From: Drum Income Plus REIT plc
LEI: 213800FG3PJGQ3KQH756
Date: 29 January 2019

Report & Financial Statements for the period to 30 September 2018

Chairman's Statement

INTRODUCTION

Drum Income Plus REIT was established in May 2015 with the initial objective being to provide its shareholders with a regular dividend income together with the prospect of income and capital growth over the longer term from a portfolio of regional real estate assets in the UK. I am pleased to present the annual report and accounts for the year to 30th September 2018.

FINANCIAL HIGHLIGHTS

The Group's net asset value per share at 30 September 2018 was 93.8 pence, 0.2% lower than the figure at the end of the previous year. When dividends paid during the year are included the net asset value total return for the year was 6.0%. At the time of writing the share price stands at 94.5 pence, representing a premium of 0.7% when compared to the year end net asset value per share.

DIVIDENDS

Dividends in respect of the financial year will total 6.0 pence per share, an increase of 9.1% on the dividends paid in respect of the previous year. The dividend yield on the current share price is 6.3%.

The dividends were fully covered by revenue earnings per share of 6.80 pence.

It is the Board's intention, in the absence of unforeseen circumstances to at least maintain the 6.0p level of payment for the current year.

INVESTMENT REPORT

The Company was fully invested and had drawn down substantially all of its available loan facilities when it entered the financial year. No properties were sold during the year and therefore all the investment activity related to the existing properties and, in particular, the realization of a number of asset management opportunities at the respective properties.

In such a short period and given an increasingly uncertain macro outlook for the UK economy there has, inevitably, been some mixed outcomes for the portfolio. There has been considerable comment and speculation in relation to the retail sector and the challenging background that the industry faces. The portfolio has not been immune to these challenges and a reduction in value was seen at the property in Eastern Avenue in Gloucester when one sitting tenant entered a Company Voluntary Arrangement (CVA). Your investment adviser however is in a position to pursue a number of initiatives in relation to this asset which, if successful, should result in the diminution in value seen in 2018 recouped to some extent.

The value reduction referred to has been offset by activity elsewhere in the portfolio that has seen valuations increase reflecting new lease terms and increased rents in a number of properties.

A full description of the portfolio and the management initiatives is given in the Investment Adviser's Report.

OUTLOOK

The portfolio was constructed in line with the expectations set out in the prospectuses. The key features are that it is well diversified by region and asset type. There is no exposure to London or the South East, and no high street or major shopping centre exposure. The retail properties in the portfolio rely on local demand and are, in the case of Gosforth and Duloch in Dunfermline, meeting convenience demand from essentially a very local population.

The current period will undoubtedly be challenging as reflected in the considerable political and economic uncertainty, not least of which is the whole issue of Brexit. The Board and Manager are focused on the aspects of the Trust that they can control and are actively pursuing the asset management and value enhancing opportunities that lie within the portfolio.

John Evans
Chairman
29 January 2019

Investment Adviser's Report

Drum Income Plus REIT plc ("DRIP" or "the Group") is a UK real estate investment trust ("REIT") which listed on the main market of the London Stock Exchange on 29 May 2015 ("Admission"). Its portfolio comprises ten properties predominantly let to institutional grade tenants on long leases throughout the UK and is characterised by smaller lot sizes. The Group offers investors the opportunity to access a diversified portfolio of UK commercial real estate through a closed-ended fund. By targeting smaller lot size properties, the Group intends to provide investors with an attractive level of income and the potential for income and capital growth.

The Group pays quarterly dividends, now fully covered on a quarter by-quarter basis, equating to an annualised dividend yield of 6.3% at 30 September 2018. The proactive asset management by the Investment Adviser, allowed DRIP to increase its dividend from 5.50 pence per share to 6.00 pence per share.

The total rent roll is now circa £4.2m pa. As we enter this next period of the Business Plans for each asset we are beginning to see the benefits of the asset management undertaken to date. Valuations across the portfolio have increased by circa £2.5m since the first asset was acquired.

