AEW UK REIT plc

Annual Report and Financial Statements
for the year ended 31 March 2023

Contents

Strategic Report

Financial Highlights

- Net Asset Value ('NAV') of £167.10 million and 105.48 pence per share ('pps') as at 31 March 2023 (31 March 2022: £191.10 million and 120.63 pps).
- Operating profit before fair value changes of £11.10 million for the year (year ended 31 March 2022: £11.75 million).
- Loss before tax ('LBT')* of £11.33 million and earnings per share ('EPS') of -7.15 pps for the year (year ended 31 March 2022: profit before tax of £46.70 million and EPS of 29.47 pps). LBT includes a £30.00 million loss arising from changes to the fair values of investment properties in the period (year ended 31 March 2022: £32.32 million gain).
- EPRA Earnings Per Share ('EPRA EPS')* for the year of 5.70 pps (year ended 31 March 2022: 6.79 pps). See page 104 for the calculation of EPRA EPS.
- Total dividends of 8.00 pps declared for the year (year ended 31 March 2022: 8.00 pps).
- Shareholder total return* for the year of -16.44% (year ended 31 March 2022: 53.61%).
- The price of the Company's Ordinary Shares on the Main Market of the London Stock Exchange was 92.10 pps as at 31 March 2023 (31 March 2022: 119.80 pps).
- The Company secured a new £60.00 million, five-year term loan facility with AgFe, a leading independent asset manager specialising in debt-based investments. The loan is priced as a fixed rate loan with a total interest cost of 2.959%.
- As at 31 March 2023, the Company had drawn £60.00 million (31 March 2022: £54.00 million) of a £60.00 million (31 March 2022: £60.00 million) term credit facility with AgFe and was geared to 28.06% of GAV (31 March 2022: 22.48%) (see note 15 on pages 113 and 114 for further details).
- The Company held cash balances totalling £14.32 million as at 31 March 2023 (31 March 2022: £6.77 million).

Property Highlights

- As at 31 March 2023, the Company's property portfolio had a valuation of £213.83 million across 36 properties (31 March 2022: £240.18 million across 36 properties) as assessed by the Valuer[1] and a historical cost of £224.03 million (31 March 2022: £207.96 million).
- Over the period, the Company's portfolio delivered outperformance against the MSCI/AREF PFI Balanced Funds Quarterly Property Index of 10.9%. Outperformance of the Company's assets against the benchmark was also seen in each main property sector.
- The Company won four awards during the period. The Company received gold and silver awards from EPRA for its high standard of financial reporting and for standards of sustainability reporting, respectively. The Company also won the Citywire investment trust award in the 'UK Property' category, and was named 'Best REIT' at the AJ Bell Shares Magazine awards.
- The Company acquired five properties during the year for a total purchase price of £32.05 million, excluding acquisition costs (year ended 31 March 2022: four properties for a purchase price of £38.23 million).
- The Company made five disposals during the year with total gross sale proceeds of £44.41 million (year ended 31 March 2022: two disposals with total gross sale proceeds of £16.71 million).
- The portfolio had an EPRA Vacancy Rate** of 7.83% as at 31 March 2023 (31 March 2022: 10.69%).
- Rental income generated in the year under review was £17.71 million (year ended 31 March 2022: £15.92 million). The number of tenants as at 31 March 2023 was 145 (31 March 2022: 131).
- EPRA Net Initial Yield ('NIY')** of 7.65% as at 31 March 2023 (31 March 2022: 5.87%).
- Weighted Average Unexpired Lease Term ('WAULT')* of 3.05 years to break (31 March 2022: 3.94 years) and 4.33 years to expiry (31 March 2022: 5.78 years).
- The Company has achieved very high rent collection levels, which stand at over 99% for each quarter since March 2022 (excluding current quarter where rent continues to be collected).

* See KPIs on pages 13 to 15 for definition of alternative performance measures.
** See Glossary on pages 145 to 148 for definition of alternative performance measures.
[1] The valuation figure is reconciled to the fair value under IFRS in note 12.

Chairman's Statement

Overview

The year to 31 March 2023 was a tumultuous period on the UK political scene and for the wider economy. The year saw the end of the very low interest rate environment that had persisted over the past decade as the Bank of England base rate increased from 0.75% in March 2022 to 4.25% by the end of March 2023. Interest rates have since increased again to 4.5%. Over this time, the average cost of debt on commercial property increased from around 3.5% to a peak in excess of 6.5%. During the period, UK commercial property suffered an average decline in capital value of -18.1%, compared to -9.2% experienced by the assets of the Company. As a result, the Company delivered a NAV total return to its shareholders over the period of -5.8%. This is, of course, disappointing on an absolute basis but, on a relative basis, is testament to the defensive nature of the Company's strategy which seeks to acquire assets at prices that are misaligned with their long-term fundamental values of vacant possession value and alternative use value. The Investment Manager actively manages these assets to maximise income as well as capital returns. We have seen examples during the period where this has led to counter-cyclical performance.

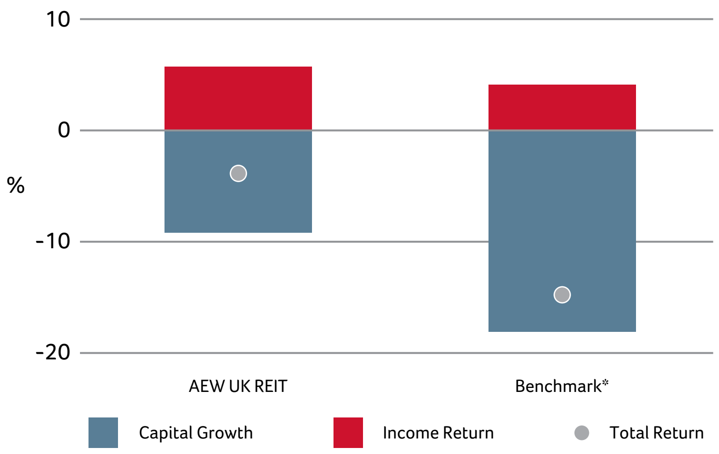
Expectations of a pricing correction in the commercial property market, which was mostly concentrated within the last two quarters of 2022 following Liz Truss's short reign as UK Prime Minister, caused the shares of listed property companies to be sold off almost indiscriminately in the latter part of the year. The Company's own shares started the period trading at a negligable discount to NAV of 0.7%, peaked at a discount of 30.3% in September 2022 and finished the period trading at a discount of 12.7%. The average discount seen across the UK diversified REIT peer group at the end of the period was 28.1%, so despite the Company's shares having recorded a disappointing shareholder total return for the period of -16.4%, they have traded at the narrowest discount of our peer group in UK diversified REITs. We hope that this, along with the Company's track record of outperformance, robust positioning and reliable dividends will stand its shares in good stead once market sentiment recovers.

Volatile markets can present significant opportunities for an actively managed value strategy such as that of the Company. Following a number of timely disposals which helped to maximise the values of key assets during the summer of 2022, the Company saw an increase in attractive opportunities in its investment pipeline during calendar Q4. This enabled the Company to access quality assets at more favourable pricing than had previously been possible. This is an opportunity set that has persisted to the current day and as such, the Company made a further acquisition in March 2023.

The Investment Manager and the Board believe that the Company's ability to seek value opportunities unconstrained by sector is key to maximising total return over the long term. This strategy allows the Investment Manager to take counter-cyclical sector positions, an example of which was the most recent acquisition of a freehold solus Matalan store in Preston. It was acquired for £6.45 million, reflecting a low capital value of £110 per sq ft and an attractive net initial yield of 9.5%.

A major focus for both the Board and the Investment Manager has been the recovery of the Company's income stream towards its long-term target level following erosion caused by a period of higher than average vacancies. These vacancies were predominantly linked to the assets in Oxford and Glasgow and were required to maximise sale proceeds from developers. The Board took the decision during this time to continue to pay the Company's dividend based on its understanding of the Company's potential to generate earnings in future periods and in the knowledge that the uncovered element has, over this time period, been funded by profit generated from the asset sales. Since the sale of these assets, the Company has made progress

AEW UK REIT plc Property Performance vs. Benchmark for 12 months to 31 March 2023



Source: MSCI 31 March 2022
*** the Benchmark refers to MSCI/AREF PFI Balanced Funds Quarterly Property Index.**

Chairman's Statement *(continued)*

in building its earnings to a level that is more supportive of the current dividend. Quarterly earnings increased to 1.77 pps in Q4 2022, reflecting a divided cover for the quarter of 89%. Further progress towards the target of full dividend cover is expected to be made during the next few quarters.

Financial Results Summary

	Year ended 31 March 2023	Year ended 31 March 2022
Operating profit before fair value changes (£'000)	**11,096**	11,752
Operating (loss)/profit (£'000)	**(9,164)**	46,913
(Loss)/profit before Tax (£'000)	**(11,325)**	46,695
(Loss)/Earnings Per Share (basic and diluted) (pence)*	**(7.15)**	29.47
EPRA Earnings Per Share (basic and diluted) (pence)*	**5.70**	6.79
Ongoing Charges (%)	**1.37**	1.35
Net Asset Value per share (pence)*	**105.48**	120.63

* See note 10 of the financial statements for calculation.

Financing

The Company had a £60.00 million loan facility, of which it had drawn a balance of £60.00 million as at 31 March 2023 (31 March 2022: £60.00 million facility; £54.00 million drawn), producing the following measures of gearing:

	Year ended 31 March 2023 %	Year ended 31 March 2022 %
Loan to NAV	**35.91**	28.26
Gross Loan to GAV	**28.06**	22.48
Net Loan to GAV (deducts cash balance from the outstanding loan value)	**21.37**	19.67

In May 2022, the Company secured a new £60.00 million, five-year term loan facility with AgFe, a leading independent asset manager specialising in debt-based investments. The loan is priced as a fixed rate loan with a total interest cost of 2.959%. The existing RBSi loan facility, which was priced at a floating rate linked to SONIA, was due to mature in October 2023 and has been repaid in full by the new loan facility. Simultaneous to the funding, the Company's interest rate cap was sold for proceeds of £743,000 with a residual accounting loss of £88,000. In the current inflationary environment, the Company considered it prudent to fix the loan.

Chairman's Statement *(continued)*

Awards

I am delighted that the Company's market leading performance and practices have been recognised in four awards received during the period. The Company has once again been awarded by EPRA, the European Public Real Estate Association, a gold medal for its high standard of financial reporting and a silver medal for standards of sustainability reporting. During the year, the Company has won the Citywire investment trust award in the 'UK Property' category, an award given to the trust displaying the highest NAV returns over a three-year period. The Company won this award in both 2020 and 2021, so we are very pleased to receive it for a third consecutive year. During the year, Company has also been awarded 'Best REIT' at the AJ Bell Shares Magazine awards, voted for by readers of the publication. We are delighted that these awards and nominations recognise the hard work and dedication that is put into running the Company by both my colleagues on the Board and the Company's Investment Manager, AEW.

ESG+R

AEW, as Investment Manager of the Company, has committed to abide by the UN Principles for Responsible Investment (PRI), where these are consistent with operating guidelines, as outlined in its Socially Responsible Investment Policy. As a result, the Investment Manager looks to continually improve its processes relating to environmental, social, governance and resilience (ESG+R) in line with sector best practices as they evolve, on behalf of the Company. As a result, within this Annual Report, the Company provides voluntary reporting against the Task Force on Climate-related Financial Disclosures ('TCFD') for the third time. In recent periods, the Investment Manager has made progress by improving the integration of ESG+R into its investment, asset management and operations processes. This has been improved further during the period with greater analysis and scoring of assets being carried out at the time of purchase, along with greater analysis at that time in terms of an asset's specific climate resilience.

During 2018, AEW established sustainability targets across its managed portfolio. The managed portfolio comprises service charged assets and vacant accommodation, whose utilities the Company controls. These targets include the reduction of Scope 1 and 2 greenhouse gas emissions and waste disposal. Since this time, overall energy usage has reduced by 15%, emissions have been reduced by 19%, and waste transferred to landfill has been reduced to zero within the managed portfolio. We would like to thank the Company's very committed managing agents, Mapp, for their assistance in achieving these improvements. As a result of the Company's very pleasing performance against these targets, new targets have been set out within this report against current levels of performance that the Company hopes will lead to further improvement in the sustainability of its activities.

GRESB is a global real estate benchmark that assesses Environmental, Social and Governance performance. The Company achieved two stars out of five in its seventh submission year, improving on its 2021 score to achieve an overall score of 67 out of 100 against a peer group average of 65. Much of the GRESB score relates to data coverage and due to the high percentage of assets in the Company's portfolio with tenant-procured utilities, the Company does not score as well as peers with a smaller holding of single-let assets.

Minimum Energy Efficiency Standards (MEES)

AEW are committed to ensuring compliance wih MEES regulations which first came into effect from April 2018, when it became unlawful to grant new leases of commercial property with an EPC of below an 'E' rating. From 1 April 2023, all existing leases will become unlawful if the premises are certified with an 'F' or 'G' rating, even if the lease was granted prior to the MEES Regulations coming into force in 2018.

As at the end of the period, the Company had no assets with a certified EPC 'F' or 'G' rating, with the majority of the Company's assets (approximately 93% based on the portfolio's ERV) being MEES compliant. There are 12 units across three assets where at the end of the period there was no valid EPC (due to recent expiries) in place. These units are expected to be 'F' and 'G' rated, however, all are currently subject to ongoing improvement plans to achieve MEES compliance.

To mitigate future MEES risk, the Company will continue to undertake its gap analysis, identifying assets that fall below the MEES regulations, and will either need an improvement plan implemented to achieve an 'E' rating or better, or an exemption lodged, where applicable.

Chairman's Statement *(continued)*

The Company regards its relatively short WAULT (to break and expiry) as an opportunity to proactively engage with its existing tenants at lease events to improve the energy performance of its assets, as well as in the event of a vacancy. An example of this is at one of the Company's industrial assets in Rotherham, where the EPC of the property was improved from C67 rating to B44 rating following the completion of roof works as part of a new letting to an incoming tenant.

Succession Planning

Both Bim Sandhu and I have been Directors since the Company's IPO in June 2015. In seeking to comply with best corporate governance practice, we both intend to resign by 2024. In order to stagger our departures, we have determined that Bim, who chairs the Audit Committee, whilst seeking re-election at the forthcoming AGM on 14 September 2023 will step down following the AGM or, if later, following the appointment of a new Chairman Designate of the Company which we are expecting to make in the last quarter of 2023. I will resign at the AGM in 2024. The Board has also determined that our successors should have sufficient time to familiarise themselves with the Company before they formally take over our respective roles. With that in mind, my fellow board members and I were delighted to welcome Mark Kirkland, who was appointed to the Board of the Company as Non-Executive Director and Audit Committee Chairman designate with effect from 9 November 2022. Mark will take over from Bim following his resignation during the year. Mark brings extensive corporate experience gained over 30 years, having held numerous senior roles in public and private companies. Mark's early career was in corporate finance, predominantly with UBS Limited. He has been CFO of numerous public and private companies and latterly was CEO of Delin Property, a pan-European logistics developer, investor and manager. He is currently a Non-Executive Director and Audit Committee Chairman of Strix Group plc, and an Advisor to DP World.

With consideration to appointing my own successor, the Board has engaged Trust Associates, an independent firm specialising in recruiting for the investment trust sector, to commence this process.

Outlook

The Board and Investment Manager believe that the Company is both defensively and opportunistically positioned to take advantage of the current market conditions. We are pleased by the resilience that the portfolio has shown during a period of significant uncertainty versus the performance that has been achieved across the commercial property market as a whole. We also believe that the Company's investment strategy is well placed to benefit from current market conditions that allow it to be nimble in making cross sector and often counter-cyclical moves that can deliver optimal value to our Shareholders.

Earnings growth will be a continued focus over coming quarters as the Company looks to return to full investment while also undertaking efficient capital recycling through the sales of select lower yielding assets. The realisation of income accretive major lettings that are underway at assets such as Central Six retail park in Coventry will provide further benefit.

In the near term, the Board and Investment Manager will continue to take a prudent approach towards the management of the Company, given the ongoing economic uncertainty. Although the outlook for commercial property values is now significantly more stable than during the previous 12 months, the Investment Manager and the Board will continue to monitor economic conditions closely.

Mark Burton
Chairman

20 June 2023

Business Model and Strategy

Introduction

The Company is a real estate investment company listed on the premium segment of the Official List of the FCA and traded on the London Stock Exchange's Main Market. As part of its business model and strategy, the Company has, and intends to maintain, UK REIT status. HM Revenue and Customs has acknowledged that the Company has met the necessary qualifying conditions to conduct its affairs as a UK REIT and the Company intends to continue to do so.

Investment Objective

As a real estate investment company, the Company's purpose is expressed in its investment objective, which is to deliver an attractive total return to shareholders from investing predominantly in a portfolio of smaller commercial properties in the United Kingdom.

Investment Policy

In order to achieve its investment objective, the Company invests in freehold and leasehold properties across the whole spectrum of the commercial property sector (office properties, industrial/warehouse properties, retail warehouses and high street retail) resulting in a diversified tenant base.

Investment Restrictions

The Company invests and manages its assets with the objective of spreading risk through the following investment restrictions:

- the value of no single property, at the time of investment, will represent more than 15.00% of GAV;
- the Company may commit up to a maximum of 10.00% of its NAV (measured at the commencement of the relevant project) to development activities;
- the value of properties, measured at the time of each investment, in any one of the following sectors: office properties, industrial/warehouse properties, retail warehouses and high street retail will not exceed 60.00% of GAV;
- investment in unoccupied and non-income producing assets will, at the time of investment, not exceed 20.00% of NAV;
- the Company may commit up to a maximum of 10.00% of the NAV (at the time of investment) in the AEW UK Core Plus Property Fund (the 'Core Fund'). The Company disposed of its last remaining units in the Core Fund in May 2017 and it is not the current intention of the Directors to invest in the Core Fund;
- the Company will not invest in other closed-ended investment companies; and
- if the Company invests in derivatives for the purposes of efficient portfolio and cash management, the total notional value of the derivatives at the time of investment will not exceed, in aggregate, 35.00% of GAV.

The Directors currently intend, at all times, to conduct the affairs of the Company so as to enable the Company to qualify as a REIT for the purposes of Part 12 of the Corporation Tax Act 2010 ('CTA') (and the regulations made thereunder).

The Company will, at all times, invest and manage its assets in a way that is consistent with its objective of spreading investment risk and in accordance with its published investment policy and will not, at any time, conduct any trading activity which is significant in the context of the business of the Company as a whole.

In the event of a breach of the investment policy and investment restrictions set out above, the Directors upon becoming aware of such breach will consider whether the breach is material, and if it is, notification will be made to a Regulatory Information Service.

Any material change to the investment policy or investment restrictions of the Company may only be made with the prior approval of shareholders.

Business Model and Strategy *(continued)*

Our Strategy

The Company exploits what it believes to be the compelling relative value opportunities currently offered by pricing inefficiencies in smaller commercial properties let on shorter occupational leases. The Company supplements this core strategy with asset management initiatives to upgrade buildings and thereby improve the quality of income streams. In the current market environment, the focus is to invest in properties which:

- typically have a value, on investment, of between £2.50 million and £15.00 million;
- have initial net yields, on investment, of typically between 7.50-10.00%;
- achieve, across the whole portfolio, an average weighted lease term of between three to six years remaining;
- achieve, across the whole portfolio, a diverse and broad spread of tenants; and
- have potential for asset management initiatives to include refurbishment and re-lettings.

How we add value

An Experienced Team

The investment management team averages 20 years working together, reflecting stability and continuity.

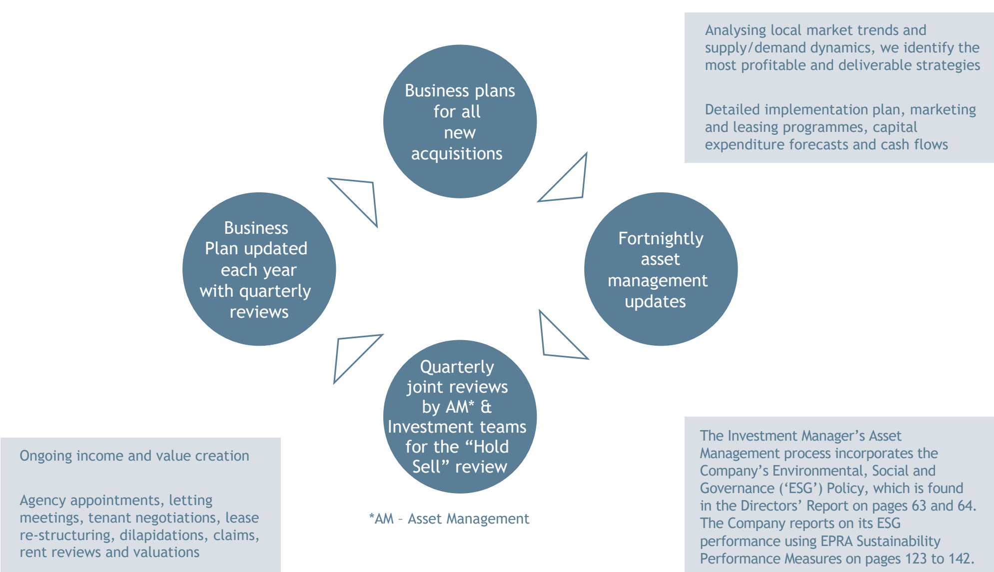
Value Investing

The Investment Manager's investment philosophy is based on the principle of value investing. The Investment Manager looks to acquire assets with an income profile coupled with underlying characteristics that underpin long-term capital preservation. As value managers, the Investment Manager looks for assets where today's pricing may not correspond to long-term fundamentals.

Active Asset Management

The Investment Manager has an in-house team of dedicated asset managers with a strong focus on active asset management to enhance income and add value to commercial properties.

Our Asset Management Process



Strategy in Action

Northgate House, Bath

Counter cyclical buying in high quality locations

- The Company completed the purchase of Northgate House in Bath during November at a time of widespread pricing uncertainty following the political upheaval of September 2022;
- The purchase reflected a low capital value of £194 per sq ft and a net initial yield of 8.5%.

Strategy in Action *(continued)*

Eastpoint Business Park, Oxford

Adding value using the planning regime

- The Company completed on the sale of Eastpoint Business Park, Oxford for £29.0 million in August 2022. The property was acquired in May 2015 for £8.20 million;
- The sale price crystallised significant profit, exceeding both the valuation level immediately prior to the sale by 16% and the acquisition price by 254%;
- The asset was sold for medium term alternative use redevelopment following change of use planning consents achieved during the Company's hold period.

Strategy in Action *(continued)*

Central Six Retail Park Coventry

Improving tenant mix to grow and diversify income

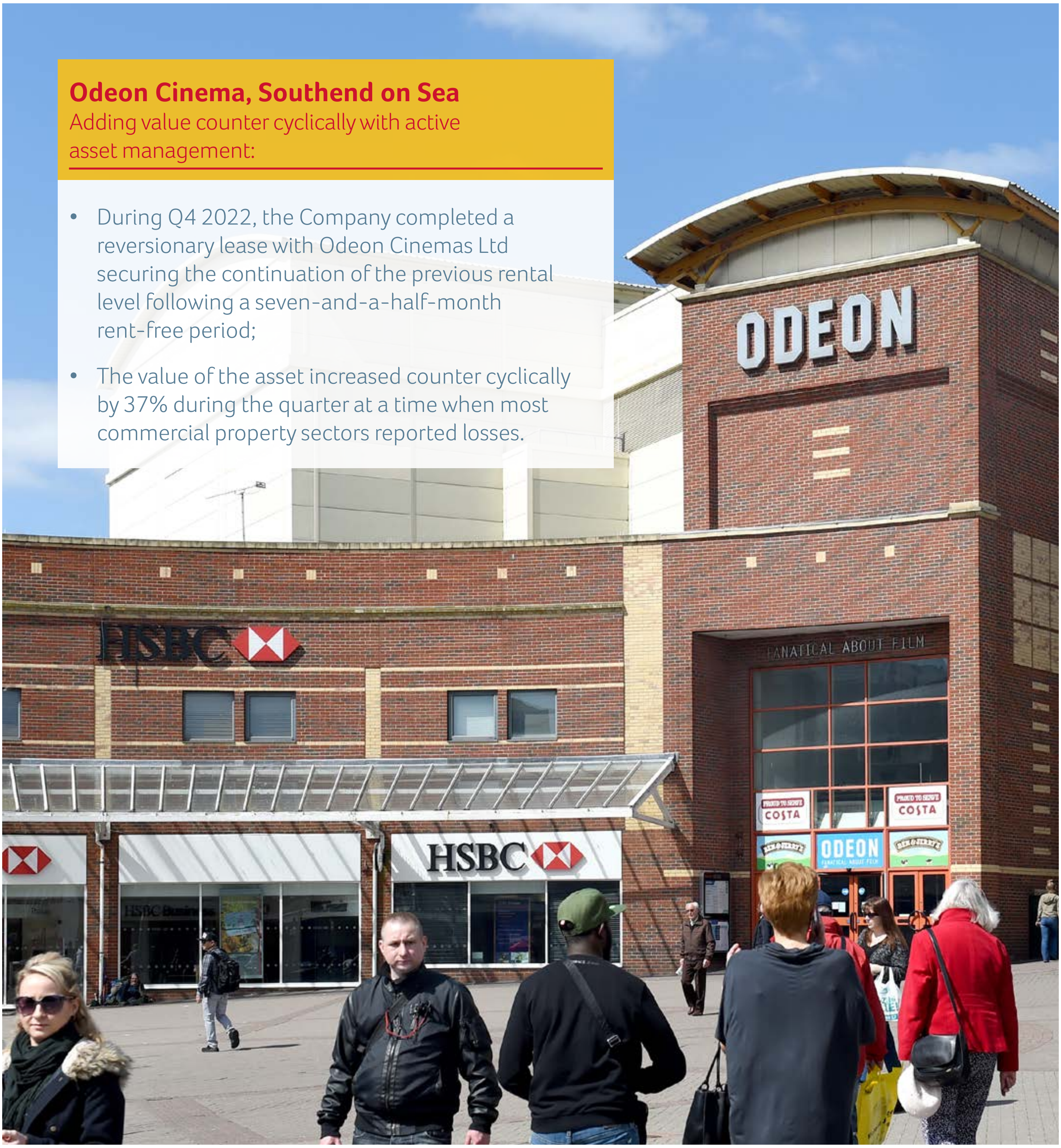
- Acquired in late 2021 with 24% vacancy;
- Active asset management has seen two lease renewals and two agreements for lease signed;
- Net operating income forecast to increase by c 66% from purchase in Q4 2021 to the end of 2023.

Strategy in Action *(continued)*

Odeon Cinema, Southend on Sea

Adding value counter cyclically with active asset management:

- During Q4 2022, the Company completed a reversionary lease with Odeon Cinemas Ltd securing the continuation of the previous rental level following a seven-and-a-half-month rent-free period;
- The value of the asset increased counter cyclically by 37% during the quarter at a time when most commercial property sectors reported losses.



Key Performance Indicators

KPI AND DEFINITION	RELEVANCE TO STRATEGY	TARGET	PERFORMANCE
1. EPRA NIY A representation to the investor of what their initial net yield would be at a predetermined purchase price after taking account of all associated costs, e.g. void costs and rent free periods.	The Company's EPRA NIY demonstrates the ability to generate income from its portfolio in the short term in order to meet its target dividend.	7.50 – 10.00%	**7.65%** at 31 March 2023 (31 March 2022: 5.87%)
2. True Equivalent Yield The average weighted return a property will produce according to the present income and estimated rental value ('ERV') assumptions, assuming the income is received quarterly in advance.	The Company's True Equivalent Yield demonstrates the Company's ability to generate income, both from its existing leases and its ERVs, in order to meet its target dividend.	7.50 – 10.00%	**8.89%** at 31 March 2023 (31 March 2022: 7.55%)
3. Reversionary Yield The expected return the property will provide once rack-rented.	A Reversionary yield profile shows a potentially sustainable income stream that can be used to meet dividends past the expiry of a property's current leasing arrangements.	7.50 – 10.00%	**8.75%** at 31 March 2023 (31 March 2022: 7.64%)
4. WAULT to Expiry The average lease term remaining to expiry across the portfolio, weighted by contracted rent.	The Investment Manager believes that current market conditions present an opportunity whereby assets with a shorter unexpired lease term are often mispriced. It is also the Investment Manager's view that a shorter WAULT is useful for active asset management as it allows the Investment Manager to engage in direct negotiation with tenants rather than via rent-review mechanisms.	> 3 years	**4.33 years** at 31 March 2023 (31 March 2022: 5.78 years)
5. WAULT to Break The average lease term remaining to break, across the portfolio weighted by contracted rent.	The Investment Manager believes that current market conditions present an opportunity whereby assets with a shorter unexpired lease term are often mispriced. As such, it is in line with the Investment Manager's strategy to acquire properties with a WAULT that is generally shorter than the benchmark. It is also the Investment Manager's view that a shorter WAULT is useful for active asset management as it allows the Investment Manager to engage in direct negotiation with tenants rather than via rent-review mechanisms.	> 3 years	**3.05 years** at 31 March 2023 (31 March 2022: 3.94 years)

Key Performance Indicators *(continued)*

KPI AND DEFINITION	RELEVANCE TO STRATEGY	TARGET	PERFORMANCE
6. NAV NAV is the value of an entity's assets minus the value of its liabilities.	Provides stakeholders with the most relevant information on the fair value of the assets and liabilities of the Company.	Increase year on year	**£167.10 million** at 31 March 2023 (31 March 2022: £191.10 million)
7. Leverage (Loan to GAV) The proportion of the Company's total assets that are funded by borrowings.	The Company intends to utilise borrowings to enhance returns. A target of 25% Loan to GAV is stated in the Company's Investment Guidelines.	25%	**28.06%** at 31 March 2023 (31 March 2022: 22.48%)
8. Vacant ERV The space in the property portfolio which is currently unlet, as a percentage of the total ERV of the portfolio.	The Company's aim is to minimise vacancy of the properties. A low level of structural vacancy provides an opportunity for the Company to capture rental uplifts and manage the mix of tenants within a property.	< 10.00%	**7.83%** at 31 March 2023 (31 March 2022: 10.69%)
9. Dividend Dividends declared in relation to the year. The Company targets a dividend of 8.00 pence per Ordinary Share per annum. However, given the current general economic uncertainty, regard will be had to the circumstances prevailing at the relevant time in determining dividend payments.	The dividend reflects the Company's ability to deliver a sustainable income stream from its portfolio.	8.00 pps	**8.00 pps** for the year ended 31 March 2023 (year ended 31 March 2022: 8.00 pps)
10. Ongoing Charges The ratio of total administration and operating costs expressed as a percentage of average NAV throughout the year.	The Ongoing Charges ratio provides a measure of total costs associated with managing and operating the Company, which includes the management fees due to the Investment Manager. The Investment Manager presents this measure to provide investors with a clear picture of operational costs involved in running the Company.	< 1.50%	**1.37%** for the year ended 31 March 2023 (year ended 31 March 2022: 1.35%)

Key Performance Indicators *(continued)*

KPI AND DEFINITION	RELEVANCE TO STRATEGY	TARGET	PERFORMANCE
11. Profit/(Loss) Before Tax ('PBT'/'LBT') PBT/LBT is a profitability measure which considers the Company's profit/(loss) before the payment of income tax.	The PBT/LBT is an indication of the Company's financial performance for the year in which its strategy is exercised.	8.00 pps	**-£11.33 million/ -7.15 pps** for the year ended 31 March 2023 (year ended 31 March 2022: £46.70 million/ 29.47 pps)
12. Shareholder Total Return The percentage change in the share price assuming dividends are reinvested to purchase additional Ordinary Shares.	This reflects the return seen by shareholders on their shareholdings through share price movements and dividends received.	8.00%	**-16.44%** for the year ended 31 March 2023 (year ended 31 March 2022: 53.61%)
13. EPRA EPS 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. See note 10 of the financial statements.	This reflects the Company's ability to generate earnings from the portfolio which underpins dividends.	8.00 pps	**5.70 pps** for the year ended 31 March 2023 (year ended 31 March 2022: 6.79 pps)

Investment Manager's Report

Laura Elkin
Portfolio Manager

Henry Butt
Assistant Portfolio Manager

Economic Outlook

Despite some major political and economic volatility, the UK economy has performed better than expected since September 2022. UK recession has been avoided to date with GDP recording modest growth of 0.2% during April following 0.1% growth in the first quarter. The prospect of lower household energy bills from July and the impact of the fiscal loosening announced in March's Budget mean that recovery is expected to gain traction in H2 2023. Inflation is expected to resume its downward trajectory, albeit slowly with the Bank of England increasing interest rates to 4.5% in May.

