA Vacancy Rate	6.5%	8.6%

NET ASSET VALUE (NAV)

At 30 September 2022 our net assets were £200.5m, equating to net assets per share of 94.86 pence (2021: 89.69 pence). This is summarised in the table below:

	£ million	Pence per share
NAV at 30 September 2021	189.6	89.69
Increase in value of investment properties (net of capital expenditure plus gain on sale and transaction costs)	12.9	6.11
Net earnings in the year	8.6	4.06
Less: dividends paid in the year	(10.6)	(5.00)
NAV at 30 September 2022	200.5	94.86

The NAV is predominantly represented by our investment properties, which have a fair value of £231.4m at the year end. This is included in the financial statements as Investment Properties at £227.5m with the difference relating to lease incentives. The remaining £27.0m of net liabilities is made up of: i) (£110.4m) of debt; ii) £50.2m of cash and cash equivalents; and iii) £33.2m of net current assets.

Finance Report continued

DEBT

The Company has two debt facilities with Aviva Commercial Finance Limited, totalling £111.1m, less amortised costs of £0.7m. 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, fixed 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 covering the two facilities would need to drop by more than 23% and 35% respectively, from the 30 September 2022 valuations, for the LTV covenant to be breached.

Gearing (debt to total assets) was 35.4% at the year end (2021: 36.7%). Whilst this is higher than the Board's target range of 30-35%, it is in conformity with the Company's Investment Policy as it lay within these boundaries when drawn down.

Further details are included in Note 13 of the financial statements.

CASH

As at 30 September 2022, the Company had cash and cash equivalents of £50.2m with a further £31.0m drawn and held in a disposals account under the debt facility. Cash held is significantly higher than usual due to the sales proceeds collected in the year, from the sale of the office and leisure assets, which will be used to assist with future asset management and investment opportunities.

DIVIDENDS

The Company has paid monthly dividends at an annual rate of 5.00p per share. Historically, the Company has had covered dividends but at year ended 30 September 2022, dividend cover was 81.2% (2021: 119.0%). Using the annual dividend of 5.00p per share and the share price of 67.15p as at 30 September 2022, the Company's dividend yield is 7.4%.

The Board declared a dividend of 0.4167 pence per share for the month of September which was paid in October 2022 and expects to continue with this consistent monthly rate in the near term.

The Company continues to monitor the aggregate distributions made to ensure compliance with REIT regulations, which, with some flexibility on timing, require 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

As a REIT, income and capital gains from the 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 REIT status is maintained.

Neelum Yousaf

Director of Finance, Ediston Investment Services Limited

Principal and Emerging Risks

The principal risks and emerging risks have all been reviewed in detail, including the significant economic risks that might impact the Company and the attainment of its investment objectives. The Board recognises that there are risks and uncertainties that could have a material effect on the Company's financial 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 Investment Manager and Administrator, is updated regularly and is the assessment of all the detailed operational, performance and other risks that might impact on the Company, and how these risks are potentially mitigated by Board or third-party service provider controls.

The Directors review and challenge the risk register on a regular basis, assessing the likelihood of each risk, including identifying emerging risks and significant changes to recognised risks, the potential impact on the Group and the strength of controls operating over each risk.

The Board tries to identify 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 – the COVID-19 pandemic, ESG and events in Ukraine, with their economic impact being examples. Once emerging risks become sufficiently clear, they may be treated as specific risks and added to the Company's matrix of significant risks.

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 it can. The central aims remain to preserve net income for the Company, maintain resilience in the Company's day-to-day operations (including the Company meeting its regulatory obligations and obligations to its

stakeholders), preservation of capital values 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, 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. In particular, the change in strategic direction has resulted in the disposal of the office and leisure parts of the portfolio, meaning that the Company is now focused on retail warehousing which proved more resilient during the COVID-19 Crisis than other UK commercial property categories. Recent events in Ukraine and their impact on European economies, coinciding with inflation and cost of living issues in most developed economies, are presenting new challenges post the pandemic lock downs, as is the prospect of increasing interest rates to how returns might be earned.

For the purposes of reporting, the concentration is on the medium to longer term for the significant changes that are impacting on the UK commercial property sector. The eventual outcomes are difficult to assess or predict with any accuracy but are as challenging as most commercial property companies in UK will have faced in recent decades and are likely to transform the way in which office, retail and industrial property is used.

The Board, identifies risk under the following categories:

- investment strategy (including sustainability considerations) 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 compared to a widely diversified listed equity portfolio, health and safety being an example.


Details of the principal and emerging risks facing the Company are set out in the following table.

Principal and Emerging Risks continued

Investment strategy and performance


RISK

Strategic direction of the Company and how and where it invests.

Impact	Controls and mitigation in place	Change in the year
<p>Deployment of the Company's capital in areas of the market that 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.</p> <p>Sustainability is a key part of the investment review process in making and retaining investments and how they are developed.</p>	<p>The Board formally reviews the Company's investment objectives, policy and strategies for achieving them on an annual basis, or more regularly, if appropriate. This includes an examination of the Company's current situation, strengths and weaknesses, and how this compares with a wider UK commercial property peer group.</p> <p>During its strategy sessions the Board considers how the assets are positioned and might be better positioned for the longer term.</p> <p>There has been increased focus on sustainability as evidenced by the reports on this subject and the establishment of a specific working group as part of the investment committee.</p> <p>Each quarterly Board meeting includes a detailed discussion on asset and income performance and changes in the portfolio as well as an assessment of property market trends, which is reported on by the Investment Manager, the Company's broker and with input from the valuer.</p>	<p> Increased</p> <p>Following a strategic review, the Company has changed the focus of its investment to retail warehouse assets, which included the disposal of office and other assets and re-deployment of resultant cash.</p> <p>Exogenous risk has increased with inflation at highest level for decades, rising interest rates and the geopolitical events in Eastern Europe impacting on supply, including energy and political security.</p>

RISK

Significant exposure to a specific property sector, tenant, and geographic location or to lease expiries.
Poor asset allocation.

Impact	Controls and mitigation in place	Change in the year
<p>Downturn in an area to which the Company has significant exposure resulting in a reduction in the capital value of investment properties and a reduction in NAV.</p> <p>Significant tenant failure causing a material reduction in revenue profits, impacting on cash flow and dividends.</p>	<p>The investment policy and its restrictions/limits are set by the Board and are reviewed quarterly. The limits are monitored 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.</p> <p>Board approval memorandums state whether there are any concentration issues, which links in with overall strategic imperatives.</p> <p>The AIFM and Depositary monitor compliance with the investment policy and will highlight any breaches of concentration limits.</p> <p>The Investment Manager is proactive in monitoring developments in the retail industry, anticipating issues, and where appropriate replacing struggling tenants with those with stronger covenants. Retail warehousing proved to be the most resilient of the retail sub-sectors, and has seen increased investment demand, which has led to an increase in property valuations during the year.</p>	<p> Increased (by focusing on particular property sub-sector)</p> <p>Heightened by recent exogenous events that have accelerated the impact on certain property sectors – some more than others – but with an impact on all UK commercial property.</p> <p>The Company's portfolio has moved to a position where it is now 100% invested in retail warehouse assets. The retail warehouse assets are in good locations, with strong covenants, at affordable rent levels and have low voids. The portfolio WAULT (30 September 2022) is 4.5 years.</p> <p>In adopting changes in strategic direction, there is exposure to more retail tenants than was previously the case, as the office and leisure assets have been sold. The Company is now focused, for the foreseeable future, in a specific property sector, whilst retaining some capacity to apply more generalist exposure at a future date.</p>

Investment strategy and performance continued


RISK

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.

Impact	Controls and mitigation in place	Change in the year
<p>Inappropriate use of capital that hinders investors' long-term returns.</p> <p>Reduction in revenue profits, impacting on cash flow and dividends.</p> <p>Cash drag from uninvested cash and interest cost on drawn down debt.</p>	<p>Regular review of property performance against acquisition and disposal plans.</p> <p>Experienced Investment Manager who sources assets that meet agreed investment criteria.</p> <p>Linkage with overall strategic objectives for the Company.</p> <p>The Investment Committee scrutinises and approves all proposed acquisitions. The Board reviews the portfolio performance at each quarterly meeting and, through the Management Engagement Committee, conducts a formal annual review of the performance of the Investment Manager.</p> <p>Comprehensive profit and cash flow forecasting is undertaken, which models the impact of property transactions at Group level and over the medium to longer term.</p> <p>The Investment Manager has recognised expertise in the retail warehouse sector and good connections to assist investment in that sub-sector.</p> <p>There is a reduced fee paid to the Investment Manager for cash held available for investment.</p>	<p> Increased (by focusing on single sector)</p> <p>Following changes in strategic direction, the Investment Manager is tasked with investing the available cash from asset sales to achieve the Company's investment objective. Re-deployment of capital is made more difficult by the significant economic risks affecting property and markets generally.</p>

RISK

Sustainability of dividend payments.


Impact	Controls and mitigation in place	Change in the year
<p>The Company should, as far as practical, maintain dividend payments at a sustainable level, with adjustments upwards when it is financially appropriate to do so.</p> <p>Dividend cuts have a dramatic impact on the Company where sustainable dividend is a substantial proportion of the total return package to shareholders.</p>	<p>Dividend level (and any prospective adjustments) is reviewed regularly by the Board.</p> <p>The Board aims to have a sustainable dividend and tries to only make changes if they can be sustained for the long term.</p> <p>In times of market volatility, dividend level is reviewed at least monthly, as was the case during the COVID-19 Crisis when income receipts appeared under pressure for the commercial property sector as a whole.</p>	<p> Increased</p> <p>The holding of cash post asset sales has created an uncovered dividend. There are sufficient reserves and cash to maintain the dividend until the cash is reinvested. There is a risk that this position could change if there was a long delay or replacement assets provided insufficient income. Consistent monthly dividend at 5.00p annualised (increased in the previous year from 4.00p annualised but still down from a peak of 5.75p annualised in 2019).</p>

Principal and Emerging Risks continued

Premium/Discount level and share price volatility

RISK


Secondary market share price volatility and insufficient secondary market liquidity to cope with secondary market selling.

Impact	Controls and mitigation in place	Change in the year
<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 net asset value per share. Fluctuations in the share price 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 past, 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 and more recently by the geopolitical and economic crisis.</p>	<p>The Board monitors closely the market in the Company's shares, including significant purchases and sales.</p> <p>Through the Investment Manager and the Company's broker, institutional investors are kept in regular touch directly with developments in the Company, positive and negative. The broker and Investment Manager are in regular contact with existing shareholders and prospective shareholders to try and maintain an active market in the Company's shares.</p> <p>The Company announces portfolio and any other significant activity between its quarterly net asset value announcements and publication of its interim and final accounts.</p> <p>The Company can allot shares, and has done so, where there has been demand in the secondary market and issuance has not been dilutive to existing shareholders' interests.</p> <p>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 that 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>The Marketing Committee, in consultation with the PR consultant, undertakes advertising (if appropriate) and engages media (print and online) where it can, to try and raise awareness of the Company to retail investors who could buy the Company's shares via the platforms.</p>	<p> Increased</p> <p>The Board and Investment Manager continue to communicate with shareholders to reinforce the value approach taken to investing in UK commercial properties and not least the resilience of the income from the portfolio.</p> <p>Having recovered following the COVID-19 pandemic, recent market uncertainty has caused the discount to widen materially, in common with many other closed-ended property investment funds.</p>

Financial

RISK


Gearing and non-compliance with debt facility terms.

Impact	Controls and mitigation in place	Change in the year
<p>Gearing will accentuate returns if the cost of debt is less than the equity returns or have the reverse effect if equity returns are less than the cost of debt.</p> <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 modification in the costs of funding or in extremis cancellation of debt funding, if the Company is unable to service the debt.</p>	<p>The Board reviews the level of gearing on a regular basis.</p> <p>The borrowing facilities have prescribed covenants and the Board signs off quarterly returns to the debt provider on asset and income cover.</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.</p> <p>In the current circumstances, the level of gearing has exceeded 35% but the covenants, which are based on Loan-to-Value and income cover, remain well covered.</p> <p>Covenants are reviewed on a regular basis.</p> <p>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> Increased</p> <p>Higher levels of cash reduce the impact of falling values. However, it weakens the income cover until investment is made in income returning assets.</p> <p>The Board will continue to monitor the level of gearing closely.</p> <p>The Board is closely appraised of the level of cover over debt covenants on net income and asset levels.</p> <p>There is no immediate need to re-finance debt, with the first tranche not repayable until 2025. However, the Board is monitoring the debt market closely as it will need to plan appropriately if re-financing terms are likely to be materially adverse to those in place.</p>

Regulatory

RISK

Non-compliance with laws, regulations and governance codes.


Impact	Controls and mitigation in place	Change in the year
<p>The Company is required to comply with REIT rules, the Listing Rules, Disclosure Guidance and Transparency Rules, the UK and AIC 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, GDPR and Health & Safety regulations).</p>	<p>The Company uses an experienced tax adviser, auditor, investment manager, broker, property managing agent, property valuation agent, depositary, administrator and firm of solicitors to provide advice and support throughout the year.</p> <p>The Company and its agents have a strong compliance culture, with regular risk reviews undertaken by the Audit and Risk Committee.</p> <p>The resilience of the key Company agents was reviewed during the year. No failings have arisen, despite the more difficult operating conditions for many businesses.</p>	<p> No change</p> <p>Changes in the regulatory environment over the year have not had a significant impact on the risk profile of the Company.</p>

Principal and Emerging Risks continued

Regulatory continued

RISK


REIT status and structure of the Company.

Impact	Controls and mitigation in place	Change in the year
The Company and its two operating subsidiaries must be managed in the context of both REIT regulations in relation to the property assets held and income distributed and the structure of the Group, with income and costs allocated between the subsidiaries and the Company.	<p>A REIT compliance schedule is produced quarterly by the Administrator to ensure compliance.</p> <p>REIT compliance is covered by external tax advisers, including when major acquisitions are being considered.</p>	 No change

Operational

RISK

The Company is reliant on third-party service providers, including Ediston as Investment Manager and AIFM and JTC (UK) Ltd as Administrator, and key teams and individuals at these service providers. Failure of the operational activities or internal controls at these service providers, or exposure to cyber risk through them, could result in adverse consequences for the Company.

Impact	Controls and mitigation in place	Change in the year
Risk of failure in third-party providers of services resulting in a material adverse effect to the Company's financial position, through operational inefficiency, compliance breach or reporting inadequacies, with reputational or governance impacts as potential consequences to the Company as well.	<p>The Board is ultimately responsible for any actions taken by the Company but relies on external agents to perform their duties competently. The Audit and Risk Committee reviews the services provided for purposes of accurate and timely financial and risk reporting; the Board for any compliance or operational breaches; and there is an annual review by the Management Engagement Committee of all service providers.</p> <p>Any significant failings or breaches are brought to the attention of the Board when they occur and are followed up for rectification accordingly, rather than having to wait for the periodic Board meeting cycle.</p>	 No change

Economic, governmental & exogenous

RISK

Weak economic and/or political environment, including the impacts of geo-political events, rising inflation and interest rates.

Impact	Controls and mitigation in place	Change in the year
<p>Lower occupational demand impacting on income, cash flow, rental growth, property valuations and capital performance.</p> <p>Reduced consumer spending, particularly on discretionary items and/ or 'big-ticket' items, could impact tenants and their ability to pay rent.</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 many contractors will only hold tender prices for two weeks, as opposed to the usual four.</p> <p>The economic landscape in most developed markets is looking increasingly challenged despite relaxation of many of the COVID-19 restrictions, causing heightened uncertainty in listed and unlisted markets and for UK commercial property.</p>	<p>Out of the Company's control to a large extent. Executing asset management initiatives remains a high priority, and cash control continues to be a strong focus. This ensures that the income is maximised, and voids are minimised across the property portfolio.</p> <p>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.</p> <p>The Company carefully considers 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>The Board and Investment Manager regularly review the economic backdrop and strategic implications on the portfolio as regards investment and disinvestment, holding of cash, gearing levels and operational costs to try and protect the Company, its net income and its asset value against external challenges.</p>	<p>▲ Increased</p> <p>Whilst the impacts of the COVID-19 Crisis and economic consequences of it are better understood, there are new headwinds that means the economic and political environment in the UK and beyond remains uncertain.</p> <p>War in Ukraine, rising inflation, increasing interest rates, and the cost of living crisis are all risks that have emerged during the period, and which could have a negative effect on the property portfolio.</p> <p>This may result in lower occupational demand and lower rent collection levels. It could also affect the terms on which debt is obtained. Although partially mitigated by the Company's good-quality assets, low vacancy rate, long WAULT and strong covenants, the continuing uncertainty increases the risk to returns from the UK commercial property market as a whole.</p>

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 key 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 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 five independent non-executive Directors, two women 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 the Board members have 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 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 closely with the Investment Manager and the Administrator 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 considered 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 that 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 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 to focus on retail warehouse assets, having disposed of office and leisure assets in the meantime, and in promoting the shares of the Company to the retail investment community to respond directly to changes in the investment landscape for UK commercial property and the need for sustainable income. The Investment Manager has also had continued direct contact with the institutional and wealth managers invested in the Company, particularly explaining the change in strategic direction and how that is progressing, as well as providing comfort on the stability of the portfolio on what continued to be difficult market conditions 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, Administrator 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. 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.

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 ESG matters, which are covered in more detail in the Directors' Report. The degree of dividend cover and impact on revenue of disposals and acquisitions has also been an area of closer focus.

The Company will continue to engage with shareholders 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. Whilst the Investment Manager and broker take the lead on shareholder engagement, the Board is available to meet with shareholders as required. During the year, the Chairman had meetings with a number of the Company's leading shareholders.

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

- security of monthly dividends;
- income protection and review of costs;
- asset management initiatives, and changes in the makeup of the portfolio following the redirection of strategy; and
- general property market updates.