The Business Plans across all assets are being progressed and we look forward to announcing the successful conclusion of these initiatives in due course. Further information on each property is shown on pages 13 to 17. DRIP is now firmly established as one of the UK's leading REITs focussed on regional UK commercial property with a well-balanced geographical spread of assets across the UK. The Group owns over 336,000 sq ft of income producing assets with a rent roll of £4.2m per annum and is well placed to benefit from the ever evolving dynamics of the regional property market.

ACTIVE ASSET MANAGEMENT

DRIP's core strategy of active asset management to drive income returns continues apace.

The Group invests significantly in the portfolio which both attracts new and retains existing high quality occupiers, evidenced through our sustained high occupancy.

INNOVATIVE INVESTMENT

We continue to invest strategically into our portfolio. A physical change drives a clear perception change in our assets which helps to facilitate corresponding investment from our customers and fellow stakeholders, as well as helping to attract new occupiers to the asset.

OUTLOOK

Looking ahead to 2019 we believe that there might be a reduction in activity as investors adopt a 'wait-and-see' position with regards to Brexit. There is no consensus view as to what will happen, but the Investment Advisor believes it is likely that there will be a pause and more subdued property market activity. This occurred immediately after the EU referendum in 2016, when investors and tenants alike took time to consider where the market was heading. Central London offices remain the most vulnerable, and the Company has no exposure to this market, but it is likely that all sectors will be impacted in some way. Meanwhile the occupational market in the regions remains short of supply which continues to support rental growth in office and industrial markets. Secondary retail is also worrying the market and we may see further asset sales with falling values to match. We also expect a clearer picture to emerge as to which retail assets are in demand by occupiers which, in turn, might start to allay investors' fears in this sector. The retail properties within the portfolio are performing well and overall experiencing high occupancy levels principally due to the focus on location dominant convenience led neighbourhood shopping which as a sector is still performing well.

Principal Risks and Uncertainties

There are a number of potential risks and uncertainties which could have a material impact on the Group's performance over the forthcoming financial year and could cause actual results to differ materially from expected and historical results.

The Directors have carried out a robust assessment of the principal risks facing the Group, including those that would threaten the business model, future performance, solvency or liquidity.

The table below outlines the key risk factors identified, but does not purport to be exhaustive as there may be additional risks that materialise over time that the Group has not yet identified or has deemed not likely to have a potentially material adverse effect on the business.

RISK TYPE	RISKS	MITIGATING FACTORS
Strategic	• Political; the impact of Brexit remains unclear, something that may be particularly significant with relevance to the retail sector. There are a number of potential overseas issues to be resolved.	• Well diversified regional property portfolio, with no exposure to London.
Investment portfolio	• Tenant default. • Change in demand for space. • Market pricing affecting value. • Excess concentration in geographical location or sector. • Lease expiries concentrated in a specific year. • Decrease in occupancy.	• Investment policy limits the Group's rent roll to no more than 20% to a single tenant. • Focused on established business locations for investment. • Active portfolio diversification between office, industrial and retail. • Active management of lease expiry profile in forming acquisition decisions. • Building specifications not tailored to one user.
Investment management	• Poor investment decisions. • Over exposure to a specific tenant, sector or geographic location • Ineffective added value asset management of properties.	• Experienced Investment Adviser. • Agreed concentration limits reviewed quarterly by the Board and continuously by the Investment Adviser. • Investment Adviser is experienced in active asset management and pro-active with regard to lease and development opportunities.
Financial	• Reduced availability or increased cost of debt. • Breach of borrowing covenants.	• 3 year £25m revolving credit facility entered into in January 2017. • Board has stated that it intends to target a gearing level of 40% and this gearing number at the point of drawdown is lower than that in the new facility covenants. • New facility more than sufficient for spending plans. • On-going monitoring and management of the forecast liquidity and covenant position.
Operational	• Inadequate performance controls or systems operated by the Investment Adviser and Administrator.	• Ongoing review of performance by independent Board of Directors.
Regulatory	• Adverse impact of new or revised legislation or regulations or by changes in the interpretation or enforcement of existing laws and regulations. • Non-compliance with the REIT regime.	• External professional advisers are engaged to review and advise upon control environment and ensure regulatory compliance. • REIT regime compliance is reviewed by external tax advisers and considered by the Board in assessing the Group's financial position and by the Manager in making operational decisions