The UK's labour market has remained resilient but, with a slowdown in job creation seen since the fourth quarter of 2022, the unemployment rate is projected to increase before the end of 2023, adding to the cost of living pressure already being acutely felt by many consumers.

As financial markets take stock of recent uncertainties, including the instability and failure of various US based financial institutions, we expect the lending environment to remain cautious.

Property Market Outlook

Following the swift repricing of UK commercial property in the second half of 2022 and an improving macro-economic outlook, UK property is expected to offer healthy return prospects over coming periods. Consensus forecasts show an expected return to positive rental growth across all major market sectors by 2025 and all UK property total returns to average 5.6% per annum over the next five years (2023–2027).

Industrial

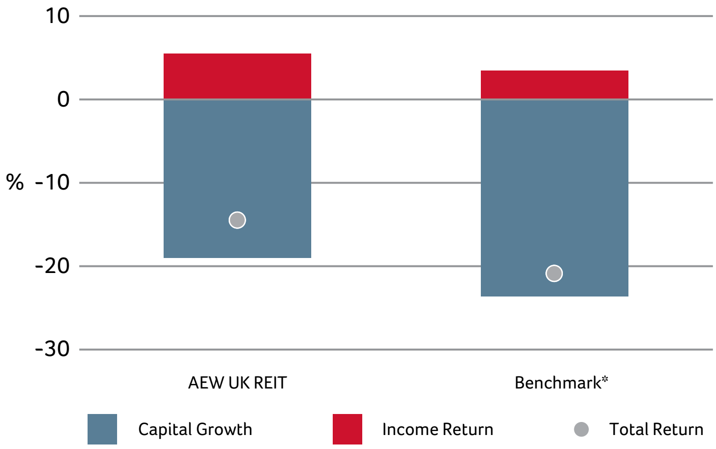
The industrials sector saw the steepest value declines of all commercial property sectors in the 12 months to 31 March 2023 after a strong period of growth up to early 2022.

Due to structurally low levels of stock availability, the sector is expected to deliver the highest level of rental growth across the commercial property market over the coming five years, with an average expected growth rate from consensus forecasts of 2.6% pa. We believe that the Company's industrial portfolio, with an average passing rent of £3.24 per sq ft, will be well placed to benefit.

That said, the Company has completed a number of sales from the sector in recent periods where yield compression can be achieved as a result of vendors' positive expectations on rental growth. Where sales yields can be compressed significantly compared to pipeline assets, select recycling of assets has taken place.

The industrial sector is the portfolio's largest sector holding, with 44.2% of the valuation. The Company's industrial holding outperformed the Benchmark, both in terms of income return, with a relative outperformance of 2.0%, and capital growth, with a relative outperformance of 4.6%.

AEW UK REIT Industrial Performance vs. Benchmark



Source: MSCI Year to 31 March 2023
* the Benchmark refers to MSCI/AREF PFI Balanced Funds Quarterly Property Index.

Investment Manager's Report *(continued)*

Property Market Outlook *(continued)*

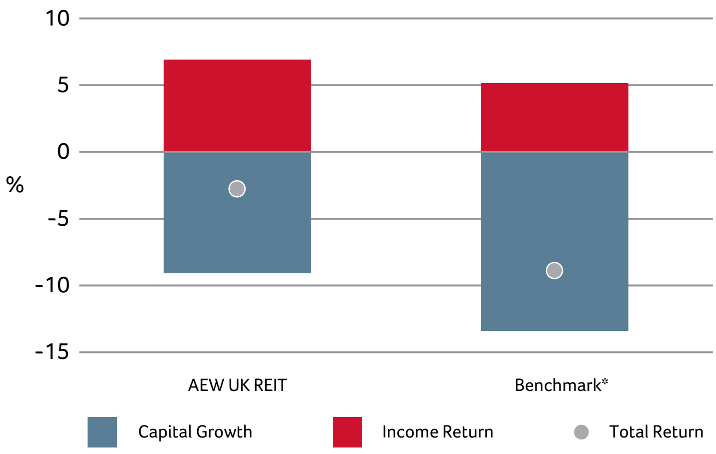
Retail

The Covid-19 pandemic accelerated trends already present in consumer habits prior to its onset and this led to a significant structural contraction in retail markets. However, since this time of turbulence, occupancy levels and values have now stabilised significantly in robust locations. Online sales have fallen back from their pandemic peak of 37% and retailer insolvencies and CVAs are no longer a prevalent theme. We believe that the sector offers select investment opportunities where tenant trade is robust and values are underpinned by alternative uses.

By contrast, performance in the retail warehousing sector has generally been more robust, with capital values buoyed by underpinning from the industrial sector. The sector has also benefited from improved flexibility in the planning regime, which allows greater mobility between sectors. Vacancy levels across the sector have fallen to 4.7%, the lowest level seen since 2018.

Retail represents the portfolio's second largest sector holding, with 39.2% of the valuation. The Company's retail holding outperformed the Benchmark, both in terms of income return, with a relative outperformance of 1.8%, and capital growth, with a relative outperformance of 4.3%.

AEW UK REIT Retail Performance vs. Benchmark



Source: MSCI Year to 31 March 2023
* the Benchmark refers to MSCI/AREF PFI Balanced Funds Quarterly Property Index.

Office

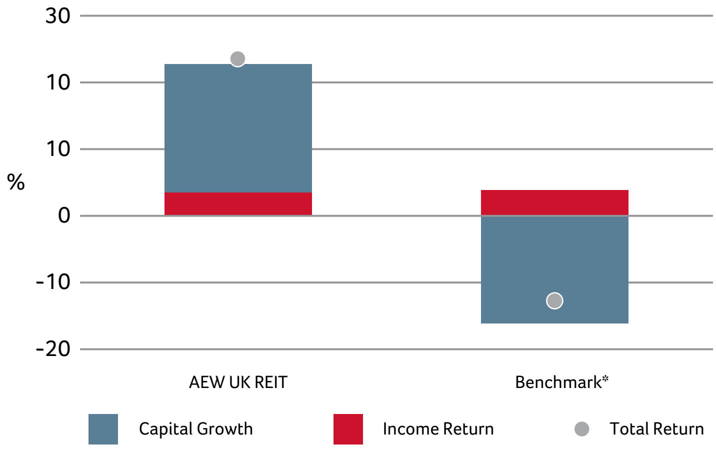
Office occupancy on the whole had a stronger post-Covid recovery than some may have expected, with office-based employment growing in 2022. This trend is expected to reverse during 2023 with a contraction in occupancy that is expected to be felt more poignantly in regional cities than in London.

As a result of lower occupancy levels and greater choice, the office occupier has also become more discerning in recent years, a trend that is expected to continue during 2023. Office occupiers now wish to benefit from strong sustainability credentials for their accommodation as well as surrounding amenity and top-quality space. This is particularly the case for large corporate tenants but is increasingly becoming a key factor for smaller businesses too.

The assets that provide the highest quality accommodation and sustainability goals will be best placed to outperform. Alternatively, specific asset management strategies may drive strong performance from the office sector and during the period, the sale of the Company's office assets in Glasgow and Oxford was completed, with both assets being sold to vendors for alternative use development in order to maximise sales receipts. The profit on these sales drove significant outperformance against the benchmark during the period.

When considering office assets for investment, we have often sought to acquire those showing strong alternative use values.

AEW UK REIT Office Performance vs. Benchmark



Source: MSCI 31 Year to March 2023
* the Benchmark refers to MSCI/AREF PFI Balanced Funds Quarterly Property Index.

Investment Manager's Report *(continued)*

Property Market Outlook *(continued)*

This was the strongest performing sector relative to the Benchmark, achieving an outperformance of 36.3%, largely driven by capital growth of 35.3% resulting from the disposal of Eastpoint Business Park, Oxford.

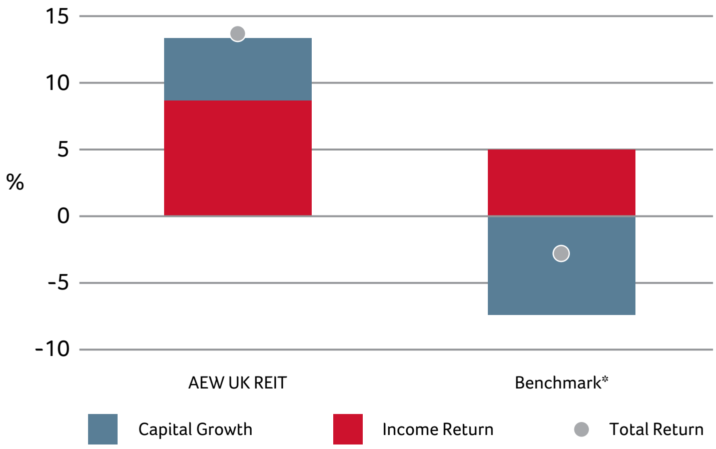
Alternatives

Across the leisure market, where the Company's alternative sector holdings lie, operators are at various stages of recovery following the Covid-19 pandemic. Visibility of performance in trading updates is key to investor demand and where this is strong, investment volumes have held up despite their overall decline. Operators carrying unsustainably high levels of debt are seen as a concern and are the subject of much press coverage as recently seen with the uncertainty facing Cineworld.

The squeeze on consumer spend will continue to challenge the profitability of occupiers, however, leisure has historically fared relatively defensively during periods of economic uncertainty.

We find the sector attractive on a selective basis going forward, particularly for assets that offer an attractive income return and occupy larger land holdings or sites in urban areas and therefore can often be underpinned by alternative use values, most likely residential.

AEW UK REIT Alternatives Performance vs. Benchmark



Source: MSCI Year to 31 March 2023
* the Benchmark refers to MSCI/AREF PFI Balanced Funds Quarterly Property Index.

Assets held in alternative sectors comprise 9.4% of the 31 March 2023 valuation, all of which is within the leisure sector. The Company's alternatives holding outperformed the Benchmark, both in terms of income return, with a relative outperformance of 3.7%, and capital growth, with a relative outperformance of 12.1%.

Property Portfolio

Investment Update

The Company made five property acquisitions during the year:

Railway Station Retail Park, Dewsbury (retail warehouse)

In June, the Company completed the acquisition of a 6.04-acre Railway Station Retail Park in Dewsbury for a price of £4.70 million, reflecting a low capital value of £82 per sq ft and an attractive net initial yield of 9.4%. The park occupies a prominent location on the edge of the town centre within an established retail and leisure area. Neighbouring occupiers include Sainsburys, Aldi, Matalan, Pets at Home, Iceland and a council operated library and sports facility. Dewsbury has a tight supply of retail warehousing stock, with very few current vacancies within the town.

The park is fully let with a low average passing rent of £8.28 per sq ft, which the Manager believes provides potential for rental growth. Tenants include Sports Direct, Mecca Bingo, Fieldrose Ltd, trading as KFC, and the Danish furniture retailer, Jysk.

Investment Manager's Report *(continued)*

Property Portfolio *(continued)*

Craigmont Drive, Glasgow (leisure)

The Company completed the purchase of a high yielding leisure asset in Glasgow for £2.60 million reflecting a low capital value of £99 per sq ft and a net initial yield of 7.4%. The property comprises a standalone leisure unit let to JD Sports Gym Ltd, which operates 74 gyms in the UK and is a subsidiary of JD Sports Fashion Plc. The lease provides an unexpired lease term of 10.4 years, benefitting from five-yearly upward-only reviews. The site also contains a vacant plot of land which may be suitable for redevelopment over the medium term, subject to planning.

High Street, Bromley (retail)

In late November, the Company completed the purchase of a freehold retail asset in Bromley for £5.30 million, reflecting a low capital value of £101 per sq ft and a net initial yield of 8.7%. The asset is located in a prominent position on the western side of the pedestrianised Bromley High Street and provides 54,215 sq ft of accommodation, let in its entirety to Next Holdings Limited. Next Holdings Limited has occupied the property since 2000 and, in September 2021, renewed a four-year lease at a rebased level of rent. A comprehensive store re-fit was undertaken by the tenant at this time, demonstrating the retailer's commitment to the location.

Northgate House, Bath (retail)

In late November, the Company completed the purchase of a 67,020 sq ft mixed-use block located in Bath city centre at a price of £13.00 million, reflecting a low capital value of £194 per sq ft and a net initial yield of 8.5%. The asset provides 48,805 sq ft of retail accommodation fronting on to Bath's High Street, Upper Borough Walls and Union Passage. The retail accommodation is let to 11 tenants, anchored by TK Maxx, which has recently renewed its commitment to the location by agreeing the removal of a tenant break option. Retail lettings provide a weighted unexpired lease term in excess of five years. The remaining 18,215 sq ft of accommodation comprises grade A specification offices recently refurbished by the vendor. The office accommodation is fully let to a wholly owned subsidiary of Regus Group until 2032, trading as co-working brand, Spaces.

Investment Manager's Report *(continued)*

Property Portfolio *(continued)*

Cuerden Way, Preston (retail warehouse)

In late March, the Company completed the purchase of a freehold solus retail warehousing unit in Bamber Bridge, Preston for £6.45 million, reflecting a low capital value of circa £110 per sq ft and an attractive net initial yield of 9.5%. The 58,696 sq ft unit is single-let to Matalan Retail Limited and has 9.2 years left on the lease. Matalan is known to trade strongly from the location, with the store being one of its top 10 performers, as well as being the retailer's first ever store in the U.K. The lease benefits from a 2027 rent review to the higher of open market value, or 2.5% per annum compounded, resulting in a minimum reversionary yield of 10.7%. The site totals 4.39 acres, providing a low site cover of approximately 30%. It is well located on Cuerden Way which connects to the A6, half a mile from Junction 1 of the M65. Neighbouring tenants include Aldi and Sainsburys to the south, with predominantly industrial uses to the north. There is the potential to repurpose the unit for trade counter or industrial use, and to extend the accommodation, subject to planning, if required in future. In January, Matalan announced the completion of a refinancing, reducing its gross debt by 43% from £593 million to £336 million. Its new debt facility will mature in 2027. The refinancing also provides £100 million for business growth over the next three years, with a return to profitability anticipated by Matalan in FY 2024.

The Company made five property disposals during the year:

Bath Street, Glasgow (office)

Following the expiry of the three-month planning judicial review period, the Company completed on the sale of the property for £9.30 million (£109 per sq ft). The sale realises a long-term change of use strategy for the asset, with contracts for the sale exchanged with a subsidiary company of IQ Student Accommodation in October 2020. The sale agreement required AEW to negotiate with tenants to bring the asset to vacancy and, as a result, following its sale, the occupancy rate for the Company's portfolio increased to 92.3% from 87.0%, as at 30 September 2022. At the time of purchase in 2016, the Company intended to keep the asset producing income as a multi-let office however, due to weakening in the occupier market conditions in this location, an alternative use strategy was then pursued.

Eastpoint Business Park, Oxford (office)

The Company completed the sale of the property for £29.00 million (£388 per sq ft), having acquired the asset in May 2015 for £8.20 million, reflecting a net initial yield of over 9%. The sale price crystallised significant profit, exceeding both the value immediately prior to the sale by 16% and the acquisition price by 254%. The asset has delivered an IRR to the Company in excess of 22% during its hold period. Due to prior valuation increases, the asset was producing an income yield of circa 1.0% and therefore reinvested proceeds from the sale, in assets producing net initial yields between 7.5% and 10%, have been significantly accretive to the Company's earnings.

Investment Manager's Report *(continued)*

Property Portfolio *(continued)*

349 Moorside Road, Swinton (industrial)

The Company completed the sale of the property for £1.71 million. A sale at this price reflects a net initial yield of circa 6.6% and a capital value of £75 per sq ft. The freehold property comprises 22,831 sq ft of modern industrial accommodation on a 1.4-acre site. The property was acquired in September 2015 for £1.07 million reflecting a 9.0% net initial yield. A sale at £1.71 million represents a 58% premium to the acquisition price.

Clarke Road, Milton Keynes (industrial)

In mid-March, the Company completed the sale of its industrial holding at Clarke Road, Milton Keynes, for £2.75 million (circa £91 per sq ft), reflecting a 6.3% net initial yield. The 30,262 sq ft industrial unit was acquired in October 2015 for £1.53 million (circa £50 per sq ft) at a circa 8.3% net initial yield. After the Company acquired the asset, it was re-let to FMG Repair Services Limited, with a guarantor from Northgate Vehicle Hire, on a 10-year lease, with a five-year tenant break option. By securing a stronger tenant covenant on a longer lease, the sale realises significant profit, exceeding the 31 December 2022 valuation of £2.58 million by 6.6%.

Mark Road, Hemel Hempstead (office)

In late March, the Company completed the sale of its office holding, Vantage Point, on Mark Road, Hemel Hempstead for £1.65 million (circa £92 per sq ft), reflecting an 11.5% net initial yield. The valuation as at 31 December 2022 was £0.99 million (circa £55 per sq ft) with the sale price reflecting a 66.6% premium. The Company took the decision to dispose of the asset to mitigate any risk of long-term vacancy of the property following a deadlock situation with the main tenant resulting in uncertainty over its future occupation and the potential requirement for significant refurbishment capex.

Asset Management Update

The Company completed the following material asset management transactions during the period:

Arrow Point, Shrewsbury (retail warehouse) – During May, the Company completed the renewal of Charlie's Stores' lease on a straight ten-year term at a rent of £385,000 per annum reflecting £11 per sq ft, versus an ERV of £7.50 per sq ft. Charlie's Stores is the scheme's anchor tenant, so this is an important letting for the property. Only nine months' rent-free incentive was given. The valuation consequently rose by £0.30 million to £10.00 million, having already increased by £1.35 million on the 2021 purchase price of £8.35 million.

Commercial Road, Portsmouth (high street retail) – During May, the Company completed a new 15-year lease to Kokoro UK Limited, a Japanese-Korean restaurant. The agreed rent is £52,500 per annum versus an ERV of £45,750 per annum. The tenant has the benefit of a 12-month rent free period and a tenant only break option at the end of the tenth year.

Investment Manager's Report *(continued)*

Asset Management Update *(continued)*

Diamond Business Park, Wakefield (industrial) – During June, the Company completed a new letting of Units 8 and 9 to Wow Interiors, an existing tenant on the estate already occupying Unit 7. Wow have taken a new six-year lease with a tenant break option at the end of the third year. The commencing rent of £3 per sq ft will increase to £3.50 per sq ft in years two and three, and subsequently £3.75 per sq ft from year four onwards. In doing so, the Company has also completed a lease re-gear on Unit 7, removing Wow's 2022 tenant break option and agreeing a three-year reversionary lease with a tenant break option mirroring Units 8 and 9.

Mangham Road, Rotherham (industrial) – The Company completed a new ten-year ex-Act lease to Senior Architectural Systems Ltd at a rent of £410,000 per annum reflecting a rent of £5 per sq ft. This shows a significant uplift to the rent paid by previous tenant, Hydro Components, at £275,000 per annum. The lease provides for five-yearly rent reviews to the higher of open market rent or RPI, with a collar and cap at 2% & 4% per annum, respectively. There was no rent-free incentive granted to the tenant, however the landlord undertook works to upgrade the building at a cost of £964,700. These works were completed during the quarter and improved the property's EPC rating from C67 to B44. The tenant benefits from a break option at the end of year five.

Bank Hey Street, Blackpool (retail/leisure) – Repair works at the property which commenced in 2020 reached practical completion in August 2022. The total cost of these works amounted to circa £2.89 million, of which approximately £1.15 million is expected to be recovered from tenants. The recoverable elements of this expenditure have been raised within the service charge budget and all tenants are up to date with payments.

The Company completed a five-year lease renewal with Sports Direct, whose lease expired on 4 October 2022. The lease has a tenant rolling break option, subject to 18 months term certain, and a landlord rolling break option from the expiry of the third year. The rent is £175,000 per annum, inclusive of service charge currently running at approximately £40,000 per annum. No rent-free incentive was given.

Central Six Retail Park, Coventry (retail/leisure) – In October, the Company completed an agreement for lease with new tenant, Aldi Stores Limited, for vacant units 8 & 9. Aldi will enter into a new 20-year lease with a 15-year tenant break option at a rent of £270,166 per annum, reflecting £13 per sq ft, to be reviewed every five years based on compounded annual RPI, collared and capped at 1% and 3% respectively. The letting is subject to the landlord securing planning permission for 1) change of use to food use (achieved in July 2022), 2) external alteration works (achieved in November 2022) and 3) extended delivery hours, as well as landlord works which are expected to cost £894,212. Lease completion is targeted for July 2023. The letting also includes a 12-month rent-free incentive.

In November 2022, the Company completed a lease renewal with existing tenant Next Holdings Limited. The tenant entered into a new five-year lease with a three-year tenant break option, at a rent of £151,800 per annum, reflecting £15 per sq ft, with a nine-month rent-free incentive.

In December 2022, the Company completed a lease renewal with existing tenant Caspian Food Services Limited, trading as Burger King. The tenant entered into a new ten-year lease at a rent of £100,000 per annum, reflecting £40 per sq ft.

In December 2022, the Company completed an agreement for lease with new tenant Iceland Foods Limited, trading as The Food Warehouse for units 6a & 6b. The tenant will enter into a new ten-year lease at a rent of £250,000 per annum, reflecting £16.51 per sq ft. The letting includes a three-month rent free and a £812,500 cash incentive which will be paid to the tenant on completion of the lease which is expected to be in November. The letting is subject to the landlord securing planning permission for 1) change of use to food use and 2) extended delivery hours.

Odeon Cinema, Southend (leisure) – The Company completed a straight five-year reversionary lease with Odeon Cinemas Ltd at the previous passing rent of £534,000 per annum. In doing so, a seven-and-a-half-month rent-free incentive was granted to the tenant, which resulted in a £1.35 million valuation increase for the property. This has contributed to a valuation increase for the quarter of £1.35 million.

Investment Manager's Report *(continued)*

Asset Management Update *(continued)*

40 Queen Square, Bristol (office) – Having entered into an Agreement for Lease, subject to landlord refurbishment works, the Company has now completed on the lease and licence for alterations with existing tenant, Konica Minolta Marketing Services Ltd, on the third floor. A new ten-year lease commenced on 19 December at a rent of £218,840 per annum, reflecting a new high rental tone for the building of £40 per sq ft. There is a five-year tenant break option. The refurbishment works included roof, lift and reception upgrades at a cost of £1.07 million plus an eleven-month rent-free incentive. The works undertaken will provide benefits to all tenants within the building and are expected to assist with further rental growth at the asset.

Cedar House, Gloucester (office) – The Secretary of State for Communities and Local Government, who occupy the entire 37,753 sq ft office property, have not actioned their 1 April 2023 tenant break option. Consequently, they will remain in occupation for another five years until 2028. Permitted development rights for conversion to 45 residential units was approved in December 2022, meaning there is now the ability to change the use of the building to residential use, without having to submit a full planning application, until December 2025.

North Moons Industrial Estate, Redditch (industrial) – the August 2022 annual uncapped RPI rent review has been settled at £269,963 per annum, reflecting an £29,654 per annum. The 37,992 sq ft property is entirely let to Carrs Coatings Ltd until August 2028.

15-33 Union Street, Bristol (retail) – the Company completed a two-year lease renewal with VIRR Ltd, trading as Subway, with a landlord rolling break option. The new lease is at the same rent of £32,500 per annum and is outside the Landlord and Tenant Act, with no tenant incentive given. This short-term renewal makes it possible to let the unit along with the neighbouring unit, let to Kemps, whose lease expires in September 2023.

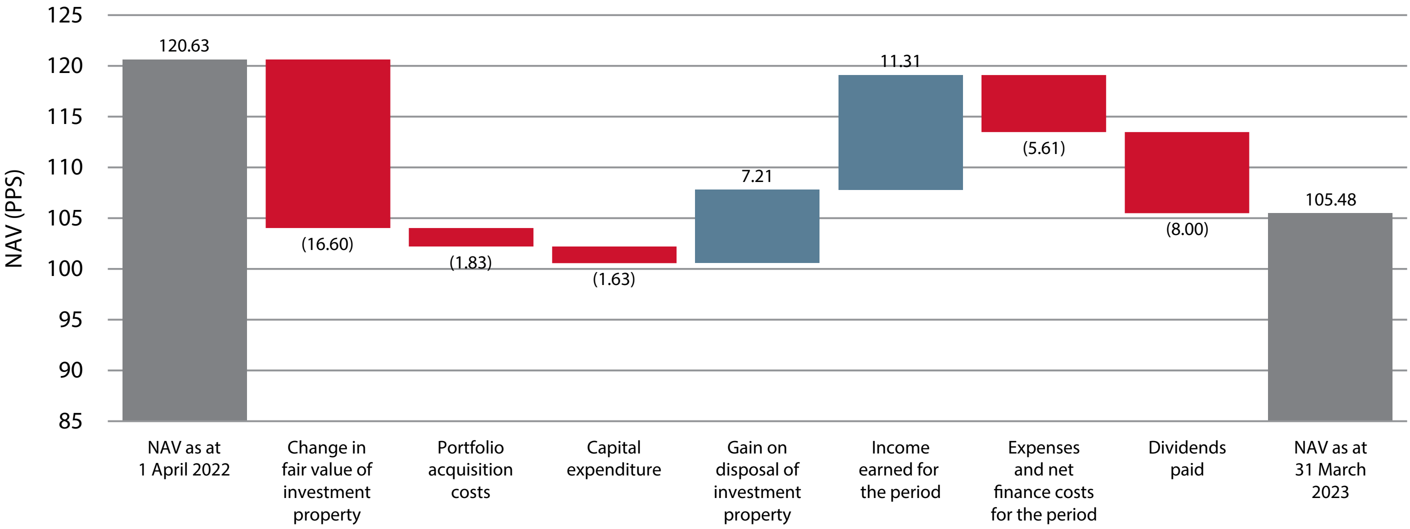
Vacancy

As at year-end, the portfolio's overall vacancy sat at 6.57% excluding units where agreements for lease have been completed with incoming tenant's at Central Six Retail Park in Coventry. Including these units increases the portfolio's overall vacancy level to 9.00%.

Investment Manager's Report *(continued)*

Financial Results

The Company's NAV as at March 2023 was £167.10 million or 105.48 pps (31 March 2022: £191.10 million or 120.63 pps). This represents a decrease of 15.15 pps or 12.56% over the 12-month period, with the underlying movement in NAV set out in the chart below:



EPRA EPS for the year was 5.70 pence which, based on dividends paid of 8.00 pps, reflects a dividend cover of 71.25%. The decrease in dividend cover compared to the prior 12-month period has largely arisen due to the Company completing a number of key sales, leaving it with a high cash weighting and a resulting loss of rental income in the short term. Earnings have been further depressed by one-off costs associated with refurbishment works being undertaken at Queen Square, Bristol and Mangham Road, Rotherham, which will both be accretive to the Company's earnings in the medium to long term.

The focus of the Company's investment strategy remains to return to full investment and full dividend cover. Income across the tenancy profile has remained intact. Collection rates reached 99% for both the September and December 2022 quarters, with further payments expected to be received under longer-term payment plans. Of the outstanding arrears, the Company has made a £0.97 million expected credit loss provision, given the uncertain economic outlook. The Company will continue to pursue all outstanding arrears.

Investment Manager's Report *(continued)*

Financing

During the period, the decision was taken to complete the refinancing of the portfolio, as announced in May 2022. The Company has secured a new £60.00 million, five-year term loan facility with AgFe, a leading independent asset manager specialising in debt-based investments. The loan is priced as a fixed rate loan with a total interest cost of 2.959%. The existing RBSi loan facility, which was priced at a floating rate relative to SONIA, was due to mature in October 2023 and has been repaid in full by the new loan facility. Simultaneous to the funding, the Company's interest rate cap was sold for proceeds of £743,000 with a residual accounting loss of £88,000. In the current inflationary environment, the Company considered it prudent to fix the loan and interest, rather than run the risk of further interest rate rises nearer renewal.