At the Company's 2022 AGM, resolutions 2 and 5, which related to the Remuneration Report and the re-election of Mr Archibald, were both passed but received 15.05% and 15.80% votes against respectively from shareholders. The Board engaged with voting agencies and shareholders to understand and address any concerns that they had regarding these resolutions. To address any perceived governance concerns connected to Mr Archibald's roles on the Board, (as Senior Independent Director and Audit and Risk Committee Chair), on 1 June 2022 Imogen Moss assumed the role of Senior Independent Director (SID) and on 1 September 2022 Karyn Lamont was appointed to the Board and took over as Audit and Risk Committee Chair. Mr Archibald, having served almost nine years on the Board, is not standing for re-election at the forthcoming AGM.

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.

STAKEHOLDERS CONTINUED **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 that 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 dialogue takes the form of regular Board meetings and 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. In reviewing performance, all the KPIs are taken into account, including net asset value total return, shareholder total return and income sustainability.

ENGAGEMENT WITH TENANTS

It is important for the Company to maintain good relationships with tenants by ensuring that they are satisfied with the properties that 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 meets with tenants and prospective 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 leases more straightforward.

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, but also on future acquisitions and disposals. The Investment Manager is in regular contact with Aviva to keep it appraised of ongoing property portfolio matters and general market updates so that they have a full understanding of the Company and how it is performing. The lender undertakes property site visits to understand the asset base and how the Company's business plans are being implemented.

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.

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 partners' 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; the valuer attends most of the Board meetings; there is regular dialogue with the Company's broker and sponsor; and oversight of the depositary and registrar arrangements. There is also contact throughout the year with the tax adviser and the audit firm as required.

ENGAGEMENT WITH LOCAL COMMUNITIES AND THE ENVIRONMENT

The ESG considerations are embedded into the investment decision-making process and throughout the Company's period of ownership of particular assets. The Company's ESG policy is publicly available on the Company's page on the AIC website.

As a member of EPRA, the Company has adopted EPRA's sBPR. sBPR intends to raise the standards and consistency of sustainability reporting for listed real estate companies across Europe. Each year, EPRA recognises companies that have issued best-in-class annual sustainability performance reports. The Company has retained its sBPR Gold Award.

The Company subscribes to GRESB and has seen an improvement in its rating, and now has two green stars. The Board is also implementing a pathway to achieve net zero carbon.

In its Sustainability Policy, the Company states that it will maximise its social and community contribution to the markets in which it operates. It remains an objective of the Company to continue to develop a tenant and community engagement programme to promote health and wellbeing initiatives.

The Board is committed to operating 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 the Company's investment objectives and to guide the way it operates. More information on this subject is provided on pages 16 to 23.

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 on 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.

APPOINTMENT OF A NEW DIRECTOR

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 appointment of a new director, Karyn Lamont who was also appointed as Audit and Risk Committee Chair. Ms Lamont is a chartered accountant with a wealth of experience in collective funds and audit services. In addition to the appointment of a new Director to the Board, there were also other changes to the Board composition.

DIVIDEND

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 dividend rate of 5.0 pence annualised from 1 October 2021 to 30 September 2022, and would continue keep this under review. Pre-pandemic, the dividend was 5.75 pence annualised but was reduced to 4.0 pence per share for some months during the depths of the COVID-19 Crisis before being increased to 5.0 pence.

The Board will continue to monitor the dividend and would consider an increase if there was security and sustainability in any increase for both dividend and cash cover.

Paying an attractive level of dividends to shareholders remains a priority, subject to having the cash, distributable reserves and, ideally, 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, the prudential payment of dividends based on cash receipts and meeting the REIT requirements can result in an upward recalibration of dividends, either by increasing the monthly rate or by payment of a special dividend.

The Strategic Report on pages 2 to 37 has been approved by the Board and is signed on its behalf by:

William Hill
Chairman
13 December 2022

Board of Directors

The Board comprises five 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 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, including securing a mandate to manage a listed property investment trust. William resigned from this position in November 2013 to set up his own consultancy business, remaining a consultant to Schroders for a further five years. He is a past chairman of the Association of Real Estate Funds and has recently been re-appointed 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. He is also passionate about sustainability, completing two courses run by the University of Cambridge Institute for Sustainable Leadership in Sustainable Finance and Sustainable Real Estate.

Current other appointments

He is a board member of Old Oak Park Royal Development Corporation and chair of its planning committee. He is a member of investment committees for Ashby Capital and two 'family' offices. His pro bono work includes chairman of the Chartered Surveyors Training Trust and a member of the investment committees for the Worshipful Company of Goldsmiths and Guy's & St Thomas' Foundation.



Karyn Lamont

Chair of the Audit and Risk Committee

Karyn is a chartered accountant, formerly a partner with PwC, where she spent over 25 years providing a range of audit and advisory services mainly within the financial services sector, including investment trust and property companies. Her key areas of expertise are accounting, controls assurance (including oversight of third-party service providers), corporate transactions, risk management, regulation and governance. In the last five years, Karyn has built a portfolio of non-executive appointments, mainly in the financial services sector.

Current other appointments

Karyn is currently non-executive director, and audit committee chair, at the North American Income Trust Plc, the Scottish American Investment Company Plc, Scottish Building Society and iomart Group plc.



Imogen Moss

Chair of the Management Engagement Committee and Senior Independent Director

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 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.



Robin Archibald

Non-executive Director

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 10 years before retiring in 2014.

He qualified as a chartered accountant with Touche Ross in 1983. Since the early 1990s, 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 an independent non-executive Director, having served as Audit Chair and Senior Independent Director of the Company during the last financial year. Robin is not standing for re-election at the forthcoming AGM and will stand down from the Board at that time, just short of nine years' service on the Board, since being appointed in May 2014.

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).



Chairman's Introduction

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.

Succession planning has been a key focus for the Board during the year, with the recruitment of a new non-executive Director to act as Audit and Risk Committee Chair and the appointment of a new SID. The Board will continue to put governance and communication as central to the Company's operations.

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. However, taking account of voting agency criticism last year, Robin Archibald is no longer Senior Independent Director, nor Audit Chair, but continues to be an active member of the Board. 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. However, where practical, the tenure of Directors is managed in accordance with governance guidelines. As part of its succession planning, the Board reviews the structure, experience and diversity of the Board on an ongoing basis. The Board has introduced new Directors since the inception of the Company and as recently as this year with the appointment of Karyn Lamont, who replaced Robin Archibald as Audit and Risk Committee Chair.

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. During the year, there were changes made to roles filled as well as the Board's composition. The Board welcomed a fifth Director, Karyn Lamont, on 1 September 2022, details of which are contained within the Nomination Committee report on page 50. There were role changes which included Robin Archibald stepping down as Senior Independent Director and Chair of the Audit and Risk Committee. Imogen Moss took over the role of the Senior Independent Director on 1 June 2022 and Karyn Lamont was appointed as the Audit and Risk Committee Chair on 1 September.

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 eight years and his skills and experience in real estate fund management are considered to add significantly to the strength of the Board. The Chairman is responsible for setting the agendas for Board meetings, managing the meeting timetable and facilitating open and constructive dialogue during the meetings. The Company is subject to the AIC Code and therefore there is no requirement for

"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."

a limit on the Chairman's tenure, as approved by the FRC. Despite this, Mr. Hill has given notice of his intention to stand down from the Board no later than the 2024 AGM when he will have served as Chair for over nine years. Further details of the Company's intentions surrounding his impending succession can be found in the Nomination Committee report on page 50.

SENIOR INDEPENDENT DIRECTOR

Robin Archibald acted as Senior Independent Director for the first nine months of the financial year, with Imogen Moss replacing him in June 2022. The Senior Independent Director helps support the Chairman and the general corporate activities of the Company and is 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 AGM. Ms Moss, who is also the chair of the Management Engagement Committee, draws on her considerable real estate, legal and commercial experience in the sector in fulfilling the role.

OTHER NON-EXECUTIVE DIRECTORS

The other non-executive Directors on the Board, Jamie Skinner appointed in 2017, Robin Archibald appointed in 2014 and Karyn Lamont appointed in 2022, have had Committee responsibilities during the period 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 are set out in their specific reports later in this report, with the exceptions of the Marketing Committee, the Management Engagement Committee and the Investment and Property Valuation Committee, which are covered below. 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.

MARKETING COMMITTEE

The Marketing Committee comprises the full Board and is chaired by Jamie Skinner.

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. It is considered appropriate that all Directors are members of the Committee due to the size of the Board 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. The terms of reference include the responsibilities of the Marketing Committee, which in principle are to review the Company's marketing strategy and to ensure that this is in line with the aims and objectives agreed by the Board and the Investment Manager and in accordance with a marketing budget that is agreed annually.

The Marketing Committee met twice during the year to discuss the Company's media plan and review the marketing budget and expenditure for 2022/23. The Board approved a marketing budget of £95,000 for the period 1 October 2021 to 30 September 2022 and have approved a similar budget for the forthcoming year. A key consideration of the Committee is to reach the retail investor community, with yield from this alternative asset class being a driver of potential demand for the Company's shares. The growth in investors through platforms on the share register over the last few years has been evidence of the success of this strategy, even during the more difficult times in the worst parts of the COVID-19 pandemic.

A detailed evaluation of the Committee was undertaken as part of the Board's annual performance evaluation. The Committee was found to be functioning well, and the Board was pleased with the level of press coverage achieved through the combined efforts of Kaso Legg, the Company's PR agent, the Committee and the Investment Manager, as well as the continued coverage of shareholders in the Company.

MANAGEMENT ENGAGEMENT COMMITTEE

The Management Engagement Committee comprises the full Board and is chaired by Imogen Moss. The Administrator attends the meetings as Secretary to the Committee and representatives of the Investment Manager also attend, other than when their own performances are being reviewed.

MANAGEMENT ENGAGEMENT COMMITTEE CONTINUED

It is considered appropriate that all Directors are members of the Committee due to the size of the Board and importance of all Board members remaining up to date with the performance of the Company's key service providers and the fees charged. The Committee's terms of reference are reviewed annually, and minor updates were made during the year. The updated terms are available on the Company's website. The terms of reference include the responsibilities of the Management Engagement Committee, which in principle are to review regularly the fees and 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. 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 carrying out its review, the Committee considers feedback obtained from the Investment Manager, AIFM and Administrator on their own performances in response to a series of questions raised by the Chair. The Committee also receives assessments completed by the Investment Manager and the Administrator on the other service providers with whom they work closely. Additional confirmations were requested this year on the procedures in place for managing personal data and cyber security risks. The Committee also leads on the appointment of new service providers and the renegotiation of any terms of appointment where appropriate.

As part of the AIFM's review, the Committee noted 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.

At the Board's request, an external audit review of the AIFM function and the AIFM's processes and reporting procedures was carried out by IQ-EQ at the beginning of the year. The Committee noted no material issues were identified. Where best practice recommendations were made, the AIFM has confirmed these are being implemented and should be completed by the end of 2022.

The Committee reviewed the fee arrangements for the AIFM and Investment Manager, which were last amended in December 2020, and concluded that these were still reasonable.

As part of the Administrator's review, it was agreed that the Administrator's annual fee in respect of accounting and administration services will be increased from £115,000

to £130,000 and its annual fee in respect of company secretarial services from £62,000 to £70,000, in both cases from 1 January 2023. These increases were considered to be in line with the market for such services. The Administrator's fees have not been increased since its original appointment in December 2019.

Following its review and having challenged fee and service levels as appropriate, 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. The Committee therefore recommended the retention of all existing service providers to the Company. This will be kept under review alongside the regular monitoring of performance and costs throughout the year. Where necessary, feedback has been provided to service providers on their performance.

A detailed and rigorous evaluation of the Management Engagement 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.

INVESTMENT AND PROPERTY VALUATION COMMITTEE

The Investment and Property Valuation 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 role of the Investment and Property Valuation Committee is to authorise, decline or make recommendations on any property transaction proposed by the Investment Manager, including those in which capital expenditure exceeds the limits set out in the Investment Manager's Delegation 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 Investment Manager. The Committee's terms of reference are available on the Company's website.

The Committee met at regular Board meetings during the year and the following sales were discussed:

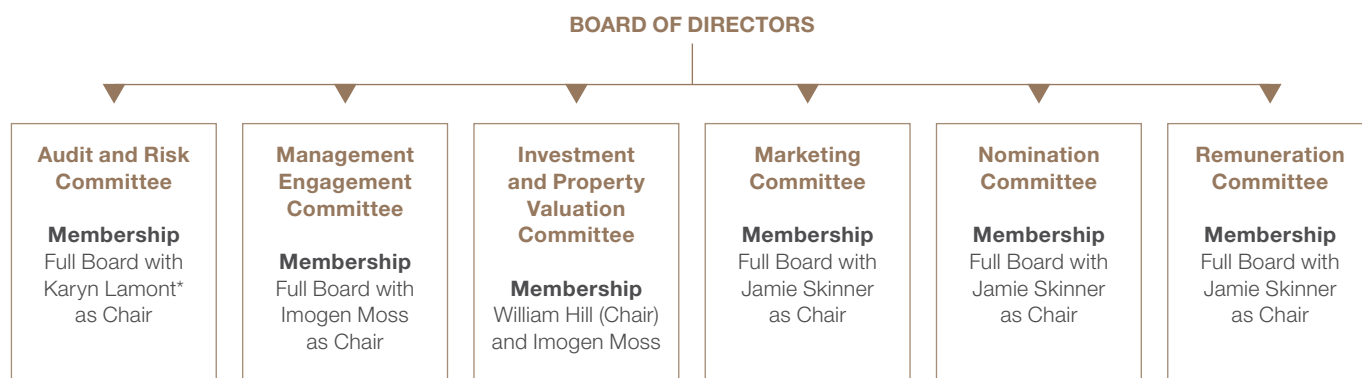
- the leisure asset at Southwater Square, Telford;
- the leisure asset at the Lanyard, Hartlepool;
- the office asset at St. Philips Point, Birmingham;
- the office buildings in Edinburgh (145 Morrison Street) and Newcastle (Citygate II); and
- the office building at Midland Bridge House, Bath.

The Committee members were also consulted by the Investment Manager on potential acquisitions (authorising due diligence spend when required) and other transactions that were within the discretion of the Investment Manager. The Investment Manager is continuing to pursue opportunities in both the investment and occupational markets that are expected to benefit the Company on both a capital and income basis.

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

The Company has engaged Savills plc as sustainability consultant, to assist with its ongoing commitment to ESG. The Company's Sustainability Working Group, which met three times during the year, comprises William Hill, Imogen Moss and the Investment Manager. It maintains close contact with Savills plc on all matters related to the Company's ESG initiatives. During the year, the Company has continued to develop its ESG strategy, including its net zero carbon commitments. Further detail is included on pages 16 to 23. The Board recognises the 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 2023 financial year.

An evaluation of the Committee was undertaken during the period and 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.



* Appointed as Audit and Risk Committee Chair on 1 September 2022, replacing Robin Archibald who continues as a non-executive Director until the AGM in 2023.

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.

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 57.

Ediston Investment Services Limited acts as the 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 Management Agreement. Management services, including property investment advice and 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 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 acts as the Company's administrator and company secretary. As administrator, JTC is responsible for maintaining the Company's books and records, preparing the management and financial accounts, and calculating, in conjunction with the Investment Manager, the Company's NAV. As Company Secretary, JTC is also responsible for ensuring regulatory compliance and supporting the Board's corporate governance process and its continuing obligations. In addition, JTC is responsible for liaising with the Company, the Investment Manager and the Registrar in relation to dividend payments, as well as general secretarial functions required by the Companies Act.

The Company also 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 NAVs, trading updates, specific announcements on portfolio activity and other general corporate matters. The Administrator 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 three Board and Committee meetings during the year. These meetings included Board meetings in relation to the sale of Company's office assets. 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 as did the Nomination Committee, as part of the succession planning for the Company.

The below table sets out the Directors' attendance at the scheduled meetings during the year.

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

* Karyn Lamont was appointed on 1 September 2022.

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. The Company has complied throughout the accounting year ended 30 September 2022 with the provisions set out in Sections 5 to 9 of the AIC Code with one exception. 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 and Risk 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 65.

VIABILITY STATEMENT

The viability statement, under which the Directors assess the prospects of the Group over a longer period, is on page 65.

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 27 to 33.

The Audit and Risk 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 45 to 49 provides additional details around the internal controls assessment completed during 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 engage 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.

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 AGM. Those retail shareholders who hold their shares through an investment platform are reminded that, although they 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 engagement and consideration during the year can be found in the s172 Statement on pages 34 to 37.

Report of the Audit and Risk Committee

The Audit and Risk Committee has a key role in risk assessment and in reporting during the year, as well as overseeing the quality of interim and year-end reporting.

Strong reporting to stakeholders remained a key focus throughout the year and is reflected in the year-end reporting and engagement with stakeholders.

COMPOSITION OF THE AUDIT AND RISK COMMITTEE

The Audit and Risk Committee comprises the full Board and is chaired by Karyn Lamont who took over the role from Robin Archibald on 1 September 2022. Due to the size of the Group and the independent non-executive nature of the Directors, the Board considers it appropriate for all the Directors to be members of the Committee. The Committee's terms of reference were reviewed 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. The current Audit and Risk Committee has three qualified accountants, all 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 Chair of the Board was independent on appointment, it is considered appropriate for him to be a member of the Audit and Risk Committee.

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 from 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

Consideration of the half-year and annual Financial Statements, the appropriateness of the accounting policies applied, and any financial reporting judgements and key assumptions.

How they have been discharged

The Committee met formally three times during the year to consider the Interim Report, the audit plan and the Annual Report. At these meetings, the Committee also reviewed the Group's key risks. The Investment Manager and Administrator attended all meetings and the Auditor attended the meeting at which the Annual Report was discussed. The 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 79. 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 proposed and made. Following such assessment, the Committee considered that 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 65 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 a risk matrix which covers the Group's key risks and includes the Group's key internal controls over its principal financial systems, including information technology, cyber security and wider operational risks. This matrix also considers exogenous risks, outside the control of the Company, and how to mitigate, where practical, the impact of these risks, should they arise. From a review of this matrix, periodic amendment thereto, a review of regular management information and discussion with the Investment Manager and Administrator, the Committee confirms it has completed a review of the effectiveness of the risk and control procedures.