APPROVAL OF STRATEGIC REPORT

The Strategic Report incorporating the Chairman's Statement, Investment Adviser's Report and Principal Risks and Uncertainties was approved by the Board of Directors and signed on its behalf by:

John Evans
Chairman
29 January 2019

Statement of Directors' Responsibility

We confirm that to the best of our knowledge:

- the company financial statements, which have been prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 101 "Reduced Disclosure Framework", and applicable law), give a true and fair view of the assets, liabilities, financial position and profit of the company;

- the group financial statements, which have been prepared in accordance with IFRSs as adopted by the European Union, give a true and fair view of the assets, liabilities, financial position and profit of the group; 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 it faces.

John Evans
Chairman
29 January 2019

Consolidated Statement of Comprehensive Income (Audited)

For the year ended 30 September 2018

			Year ended 30 September 2018	
	Notes	**Revenue £'000**	**Capital £'000**	**Total £'000**
Capital losses on investments				
Held at fair value	4	-	(427)	(427)
Revenue				
Rental income		4,375	-	4,375
Total income/(expense)		**4,375**	**(427)**	**3,948**
Expenditure				
Investment adviser's fees	1	(384)	-	(384)
Other expenses		(834)	-	(834)
Total expenditure		**(1,218)**	**-**	**(1,218)**
Profit/(loss) before finance costs and taxation		**3,157**	**(427)**	**2,730**
Interest receivable		-	-	-
Interest payable		(561)	-	(561)
Profit/(loss) before taxation		**2,596**	**(427)**	**2,169**
Taxation		-	-	-
Total comprehensive profit/(loss) for the period		**2,596**	**(427)**	**2,169**

Basic and diluted earnings per ordinary share	3	**6.80p**	**(1.12)p**	**5.68p**

				Year ended 30 September 2017 (Restated)*
	Notes	**Revenue £'000**	**Capital £'000**	**Total £'000**
Capital losses on investments				
Held at fair value	4	-	(175)	(175)
Revenue				
Rental income		4,166	-	4,166
Total income/(expense)		**4,166**	**(175)**	**3,991**
Expenditure				
Investment adviser's fees	1	(381)	-	(381)
Other expenses		(920)	-	(920)
Total expenditure		**(1,301)**	**-**	**(1,301)**
Profit/(loss) before finance costs and taxation		**2,865**	**(175)**	**2,690**
Interest receivable		-	-	-
Interest payable		(562)	-	(562)
Profit/(loss) before taxation		**2,303**	**(175)**	**2,128**
Taxation		-	-	-
Total comprehensive profit/(loss) for the period		**2,303**	**(175)**	**2,128**
Basic and diluted earnings per ordinary share	3	**6.13p**	**(0.46)p**	**5.67p**

The total column of this statement represents the Group's Consolidated Statement of Comprehensive Income, prepared in accordance with IFRS. There are no other gains and losses for the year other than total comprehensive loss reported above.

The supplementary revenue 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.

* Please refer to note 12 for details of the restatement.

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

Consolidated Statement of Financial Position (Audited)

As at 30 September 2018

	Notes	**As at 30 September 2018 £'000**	As at 30 September 2017 (Restated)* £'000
Non-current assets			
Investment properties	4	57,351	57,489
		57,351	**57,489**
Current assets			
Trade and other receivables		2,649	2,770
Cash and cash equivalents		1,139	647
		3,788	3,417
Total assets		**61,139**	**60,906**
Current liabilities			
Trade and other payables		(2,606)	(2,308)
Loan	6	(22,712)	(22,702)
Total liabilities		(25,318)	(25,010)
Net assets		**35,821**	**35,896**

Equity and reserves			
Called up equity share capital	8	3,820	3,820
Share premium		5,335	5,335
Special distributable reserve		21,840	24,340
Capital reserve		(2,580)	(2,153)
Revenue reserve		7,406	4,554
Total Equity		**35,821**	**35,896**
Net asset value per Ordinary Share	7	**93.77p**	**93.96p**

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

* Please refer to note 12 for details of the restatement.