As at 31 March 2023, the Company has a £60.00 million loan Facility with AgFe, in place until May 2027, the details of which are presented below:

	31 March 2023	31 March 2022
Facility	**£60.00 million**	£60.00 million
Drawn	**£60.00 million**	£54.00 million
Gearing (Loan to GAV)	**28.06%**	22.48%
Gearing (Loan to NAV)	**35.91%**	28.26%
Interest rate	**2.959% fixed**	2.20% variable (SONIA + 1.4%)
Notional Value of Loan Balance Hedged	**N/A**	95%

Property Portfolio

The following tables illustrate the composition of the portfolio in relation to its properties, tenants and income streams:

Summary by Sector as at 31 March 2023

Sector	Number of assets	Valuation (£m)	Area (sq ft)	Vacancy by ERV (%)	WAULT to break (years)	Gross passing rental income (£m)	Gross passing rental income (£psf)	ERV (£m)	ERV (£psf)	Rental income (£m)	Like-for-like rental growth* (£m)	Like-for-like rental growth (%)
Industrial	17	94.60	2,308,782	8.74	3.50	7.47	3.24	9.44	4.09	7.68	0.41	5.81
Retail Warehouse	5	43.90	484,033	9.11	3.92	4.34	8.96	4.56	9.43	3.67	0.01	1.67
Standard Retail	8	39.90	357,227	5.84	4.52	4.25	11.88	4.00	11.21	3.11	(0.24)	(12.00)
Alternatives	4	20.13	178,165	0.00	8.97	1.44	8.11	1.85	10.38	1.90	(0.03)	(2.00)
Office	2	15.30	74,186	13.27	3.93	0.90	12.17	1.49	20.04	1.35	(0.03)	(2.83)
Portfolio	**36**	**213.83**	**3,402,393**	**7.83**	**3.05**	**18.40**	**5.41**	**21.34**	**6.27**	**17.71**	**0.12**	**0.98**

Investment Manager's Report *(continued)*

Property Portfolio *(continued)*

Summary by Geographical Area as at 31 March 2023

Geographical area	Number of assets	Valuation (£m)	Area (sq ft)	Vacancy by ERV (%)	WAULT to break (years)	Gross passing rental income (£m)	Gross passing rental income (£psf)	ERV (£m)	ERV (£psf)	Rental income (£m)	Like-for-like rental growth* (£m)	Like-for-like rental growth (%)
South West	6	48.35	584,455	9.53	4.02	4.14	7.08	4.89	8.36	3.44	0.07	3.27
West Midlands	5	40.25	597,860	9.97	3.88	3.60	6.02	4.17	6.97	3.77	(0.04)	(3.48)
Yorkshire and Humberside	8	36.70	928,903	5.06	2.29	3.18	3.42	4.08	4.39	2.84	0.20	8.85
Eastern	4	21.45	326,419	0.81	2.08	1.38	4.22	2.05	6.30	2.09	0.24	14.46
North West	4	20.95	336,043	0.00	6.04	1.89	5.62	1.90	5.67	1.41	(0.03)	(2.17)
Wales	3	19.00	415,607	27.55	9.98	1.27	3.07	1.84	4.43	1.42	(0.19)	(14.50)
South East	3	11.65	86,826	5.62	2.52	1.39	15.99	1.07	12.30	1.23	(0.13)	(13.83)
Rest of London	1	9.63	71,720	0.00	8.49	0.93	13.04	0.75	10.45	0.98	0.01	1.03
East Midlands	1	3.70	28,219	0.00	3.70	0.41	14.56	0.38	13.38	0.40	(0.01)	(2.50)
Scotland	1	2.15	26,341	0.00	5.05	0.21	7.97	0.21	7.97	0.13	–	–
Portfolio	**36**	**213.83**	**3,402,393**	**7.83**	**3.05**	**18.40**	**5.41**	**21.34**	**6.27**	**17.71**	**0.12**	**0.98**

* Like-for-like rental growth is for the year ended 31 March 2023.

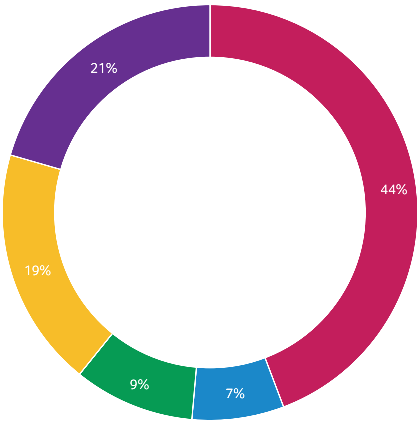
Source: Knight Frank/AEW, 31 March 2023.

Investment Manager's Report *(continued)*

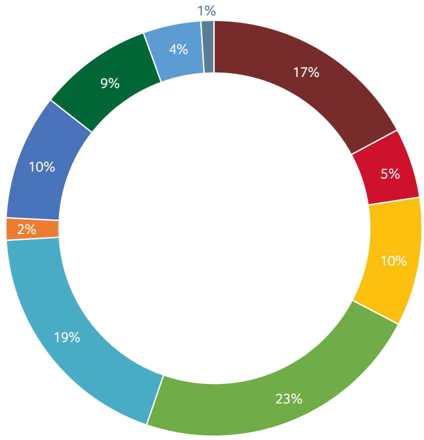
Property Portfolio *(continued)*

Properties by Market Value as at 31 March 2023

Sector weighting by valuation –
high industrial weighting and low exposure to offices



Geographical weighting by valuation –
highly diversified across the UK



Properties by Market Value as at 31 March 2023

	Property	Sector	Region	Market Value Range (£m)
	Top 10:			
1.	Central Six Retail Park, Coventry	Retail warehouses	West Midlands	15.0 – 20.0
2.	Northgate House, Bath	Standard retail	South West	10.0 – 15.0
3.	40 Queen Square, Bristol	Offices	South West	10.0 – 15.0
4.	Gresford Industrial Estate, Wrexham	Industrial	Wales	10.0 – 15.0
5.	London East Leisure Park, Dagenham	Other	Rest of London	7.5 – 10.0
6.	Lockwood Court, Leeds	Industrial	Yorkshire and Humberside	7.5 – 10.0
7.	Arrow Point Retail Park, Shrewsbury	Retail warehouses	West Midlands	7.5 – 10.0
8.	15-33 Union Street, Bristol	Standard retail	South West	7.5 – 10.0
9.	Apollo Business Park, Basildon	Industrial	Eastern	5.0 – 7.5
10.	Units 1001-1004 Sarus Court	Industrial	North West	5.0 – 7.5

The Company's top ten properties listed above comprise 49.2% of the total value of the portfolio.

Investment Manager's Report *(continued)*

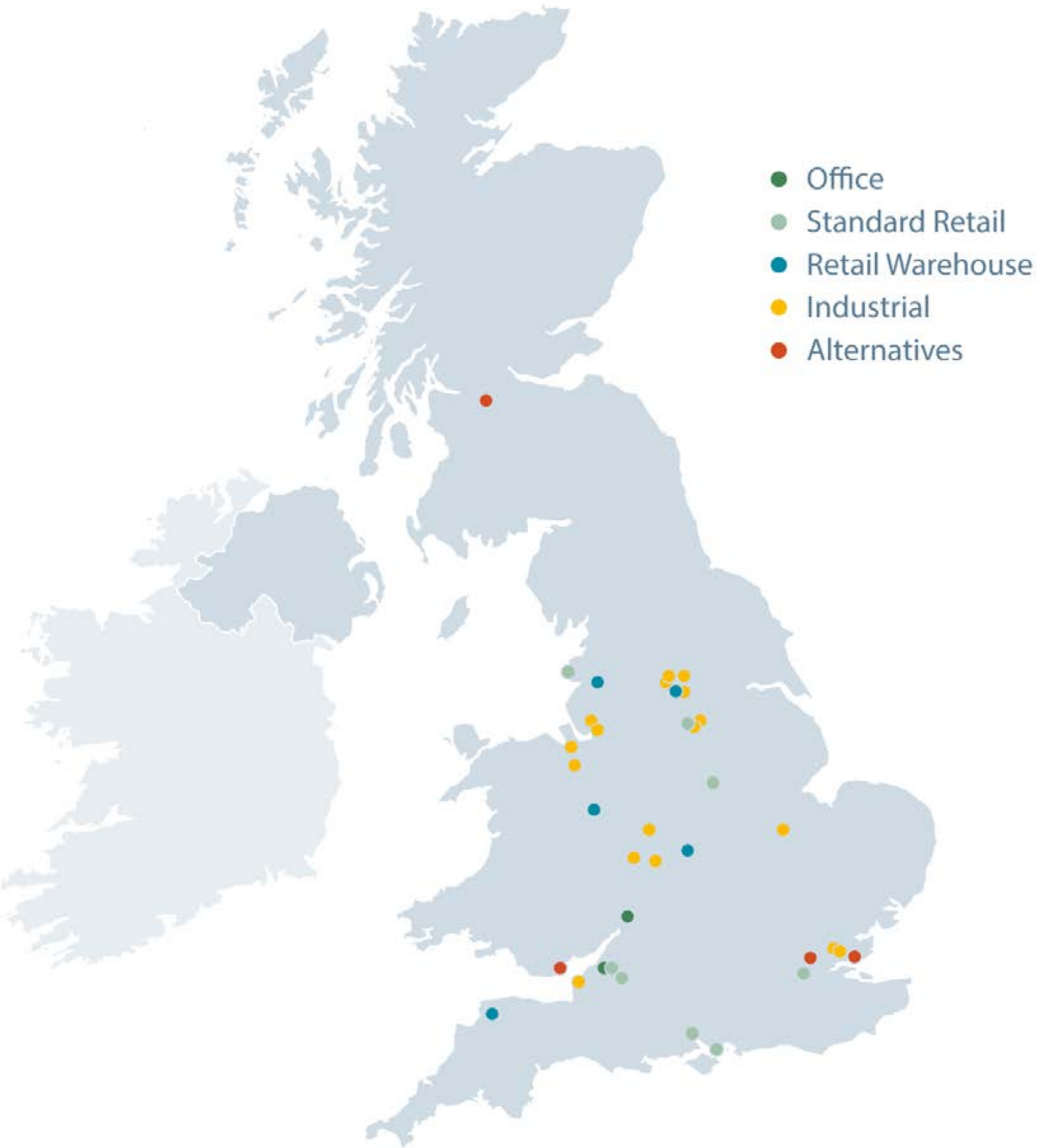
Property Portfolio *(continued)*

	Property	Sector	Region	Market Value Range (£m)
11.	Matalan, Preston	Retail warehouses	North West	5.0 – 7.5
12.	Barnstaple Retail Park, Barnstaple	Retail warehouses	South West	5.0 – 7.5
13.	Storey's Bar Road, Peterborough	Industrial	Eastern	5.0 – 7.5
14.	Mangham Road, Rotherham	Industrial	Yorkshire and Humberside	5.0 – 7.5
15.	Brockhurst Crescent, Walsall	Industrial	West Midlands	5.0 – 7.5
16.	Westlands Distribution Park, Weston Super Mare	Industrial	South West	5.0 – 7.5
17.	Next, Bromley	Standard retail	South East	5.0 – 7.5
18.	Walkers Lane, St Helens	Industrial	North West	5.0 – 7.5
19.	Euroway Trading Estate, Bradford	Industrial	Yorkshire and Humberside	5.0 – 7.5
20.	Diamond Business Park, Wakefield	Industrial	Yorkshire and Humberside	5.0 – 7.5
21.	Odeon Cinema, Southend	Other	Eastern	5.0 – 7.5
22.	710 Brightside Lane, Sheffield	Industrial	Yorkshire and Humberside	< 5.0
23.	Deeside Industrial Park, Deeside	Industrial	Wales	< 5.0
24.	Oak Park, Droitwich	Industrial	West Midlands	< 5.0
25.	Pearl House, Nottingham	Standard retail	East Midlands	< 5.0
26.	The Railway Centre, Dewsbury	Retail warehouses	Yorkshire and Humberside	< 5.0
27.	Cedar House, Gloucester	Offices	South West	< 5.0
28.	PRYZM, Cardiff	Other	Wales	< 5.0
29.	Pipps Hall Industrial Estate, Basildon	Industrial	Eastern	< 5.0
30.	Commercial Road, Portsmouth	Standard retail	South East	< 5.0
31.	69-75 Above Bar Street, Southampton	Standard retail	South East	< 5.0
32.	Eagle Road, Redditch	Industrial	West Midlands	< 5.0
33.	Bridge House, Bradford	Industrial	Yorkshire and Humberside	< 5.0
34.	Pricebusters Building, Blackpool	Standard retail	North West	< 5.0
35.	JD Gyms, Glasgow	Other	Scotland	< 5.0
36.	11/15 Fargate, Sheffield	Standard retail	Yorkshire and Humberside	< 5.0

Investment Manager's Report *(continued)*

Property Portfolio *(continued)*

UK property locations as at 31 March 2023



Investment Manager's Report *(continued)*

Property Portfolio *(continued)*

Top 10 Tenants as at 31 March 2023

	Tenant	Sector	Property	Passing Rental Income (£'000)	% of Portfolio Total Passing Rental Income
1.	Plastipak UK Ltd	Industrial	Gresford Industrial Estate, Wrexham	975	5.3
2.	Mecca Bingo Ltd	Leisure	Various	806	4.4
3.	Matalan Ltd	Retail Warehouse	Cuerden Way, Preston	651	3.5
4.	Wyndeham Peterborough Ltd	Industrial	Wyndeham, Peterborough	644	3.5
5.	Poundland Ltd	Retail	Various	631	3.4
6.	TJX UK Ltd	Retail	Various	608	3.3
7.	Sports Direct	Retail	Various	604	3.3
8.	Harrogate Spring Water Ltd	Industrial	Lockwood Court, Leeds	603	3.3
9.	Wilko Retail Ltd	Retail	15-33 Union Street, Bristol	481	2.6
10.	Next Holdings Ltd	Retail	Next, Bromley	478	2.6

The Company's top ten tenants, listed above, represent 35.2% of the total passing rental income of the portfolio.

Source: Knight Frank valuation report as at 31 March 2023.

ESG Update

The Company has maintained its two stars Global Real Estate Sustainability Benchmark ('GRESB') rating for 2022 and improved its score to 67 (GRESB Peer Group Average 65). A large portion of the GRESB score relates to performance data coverage where, due to the high percentage of single-let assets with tenant procured utilities, the Company does not score as well as Funds with a smaller holding of single-let assets and a higher proportion of multi-let assets where the owner is responsible for the utilities and can therefore gather the relevant data.

We continue to implement our plan to improve overall data coverage and data collection for all utilities through increased tenant engagement at our single-let assets and by installing automated meter readers ('AMR') across the portfolio. So far, we are in the process of installing AMRs in all of our multi-let properties. We are also in discussions with the tenants of our top ten single-let FRI assets (in terms of floor area) regarding the installation of AMR.

We endeavour, where the opportunity presents itself through a lease event, to include green clauses in leases, covenanting landlord and tenant to collaborate over the environmental performance of the property. Green clauses seek to improve data coverage by ensuring tenants provide regular and appropriate utility consumption data.

We continue to assess and strengthen our reporting and alignment against the framework set out by the TCFD with further disclosure to be provided in the 2023 annual report and accounts. We are pleased to report that the Company has maintained its EPRA Silver rating for Sustainability Best Practice Recommendations (sBPR) for ESG disclosure and transparency.

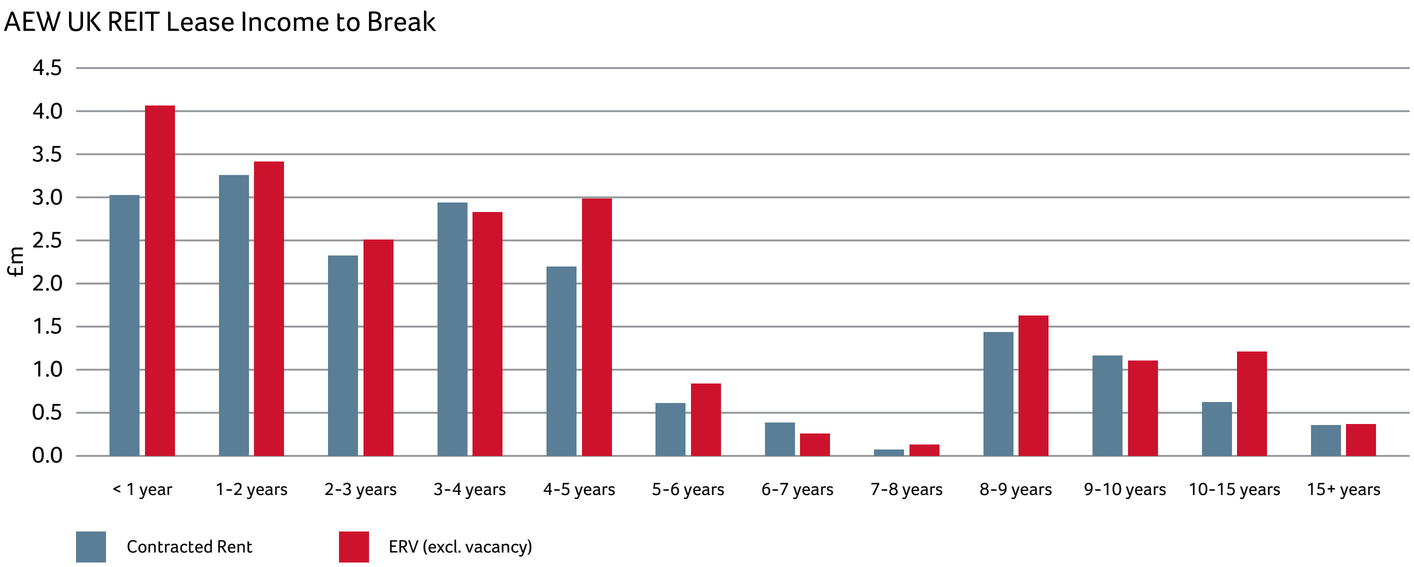
Investment Manager's Report *(continued)*

Property Portfolio *(continued)*

Each asset within the Company has an individual Asset Sustainability Action Plan (ASAP). This document tracks ESG initiatives across the portfolio on an asset-by-asset basis for targeted/relevant and specific implementation of ESG improvements. All managed assets and units have been contracted to High Quality Green Tariffs, ensuring the electricity supply is from renewable sources. All void and vacant unit supplies have also been transferred to High Quality Green Tariffs.

We are underway with implementing a number of initiatives across our portfolio, including a new landscaping/biodiversity programme at our retail warehouse in Barnstaple, which we completed during the period, replacing the existing plants and shrubs with a greater diversity of appropriate species which in turn will attract a wider variety of insects and wildlife to the property.

Lease Expiry Profile as at 31 March 2023



Source: Knight Frank valuation report as at 31 March 2023.

Approximately £3.02 million of the Company's current contracted income stream is subject to an expiry or break within the 12-month period commencing 1 April 2023. 26.68% (£776,757) of this income is in the industrial sector, where we anticipate strong occupier demand, low incentives and reversionary rents. Regarding the remainder, the Company is proactively looking to renew leases or to complete new lettings.

Alternative Investment Fund Manager ('AIFM')

AEW UK Investment Management LLP is authorised and regulated by the FCA as a full-scope AIFM and provides its services to the Company.

The Company has appointed Langham Hall UK Depositary LLP ('Langham Hall') to act as the depositary to the Company, responsible for cash monitoring, asset verification and oversight of the Company.

Investment Manager's Report *(continued)*

Information Disclosures under the AIFM Directive

Under the AIFM Directive, the Company is required to make disclosures in relation to its leverage under the prescribed methodology of the Directive.

Leverage

The AIFM Directive prescribes two methods for evaluating leverage, namely the 'Gross Method' and the 'Commitment Method'. The Company's maximum and actual leverage levels are as per below:

	31 March 2023		31 March 2022	
Leverage Exposure	**Gross Method**	**Commitment Method**	Gross Method	Commitment Method
Maximum Limit	**140%**	**140%**	140%	140%
Actual	**127%**	**136%**	125%	129%

In accordance with the AIFM Directive, leverage is expressed as a percentage of the Company's exposure to its NAV and adjusted in line with the prescribed 'Gross' and 'Commitment' methods. The Gross method is representative of the sum of the Company's positions after deducting cash balances and without taking into account any hedging and netting arrangements. The Commitment method is representative of the sum of the Company's positions without deducting cash balances and taking into account any hedging and netting arrangements. For the purposes of evaluating the methods above, the Company's positions primarily reflect its current borrowings and NAV.

Remuneration

The AIFM has adopted a Remuneration Policy which accords with the principles established by AIFMD. AIFMD Remuneration Code Staff includes the members of the AIFM's Management Committee, those performing Control Functions, Department Heads, Risk Takers and other members of staff that exert material influence on the AIFM's risk profile or the AIFs it manages.

Staff are remunerated in accordance with the key principles of the firm's remuneration policy, which include:

(1) promoting sound risk management;

(2) supporting sustainable business plans;

(3) remuneration being linked to non-financial criteria for Control Function staff;

(4) incentivising staff performance over longer periods of time;

(5) awarding guaranteed variable remuneration only in exceptional circumstances; and

(6) having an appropriate balance between fixed and variable remuneration.

Investment Manager's Report *(continued)*

Information Disclosures under the AIFM Directive *(continued)*

As required under section 'Fund 3.3.5.R(5)' of the Investment Fund Sourcebook, the following information is provided in respect of remuneration paid by the AIFM to its staff for the year ended to 31 December 2022.

	Year ended 31 December 2022
Total remuneration paid to employees during financial year:	
a) remuneration, including, where relevant, any carried interest paid by the AIFM:	£3,717,218
b) the number of beneficiaries	32
The aggregate amount of remuneration of the AIFM Remuneration Code staff, broken down by:	
a) senior management	512,674
b) members of staff	3,204,543

	Fixed remuneration	Variable remuneration	Total remuneration
Senior management	£362,500	£150,174	£512,674
Staff	£2,202,729	£1,001,815	£3,204,544
Total	**£2,565,229**	**£1,151,989**	**£3,717,218**

Fixed remuneration comprises basic salaries and variable remuneration comprises bonuses.

AEW UK Investment Management LLP

20 June 2023

Principal Risks and Uncertainties

The Company's assets consist of UK commercial property. Its principal risks are therefore related to the commercial property market in general, but also to the particular circumstances of the individual properties and the tenants within the properties.

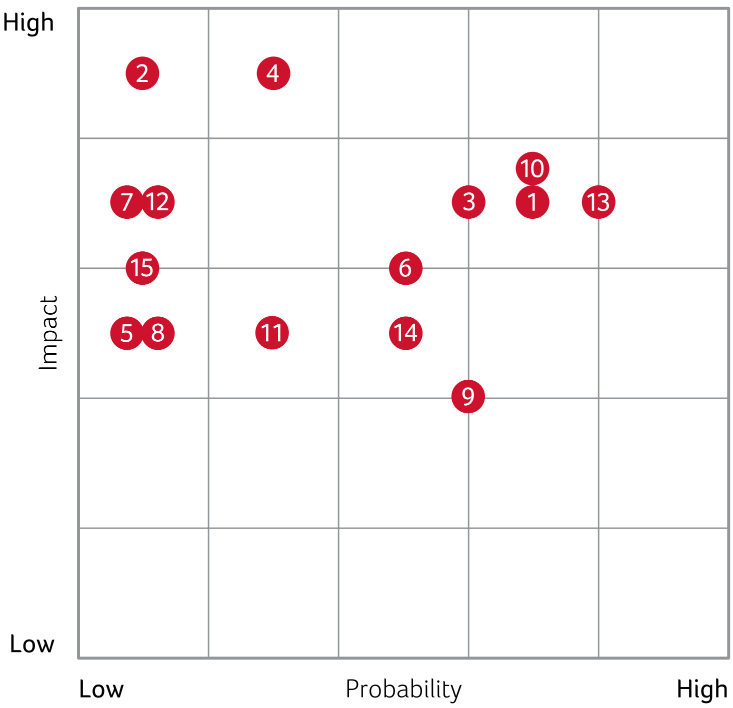
The Board has overall responsibility for reviewing the effectiveness of the system of risk management and internal control which is operated by the Investment Manager. The Company's ongoing risk management process is designed to identify, evaluate, and mitigate the significant risks the Company faces.

At least twice a year, the Board undertakes a formal risk review with the assistance of the Audit Committee, to assess the adequacy and effectiveness of the Investment Manager and other service providers' risk management and internal control processes. The Audit Committee is responsible for reviewing the principal and emerging risks facing the Company and, in liaison with the Investment Manager, advises the Board on these risks.

The Board has carried out a robust assessment of the principal and emerging risks facing the Company, including those that would threaten its business model, future performance, solvency or liquidity.

An analysis of the principal risks and uncertainties is set out below. The risks below do not purport to be exhaustive as some risks are not yet known and some risks are currently not deemed material but could turn out to be material in the future.

Principal Risks



Key

1. Property market
2. Property valuation
3. Tenant default
4. Asset management initiatives
5. Due diligence
6. Fall in rental rates
7. Breach of borrowing covenants
8. Availability and cost of debt
9. Dependence on Manager and other third party service providers
10. Failure to meet objectives
11. Business interruption
12. Company REIT status
13. General political and economic risks
14. Environmental transition risk
15. Physical risk to buildings

The matrix above illustrates the Company's assessment of the impact and probability of the principal risks identified.

Principal Risks and Uncertainties *(continued)*

Principal risks and their potential impact	How risk is managed	Risk assessment
REAL ESTATE RISKS		
1. Property market		
Any property market recession or future deterioration in the property market could, inter alia, (i) cause the Company to realise its investments at lower valuations; and (ii) delay the timings of the Company's realisations. These risks could have a material adverse effect on the ability of the Company to achieve its investment objective.	The Company has investment restrictions in place to invest and manage its assets with the objective of spreading and mitigating risk.	**Probability:** High **Impact:** Moderate to High **Movement:** No change
2. Property valuation		
Property and property-related assets are inherently difficult to value due to the individual nature of each property. There may be an adverse effect on the Company's profitability, NAV and the price of Ordinary Shares in cases where property valuations have been materially misstated.	The Company uses an independent external valuer (Knight Frank LLP) to value the properties at fair value in accordance with accepted RICS appraisal and valuation standards.	**Probability:** Low **Impact:** High **Movement:** Increase
3. Tenant default		
Failure by tenants to fulfil their rental obligations could affect the income that the properties earn and the ability of the Company to pay dividends to its shareholders.	Comprehensive due diligence is undertaken on all new tenants. Tenant covenant checks are carried out on all new tenants where a default would have a significant impact. The asset management team conducts ongoing monitoring and liaison with tenants to manage potential bad debt risk.	**Probability:** Moderate to High **Impact:** Moderate to High **Movement:** No change
4. Asset management initiatives		
Asset management initiatives, such as refurbishment works, may prove to be more extensive, expensive and take longer than anticipated. Cost overruns may have a material adverse effect on the Company's profitability, the NAV and the share price.	Costs incurred on asset management initiatives are closely monitored against budgets and reviewed in regular presentations to the Investment Management Committee of the Investment Manager.	**Probability:** Low to Moderate **Impact:** High **Movement:** Increase

Principal Risks and Uncertainties *(continued)*

Principal risks and their potential impact	How risk is managed	Risk assessment
REAL ESTATE RISKS *(continued)*		
5. Due diligence		
Due diligence may not identify all the risks and liabilities in respect of an acquisition (including any environmental, structural or operational defects) that may lead to a material adverse effect on the Company's profitability, the NAV and the price of the Company's Ordinary Shares.	The Company's due diligence draws on work (such as legal reports on title, property valuations, environmental and building surveys) outsourced to third parties who have expertise in their areas. Such third parties have professional indemnity cover in place.	**Probability:** Low **Impact:** Moderate **Movement:** No change
6. Fall in rental rates		
Rental rates may be adversely affected by general UK economic conditions and other factors that depress rental rates, including local factors relating to particular properties/ locations (such as increased competition). Any fall in the rental rates for the Company's properties may have a material adverse effect on the Company's profitability, the NAV, the price of the Ordinary Shares and the Company's ability to meet interest and capital repayments on any debt facilities.	The Company builds a diversified property and tenant base with subsequent monitoring of concentration to individual occupiers (top 10 tenants) and sectors (geographical and sector exposure). The Investment Manager holds quarterly meetings with its Investment Strategy Committee and regularly meets the Board of Directors to assess whether any changes in the market present risks that should be addressed in the Company's strategy.	**Probability:** Moderate **Impact:** Moderate to High **Movement:** Decrease
BORROWING RISKS		
7. Breach of borrowing covenants		
Material adverse changes in valuations and net income may lead to breaches in the Loan to Value ('LTV') and debt yield covenants.	The Company monitors the use of borrowings on an ongoing basis through weekly cash flow forecasting and quarterly risk monitoring to monitor financial covenants. During the year, the Company refinanced into a term credit facility with AgFe, which is subject to less stringent covenants than the previous facility held with RBSi. It is acknowledged that significant headroom currently exists for both these covenants. The Investment Manager will maintain a close relationship with its new loan finance provider, AgFe, to ensure continuing dialogue around covenants.	**Probability:** Low **Impact:** Moderate to High **Movement:** No change

Principal Risks and Uncertainties *(continued)*

Principal risks and their potential impact	How risk is managed	Risk assessment
BORROWING RISKS *(continued)*		
8. Availability and cost of debt		
In tandem with any future growth of the Company, additional debt funding would be considered. It is acknowledged that the current interest rate environment may constrain the availability and financial viability of further debt funding.	During the year, the Company elected to undertake a refinancing which concluded in May 2022. The refinanced loan is held with AgFe and is a £60.00m facility with a five-year term, which was fully drawn at period end. The Company maintains a good relationship with the lender providing the term credit facility. The Company monitors the projected usage and covenants of the credit Facility on a quarterly basis. The Company actively monitors the loan term and engages in loan extension negotiations far in advance of expiry.	**Probability:** Low **Impact:** Moderate **Movement:** No change
CORPORATE RISKS		
9. Dependence on the Investment Manager		
The Company has no employees and is reliant upon the performance of its Investment Manager and other third party service providers. Failure by the Investment Manager and/or any service provider to carry out its obligations to the Company in accordance with the terms of its appointment could have a materially detrimental impact on the operation of the Company. The future ability of the Company to successfully pursue its investment objective and investment policy may, among other things, depend on the ability of the Investment Manager to retain its existing staff and/or to recruit individuals of similar experience and calibre.	The Investment Manager has endeavoured to ensure that the principal members of its management team are suitably incentivised. The performance of service providers in conjunction with their service level agreements is monitored via regular calls and face-to-face meetings and the use of key performance indicators, where relevant.	**Probability:** Moderate to High **Impact:** Moderate **Movement:** No change

Principal Risks and Uncertainties *(continued)*

Principal risks and their potential impact	How risk is managed	Risk assessment
CORPORATE RISKS *(continued)*		
10. Failure to meet objectives		
The Company may not meet its investment objective to deliver an attractive total return to shareholders from investing predominantly in a portfolio of smaller commercial properties in the United Kingdom. Poor relative total return performance may lead to an adverse reputational impact that affects the Company's ability to raise new capital. The Company may not pay its target dividend.	The Company has an investment policy to achieve a balanced portfolio with a diversified asset and tenant base. The Company also has investment restrictions in place to limit exposure to potential risk factors. The Investment Manager has extensive experience in navigating market volatility, as was most recently evidenced during the COVID-19 pandemic.	**Probability:** High **Impact:** Moderate to High **Movement:** No change
11. Business interruption		
Cyber attacks on the Investment Manager's and/or other service providers' IT systems could lead to disruption, reputational damage, regulatory (including GDPR) or financial loss to the Company.	The Investment Manager and other service providers' staff are capable of working remotely for an extended time period. The Investment Manager's and other service providers' IT systems are protected by anti-virus software and firewalls that are updated regularly. Fire protection and access security procedures exist at all the Company's managed properties, along with the offices of its Investment Manager and other service providers.	**Probability:** Low to Moderate **Impact:** Moderate **Movement:** No change

Principal Risks and Uncertainties *(continued)*

Principal risks and their potential impact	How risk is managed	Risk assessment
TAXATION RISKS		
12. Company REIT status		
The Company has a UK REIT status that provides a tax-efficient corporate structure. If the Company fails to remain a REIT for UK tax purposes, its profits and gains will be subject to UK corporation tax. Any change to the tax status or UK tax legislation could impact on the Company's ability to achieve its investment objectives and provide attractive returns to shareholders.	The Company monitors REIT compliance through the Investment Manager on acquisitions; the Administrator on asset and distribution levels; the Registrar and Broker on shareholdings and the use of third-party tax advisers to monitor REIT compliance requirements.	**Probability:** Low **Impact:** Moderate to High **Movement:** No change
POLITICAL/ECONOMIC RISKS		
13. General political/economic environment		
Political and macroeconomic events present risks to the real estate and financial markets that affect the Company and the business of its tenants. The level of uncertainty that such events bring has been highlighted in recent times, most pertinently the effects of the Ukraine war. In addition, the current inflationary environment continues to drive-up energy and commodity prices. This might further damage consumer and investor sentiment as real income and wealth levels are reduced.	The Board considers the impact of political and macroeconomic events when reviewing strategy.	**Probability:** High **Impact:** Moderate to High **Movement:** No change

Principal Risks and Uncertainties *(continued)*

Principal risks and their potential impact	How risk is managed	Risk assessment
POLITICAL/ECONOMIC RISKS *(continued)*		
14. Environmental transition risk		
Failure to identify and mitigate the transition risk for climate change could lead to the Company holding stranded assets and lead to a negative impact on its reputation. Failure by the Company to meet required regulatory standards could lead to increased stakeholder concern and negative feedback.	The Company has engaged specialist environmental consultants to advise the Board on compliance with regulatory requirements and adopting best practice where possible. All prospective acquisitions and asset management initiatives are influenced by environmental assessments undertaken by the Company, such as ensuring they are in conformance with the Minimum Energy Efficiency Standard ('MEES') Regulations. An Asset Sustainability Action Plan ('ASAP') initiative has been introduced by the Company, which tracks environmental initiatives across the portfolio on an asset-by-asset basis for targeted, relevant and specific implementation of environmental improvements.	**Probability:** Moderate **Impact:** Moderate **Movement:** No change
15. Physical risk to properties		
The risk of physical damage to properties as a result of environmental factors such as flooding and natural fires. In the long-term, changes in climate and/or weather systems may mean properties become unviable to tenants.	The Company obtains environmental surveys for all acquisitions, which mitigate the short-term risk of climate-related damage to properties owned. The Investment Manager's asset management team perform regular site visits to the Company's properties in order to continually assess the physical risk posed to them. This includes climate resilience assessments.	**Probability:** Low **Impact:** Moderate to High **Movement:** No change

Stakeholder Engagement

s172 Statement

The Directors' overarching duty is to promote the success of the Company for the benefit of its stakeholders, having regard to the interests of its other stakeholders, as set out in section 172 of the Companies Act 2006 (the 'Act'). The Directors have considered each aspect of this section of the Act and consider that the information set out below is particularly relevant in the context of the Company's business as an externally managed investment company which does not have any employees or suppliers.