Report of the Audit and Risk Committee continued

Responsibilities of the Committee	How they have been discharged
Consideration of the narrative elements of the Annual Report, including whether the Annual Report taken as a whole is fair, balanced and understandable and provides the necessary information for shareholders to assess the Group's business model, strategy and performance.	<p>The Committee has reviewed the content and presentation of the Annual Report and discussed how well it achieves the reporting criteria opposite. As disclosed on page 67, the Committee concluded that the Annual Report is fair, balanced and understandable.</p> <p>Each Committee Chair reviews and comments on the narrative connected to the Committees they chair to ensure that the Committee 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 68 to 74 highlights their view of the areas of greatest risk of misstatement and these points were discussed with the Committee.</p>
Monitoring developments in accounting and reporting requirements that impact on the Group's compliance with relevant statutory and listing requirements.	<p>The Company ensures through its legal adviser, Administrator, Investment Manager, AIFM and Auditor, that any developments impacting on its responsibilities are discussed 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 the terms of their appointment and related fees, and the evaluation of the scope, effectiveness, independence and objectivity of their audit.	<p>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.</p> <p>Following a request for a significant increase in the proposed audit fee, the Committee investigated the level of fees being paid by similar companies as well as understanding the drivers behind the trends for increasing audit fees more generally in the market. After due consideration, the increase in audit fees was approved.</p> <p>The Committee has also reviewed the independence and objectivity of the Auditor and has considered the effectiveness of the audit.</p>
Reviewing, in conjunction with the Investment and Property Valuation Committee, the external property valuations.	Each quarter, the Audit and Risk Committee is involved in the review and reporting of the external property valuations and the Company's NAV, in questioning the external valuer on the basis of the valuation reports and issues that might have an impact on current and future valuations.
Oversight of the Group's taxation and structural compliance.	The Committee considers the Group's ability to meet its taxation requirements and in meeting the REIT obligations, as well as the structural requirements of managing subsidiaries which contain the assets of the Group and the debt obligations.
Consideration of the resolutions to be proposed at the 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.

MEETINGS

The Committee met formally three times during the year and attendance is set out on page 43. 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.

The formal Audit and Risk Committee meetings were also attended by representatives of the Investment Manager, the Administrator, the Auditor and the Tax Adviser, as appropriate, depending on the agenda for each meeting.

The Audit and Risk Committee Chair held a number of preparatory discussions with 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 Auditor is always able to raise any issues of concern directly with the Committee Chair.

RISK MANAGEMENT AND INTERNAL CONTROLS

As set out in the Corporate Governance Report on pages 40 to 44, the Board has ultimate responsibility for effective management of risk for the Group, including determining its risk appetite and identifying both principal and emerging risks. It is also responsible for the Company's system of internal control and for reviewing its effectiveness. The Audit and Risk Committee serves as a governance body to provide support to the Board in fulfilling those responsibilities.

The Company has no direct employees and the Board has delegated its activities to third-party service providers, principally the Investment Manager, the AIFM, the Administrator and the Depositary. The risk matrix is developed jointly by the Administrator and the Investment Manager and is then reviewed regularly by the Audit and Risk Committee.

The Directors receive and consider quarterly reports from the Investment Manager, giving full details of the portfolio and of all aspects of the financial position of the Group. This includes forecasts and management accounts, which allow the Board and Committee to assess the Company's activities and review its performance. The Board and Investment Manager have agreed clearly defined investment criteria, specified levels of authority and exposure limits – reports on these are provided regularly to the Board with discussions with the Investment Manager as appropriate.

The AIFM 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.

Where available, the Committee also reviews the independent third-party assurance reports on the processes and controls provided by their key service providers.

Additional ad hoc reports are received as required. The Directors have access to the advice and services of the Administrator, who is responsible to the Board for ensuring that Board procedures are followed and that applicable rules and regulations are complied with.

The review procedures detailed above have been in operation during the year and the Board has discharged its duty to review the effectiveness of internal controls. 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, noting that the Group has no direct employees and all activities are outsourced to third parties. Various assurances are received from those third parties under the risk management framework. In light of this review, it was decided that there was no current requirement for an internal audit function as the Committee was satisfied that they receive appropriate reporting on internal controls and risk management.

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 that Grant Thornton made to the discussion of any matters raised in these reports or by Committee members. The Committee also took into account observations made by the Investment Manager and the Administrator.

Grant Thornton has been the Company's Auditor since the Company's launch in 2014. Following rotation, the audit principal, William Pointon, took over as lead audit partner for the 30 September 2021 year end and, therefore, the year ended 30 September 2022 is the second year of his tenure. The Company was satisfied with the continuity of service with the audit process provided by Grant Thornton. The Committee having considered the effectiveness of the audit, including reviewing the Audit Quality Inspection Reports in relation to Grant Thornton UK LLP published by the Financial Reporting Council, has recommended the continuing appointment of Grant Thornton to the Board. Grant Thornton's performance will continue to be reviewed annually, applying all relevant guidance and best practice. According to regulation, there is a mandatory requirement to undertake an audit tender at least every 10 years and to rotate auditors after 20 years.

Grant Thornton have been appointed as the Company's Auditors since 2014 and therefore the Company will need to carry out an audit tendering process no later than 2024. The Audit and Risk Committee will oversee this process in the upcoming year.

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 would have 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 2022, nor in the previous year.

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 significant matters are noted in the table below:

Matter	Audit and Risk Committee action
VALUATION AND EXISTENCE OF THE INVESTMENT PROPERTY PORTFOLIO <p>The Group's property portfolio accounted for 72.5% of its total assets as at 30 September 2022. Although valued by an independent firm of valuers, 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>	<p>The Investment Manager liaises with the valuers on a regular basis to ensure they have up to date management information 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. 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 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 <p>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>	<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 <p>Incorrect interpretation of the relevant provisions in the 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>	<p>The Committee has discussed the provisions in the Management Agreement relating to the fee and the controls over fee payments, including the process for calculating any adjustment for any uninvested cash per the amendment to the Management Agreement in late 2017. It has satisfied itself that the underlying calculations and assumptions 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>
VALUATION OF INVESTMENTS IN SUBSIDIARIES <p>The Group's property portfolio is held through its two subsidiaries and the carrying value of the Investment in subsidiary undertakings in the Company balance sheet at 30 September 2022 is £200,553,000. These investments are held at cost less any impairment required under IAS 36. Given volatility in property valuations and changes in the portfolio, an impairment exercise was carried out.</p>	<p>The Committee considered the need to carry out an impairment assessment of the carrying value of the investment in subsidiaries. The Investment Manager, with the support of an external agency, established an impairment model. The Committee was involved in reviewing the key assumptions used in the model as well as the cash flows and outputs from the model. This resulted in a slight impairment within the Company Balance Sheet for the investment within EPIC No.1 of £1.33 million and a reversal of the impairment for the investment within EPIC No. 2 to the sum of £18.85 million.</p>
GOING CONCERN ASSESSMENT <p>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.</p>	<p>In assessing the Company's going concern, the Committee has taken into consideration the current economic situation, the principal risks facing the Company, its loan covenants and liquidity position. The Company's going concern statement can be found on page 65.</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 2022, 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 accounts and enquiries of the various parties involved in the preparation of the Annual Report and Financial Statements.

COMMITTEE EVALUATION

An evaluation of the Committee was undertaken as part of the Board's annual performance evaluation. The skills and experience of the members were found to be appropriate, including recent and relevant financial experience, industry experience and transitioning of roles on the Committee. The Committee was found to be functioning effectively and all Committee members were satisfied with the overall workings of the Committee.

Karyn Lamont

Chair of the Audit and Risk Committee

13 December 2022

Report of the Nomination Committee

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 is more efficient to have a Nomination Committee that includes the entire Board and believes that this enables all Directors to be kept fully informed of any Board composition issues that arise, 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 retention and evaluation of existing Directors in the roles they perform and for the appointment of new Directors to the Board. The Committee assists the Board in ensuring that its composition is regularly reviewed and refreshed so that it is effective and able to operate in the best interests of the Company and its shareholders.

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

- annual review of the structure, size and composition (including the skills, experience, independence, knowledge and diversity) of the Board and making recommendations to the Board with regard to any changes;
- review and nomination of candidates for the approval of the Board to fill vacancies with ultimate determination of appointments made by the Board;
- ensuring a formal, rigorous and transparent procedure is in place for the orderly appointment of new directors to the Board;
- succession planning for Directors, taking into account the challenges and opportunities facing the Company, and the skills and expertise needed on the Board;
- reviewing the time required from individual Directors, including the Chairman, Audit and Risk Committee Chair and chairs of the various Committees. Performance evaluation is used to assess whether the Directors are effective in fulfilling their duties;
- considering the recommendations for annual re-election and appointment to specific roles on the Board; and
- assisting the Chairman of the Board with the implementation of an annual evaluation process to assess the overall performance and effectiveness of the Board, its Committees and its individual members, including consideration of the balance of skills, experience, and knowledge of the Board, its diversity, its independence, how it works together as a unit, and other factors relevant to the Board's effectiveness.

MEETINGS AND ACTIVITY DURING THE YEAR

The Nomination Committee meets formally at least annually and also when required. There were three committee meetings during the last year, excluding the recruitment activity described below. At the formal meetings, the Committee discussed succession planning and also reviewed the results of the annual evaluation of the effectiveness of the Board, its Committees and its individual members.

During the year, the Nomination Committee was engaged in an extensive recruitment campaign to find and appoint a new Audit Chair. This involved establishing a detailed specification for the role; various meetings and discussions with the recruitment consultant appointed for the search, Fletcher Jones; review of a long list of potential candidates, reducing it to a short list of interviewees; and the interviewing of candidates. Given that the appointment was for audit chair, detailed examination was conducted for the specific skills and experience required for a property investment company and to replace the skills and experience of the former Audit Chair, who is not standing for re-election in 2023, having served on the Board since inception of the Company. Following the interview stage, the Committee unanimously agreed to recommend to the Board that Karyn Lamont was the best candidate. Karyn was appointed as an independent non-executive Director and Audit Chair on 1 September 2022, bringing the Board to two female and three male directors.

Karyn Lamont is a chartered accountant with over 30 years of professional experience of collective funds, and has also provided audit services to a range of clients across the UK's financial services sector. Upon her appointment, Karyn assumed the role of Audit and Risk Committee Chair, replacing Robin Archibald. Karyn acts as audit chair on other boards on which she serves. Robin will continue to act as a non-executive Director until he steps down at the forthcoming AGM. There will, therefore, be a period with both Karyn and Robin serving on the Board to ensure a smooth transition.

The Administrator attends the meetings as Secretary to the Committee. In addition, representatives of the Investment Manager are invited to attend as required and participate in the succession planning, but not in any succession decisions taken.

SUCCESSION PLANNING

During the year, the key areas of focus for the Committee were Board tenure, succession planning and addressing independence issues raised by governance agencies last year in respect of roles fulfilled by Robin Archibald and how he was remunerated.

Two members of the Board have served on the Board since the Company's inception in May 2014, being the Chairman, William Hill, and Robin Archibald, formerly Audit and Risk Committee Chair and Senior Independent Director. In order to adhere to governance guidelines on tenure, Mr Archibald will stand down from the Board at the forthcoming AGM, having relinquished his role as Audit and Risk Committee Chair to Karyn Lamont, appointed to the Board on 1 September 2022, and his role as Senior Independent Director to Imogen Moss, as of 1 June 2022. Ms Moss has served on the Board since 2020. Mr Archibald continues to provide corporate finance support to the Company and help in the transition of his former roles to Board colleagues until he stands down at the 2023 AGM.

The Board is engaged in finding a successor to William Hill. It is expected that Mr Hill will stand down no later than the AGM in early 2024. During the succession process, the Board has increased to five members but, depending on the balance of skills found as part of the succession, may reduce to four members again in the future. It is intended to retain an experienced, engaged and relatively small non-executive Board, whilst aiming to meet diversity and other governance requirements.

As described fully in the Remuneration Report, Board remuneration has been increased for the first time since 2018, with the base level of non-executive remuneration being set at £37,000 per annum (up from £35,000 per annum) and additional remuneration being payable for accentuated roles, such as Chairman and Audit and Risk Committee Chair, and for chairing individual committees.

DIVERSITY

The Board has had diversity of construction in its considerations ever since the formation of the Company in 2014. The Board's approach is to appoint the best possible candidates, considered on merit and against objective criteria (and in accordance with the Equality Act 2010). 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 currently consists of three men and two women with wide and diverse experience, yet specific skill and experience to the asset class. All the members of the Board have been drawn from diverse working and social experience. Ethnic diversity will also be taken into account and considered in future Board appointments.

BOARD EVALUATION

During the year, a rigorous evaluation of the performance of the Board, its Committees and individual Directors was carried out through an assessment process led by the Nomination Committee Chair. The process was conducted through the completion of questionnaires tailored to suit the nature and needs of the Company. A number of issues were raised and discussed with individual board members, none of which had negative connotations for the performance of the Board or its members. Overall, the Board was determined to be functioning well in meeting the challenges and requirements of the Company. Areas of particular strength included the balance of skills and experience 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 as part of the evaluation.

The evaluation of the Chairman was led by the Chair of the Nomination Committee, with contributions from the other Directors. The Nomination Committee continues to recognise the Chairman's extensive knowledge of the property sector, ESG, and sustainability, and the ways in which this benefitted the Company.

The Committee concluded that, under the chairmanship of Mr Hill, the Board and its individual members had performed satisfactorily during the year and had met the challenges faced by the Company during recent years.

The Committee considered whether there was any need for an independent Board evaluation. The Board carried out an independent evaluation during the period ending 30 September 2019. The Committee agreed that an external evaluation was not required for the year ending 30 September 2022 but will review this again for future periods, particularly after Board succession in the current cycle has been completed.

COMMITTEE EVALUATION

An 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 its members were considered appropriate and sufficient to ensure informed debate and constructive challenge to the Board nomination process.

Jamie Skinner

Nomination Committee Chair

13 December 2022

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, levels of remuneration for different Board roles and specific roles required of Board members which justify different remuneration arrangements. The Committee operates in such a way that individual assessment of Directors' performance and remuneration issues are considered without conflict. The Committee takes into account recommendations from the Nomination Committee.

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 remuneration trends across the Investment Companies sector (where relevant) and in particular remuneration for alternative asset classes such as property and other unquoted assets;
- reviewing the ongoing appropriateness and relevance of the Remuneration Policy;
- 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.

MEETINGS

The Remuneration Committee meets formally at least once a year and also when required. There have been two formal meetings during the year, at which the Committee reviewed the Board's remuneration including any proposed changes or additional remuneration to Directors 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 53. The Remuneration Policy was last approved by shareholders at the AGM held on 23 February 2021.

During the last year, the Committee carried out a review of the Remuneration Policy, including the cap on Board remuneration. In light of the Board's current succession planning, increasing Board membership from four to five members during the transition and the increase to Board remuneration enacted this year, the cap on Board remuneration is being increased to £275,000 from its existing limit of £250,000 subject to shareholder approval. The updated Remuneration Policy, which can be found on page 53, will therefore be presented to shareholders for approval at the forthcoming AGM in 2023.

This proposed increase should allow for sufficient headroom in order for the Company to manage Board succession and the changes to overall Board remuneration enacted this year.

As reported in the accounts last year, a detailed review of Board emolument levels was undertaken by the Committee during the 2020 and 2021 financial years, supported by a fee analysis report prepared by the Administrator, external advice from advisers and considering the time commitment and input required from Directors. Board emoluments had not increased since 2018 as, due to the COVID-19 Crisis and pressures on the Company, the Board agreed that the potential increases should not be implemented.

During the last year, the Committee carried out a further review of Board remuneration, including an updated peer group fee analysis report prepared by the Administrator. The Company also appointed an additional director during the year with that process providing helpful insight into market levels for director fees. Following this review, the Committee recommended to the Board an increase of £2,000 to the base non-executive directorial fee (from £35,000 to £37,000) as well as an additional increase of £2,000 to the Chairman of the Board, effective 1 October 2022.

Due to role changes on the Board, adjustments were made to the remuneration of Directors as shown below:

- effective 1 June 2022, Imogen Moss was awarded an additional fee of £2,000 per year, for acting as SID and £1,000 per year for her role as Chair of the Management Engagement Committee;
- effective 1 September 2022, Karyn Lamont joined the Board as the new Audit and Risk Committee Chair and was awarded the standard base fee of £35,000 per year plus an additional £10,000 for acting as Audit and Risk Committee Chair.

In relinquishing his roles as Audit and Risk Committee Chair and SID, Mr Archibald's remuneration has been reduced by £12,000 per annum (£10,000 for acting as Audit and Risk Committee Chair and £2,000 for acting as SID). During the year, Mr Archibald received an additional remuneration of £10,000 per quarter in recognition of the additional services he rendered that go beyond duties normally expected of a non-executive Director. This payment will continue until his retirement from the Board on 24 February 2023 and the pro-rated amount to that date will be £16k.

The anticipated Board remuneration for the year ending 30 September 2023 is shown on page 54 of the Directors' Remuneration Report.

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.

Jamie Skinner
Remuneration Committee Chair
13 December 2022

Directors' Remuneration Report

The Board considers annually the level of fees paid to each Director. This review assesses: 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 takes into account the results of Directors' evaluation and Board succession issues. The Remuneration Committee's Report can be found on page 52.

BOARD REMUNERATION

The Company's view is that the remuneration of the Directors should: reflect 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.

The fees for the Directors are determined within the limit set out in the Company's Articles of Association. Directors' 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.

The current remuneration fee limit is £250,000 per annum, as was previously approved by shareholders at a General Meeting. The Remuneration Policy is being updated to reflect an increase in the aggregate Director fee limit by 10% to £275,000 from £250,000 to provide headroom for succession planning and possible increases in Board membership in the future. This revised Remuneration Policy will be presented to shareholders for approval at the forthcoming AGM in 2023.