Company number: 09511797.

Consolidated Statement of Changes in Equity (Audited)

For the year ended 30 September 2018

	Notes	Share capital account £'000	Share premium £'000	Special distributive reserve £'000	Capital reserve £'000	Revenue reserve £'000	Total equity £'000
As at 1 October 2017		3,820	5,335	24,340	(2,153)	4,554	35,896
Profit / (loss) for the period		-	-	-	(427)	2,596	2,169
Transactions with owners recognised in equity:							
Issue of Ordinary Share capital		-	-	-	-	-	-
Dividends paid	2	-	-	-	-	(2,244)	(2,244)
Cancellation of share premium account		-	-	-	-	-	-
Transfer to revenue reserves		-	-	(2,500)	-	2,500	-
As at 30 September 2018		**3,820**	**5,335**	**21,840**	**(2,580)**	**7,406**	**35,821**

For the year ended 30 September 2017 (Restated)*

	Notes	Share capital account £'000	Share premium £'000	Special distributive reserve £'000	Capital reserve £'000	Revenue reserve £'000	Total equity £'000
As at 1 October 2016		3,659	3,921	26,840	(1,978)	1,785	34,227
Profit / (loss) for the period		-	-	-	(175)	2,303	2,128
Transactions with owners recognised in equity:							
Issue of Ordinary Share capital		161	1,447	-	-	-	1,608
Issue costs		-	(33)	-	-	-	(33)
Dividends paid	2	-	-	-	-	(2,034)	(2,034)
Cancellation of share premium account		-	-	-	-	-	-
Transfer to revenue reserves		-	-	(2,500)	-	2,500	-
As at 30 September 2017		**3,820**	**5,335**	**24,340**	**(2,153)**	**4,554**	**35,896**

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

* Please refer to note 12 for details of the restatement.

Consolidated Statement of Cash Flow (Audited)
For the year ended 30 September 2018

	Notes	**Year ended 30 September 2018 £'000**	Year ended 30 September 2017 (Restated)* £'000
Cash flows from operating activities			
Profit before tax		2,169	2,128
Adjustments for:			
Interest payable		561	562
Unrealised revaluation loss on property portfolio		427	175
Operating cash flows before working capital changes		**3,157**	**2,865**
Increase in trade and other receivables		147	(46)
Increase in trade and other payables		166	221
Net cash inflow from operating activities		**3,470**	**3,040**
Cash flows from investing activities			
Purchase of investment properties		-	(8,650)
Property capitalised costs		(292)	(1,766)
Net cash outflow from investing activities		**(292)**	**(10,416)**
Cash flows from financing activities			
Bank loan drawn down net of arrangement fees		-	8,300
Issue of Ordinary Share capital		-	1,575
Interest paid		(533)	(464)
Equity dividends paid		(2,153)	(2,106)
Net cash (outflow) / inflow from financing activities		**(2,686)**	**7,305**
Net increase / (decrease) in cash and cash equivalents		492	(71)
Opening cash and cash equivalent		**647**	**718**
Closing cash and cash equivalents		**1,139**	**647**

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

* Please refer to note 12 for details of the restatement.

Notes to the Audited Consolidated Financial Statements
For the year ended 30 September 2018

1. INVESTMENT ADVISER'S FEE

	Year ended 30 September 2018 £'000	Year ended 30 September 2017 £'000
Investment Adviser's fee	384	381
Total	**384**	**381**

The Group's Alternative Investment Fund Manager ("AIFM") and Investment Manager, R&H Fund Services (Jersey) Limited was appointed on 28 April 2015. The property management arrangements of the Group were delegated by R&H Fund Services (Jersey) Limited, with the approval of the Group, to Drum Real Estate Investment Management Limited ("the Investment Adviser") on 28 April 2015. The Investment Adviser is responsible for the day to day management of the portfolio.

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.