We set out in the table below our key stakeholders, the nature of their relationship with the Company and Board, their key interests and how we engage with those stakeholders.

Our relationships with stakeholders are factored into Board discussions and decisions made by the Board will consider the impact on the stakeholders, in accordance with s172 of the Act.

Stakeholder	Interests	Engagement
Investors Our shareholders are impacted directly by the financial performance of the Company through dividends and share price movements. They also play an important role in monitoring the governance of the Company.	– Sustainable growth of the Company and achieving target returns – Good relationship with the Company and Board – Effective structure and control framework – Impact of the Company on the wider community and environment – Reputation of the Company	– AGM, Annual Report, regulatory announcements – Quarterly update report and other key information published on the website – Roadshows, meetings and presentations via the Investment Manager
Service providers Key functions of the Company are outsourced to third-party suppliers, including investment management, property management, administration, company secretarial, registrar, depositary and legal services. It is important to develop strong long-term working relationships with these providers to enhance the efficiency of the Company's operations, as well as that of the providers themselves.	– Relationship with the Company and Board – Fair contract terms and service-level agreements – Reputation of the Company – The Company's performance and long-terms prospects	– Effective and regular communication – Service-level agreements – Formal tender processes where appropriate
Tenants The Company's strategy in relation to its individual assets will directly affect the tenants in occupation of those assets.	– Good communication and relationship with the Company as landlord – Fair lease terms – Long-term strategy for the asset in line with the objectives of the tenant's activities	– Site visits and face-to-face meetings through the Investment Manager – Formal negotiations – Ongoing communication through the property manager

Stakeholder Engagement *(continued)*

Stakeholder	Interests	Engagement
The wider community and environment The Company's physical real estate assets have a direct impact on their local communities depending on their primary use and on the environment through their emissions and energy usage.	– Impact of properties and their business plans on the local economy – Impact of properties on the attractiveness and appeal of the local area – Energy efficiency and greenhouse gas emissions	– Publishing of Sustainability Disclosure Report and Greenhouse Gas Emissions Statement – Global Real Estate Sustainability Benchmark ('GRESB') reporting – Communication with local authorities via Investment Manager

Principal decisions made by the Board

The principal decisions made by the Board during the year are summarised below.

Dividends

The Board is committed to delivering on its target of paying dividends of 8.00 pps per annum, continuing the Company's track record in paying dividends at this level.

Continued focus on sustainability impact and GRESB score

The Board has continued its focus on responsible business practices. More details can be found in the Directors' Report on pages 60 to 78. The Investment Manager meets regularly with its ESG consultant, Evora, to consider initiatives to improve the Company's GRESB score.

Oversight of Investment Manager and Review of Investment Activities

The Board is responsible for the ongoing review of investment activity and performance and the control and supervision of the Investment Manager. During the year, the following key investment activities were reviewed by the Board:

- The acquisition of The Railway Centre, Dewsbury;
- The acquisition of JD Gym, Glasgow;
- The acquisition of Next, Bromley;
- The acquisition of Northgate House, Bath;
- The acquisition of Matalan, Preston;
- The disposal of Moorside Road, Swinton;
- The disposal of Eastpoint Business Park, Oxford;
- The disposal of Bath Street, Glasgow;
- The disposal of Clarke Road, Milton Keynes;
- The disposal of Mark Road, Hemel Hempstead; and
- The re-financing of the Company's loan facility, which is now held with AgFe, having previously been held with RBSi. Further information is provided on page 4.

Further details of the property transactions can be found in the 'Property Portfolio' section of the Investment Manager's Report.

Stakeholder Engagement *(continued)*

Principal decisions made by the Board *continued*

Appointment of Non-Executive Director	On 9 November 2022, as part of ongoing succession planning, the Board appointed Mr Mark Kirkland as Non-Executive Director following an extensive search, interview and recruitment process. With the assistance of Trust Associates, the Board shortlisted and interviewed potential candidates and concluded that Mr Kirkland was an exceptional candidate given his financial background and experience.

Further information on the Company's engagement with stakeholders and its ESG policy can be found on page 62 to 64.

Approval

The Strategic Report has been approved and signed on behalf of the Board by:

Mark Burton
Chairman

20 June 2023

Governance

Board of Directors

Mark Burton, non-executive Chairman
(aged 75)

Mr Burton currently serves as a board member of Atelier Capital Partners Limited. He also sits on the real estate advisory board for Norges Bank Investment Management. Mr Burton qualified as a Chartered Surveyor, has been a member of the UK Government Property Advisory Group and was formerly chairman of The Investment Property Forum and Urban Land Institute UK. In 2001, Mr Burton became chief investment officer of the real estate department at Abu Dhabi Investment Authority, subsequently performing the same role at Abu Dhabi Investment Council in 2007 from where he retired in 2010.

Appointed: 9 April 2015

Bimaljit ("Bim") Sandhu, non-executive Director
(aged 61)

Mr Sandhu is chief executive officer and owner of The Santon Group which has developed over £1.4 billion of property. The Santon Group has won a number of environmental awards and has been involved in a number of regeneration schemes. He is an independent non-executive director and chairman of the audit committee of Africa Logistics Properties Holdings Limited and non-executive director and member of the audit committee of The Conygar Investment Company PLC. Mr Sandhu was, until its sale in May 2021, a non-executive director of, and major investor in, Hyperdrive Innovation, a multiple award winning company, which seeks to provide more environmentally friendly energy solutions for clients in diverse industries. He is chairman of The Sandhu Charitable Foundation that supports a number of charities that have a social impact both in the UK and overseas. Mr Sandhu was a founder and chief executive officer of Raven Mount plc, a co-founder of Raven Property Group Limited, which he helped to list on AIM raising over £450 million, and chief executive officer of the external fund manager to that company. In the 1990s, Mr Sandhu was managing director of the UK operations of the then publicly listed Australian developer Hudson Conway and represented their 50% interest as a director of the 5,000 strong pub unit, The Courage Pub Company plc. Mr Sandhu is a Fellow of the Institute of Chartered Accountants, having qualified as a Chartered Accountant with KPMG in London. Following qualification, he became secretary of the KPMG UK Property & Construction Group. He has an MBA from Bayes Business School and is a Fellow of the Institute of Directors.

Appointed: 9 April 2015

Katrina Hart, non-executive Director
(aged 49)

Mrs Hart spent her executive career in corporate finance and equity research advising, analysing and commenting on a broad range of businesses operating in the wealth and asset management sectors. During this period, she accumulated an in-depth understanding of the dynamics and operational drivers of fund management and worked very closely with some of the most respected companies in the sector. Latterly, she was a highly rated financials analyst at HSBC, Bridgewell Group Plc and headed up the financials research team at Canaccord Genuity Inc. Mrs Hart is a non-executive director and Chairman Designate of BlackRock Frontiers Investment Trust plc, Keystone Positive Change Investment Trust plc, JP Morgan UK Smaller Companies Trust plc and Montanaro Asset Management Limited. Mrs Hart was formerly a non-executive director of Premier Miton Group Plc and of Polar Capital Global Financials Trust plc.

Appointed: 5 June 2017

Mark Kirkland, non-executive Director
(aged 55)

Mr Kirkland qualified as a Chartered Accountant with PricewaterhouseCoopers in London and has extensive corporate experience gained over 30 years, having held numerous senior roles in both public and private companies. Mr Kirkland's initial career was in corporate finance, predominately with UBS Limited. He has been CFO of numerous public and private companies and latterly was CEO of Delin Property, a pan-European logistics developer, investor, and manager. He is currently an Executive Director of Kelso Group Holdings plc, Non-Executive Director of Strix Group plc and an Advisor to DP World.

Appointed: 9 November 2022

Corporate Governance Statement

This Corporate Governance Statement comprises pages 45 to 50 and forms part of the Directors' Report.

Statement from the Chair

The Company is committed to maintaining high standards of corporate governance and considers that reporting against the principles and recommendations of the AIC Code of Corporate Governance issued in February 2019 (the 'AIC Code'), provides better information to shareholders as it addresses all the principles set out in the 2018 UK Corporate Governance Code (the 'UK Code'), as well as setting out additional principles and recommendations on issues that are of specific relevance to investment trusts, and is endorsed by the Financial Reporting Council (the 'FRC'). The terms of the FRC's endorsement mean that AIC members who report against the AIC Code fully meet their obligations under the UK Code and the related disclosure requirements contained in the Listing Rules. The AIC Code is available from the AIC website at theaic.co.uk. A copy of the UK Code can be obtained at frc.org.uk.

The Board recognises the importance of a strong corporate governance culture and has established a framework for corporate governance which it considers to be appropriate.

The UK Code includes provisions relating to:

- the role of the chief executive; and
- executive directors' remuneration.

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

The Board has reviewed the principles and recommendations of the AIC Code and considers that the Company has complied with these throughout the year, except as disclosed below:

- given the size of the Board, it is not considered necessary to appoint a senior independent director; and
- given the structure and size of the Board, the Board does not consider it necessary to appoint separate management engagement, nomination and remuneration committees. The roles and responsibilities normally reserved for these committees are matters for the Board.

The Board of Directors

Under the leadership of the Chairman, the Board of Directors is collectively responsible for the long-term sustainable success of the Company. It provides overall leadership, sets the strategic aims of the Company and ensures that the necessary resources are in place for the Company to meet its objectives and fulfil its obligations to shareholders within a framework of high standards of corporate governance and effective internal controls. The Directors are responsible for determining of the Company's investment policy and investment strategy and have overall responsibility for the Company's activities, including the review of investment activity and performance, and supervision of the Investment Manager.

The Board consists of four non-executive Directors. It seeks to ensure that it has an appropriate balance of skills and experience, and considers that, collectively, the Directors have substantial recent and relevant experience of the property sector, investment trusts, and financial and public company management.

The terms and conditions of the appointment of Directors are formalised in letters of appointment, copies of which are available for inspection from the Company's registered office. None of the Directors has a contract of service with the Company. On appointment, non-executive Directors undertake that they will have sufficient time to meet the expectations of the role. Directors are not entitled to any compensation for loss of office.

Corporate Governance Statement *(continued)*

Chairman

The Chairman leads the Board and is responsible for its overall effectiveness in directing the Company. He promotes a culture of openness and debate and facilitates constructive Board relations and the effective contribution of all Directors. In liaison with the Company Secretary, he ensures that the Directors receive accurate, timely and clear information.

The Chairman was independent on appointment and is deemed by his fellow Board members to be independent in character and judgement and free of any conflicts of interest. He considers himself to have sufficient time to spend on the affairs of the Company. Mr Burton has no significant commitments other than those disclosed in his biography on page 44.

The document setting out the responsibilities of the Chairman is available on the Company's website. The Board's policy is that the Chairman will serve for a maximum of nine years in order to be consistent with the requirement for regular Board refreshment and diversity.

Board Operation

The Board has adopted a formal schedule of matters reserved for decision by the Board, a copy of which is available on the Company's website. These matters include:

- responsibility for the determination of the Company's investment objective and policy;
- overall responsibility for the Company's activities, including the review of investment activity, gearing, performance and supervision of the Investment Manager;
- approval of Annual and Half-Yearly Reports and Financial Statements and accounting policies, prospectuses, circulars and other shareholder communications;
- raising new capital and approval of financing facilities;
- approval of the valuation of the Company's portfolio of assets;
- approval of the NAV of the Company;
- Board appointments and removals; and
- appointment and removal of the Investment Manager, Auditor and the Company's other service providers.

Board Meetings

The Company has four scheduled Board meetings a year with additional meetings held to approve NAVs and dividends and other meetings arranged as necessary. At each Board meeting, the Directors follow a formal agenda which is circulated in advance by the Company Secretary. The Administrator, Investment Manager and the Company Secretary regularly provide the Board with financial information, together with briefing notes and papers in relation to changes in the Company's economic and financial environment, statutory and regulatory changes and corporate governance best practice. A description of the Company's risk management and internal control systems is set out on page 50.

The Company's main functions are delegated to a number of service providers, each engaged under separate contracts. The management of the Company's portfolio is delegated to the Investment Manager, who manages the assets in accordance with the Company's investment objective and policy. At each Board meeting, representatives from the Investment Manager attend to present reports to the Directors covering the Company's current and future activities, portfolio of assets and its investment performance over the preceding period. The Board and the Investment Manager operate in a fully supportive, co-operative and open environment and communication with the Board is maintained between scheduled meetings.

Corporate Governance Statement *(continued)*

Board Committees

The Company has one Committee, the Audit Committee. Given the composition and the size of the Board, the roles and responsibilities normally reserved for the management engagement, nomination and remuneration committee are instead matters for the Board. The Audit Committee's delegated responsibilities are clearly defined in formal terms of reference, which are available on the Company's website.

The Audit Committee comprises all the non-executive Directors and is chaired by Mr Sandhu, who has recent and relevant financial experience. Given the size and nature of the Board, it is felt appropriate that all Directors are members of the Audit Committee. The Board is satisfied that the combined knowledge and experience of its members is such that the Committee discharges its responsibilities in an effective, informed and challenging manner. The Committee as a whole has competence relevant to the investment trust sector. Further details about this Committee and its activities can be found on pages 51 to 54.

Meeting Attendance

The table below sets out the number of Board and Committee meetings attended by each Director during the year ended 31 March 2023.

	Board meetings		**Audit Committee meetings**	
	Number of meetings	Number attended	Number of meetings	Number attended
Mark Burton	12	12	2	2
Bim Sandhu	12	12	2	2
Katrina Hart	12	12	2	2
Mark Kirkland*	3	3	1	1

* Appointed on 9 November 2022. Mr Kirkland attended all meetings he was eligible to attend.

Performance Evaluation

The Board has a formal process to evaluate its performance annually. The Chairman acts on the results of the evaluation by recognising the strengths and addressing any weaknesses of the Board, as appropriate. The evaluation of the Chairman is carried out by the other Directors of the Company, led by the Audit Committee Chairman. The evaluation covers:

- the performance of the Board and the Audit Committee, including how Directors work together as a whole;
- the balance of diversity, skills, experience, independence and knowledge of the Directors; and
- individual performance, particularly considering whether each Director continues to make an effective contribution.

The Board seeks to ensure that it has an appropriate balance of skills and experience, and considers that, collectively, it has substantial recent and relevant experience of investment trusts, the UK real estate sector, and financial and capital markets.

Directors' Independence

The Board considers and reviews the independence of each non-executive Director on an annual basis as part of the Directors' performance evaluation. In carrying out the review, consideration is given to factors such as their character, judgement, commitment and performance on the Board and Audit Committee. Following review, all Directors are considered to be independent of the Investment Manager and free from any business or other relationship that could materially interfere with the exercise of his or her independent judgement. The Board leads the appointment process for any new Directors via the use of an independent search firm.

Corporate Governance Statement *(continued)*

Diversity

Board Diversity

The Board's policy on diversity is to ensure that the Directors on the Board have a broad range of experience, skills and knowledge, with diversity of thinking, background and perspective. Appointments to the Board are made on merit against objective criteria, having regard to the benefits of diversity and the current and future needs of the business and the other factors set out in the AIC Code.

Diversity, including, but not limited to, gender, social background, ethnicity, age, sexual orientation, disability and professional and industry specific knowledge, is an important consideration in ensuring that the Board and its committees have the right balance of skills, experience, independence and knowledge necessary to discharge their responsibilities. The committee notes the new FCA rules on diversity and inclusion on company boards, namely, that from accounting periods starting on or after 1 April 2022:

(a) At least 40% of individuals on the Board to be women;

(b) At least one senior Board position to be held by a woman; and

(c) At least one individual on the Board to be from a minority ethnic background.

The committee continues to develop its succession planning in line with these recommendations. In accordance with Listing Rule 9 Annex 2.1, the below tables, in prescribed format, show the gender and ethnic background of the Directors at the date of this Report.

	Number of Board members	Percentage on the Board	Number of senior positions on the Board
Men	3	75%	1
Women	1	25%	–
Not specified/prefer not to say	–	–	–

	Number of Board members	Percentage on the Board	Number of senior positions on the Board
White British or other White (including minority white groups)	3	75%	1
Mixed/Multiple ethnic groups	–	–	–
Asian/Asian British	1	25%	–
Black/African/Caribbean/Black British	–	–	–
Other ethnic group, including Arab	–	–	–
Not specified/prefer not to say	–	–	–

The data in the above tables was collected through self-reporting by the Directors.

As at 31 March 2023 the Board comprised of four members. The gender breakdown is as follows: 1 (25% female); 3 (75% male). Each Board member is also a Director of the Company's subsidiary, AEW UK REIT 2015 Limited.

Corporate Governance Statement *(continued)*

Director Induction and Training

All Directors receive an induction on joining the Board and other relevant training as necessary. As the business environment changes, it is important to ensure the Directors' skills and knowledge are refreshed and updated regularly. Accordingly, the Company Secretary ensures that updates on corporate governance, regulatory and technical matters are provided to Directors at Board meetings. In this way, Directors keep their skills and knowledge relevant so as to enable them to continue to fulfil their duties effectively. Each Director has access to the advice and services of the Company Secretary, who is responsible to the Board for ensuring that Board procedures are followed and that applicable rules and regulations are complied with. Mark Kirkland was appointed to the Board on the 9 November 2022 and was provided with a full induction programme. The programme covered the Company's investment strategy, policies and practices. Mark Kirkland was also given key information on the Company's regulatory and statutory requirements, including information on the role of the Board, matters reserved for its decision, the terms of reference for the Board Committees, the Company's corporate governance practices and procedures and the latest financial information.

Directors' Conflicts of Interest

Directors have a statutory duty to avoid situations in which they have or may have interests that conflict with those of the Company, unless that conflict is first authorised by the Board. This includes potential conflicts that may arise when a Director takes up a position with another company. The Company's Articles of Association allow the Board to authorise such potential conflicts and there is a procedure in place to deal with any actual or potential conflict of interest. The Board deals with each appointment on its individual merit and takes into consideration all relevant circumstances. A register of conflicts is maintained by the Company Secretary and is reviewed at Board meetings to ensure that any authorised conflicts remain appropriate. The Directors are required to confirm at these meetings whether there has been any change to their position.

Re-election and Tenure of Directors

The Board recognises the value of regular refreshment of its composition and remains committed to ensuring that it has the right mix of skills and experience that are aligned with the evolution and strategic plans of the Company, while maintaining its independence of character and judgement.

In accordance with the requirements of the AIC Code, the Board has adopted a policy whereby all Directors stand for annual re-election and no Director will serve for a period of more than nine years.

On the basis of the performance evaluation process, the Board considers that all Directors continue to be effective, committed to their roles and have sufficient time available to perform their duties. The Board therefore believes that it is in the best interests of shareholders that each of the Directors is re-elected at the forthcoming AGM.

Succession Planning

The composition of the Board and succession planning are kept under review by the Board and reviewed annually as part of the Board evaluation process in order to ensure an orderly refreshment of the Board. Succession planning was a key focus of the Board during the year following its assessment of the tenure of current Board members and will continue to be a focus. In September 2022, the Board engaged Trust Associates, an independent external search consultancy with no connection to the Company or its Directors to assist with recruitment. With the assistance of Trust Associates, and following an extensive external search, the Board appointed Mark Kirkland as Non-Executive Director and Audit Committee Chairman designate with effect from 9 November 2022. The Board shortlisted and interviewed potential candidates and concluded that Mr Kirkland was an exceptional candidate given his financial background and experience. As part of the orderly succession planning, Mr Kirkland will also become Chairman of the Audit Committee upon Mr Sandhu's retirement from the Board. The Board is of the view that Mr Kirkland has the recent and relevant financial experience required to carry out the role of Audit Committee Chairman.

Culture

The Directors are aware that establishing and maintaining a healthy culture amongst the Board and in its interaction with the Investment Manager, other service providers, shareholders and other stakeholders will support the delivery of the Company's purpose, values and investment strategy. The Board seeks to promote a culture of openness, transparency and integrity through ongoing dialogue and engagement with its stakeholders, principally the Investment Manager.

Corporate Governance Statement *(continued)*

The Company has a number of policies and procedures in place to assist with maintaining a culture of good governance including those relating to diversity, Directors' conflicts of interest and Directors' dealings in the Company's shares. The Board assesses and monitors compliance with these policies as well as the general culture of the Board regularly through Board meetings and in particular during the annual evaluation process.

The Board seeks to appoint the best possible service providers and evaluates their services on a regular basis as described on page 62. The Board considers the culture of the Investment Manager and other service providers, including their policies, practices and behaviour, through regular reporting from these stakeholders and in particular during the annual review of the performance and continuing appointment of all service providers.

Internal Control Review

The Board is responsible for the systems of internal controls relating to the Company, including the reliability of the financial reporting process, and for reviewing the systems' effectiveness. The Directors have reviewed and considered the guidance supplied by the FRC on risk management, internal control and related finance and business reporting, and an ongoing process is in place for identifying, evaluating and managing the principal and emerging risks faced by the Company. This process, together with key procedures established with a view to providing effective financial control, was in place during the year under review and at the date of this report.

The internal control systems are designed to ensure that proper accounting records are maintained, that the financial information on which business decisions are made and which is issued for publication is reliable, and that the assets of the Company are safeguarded.

The risk management process and systems of internal control are designed to manage rather than eliminate the risk of failure to achieve the Company's objectives. It should be recognised that such systems can only provide reasonable, not absolute, assurance against material misstatement or loss.

The Directors have carried out a review of the effectiveness of the systems of internal control as they have operated over the period and up to the date of approval of the Annual Report and Financial Statements. There were no matters arising from this review that required further investigation and no significant failings or weaknesses were identified.

Internal Control Assessment Process

Robust risk assessments and reviews of internal controls are undertaken regularly in the context of the Company's overall investment objective.

The following are the key internal controls which the Company has in place:

- a risk register has been maintained against which identified and emerging risks as well as the controls in place to mitigate those risks can be monitored. The risks of any failure of internal controls are identified in the risk matrix, which is regularly reviewed by the Board through the Audit Committee and the impact of such risks is also assessed. The principal and emerging risks and uncertainties identified from the risk matrix can be found in the Strategic Report on pages 34 to 40;
- a procedure to monitor the compliance status of the Company to ensure that it can continue to be approved as a REIT;
- the Investment Manager and the Administrator prepare forecasts and management accounts which allow the Board to assess performance; and
- the controls employed by the Investment Manager and other third party service providers, as evidenced by their ISAE 3402 or equivalent reports, are periodically reviewed by the Audit Committee, and there are agreed and defined investment criteria, specified levels of authority and exposure limits in relation to investments, leverage and payments.

Over and above the ongoing process, as part of the year-end reporting process, the Board receives letters of comfort from the Investment Manager, Company Secretary, Administrator and Registrar regarding their internal controls, accompanied by their ISAE 3402, or equivalent reports, if available. Following the review of these submissions from service providers, the Board has determined that the effectiveness of the systems of internal control was satisfactory.

AGM

The Company's AGM will take place on 14 September 2023. The notice of this meeting and details of the resolutions to be put to the AGM are contained in the circular sent to shareholders with this report and are available on the Company's website.

Report of the Audit Committee

I am pleased to present the Report of the Audit Committee for the year ended 31 March 2023.

Meetings

The Audit Committee met twice during the year and once following the year-end. Details of the composition of the Audit Committee are set out in the Corporate Governance Statement on page 47 along with details on how the Committee's evaluation process was conducted.

Role of the Audit Committee

The Audit Committee assists the Board in discharging its responsibilities with regard to financial reporting, external audit and internal controls, including:

- monitoring the integrity of the financial statements of the Company, including its Annual and Half-Yearly Reports, and reviewing significant financial reporting issues and judgements which they contain;
- reviewing the content of the Annual Report and Financial Statements and advising the Board on whether, taken as a whole, it is fair, balanced and understandable and provides the information necessary for shareholders to assess the Company's position and performance, prospects, business model and strategy;
- keeping under review the adequacy and effectiveness of the Company's risk management systems, reviewing the principal and emerging risks facing the Company; and reviewing and approving the statements to be included in the Annual Report concerning internal controls and risk management;
- reviewing the scope and effectiveness of the audit process undertaken by the Auditor;
- conducting the tender process and making recommendations to the Board in relation to the appointment, re-appointment or removal of the Auditor and approving its remuneration and terms of engagement;
- reviewing and monitoring the Auditor's independence, objectivity and effectiveness; and
- reviewing any non-audit services to be provided by the Auditor and monitoring the level of fees payable in that respect.

Matters Considered During the Year

The Audit Committee receives reports from external advisers and from the Investment Manager, as required, to enable it to discharge its duties.

The main activities undertaken during the year, and to the date of this Annual Report, were that the Audit Committee:

- reviewed the internal controls and risk management systems of the Company and its third party service providers;
- agreed the plan and fees with the Auditor in respect of the review of the Half-Yearly Report for the six months ended 30 September 2022 and the statutory audit of the Annual Report for the year ended 31 March 2023, including the principal areas of focus;
- received and discussed with the Auditor its report on the results of the review of the Half-Yearly Report and the year-end audit;
- reviewed the Annual and Half-Yearly Reports and recommended these to the Board for approval;
- reviewed the performance and effectiveness of the Auditor and considered its fees;
- reviewed the non-audit services provided by the Auditor and the associated fees incurred; and
- reviewed Knight Frank's valuation of investment properties.

Report of the Audit Committee *(continued)*

Significant Issues Considered by the Audit Committee

Valuation of Investment Properties
The Audit Committee determined that the key area of risk in relation to the financial statements of the Company was the valuation of the investment properties. The 36 properties in the portfolio as at 31 March 2023 were externally valued by qualified independent valuers, using the internationally accepted Royal Institution of Chartered Surveyors ('RICS') Valuation – Professional Standards, and whilst comparable market transactions provide valuation evidence, there are assumptions which involve significant levels of judgement. The Audit Committee considered the quarterly and year-end valuations of the Company's portfolio which were discussed with the Investment Manager and the Auditor during the audit of the financial statements.

In addition, the Audit Committee considered the Company's short and medium-term cash flows, dividend cover and Property Income Distribution ("PID") and non-PID distributions.

Internal Controls
The Audit Committee carefully considers the internal control systems by regularly monitoring the services and controls of its third party service providers.

The Audit Committee reviewed and, where appropriate, updated the risk matrix during the year to take account of principal and emerging risks. It received reports on internal control and compliance from the Investment Manager and the Company's other service providers and no significant matters of concern were identified.

Internal Audit
The Company does not have an internal audit function. During the year, the Audit Committee reviewed whether an internal audit function would be of value and concluded that this would provide minimal additional comfort at considerable extra cost to the Company. While the Audit Committee believes that the existing system of monitoring and reporting by third parties remains appropriate and adequate, it will actively continue, on an annual basis, to consider possible areas within the Company's control environment which may need to be reviewed in detail.

Maintenance of REIT Status
The Audit Committee monitored the compliance status of the Company and considered the requirements for the maintenance of REIT status.

Going Concern and Long-term Viability of the Company
The Audit Committee considered the Company's financial requirements for the next 12 months and concluded that it has sufficient resources to meet its commitments. Consequently, the financial statements have been prepared on a going concern basis. The Audit Committee also considered the longer-term viability statement covering a five-year period, and the underlying factors and assumptions which contributed to the Committee deciding that this was an appropriate length of time to consider the Company's long-term viability. The Company's going concern statement and the viability statement can be found on pages 60 and 61.

Report of the Audit Committee *(continued)*

Audit Fees and Non-audit Services

The Audit Committee has sole responsibility for agreeing the audit fee in consultation with the Investment Manager, based on the scope of the audit. The total audit fees for the year ended 31 March 2023 can be found in note 5 to the financial statements. During the year ended 31 March 2023, the Audit Committee reviewed the policy on the engagement of the Auditor to supply non-audit services, taking into account the recommendations of the FRC. All non-audit services are reviewed by the Audit Committee, which makes recommendations to the Board for the provision of each non-audit service and ensures that the statutory auditor is not engaged to perform work that is prohibited under UK law.

The Auditor is permitted to provide non-audit related services where the work involved is closely related to the work performed in the audit.

These include:

- reviews of interim financial information;
- reporting on internal financial controls when required by law or regulation;
- reporting required by law or regulation to be provided by the Auditor; and
- prospectus/capital markets reporting.

The policy was reviewed and its application monitored by the Audit Committee during the year and it was agreed that the policy remained appropriate for the Company.