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 2022 £'000	Additional fees 2022 £'000	Total amount salary and fees 2022 £'000	Basic fees 2021 £'000	Additional fees 2021 £'000	Total amount salary and fees 2021 £'000
William Hill (Chairman)	52.0	–	52.0	52	–	52
Robin Archibald*	45.5	40.0	85.5	47	40	87
Imogen Moss**	36.0	–	36.0	35	–	35
Jamie Skinner	38.0	–	38.0	38	–	38
Karyn Lamont***	3.8	–	3.8	–	–	–
Total	175.3	40.0	215.3	172	40	212

* Robin Archibald stepped down from his roles as SID on 1 June 2022 and Audit and Risk Committee Chair on 1 September 2022. He received an additional remuneration of £40,000 per annum in recognition of the services he provided to the Company described in the Remuneration Committee Report on page 52.

** Imogen Moss became SID on 1 June 2022.

*** Karyn Lamont was appointed to the Board on 1 September 2022 and assumed the role as Audit and Risk Committee Chair on that date.

Note: Members of the Board were reimbursed for travel and accommodation expenses incurred in connection with their duties for the Company, which in aggregate amounted to £2,140 (2021: £428). No additional fees or special remuneration were paid during the year, other than to Mr Archibald.

Directors' Remuneration Report continued

FUTURE BOARD EMOLUMENTS

The anticipated Board remuneration for the year ending 30 September 2023 is shown below:

	Expected fees for year ending 30 September 2023 £'000
Non-executive Director base rate	37
Additional Fee for Chairman	19
Additional Fee for SID	2
Additional Fee for Chair of the Audit and Risk Committee	10
Additional Fee for Chair of the Remuneration Committee	1
Additional Fee for Chair of the Nomination Committee	1
Additional Fee for Chair of the Management Engagement Committee	1
Additional Fee for Chair of the Marketing Committee	1

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:

	2022 £'000	2021 £'000	% change
Aggregate Directors' remuneration*	175.3*	172*	1.92
Aggregate dividends paid to shareholders	10,560	9,334	13.13

* This does not include the additional remuneration of £40,000 that was 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 30 September 2022 and 30 September 2021 were as follows:

	Ordinary Shares 30 September 2022	Ordinary Shares 30 September 2021
William Hill	171,580	144,893
Robin Archibald	109,093	109,093
Jamie Skinner	100,000	100,000
Imogen Moss	89,195	76,069
Karyn Lamont	—	—
Total	469,868	430,055

No additional shares in the Company have been bought since 30 September 2022.

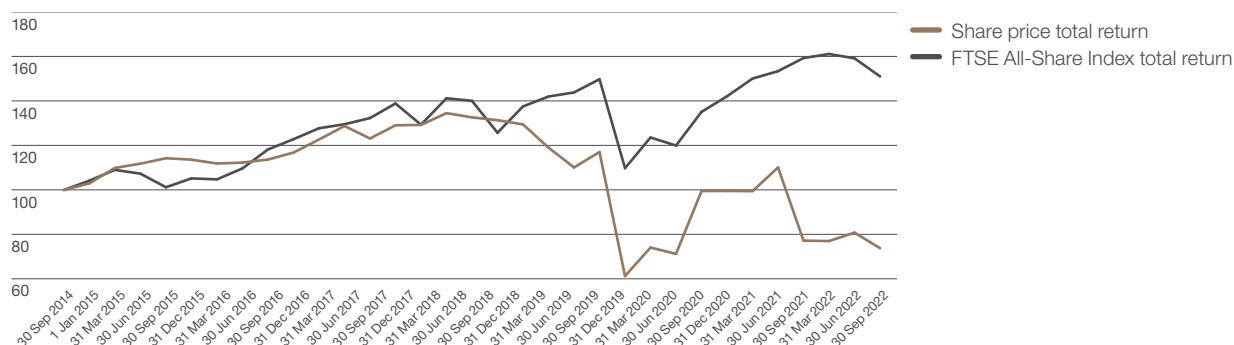
MANAGEMENT SHAREHOLDINGS

Although not forming part of this report, it is also noted that the senior personnel of the Investment Manager held in aggregate 2,618,148 Ordinary Shares of the Company as at 30 September 2022 (2021: 1,984,667 Ordinary Shares). As at 13 December 2022, these holdings were 2,622,845 Ordinary Shares.

As part of its fee arrangement under the Management Agreement (amended in 2020), 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 ultimately delegated to the Investment Manager. The graph below compares, for the period from launch to 30 September 2022, 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 2022 is given in the Strategic Report.



It is a company law requirement to compare the performance of the Company's share price to a single broad equity market index on a total return basis. However, it should be noted that constituents of the comparative index used above are typically larger in size than the Company. 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 £95m to total assets of £314m as at 30 September 2022.

VOTING AT ANNUAL GENERAL MEETING

At the Company's AGM, held on 24 February 2022, shareholders approved the Annual Report on Directors' Remuneration for the year ended 30 September 2021 with 84.95% of the votes cast in favour of the resolution. Those shareholders who voted against the remuneration report were all contacted following the meeting to address issues that they had in voting against the resolution.

An ordinary resolution for the approval of this Annual Report on Directors' Remuneration, as well as an ordinary resolution to approve the Directors' Remuneration Policy, will be put to shareholders at the forthcoming AGM.

On behalf of the Board.

Jamie Skinner
 Remuneration Committee Chair
 13 December 2022

Directors' Report

The Directors present their report and Financial Statements of the Group for the year to 30 September 2022. The Corporate Governance Statement on pages 40 to 44 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:

Board of Directors	Pages 38 to 39	Report of the Nomination Committee	Pages 50 to 51
Governance Statement	Pages 40 to 44	Report of the Remuneration Committee	Page 52
Report of the Audit and Risk Committee	Pages 45 to 49	Directors' Remuneration Report	Pages 53 to 55

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 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 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 75 to 93.

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

The interim dividends paid during the year were as follows, with the annualised dividend rate for the year to 30 September 2022 of 5.00 pence per share:

	Payment date	Rate per share
Twelfth interim dividend for the prior year	29 October 2021	0.4167p
First interim dividend	30 November 2021	0.4167p
Second interim dividend	31 December 2021	0.4167p
Third interim dividend	31 January 2022	0.4167p
Fourth interim dividend	28 February 2022	0.4167p
Fifth interim dividend	31 March 2022	0.4167p
Sixth interim dividend	29 April 2022	0.4167p
Seventh interim dividend	31 May 2022	0.4167p
Eighth interim dividend	30 June 2022	0.4167p
Ninth interim dividend	29 July 2022	0.4167p
Tenth interim dividend	31 August 2022	0.4167p
Eleventh interim dividend	30 September 2022	0.4167p

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

	Payment date	Rate per share
Twelfth interim dividend	31 October 2022	0.4167p
First interim dividend for the year ending 30 September 2023	30 November 2022	0.4167p
Second interim dividend	30 December 2022	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 100.

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. Following the disposal of the office and leisure properties during the year, the dividend will be uncovered for a period of time. It is the expectation of the Board that when the sales proceeds are fully reinvested, the dividend will become covered once more. The Board considers the Company has sufficient reserves and cash resources to continue to pay the dividend at its current level pending the reinvestment of its cash. For the year ended 30 September 2022, the annualised dividend was 5.00 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 dividend cover and the projected income performance of the Group. The Board also has to consider 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 as the dividends are all paid as interim dividends.

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 on page 87 to the Consolidated Financial Statements. These companies hold the Group's property investments and have the loan facilities in place as at 30 September 2022.

INVESTMENT OBJECTIVE

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

INVESTMENT POLICY

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

The Group can invest principally in one or more of the three commercial property sectors; office, retail (including retail warehouses) and industrial, without regard to a traditional property market relative return benchmark. In line with its revised investment strategy, announced last year, the Group has sold its office and leisure properties and is entirely invested currently in retail warehouse assets.

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 that 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 investing across 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. 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.

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 27 to 33.

FUTURE DEVELOPMENTS

The likely future developments of the Company are contained in the Strategic Report on pages 2 to 37.

DIRECTORS

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

Directors' Report continued

DIRECTORS CONTINUED

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, Directors will all stand for election annually at each AGM. Accordingly, William Hill, Jamie Skinner and Imogen Moss will retire at the AGM and, being eligible, offer themselves for re-election, and Karyn Lamont, who joined the Board on 1 September, will be offering herself for election. As Robin Archibald will be stepping down from the Board at the AGM, he will not be standing 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	24/02/2022
Robin Archibald	17/06/2014	24/02/2022
Jamie Skinner	01/07/2017	24/02/2022
Imogen Moss	01/04/2020	24/02/2022
Karyn Lamont	01/09/2022	–

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 51, 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, at the AGM, each of them be re-elected and elected, where appropriate.

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 Administrator any changes to conflicts or any potential new conflicts.

INVESTMENT MANAGER AND 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 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 NAV up to £250m, 0.75% of the NAV over £250m and 0.65% for assets over £500m, payable quarterly. The AIFM fee on any cash held available for investment is reduced to 0.475% per annum while such cash remains uninvested.

The last contractual amendments took place in December 2020, when a side letter to the Management Agreement provided that the management fee payable would be reduced by £40,000 per annum and a commitment from the AIFM to apply each quarter 20% 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 if he was no longer involved with the Investment Manager.

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 2022 can be found in Note 16 to the Consolidated Financial Statements.

SUBSTANTIAL INTERESTS IN SHARE CAPITAL

As at 30 September 2022, 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 2022	
	Number of Ordinary Shares held	Percentage held*
Columbia Threadneedle Investments	35,295,223	16.70
Quilter Investors	21,500,000	10.17
Momentum Global Investment Management	18,533,192	8.77
Hargreaves Lansdown, stockbrokers (EO)	16,919,426	8.01
Investec Wealth & Investment	15,492,224	7.33
Interactive Investor (EO)	10,553,499	4.99
AXA Framlington Investment Managers	8,500,000	4.02

* Based on 211,333,737 Ordinary Shares in issue as at 30 September 2022. Source RDI 30 September 2022 report and DTR5 Disclosure notices. The Company has only one class of share.

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

- Columbia Threadneedle Investments changed to 36,149,756 Ordinary shares (17.11%)
- Momentum Global Investment Management changed to 18,523,192 Ordinary shares (8.76%)
- Hargreaves Lansdown, stockbrokers (EO) changed to 17,321,778 Ordinary shares (8.20%)
- Investec Wealth & Investment changed to 15,531,478 Ordinary shares (7.35%)
- BlackRock changed to 11,803,781 Ordinary shares (5.59%)
- Interactive Investor (EO) Changed to 10,747,078 Ordinary shares (5.09%)
- Mattioli Woods changed to 6,712,899 Ordinary shares (3.18%)
- AXA Framlington Investment Managers has changed to 1,500,000 Ordinary shares (3.31%)

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

Any related party transactions during the period to 30 September 2022 can be found in Note 17 to the Consolidated Financial Statements.

DIRECTORS' SHAREHOLDINGS

Information on the Directors' shareholdings as at 30 September 2022 can be found in the Directors' Remuneration Report on page 54.

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 regarding 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 that 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 Administrator.

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.

SHARE ISSUANCE AUTHORITY

TAP ISSUANCE

At the AGM held on 24 February 2022, shareholders granted authority for the Company to issue up to 70,437,535 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.

Directors' Report continued

SHARE ISSUANCE AUTHORITY CONTINUED

TAP ISSUANCE continued

This shareholder authority will expire on 23 May 2023 or at the 2023 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 2024.

2023 AGM

Shareholders are invited to attend the Company's AGM to be held at 1 St Andrews Square, Edinburgh EH2 2HN on 24 February 2023. The AGM notice is set out on pages 107 to 111.

Those shareholders who are unable to attend the AGM in person are encouraged to raise any questions in advance with the Administrator at reit@jtcgroup.com (please include 'EPIC AGM' in the subject heading). Questions must be received by 5.00 p.m. on 10 February 2023. Any questions received will be replied to by either the Investment Manager or Board via the Administrator before the AGM. A shareholder presentation will be made available on the Company's website updating shareholders on the activities of the year.

RESOLUTIONS TO BE PROPOSED AT THE AGM

There are 14 resolutions being proposed at the forthcoming AGM, 11 as ordinary resolutions, including approval of the Annual Report and Audited Financial Statements for the year ended 30 September 2022 (resolution 1), and 3 as special resolutions, requiring the majority of the votes cast and 75% 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 AUDITED FINANCIAL STATEMENTS (RESOLUTION 1)

The first resolution being put to shareholders is the receipt of the Annual Report and Audited Financial Statements for the year ended 30 September 2022.

DIRECTORS' REMUNERATION REPORT AND REMUNERATION POLICY (RESOLUTION 2 AND 3)

The Directors' Remuneration Policy and Annual Report on Directors' Remuneration, which can be found on pages 53 to 55, provide detailed information on the remuneration arrangements for the Directors of the Company. Shareholders will be asked to approve the Annual Report on Directors' Remuneration (resolution 2). The Directors' Remuneration Policy, which includes an increase to the aggregate cap on Board remuneration, is also being put to shareholders at the 2023 AGM and will be proposed as an ordinary resolution.

AUDITOR (RESOLUTIONS 4 AND 5)

The Independent Auditor's Report can be found on pages 68 to 74. 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 4) and to authorise the Directors to determine their remuneration (resolution 5).

RESOLUTIONS TO ELECT AND RE-ELECT DIRECTORS (RESOLUTIONS 6 TO 9)

The assessment of the Directors performance and the recommendation to re-appoint the Directors can be found on pages 51 and 58. Resolutions 6 to 8 propose the re-appointment of William Hill, Imogen Moss and Jamie Skinner. Resolution 9 proposes the election of Karyn Lamont.

RESOLUTION TO APPROVE DIVIDEND POLICY (RESOLUTION 10)

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

AUTHORITY TO ALLOT SHARES (RESOLUTION 11)

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.

Resolution 11 along with resolution 12, which is described below, are 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 on a non-pre-emptive basis.

Accordingly, resolution 11 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 or, if less, the aggregate nominal amount representing 33.33% of the issued Ordinary Share capital of the Company at the date of the passing of resolution 11.

The Board believes that the passing of resolution 11 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 12)

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 12, which is a special resolution, seeks to provide the Directors with the authority to issue shares or sell shares held in treasury, under resolution 11, 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 12.

The authorities sought under resolutions 11 and 12 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 11 and 12 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, whichever is earlier, unless they are previously renewed, varied or revoked.

AUTHORITY TO MAKE MARKET PURCHASES OF ORDINARY SHARES (RESOLUTION 13)

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 buybacks 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 13 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 13. 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 resolution 13 or on the expiry of 15 months from the passing of resolution 13, whichever is earlier, unless it is previously renewed, varied or revoked.

NOTICE PERIOD FOR GENERAL MEETINGS (RESOLUTION 14)

Resolution 14 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 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 14 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 469,868 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 23. The Company aligns its disclosure of sustainability performance with the majority of the EPRA sBPR. The Company continues to report the GHG emissions in line with the GHG Protocol Corporate Accounting and Reporting Standard.

SUSTAINABILITY PERFORMANCE CONTINUED

REPORTING METHODOLOGY

The Company's reporting boundary is based on the principle of operational control, meaning that GHG emissions 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 does it own or lease any vehicles.

We aim to report as complete and accurate data as feasible and practicable. Where data was found to be partially incomplete for a specific period, and actual consumption was available for the other periods to predict the missing usage with reasonable confidence, we have taken a daily consumption figure and multiplied it by the missing number of days to estimate the data gaps. As such, the data is then a sample of comparative data from a similar period historically. Where this is not possible, the assets with incomplete data sets were excluded from the report unless noted otherwise. Please see 'Disclosure coverage – number of properties' on pages 62 to 64 for information of our environmental data coverage.

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 backed electricity supplies. The proportion from renewable sources is based on renewable energy purchases. There was no onsite renewable energy generation to account for in 2021 and 2022.

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 Direct and Indirect (Scopes 1 and 2) GHG emissions intensity. Only assets that were owned and managed during the full reporting year (12 months), with sufficient data availability, were included in the calculation of emission intensity.

The environmental and social performance data was reviewed and checked by Savills (UK) Limited, acting as sustainability consultants. No restatements to 2021 datasets published last year were made, apart from for the water dataset, which has been restated due to increased availability of data.

ENVIRONMENTAL PERFORMANCE MEASURES

In 2022, the Company procured 1,622 MWh of energy for use across the managed offices and retail properties, which is a 54% absolute decrease and 17% like-for-like decrease compared with 2021. The comparatively lower energy use is largely linked to the disposal of several assets, vacant assets, issues with a power supply due to roadworks as well as installation of energy efficient equipment and behavioural changes onsite. Further to this, total water consumption saw a like-for-like reduction of 33% largely due to the deactivation of a water meter at one asset.

Scopes 1 and 2 GHG emissions for the year to 30 September 2022 total 303.6 tonnes CO₂e (2021: 686.9 tonnes CO₂e). The Company's like-for-like Scopes 1 and 2 emissions decreased by 25% accordingly. The decrease in the Scope 2 market-based emissions reflects the increase in renewable electricity procured at sites included in the like-for-like comparison. The renewable electricity purchases accounted for 87% of the total electricity purchased during the year (2021: 84%). Further to this, the renewable electricity purchases just for landlord controlled common areas excluding vacant units saw an increase of 5% in 2022 and now accounts for 89% of the total electricity purchased for common areas (2021: 84%).

Over the past two years, the Company developed ASPs for 11 assets for which it has operational control. This enables it to identify potential opportunities to enhance the overall sustainability performance of its portfolio. The reporting scope for waste covered six assets. The remaining assets are not included in the reporting scope for waste due to either the Company only managing litter picking and landscaping at the site or a lack of available waste data at the site. In 2022, the total managed and reported waste was 66.1 tonnes, of which 33% was re-used or recycled and none sent directly to landfill.