2. DIVIDENDS

The Group declared the following dividends:

	Year ended 30 September 2018 £'000	Year ended 30 September 2017 £'000
A fourth interim dividend of 1.375p (£1.3125) in respect of the period ended 30 September 2017 was paid to shareholders on 24 November 2017.	525	480
A first interim dividend of 1.5p (£1.375) in respect of the period ended 31 December 2017 was paid to shareholders on 23 February 2018.	573	504
A second interim dividend of 1.5p (£1.375) in respect of the period ended 31 March 2018 was paid to shareholders on 25 May 2018.	573	525
A third interim dividend of 1.5p (£1.375) in respect of the period ended 30 June 2018 was paid to shareholders on 24 August 2018.	573	525
Total dividends paid	**2,244**	**2,034**

A fourth interim dividend of 1.5p (£573,000) in respect of the period ended 30 September 2018 was paid on to shareholders on 23 November 2018.

3. TOTAL EARNINGS PER SHARE

	Year ended 30 September 2018		Year ended 30 September 2017 (Restated)*	
	£'000	**Pence per share**	£'000	Pence per share
Revenue earnings	2,596	6.80	2,303	6.13
Capital loss	(427)	(1.12)	(175)	(0.46)
Total earnings	2,169	5.68	2,128	5.67
Average number of shares in issue		**38,201,990**		**37,554,751**

* Please refer to note 12 for details of the restatement.

4. INVESTMENT PROPERTIES

	As at 30 September 2018 £'000	As at 30 September 2017 (Restated) £'000
Opening fair value	57,489	48,238
Purchases	-	8,650
Acquisition costs	312	1,708
Revaluation movement	(450)	(1,107)
Closing fair value	**57,351**	**57,489**

Changes in the valuation of investment properties

	As at 30 September 2018 £'000	As at 30 September 2017 £'000
Unrealised loss on revaluation of investment properties	(427)	(175)

The properties were valued at £57,950,000 as at 30 September 2018 (30 September 2017: £58,225,000) by Savills (UK) Limited (‘Savills’), in their capacity as external valuers adjusted for lease incentives of £599,000. (2017: £736,000).

The fair value of investment properties is determined by independent real estate valuation experts using recognised valuation techniques. The properties have been valued on the basis of ‘Fair Value’ and VPGA1 Valuations for Inclusion in the Financial Statements, which adopt the definition of Fair Value as adopted by the International Accounting Standards Board. In line with the recommendation of the European Public Real Estate Association, all properties have been deemed to be Level 3 under the fair value hierarchy classification. This is described in more detail in the accounting policy on page 54. Revisions to accounting estimates are recognised in the period in which the estimate is revised, if the revision affects only that period, or in the period of the revision and future period/years, if the revision affects both current and future period/years.

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 of IFRS 13. The position paper on IFRS 13 prepared by the European Public Real Estate Association concludes that, it is likely that valuers of investment property will use unobservable inputs resulting in the vast majority of investment properties being classified as level 3.

After significant consideration of the Group’s valuation process and IFRS 13, the Directors believe it is reasonable to classify the Group’s assets within level 3 of the fair value hierarchy.

5. INVESTMENT IN SUBSIDIARY

The Group’s results consolidate those of Drum Income Plus Limited, a wholly owned subsidiary, incorporated in England & Wales (Company Number: 09515513). Drum Income Plus Limited was incorporated on 28 March 2015, acquired on 19 August 2015 and began trading on 19 January 2016, when it was transferred the ownership of the entirety of the Group’s property portfolio. Drum Income Plus Limited continues to hold all the investment properties owned by the Group and is also the party which holds the Group’s borrowings.

6. LOAN

	As at 30 September 2018 £’000	**As at 30 September 2017** £’000
Principal amount outstanding	22,760	22,760
Set-up costs	(48)	(58)
Total	**22,712**	**22,702**

On 6 January 2017 the Group entered into a £25 million secured 3 year revolving credit facility agreement with the Royal Bank of Scotland (‘the Bank’) at a rate of 1.75% plus LIBOR per annum which has a maturity date of January 2020.

As part of the loan agreement the Bank has a standard security over the properties currently held by the Group, with an aggregate value of £57,950,000 at 30 September 2018 (30 September 2017 £58,225,000).