	Year ended 31 March 2023	Year ended 31 March 2022
Audit		
Statutory audit of Annual Report and Financial Statements	£168,000	£120,000
	£168,000	**£120,000**
Non-audit		
ISRE 2410 (interim review fee)	£31,000	£26,000
	£31,000	**£26,000**
Total fees paid to BDO LLP	**£199,000**	**£146,000**
Percentage of total fees attributed to non-audit services	**16%**	**18%**

Report of the Audit Committee *(continued)*

Independence and Objectivity of the Auditor

It is the Audit Committee's responsibility to monitor annually the performance, objectivity and independence of the Auditor. In evaluating BDO LLP's ('BDO') performance, the Audit Committee examined five main criteria – robustness of the audit process, independence and objectivity, quality of delivery, quality of people and service, and value-added advice.

Having carried out the above review, the Audit Committee was satisfied with the Auditor's performance and that the engagement of BDO to provide the non-audit services were appropriate, and did not compromise its objectivity and independence.

External Audit Process

The Audit Committee reviews the effectiveness of the external audit carried out by the Auditor on an annual basis. At least twice a year, the Audit Committee meets with the Auditor, once at the planning stage before the audit and once after the audit at the reporting stage. The Auditor provides a planning report in advance of the annual audit, a report on the annual audit and a report on its review of the interim financial statements. The Audit Committee has an opportunity to question and challenge the Auditor in respect of each of these reports.

During the period under review BDO carried out the half year review for the Company. The Chairman of the Audit Committee maintains regular contact with the audit partner throughout the year. In addition, at least once a year, the Audit Committee has an opportunity to discuss any aspect of the Auditor's work with the Auditor in the absence of the Investment Manager. After each audit, the Audit Committee reviews the audit process and considers its effectiveness. The review of the 2023 audit concluded that the audit process had generally worked well and no significant issues were identified specifically in relation to the Company.

We consider that the audit team assigned to the Company by BDO has a good understanding of the Company's business which enables it to produce a detailed, high-quality, in-depth audit and permits the team to scrutinise and challenge the Company's financial procedures and significant judgments. We ask the Auditor to explain the key audit risks and how these have been addressed. We also considered BDO's internal quality control procedures and transparency report and found them to be sufficient. Overall, the Committee is satisfied that the audit process is transparent and of good quality and that the Auditor has met the agreed audit plan.

Bim Sandhu
Audit Committee Chairman

20 June 2023

Directors' Remuneration Policy

The Directors' remuneration policy is put to a binding shareholder vote at least once every three years. Accordingly, the remuneration policy will be put to shareholders at the forthcoming AGM. It is intended to take effect from the conclusion of that meeting and continue for the year ending 31 March 2023. The proposed remuneration policy is set out below.

Reumeration Policy

The Company follows the recommendation of the AIC Code that non-executive Directors' remuneration should reflect the time commitment and responsibilities of the role. The Board's policy is that the remuneration of non-executive Directors should reflect the experience of the Board as a whole and be determined from time to time at the Board's discretion with reference to comparable organisations and appointments.

All Directors are non-executive, appointed under the terms of Letters of Appointment, and none have a service contract. The Company has no employees.

The non-executive Directors of the Company are entitled to such rates of annual fees as the Board at its discretion shall from time to time determine, subject to the aggregate annual fees not exceeding £400,000, and reimbursement of reasonable fees and expenses incurred by them in the performance of their duties. In line with the majority of investment trusts, no component of any Director's remuneration is subject to performance factors. There are no provisions in the Directors' Letters of Appointment for recovery or withholding of fees or expenses. Annual fees are pro-rated where a change takes place during a financial period and the fees for any new Director appointed will be in accordance with this Remuneration Policy. The Board may agree to the payment of reasonable additional remuneration for the performance of any special duties or services outside the ordinary duties of a Director.

The Company is committed to ongoing shareholder dialogue and any views which are expressed by shareholders on the fees being paid to Directors would be taken into consideration by the Board when reviewing the Directors' Remuneration Policy and in the annual review of Directors' fees.

Table of Directors' Remuneration Components	**Expected fees for the year ending 31 March 2023**
Chairman of the Board	£35,000
Chairman of the Audit Committee	£32,500
Non-executive Director	£27,500

Directors’ Remuneration Report

Statement from the Chairman

Given the structure and size of the Board, the Board does not consider it necessary to appoint a separate Remuneration Committee. The Board consists entirely of non-executive Directors and the Board as a whole is responsible for determining the remuneration of each Director and each Director abstains from voting on their own individual remuneration. Directors’ fees from 1 July 2022 to 31 March 2023 were at a level of £35,000 per annum for the Chairman, £32,500 per annum for the Audit Committee Chairman and £27,500 per annum for the other Director. The Directors' remuneration is considered on an annual basis.

The Board met on 13 June 2023 and considered the level of Directors' remuneration for the year ended 31 March 2024 and agreed to increase their remuneration in line with the Consumer Price Index. The resulting remuneration levels were assessed against a peer group of comparable REITs to ensure their suitability. The following increases will take effect from 1 April 2023:

- The Chairman’s fee to increase from £35,000 pa to £38,000 pa
- The Audit Committee Chairman to increase from £32,500 pa to £35,000 pa
- The Non-Executive Directors’ fees to increase from £27,500 pa to £30,000 pa

The Company’s Articles of Association permit the Company to provide pensions or similar benefits for Directors and employees of the Company. However, no pension schemes or other similar arrangements have been established and no Director is entitled to any pension or similar benefits. The Directors are not entitled to any compensation for loss of office. No Director is entitled to any other monetary payment or any assets of the Company. Accordingly, the Single Total Figure table on page 58 does not include columns for any of these items or their monetary equivalents.

Ordinary resolutions to approve the Directors’ remuneration report and Directors’ remuneration policy will be put to shareholders at the forthcoming AGM to be held on 14 September 2023. No significant changes are proposed to the way in which its current Directors’ Remuneration Policy approved by shareholders in 2020 will be implemented during the course of the next financial year.

Voting at AGM

The Directors’ remuneration report for the year ended 31 March 2022 and the Directors’ remuneration policy were approved by shareholders at the AGMs held on 7 September 2022 and 12 September 2020 respectively. The results taken on a poll were as follows:

Remuneration Report 2022	Number of votes cast	Percentage of votes cast
For	36,252,926	99.28
Against	264,104	0.72
Total votes cast	36,517,030	
Number of votes withheld	191,645	

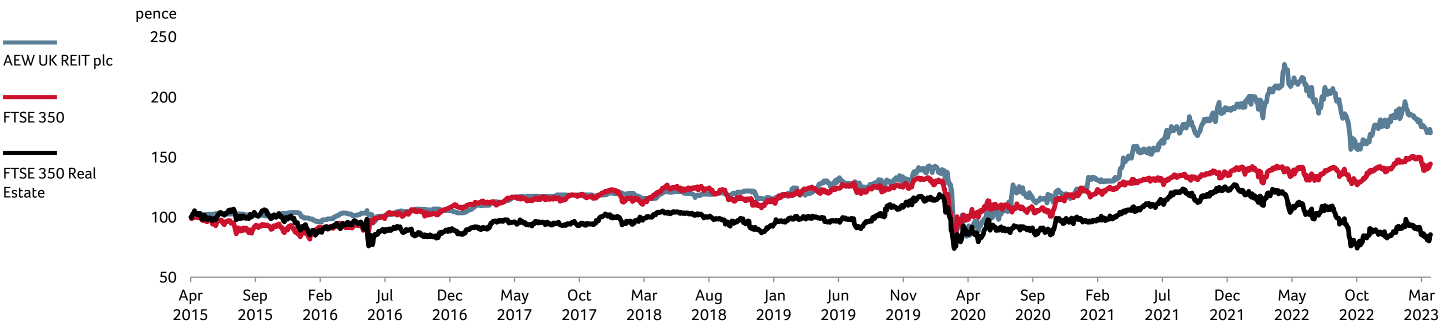
Remuneration Policy 2020		
For	50,766,049	99.74
Against	133,940	0.26
Total votes cast	50,899,989	
Number of votes withheld	36,276	

Directors' Remuneration Report *(continued)*

Performance of the Company

The chart below compares the share price total return (assuming all dividends re-invested) to shareholders compared with the total return on the FTSE 350 and FTSE 350 Real Estate Indices over the period since the inception of the Company. These indices have been chosen as they are considered to be an appropriate benchmark against which to assess the relative performance of the Company.

Cumulative Share Price Total Return



Source: Bloomberg

Directors' Remuneration for the Year Ended 31 March 2023 (audited)

	Fees paid		Total		
Name of Director	**Year ended 31 March 2023**	Year ended 31 March 2022	**Year ended 31 March 2023**	Year ended 31 March 2022	% change in Directors' fees
Mark Burton	£35,000	£35,000	£35,000	£35,000	–
Bim Sandhu	£32,500	£32,500	£32,500	£32,500	–
Katrina Hart	£27,500	£27,500	£27,500	£27,500	–
Mark Kirkland*	£10,894	–	£10,894	–	–
	£105,894	**£95,000**	**£105,894**	**£95,000**	**–**

* appointed 9 November 2022.

There are no further fees to disclose as the Company has no employees or executive directors. The figures detailed in the Directors' Remuneration Report disclose Director remuneration only. There are no variable elements payable to the Directors.

The Company is committed to ongoing shareholder dialogue and any views which are expressed by shareholders on the fees being paid to Directors would be taken into consideration by the Board when reviewing the Directors' Remuneration Policy and in the annual review of Directors' fees.

Directors' Remuneration Report *(continued)*

Annual percentage change in Directors' remuneration

The following table sets out the annual percentage change in Directors' fees for the previous four years to 31 March 2023. The level of Directors' fees were unchanged during these four years.

Director	Year ended 31 March 2023	Year ended 31 March 2022	Year ended 31 March 2021	Year ended 31 March 2020	% Change in total remuneration between 2022 and 2023	% Change in total remuneration between 2021 and 2022	% Change in total remuneration between 2020 and 2022
Mark Burton	35,000	35,000	35,000	35,000	–	–	–
Bim Sandhu	32,500	32,500	32,500	32,500	–	–	–
Katrina Hart	27,500	27,500	27,500	27,500	–	–	–
Mark Kirkland*	10,894	–	–	–	–	–	–

* appointed 9 November 2022.

Relative Importance of Spend on Pay

The table below sets out, in respect of the year ended 31 March 2023:

(a) the remuneration paid to the Directors;

(b) the management fee and expenses which have been included to give shareholders a greater understanding of the relative importance of spend on pay; and

(c) distributions to shareholders by way of dividends.

	Year ended 31 March 2023	Year ended 31 March **2022**
Directors' fees	£105,894	£95,000
Management fee and expenses	£1,548,059	£1,554,751
Dividends paid	£12,673,980	£12,673,980

Directors' Remuneration Report *(continued)*

Statement of Directors' Shareholdings and Share Interests (audited)

Neither the Company's Articles of Association nor the Directors' Letters of Appointment require a Director to own shares in the Company. The interests of the Directors and their persons closely associated in the equity of the Company at 31 March 2023 are shown in the table below:

	Number of Ordinary Shares		% of Total Voting Rights	
Director	**2023**	2022	**2023**	2022
Mark Burton	75,000	75,000	0.05	0.05
Bim Sandhu	1,005,839*	1,005,839 *	0.63	0.63
Katrina Hart	19,145	19,145	0.01	0.01
Mark Kirkland	–	–	–	–

* 100,000 Ordinary Shares held in Mr Sandhu's spouse's name, Mrs Pardeep Sandhu, 425,000 Ordinary Shares held in The Santon Pension Fund (a small self-administered pension scheme ('SSAS') for him and his spouse), 355,839 Ordinary Shares held in The Sandhu Charitable Foundation and 125,000 Ordinary Shares held in his own name.

The Company has not been informed of any changes to the above interests between 31 March 2023 and the date of this report.

Approval

The Directors' Remuneration Report has been approved by the Board of Directors and signed on its behalf by:

Mark Burton
Chairman

20 June 2023

Directors' Report

The Directors' Report, prepared in accordance with the requirements of the Companies Act 2006 and the FCA's Listing Rules and Disclosure Guidance and Transparency Rules, comprises pages 60 to 78 and incorporates the Corporate Governance Statement on pages 45 to 50.

Dividends

The Company pays dividends on a quarterly basis.

The interim dividends paid by the Company are set out in note 11 of the financial statements. No final dividend is being proposed.

Directors

The Directors in office at 31 March 2023 and the date of this report are shown on page 44.

Power of Directors

The Directors' powers are determined by UK legislation and the Company's Articles of Association. The Articles of Association may be amended by a special resolution of the members. The Directors may exercise all of the Company's powers provided that the Articles of Association or applicable legislation do not stipulate that any such powers must be exercised by the members.

Indemnity Provisions

Save for such indemnity provisions in the Company's Articles of Association, there are no qualifying third party indemnity provisions in force. The Board has agreed to a procedure by which Directors may seek independent professional advice, if necessary, and at the Company's expense. The Company has also arranged for appropriate provision of Directors' and Officers' Liability Insurance.

Going Concern

The Directors assessed the Company's ability to continue as a going concern, which takes into consideration current economic uncertainty, as well as the Company's cashflows, financial position, liquidity and borrowing facilities.

As at 31 March 2023, the Company had £14.31 million of cash at bank. The Company's existing RBSi loan facility in place at prior year-end was due to mature in October 2023 and therefore, the Company elected to undertake a re-financing which concluded in May 2022. The re-financed loan is held with AgFe and is a £60.00 million facility with a five-year term. This is priced as a fixed rate loan with a total interest cost of 2.96% and associated 10% projected debt yield and 60% loan to value ("LTV") covenants. The Company reported an LTV of 32.73% at year-end. This provides room for an £83.33 million fall in portfolio valuation before breaching the 60% hard LTV covenant. Moreover, based on the £60.00 million of debt drawn as at year-end, the Company had a projected debt yield of 24.13%, comfortably in excess of the 10% covenant.

The Company benefits from a secure, diversified income stream from a tenancy profile which is not overly reliant on any one tenant or sector, which reduces risk. The Directors also noted that:

- The Company's rent collection has been strong, with 99% of contracted rent either having been collected, or payment plans agreed, for the March 2023 quarter.
- Based on the contracted rent as at 31 March 2023, a reduction of £8.48 million (58.55%) in net rental income could be accommodated before breaching the debt yield covenant in the Company's re-financed debt arrangements.
- Based on the property valuation at 31 March 2023, the Company had room for an £83.33 million (45.45%) fall in portfolio valuation before breaching the maximum LTV hard covenant in the Company's re-financed debt arrangements.
- The Company's cash flow can also be significantly managed through the adjustment of dividend payments.

Directors’ Report *(continued)*

Going Concern *(continued)*

Taking this into consideration, the Directors have reviewed a number of scenarios over 12 months from the date of approval of these financial statements, including a worst-case plausible downside scenario which makes the following assumptions:

- a reduction in net rental income of 30%;
- no new lettings or renewals, other than those where terms have already been agreed;
- a 10% fall in property valuations; and
- no new acquisitions or disposals.

In the above scenario, the Company is forecast to generate a positive cash flow before dividend payments, however it would generate a cash flow much lower than its target dividend of 8 pps per annum. Moreover, the Company is forecast to pass the debt yield covenant during the 12-month period with a minimum projected yield of 17%, compared with the limit of 10%, assuming that no repayments of the facility were to be made.

Given the Company’s substantial headroom against its borrowing covenants, the Directors believe that the Company is well placed to manage its financing and business risks. The Directors are confident that the Company will have sufficient funds to meet its liabilities as they fall due for at least 12 months from the date of approval of the financial statements and therefore the financial statements have been prepared on a going concern basis.

Viability Statement

The Directors have also assessed the prospects of the Company over a period longer than the 12 months required by the ‘Going Concern’ provisions. The Board has considered the nature of the Company’s assets, liabilities and associated cash flows, and has determined that five years up to 31 March 2028 is the maximum timescale over which the performance of the Company can be forecast with a material degree of accuracy and so is an appropriate period over which to assess the Company’s viability. Considerations in support of the assessment of the Company’s viability over a five-year period include:

- the Company re-financed its debt in May 2022. A new £60.00 million, five-year term loan facility has been secured with AgFe, a leading independent asset manager specialising in debt-based investments. The loan is priced as a fixed rate loan with a total interest cost of 2.959%. In the current inflationary environment, the Company considered it prudent to fix the loan, rather than run the risk of further rising rates;
- the Company’s property portfolio has a WAULT of 4.33 years to expiry, representing a secure income stream for the period under consideration;
- the Company benefits from a portfolio which is diversified in terms of sector and location, mitigating the risk of tenant default during the period; and
- most leases contain a five-year rent review pattern and therefore an assessment over five years allows the Directors to assess the impact of the portfolio’s reversion arising from rent reviews.

In assessing the Company’s viability, the Board has carried out a thorough review of the Company’s business model, including future performance, REIT compliance, liquidity, dividend cover and banking covenant tests over a five-year period. The business model is subject to annual sensitivity analysis, which involves flexing a number of key assumptions underlying the forecasts both individually and in aggregate for normal an stressed conditions. The five-year review also considers whether financing facilities will be renewed as required.

The following scenarios were tested, both individually and combined, in an effort to represent a severe but plausible scenario, which might reasonably be expected to arise as a result of the ongoing Ukraine war, amongst other factors:

- a reduction in net rental income of 30%;
- a 10% fall in portfolio valuation; and
- increased periods of vacancy.

Based on the result of this analysis, the Directors have a reasonable expectation that the Company will be able to continue in operation and meet its liabilities as they fall due over the five-year period of their assessment.

Directors' Report *(continued)*

Subsidiary Company

Details of the Company's dormant subsidiary, AEW UK REIT 2015 Limited, can be found in note 19 to the financial statements.

Management Arrangements

AEW UK Investment Management LLP is the Company's Investment Manager and has been appointed as the AIFM. Under the terms of the Investment Management Agreement, the Investment Manager is responsible for the day-to-day discretionary management of the Company's investments subject to the investment objective and policy of the Company and the overall supervision of the Directors. The Investment Manager is entitled to receive a quarterly management fee in respect of its services, calculated at the rate of one-quarter of 0.9% of the prevailing NAV (excluding uninvested proceeds from fundraisings). There is no performance fee. Any investment by the Company into the Core Fund is not subject to management fees or performance fees otherwise charged to investors in the Core Fund by the Investment Manager. The Investment Management Agreement may be terminated by the Company or the Investment Manager giving 12 months' written notice.

Continuing Appointment of the Investment Manager

The Board has reviewed the appropriateness of the continuing appointment of the Investment Manager, ensuring the terms and conditions of the Investment Management Agreement align with the investment policy and investment objective of the Company. It is satisfied that the terms of the Investment Management Agreement remain fair and competitive, and in the best interests of shareholders.

In the opinion of the Directors, the continuing appointment of the Investment Manager is in the interests of shareholders as a whole. This is due to the Investment Manager successfully managing the Company's portfolio, and continuing to apply the Company's investment policy, thereby allowing the Company to continue paying dividends in accordance with the targeted investment objective.

Review of Service Providers

The Board reviews the ongoing performance and the continuing appointment of all service providers of the Company on an annual basis. The Board also considers any variation required to the terms of all service providers' agreements.

A review of all the other service providers was undertaken during the year which concluded that the services provided to the Company were satisfactory and that their continued appointments were in the best interests of the shareholders.

Financial Risk Management

The financial risk management objectives and policies can be found in note 22 to the financial statements.

Social, Community and Employee Responsibility

The Company is an externally managed REIT and has no direct employees. The management of the portfolio has been delegated to the Investment Manager who provides the employees that support the Company. All other functions of the Company have also been outsourced and as the Company has no employees, there is no further reporting in respect of these provisions.

The Investment Manager is an equal opportunities employer who respects and seeks to empower each individual and the diverse cultures, perspective, skills and experiences within its workforce. For further information on the Investment Manager's principles in relation to people including diversity, gender pay, employee satisfaction surveys, wellbeing and retention, please refer to the ESG link within the Corporate Responsibility area at www.aewukreit.com.

The Company is not required to produce a statement on slavery and human trafficking pursuant to the Modern Slavery Act 2015 as it does not satisfy all the relevant triggers under that Act that required such a statement. The Company does, however, closely monitor the policies of its suppliers to ensure that proper provisions are in place.

AEW UK Investment Management LLP, the Investment Manager to the Company, is part of the Natixis Group whose statement on Slavery and Human Trafficking has been published in accordance with the Modern Slavery Act 2015. https://www.im.natixis.com/uk/resources/slavery-and-human-trafficking-statement

Directors' Report *(continued)*

How We Engage With Stakeholders

Investors

The Investment Manager maintains an open dialogue with shareholders and analysts. All feedback is provided to the Board on a regular basis.

The Company provides investors with regular updates on its business activity and financial performance. These quarterly factsheets are available, along with Annual/Half Year accounts and London Stock Exchange RNS announcements, on the Company's website at www.aewukreit.com.

Shareholders are encouraged to contact the Investment Manager to raise any matters of concern and to attend the AGM where possible to meet and discuss the Company's operations with the Board.

The Chairman is available to meet with shareholders to understand their views on governance and the Company's performance where they wish to do so. With assistance from the Investment Manager, during the year the Chairman sought meetings with shareholders who wished to meet with him.

Tenants

The Investment Manager, more specifically the Asset Management team, maintain an ongoing dialogue with tenants either directly or through its appointed property manager. The property manager issues an annual satisfaction survey to all tenants which provides qualitative feedback on their relationship with the property manager and Investment Manager.

Shareholder engagement and investor meetings

During the year, the Company held 19 meetings with approximately 68 potential and existing institutional shareholders. These engagements were attended by the Investment Manager and Liberum, Broker to the Company. Quarterly, the Company also engaged with its retail investors through virtual presentations held on the Investor Meet Company platform.

2023 AGM

The Company's AGM will take place on 14 September 2023 The notice of this meeting and details of the resolutions to be put to the AGM are contained in the circular sent to shareholders with this report and are available on the Company's website. The voting results of the AGM will be published on the Company's website www.aewukreit.com.

The voting results of the AGM will be published on the Company's website www.aewukreit.com.

MIFID II

As an externally managed REIT with a premium listing under Chapter 6 of the FCA's Listing Rules, the PRIIPS (Packaged Retail and Insurance-based Investment Products) regulation applies to the Company. The Company is required to publish a Key Information Document ('KID') that is updated on a semi-annual basis on the Company's website www.aewukreit.com.

Environmental, Social and Governance Policy

The Investment Manager is committed to creating long-term value for shareholders and adheres to a policy of sustainable and responsible investment ('SRI'). The Investment Manager's SRI policy can be found within the Corporate Responsibility area on its website www.aewuk.co.uk. The Investment Manager reviews its Sustainability Policy on an annual basis and it is approved by the Management Committee of the Investment Manager.

Over the coming years, we believe that both occupiers and investors will increasingly focus on the way in which ESG issues are managed. In turn, this is expected to impact on building obsolescence, lettability, rates of lease renewals and ultimately the rental and capital values for individual assets. In recognition of this, the Board believes in open disclosure of ESG performance, including through participation in the annual Global Real Estate Sustainability Benchmark ('GRESB') survey.

GRESB is the dominant global standard for assessing ESG performance for real estate funds and companies. GRESB requires the Company to report against a wide array of ESG matters, and highlights areas for improvement and opportunities for growth.

Directors' Report *(continued)*

Environmental, Social and Governance Policy *(continued)*

The Company uses the annual outcome from GRESB as a benchmark to assess its own sustainability performance.

The Company was awarded two stars from GRESB for 2022 and improved its score to 67 (peer group average 62) from the score of 65 recorded in 2021.

A large portion of the GRESB score relates to data coverage; due to the high percentage of assets with tenant procured utilities, the Company does not score as well as funds with a smaller holding of single-let assets.

Within GRESB, the Company is benchmarked against two dimensions:

(1) **Management** – relating to strategy and leadership management, policies, risk management and stakeholder engagement completed at an entity level. The Company achieved a score of 29 out of 30. This section is dependent on fund level policies and initiatives which are directly applicable to the Company (e.g. Environmental, Governance and Employee Policies).

(2) **Performance** – relating to the measurement of the fund's asset portfolio performance.

The Company achieved a score of 37 out of 70. This score is representative of the fund composition as the Performance dimension is heavily influenced by the level of control landlords have across issues such as energy management, service charge budgets and access to environmental data.

The Investment Manager is in the process of submitting the Company's GRESB assessment for the year from 1 April 2022 to 31 March 2023 and expects to receive the results of the assessment in September 2023.

The Company is committed to improving its transparency of ESG performance and has adopted the European Public Real Estate Association ('EPRA') Best Practice recommendations on Sustainability Reporting 2017.

The progress that the Company has made on ESG issues during the period has been recognised externally, most notably by being awarded the EPRA Sustainability Best Practice Recommendations Silver Award and receiving its Most Improved Award for 2020. This was awarded in addition to the EPRA Gold Medal for Financial Reporting received in the year.

Further information on the Company's engagement with stakeholders can be found on page 63 and the full ESG disclosures for the Company, including Streamlined Energy and Carbon Reporting disclosures, can be found in the EPRA Sustainability Performance Measures on pages 129 to 142.

Our fiduciary duty to shareholders will always come first in all investment decision-making. The Investment Manager offers clients long-term value-based real estate investment solutions. This is delivered via stock selection and asset management of UK commercial real estate. It is the Investment Manager's belief that this financial objective can be achieved simultaneously with a constructive engagement with environmental and social concerns.

The Board believes environmentally responsible fund management means being active, on the ground every day. As such, the Company operates an Environmental Management Systems ('EMS') which is designed to be aligned with ISO4001, to integrate sustainability objectives into the overall business strategy. Our property managers, MAPP, also apply their own internal EMS to all managed assets across the portfolio. All members of the Investment Manager's team have a sustainability objective within their annual performance objectives.

Greenhouse Gas Emissions

Refer to the EPRA Sustainability Performance Measures on pages 129 to 142 for Greenhouse Gas Emissions disclosures.

Directors’ Report *(continued)*

Taskforce on Climate-Related Financial Disclosures

The Board and the Investment Manager recognise the importance of understanding the risks and opportunities presented by climate change, including the potential impact on its business and the value of investments under its management. The following disclosures are intended to provide decision-useful information in a manner consistent with the TCFD. Accordingly, the disclosures are organised thematically, addressing Governance, Strategy, Risk Management, Metrics and Targets. In future reporting periods the Board and the Investment Manager will seek to incorporate TCFD sector-specific guidance.

This is the Company’s third year of voluntary reporting against the TCFD framework; we remain committed to further improvements, in terms of both the quality of disclosures and degree of alignment with the TCFD recommendations. In future reporting periods the Board and the Investment Manager expects its TCFD framework will demonstrate continual refinement of climate-related assessments, as well as integrating more sophisticated and comprehensive risk management practices in day-to-day operations.

1. Governance

Board oversight of climate-related risks and opportunities

The Board is ultimately responsible to stakeholders for the Company’s activities and for oversight of climate-related risks and opportunities. The Board receives quarterly updates from the Investment Manager regarding climate-related issues, activities and initiatives, and progress reports against climate related goals and targets.

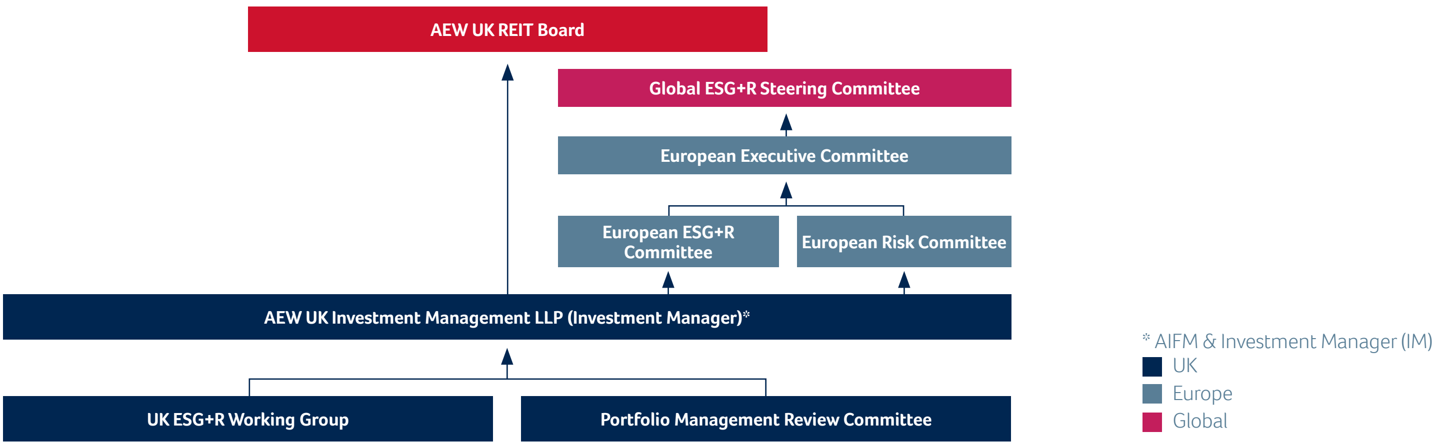
As part of the Audit Committee’s review of ongoing performance and continuing appointment of key service providers, consideration is given to key service providers’ ESG credentials and expertise. The Audit Committee remains responsible for reviewing and approving the content of the Company’s TCFD disclosure. Following Mark Kirkland's appointment as non-Executive Director on 9 November 2022, the Board nominated him as the Board’s “ESG Champion”. The ESG Champion will regularly meet with the Investment Manager to discuss ESG issues including climate-related risks and opportunities facing the Company and will report back to the wider Board as necessary.

The knowledge of the Board on ESG-related matters continues to be enhanced through interaction with the Investment Manager and training. In January 2023, the Board undertook further TCFD training provided by the Investment Manager and AEW’s Head of Sustainable Responsible Investment in Europe to support their understanding of climate change, climate resilience assessment and other ESG risks and opportunities.

The Investment Manager’s role in assessing and managing climate-related risks and opportunities

AEW Global Governance:

AEW’s approach to Environmental, Social, Governance and Resilience issues (“ESG+R”), which includes climate-related risks and opportunities, is integrated into its broader governance practices. AEW’s governance relies on a committee structure where responsibility for oversight of AEW’s operations has been delegated to senior management teams that meet on a regular and formalised basis. The organisation chart below illustrates how the AEW group integrates climate-related considerations at a UK, European and global level.



The Global ESG+R Steering Committee and its subcommittee structure play a central role in assessing and managing climate-related risks and opportunities for AEW, both at the enterprise level and within investment activities.

Directors' Report *(continued)*

Taskforce on Climate-Related Financial Disclosures *(continued)*

European Governance:
AEW's European Executive Committee ("ExCom") is ultimately responsible for climate-related risks at the European level and delegates to a number of sub-committees including:

- European ESG+R Committee ("ESG+R Com") – responsible for delivering the sustainability strategy in Europe, the coherence of policies relating to climate risks and the implementation climate risk policy. ESG+R Com meets every two months.
- European Risk Committee ("ERC") – the principal European-wide risk management forum, where all sustainability risks can be considered according to an established framework. ERC meets quarterly.