GREENHOUSE GAS EMISSIONS

tCO₂e

EPRA indicator	Managed portfolio								Like-for-like		
	2021			2022			% change				
	Offices	Retail	TOTAL	Offices	Retail	TOTAL			2021	2022	% change
Direct emissions GHG-Dir-Abs, GHG-Dir-LfL	Scope 1*	380.0	0	380.0	136.0	0	136.0	-64%	–	–	0%
Indirect emissions GHG-Indir-Abs, GHG-Indir-LfL	Scope 2 – location based**	184.3	122.5	306.8	52.8	114.7	167.5	-45%	121.0	91.2	-25%
	Scope 2 – market based**	4.0	86.8	90.8	5.7	37.7	43.4	-52%	84.8	37.3	-56%
Total Direct and Indirect	Scopes 1 and 2	564.4	122.5	686.9	188.8	114.8	303.6	-56%	121	91.2	-25%
	Disclosure coverage – number of properties	2 of 2	7 of 9	9 of 11	2 of 2	11 of 11	13 of 13	–	–	–	–
GHG emissions intensity GHG-Int	Scopes 1 and 2, tonnes CO ₂ e/£million net rental income***	28.0	6.1	34.1	11.7	7.1	18.8	-45%	–	–	–

* 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

MVN

	EPRA indicator	Managed portfolio							Like-for-like		
		2021			2022			% change	2021	2022	% change
		Offices	Retail	TOTAL	Offices	Retail	TOTAL				
Electricity	Landlord controlled areas	868	577	1,445	273	593	866	-40%	570	471	-17%
Elec-Abs, Elec-LfL	Proportion from renewable sources – all landlord controlled areas	99%	60%	84%	95%	83%	87%	3%	61%	79%	18%
	Proportion from renewable sources – landlord controlled common areas	100%	61%	84%	100%	84%	89%	5%	100%	100%	0%
Fuels	Landlord controlled areas	2,067	0	2,067	756	0	756	-63%	–	–	0%
Fuels-Abs, Fuels-LfL	Proportion from renewable sources	–	–	–	–	–	–	–	–	–	–
Total energy*	Total landlord procured	2,935	577	3,512	1,029	593	1,622	-54%	570	471	-17%
	Proportion estimated	0%	2%	1%	6%	11%	8%	–	–	–	–
	Disclosure coverage – number of properties	2 of 2	7 of 9	9 of 11	2 of 2	11 of 11	13 of 13	–	–	–	–
Energy intensity	Landlord procured, kWh/m²	190.5	7.3	–	66.7	7.6	–	–	–	–	–
Energy-Int											

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

WATER CONSUMPTION

m³

		Managed portfolio							Like-for-like		
		2021			2022			%			%
	EPRA indicator	Offices	Retail	TOTAL	Offices	Retail	TOTAL	change	2021	2022	change
Water	Landlord procured	2,669	379	3,048	913	375	1,288	-58%	214	145	-33%
Water-Abs, Water-LfL	Proportion estimated	0%	0%	0%	39%	8%	30%				
	Disclosure coverage – number of properties	2 of 2	4 of 6	6 of 8	2 of 2	4 of 6	6 of 8	–	3 of 6	3 of 6	–
Water intensity	Landlord procured, m³/m²	0.17	0.00	0.03	0.06	0.005	0.01	–	–	–	–
Water-Int											

WASTE MANAGEMENT

Tonnes

		Managed portfolio							Like-for-like		
		2021			2022			% change	2021	2022	% change
EPRA indicator		Offices	Retail	TOTAL	Offices	Retail	TOTAL				
Total weight of waste by disposal route Waste-Abs, Waste-LfL	Recycled or Re-used	10.5	17.6	28.1	8.5	13.1	21.6	-23%	17.6	13.1	-25%
	Incineration with energy recovery	45.1	23.5	68.6	22.9	21.6	44.5	-35%	24.2	21.6	-11%
	Sent to landfill	–	–	–	–	–	–	–	–	–	–
	TOTAL	55.6	41.1	96.7	31.4	34.7	66.1	-32%	41.8	34.8	-17%
	Proportion estimated	–	–	–	–	–	–	–	–	–	–
	Disclosure coverage – number of properties	2 of 2	4 of 10	6 of 12	2 of 2	4 of 10	6 of 12	–	–	–	–
Proportion of waste by disposal route Waste-Abs, Waste-LfL	Recycled or Re-used	19%	43%	29%	27%	38%	33%	4%	42%	38%	-4%
	Incineration with energy recovery	81%	57%	71%	73%	62%	67%	-4%	58%	62%	4%
	Sent to landfill	0%	0%	0%	0%	0%	0%	–	0%	0%	0%

Directors' Report continued

BUILDING CERTIFICATION

EPRA indicator	2021		2022	
	Number of units	% floor area	Number of units	% floor area
Energy Performance A-B rated	45	40%	64	45%
Certification (EPCs) C-E rated	69	59%	66	53%
Cert-Tot F-G rated	2	2%	2	1.5%
Disclosure coverage – % of net lettable area		99%		100%

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.

EPRA indicator		2021	2022
Gender diversity* Diversity-Emp	Board of Directors	Female	25%
		Male	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 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%
Asset health and safety compliance H&S-Comp	Number of incidents; unresolved within the required timeframe	0	0
Community engagement, impact assessments and development programmes Comty-Eng	Proportion of assets	0%	38%

* Gender diversity ratio as at 30 September 2022.

GOVERNANCE PERFORMANCE MEASURES

		FY 2021	FY 2022
Composition of the highest governance body Gov-Board	Number of executive Board members	0	0
	Number of independent/non-executive Board members	4	5*
	Average tenure on the governance body	5.1	6.1
	Number of independent/non-executive Board members with competencies relating to environmental and social topics	2	2
Process for nominating and selecting the highest governance body Gov-Selec	Please refer to pages 38 to 39 for details		
Process for managing conflicts of interest Gov-Col	Please refer to page 50, Nomination Committee		
	Please refer to page 58, Conflicts of Interest		

* Karyn Lamont Joined the Board on 1 September 2022.

BUSINESS ETHICS

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.

GOING CONCERN

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 2022. 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. We draw comfort from the Company's 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 downturn, 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 12 months from the date of approval of the accounts. Sensitivity analysis and modelling has been undertaken to support this.

The Company and Investment Manager have assessed that values would need to drop by 23% in EPIC No.1 and 35% in EPIC No.2 respectively, based on the 30 September 2022 valuations, for the Loan-to-Value covenant to be breached. This would be a dramatic decline and considered to be remote. Beyond these drops, cure rights are available under the facility agreement to rectify any breach and the Company has cash reserves to do so if required.

With this information and bearing in mind the nature of the Group's business and assets, the Directors consider that the Group has adequate resources to continue in operational existence over the medium term and believe that the Company has the ability to meet its financial commitments for a period of at least 12 months from the date of approval of the accounts. For these reasons, the Directors continue to adopt the going concern basis in preparing the accounts.

POST BALANCE SHEET EVENTS

There were no significant events after the reporting date which requires disclosure.

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, irrespective of the exogenous risks the Company is facing. The Board considers that this period reflects a balance between a longer-term investment horizon and the inherent uncertainties in current markets.

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 eight years ago and the aim is for it to continue to grow in size in the medium to longer term. The Board regularly considers the current cash flow model which is a detailed cash flow model covering a longer time period than three years. This review 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 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 the 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 the comfort that there was scope in the cash flow model to cope with unforeseen circumstances.
- **Risk factors:** The Company is subject to both endogenous and exogenous risk factors, the latter being difficult to predict. The time horizon of three years takes account of the principal risks and uncertainties as shown on pages 27 to 33 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 a number of assumptions underlying the forecast, including stress in the property market resulting in a decrease in the capital values of the property portfolio, or a decline in the occupational market, which could result in defaults by existing tenants or delays in letting vacant space in the portfolio.

Directors' Report continued

VIABILITY STATEMENT CONTINUED

The potential impact of the principal risks was also considered. Exogenous risks such as inflation, interest rates and the associated cost of living crisis, in particular, have a direct impact on the UK economy and UK commercial property market. The Directors also recognised 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. The Company's operational risks and resilience of portfolio and provision of services have also been 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 any revised debt arrangements. Current debt facilities have maturity dates of May 2025 and December 2027. Unless the loan covenants are breached, only one of these loans will 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%, and an assumption has been made for the re-finance rates in 2025. 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

Administrator

13 December 2022

Directors' Responsibilities Statement

The Directors are responsible for preparing the Annual Report, including the Director's Remuneration Report and the financial statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have to prepare the Group Financial Statements in accordance with UK-adopted international accounting standards 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 Group and Company 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 Group and the Company 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 UK-adopted international accounting standards have been followed for the Group financial statements and United Kingdom Accounting Standards, comprising FRS 101 have been followed for the Company financial statements, 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 Group and Company will continue in business.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Group's and Company's transactions and disclose with reasonable accuracy at any time the financial position of the Group and 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 Group and 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.

The Directors consider the Annual Report and the Financial Statements, taken as a whole, provide the information necessary to assess the Group and 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 UK-adopted international accounting standards, give a true and fair view of the assets, liabilities, financial position and profit or loss of the Group and the undertakings included in the consolidation taken as a whole;
- the Company Financial Statements, prepared in accordance with United Kingdom Accounting Standards, comprising FRS 101, give a true and fair view of the assets, liabilities and financial position of the Company; 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 Group and Company, 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 Group and 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 Group and Company's Auditor is aware of that information.

William Hill

Chairman

13 December 2022

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 2022, which comprise the Consolidated Statement of Comprehensive Income, the Consolidated and Company Statements of Financial Position, the Consolidated and Company Statements of Changes in Equity, the Consolidated Statement of Cash Flow and Consolidated and Company 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 UK-adopted international accounting standards. 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 2022 and of the group's profit for the year then ended;
- the group financial statements have been properly prepared in accordance with UK-adopted international accounting standards;
- 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.

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.

Our evaluation of the directors' assessment of the group's and the parent company's ability to continue to adopt the going concern basis of accounting included:

- Obtaining an understanding of the process applied to prepare the going concern assessment and their identified risks;
- Assessing management's ability to prepare accurate forecasts by comparing previous forecasts to actual results, challenging any material variances and considering their impact on the current year's forecast;
- Checking the mathematical accuracy and logic of management's going concern model for both base case and stressed case scenarios, including their calculations for future covenant compliance covering the going concern period;
- Challenging the key assumptions used by management in each of the modelled scenarios by comparing these to corroborative evidence and considered any indications of contradictory evidence obtained from audit work in other areas;
- Considering the appropriateness of downside sensitivity scenarios modelled by management, taking into account current economic conditions (such as a significant decline in property values) and the group's historic performance. We also applied further sensitivities to consider the impact on the group's liquidity and its ability to meet its debt covenants resulting from significant deterioration in property values; and
- Assessing the adequacy of disclosures relating to going concern within the annual report and accounts 2022.

In our evaluation of the directors' conclusions, we considered the inherent risks associated with the group's and the parent company's business model including effects arising from macro-economic uncertainties, we assessed and challenged the reasonableness of estimates made by the directors and the related disclosures and 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.

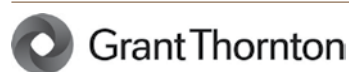
Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the group's and the parent company's ability to continue as a going concern for a period of at least twelve months 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: £3,007,000, which represents 1.5% of the group's net assets.

Parent company: £2,732,000, which represents 1.5% of the parent company's net assets at the planning stage of the audit.

Key audit matters were identified as:

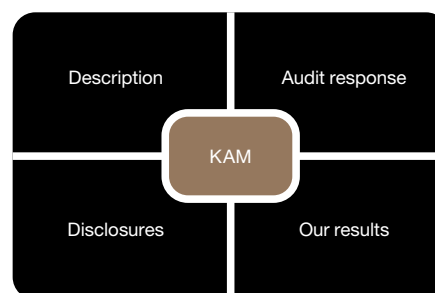
- Valuation of investment properties (same as previous year); and
- Occurrence of revenue (same as previous year).

Our auditor's report for the year ended 30 September 2021 included one key audit matter that has not been reported as a key audit matter in our current year's report. This relates to Going concern which was included as a key audit matter as a result of the uncertainties relating to the Covid-19 pandemic. The exclusion of going concern from our current year's report reflects our risk assessment, wherein the group's continued improvement in profitability and performance over the past several years, combined with decreased uncertainty surrounding the impact of Covid-19 has informed a lower risk assessment relating to these matters. Therefore, we no longer consider this a key audit matter.

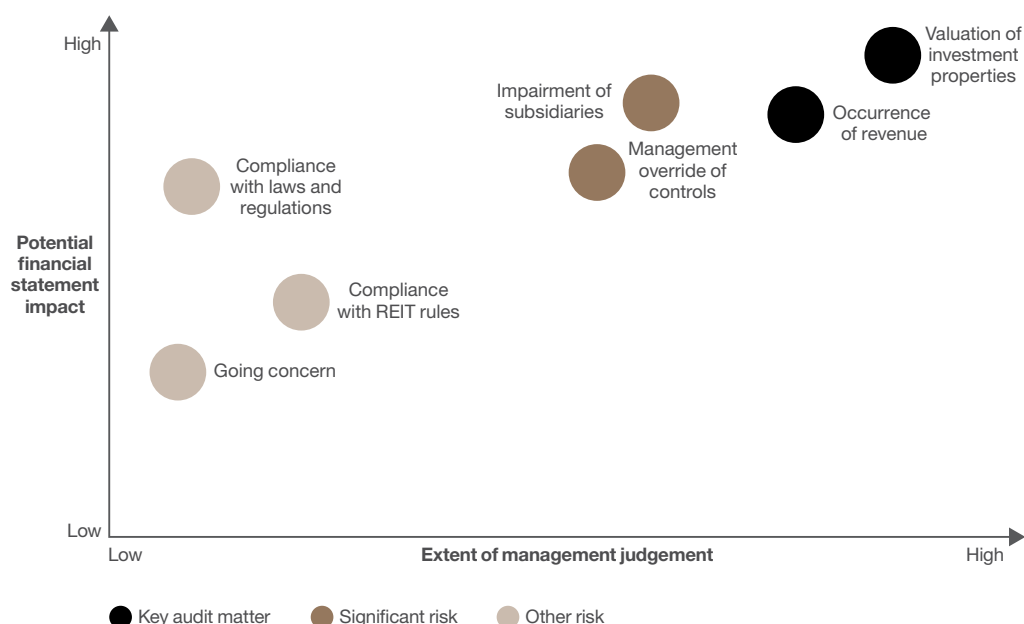
We performed an audit of the financial statements of the parent company and of the financial information of all other components, being EPIC (No. 1) Limited and EPIC (No. 2) Limited, using component materiality (full scope audit). There has been no change in the scope of the audit from the prior year.

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.



KEY AUDIT MATTERS CONTINUED

Key Audit Matter – Group

How our scope addressed the matter – Group

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 £227 million (2021: £278 million) and is held at fair value under International Accounting Standard (IAS) 40 'Investment Property'.

The valuation of investment properties requires significant judgement and estimation by the external valuers engaged by Management. These include yield profiles and estimated rental values. Inaccurate inputs and assumptions could result in a material misstatement in the financial statements.

Relevant disclosures in the Annual Report and Accounts 2022

- Financial statements: Note 9, Investment properties
- Audit and Risk Committee report: Page 48, Valuation and existence of the investment property portfolio

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 specific inputs used in the valuations and challenge specific assumptions and factors impacting the valuations;
- Carrying out industry research by the internal valuation team 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 'Investment Property'.

Our results

From the audit work performed, we found that the valuation methodologies and the assumptions made by management are in line with the comparable market evidence. We have not identified any material misstatements in the valuation of investment properties.

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 'The Auditor's Responsibilities Relating to Fraud in an Audit of Financial Statements', there is a rebuttable presumption that there are risks of fraud in revenue recognition.

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 other arrangements which increases the risk of fraud.

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

Revenue is recognised in accordance with the Group's accounting policy and International Financial Reporting Standard (IFRS) 16 'Leases'.

Relevant disclosures in the Annual Report and Accounts 2022

- Financial statements: Note 1(B) Revenue recognition
- Audit and Risk Committee report: Page 48, income recognition

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

- Assessing whether the group's revenue recognition accounting policy and disclosures are in accordance with IFRS 16 'Leases';
- 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; and
- Agreeing 100% of lease incentives and other arrangements to underlying lease agreements and assessed whether management accounted for the arrangement in accordance with accounting policies.

Our results

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

We did not identify any key audit matters relating to the audit of the financial statements of the parent company.

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.

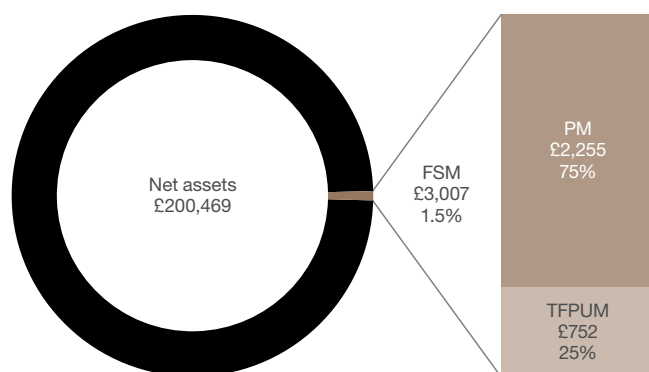
Materiality was determined as follows:

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	£3,007,000, which is 1.5% of the group's net assets.	£2,732,000, which is 1.5% of the parent company's net assets at the planning stage of the audit.
Significant judgements made by auditor in determining 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 indicator (KPI) 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 in line with industry practice. <p>Materiality for the current year is higher than the level that we determined for the year ended 30 September 2021 to reflect 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"> – The nature of the company's activity as a Real Estate Investment Trust; – Net Asset Value (NAV) is a KPI and is of primary interest to the users of the financial statements, and is therefore considered the most appropriate benchmark; and – 1.5% was considered to be an appropriate percentage as it is in line with industry practice. <p>Materiality for the current year is lower than the level that we determined for the year ended 30 September 2021 to reflect the lower net assets of the parent company at the planning stage of the audit, on which materiality is based.</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	£2,255,000, which is 75% of financial statement materiality.	£2,049,000, which is 75% of financial statement materiality.
Significant judgements made by auditor in determining performance materiality	<p>In determining performance materiality, we made the following significant judgements:</p> <ul style="list-style-type: none"> – the key functions are outsourced, and no significant control deficiencies have been identified; and – no significant misstatements were identified in the prior years. 	<p>In determining performance materiality, we made the following significant judgements:</p> <ul style="list-style-type: none"> – the key functions are outsourced, and no significant control deficiencies have been identified; and – no significant misstatements were 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; – Expenses directly relating to investment properties; and – Related party transactions including Directors' 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 Directors' remuneration.
Communication of misstatements to the Audit and Risk Committee	We determine a threshold for reporting unadjusted differences to the Audit and Risk Committee.	
Threshold for communication	£150,000 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.