Under the financial covenants related to this loan, the Group has to ensure that for Drum Income Plus Limited:

- the interest cover, being the rental income as a percentage of finance costs is at least 250%;
- the loan to value ratio, being the value of the loan as a percentage of the aggregate market value of the relevant properties, must not exceed 50%.

Breach of the financial covenants, subject to various cure rights, may lead to the loans falling due for repayment earlier than the final maturity date stated above. The Group has complied with all the loan covenants during the year.

7. NET ASSET VALUE

The Group's net asset value per ordinary share of 93.77 pence (30 September 2017: 93.96 pence) is based on equity shareholders' funds of £35,821,000 (30 September 2017: £35,896,000) and on 38,201,990 (30 September 2017: 38,201,990) ordinary shares, being the number of shares in issue at the year end.

8. CALLED UP EQUITY SHARE CAPITAL

	Year to 30 September 2018 Shares	Year to 30 September 2017 Shares	Year to 30 September 2018 £'000	Year to 30 September 2017 £'000
Issued and fully paid				
Opening total issued ordinary shares of 10p each	38,201,990	36,594,900	3,820	3,659
Issued during the year	-	1,607,090	-	161
Closing total issued ordinary shares	**38,201,990**	**38,201,990**	**3,820**	**3,820**

Shares were issued to increase the capital base of the Company.

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.

There is only one class of share in issue.

An application to Court was successfully made for the cancellation of the launch share premium account which allowed the transfer of monies to the special distributable reserve. This reserve is available for paying dividends and buying back the Company's shares. £2.5m was transferred from the special distributable reserve to the revenue reserve during the year (2017: £2.5m).

9. RELATED PARTY TRANSACTIONS

The Directors are considered to be related parties. No Director had an interest in any transactions which are, or were, unusual in their nature or significant to the nature of the Group.

The Directors of the Group received fees for their services. Total fees for the year were £75,000 (30 September 2017: £75,000) of which £nil was payable at the year end (30 September 2017: £5,000).

The Investment Manager and Investment Adviser are considered to be related parties.

Under the terms of the agreements amongst the Group, R&H Fund Services (Jersey) Limited (the "AIFM") and Drum Real Estate Investment Management Limited (the "Investment Adviser"), the Group paid to the AIFM a fixed fee of £15,000 per annum plus an annual portfolio management fee of 1.15% per annum of the Group's net assets up to £150 million and 1.00% of net assets over £150 million. The AIFM agreed that the annual portfolio management fee would be paid to the Investment Adviser, in accordance with the terms of the agreements.

The management agreements are terminable by any party on 12 months' written notice, provided that such notice shall expire no earlier than the fourth anniversary of Admission.

As per the prospectus published in April 2015, the Investment Adviser agreed to reduce its portfolio management fee under the AIFM agreement to the extent necessary to ensure that the core annual expenses of the Group did not exceed 2.0% of the Group's net assets. Certain expenses (in particular marketing, broking and some loan related costs) fall outwith the ongoing charges calculation, resulting in the ongoing charges ratio being 2.0% of net assets.

R&H Fund Services (Jersey) Limited, as AIFM and Investment Manager, earned £15,000 during the year (30 September 2017: £15,000). £17,000 was payable at the year end (30 September 2017: £2,000).

Drum Real Estate Investment Management Limited, as Investment Adviser, earned £384,000 during the year (30 September 2017: £381,000). £32,000 was payable at the year end (£86,000 at 30 September 2017).

10. FINANCIAL INSTRUMENTS

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

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

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

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

CREDIT RISK
Credit risk is the risk that an issuer or counterparty will be unable or unwilling to meet a commitment that it has entered into with the Group. At the reporting date, the Group's financial assets exposed to credit risk amounted to £3,788,000 (2017: £3,417,000), consisting of cash of £1,139,000 (2017: £647,000), rent receivable of £738,000 (2017: £680,000), service charge receivable of £807,000 (2017: £775,000), lease incentives of £599,000 (2017: £735,000), and other receivables of £505,000 (2017: £580,000).

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 reletting, maintenance costs, insurances, rates and marketing costs and may have a material adverse impact on the financial condition and performance of the Group and/or the level of dividend cover. The Board receives regular reports on concentrations of risk and any tenants in arrears. The Investment Adviser monitors such reports in order to anticipate, and minimise the impact of, defaults by occupational tenants.