The ERC and ESG+R Com includes senior-level employees such as the European CEO, Head of Socially Responsible Investment, country and function representatives (investment, asset management, portfolio management, fund financial management, legal, compliance and risk). Individual members are allocated responsibility for specific climate risks and resilience matters, including physical risks, regulatory risk, market risk, insurance risk and reputational and liability risk.

The ESG+R Com and the ExCom receive periodic reports on the status of defined indicators in order to monitor the progress of the climate policy objectives and targets.

UK Governance (Investment Manager Board's oversight of climate-related risks and opportunities)
The Investment Manager's Board is responsible for assessing climate-related risks and opportunities for the Investment Manager and its fund mandates. The Investment Manager Board membership is as follows: two independent non-executive directors; AEW Europe CEO; Head of AEW UK; Head of Operations and Risk Management; Head of Separate Accounts.

At each meeting the Investment Manager's Board receives updates on the firm's activities, initiatives and progress against climate-related goals from sub-committees and working groups including:

- Portfolio Management Review Committee ("PMRC") – this is the principal UK-focused risk management forum, where all sustainability risks can be considered according to an established framework.
- UK ESG+R Working Group ("WG") – which oversees ESG+R projects and management of climate-related risks and opportunities in the UK, to ensure risk management objectives are met and aligned with the overall risk management framework.

The Investment Manager's Board undertakes regular training on ESG-related matters including TCFD and climate resilience assessment to support their understanding of climate change and other ESG risks and opportunities. The Investment Manager will have regard for climate-related issues when considering the Fund's business model and strategy and risk management policies.

The Investment Manager's approach to the governance and management of environmental impacts is outlined within its Climate Adaptation Policy. The WG works closely with the European ESG+R Committee membership and acts as a body to ensure the Fund identifies and considers climate-related risks and opportunities. In light of emerging trends and new regulations, the WG or sub-group evaluates targets and advises on actions to help mitigate climate-related risks.

Climate-related issues and risks are reviewed for the Fund at the PMRC, which includes Head of Operations and Risk Management, Head of Compliance and Head of AEW UK. The PMRC reports to the Investment Manager's Board and Investment Management Committee, with any material matters escalated to the ERC and ExCom. Through the work of PMRC, WG and third-party specialist climate consultants, the Investment Manager ensures it needs with respect to training and professional advice are met.

The Investment Manager is responsible for monitoring trends and developments in climate related issues. The Investment Manager reports quarterly to the Company's Board on ESG matters.

Directors' Report *(continued)*

Taskforce on Climate-Related Financial Disclosures *(continued)*

2. Strategy

Strategy – disclose the actual and potential impacts of climate-related risks and opportunities on the organisation's businesses, strategy, and financial planning where such information is material

The Investment Manager anticipates that investors and valuers will increasingly factor climate-related risks into market pricing if transition and physical risks are not appropriately managed. We will therefore increasingly assess climate-related impacts on liquidity and market pricing as a consequence of environmental obsolescence and depreciation. The Investment Manager assesses climate-related risks and opportunities against short-term (3 years or less), medium-term (3 to 7 years) and long-term (over 7 years) time horizons to align with the proposed changes to Minimum Energy Efficiency Standards (MEES).

In accordance with TCFD, the Investment Manager identifies the two principal categories of risks associated with climate change as:

- *Transition Risk* – associated with the transition to a low carbon economy e.g. policy, legal, technological and market changes to address mitigation and adaptation requirements.
- *Physical Risk* – this includes acute (event driven e.g. more severe floods) and chronic (longer-term shifts such as sustained higher temperatures causing chronic heatwaves) risks.

Climate-related risks and opportunities the organisation has identified over the short, medium and long term:

Risks	Specific Risk	Potential Financial Impact	Strategy	Time Horizon
Policy & Legal – EPC Compliance	The Minimum Energy Efficiency Standards Regulations ("MEES") proposed changes to mandate increasing the minimum Energy Performance Certificate ("EPC") rating to 'E' by 2023, 'C' by 2027 and to 'B' by 2030. MEES would prevent the Company from leasing non-compliant space, potentially resulting in an asset becoming 'stranded' or requiring significant capital expenditure.	Loss of revenue for unlettable space or lower rental income. Impact on valuation. Increase in capital expenditure to meet minimum requirements. Non-compliance fines are potentially significant.	Risk monitoring of EPC ratings across the portfolio, contributing to the development of Asset Sustainability Action Plans ("ASAPs") quantifying capital expenditure requirements or the existence of relevant MEES exemptions.	Short to medium term risk
Policy & Legal – Carbon Pricing	Costs could increase as carbon pricing is factored into construction and operating costs (from embodied carbon and costs of carbon intensive energy for occupiers).	Direct costs associated with emissions pricing. Increased capex costs during construction and refurbishment.	Develop calculation of carbon footprint for the portfolio and implement action plan to reduce GHG emissions.	Medium to long term

Directors' Report *(continued)*

Taskforce on Climate-Related Financial Disclosures *(continued)*

Risks	Specific Risk	Potential Financial Impact	Strategy	Time Horizon
Market – Occupier	Occupiers may vacate assets that are unable to meet their energy efficiency or greenhouse gas ("GHG") emission tolerance.	Increased void costs. Increased capital expenditure. Impact on valuation.	Occupier engagement to ascertain occupier's commitment to transition to low carbon economy and net zero targets. EPC management, asset sustainability action plans (ASAPs) to improve resilience and energy efficiency of assets.	Medium term
Market – Energy costs	High energy and utility consumption may increase exposure to energy price fluctuations exacerbated by climate change.	Potential impact on service charge affordability for tenants.	Occupier engagement particularly for assets with energy-intensive use. Engage regularly with occupiers to identify low-carbon solutions which may reduce energy consumption, costs and improve energy performance. Pilot on-site renewable energy generation and storage project with selected tenants.	Short to medium term

Directors' Report *(continued)*

Taskforce on Climate-Related Financial Disclosures *(continued)*

Risks	Specific Risk	Potential Financial Impact	Strategy	Time Horizon
Market – Investors	Investors and valuers may price less energy efficient assets more conservatively to reflect the potential cost and risks. Existing and prospective Company investors may attach onerous conditions on the Investment Manager and Company to meet their own standards, regulations and requirements.	Impact on valuation. Impact on the Company's ability to raise new or retain existing capital.	Continual review of asset business plans with consideration to lease expiry, EPC ratings and opportunity to implement energy efficiency solutions. AEW will assess the additional costs and benefits of climate-related initiatives with respect to liquidity and pricing. Focus on investor engagement, develop improved communication and presentation of ESG strategy. The Company in 2023/24 will assess further the pathway to net zero and will report this to investors in future reporting periods.	Medium term
Technology – Lower emissions	UK Government requirement to transition to lower GHG emissions technology (e.g. from natural gas boilers to low-carbon heating technologies such as air and ground source heat pumps).	Potential material capital expenditure to meet requirements.	AEW will continue to assess the additional costs of climate-related issues compared to any assessment of reduced liquidity and market pricing due to environmental obsolescence and depreciation. EPC management and asset sustainability action plans to improve resilience and energy efficiency over time.	Medium term

Directors' Report *(continued)*

Taskforce on Climate-Related Financial Disclosures *(continued)*

Risks	Specific Risk	Potential Financial Impact	Strategy	Time Horizon
Reputational – Occupiers and Investors	Fall in demand from tenants for properties with inefficient building performance or concern over the Company's reputation with regard to climate risks. Increased stakeholder concern and poor investor relations.	Potential risk of stranded assets, leading to reduced valuation. Impact on the Company's ability to raise new or retain existing capital.	Focus on key stakeholder engagement, develop improved communication and presentation of ESG strategy (and the effective delivery of it).	Medium term
Acute (floods, windstorms, cold weather, heatwaves)	Increased frequency and intensity of extreme weather events leading to property damage, increased maintenance and repair costs. Requirement for protection measures – e.g. flood protection and drainage measures.	Cost of maintaining and repairing assets. Increased insurance costs. Impact on valuation and potential inability to sell or lease property.	Undertake asset-level climate resilience audits and develop pre-investment due diligence process to identify vulnerable investments.	Short to medium term
Chronic (sustained higher or lower temperatures)	Rising temperatures leading to increased utility costs and investment in cooling equipment and solutions. Reduced thermal comfort of occupiers resulting in lack of demand from potential occupiers.	Potential impact on service charge affordability for tenants. Cost of installing cooling and heating equipment and solutions. Loss of revenue for unlettable space or lower rental income. Impact on valuation.	Incorporate climate change scenarios within investment framework that are suitable for real estate investment strategies.	Medium to long term

Directors’ Report *(continued)*

Taskforce on Climate-Related Financial Disclosures *(continued)*

Risks	Specific Risk	Potential Financial Impact	Strategy	Time Horizon
Chronic (rising sea levels and water stress)	Risk of sustained flooding and requirement for protection measures – e.g. flood mitigation and drainage projects. Risk asset becomes stranded.	Cost of installing, maintaining and repairing assets. Increased insurance costs or asset becoming uninsurable. Loss of revenue for unlettable space or lower rental income. Impact on valuation.	Incorporate climate change scenarios within investment framework that are suitable for real estate investment strategies.	Medium to long term
Resource efficiency	Reduce energy and water use. Reduce carbon emissions and improve energy efficient buildings e.g. installation of LED lighting. Improve occupier resilience and efficiency alongside comfort and well-being.	Potential material capital expenditure. Reduce operating expenditure through efficiency gains. Reduce GHG emissions and possible future carbon taxes.	To commission EPC+ reports on selected assets, energy efficiency audits and net zero pathway assessments on selected assets. Where appropriate, prepare larger buildings to become subject to public disclosure framework.	Short to medium term
Energy source	Investment in lower emissions sources of energy and use of new technologies. Investment in on-site renewable energy generation and storage e.g. Installation of solar PV and batteries.	Potential material capital expenditure. Additional revenue through sale of renewable energy to customers and the grid. Protect against energy cost volatility for our tenants. Cost of improvement.	Deploy where possible on-site renewable energy generation and storage assets in partnership with tenants. In the short term this will include pilot projects with tenants prior to undertaking feasibility studies on other assets.	Short to medium term
Products and Services	Improve building amenities (e.g. EV charging, install LED lights).	Improve the marketability of a property including rental value and valuation.	Continued review and development of ASAPs. Engagement with tenants to understand their requirements.	Short to medium term
Resilience	The development of net zero carbon assets could future-proof the portfolio against tightening regulation e.g. MEES standards.	Increased market value of properties through resilience planning.	To consider further during 2023/24 the potential pathway to net zero. Consider adopting net zero target and pathway.	Medium to long term

Directors' Report *(continued)*

Taskforce on Climate-Related Financial Disclosures *(continued)*

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

The Board and the Investment Manager describes below how, having identified relevant risks and opportunities, they influence and are incorporated into strategic and financial planning. With respect to its business activities the Investment Manager is seeking to improve investment, asset management and risk monitoring processes to avoid transition and physical risks having unforeseen impacts on real estate portfolios. Similarly, the Investment Manager seeks to capitalise on any advantages that can be obtained from optimising its decision-making, which necessarily must take account of climate-related impacts on markets. It should be noted that, once strategies have been agreed, we work with a range of specialist advisors to ensure their timely delivery. During the period, our UK efforts were focused principally on transition risk related to MEES/EPC compliance and adapting to the physical risks of climate disruption.

With respect to the latter, climate risks are now systematically integrated into AEW UK's investment process. We have incorporated a comprehensive ESG+R acquisition assessment into our due diligence process for reviewing and evaluating the potential risks and opportunities of our assets. Any material ESG+R due diligence findings, if any, will be referred back to the Investment Management Committee ("IMC") for further consideration.

With the exception of MEES, where an EPC provides a measurable data point, our approach in assessing the potential impact of climate-related risks and opportunities remains qualitative. We aim to enhance our assessment for future reporting periods to be more quantitative as more data and information becomes available. We assess climate resilience with a climatologist, having undertaken a review of the entire portfolio in 2022 and are undertaking climate resilience audits on selected assets where potential material risks are present. The resilience audit findings will be used to assess the potential impact of the risk and cost to reduce the vulnerabilities of identified buildings.

In relation to the MEES/EPC regime, during the period the Investment Manager undertook a gap analysis of the portfolio to identify any assets posing a non-compliance risk. Those investments were then re-assessed and action plans created where necessary. Assessment continues to progress for all lease expiries by Estimated Rental Value ("ERV") within each EPC grade boundary to understand the risk and potential cost to achieve the next MEES minimum requirements of 'C' by 2027 and a 'B' by 2030. Where EPC certificates expire or fall below the MEES 2027 or 2030 requirements, analysis will be undertaken to ascertain the cost of remedial works. As Investment Manager we will actively engage on an ongoing basis with tenants in properties with EPC certificates below a 'C' rating to identify opportunities where EPC improvement works can be undertaken. The Investment Manager will also consider whether some properties can benefit from an exemption where that can be done responsibly.

Determining the impact of climate-related risks and opportunities on the business, strategy and financial planning will be an iterative process over future reporting periods. We will utilise the findings of on-going projects and assessments, EPC improvement plans and climate resilience audits to quantify impacts on specific assets and to inform our qualitative assessment of physical and transition risk and opportunities.

Climate-related opportunities are considered to be principally connected with resource efficiency, energy sourcing, property services and resilience. The Investment Manager is tasked with developing these opportunities through on-going asset management initiatives and assessment of opportunities through Asset Sustainability Action Plans.

Directors' Report *(continued)*

Taskforce on Climate-Related Financial Disclosures *(continued)*

Describe the resilience of the organisation's strategy, taking into consideration different climate-related scenarios, including a 2 degree Celsius or lower scenario

The ESG+R Com considered various climate scenarios and determined AEW's approach is currently to consider the high emissions scenario of 'Business as Usual' Representative Concentration Pathway ("RCP") 8.5 and assess portfolio resilience on this basis. The RCP 8.5 scenario refers to the concentration of carbon that delivers global warming at an average of 8.5 watts per square meter across the planet.

The RCP 8.5 pathway delivers a temperature increase of about 4.3˚C by 2100, relative to pre-industrial temperatures. It should be noted that this is not aligned with the TCFD requirement to at least model the impact of a 2 degree Celsius or lower scenario as we have focused our efforts on the higher risk scenario which has the greater potential impact on the portfolio. In future reporting periods the Investment Manager intends to disclose its interpretation of both 2 degree Celsius and RCP 8.5 scenario.

AEW has worked with the Climate Company to qualitatively assess the climatic risks exposure of all portfolio assets on an urban micro-scale for the next two decades. The assessment includes qualitative assessment against thresholds of:

- thermal situation (temperature rise, heat and cold waves)
- hydrological situation (flood risks (river and runoff)
- precipitation risk (average evolution, extreme)
- marine submersion risk (sea level rises)
- drought risk (episodes and tendency)
- wind situation (windstorm and average evolution)
- urban situation (heat islands)

Certain assets within the portfolio exceeded one or more of the thresholds. We have selected a sample of assets to subject to further climate resilience audits and to develop action plans and quantify costs, if appropriate, to reduce their vulnerability. The results of these audits will be used in future reporting periods to inform AEW and the Board of potential vulnerability of the portfolio and potential costs.

3. Risk management

Describe the organisation's processes for identifying and assessing climate-related risks

AEW brings a disciplined, holistic approach to risk monitoring and control. Our risk management process is designed to identify, evaluate, manage and mitigate (rather than eliminate) the significant risks we face. The Investment Manager maintains a risk register which includes the principal climate-related risks of (i) Transition risks associated with the transition to a low or ultra-low economy and (ii) Physical risks associated with tangible impacts of climate change.

As both occupiers and investors increasingly focus on the environmental impact and energy efficiency of assets, this will increasingly impact building obsolescence, lease renewals and ultimately the rental values for individual assets. As Investment Manager, we therefore consider and assess the risks of the additional costs compared to the risks of reduced liquidity and market pricing due to environmental obsolescence and depreciation.

The ESG+R Com allocates responsibility to individual members for specific climate risks and resilience matters, including physical risks, regulatory risk, market risk, insurance risk and reputational and liability risk. Members assess risks at the European level through pilot studies and work with third-party specialists. The UK Risk Manager works closely with members of the ESG+R Com and the European SRI team to identify relevant risks and determine appropriate strategies to assess the risk UK real estate assets are exposed to.

In addition to the governance framework described above, the Portfolio Manager is responsible for managing climate-related risks at the fund and asset level with the support of the asset management team. All investment staff are engaged in consideration of ESG+R risks and opportunities alongside other financial value drivers. The Portfolio Manager is supported by the Risk Manager and UK ESG Working Group in the management of climate-related risks.

Directors' Report *(continued)*

Taskforce on Climate-Related Financial Disclosures *(continued)*

Describe the organisation's processes for managing climate-related risks

The Investment Manager's IMC approve all acquisitions and any material climate-related due diligence findings, if any, will be referred back to the IMC for further consideration. The PMRC considers portfolio-level assessments of environmental and energy issues and evaluates these assessments and climate-related risks as part of the bi-annual review of the Company. Any material findings are escalated at the local level to the Investment Manager's UK Board and the Company's Board. The Company's Board and the Investment Manager's Board needs to be informed of all material risks and issues so as to be in a position to approve the appropriate course of action to ensure that these risks are mitigated. Where a particular climate-related risk is deemed to have a potentially material adverse impact then this would be further escalated to AEW's ERC, ESG+R Com and ExCom as well as the Company's Board.

Describe how processes for identifying, assessing and managing climate-related risks are integrated into the organisation's overall risk management

AEW recognises the importance of identifying, assessing and managing climate-related risks. Indeed, as an FCA-authorised Alternative Investment Fund Manager, it is a core regulatory requirement to engage meaningfully with risks. Risk assessment is therefore a vital aspect of AEW's investment operating model and it takes place on a continuous basis.

Climate-related risk is integrated into AEW's risk management process; this includes monitoring and reporting to the AEW UK Board, European Committees and participation in the wider Enterprise Compliance Programme operated by its parent company Natixis Investment Managers. This programme seeks to foster a comprehensive risk management and control environment to limit operational and non-compliance risk, as follows:

- First level of control where risk management controls are integrated into the operating processes of the Investment Manager and formalised in clearly defined and documented procedures which are reviewed by a number of committees.
- Second level of control carried out by the compliance department through the permanent control programme.
- Third level of control carried out by the annual internal audit programme undertaken with Natixis Investment Manager's internal audit department and their independent external consultants.
- Fourth level of control carried out through audits undertaken by Natixis and the BPCE Group's internal audit teams together with independent external consultants.

The Board considers climate change a principal risk to the Company and assesses transition and physical risk as part of the Board's formal risk review with the assistance of the Audit Committee.

4. Metrics and targets

A core requirement of TCFD is to establish and develop suitable metrics and targets. The Investment Manager's focus in 2022/3 was:

- Continued reduction of landlord-controlled greenhouse gas emissions and energy usage.
- Undertaking initial portfolio climate resilience assessment using a "business as usual" warming scenario.
- EPC management across the portfolio.
- Review of metrics and targets.

In 2023/4, the Investment Manager's focus will be:

- Continued reduction of landlord-controlled greenhouse gas emissions and energy.
- Climate resilience audits at selected assets.
- Climate opportunity projects at selected assets.
- Continuing to develop our assessment of the potential impact of the identified climate-related risks and opportunities on the Company's business operations, strategy and financial performance.
- Continued enhancement of risk assessment as improved data and metrics enable us to move from qualitative to quantitative assessment over time.

Directors' Report *(continued)*

Taskforce on Climate-Related Financial Disclosures *(continued)*

The table below summarises key metrics and targets used to assess climate-related risks and opportunities:

Metric Category	Metric	Current Target	2022 Data	Revised Target
GHG emissions	Absolute Scope 1 GHG Emissions	15% reduction in Scope 1 GHG emissions by 2030 as compared to the 2018 baseline	285.5 tonnes (3.5% increase vs. 2018 baseline (275.7 tonnes)).	40% reduction in absolute Scope 1 GHG emissions by 2030 as compared to the 2018 baseline
	Absolute Scope 2 GHG emissions	15% reduction in Scope 2 GHG emissions as compared to the 2018 baseline	438.26 tonnes (47.9% reduction vs. 2018 baseline (841.61 tonnes)).	40% reduction in absolute Scope 2 GHG emissions by 2030 as compared to the 2018 baseline
Renewable energy	Percentage of landlord-controlled assets with renewable electricity supplies	100% (with exception of new acquisitions during first 12 months of ownership)	100%	100% (with exception of new acquisitions during first 12 months of ownership)
Transition risk	Percentage of assets with EPC A-C (by ERV)	N/A	72%	100% EPC to at least C grade by 2027 and to B by 2030* (unless exempt)
Physical risks	Percentage of assets with climate resilience assessment	100%	100% for existing portfolio completed	100%
	Number of assets with a specific climate resilience audit and plan	N/A	N/A	3 to be completed during 2023/4
	Number assets with a net zero assessment pathway	N/A	N/A	2 assets selected for net zero assessment pathway during 2023/4
Climate related opportunities	On-site renewable energy generation and storage projects	N/A	N/A	2 assets selected subject to additional feasibility and tenant engagement during 2023/4.

Directors' Report *(continued)*

Taskforce on Climate-Related Financial Disclosures *(continued)*

As a Real Estate Investment Trust, the majority of the Company's emissions arise through assets that are owned and leased. At multi-let properties, the Company (in its capacity as landlord) has control and influence over the whole building and/or shared services (including refrigerant leakage), external lighting and void spaces. The position with FRI leases is significantly different, as described in the GHG disclosure section.

These metrics, however, will evolve over time as for example, in relation to Scope 3 GHG emissions, given a landlord has limited operational control, the Investment Manager will initially focus on improving data collection. Over time the Company via the Investment Manager will actively engage with tenants to reduce their GHG emissions, with improvement plans aiming to increase a building's operational performance, reduction in energy usage and feasibility of on-site renewable energy generation or storage.

Metrics for climate-related opportunities focus on projects e.g. trialling of on-site renewable energy generation (and potentially storage), with results requiring further assessment and feasibility studies before targeting further assets. As we transition to a low carbon economy the targets and metrics for the Company will be reviewed and may be amended annually as the Investment Manager's strategy for managing climate-related risks and opportunities evolves. The PMRC and the UK ESG Working Group and sub-committees monitor progress against targets.

Disclose Scope 1, Scope 2 and if appropriate, Scope 3 greenhouse gas emissions and the related risk

Emissions sources listed on page 131 relate to the managed portfolio only and the following sources of energy consumption within each sector:

- Office: whole building
- Retail, High Street: whole building, tenant space and common areas
- Retail, Warehouse: Tenant space and external lighting
- Leisure: External lighting, tenant space and common areas
- Industrial: Tenant space, common areas and external lighting

Emissions outside of operational control:

The Company was not responsible for emission from gas and/or electricity use at any other owned asset or for head office operations. The Company is not directly responsible for any GHG emissions/energy usage at single let/FRI assets nor at multi-let assets where the tenant is counterparty to the energy contract. As these emissions are outside of the Company's direct control, they form part of the wider value chain (i.e. 'Scope 3') emission, which are not monitored at present.

Describe the targets used by the organisation to manage climate-related risks and opportunities and performance against targets

The Company has reviewed the existing targets and is in the process of setting new targets in consultation with its external advisors. Targets are reviewed at least annually and will be amended where appropriate as our management of climate related risks and opportunities evolves over future reporting periods.

Targets are reported in table on page 75, where not targets had previously been set this is reported as N/A.

Directors' Report *(continued)*

Share Capital

Share Issues

At the Company's AGM held on 7 September 2022, the Company was granted the authority to allot Ordinary Shares up to an aggregate nominal amount of £158,424.74 on a non pre-emptive basis. The Company was also granted authority to allot further Ordinary Shares up to an aggregate nominal amount of £158,424.74 on a non pre-emptive basis. No Ordinary Shares have been allotted under either authority during the year and both authorities will expire at the conclusion of the 2023 AGM. A resolution to renew the Company's authority to allot Ordinary Shares up to an aggregate nominal amount of £158,424.74 on a non pre-emptive basis will be put to shareholders at the 2023 AGM alongside a resolution to allot further Ordinary Shares up to an aggregate nominal amount of £158,424.74 on a non pre-emptive basis.

As at 31 March 2023, and the date of this report, the Company had 158,774,746 Ordinary Shares in issue, of which 350,000 (2022: 350,000) were held in treasury and therefore the total voting rights attaching to Ordinary Shares are 158,424,746.

Purchase of Own Shares

At the Company's AGM on 7 September 2022, the Company was granted authority to purchase up to 23,747,869 Ordinary Shares (being 14.99% of the Company's Ordinary Shares in issue). No shares have been bought back under this authority during the year, which expires at the conclusion of the Company's 2023 AGM. A resolution to renew the Company's authority to purchase (either for cancellation or for placing into treasury) up to 23,747,869 Ordinary Shares (being 14.99% of the issued Ordinary Share capital (excluding treasury shares) as at the date of this report), will be put to shareholders at the 2023 AGM. Any purchase will be made in the market and prices will be in accordance with the terms laid out in the Notice of AGM (enclosed separately and available on the Company's website). The authority will be used where the Directors consider it to be in the best interests of shareholders.

Rights attached to Ordinary Shares

a) *Income Entitlement*

The profits of the Company (including accumulated revenue reserves) available for distribution and resolved to be distributed shall be distributed in proportion to the amount paid up per share by way of interim and, where applicable, special or final dividends among the holders of Ordinary Shares.

b) *Capital Entitlement*

After meeting the liabilities of the Company on a winding-up, the surplus assets shall be paid to the holders of different classes of members and distributed among such holders rateably according to the amounts paid up or credited as paid up on their shares.

c) *Voting Entitlement*

Each Ordinary shareholder is entitled to one vote on a show of hands and, on a poll, to one vote for every Ordinary Share held. The Notice of AGM and Form of Proxy stipulate the deadlines for the valid exercise of voting rights and, other than with regard to Directors not being permitted to vote their Ordinary Shares on matters in which they have an interest, there are no restrictions on the voting rights of Ordinary Shares.

There are no restrictions concerning the transfer of securities in the Company or on voting rights; no special rights with regard to control attached to securities; no agreements between holders of securities regarding restrictions on the transfer of securities or voting rights known to the Company; and no agreements which the Company is party to that might affect its control following a successful takeover bid.

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.

Directors' Report *(continued)*

Substantial Shareholdings

As at 31 March 2023, the Company had been notified under Disclosure Guidance and Transparency Rule ('DTR') 5 of the following significant holdings of voting rights in its Ordinary Shares. These holdings may have changed since notification, however notification of any change is not required until the next applicable threshold is crossed.

Shareholder	Number of Ordinary Shares held	% of total voting rights
The Royal Bank of Scotland Group plc	13,570,464	8.6
Close Asset Management Limited	13,448,090	8.5
Old Mutual plc	11,087,801	7.0
Momentum Global Investment Management Limited	7,856,028	5.0
Schroders plc	7,643,485	4.8
Seneca IM Limited	7,602,200	4.8
Investec Wealth & Investment Limited	4,813,400	3.0
NatWest Group plc	4,747,598	3.0

The Company has been notified that on 8 June 2023 Close Brothers Asset Management Limited sold 101,500 shares with a resulting shareholding of 7,836,451.

Related Party Transactions

Related party transactions during the year ended 31 March 2023 can be found in note 24 to the financial statements.

Post Balance Sheet Events

Post balance sheet events can be found in note 26 to the financial statements.

Statement of Disclosure of Information to Auditor

So far as each Director is aware, there is no relevant audit information, which would be needed by the Company's Auditor in connection with preparing its audit report (on pages 79 to 87), of which the Auditor is not aware; and each Director, in accordance with section 418(2) of the Companies Act 2006, has taken all reasonable steps that they ought to have taken as a Director to make themselves aware of any such information and to ensure that the Auditor is aware of such information.

Auditor

BDO LLP has expressed its willingness to continue as the Company's Auditor. As outlined in the Report of the Audit Committee on page 51, resolutions proposing the Auditor's re-appointment and to authorise the Audit Committee to determine its remuneration will be proposed at the forthcoming AGM.

The Directors' Report has been approved by the Board of Directors and signed on its behalf by:

Mark Burton
Chairman

20 June 2023

Statement of Directors' Responsibilities in respect of the Annual Report and Financial Statements

The Directors are responsible for preparing the Annual Report and the Financial Statements in accordance with UK adopted international accounting standards and applicable law and regulations.

Company law requires the Directors to prepare financial statements for each financial year. Under that law, the Directors are required to prepare the Company's financial statements in accordance with UK adopted international accounting standards. Under company law, the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss for 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 they have been prepared in accordance with UK adopted international accounting standards, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business; and
- prepare a Directors' Report, a Strategic Report and Directors' Remuneration Report which comply with the requirements of the Companies Act 2006.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006.

They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities. The Directors are responsible for ensuring that 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 Company's performance, prospects, business model and strategy.

Website publication

The Directors are responsible for ensuring the Annual Report and the Financial Statements are made available on a website. Financial statements are published on the Company's website in accordance with legislation in the United Kingdom governing the preparation and dissemination of financial statements, which may vary from legislation in other jurisdictions. The maintenance and integrity of the Company's website is the responsibility of the Directors. The Directors' responsibility also extends to the ongoing integrity of the financial statements contained therein.

Statement of Directors' Responsibilities in respect of the Annual Report and Financial Statements *(continued)*

Directors' responsibilities pursuant to DTR4

The Directors confirm to the best of their knowledge:

- The financial statements have been prepared in accordance with the applicable set of accounting standards, give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company.
- The Annual Report includes a fair review of the development and performance of the business and the financial position of the Company, together with a description of the principal risks and uncertainties that it faces.

The Directors consider that this Annual Report and Financial Statements, taken as a whole, is fair, balanced, and understandable and provides the information necessary for shareholders to assess the Company's position and performance, business model and strategy.

This Statement of Responsibilities was approved by the Board and signed on its behalf by:

Mark Burton
Chairman

20 June 2023

Independent Auditor's Report to the Members of AEW UK REIT plc

Opinion on the financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 March 2023 and of its loss for the year then ended;
- have been properly prepared in accordance with UK adopted international accounting standards; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements of AEW UK REIT plc (the 'Company') for the year ended 31 March 2023 which comprise the Statement of Comprehensive Income, the Statement of Changes in Equity, the Statement of Financial Position, the Statement of Cash Flows and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and UK adopted international accounting standards.

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 believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion. Our audit opinion is consistent with the additional report to the audit committee.

Independence

Following the recommendation of the audit committee, we were appointed by the board of directors on 8 September 2021 to audit the financial statements for the year ended 31 March 2022 and subsequent financial periods. The period of total uninterrupted engagement is 2 years, covering the years ended 31 March 2022 to 31 March 2023. We remain independent of the 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. The non-audit services prohibited by that standard were not provided to the Company.