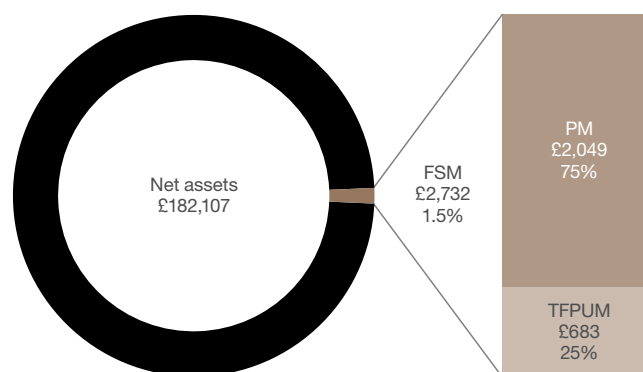
OUR APPLICATION OF MATERIALITY CONTINUED

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 matters related to:

Understanding the group, its components, and their environments, including group-wide controls

- The Group consists of the parent company and two trading entities, EPIC (No. 1) Limited and EPIC (No. 2) Limited;
- The Group's accounting process is outsourced to a third-party provider, who provides accounting and financial support for the Group and parent company operations; and
- In assessing the risk of material misstatement of the group financial statements and its components, we considered the knowledge obtained from prior year audits, the significant transactions undertaken by each entity in the current year and the existing control environment.

Identifying significant components

- An evaluation of the group and its 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 parent company and its two subsidiaries, EPIC (No. 1) Limited and EPIC (No. 2) Limited were significant components. Significance was determined as a percentage of the group's investment properties and rental income.

Type of work to be performed on financial information of parent and other components (including how it addressed the key audit matters)

- Full scope audits using component materiality were carried out by the group engagement team on the financial information of all significant components including disclosures in the annual report and accounts. These procedures covered 100 percent of rental income and valuation of investment properties;
- A substantive approach using professional judgement to determine the extent of testing required over each item in the financial statements for the group including its components;
- Assessed the design and implementation of the processes and controls in relation to the investment property valuation process and revenue recognition process; and
- We identified the valuation of investment property and occurrence of revenue as key audit matters and the procedures performed in respect of these have been included in the key audit matters section of our report.

Performance of our audit

- All procedures were performed by the Group engagement team, there are no component auditors.

Changes in approach from previous period

- 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.

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 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 and Risk Committee, including significant issues that the Audit and Risk 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.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL STATEMENTS CONTINUED

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 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 group and the company and the industry in which they operate. We identified areas of laws and regulations that could reasonably be expected to have a material effect on the financial statements from our sector experience and through discussion with the directors and management. We determined that the most significant laws and regulations were UK-adopted international accounting standards (for the group), Financial Reporting Standard 101 'Reduced Disclosure Framework' (UK GAAP) (for the parent company), 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 the directors and management to obtain an understanding of how the group and the company are complying with those legal and regulatory frameworks and whether there were any instances of non-compliance with laws and regulations and whether they had any knowledge of actual or suspected fraud. We corroborated the results of our enquiries through our review of the minutes of the Company's board meetings;
- We assessed the susceptibility of the group's and the company's financial statements to material misstatement, including how fraud might occur by evaluating management's incentives and opportunities for manipulation of the financial statements. This included an evaluation of the risk of management override of controls. Audit procedures performed by the engagement team in connection with the risks identified included:
 - evaluation of the design and implementation of controls that management has put in place to prevent and detect fraud;
 - testing journal entries, including manual journal entries processed at the year end for financial statements preparation; and
 - challenging the assumptions and judgements made by management in its significant accounting estimates.
- These audit procedures were designed to provide reasonable assurance that the financial statements were free from fraud or error. The risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error and detecting irregularities that result from fraud is inherently more difficult than detecting those that result from error, as fraud may involve collusion, deliberate concealment, forgery or intentional misrepresentations. Also, the further removed non-compliance with laws and regulations is from events and transactions reflected in the financial statements, the less likely we would become aware of it;
- The engagement partner's assessment of the appropriateness of the collective competence and capabilities of the engagement team included consideration of the engagement team's:
 - understanding of, and practical experience with, audit engagements of a similar nature and complexity, through appropriate training and participation;
 - knowledge of the industry in which the group and the company operate; and
 - understanding of the legal and regulatory frameworks applicable to the group and the company.
- We communicated relevant laws and regulations and potential fraud risks to all engagement team members, including internal specialists, and remained alert to any indications of fraud or non-compliance with laws and regulations throughout the audit.

OTHER MATTERS WHICH WE ARE REQUIRED TO ADDRESS

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

The period of total uninterrupted engagement including previous renewals and reappointments of the firm is 9 years, covering the periods ended 30 September 2014 to 30 September 2022.

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

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

USE OF OUR REPORT

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

William Pointon

Senior Statutory Auditor

for and on behalf of Grant Thornton UK LLP
Statutory Auditor, Chartered Accountants
London
13 December 2022

Consolidated Statement of Comprehensive Income

For the year ended 30 September 2022

	Notes	Year ended 30 September 2022			Year ended 30 September 2021		
		Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
Revenue							
Rental income		16,426	–	16,426	17,371	–	17,371
Total revenue		16,426	–	16,426	17,371	–	17,371
Unrealised gain on revaluation of investment properties	9	–	15,920	15,920	–	4,655	4,655
(Loss)/gain on sale of investment properties realised during the year	9	–	(3,014)	(3,014)	–	1,179	1,179
Total income		16,426	12,906	29,332	17,371	5,834	23,205
Expenditure							
Investment management fee	2	(1,703)	–	(1,703)	(1,687)	–	(1,687)
Other expenses	3	(3,212)	–	(3,212)	(1,914)	–	(1,914)
Total expenditure		(4,915)	–	(4,915)	(3,601)	–	(3,601)
Movement in expected credit losses	11	51	–	51	615	–	615
Profit before finance costs and taxation		11,562	12,906	24,468	14,385	5,834	20,219
Net finance costs							
Interest receivable	4	22	–	22	–	–	–
Interest payable	5	(3,003)	–	(3,003)	(3,109)	–	(3,109)
Profit before taxation		8,581	12,906	21,487	11,276	5,834	17,110
Taxation	6	–	–	–	–	–	–
Profit and total comprehensive income for the year		8,581	12,906	21,487	11,276	5,834	17,110
Basic and diluted earnings per share	8	4.06p	6.11p	10.17p	5.34p	2.76p	8.10p

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 2022

	Notes	As at 30 September 2022 £'000	As at 30 September 2021 £'000
Non-current assets			
Investment properties	9	227,465	277,984
		227,465	277,984
Current assets			
Trade and other receivables	11	35,978	13,390
Cash and cash equivalents	12	50,235	11,642
		86,213	25,032
Total assets		313,678	303,016
Non-current liabilities			
Loans	13	(110,443)	(110,277)
		(110,443)	(110,277)
Current liabilities			
Trade and other payables	14	(2,767)	(3,190)
Total liabilities		(113,210)	(113,467)
Net assets		200,468	189,549
Equity and reserves			
Called-up equity share capital	16	2,113	2,113
Share premium		125,559	125,559
Capital reserve – investments held		(32,957)	(42,710)
Capital reserve – investments sold		6,714	3,561
Special distributable reserve		82,075	82,711
Revenue reserve		16,964	18,315
Equity shareholders' funds		200,468	189,549
Net asset value per Ordinary Share	15	94.86p	89.69p

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

Company number: 09090446.

The Financial Statements on pages 75 to 93 were approved by the Board of Directors on 13 December 2022 and signed on its behalf by:

William Hill
Chairman

Consolidated Statement of Changes in Equity

For the year ended 30 September 2022

	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 2021		2,113	125,559	(42,710)	3,561	82,711	18,315	189,549
Profit and total comprehensive income for the year		–	–	15,920	(3,014)	–	8,581	21,487
Transfer between unrealised and realised reserves		–	–	(6,167)	6,167	–	–	–
Transactions with owners recognised in equity:								
Dividends paid	7	–	–	–	–	–	(10,568)	(10,568)
Transfer from special reserve		–	–	–	–	(636)	636	–
As at 30 September 2022		2,113	125,559	(32,957)	6,714	82,075	16,964	200,468

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
Loss 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

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

Consolidated Statement of Cash Flow

For the year ended 30 September 2022

	Notes	Year ended 30 September 2022 £'000	Year ended 30 September 2021 £'000
Cash flows from operating activities			
Profit before tax		21,487	17,110
Adjustments for:			
Interest payable		3,003	3,109
Unrealised revaluation gain on property portfolio		(15,920)	(4,655)
Loss/(gain) on sale of investment property realised		3,014	(1,179)
Operating cash flows before working capital changes		11,584	14,385
Decrease in trade and other receivables		547	1,823
Decrease in trade and other payables		(420)	(492)
Net cash inflow from operating activities		11,711	15,716
Cash flows from investing activities			
Capital expenditure		(3,207)	(10,345)
Acquisition of investment properties		–	(21,640)
Sale of investment properties		67,704	27,953
Deposits with Aviva		(24,210)	–
Net cash inflow/(outflow) from investing activities		40,287	(4,032)
Cash flows from financing activities			
Dividends paid		(10,568)	(9,334)
Interest paid		(2,837)	(3,016)
Net cash outflow from financing activities		(13,405)	(12,350)
Net increase/(decrease) in cash and cash equivalents		38,593	(666)
Opening cash and cash equivalents		11,642	12,308
Closing cash and cash equivalents	12	50,235	11,642

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 in conformity with the requirements of the Companies Act 2006 and in accordance with IFRS adopted pursuant to UK adopted international accounting standards. 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, 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 1 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 1 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 65.

Furthermore, the Company and Investment Manager have assessed that values would need to drop by 23% in EPIC No.1 and 35% in EPIC No.2 respectively, based on the 30 September 2022 valuations, for the Loan-to-Value covenant to be breached. This would be a dramatic decline and considered to be remote. Beyond these drops, cure rights are available under the facility agreement to rectify any breach.

With this information and bearing in mind the nature of the Group's business and assets, the Directors consider that the Group has adequate resources to continue in operational existence over the medium term and believe that the Company has the ability to meet its financial commitments for a period of at least twelve months from the date of approval of the accounts. For these reasons, the Directors continue to adopt the going concern basis in preparing the accounts.

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 Royal Institution of Chartered Surveyors (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 any such properties. In line with the recommendation of the European Public Real Estate Association, all properties have been deemed to be Level 3 under the fair value hierarchy classification set out below. This is described in more detail in Note 9. Revisions to accounting estimates are recognised in the year in which the estimate is revised if the revision affects only that year, or in the year of the revision and future years if the revision affects both current and future years.

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

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

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

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

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

KEY JUDGEMENTS

Key judgements relate to 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.

1. ACCOUNTING POLICIES CONTINUED

KEY JUDGEMENTS CONTINUED

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 5 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 2022. 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 the dividends are paid as interim dividends and the dividend policy is put to shareholders for approval.

(E) TAXATION

The Group is a UK REIT and is thereby exempt from corporation tax on both net rental profits and chargeable gains arising on properties using within its exempt property business. In order to retain UK 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 within 12 months of the end of the period; and
- the Group must hold a minimum of three properties with no single property exceeding 40% of the total values of the properties used within the Tax-exempt Business.

The Directors intend that the Group should continue as a UK 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 UK 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 are properties held to earn rentals or for capital appreciation, or both, and are accounted for using the fair value model.

Investment properties are revalued quarterly with resulting gains and losses recognised in profit or loss. These are included in the Consolidated Statement of Financial Position at their fair values.

Investment properties consist of land and buildings that 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, investment 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 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 (ECLs) for trade receivables whereby the allowance or provision for all trade receivables are based on the lifetime ECLs. 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.

1. ACCOUNTING POLICIES CONTINUED

(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 buy back or re-issuance of shares from treasury, the management of the Group's discount to net asset value and consideration of the Group's net gearing level.

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

(L) CHANGES IN ACCOUNTING POLICIES

The accounting policies adopted are consistent with those of the previous financial year.

STANDARDS ISSUED BUT NOT YET EFFECTIVE

The following standards have been issued but is not effective for this accounting period and has 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.
- **IFRS 17** – Amendments to IFRS 17 'Insurance Contracts' (Amendments to IFRS 17 and IFRS 4) – 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 2022 £'000	Year ended 30 September 2021 £'000
Investment management fee	1,703	1,687
Total	1,703	1,687

Ediston Investment Services Limited has been appointed as the Company's Alternative Investment Fund Manager (AIFM) and Investment Manager, with the property management services 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 £40,000 per annum pursuant to the side letter agreement entered into in December 2020.

Ediston Investment Services Limited has committed to investing 20.0% of the quarterly management fee in the Company's shares each quarter commencing from 1 October 2020 to 21 December 2023. Refer to Note 17 for further information.

3. OTHER EXPENSES

	Year ended 30 September 2022 £'000	Year ended 30 September 2021 £'000
Direct operating expenses for investment properties:		
– from which income is received	2,077*	1,016
– from which income is not received	–	–
Administration fee	190	179
Valuation and other professional fees	174	157
Directors' fees	216	212
Public relations and marketing	83	73
Auditor's remuneration for:		
Audit services:		
– fees payable for the audit of the consolidation and the parent company accounts	80	42
– fees payable for the audit of subsidiaries, pursuant to legislation	45	36
Listing and registrar fees	73	46
Other	274	153
Total	3,212	1,914

* Direct property expenses includes transaction costs for potential acquisitions not concluded.

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 2022 £'000	Year ended 30 September 2021 £'000
Deposit interest	22	–
Total	22	–

5. INTEREST PAYABLE

	Year ended 30 September 2022 £'000	Year ended 30 September 2021 £'000
Loan interest	2,837	2,938
Amortisation of loan set-up costs	166	165
Bank interest	–	6
Total	3,003	3,109

6. TAXATION

	Year ended 30 September 2022 £'000	Year ended 30 September 2021 £'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 2022 £'000	Year ended 30 September 2021 £'000
Profit/(loss) before taxation	21,487	17,110
UK tax at a rate of 19.0% (2021: 19.0%)	4,082	3,251
Effects of:		
REIT exempt profits	(1,751)	(2,228)
REIT exempt gains/losses	(2,452)	(1,109)
Excess management expenses of residual business	121	86
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 £3,202,000 at 30 September 2022 (2021: £2,566,000). 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

Twelve monthly dividends of 0.4167 pence per share, at a total cost of £10,568,000 (2021: 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) were paid during the year. This equates to an annualised dividend of 5.00 pence (2021: 4.42 pence) per share.

Since the year end, interim dividends, each of 0.4167 pence per share, have been paid on 31 October 2022 and 30 November 2022. A further interim dividend, of 0.4167 pence per share, will be paid on 30 December 2022. 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 Property Income Distributions (PIDs).

8. EARNINGS PER SHARE

Basic and diluted earnings per share.*

	Year ended 30 September 2022		Year ended 30 September 2021	
	£'000	Pence per share	£'000	Pence per share
Revenue earnings	8,581	4.06	11,276	5.34
Capital earnings	12,906	6.11	5,834	2.76
Total earnings	21,487	10.17	17,110	8.10
Average number of shares in issue	211,333,737		211,333,737	

* There is no difference between basic and diluted earnings per share (2021: no difference).

9. INVESTMENT PROPERTIES

	As at 30 September 2022 £'000	As at 30 September 2021 £'000
Freehold and leasehold properties		
Opening book cost	320,694	315,611
Opening unrealised depreciation	(42,710)	(47,365)
Opening fair value	277,984	268,246
Movements for the period		
Acquisitions	–	21,850
Sales – proceeds	(67,704)	(27,953)
– (Loss)/gain on sales	(3,014)	1,179
Transfer to unrealised reserves on properties sold	6,167	–
Capital expenditure	4,279	10,007
Movement in book cost	(60,272)	5,083
Unrealised gains on investment properties	29,772	10,798
Unrealised losses on investment properties	(13,852)	(6,143)
Unrealised movement during the year	15,920	4,655
Transfer between unrealised and realised reserves for properties sold	(6,167)	–
Movement in fair value	9,753	4,655
Closing book cost	260,422	320,694
Closing unrealised depreciation	(32,957)	(42,710)
Closing fair value	227,465	277,984

During the year ended 30 September 2022, the Group sold the properties at Bath, Newcastle, Edinburgh, Birmingham, Hartlepool and Telford. The Group received a net amount of £67,704,000 (2021: £27,953,000) from investments sold during the year. The total book cost of the investments when it was purchased was £64,551,000 (2021: £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.

During the year, expenditure totalling £4,279,000 (2021: £10,007,000), including capitalised lease incentives, 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 2022 £'000	As at 30 September 2021 £'000
Closing fair value	227,465	277,984
Lease incentives held as debtors (Note 11)	3,970	5,361
Appraised market value per Knight Frank	231,435	283,345

Changes in the valuation of investment properties:

	Year ended 30 September 2022 £'000	Year ended 30 September 2021 £'000
(Loss)/gain on sale of investment properties	(3,014)	1,179
Unrealised profit realised during the year	6,167	–
Gain on sale of investment properties realised*	3,153	1,179
Unrealised gains on investment properties	9,753	4,655
Total gain on revaluation of investment properties	12,906	5,834

* Represents the difference between the sales proceeds, net of costs, and the property valuation at the time of sale.