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

All of the Group's cash was placed with The Royal Bank of Scotland plc as at 30 September 2018. Bankruptcy or insolvency of the bank holding cash balances may cause the Group's ability to access cash placed with them to be delayed, limited or lost. RBS is rated at BBB- or better by the main rating agencies, with a stable or positive outlook. Should the credit quality or the financial position of the banks currently employed significantly deteriorate, cash holdings would be moved to another bank.

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

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

The Group's liquidity risk is managed on an ongoing basis by the Investment Adviser and monitored on a quarterly basis by the Board. In order to mitigate liquidity risk the Group has a comprehensive three year cashflow 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.

INTEREST RATE RISK
Some of the Group's financial instruments will be interest-bearing. During the year to 30 September 2018, the Group only held interest-bearing financial instruments that carried interest at a variable rate. As a consequence, the Group will be exposed to cash flow interest rate risk due to fluctuations in the prevailing market rate. The Group did not hold any interest-bearing financial instruments that carried interest at a fixed interest rate and was therefore not exposed to fair value interest rate risk.

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

An increase of 0.50% in interest rates would have increased the reported loss for the year and decreased the net assets at the year end by £108,000 (30 September 2017: £110,000), a decrease of 0.50% in interest rates would have an equal and opposite effect. These movements are calculated as at 30 September 2018 (30 September 2017) and may not be reflective of actual future conditions.

MARKET PRICE RISK

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

Any changes in market conditions will directly affect the profit and loss reported through the Statement of Comprehensive Income. Details of the Group's investment property portfolio held at the balance sheet date are disclosed in Note 9. A 10% increase in the value of the investment properties held as at 30 September 2018 (30 September 2017) would have increased net assets available to shareholders and increased the net income for the year by £5.7 million (30 September 2017: £5.8); 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.

11. POST BALANCE SHEET EVENTS

Prior to 30 September 2018 an unsolicited approach was made by a potential purchaser with a view to acquiring the entire share capital of the Trust. The initial terms discussed were deemed by both parties to be acceptable and diligence was instructed by both parties in October 2018. Following a period of extensive due diligence, satisfactory final terms could not be agreed between the parties and the transaction was aborted in November 2018. Costs of £252,000 were incurred by the Trust in the period October to November 2018 in relation to the aborted transaction.

12. IMPACT OF RESTATEMENT TO INCLUDE PRIOR YEAR ADJUSTMENTS

The prior year comparatives have been restated as a result of (a) grossing up of service charge creditors and debtors so that they are separately presented, (b) correcting the lease incentive debtor and corresponding investment property balance for lease incentives in line with the accounting policy and (c) correction to the rent receivable amount which also then impacted rental income received in advance.

The following table shows the impact of the restatement on the Consolidated Statement of Financial Position and the Consolidated Statement of Comprehensive Income:

	As previously reported £'000	**Adjustment £'000**	**Restated £'000**
Consolidated Statement of Financial position			
Investment properties	58,225	(736)(b)	57,489
Trade and other receivables			
Rent receivable	480	200(c)	680
Service charge receivable	-	775(a)	775
Lease incentives	-	735(b)	735
Other	150	430(a)	580
Trade and other payables			
Rental income received in advance	(407)	(432)(c)	(839)

Service charge	-	(783)(a)	(783)
Other creditors	(497)	(189)(a)	(686)
Consolidated Statement of Comprehensive Income			
Held at fair value	(371)	196(b)	(175)
Rental income	4,362	(196)(b)	4,166

The opening balance sheet line items affected are materially the same as above and would not result in a material impact on the net asset value therefore a third column on the Statement of Financial Position has not been disclosed.

13. FINANCIAL STATEMENTS

These are not full statutory accounts. The report and financial statements for the year to 30 September 2018 will be posted to shareholders and made available on the website: www.dripreit.co.uk . Copies may also be obtained from the Company Secretary, Maitland Administration Services (Scotland) Limited, 20 Forth Street, Edinburgh, EH1 3LH.

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