Conclusions relating to going concern

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. Our evaluation of the Directors' assessment of the Company's ability to continue to adopt the going concern basis of accounting included:

- using our knowledge of the Company and its market sector together with the current general economic environment to assess the Directors' identification of the inherent risks to the Company's business and how these might impact the Company's ability to remain a going concern for the going concern period, being the period to 30 June 2024, which is at least 12 months from when the financial statements are authorised for issue;
- obtaining an understanding of the Directors' process for assessing going concern including an understanding of the key assumptions used;
- obtaining the Directors' going concern assessment and:
  - assessing the Company's forecast cash flows with reference to historic performance and challenging the Directors' forecast assumptions in comparison to the current performance of the Company;
  - testing the inputs into the forecasts for reasonableness based on historic activity and corroboration to contractual agreements;
  - agreeing the Company's available borrowing facilities and the related terms and covenants to loan agreements.
- obtaining forecast covenant calculations to check for any potential future covenant breaches. We also considered the covenant compliance headroom for sensitivity to both future changes in property valuations and the Company's future financial performance;
- considering board minutes, and evidence obtained through the audit and challenging the Directors on the identification of any contradictory information in the forecasts and the impact on the going concern assessment; and
- analysing the Directors' stress testing calculations and challenging the assumptions made using our knowledge of the business and of the current economic climate, to assess the reasonableness of the downside scenarios selected and the appropriateness of the Directors' mitigating actions.

Independent Auditor's Report to the Members of AEW UK REIT plc *(continued)*

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 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 relation to the Company's reporting on how it has 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.

Our responsibilities and the responsibilities of the Directors with respect to going concern are described in the relevant sections of this report.

Overview

Coverage	100% (2022: 100%) of profit before tax 100% (2022: 100%) of revenue 100% (2022: 100%) of total assets	
Key audit matters	2023 Valuation of investment properties	2022 Valuation of investment properties
Materiality	*Company financial statements as a whole* £2.34 million (2022: £2.52 million) based on 1% (2022: 1%) of total assets	

An overview of the scope of our audit

Our Company audit was scoped by obtaining an understanding of the Company and its environment, including the Company's system of internal control, and assessing the risks of material misstatement in the financial statements. We also addressed the risk of management override of internal controls, including assessing whether there was evidence of bias by the Directors that may have represented a risk of material misstatement.

Climate change

Our work on the assessment of potential impacts on climate-related risks on the Company's operations and financial statements included:

- enquiries and challenge of management to understand the actions they have taken to identify climate-related risks and their potential impacts on the financial statements and adequately disclose climate-related risks within the annual report;
- our own qualitative risk assessment taking into consideration the sector in which the Company operates and how climate change affects the real estate sector; and
- review of the minutes of board and audit committee meetings and other papers related to climate change and performed a risk assessment as to how the impact of the Company's commitment as set out in pages 65 to 74 may affect the financial statements and our audit.

We challenged the extent to which climate-related considerations, including the expected cash flows from the initiatives and commitments have been reflected, where appropriate, in the Directors' going concern assessment and viability assessment.

We also assessed the consistency of managements disclosures included as 'other information' on pages 65 to 74 with the financial statements and with our knowledge obtained from the audit.

Based on our risk assessment procedures, we did not identify there to be any Key Audit Matters materially impacted by climate-related risks and related commitments.

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, including those which had the greatest effect on: the overall audit strategy, the allocation of resources in the audit, and directing the efforts of the engagement team. This matter was 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 this matter.

Independent Auditor's Report to the Members of AEW UK REIT plc *(continued)*

Key audit matter	How the scope of our audit addressed the key audit matter
Valuation of investment properties As detailed in note 12 to the financial statements, the Company owns a portfolio of investment properties which are held at their fair value. The Company's accounting policy for these properties is described in note 2.5 to the financial statements. The key judgements and estimates in arriving at the fair values are set out in notes 2.2 and 12 to the financial statements. The Company has an investment property portfolio of commercial property across a number of sectors in the United Kingdom. This comprises completed investment property which is let, or available to let and is valued using the income capitalisation method, in accordance with RICS methodology and IFRS 13 Fair Value Measurement. The valuation of investment property requires significant judgement and estimates by the Directors and their independent external valuer and is therefore considered a significant risk due to the subjective nature of certain assumptions inherent in each valuation. Any input inaccuracies or unreasonable bases used in the valuation judgements (such as in respect of estimated rental value and yield profile applied) could result in a material misstatement of the Company's financial statements. There is also a risk that the Directors may influence the judgements and estimates in respect of property valuations in order to achieve property valuations and other performance targets to meet market expectations. The valuation of investment properties was therefore considered to be a key audit matter.	Our audit procedures included the following: **Experience of the independent external valuer and relevance of its work** We assessed the valuer's competence and capabilities and read their terms of engagement with the Company, to identify any matters that could have affected their independence and objectivity or imposed scope limitations upon them. With the assistance of our real estate experts, we read the valuation reports and assessed whether the valuations had been prepared in accordance with applicable valuation guidelines and IFRS 13 Fair Value Measurement and that they were appropriate for determining the carrying value in the Company's financial statements. **Data provided to the valuer** We inspected that the data provided to the valuer by the Investment Manager was consistent with the information provided to, and tested by, us. This data included inputs such as current rent and lease term, which we have agreed on a sample basis to executed lease agreements. **Assumptions and estimates used by the valuer** We developed yield expectations for each property using available independent industry data, reports and details of relevant comparable transactions in the market around the year end date. We compared the key valuation assumptions against our independently formed market expectations (by reference to market data based on the location and specifics of each property) and challenged the valuer where significant variances from these expectations were identified. We corroborated their responses to supporting documentation where appropriate. The key valuation assumptions were the equivalent yields which we evaluated by reference to market data based on the location and specifics of each property. With the assistance of our real estate experts, we met with the Company's valuers to discuss and challenge the valuation methodology and key assumptions and considered if there were any indicators of undue management influence on the valuations. **Key observations** We did not identify any matters to suggest that the valuation of the Company's investment properties is inappropriate.

Independent Auditor's Report to the Members of AEW UK REIT plc *(continued)*

Our application of materiality

We apply the concept of materiality both in planning and performing our audit, and in evaluating the effect of misstatements. We consider materiality to be the magnitude by which misstatements, including omissions, could influence the economic decisions of reasonable users that are taken on the basis of the financial statements.

In order to reduce to an appropriately low level the probability that any misstatements exceed materiality, we use a lower materiality level, performance materiality, to determine the extent of testing needed. Importantly, misstatements below these levels will not necessarily be evaluated as immaterial as we also take account of the nature of identified misstatements, and the particular circumstances of their occurrence, when evaluating their effect on the financial statements as a whole.

Based on our professional judgement, we determined materiality for the financial statements as a whole and performance materiality as follows:

	Company financial statements 2023	**Company financial statements 2022**
Materiality	£2.34 million	£2.52 million
Basis for determining materiality	1% of total Assets	
Rationale for the benchmark applied	We determined that total assets would be the most appropriate basis for determining overall materiality as we consider it to be one of the principal considerations for users of the financial statements in assessing the financial performance of the Company.	
Performance materiality	**£1.64 million**	**£1.64 million**
Basis for determining performance materiality	Overall performance materiality for the Company has been set at 70% (2022: 65%) of materiality. This was on the basis of our risk assessment, together with our assessment of the Company's overall control environment. The percentage used has been gradually increased after the first-year's audit based on our understanding of the Company obtained during the previous audit.	

Specific materiality

We also determined that for other account balances and classes of transactions not related to investment properties, a misstatement of less than materiality for the financial statements as a whole, specific materiality, could influence the economic decisions of users. As a result, we determined specific materiality for these items to be £0.45m (2022: £0.58m). This is based on 5% (2022: 5%) of European Public Real Estate Association ("EPRA") earnings. We further applied a performance materiality level of 70% (2022: 65%) of specific materiality to ensure that the risk of errors exceeding specific materiality was appropriately mitigated. We consider EPRA earnings to be a key performance measure of the Company. EPRA earnings excludes the impact of the net surplus on revaluation of investment properties, profit on disposal of investment properties and changes in the fair value of interest rate derivatives.

Reporting threshold

We agreed with the Audit Committee that we would report to them all individual audit differences in excess of £70,000 (2022: £75,000) for items audited to financial statement materiality, and £13,000 (2022: £17,000) for items audited to specific materiality. We also agreed to report differences below these thresholds that, in our view, warranted reporting on qualitative grounds.

Independent Auditor's Report to the Members of AEW UK REIT plc *(continued)*

Other information

The directors are responsible for the other information. The other information comprises the information included in the Annual Report other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon. 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 course of 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 this gives rise to a material misstatement in the financial statements themselves. 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.

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 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.

Going concern and longer-term viability	• The Directors' statement with regards to the appropriateness of adopting the going concern basis of accounting and any material uncertainties identified (pages 60-61); and • The Directors' explanation as to their assessment of the Company's prospects, the period this assessment covers and why the period is appropriate (page 60).
Other Code provisions	• Directors' statement on fair, balanced and understandable (pages 79 and 80); • Board's confirmation that it has carried out a robust assessment of the emerging and principal risks (page 34 to 40); • The section of the annual report that describes the review of effectiveness of risk management and internal control systems (page 50); and • The section describing the work of the Audit Committee (page 51)

Independent Auditor's Report to the Members of AEW UK REIT plc
(continued)

Other Companies Act 2006 reporting

Based on the responsibilities described below and our work performed during the course of the audit, we are required by the Companies Act 2006 and ISAs (UK) to report on certain opinions and matters as described below.

Strategic report and Directors' report	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. In the light of the knowledge and understanding of the 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.
Directors' remuneration	In our opinion, the part of the Directors' remuneration report to be audited has been properly prepared in accordance with the Companies Act 2006.
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, or returns adequate for our audit have not been received from branches not visited by us; or • the financial statements and the part of the Directors' remuneration report to be audited are not in agreement with the accounting records and returns; or • certain disclosures of Directors' remuneration specified by law are not made; or • we have not received all the information and explanations we require for our audit.

Responsibilities of Directors

As explained more fully in the statement of Directors' responsibilities, 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 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 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.

Extent to which the audit was 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. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below:

Independent Auditor's Report to the Members of AEW UK REIT plc
(continued)

- We gained an understanding of the legal and regulatory framework applicable to the Company and the industry in which it operates, and considered the risk of acts by the Company that were contrary to applicable laws and regulations, including fraud.
- We considered the Company's compliance with laws and regulations that have a direct impact on the financial statements including UK company law, the applicable accounting framework, tax legislation (including the UK REIT regime requirements) and the relevant Listing Rules, and we considered the extent to which non-compliance might have a material effect on the Company's financial statements.
- We designed audit procedures to identify instances of non-compliance with such laws and regulations. Our procedures included reviewing the financial statement disclosures and accounting policies to identify instances of management bias and agreeing to underlying supporting documentation where necessary. We reviewed minutes of board meetings held during and subsequent to the year end for any indicators of non-compliance and made enquiries of management and of the Directors as to the risks of non-compliance and any instances thereof.
- We assessed the susceptibility of the financial statements to material misstatement, including fraud and considered the valuation of the investment property portfolio, revenue recognition and management override of controls to be significant risks to the audit. Our responses to the valuation of investment properties risk is set out in the key audit matters section above.
- We addressed the risk of management override of controls by testing a sample of journal entries processed during the year, agreeing to supporting documentation and evaluating whether there was evidence of bias by management or the Directors that represented a risk of material misstatement due to fraud.
- Our procedures regarding the risk of intentional misstatement of revenue included setting expectations for the annual revenue to be recognised for the year for each property, comparing it to the actual amounts recognised and investigating variances. We confirmed a sample of lease details back to the underlying signed agreements and to receipt of cash (where amounts had been received prior to the year end). We also tested a sample of the rent smoothing adjustments to supporting documentation.
- We communicated relevant identified laws and regulations and potential fraud risks to all engagement team members, who were deemed to have the necessary competence and capabilities, and remained alert to any indications of fraud or non-compliance with laws and regulations throughout the audit.

Our audit procedures were designed to respond to risks of material misstatement in the financial statements, recognising that the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery, misrepresentations or through collusion. There are inherent limitations in the audit procedures performed and the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely we are to become aware of it.

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

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.

DocuSigned by:
Richard Levy
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Richard Levy (Senior Statutory Auditor)
For and on behalf of BDO LLP, Statutory Auditor
London, United Kingdom
20 June 2023

BDO LLP is a limited liability partnership registered in England and Wales (with registered number OC305127).

Financial Statements

Statement of Comprehensive Income

for the year ended 31 March 2023

	Notes	**Year ended 31 March 2023 £'000**	Year ended 31 March 2022 £'000
Income			
Rental and other income	3	20,724	19,911
Property operating expenses	4	(6,911)	(5,739)
Impairment (loss)/release on trade receivables		(214)	9
Net rental and other income		**13,599**	**14,181**
Other operating expenses	5	(2,386)	(2,329)
Directors' remuneration	6	(117)	(100)
Operating profit before fair value changes		**11,096**	**11,752**
Change in fair value of investment properties	12	(30,004)	32,317
Realised gains on disposal of investment properties	12	9,744	2,844
Operating (loss)/profit		**(9,164)**	**46,913**
Realised loss on disposal of interest rate derivatives	14	(88)	–
Change in fair value of financial assets through profit and loss	7	45	770
Finance expense	8	(2,118)	(988)
(Loss)/profit before tax		**(11,325)**	**46,695**
Taxation	9	–	–
(Loss)/profit after tax		**(11,325)**	**46,695**
Other comprehensive income		–	–
Total comprehensive (loss)/profit for the year		**(11,325)**	**46,695**
(Loss)/earnings per share (pps) (basic and diluted)	10	**(7.15)**	**29.47**

The notes on pages 92 to 122 form an integral part of these financial statements.

Statement of Changes in Equity

for the year ended 31 March 2023

For the year ended 31 March 2023	Notes	**Share capital £'000**	**Share premium account £'000**	**Capital reserve and retained earnings* £'000**	**Buyback reserve £'000**	**Total capital and reserves attributable to owners of the Company £'000**
Balance at 1 April 2022		**1,587**	**56,578**	**133,200**	**(265)**	**191,100**
Total comprehensive loss		–	–	(11,325)	–	(11,325)
Dividends paid	11	–	–	(12,674)	–	(12,674)
Balance at 31 March 2023		**1,587**	**56,578**	**109,201**	**(265)**	**167,101**

For the year ended 31 March 2022	Notes	Share capital £'000	Share premium account £'000	Capital reserve and retained earnings* £'000	Buyback reserve £'000	Total capital and reserves attributable to owners of the Company £'000
Balance at 1 April 2021		**1,587**	**56,578**	**99,179**	**(265)**	**157,079**
Total comprehensive income		–	–	46,695	–	46,695
Dividends paid	11	–	–	(12,674)	–	(12,674)
Balance at 31 March 2022		**1,587**	**56,578**	**133,200**	**(265)**	**191,100**

* The capital reserve has arisen from the cancellation of part of the Company's share premium account and is a distributable reserve subject to realised profits.

The notes on pages 92 to 122 form an integral part of these financial statements.

Statement of Financial Position

as at 31 March 2023

	Notes	31 March 2023 £'000	31 March 2022 £'000
Assets			
Non-current assets			
Investment property	12	206,240	211,710
		206,240	**211,710**
Current assets			
Investment property held for sale	12	4,400	25,414
Receivables and prepayments	13	8,802	7,584
Other financial assets held at fair value	14	12	831
Cash and cash equivalents		14,315	6,769
		27,529	**40,598**
Total assets		**233,769**	**252,308**
Non-current liabilities			
Interest bearing loans and borrowings	15	(59,553)	(53,757)
Lease obligations	17	(174)	(174)
		(59,727)	**(53,931)**
Current liabilities			
Payables and accrued expenses	16	(6,928)	(7,264)
Lease obligations	17	(13)	(13)
		(6,941)	**(7,277)**
Total liabilities		**(66,668)**	**(61,208)**
Net assets		**167,101**	**191,100**
Equity			
Share capital	20	1,587	1,587
Buyback reserve	20	(265)	(265)
Share premium account	21	56,578	56,578
Capital reserve and retained earnings		109,201	133,200
Total capital and reserves attributable to equity holders		**167,101**	**191,100**
Net Asset Value per share (pps)	10	**105.48**	**120.63**
EPRA Net Tangible Assets per share (pps)	10	**105.48**	**120.10**

The financial statements were approved by the Board of Directors on 20 June 2023 and were signed on its behalf by:

Mark Burton
Chairman
AEW UK REIT plc (Company number: 09522515)

The notes on pages 92 to 122 form an integral part of these financial statements.

Statement of Cash Flows
for the year ended 31 March 2023

	Year ended 31 March 2023 £'000	Year ended 31 March 2022 £'000
Cash flows from operating activities		
(Loss)/profit before tax	(11,325)	46,695
Adjustment for non-cash items:		
Finance expenses	2,118	988
Gain from change in fair value of financial assets	(45)	(770)
Loss/(gain) from change in fair value of investment property	30,004	(32,317)
Realised gain on disposal of investment properties	(9,744)	(3,673)
Realised loss on disposal of interest rate cap	88	–
Increase in other receivables and prepayments	(1,884)	(768)
Increase in other payables and accrued expenses	608	2,170
Net cash flow generated from operating activities	**9,820**	**12,325**
Cash flows from investing activities		
Purchase of and additions to investment properties	(36,714)	(41,437)
Disposal of investment properties	43,652	16,446
Net cash generated from/(used in) investing activities	**6,938**	**(24,991)**
Cash flows from financing activities		
Loan draw down	60,000	14,500
Loan repayment	(54,000)	–
Arrangement loan facility fee paid	(513)	(46)
Collateral (paid)/received	(870)	870
Received on sale of interest rate cap	743	–
Finance costs	(1,619)	(772)
Dividends paid	(12,953)	(12,539)
Amounts paid on finance lease	–	(28)
Net cash (used in)/generated from financing activities	**(9,212)**	**1,985**
Net increase/(decrease) in cash and cash equivalents	7,546	(10,681)
Cash and cash equivalents at start of the year	**6,769**	**17,450**
Cash and cash equivalents at end of the year	**14,315**	**6,769**

The notes on pages 92 to 122 form an integral part of these financial statements.

Notes to the Financial Statements
for the year ended 31 March 2023

1. Corporate information

AEW UK REIT plc (the 'Company') is a closed ended Real Estate Investment Trust ('REIT') incorporated on 1 April 2015 and domiciled in the UK. The registered office of the Company is 6th Floor, 65 Gresham Street, London, EC2V 7NQ.

The Company's Ordinary Shares were listed on the Official List of the FCA and admitted to trading on the Main Market of the London Stock Exchange on 12 May 2015.

The nature of the Company's operations and its principal activities are set out in the Strategic Report on pages 2 to 43.

2. Accounting policies

2.1 Basis of preparation

These financial statements are prepared and approved by the Directors in accordance with UK adopted international accounting standards.

These financial statements have been prepared under the historical cost convention, except for investment property and interest rate derivatives that have been measured at fair value.

The financial statements are presented in Sterling and all values are rounded to the nearest thousand pounds (£'000), except when otherwise indicated.

The Company is exempt by virtue of Section 402 of the Companies Act 2006 from the requirement to prepare group financial statements. These financial statements present information solely about the Company as an individual undertaking.

New standards, amendments, and interpretations

The Company has considered and applied the following new standards and amendments to existing standards which are required for the accounting period beginning on 1 April 2022:

- **Onerous Contracts – Cost of Fulfilling a Contract (Amendments to IAS 37)**, the amendments specify that the 'cost of fulfilling' a contract comprises the 'costs that relate directly to the contract'. Costs that relate directly to a contract can either be incremental costs of fulfilling that contract or an allocation of other costs that relate directly to fulfilling contracts. The Company does not have any onerous contracts and therefore accounting treatment has not been affected.

The following standards and amendments have been considered, but have had no impact on the Company for the reporting period:

- **Reference to the Conceptual Framework (Amendments to IFRS 3 Business Combinations)**, the amendments update an outdated reference to the Conceptual Framework in IFRS 3 without significantly changing the requirements in the standard.

- **Property, Plant and Equipment – Proceeds before intended use**, the amendments prohibit deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognises the proceeds from selling such items, and the cost of producing those items, in profit or loss.

Notes to the Financial Statements *(continued)*

for the year ended 31 March 2023

2. Accounting policies *(continued)*

2.1 Basis of preparation *(continued)*

There are a number of new standards and amendments to existing standards which have been published and are mandatory for the Company's accounting periods beginning on or after 1 April 2023 or later. The Company is not adopting these standards early. The following are the most relevant to the Company:

- Definition of Accounting Estimates (Amendments to IAS 8)
- Disclosure of Accounting Policies (Amendments to IAS 1)
- Lease Liability in a Sale and Leaseback (Amendments to IFRS 16)

The Company does not expect the adoption of the new accounting standards issued but not yet effective to have a significant impact on its financial statements.

2.2 Significant accounting judgements and estimates

The preparation of financial statements in accordance with IFRS requires the Directors of the Company to make judgements, estimates and assumptions that affect the reported amounts recognised in the financial statements. However, uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of the asset or liability in the future.

There are not considered to be any judgements which have a significant effect on the amounts recognised in the financial statements, however, there is an estimate that will have a significant effect on the amounts recognised in the financial statements:

i) Valuation of investment property

The Company's investment property is held at fair value as determined by the independent external valuer on the basis of fair value in accordance with the internationally accepted RICS Appraisal and Valuation Standards. Details of the considerations made in respect of the estimation are further detailed in note 12.

2.3 Segmental information

The Board of Directors retains overall control of the Company, but the Investment Manager (AEW UK Investment Management LLP) has certain authorities and fulfils the function of allocating resource to, and assessing the performance of the Company's operating segments and is therefore considered to be the Chief Operating Decision Maker ('CODM'). In accordance with IFRS 8, the Company considers each of its properties to be an individual operating segment. The CODM allocates resources, and reviews the performance of, the Company's portfolio on a property-by-property basis and discrete financial information is available for each individual property.

These operating segments have similar economic characteristics and, as such, are aggregated into one reporting segment, being investment in property and property-related investments in the UK.

2.4 Going concern

The Directors assessed the Company's ability to continue as a going concern, which takes into consideration current economic uncertainty, as well as the Company's cashflows, financial position, liquidity and borrowing facilities.

Notes to the Financial Statements *(continued)*

for the year ended 31 March 2023

2. Accounting policies *(continued)*

2.4 Going concern *(continued)*

As at 31 March 2023, the Company had £14.31 million of cash at bank. The Company's existing RBSi loan facility in place at prior year-end was due to mature in October 2023 and therefore, the Company elected to undertake a re-financing which concluded in May 2022. The re-financed loan is held with AgFe and is a £60.00 million facility with a five-year term. This is priced as a fixed rate loan with a total interest cost of 2.96% and associated 10% projected debt yield and 60% loan to value ("LTV") covenants. The Company reported an LTV of 32.73% at year-end. This provides room for an £83.33 million fall in portfolio valuation before breaching the 60% hard LTV covenant. Moreover, based on the £60.00 million of debt drawn as at year-end, the Company had a projected debt yield of 24.13%, comfortably in excess of the 10% covenant.

The Company benefits from a secure, diversified income stream from a tenancy profile which is not overly reliant on any one tenant or sector, which reduces risk. The Directors also noted that:

- The Company's rent collection has been strong, with 99% of contracted rent either having been collected, or payment plans agreed, for the March 2023 quarter.
- Based on the contracted rent as at 31 March 2023, a reduction of £8.48 million (58.55%) in net rental income could be accommodated before breaching the debt yield covenant in the Company's re-financed debt arrangements.
- Based on the property valuation at 31 March 2023, the Company had room for an £83.33 million (45.45%) fall in portfolio valuation before breaching the maximum LTV hard covenant in the Company's re-financed debt arrangements.
- The Company's cash flow can also be significantly managed through the adjustment of dividend payments.

Taking this into consideration, the Directors have reviewed a number of scenarios over 12 months from the date of approval of these financial statements, including a worst-case plausible downside scenario which makes the following assumptions:

- a reduction in net rental income of 30%;
- no new lettings or renewals, other than those where terms have already been agreed;
- a 10% fall in property valuations; and
- no new acquisitions or disposals.

In the above scenario, the Company is forecast to generate a positive cash flow before dividend payments, however it would generate a cash flow much lower than its target dividend of 8 pps per annum. Moreover, the Company is forecast to pass the debt yield covenant during the 12-month period with a minimum projected yield of 17%, compared with the limit of 10%, assuming that no repayments of the facility were to be made.

Given the Company's substantial headroom against its borrowing covenants, the Directors believe that the Company is well placed to manage its financing and business risks. The Directors are confident that the Company will have sufficient funds to meet its liabilities as they fall due for at least 12 months from the date of approval of the financial statements and therefore the financial statements have been prepared on a going concern basis.

2. Accounting policies *(continued)*

2.5 Summary of significant accounting policies

The principal accounting policies applied in the preparation of these financial statements are set out below.

a) Presentation currency

These financial statements are presented in Sterling, which is the functional and presentational currency of the Company. The functional currency of the Company is principally determined by the primary economic environment in which it operates. The Company did not enter into any transactions in foreign currencies during the year.

b) Revenue recognition

i) Rental income

Rental income receivable under operating leases is recognised on a straight-line basis over the lease term. A rental adjustment is recognised from the rent review date in relation to unsettled rent reviews, where the Directors are reasonably certain that the rental uplift will be agreed.

Lease incentives, including rent free periods and payment to tenants, are also allocated to the Statement of Comprehensive Income on a straight-line basis over the lease term. The value of resulting accrued rental income is deducted from the valuation as provided by the valuer to arrive at the carrying value.

A modification to an operating lease in the form of a new lease incentive is accounted for as a new lease from the effective date of the modification. Any lease incentive existing on a modified lease will then be spread evenly over the new remaining life of the lease.

Contingent rental income is calculated based off actual turnover and is recognised when it is raised.

Amounts received from tenants to terminate leases or to compensate for dilapidations are recognised in the Statement of Comprehensive Income when the right to receive them arises.

Service charge income receivable under operating leases is charged based on budgeted service charge expenditure for a given property over a given service charge year. This income is recognised on a straight-line basis over the service charge year and any balance credits or charges on reconciliation following the end of the service charge year are recognised at the time they arise.

Insurance income is recognised in the accounting period in which the services are rendered.

ii) Deferred income

Deferred income is any rental income that has been invoiced to the tenant but relates to future periods. It is reported as a current liability in the Statement of Financial Position.

2. Accounting policies *(continued)*

2.5 Summary of significant accounting policies *(continued)*

c) Financing income and expenses

Financing income comprises interest receivable on funds invested. Financing expenses comprise interest and other costs incurred in connection with the borrowing of funds. Interest income and interest payable are recognised in profit or loss as they accrue, using the effective interest method.

d) Investment property

Property is classified as investment property when it is held to earn rentals or for capital appreciation or both. Investment property is measured initially at cost including transaction costs. Transaction costs recognise transfer taxes and professional fees to bring the property to the condition necessary for it to be capable of operating. The carrying amount also includes the cost of replacing part of an existing investment property at the time that cost is incurred if the recognition criteria are met.

Subsequent to initial recognition, investment property is stated at fair value. Gains or losses arising from changes in the fair values are included in profit or loss.

Investment properties are valued by the independent external valuer on the basis of a full valuation with physical inspection at least once a year. Any valuation of an immovable by the independent valuer must be undertaken in accordance with the current issue of RICS Valuation – Professional Standards (the 'Red Book').

The determination of the fair value is based upon the income capitalisation approach. This approach involves applying capitalisation yields to current and future rental streams net of income voids arising from vacancies or rent-free periods and associated running costs. These capitalisation yields and estimated rental values are based on comparable property and leasing transactions in the market using the valuer's professional judgement and market observation. Other factors taken into account in the valuations include the tenure of the property, tenancy details, capital values of fixtures and fittings, environmental matter and the overall repair and condition of the property.

For the purposes of these financial statements, the assessed fair value is:

- reduced by the carrying amount of any accrued income resulting from the spreading of lease incentives; and
- increased by the carrying amount of leasehold obligations.

Investment property is derecognised when it has been disposed of or permanently withdrawn from use and no future economic benefit is expected after its disposal or withdrawal.

The profit on disposal is determined as the difference between the net sales proceeds and the carrying amount of the asset at the commencement of the accounting period plus capital expenditure in the period.

Any gains or losses on the retirement or disposal of investment property are recognised in the profit or loss in the year of retirement or disposal.

2. Accounting policies *(continued)*

2.5 Summary of significant accounting policies *(continued)*

e) Investments in subsidiaries

AEW UK REIT 2015 Limited is the subsidiary of the Company. The subsidiary was dormant during the current and previous reporting period. The investment in the subsidiary is stated at cost less impairment and shown in note 19.

The Company has taken advantage of the exemption as permitted by Section 402 of the Companies Act 2006, therefore the subsidiary is not consolidated as its inclusion is not material for the purposes of giving a true and fair view.

f) Investment property held for sale

Investment property is classified as held for sale when it is being actively marketed at year-end and it is highly probable that the carrying amount will be recovered principally through a sale transaction within 12 months.

Investment property classified as held for sale is included within current assets within the Statement of Financial Position and measured at fair value.

g) Derivative financial instruments

Derivative financial instruments, comprising interest rate caps for hedging purposes, are initially recognised at fair value and are subsequently measured at fair value, being the estimated amount that the Company would receive or pay to terminate the agreement at the period end date, taking into account current interest rate expectations and the current credit rating of the Company and its counterparties. Premiums payable under such arrangements are initially capitalised into the Statement of Financial Position.

The Company uses valuation techniques that are appropriate in the circumstances and for which sufficient data is available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs significant to the fair value measurement as a whole. Changes in fair value of interest rate derivatives are recognised within operating costs in profit or loss in the period in which they occur.

h) Cash and cash equivalents

Cash and short-term deposits in the Statement of Financial Position comprise cash at bank and short-term deposits with an original maturity of three months or less.

2. Accounting policies *(continued)*

2.5 Summary of significant accounting policies *(continued)*

i) Receivables

Rent and other receivables are initially recognised at fair value and subsequently at amortised cost. Impairment provisions are recognised based upon an expected credit loss model. The Company has made an assessment of expected credit losses at each period end, using the simplified approach where a lifetime expected loss allowance is recognised over the expected life of the financial instrument. Any adjustment is recognised in profit or loss as an impairment gain or loss.

Expected credit losses are assessed based on the Company's historical credit loss experience, adjusted for factors which are specific to the tenant and current and forecast economic conditions in general. If confirmation is received that a trade receivable will not be collected, the carrying value of the asset will be written off against the associated impairment provision.

j) Capital prepayments

Capital prepayments are made for the purpose of acquiring future property assets and held as receivables within the Statement of Financial Position. When the asset is acquired, the prepayments are capitalised as a cost of purchase. Where a purchase is not successful, these costs are expensed within profit or loss as abortive costs in the period.

k) Other payables and accrued expenses

Other payables and accrued expenses are initially recognised at fair value and subsequently held at amortised cost.

l) Rent deposits

Rent deposits represent cash received from tenants at inception of a lease and are subsequently transferred to the rent agent to hold on behalf of the Company.

m) Interest bearing loans and borrowings

All loans and borrowings are initially recognised at fair value less directly attributable transaction costs. After initial recognition, interest bearing loans and borrowings are subsequently measured at amortised cost using the effective interest method. Borrowing costs are amortised over the lifetime of the facilities through profit or loss.