9. INVESTMENT PROPERTIES CONTINUED

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

	Year ended 30 September 2022 £'000	Year ended 30 September 2021 £'000
Total gain on revaluation of investment properties held at the year end	9,753	4,655
Purchases	–	21,850
Capital expenditure	4,279	10,007
Sales – net proceeds	(64,551)	(26,774)
Movement in fair value	(50,519)	9,738
Movement in lease incentives held as debtors	(1,391)	632
Movement in appraised market value	(51,910)	10,370

At 30 September 2022, the investment properties were valued at £231,435,000 (2021: £283,345,000) by Knight Frank LLP (Knight Frank), in their capacity as external valuers. This includes no investment property under construction (2021: £Nil). 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 European Public Real Estate Association (EPRA), the representative body of the publicly listed real estate industry in Europe. This paper concludes that, even in the most transparent and liquid markets, it is likely that valuers of investment property will use one or more significant unobservable inputs or make at least one significant adjustment to an observable input, resulting in the vast majority of investment properties being classified as Level 3.

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

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

All leasehold properties are carried at fair value rather than amortised over the term of the lease. The same valuation criteria are 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 inputs is disclosed below:

	30 September 2022		30 September 2021	
	Range	Weighted average	Range	Weighted average
Estimated rental value per sq. ft. per annum	£5 – £42.82	£12.90	£5 – £43	£13.80
Net equivalent yield	5.5% – 8.0%	6.96%	6.0% – 9.8%	7.0%

The ERV for the total portfolio is not materially different from the contracted rent which is disclosed on page 24.

A decrease in the net equivalent yield applied to the portfolio by 0.25% will increase the fair value of the portfolio by £11,087,000 (2021: £10,500,000), 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 £9,243,699 (2021: £9,800,000) 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 2022 would have increased net assets available to shareholders and increased the net income for the year by £23,000,000 (2021: £28,000,000); 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.

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 2022 was £96,727,000 (2021: £102,605,000). The loss of EPIC (No.1) Limited for the year to 30 September 2022 was £1,026,000 (2021: £4,716,000 profit).

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 2022 was £99,011,000 (2021: £81,412,000). The profit of EPIC (No.2) Limited for the period to 30 September 2022 was £23,149,000 (2021: £12,680,000).

11. TRADE AND OTHER RECEIVABLES

	As at 30 September 2022 £'000	As at 30 September 2021 £'000
Secured balance held with loan provider	31,047	6,837
Capital and rental lease incentives	3,970	5,361
Rent receivable (net of allowance for expected credit losses)	865	1,175
Other debtors and prepayments	96	17
Total	35,978	13,390

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 £90,000 (2021: £186,000). 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 2022, the Company deposited an additional sum of £24,209,000 to the secured account (2021: utilised £1,646,000 from the secured amount).

Capital and rental lease incentives consist of £3,435,000 (2021: £3,717,000) being the prepayments for rent-free periods recognised over the life of the lease, £570,000 (2021: £1,644,000) relating to capital incentives paid to tenants, and £33,000 (2021: £Nil) of lease premium being the premium paid by the tenant. 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 £34,000 (2021: £85,000). The movement in the allowance is shown below and reflected in the Statement of Comprehensive Income.

	As at 30 September 2022 £'000	As at 30 September 2021 £'000
Allowance for expected credit losses		
Opening balance as at 30 September	85	700
Reversal of allowance for expected credit losses	(51)	(615)
Closing balance as at 30 September	34	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 2022 £'000	As at 30 September 2021 £'000
Cash and cash equivalents	50,235	11,642
Total	50,235	11,642

13. LOANS

	As at 30 September 2022 £'000	As at 30 September 2021 £'000
Principal amount outstanding	111,076	111,076
Set-up costs	(1,612)	(1,612)
Amortisation of loan set-up costs	979	813
Total	110,443	110,277

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 LTV is maintained below 40%, increasing by 10 basis points if the Loan-to-Value is 40% or higher. These loans are secured over EPIC (No.1) Limited's property portfolio.

The Group also has a loan totalling £54,156,000, which carries a fixed interest rate of 2.73% and matures in December 2027. This rate is fixed for the period of the loan as long as the LTV is maintained below 40%, increasing by 10 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 per cent LTV.

The Group's weighted average cost of borrowings remained 2.86% at 30 September 2022.

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 2022, based on the yield on the treasury 5% 2025 and treasury 4.25% 2027 plus a margin of 0.5%, would have been approximately £111,520,000 (2021: £120,268,000), including repayment of the principal of £111,076,000 (2021: £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 £98,682,000 as at 30 September 2022 (2021: £114,918,000). This includes the principal amount borrowed. Analysis of net debt:

	Cash and cash equivalents 2022 £'000	Borrowing 2022 £'000	Net Debt 2022 £'000	Cash and cash equivalents 2021 £'000	Borrowing 2021 £'000	Net debt 2021 £'000
Opening balance	11,642	(110,277)	(98,635)	12,308	(110,112)	(97,804)
Cash flows	38,593	2,837	41,430	(666)	–	(666)
Non-cash flows	–	(3,003)	(3,003)	–	(165)	(165)
Closing balance	50,235	(110,443)	(60,208)	11,642	(110,277)	(98,635)

14. TRADE AND OTHER PAYABLES

	As at 30 September 2022 £'000	As at 30 September 2021 £'000
Rental income received in advance	406	1,320
VAT payable to HMRC	471	549
Investment management fee payable	438	437
Loan interest payable	444	444
Capital expenditure payable	–	2
Other payables	1,008	438
Total	2,767	3,190

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 94.86 pence (2021: 89.69 pence) is based on equity shareholders' funds of £200,468,000 (2021: £189,549,000) and on 211,333,737 (2021: 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 2022 and 30 September 2021.

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 2021	211,333,737	2,113
Issue of Ordinary Shares	–	–
Closing balance as at 30 September 2022	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.

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 £1,703,000 in relation to the year ended 30 September 2022 (2021: £1,687,000), of which £438,000 (2021: £437,000) remained payable at the year end. Ediston Investment Services Limited received no development management fees in relation to the year ended 30 September 2022 (2021: £257,000).

Ediston Investment Services Limited acquired 541,000 shares in the Company during the year ended 30 September 2022 (2021: 374,215) as part of its commitment to reinvest 20% of its quarterly management fee.

The aggregate shareholding of the Manager and its senior personnel as at 30 September 2022 is 2,618,148 (2021: 1,984,667) shares, 1.2% (2021: 0.9%) 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.

19. FINANCIAL INSTRUMENTS CONTINUED

SECURITIES FINANCING TRANSACTIONS (SFT)

The Company has not, during the year to 30 September 2022 (2021: 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 2022		As at 30 September 2021	
	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	–	31,912	–	8,012
Cash and cash equivalents	–	50,235	–	11,642
	–	82,147	–	19,654
Financial liabilities				
Loan	–	(110,443)	–	(110,277)
Trade and other payables	–	(1,890)	–	(1,321)
	–	(112,333)	–	(111,598)

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 £82,147,000 (2021: £19,654,000), consisting of cash of £50,235,000 (2021: £11,642,000), the secured balance held with the loan provider of £31,047,000 (2021: £6,837,000) and rent receivable of £865,000 (2021: £1,175,000).

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 ECL 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 £34,000 at 30 September 2022 from £85,000 at 30 September 2021. 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 2022, collection plans are in place to recover any outstanding amounts. There were no other financial assets that were either past due or considered impaired at 30 September 2022 or at 30 September 2021.

At 30 September 2022, the Group held £47,382,000 (2021: £8,789,000) with RBS and £2,853,000 (2021: £2,853,000) 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 2022, 'S&P Global Ratings' 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 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. At the reporting date, the maturity of the financial assets was:

FINANCIAL ASSETS AS AT 30 SEPTEMBER 2022

	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	50,235	–	–	–	50,235
Secured balance held with loan provider	31,047	–	–	–	31,047
Rent receivable	865	–	–	–	865
Total	82,147	–	–	–	82,147

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

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

FINANCIAL LIABILITIES AS AT 30 SEPTEMBER 2022

	Three months or less £'000	More than three months but less than one year £'000	More than one year but less than three years £'000	More than three years £'000	Total £'000
Loan	–	–	56,920	54,156	111,076
Interest payable on loan	802	2,378	5,927	3,439	12,546
Other payables	1,446	–	–	–	1,446
Total	2,248	2,378	62,847	57,595	125,068

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

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 2022, the Group remain in compliance with the loan covenants.

As at 30 September 2022, EPIC 1 reported a LTV of 38.10% (LTV of less than 50% required), the historical interest cover was reported at 349.74% (historical interest cover of at least 300% required) and the projected interest cover was reported at 493.81% (projected interest cover of at least 300% required).

As at 30 September 2022, EPIC 2 reported a LTV of 32.78% (LTV of less than 50% required), the historical interest cover was reported at 627.54% (historical interest cover of at least 300% required) and the projected interest cover was reported at 557.03% (projected interest cover of at least 300% required).

19. FINANCIAL INSTRUMENTS CONTINUED

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 2022		As at 30 September 2021	
	Fixed rate £'000	Variable rate £'000	Fixed rate £'000	Variable rate £'000
Cash and cash equivalents	–	50,235	–	11,642
Secured balance held with loan provider	–	31,047	–	6,837
Loan	(110,443)	–	(110,277)	–

VARIABLE RATE

An increase of 1% in interest rates would have increased the reported profit for the year and increased the net assets at 30 September 2022 by £813,000 (2021: 0.5% £92,000), a decrease of 1% 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 1% in interest rates as at the balance sheet date would have decreased its fair value by approximately £3,373,000 (2021: 0.50% £2,500,000) and a decrease of 1% would have increased its fair value by approximately £3,390,000 (2021: 0.50% £2,600,000). 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 £62,100 in relation to new frontages and roofs overclad of units 1A-1C, Stirling, as at 30 September 2022 (30 September 2021: £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 4.5 years (2021: 5.0 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 RPI, 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 2022 £'000	As at 30 September 2021 £'000
Year 1	12,795	19,448
Year 2	11,510	16,136
Year 3	10,182	14,267
Year 4	7,857	12,887
Year 5	6,680	10,643
Year 6 and onwards	16,026	27,507
Total	65,050	100,888

The largest single tenant at the year end accounted for 9% (2021: 6.4%) of the contracted rent.

22. ALTERNATIVE INVESTMENT FUND MANAGERS (AIFM) DIRECTIVE

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 2022 are shown below:

Leverage exposure	Leverage ratio	
	Gross method	Commitment method
Maximum limit	3.00	3.00
Actual	1.3	1.3

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 in a similar manner as the Company doesn't have any hedging or netting arrangements.

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

No 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 2022

	Notes	As at 30 September 2022 £'000	As at 30 September 2021 £'000
Non-current assets			
Investment in subsidiary undertakings	3	200,553	177,448
		200,553	177,448
Current assets			
Trade and other receivables	4	3,077	3,521
Cash and cash equivalents	5	2,958	2,989
		6,035	6,510
Total assets		206,588	183,958
Current liabilities			
Trade and other payables	6	(1,304)	(1,143)
Total liabilities		(1,304)	(1,143)
Net assets		205,284	182,815
Equity and reserves			
Called-up equity share capital	7	2,113	2,113
Share premium		125,559	125,559
Capital reserve – investments sold		4,649	4,649
Capital reserve – investments held		(9,112)	(32,217)
Special distributable reserve		82,075	82,711
Revenue reserve		–	–
Equity shareholders' funds		205,284	182,815
Net asset value per Ordinary Share	10	97.15p	86.51p

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 2022 of £33,037,000 (2021: loss of £8,955,000).

The Company Financial Statements on pages 94 to 99 were approved by the Board of Directors on 13 December 2022 and signed on its behalf by:

William Hill
Chairman

Company Statement of Changes in Equity
For the year ended 30 September 2022

	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 2021		2,113	125,559	(32,217)	4,649	82,711	–	182,815
Profit and total comprehensive income for the year		–	–	23,105	–	–	9,932	33,037
Transactions with owners recognised in equity:								
Issue of Ordinary Shares	7	–	–	–	–	–	–	–
Dividends paid	2	–	–	–	–	–	(10,568)	(10,568)
Transfer from special reserve		–	–	–	–	(636)	636	–
As at 30 September 2022		2,113	125,559	(9,112)	4,649	82,075	–	205,284

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	(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

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 75 to 93. 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 79.

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 82.

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 £33,037,000 (2021: £8,955,000).

The Company does not have any employees (2021: 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 £217,000 (2021: £202,000) was subsequently re-allocated 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 £70,000 (2021: £42,000), excluding VAT. There were no non-audit fees paid to Grant Thornton UK LLP by the Company during the year (2021: 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 2022 £'000	As at 30 September 2021 £'000
Opening balance – Investment in EPIC (No.1) Limited	99,527	104,160
Opening balance – Investment in EPIC (No.2) Limited	77,921	73,216
Opening balance – Investments in subsidiaries	177,448	177,376
Impairment loss – EPIC (No.1) Limited	(509)	(4,633)
Impairment loss reversal – EPIC (No.2) Limited	23,614	4,705
Closing balance – Investment in EPIC (No.1) Limited	99,018	99,527
Closing balance – Investment in EPIC (No.2) Limited	101,535	77,921
Closing balance – Investments in subsidiaries	200,553	177,448

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 has seen an increase in investment property values over the course of the year to 30 September 2022. 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 2022, 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) were lower than its carrying value which resulted in an impairment, and the net assets of EPIC (No. 2) Limited were higher than its carrying value which triggered an impairment write back. Following the principles of IAS 36 an impairment of £509,000 (2021: £4,633,000 impairment) was identified for EPIC (No.1) and a write back of £23,614,000 (2021: £4,705,000) in EPIC 2 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 cost of disposal used in determining the recoverable amount was 1.5% of the fair value of the asset. 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 7.7% (2021: 7%) and an expected growth rate of 2% for periods beyond the projected period of five years. 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 amortised cost, which is considered its fair value. The fair value of debt was discounted based on a blended discount rate of 7.05% for EPIC (No.1) Limited and a discount rate of 6% for EPIC (No.2) Limited. The fair value hierarchy of the assets has been assessed as part of the fair value less costs of disposal, the 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 3% 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 £99,018,000, which is considered an appropriate recoverable amount. The impairment thus reflects the amount by which the carrying value of £99,527,000 exceeds the recoverable amount of the investment in EPIC (No.1). A reasonably possible increase of 10% in the fair value of EPIC 1's property values would result in a recoverable amount of £104,160,000 this is limited to the original purchase price of the subsidiary in line with the principles of IAS36. Similarly, a decrease of 10% in the fair value of the subsidiary would result in a decrease in the recoverable amount to £88,866,000.

EPIC (No.2) Limited has a FVLCD of £101,535,000, which is considered an appropriate recoverable amount. A write back of previous impairment of £23,614,000 has therefore been raised, as the recoverable amount of the investment in EPIC (No.2) Limited exceeds its carrying amount of £77,921,000. A reasonably possible increase of 10% in the fair value of EPIC 2's property values would result in a recoverable amount of £105,505,000 this is limited to the original purchase price of the subsidiary in line with the principles of IAS36. Similarly, a decrease of 10% in the fair value of the subsidiary would result in a decrease in the recoverable amount to £90,937,000.

See Note 10 to the Consolidated Financial Statements on page 87 for further details on the Group structure.

4. TRADE AND OTHER RECEIVABLES

	As at 30 September 2022 £'000	As at 30 September 2021 £'000
Amount due from subsidiary undertakings	3,052	3,504
Other receivables and prepayments	25	17
Total	3,077	3,521

The amount due from subsidiary undertakings is a short-term balance, which arises from the re-allocation 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

	As at 30 September 2022 £'000	As at 30 September 2021 £'000
VAT payable to HMRC	471	549
Investment management fee payable	438	437
Other payables	395	157
Total	1,304	1,143

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

7. SHARE CAPITAL

Allotted, called-up and fully paid Ordinary Shares of 1 pence par value	Number of shares	£'000
Opening balance as at 30 September 2021	211,333,737	2,113
Issue of Ordinary Shares	—	—
Closing balance as at 30 September 2022	211,333,737	2,113

During the year to 30 September 2022, the Company did not issue any Ordinary Shares (year ended 30 September 2021: did not issue any Ordinary Shares). The Company did not buyback or resell from treasury any Ordinary Shares during the year (2021: 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 89 to 92.

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 £6,010,000 (2021: £6,493,000), consisting of the Company's cash balance of £2,958,000 (2021: £2,989,000) and current account balances due from its wholly-owned subsidiaries of £3,052,000 (2021: £3,504,000).

The maturity of the Company's financial liabilities (on a contractual maturity basis) at 30 September 2022 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	833	–	–	833

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 Company's only financial instrument exposed to interest rate risk at 30 September 2022 was its cash balance of £2,958,000 (2021: £2,989,000), which received a variable rate of interest. An increase of 1% in interest rates would have increased the reported profit for the year, and the net assets at year end, by £30,000 (2021: 0.50% £15,000). A decrease of 1% 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 89. The fees payable to the Directors and the Investment Manager are initially paid by the Company, but may be reallocated, in whole or in part, to the subsidiaries.

10. NET ASSET VALUE

The Company's NAV per Ordinary Share of 97.15 pence (2021: 86.51 pence) is based on equity shareholders' funds of £205,284,000 (2021: £182,815,000) and on 211,333,737 (2021: 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 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 80.

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 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 2021 and 30 September 2022 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 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
In relation to the year ended 30 September 2022:					
First interim	11/11/21	30/11/21	0.4167p	–	0.4167p
Second interim	09/12/21	31/12/21	0.4167p	–	0.4167p
Third interim	13/01/22	31/01/22	0.4167p	–	0.4167p
Fourth interim	10/02/22	28/02/22	0.4167p	–	0.4167p
Fifth interim	10/03/22	31/03/22	0.4167p	–	0.4167p
Sixth interim	07/04/22	29/04/22	0.4167p	–	0.4167p
Seventh interim	12/05/22	31/05/22	0.4167p	–	0.4167p
Eighth interim	16/06/22	30/06/22	0.4167p	–	0.4167p
Ninth interim	14/07/22	29/07/22	0.4167p	–	0.4167p
Tenth interim	11/08/22	31/08/22	0.4167p	–	0.4167p
Eleventh interim	15/09/22	30/09/22	0.4167p	–	0.4167p
Twelfth interim	13/10/22	31/10/22	0.4167p	–	0.4167p
Total in relation to the year ended 30 September 2022			5.0004p	–	5.0004p

UK TAXATION OF PIDS

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

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

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

UK TAXATION OF NON-PID DIVIDENDS

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

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

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

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

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

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

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; and
- 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, 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.

Shareholder Information continued

ANTICIPATED FINANCIAL CALENDAR 2023

January 2023	Announcement of Net Asset Value as at 31 December 2022
24 February 2023	Annual General Meeting
April 2023	Announcement of Net Asset Value as at 31 March 2023
May 20223	Publication of Half Yearly Report for the six months to 31 March 2023
July 2023	Announcement of Net Asset Value as at 30 June 2023
October 2023	Announcement of Net Asset Value as at 30 September 2023
December 2023	Publication of Annual Report for the year to 30 September 2023

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 statistics)	93,171	93,171	76,700	98.07	100.0	1.9	–	–	–
Year ending									
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)	5.9	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
30 September 2022	310,911	189,384	231,435	94.86	67.6	(28.8)	4.06	5.00	1.4

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

KEY INFORMATION DOCUMENT

Investors should be aware that the Packaged Retail and Insurance-based Investment Products Regulation (PRIIPs) Regulation requires the AIFM, as the PRIIP manufacturer, to prepare a key information document (KID) in respect of the Company. This KID must be made available 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 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, most investor platforms have processes in place to allow you to cast your vote and you should contact your investment platform directly for further information and to do so in good time before returning your votes.

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.

An 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 fraudulently please inform 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 GAAP ("generally accepted accounting principles") 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 and any terms thereto.
AIC	Association of Investment Companies. This is the trade body for Closed-end Investment Companies (www.theaic.co.uk).
AIFMD	Alternative Investment Fund Managers Directive. Issued by the European Parliament in 2012 and 2013, the Directive requires the Company to appoint an Alternative Investment Fund Manager (AIFM). The Board of Directors of a Closed-ended Investment Company, nevertheless, remains fully responsible for all aspects of the Company's strategy, operations and compliance with regulations.
AIFM	Alternative Investment Fund Manager. The entity that provides portfolio management and risk management services to the Company and which ensures the Company complies with the AIFMD. The Company's AIFM is Ediston Investment Services Limited.
Basic Total Earnings per Share	Total profit/(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 still 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 £31,047,000, which is available for future acquisitions and capital expenditure.
Depository	Under AIFMD rules, the Company must appoint a Depository, whose duties in respect of investments, cash and similar assets include: safekeeping; verification of ownership and valuation; and cash monitoring. The Depository's oversight duties include, but are not limited to, oversight of share buy backs, dividend payments and adherence to investment limits. The Company's Depository is IQ-EQ Depository Company (UK) Limited.
Discount (or Premium) of Share Price to NAV*	If the share price is less than the Net Asset Value per share, the shares are trading at a discount. If the share price is greater than the Net Asset Value per share, the shares are trading at a premium. The discount (or premium) is calculated by reporting the difference between the Net Asset Value per share and the Share Price as a percentage of the Net Asset Value per share.
Dividend	The income from an investment paid to shareholders. 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. The Company reports, where it is appropriate using the EPRA basis, otherwise it reports using financial statistics which provide the same result.
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.

Glossary of Terms, Definitions and Alternative Performance Measures continued

EPRA NAV*	NAV adjusted to include properties and other investment interests at fair value and to exclude certain items not expected to crystallise in a long-term investment property business model. Makes adjustments to the IFRS NAV to provide stakeholders with the most relevant information on the fair value of the assets and liabilities within a real estate investment company with a long-term investment strategy. At 30 September 2022 and 30 September 2021, 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 2022 minus the NAV at 30 September 2021. 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 that 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 to compensate 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 can 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 and is not the same as Loan-to-Value, which is calculated as described below.
Group	The Company and its subsidiaries, EPIC (No.1) Limited and EPIC (No.2) Limited.
GRESB	Global ESG Benchmark for Real Assets.
Increase/decrease in NAV*	The movement in NAV in the period, shown in total and as a movement per share. Expressed in whole numbers and as a percentage.
Investment Manager's Delegation Agreement	The investment management agreement under which certain management services are delegated to Ediston Properties Limited.
Investment Manager	The Company's Investment Manager, pursuant to the Investment Managers' Delegation Agreement, is Ediston Properties Limited. The Investment Manager is responsible for the day-to-day management of the Company and advises the Group on the acquisition of its investment portfolio and on the development, management and disposal of UK commercial assets in its portfolio.
Lease	A legally binding contract between a landlord and a tenant which sets out the basis on which the tenant is permitted to occupy a property, including the Lease length.
Lease Incentive	A payment used to encourage a tenant to take on a new Lease, for example by a landlord paying a tenant a sum of money to contribute to the cost of a tenant's fit-out of a property or by allowing a rent-free period.
Lease Re-gear	This term is used to describe the renegotiation of a Lease during the term and is often linked to another Lease event; for example, a Break Clause/Option or Rent Review.
Lease Surrender	An agreement whereby the landlord and tenant bring a Lease to an end other than by contractual expiry or the exercise of a Break Clause/Option. This will frequently involve the negotiation of a surrender premium by one party to the other.
Like-for-like Movement*	The like-for-like increase (or decrease) in the property portfolio is calculated as the movement in the fair value of the property portfolio excluding any properties bought or sold in the period.
Loan-to-Value*	Debt outstanding and drawn at the period end, net of any cash held in the Lender deposit account, expressed as a percentage of the market value of all property assets.

* Alternative Performance Measure.

Manager	Used from time to time and as appropriate to the text, refers to Ediston Properties Limited and Ediston Investment Services Limited, providing the investment management and AIFM services as applicable.
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.
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 page 88 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 76. At 30 September 2022 and 30 September 2021, the IFRS NAV was the same as the EPRA NAV.
NAV Total Return*	The growth in NAV plus dividends reinvested, and this can be expressed as a percentage of NAV per share at the start of the year.
Net Income	The net income from a property after deducting ground rent and non-recoverable expenditure.
Net Initial Yield*	The initial Net Income from a property at the date of purchase, expressed as a percentage of the gross purchase price including the costs of purchase.
Non-PID	Non-Property Income Distribution. The dividend received by a shareholder of the Company arising from any source other than profits and gains of the Tax-Exempt Business of the 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 calculation 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 106 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 that complies with Part 12 of the Corporation Tax Act 2010. Subject to the continuing relevant UK-REIT criteria being met, the profits from the property business of a REIT, arising from both income and capital gains, are exempt from corporation tax.
Rent Review	A periodic review of rent during the term of a Lease, as provided for within a Lease agreement.
Reversion	Increase in rent estimated by the Company's External Valuer, where the passing rent is below the ERV. The increases to rent arise on rent reviews and lettings.
SAV IQ	Sustainability data reporting platform, used for ESG reporting.
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.

* Alternative Performance Measure.

Glossary of Terms, Definitions and Alternative Performance Measures continued

Total Return	The return to shareholders calculated on a per share basis by adding dividends paid in the period to the increase or decrease in the Share Price or NAV. The dividends are assumed to have been reinvested in the form of Ordinary Shares or Net Assets, excluding any cost of reinvestment.
UK Corporate Governance Code or UK Code	A code issued by the Financial Reporting Council which sets out standards of good practice in relation to board leadership and effectiveness, remuneration, accountability and relations with shareholders. All companies with a Premium Listing of equity shares in the UK are required under the Listing Rules to report on how they have applied the UK Code in their Annual Report and Accounts.
Voids*	The amount of rent relating to properties which are unoccupied and generating no rental income. Stated as a percentage of ERV.
WAULT*	Weighted Average Unexpired Lease Term. The average lease term remaining to first break, or expiry, across the portfolio weighted by contracted rental income (including rent-frees). The calculation excludes properties allocated as developments.

* Alternative Performance Measure.

Unaudited Supplementary Information – Ongoing Charges

	September 2022 £'000	September 2021 £'000	September 2020 £'000
Investment management fee (Note 2)	1,703	1,687	1,882
Other expenses (Note 3)	3,212	1,914	2,160
Less: direct property costs (Note 3)	(2,077)	(1,016)	(512)
Less: Allowance for expected credit losses (Note 3)	–	–	(700)
Operating costs (A)	2,838	2,585	2,830
Average net assets for the 12 months ended September (B)	200,715	182,637	198,743
Ongoing charges (A/B)	1.42%	1.42%	1.42%

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 105.

The KID, contains a measure of costs (Reduction in Yield – ‘RIY’) calculated in accordance with EU PRIIPS regulations. The KID (dated 18 February 2022), on the Company’s website, is published by the Company’s AIFM under rules prescribed by the FCA and indicates an RIY of 3.55%. The differences between the RIY and the Ongoing Charges consist primarily of the costs of gearing (1.6%), direct property costs (1.03%) and transaction costs relating to making purchases for the portfolio. 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 ninth Annual General Meeting of Ediston Property Investment Company plc (the “Company”) will be held at the offices of Ediston Investment Services Limited at 1 St Andrew Square, Edinburgh EH2 2BD on 24 February 2023 at 2.00 p.m. for the purposes of considering and, if thought fit, passing the following resolutions, of which resolutions 1 to 11 (inclusive) will be proposed as ordinary resolutions and resolutions 12 to 14 (inclusive) will be proposed as special resolutions:

ORDINARY RESOLUTIONS

1. THAT the Annual Report and Audited Financial Statements for the year ended 30 September 2022 be received and adopted.
2. THAT the Directors’ Remuneration Report for the year ended 30 September 2022 be approved.
3. THAT the Remuneration Policy be approved.
4. THAT Grant Thornton UK LLP be re-appointed as the Company’s Auditor until the conclusion of the next Annual General Meeting.
5. THAT the Directors be authorised to determine the Auditor’s remuneration for the year to 30 September 2023.
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 Karyn Lamont be elected as a Director of the Company.
10. THAT the Company’s dividend policy to pay 12 interim dividends per financial year be approved.
11. 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 (the ‘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

12. THAT, subject to the passing of resolution 11, 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 the 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.

SPECIAL RESOLUTIONS CONTINUED

13. 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 date of 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.
14. 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
Administrator

Registered office: The Scalpel, 18th Floor, 52 Lime Street, London EC3M 7AF
13 December 2022

NOTES TO THE NOTICE OF ANNUAL GENERAL MEETING

ENTITLEMENT TO ATTEND AND VOTE

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

- close of business on 22 February 2023; or,
- 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 Annual General Meeting (the 'meeting'). Changes to the register of members after the relevant deadline shall be disregarded in determining the rights of any person to attend, 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 working 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 2006 (the 'Companies Act'), can be found at www.epic-reit.com.

ATTENDING IN PERSON

Shareholders are invited to attend the meeting in person.

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, speak and vote in his/her place. You may appoint more than one proxy provided each proxy is appointed to exercise rights attached to different shares. A proxy need not be a member of the Company but must attend the meeting to represent you. If a member wishes to appoint more than one proxy and therefore requires additional proxy forms, the member should contact the Company's Registrar, Computershare Investor Services PLC ('Computershare'), 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 by the Registrar 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 & International 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, being no later than 48 hours before the time appointed for holding the meeting or any adjourned meeting. 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 & International 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/her CREST sponsor or voting service provider(s) take(s)) such action as shall be necessary to ensure that a message is transmitted by means of the CREST system by any particular time. In this connection, CREST members and, where applicable, their CREST sponsors or voting 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.

Any person holding 3 per cent. or more of the total voting rights of the Company who appoints a person other than the Chair of the meeting as his/her proxy will need to ensure that both he/she and his/her proxy complies with their respective disclosure obligations under the UK Disclosure and Transparency Rules.

Notice of Annual General Meeting continued

NOTES TO THE NOTICE OF ANNUAL GENERAL MEETING CONTINUED

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 2023 and any amended proxy appointment received after the 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 2023.

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

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 relevant 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 13 December 2022, 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

Members are encouraged to raise any questions in advance of the meeting with the Administrator 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 2023. Any questions received will be replied to by either the Investment Manager or Board via the Administrator before the meeting.

Members have the right to ask questions at the meeting in accordance with section 319A of the Companies Act.

STATEMENTS PURSUANT TO SECTION 527 OF THE COMPANIES ACT

Under section 527 of the Companies Act, members 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 meeting; 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 members 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 meeting 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 sent to the Company 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 member, 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 2023, which is at least one week before the meeting.

SUBMISSION OF HARD COPY AND ELECTRONIC REQUESTS AND AUTHENTICATION REQUIREMENTS

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

- a hard copy request signed by the member, stating their full name, address and shareholder reference number to: Administrator, Ediston Property Investment Company plc, c/o JTC (UK) Limited, The Scalpel, 18th Floor, 52 Lime Street, London EC3M 7AF; or
- a request stating their full name, 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: (a) members who have a right to vote at the meeting and hold shares on which there has been paid up an average sum, per member, of £100; or (b) persons satisfying the requirements set out in section 153(2) of the Companies Act) may:

- require the Company, under section 338 of the Companies Act, to give notice of a resolution which may properly be moved at the meeting. 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 meeting; and
- 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 meeting. 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 meeting.

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 email 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, members who have general queries about the meeting should telephone Computershare's helpline on +44 (0)370 707 1079. Calls cost 5.1p 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 09:00 – 17:30, 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.

Corporate Information

DIRECTORS

William Hill
Robin Archibald
Karyn Lamont
Imogen Moss
Jamie Skinner

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
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20 Primrose Street
London EC2A 2EW

INVESTMENT MANAGER

Ediston Properties Limited
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London EC2A 2EW

ADMINISTRATOR AND COMPANY SECRETARY

JTC (UK) Limited
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London EC3M 7AF

LEGAL ADVISER

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PROPERTY VALUER

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INDEPENDENT AUDITOR

Grant Thornton UK LLP
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TAX ADVISER

BDO LLP
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London W1U 7EU

REGISTRAR

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CORPORATE BROKER

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DEPOSITARY

IQ-EQ Depositary Company (UK) Limited
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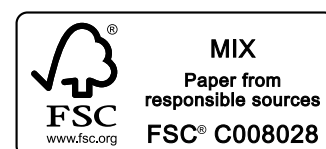
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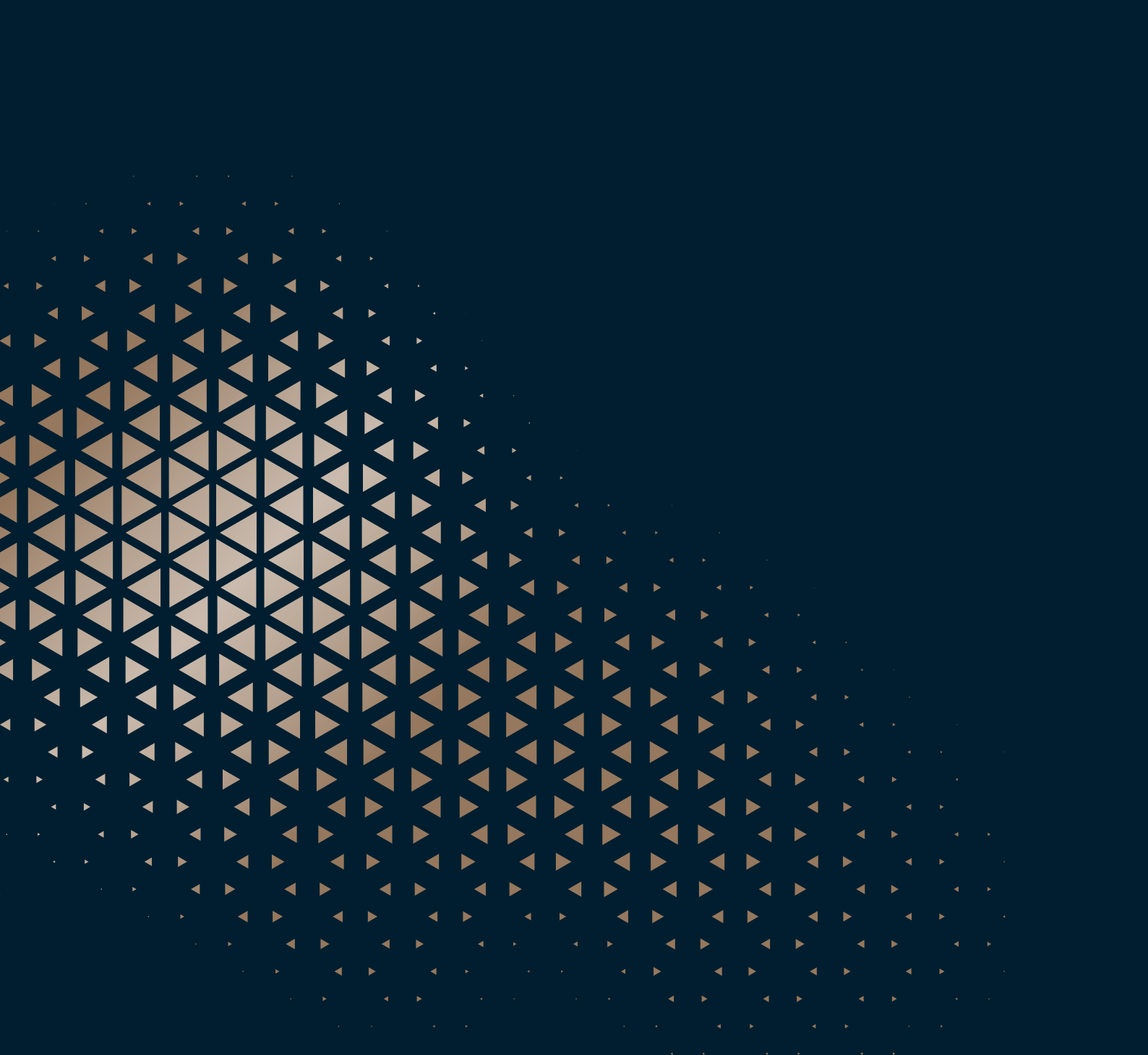
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