When the lifetime of a floating rate facility is extended, and this is considered to be a non-substantial modification, the effective interest rate is revised to reflect changes in market rates of interest.

n) Provisions

A provision is recognised in the Statement of Financial Position when the Company has a present legal or constructive obligation as a result of a past event, that can be reliably measured and is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects risks specific to the liability.

2. Accounting policies *(continued)*

2.5 Summary of significant accounting policies *(continued)*

o) Dividend payable to shareholders

Equity dividends are recognised when they become legally payable.

p) Share issue costs

The costs of issuing or reacquiring equity instruments (other than in a business combination) are accounted for as a deduction from equity.

q) Leases

Leases where the Company is lessee are capitalised at the lease commencement, at present value of the minimum lease payments, using the Company's incremental borrowing rate as the discount rate, and held as both a right-to-use asset and a liability within the Statement of Financial Position.

r) Taxes

Corporation tax is recognised in profit or loss except to the extent that it relates to items recognised directly in equity, in which case, it is recognised in equity.

As a REIT, the Company is exempt from corporation tax on the profits and gains from its investments, provided it continues to meet certain conditions as per REIT regulations.

Taxation on the profit or loss for the period not exempt under UK REIT regulations comprises current and deferred tax. Current tax is expected tax payable on any non-REIT taxable income for the period, using tax rates applicable in the period.

Deferred tax is provided on temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The amount of deferred tax that is provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the period end date.

s) European Public Real Estate Association

The Company has adopted European Public Real Estate Association ('EPRA') best practice recommendations, which it expects to broaden the range of potential institutional investors able to invest in the Company's Ordinary Shares. For the year to 31 March 2023, audited EPS and NAV calculations under EPRA's methodology are included in note 10 and further unaudited measures are included on pages 123 to 128.

2. Accounting policies *(continued)*

2.5 Summary of significant accounting policies *(continued)*

t) Capital and reserves

Share capital

Share capital is the nominal amount of the Company's Ordinary Shares in issue.

Buyback reserve

Buyback reserve represents the cost of the Company's Ordinary Shares reacquired by the Company including directly attributable transaction costs. This reserve is not distributable.

Share premium

Share premium relates to amounts subscribed for share capital in excess of nominal value less associated issue costs of the subscriptions.

Capital reserve

The capital reserve represents the cancelled share premium less dividends paid from this reserve. This is a distributable reserve.

Retained earnings

Retained earnings represent the profits of the Company less dividends paid from revenue profits to date. Unrealised gains on the revaluation of investment properties contained within this reserve are not distributable until they crystallise on the sale of the investment property. The cumulative unrealised loss contained within this reserve at 31 March 2023 is £3.12 million (31 March 2022: cumulative unrealised gains of £26.88 million).

3. Rental and other income

	Year ended 31 March 2023 £'000	Year ended 31 March 2022 £'000
Rental income	17,709	15,920
Service charge income	1,895	1,768
Insurance income	923	924
Dilapidation income received	81	1,103
Other property income	72	57
Lease surrender income	44	139
Total rental and other income	**20,724**	**19,911**

All rental and other income is derived from within the UK. No single tenant accounts for more than 10% of rental income.

4. Property operating expenses

	Year ended 31 March 2023 £'000	Year ended 31 March 2022 £'000
Other property operating expenses	3,440	1,816
Recoverable service charge expense	1,895	1,768
Recoverable insurance expense	923	924
Non-recoverable service charge expense	653	1,231
Total property operating expenses	**6,911**	**5,739**

5. Other operating expenses

	Year ended 31 March 2023 £'000	Year ended 31 March 2022 £'000
Investment management fee	1,548	1,555
Operating costs	639	628
Auditor remuneration	199	146
Total other operating expenses	**2,386**	**2,329**

Details on how the investment management fees are calculated are disclosed in note 24.

	Year ended 31 March 2023 £'000	Year ended 31 March 2022 £'000
Audit		
Statutory audit of Annual Report and Financial Statements	168	120
	168	**120**
Non-audit		
ISRE 2410 review (interim review fee)	31	26
	31	**26**
Total fees paid to BDO LLP	**199**	**146**
Percentage of total fees attributed to non-audit services	**16%**	**18%**

Notes to the Financial Statements *(continued)*

for the year ended 31 March 2023

6. Directors' remuneration

	Year ended 31 March 2023 £'000	Year ended 31 March 2022 £'000
Directors' fees	106	95
Tax and social security	11	5
Total remuneration	**117**	**100**

A summary of the Directors' remuneration is set out in the Directors' Remuneration Report on page 57.

There are no other members of key management personnel other than the Directors.

7. Change in fair value of other financial assets

	Year ended 31 March 2023 £'000	Year ended 31 March 2022 £'000
Changes in fair value of other financial assets	45	–
Change in fair value of interest rate derivatives	–	770
Total	**45**	**770**

8. Finance expenses

	Year ended 31 March 2023 £'000	Year ended 31 March 2022 £'000
Interest payable on loan borrowings	1,729	754
Amortisation of loan arrangement fee	355	126
Commitment fees payable on loan borrowings	4	58
Bank charges	2	1
	2,090	939
Interest expense on lease liabilities	28	49
Total	**2,118**	**988**

9. Taxation

	Year ended 31 March 2023 £'000	Year ended 31 March 2022 £'000
Tax charge reconciliation:		
Analysis of tax charge in the year		
(Loss)/profit before tax	(11,325)	46,695
Theoretical tax at UK corporation tax standard rate of 19.00% (2022:19.00%)[1]	(2,152)	8,872
Adjusted for:		
Exempt REIT income	(1,698)	(2,210)
Non-taxable investment profit	3,850	(6,662)
Total tax charge	**–**	**–**

Factors that may affect future tax charges

Due to the Company's status as a REIT and the intention to continue meeting the conditions required to obtain approval as a REIT in the foreseeable future, the Company has not provided deferred tax on any capital gains and losses arising on the revaluation or disposal of investments.

[1] The Corporation Tax rate will increase to 25% from April 2023.

10. Earnings per share and NAV per share

	Year ended 31 March 2023	Year ended 31 March 2022
Earnings per share:		
Total comprehensive (loss)/income (£'000)	(11,325)	46,695
Weighted average number of shares	158,424,746	158,424,746
(Loss)/earnings per share (basic and diluted) (pence)	**(7.15)**	**29.47**
EPRA earnings per share:		
Total comprehensive (loss)/income (£'000)	(11,325)	46,695
Adjustment to total comprehensive (loss)/income:		
Change in fair value of investment properties (£'000)	30,004	(32,317)
Realised gain on disposal of investment properties (£'000)	(9,744)	(3,673)
Realised loss on disposal of investment property held for sale (£'000)	–	829
Realised loss on disposal of interest rate derivatives (£'000s)	88	–
Change in fair value of interest rate derivatives (£'000)	–	(770)
Total EPRA Earnings (£'000)	9,023	10,764
EPRA earnings per share (basic and diluted) (pence)	**5.70**	**6.79**
Net assets (£'000)	167,101	191,100
Ordinary Shares in issue	158,424,746	158,424,746
NAV per share (pence)	**105.48**	**120.63**

Earnings per share ('EPS') amounts are calculated by dividing profit for the year attributable to ordinary equity holders of the Company by the weighted average number of Ordinary Shares in issue during the year.

Notes to the Financial Statements *(continued)*

for the year ended 31 March 2023

10. Earnings per share and NAV per share *(continued)*

As at 31 March 2023	EPRA NTA £'000	EPRA NRV £'000	EPRA NDV £'000
IFRS NAV attributable to shareholders	167,101	167,101	167,101
Real estate transfer tax and other purchasers' costs[1]	–	14,112	–
Adjustment for the fair value of bank borrowings	–	–	(4,771)
At 31 March 2023	167,101	181,213	162,330
Number of Ordinary Shares	158,424,746	158,424,746	158,424,746
NAV per share	**105.48p**	**114.38p**	**102.47p**

As at 31 March 2022	EPRA NTA £'000	EPRA NRV £'000	EPRA NDV £'000
IFRS NAV attributable to shareholders	191,100	191,100	191,100
Mark-to-market adjustment of derivatives	(831)	(831)	–
Real estate transfer tax and other purchasers' costs[1]	–	15,852	–
At 31 March 2022	190,269	206,121	191,100
Number of Ordinary Shares	158,424,746	158,424,746	158,424,746
NAV per share	**120.10p**	**130.11p**	**120.63p**

[1] EPRA Net Tangible Assets ('EPRA NTA') and EPRA Net Disposal Value ('EPRA NDV') are calculated using property values in line with IFRS, where values are net of Real Estate Transfer Tax ('RETT') and other purchasers' costs. RETT and other purchasers' costs are added back when calculating EPRA Net Reinstatement Value ('EPRA NRV') and have been estimated at 6.6% of the net valuation provided by Knight Frank.

11. Dividends paid

Dividends paid during the year	Year ended 31 March 2023 £'000	Year ended 31 March 2022 £'000
Represents four interim dividends of 2.00 pps each	**12,674**	12,674

Dividends relating to the year	Year ended 31 March 2023 £'000	Year ended 31 March 2022 £'000
Represents four interim dividends of 2.00 pps each	**12,674**	12,674

Dividends paid during the period relate to Ordinary Shares only. Included in the Statement of Cash Flows for dividends paid is £279,000 withholding tax which was payable as at 31 March 2022 (31 March 2022: withholding tax of £144,000 paid which was payable as at 31 March 2021).

Notes to the Financial Statements *(continued)*

for the year ended 31 March 2023

12. Investment property

12.a) Investment property

	31 March 2023			
	Investment property freehold £'000	**Investment property leasehold £'000**	**Total £'000**	31 March 2022 Total £'000
UK investment property				
As at beginning of the year	196,500	43,675	240,175	179,000
Purchases and capital expenditure in the year	35,195	1,537	36,732	41,547
Disposals in the year	(33,212)	–	(33,212)	(12,587)
Revaluation of investment properties	(29,158)	(712)	(29,870)	32,215
Valuation provided by Knight Frank	**169,325**	**44,500**	**213,825**	**240,175**
Adjustment to carrying value for lease incentive debtor			(3,372)	(3,238)
Adjustment for lease obligations*			187	187
Total investment property			**210,640**	**237,124**
Classified as:				
Investment property held for sale**			4,400	25,414
Investment property			206,240	211,710
			210,640	**237,124**
Change in fair value of investment property				
Change in fair value before adjustments for lease incentives			(29,870)	32,215
Adjustment for movement in the year:				
in value of lease incentive debtor			(134)	102
			(30,004)	**32,317**
Gains on disposal of the investment property				
Net procceds from disposals of investment property during the year***			42,956	16,260
Carrying value of disposals			(33,212)	(12,587)
Gains realised on disposal of investment property			9,744	3,673
Realised loss on disposal of investment property held for sale			–	(829)
Gains realised on disposal of investment property per Statement of Comprehensive Income			**9,744**	**2,844**

* Adjustment in respect of minimum payment under head leases separately included as a liability within the Statement of Financial Position

** Deeside Industrial Park, Deeside has been classified as held for sale as at 31 March 2023. Terms were agreed in March 2023, with the transaction completed post period-end, in May 2023.

*** Net proceeds include deductions for topped up rents and rent free periods of £654,000 (31 March 2022: £207,000).

12. Investment property *(continued)*

12.a) Investment property *(continued)*

Valuation of investment property

Valuation of investment property is performed by Knight Frank LLP, an accredited external independent valuer with recognised and relevant professional qualifications and recent experience of the location and category of the investment property being valued.

The valuation of the Company's investment property at fair value is determined by the external valuer on the basis of market value in accordance with the internationally accepted RICS Valuation – Professional Standards (incorporating the International Valuation Standards).

The determination of the fair value is based upon the income capitalisation approach. This approach involves applying capitalisation yields to current and future rental streams net of income voids arising from vacancies or rent-free periods and associated running costs. These capitalisation yields and estimated rental values are based on comparable property and leasing transactions in the market using the valuer's professional judgement and market observation. Other factors taken into account in the valuations include the tenure of the property, tenancy details, capital values of fixtures and fittings, environmental matter and the overall repair and condition of the property.

12.b) Fair value measurement hierarchy

The following table provides the fair value measurement hierarchy for investments:

	Quoted prices in active markets (Level 1) £'000	Significant observable inputs (Level 2) £'000	Significant unobservable inputs (Level 3) £'000	Total £'000
Assets measured at fair value				
31 March 2023				
Investment property	**–**	**–**	**210,640**	**210,640**
31 March 2022				
Investment property	–	–	237,124	237,124

Explanation of the fair value hierarchy:

Level 1 – Quoted prices for an identical instrument in active markets;

Level 2 – Prices of recent transactions for identical instruments and valuation techniques using observable market data; and

Level 3 – Valuation techniques using non-observable data.

There have been no transfers between Level 1 and Level 2 during either period, nor have there been any transfers in or out of Level 3.

12. Investment property *(continued)*

12.b) Fair value measurement hierarchy *(continued)*

Sensitivity analysis to significant changes in unobservable inputs within Level 3 of the hierarchy

The significant unobservable inputs used in the fair value measurement categorised within Level 3 of the fair value hierarchy of the entity's portfolio of investment property are:

1) ERV

2) Equivalent yield

Increases/(decreases) in the ERV (per sq ft per annum) in isolation would result in a higher/(lower) fair value measurement. Increases/(decreases) in the discount rate/yield in isolation would result in a lower/(higher) fair value measurement.

The significant unobservable inputs used in the fair value measurement, categorised within Level 3 of the fair value hierarchy of the portfolio of investment property are as follows:

	Fair Value	Significant Unobservable Inputs	
Sector	**£'000**	**ERV range (per sq ft per annum)**	**Equivalent Yield range**
As at 31 March 2023			
Industrial	94,600	£0.50 – £10.00	6.38% – 10.88%
Retail	83,800	£4.00 – £85.00	6.80% – 11.13%
Alternatives	20,125	£8.00 – £29.60	7.75% – 9.69%
Office	15,300	£8.50 – £40.00	7.74% – 8.73%
Portfolio*	213,825	£0.50 – £85.00	6.38% – 11.13%
As at 31 March 2022			
Industrial	120,750	£0.50 – £10.00	4.49% – 9.53%
Retail	59,225	£4.65 – £75.00	7.16% – 10.65%
Office	43,275	£8.50 – £30.00	4.78% – 9.62%
Alternatives	16,925	£8.50 – £29.60	7.30% – 10.43%
Portfolio*	240,175	£0.50 – £75.00	4.49% – 10.65%

* Valuation per Knight Frank LLP.

Where possible, sensitivity of the fair values of Level 3 assets are tested to changes in unobservable inputs against reasonable alternatives.

Gains and losses recorded in profit or loss for recurring fair value measurements categorised within Level 3 of the fair value hierarchy are attributable to changes in unrealised gains or losses relating to investment property held at the end of the reporting period.

With regards to investment property, gains and losses for recurring fair value measurements categorised within Level 3 of the fair value hierarchy, prior to adjustment for rent free debtor and rent guarantee debtor where applicable, are recorded in profit or loss.

Notes to the Financial Statements *(continued)*

for the year ended 31 March 2023

12. Investment property *(continued)*

12.b) Fair value measurement hierarchy *(continued)*

	Change in ERV		Change in equivalent yield	
	£'000	£'000	£'000	£'000
Sensitivity analysis	**+5%**	**-5%**	**+5%**	**-5%**
31 March 2023				
Resulting fair value of investment property	**223,280**	**205,317**	**204,098**	**225,214**
31 March 2022				
Resulting fair value of investment property	250,408	230,258	230,818	250,477

	Change in ERV		Change in equivalent yield	
	£'000	£'000	£'000	£'000
Sensitivity analysis	**+10%**	**-10%**	**+10%**	**-10%**
31 March 2023				
Resulting fair value of investment property	**232,439**	**196,550**	**194,983**	**237,533**
31 March 2022				
Resulting fair value of investment property	260,668	220,355	222,326	261,938

	Change in ERV		Change in equivalent yield	
	£'000	£'000	£'000	£'000
Sensitivity analysis	**+15%**	**-15%**	**+15%**	**-15%**
31 March 2023				
Resulting fair value of investment property	**241,600**	**187,803**	**186,663**	**251,301**
31 March 2022				
Resulting fair value of investment property	270,943	210,468	214,571	274,743

Given the current volatility in the property market, the above levels of sensitivity of unobservable inputs are considered to demonstrate plausible scenarios in the near future and a reasonable resulting range of movement in valuation.

12.c) Real estate risk

The Company has considered the risks specific to its investment property within note 22.2 Financing Management.

13. Receivables and prepayments

	31 March 2023 £'000	31 March 2022 £'000
Receivables		
Rent receivable	1,437	1,716
Allowance for expected credit losses	(969)	(756)
Rent agent float account	1,712	1,227
Recoverable service charge receivable	1,271	660
Other receivables	980	1,087
Recoverable insurance debtor	356	287
	4,787	4,221
Lease incentive debtor	3,372	3,238
	8,159	**7,459**
Prepayments		
Property related prepayments	596	52
Other prepayments	47	73
	643	125
Total	**8,802**	**7,584**

The aged debtor analysis of receivables is as follows:

	31 March 2023 £'000	31 March 2022 £'000
Less than three months	4,091	3,379
Between three and six months	696	842
Between six and twelve months	–	–
Total	**4,787**	**4,221**

The Company applies the IFRS 9 simplified approach to measuring expected credit losses using a lifetime expected credit loss provision for trade receivables. To measure expected credit losses on a collective basis, trade receivables are assessed on an individual tenant-by-tenant basis. The risk of credit loss applied to each tenant is assessed based on information including, but not limited to: external credit ratings; financial statements; press information; previous experience of losses or late payment; discussions with the property manager and the tenant.

The expected loss rates are based on the Company's historical credit losses experienced over the three-year period prior to the year-end. The historical loss rates are then adjusted for current and forward-looking information on macroeconomic factors affecting the Company's customers. The expected credit loss provision as at 31 March 2023 was £1.0 million (31 March 2022: £0.8 million). No reasonably possible changes in the assumptions underpinning the expected credit loss provision would give rise to a material expected credit loss.

13. Receivables and prepayments *(continued)*

The movement in the allowance for impairment in respect of trade receivables during the year was as follows:

	31 March 2023 £'000	31 March 2022 £'000
At the beginning of the year	756	995
Remeasurement of loss allowance	213	(239)
At the end of the year	**969**	**756**

14. Other financial assets at fair value

	31 March 2023 £'000	31 March 2022 £'000
Other financial assets at FVTPL	12	–
Interest rate cap	–	831
At the end of the year	**12**	**831**

The Company entered into a five year fixed rate loan with AgFe during the period. As part of this the interest rate cap was sold for £743,000 with a realised accounting loss of £88,000 (31 March 2022: £nil). Prior to the sale, the Company made a collateral payment of £870,000 (31 March 2022: received £870,000).

Fair value hierarchy

The following table provides the fair value measurement hierarchy for interest rate derivatives:

Valuation date	**Quoted prices in active markets (Level 1) £'000**	**Significant observable input (Level 2) £'000**	**Significant unobservable inputs (Level 3) £'000**	**Total £'000**
31 March 2023	**–**	**–**	**12**	**12**
31 March 2022	–	831	–	831

The fair value of these contracts are recorded in the Statement of Financial Position as at the year-end.

There have been no transfers between Level 1 and Level 2 during the year, nor have there been any transfers between Level 2 and Level 3 during the year.

The carrying amount of all assets and liabilities, detailed within the Statement of Financial Position, is considered to be the same as their fair value.

15. Interest bearing loans and borrowings

	31 March 2023 £'000	31 March 2022 £'000
At the beginning of the year	54,000	39,500
Bank borrowings drawn in the year	60,000	14,500
Bank borrowings repaid in the year	(54,000)	–
Interest bearing loans and borrowings	**60,000**	**54,000**
Unamortised loan arrangement fees	(447)	(243)
At the end of the year	**59,553**	**53,757**
Repayable between two and five years	60,000	54,000
Undrawn facility at the year-end	–	6,000
Total facility	**60,000**	**60,000**

The Company entered into a £60.00 million credit facility with AgFe, a leading independent asset manager specialising in debt-based investments in May 2022. As of 31 March 2023, the Company had utilised £60.00 million. The loan is a fixed rate loan with a total interest cost of 2.959% and has a 5 year term.

As at 31 March 2022, the Company had a £60.00 million credit facility with RBSi which was due to mature in October 2023. £54.00 million was utilised at 31 March 2022. The loan with RBSi was settled via receipt of funds from AgFe, which resulted in a net £6.00 million payment being made to the Company.

The Company has a target gearing of 35% Loan to NAV. As at 31 March 2023, the Company's gearing was 35.91% Loan to NAV (31 March 2022: 28.26%).

Notes to the Financial Statements *(continued)*

for the year ended 31 March 2023

15. Interest bearing loans and borrowings *(continued)*

Borrowing costs associated with the credit facility are shown as finance costs in note 8 to these financial statements.

	31 March 2023	31 March 2022
Facility	£60.00 million	£60.00 million
Drawn	£60.00 million	£54.00 million
Gearing (Loan to GAV)	28.06%	22.48%
Gearing (Loan to NAV)	35.91%	28.26%
Interest rate	2.959% fixed	2.20% all-in (SONIA + 1.4%)
Notional Value of Loan Balance Hedged	N/A	95.37%

Reconciliation to cash flows from financing activities

	31 March 2023 £'000	31 March 2022 £'000
Balance at the beginning of the year	53,757	39,131
Changes from financing cash flows		
Loan draw down	60,000	14,500
Loan repayment	(54,000)	–
Loan arrangement fees	(513)	–
Total changes from financing cash flows	**5,487**	**14,500**
Other changes		
Amortisation of loan arrangement fees	355	126
Interest expense	1,729	754
Interest paid	(1,607)	(810)
Changes in loan interest payable	(122)	56
Release of prepaid arrangement fee	(46)	–
Total other changes	**309**	**126**
Balance at the end of the year	**59,553**	**53,757**

16. Payables and accrued expenses

	31 March 2023 £'000	31 March 2022 £'000
Deferred income	3,739	2,924
Accruals	1,341	1,474
Other creditors	1,138	2,206
Recoverable service charge payable	677	660
Recoverable insurance payable	33	–
Total	**6,928**	**7,264**

17. Lease obligations as lessee

Leases as lessee are capitalised at the lease's commencement at the present value of the minimum lease payments. The present value of the corresponding rental obligations are included as liabilities.

The following table analyses the minimum lease payments under non-cancellable leases:

	31 March 2023 £'000	31 March 2022 £'000
Current	13	13
Non Current	174	174
Total	**187**	**187**

Notes to the Financial Statements *(continued)*

for the year ended 31 March 2023

18. Lease obligations as lessor

The Company has entered into commercial property leases on its investment property portfolio. These non-cancellable leases have a remaining term of between zero and 27 years.

Future minimum rentals receivable under non-cancellable operating leases as at 31 March 2023 are as follows:

	31 March 2023 £'000	31 March 2022 £'000
Within one year	16,829	14,493
After one year but not more than five years	37,734	32,093
More than five years	20,943	19,303
Total	**75,506**	**65,889**

During the year ended 31 March 2023, there were contingent rents totalling £146,289 (year ended 31 March 2022: £192,211) recognised as income.

19. Investment in subsidiary

The Company has a wholly-owned subsidiary, AEW UK REIT 2015 Limited:

Name and company number	**Country of registration and incorporation**	**Principal activity**	**Ordinary Shares held**
AEW UK REIT 2015 Limited (Company number 09524699)	England and Wales	Dormant	100%

AEW UK REIT 2015 Limited is a subsidiary of the Company incorporated in the UK on 2 April 2015. At 31 March 2023, the Company held one share, being 100% of the issued share capital. AEW UK REIT 2015 Limited is dormant and the cost of the subsidiary is £0.01 (31 March 2022: £0.01). The registered office of AEW UK REIT 2015 Limited is 6th Floor, 65 Gresham Street, London, EC2V 7NQ.

20. Issued share capital

	31 March 2023 £'000	31 March 2023 Number of Ordinary Shares	31 March 2022 £'000	31 March 2022 Number of Ordinary Shares
Ordinary Shares (nominal value £0.01 per share) authorised, issued and fully paid				
At the beginning of the year	1,587	158,774,746	1,587	158,774,746
At the end of the year	**1,587**	**158,774,746**	**1,587**	**158,774,746**
Treasury Shares				
At the beginning of the year	(265)	350,000	(265)	350,000
At the end of the year	**(265)**	**350,000**	**(265)**	**350,000**
Total Ordinary Share capital excluding treasury shares	**1,587**	**158,424,746**	**1,587**	**158,424,746**

The allotted, called up and fully paid shares at 31 March 2022 consisted of 158,774,746 Ordinary Shares.

21. Share premium account

	31 March 2023 £'000	31 March 2022 £'000
The share premium relates to amounts subscribed for share capital in excess of nominal value:		
Balance at the beginning of the year	56,578	56,578
Balance at the end of the year	**56,578**	**56,578**

22. Financial risk management objectives and policies

22.1 Financial assets and liabilities

The Company's principal financial assets and liabilities are those derived from its operations: receivables and prepayments, cash and cash equivalents and payables and accrued expenses. The Company's other principal financial liabilities are interest bearing loans and borrowings, the main purpose of which is to finance the acquisition and development of the Company's property portfolio.

Set out below is a comparison by class of the carrying amounts and fair value of the Company's financial instruments that are carried in the financial statements.

	31 March 2023		31 March 2022	
	Book Value £'000	**Fair Value £'000**	Book Value £'000	Fair Value £'000
Financial assets				
Receivables[1]	4,787	4,787	4,221	4,221
Cash and cash equivalents	14,315	14,315	6,769	6,769
Other financial assets held at fair value	12	12	831	831
Financial liabilities				
Interest bearing loans and borrowings	59,553	55,229	53,757	54,000
Payables and accrued expenses[2]	2,691	2,691	3,802	3,802
Lease obligations	187	187	187	187

1 Excludes lease incentive debtor and prepayments.

2 Excludes tax, VAT liabilities and deferred income.

Interest rate derivatives are the only financial instruments classified as fair value through profit and loss. All other financial assets and financial liabilities are measured at amortised cost. All financial instruments were designated in their current categories upon initial recognition.

Fair value measurement hierarchy has not been applied to those classes of asset and liability stated above which are not measured at fair value in the financial statements. The difference between the fair value and book value of these items is not considered to be material.

22.2 Financing management

The Company's activities expose it to a variety of financial risks: market risk, real estate risk, credit risk and liquidity risk.

The Company's objective in managing risk is the creation and protection of shareholder value. Risk is inherent in the Company's activities but it is managed through a process of ongoing identification, measurement and monitoring, subject to risk limits and other controls.

22. Financial risk management objectives and policies *(continued)*

The principal risks facing the Company in the management of its portfolio are as follows:

Market price risk

Market risk is the risk that the fair values of financial instruments will fluctuate because of changes in market prices. The financial instruments held by the Company that are affected by market risk are principally the Company's cash balances and bank borrowings.

The Company entered into a fixed rate 5 year loan with AgFe in May 2022, with a total interest cost of 2.959% mitigating the market risk associated with bank borrowings.

Real estate risk

Real estate risk is the risk that future values of investments in direct property and related property investments will fluctuate due to changes in market prices. To manage market price risk, the Company diversifies its portfolio geographically in the United Kingdom and across property sectors.

The disciplined approach to the purchase, sale and asset management ensures that the value is maintained to its maximum potential. Prior to any property acquisition or sale, detailed research is undertaken to assess expected future cash flow. The Investment Management Committee of the Investment Manager meets twice monthly and reserves the ultimate decision with regards to investment purchases or sales. In order to monitor property valuation fluctuations, the Investment Manager meets with the independent external valuer on a regular basis. The valuer provides a property portfolio valuation quarterly, so any movements in the value can be accounted for in a timely manner and reflected in the NAV every quarter.

Property investments are illiquid assets and can be difficult to sell, especially if local market conditions are poor. Illiquidity may also result from the absence of an established market for investments, as well as legal or contractual restrictions on resale of such investments. In addition, property valuation is inherently subjective due to the individual characteristics of each property, and thus, coupled with illiquidity in the markets, makes the valuation in the investment property difficult and inexact.

No assurances can be given that the valuations of properties will be reflected in the actual sale prices even where such sales occur shortly after the relevant valuation date.

There can be no certainty regarding the future performance of any of the properties acquired for the Company. The value of any property can go down as well as up. Property and property-related assets are inherently subjective as regards value due to the individual nature of each property. As a result, valuations are subject to uncertainty.

Real property investments are subject to varying degrees of risk. The yields available from investments in real estate depend on the amount of income generated and expenses incurred from such investments.

There are additional risks in vacant, part vacant, redevelopment and refurbishment situations, although these are not prospective investments for the Company.

22. Financial risk management objectives and policies *(continued)*

Credit risk

Credit risk is the risk that the counterparty (to a financial instrument) or tenant (of a property) will cause a financial loss to the Company by failing to meet a commitment it has entered into with the Company.

It is the Company's policy to enter into financial instruments with reputable counterparties. All cash deposits are placed with an approved counterparty, The Royal Bank of Scotland International Limited which has an A3 long term credit rating.

In respect of property investments, in the event of a default by a tenant, the Company will suffer a rental shortfall and additional costs concerning re-letting the property. The Investment Manager monitors tenant arrears in order to anticipate and minimise the impact of defaults by occupational tenants.

The table below shows the Company's exposure to credit risk:

	As at 31 March 2023 £'000	As at 31 March 2022 £'000
Receivables (excluding incentives and prepayments)	4,787	4,221
Cash and cash equivalents	14,315	6,769
Total	**19,102**	**10,990**

Liquidity risk

Liquidity risk arises from the Company's management of working capital, the finance charges and principal repayments on its borrowings. It is the risk that the Company will encounter difficulty in meeting its financial obligations as they fall due, as the majority of the Company's assets are investment properties and therefore not readily realisable. The Company's objective is to ensure it has sufficient available funds for its operations and to fund its capital expenditure. This is achieved by continuous monitoring of forecast and actual cash flows by management.

Notes to the Financial Statements *(continued)*
for the year ended 31 March 2023

22. Financial risk management objectives and policies *(continued)*

Liquidity risk *(continued)*

The table below summarises the maturity profile of the Company's financial liabilities based on contractual undiscounted payments:

31 March 2023	**On demand £'000**	**< 3 months £'000**	**3–12 months £'000**	**1–5 years £'000**	**> 5 years £'000**	**Total £'000**
Interest bearing loans and borrowings	–	444	1,331	65,866	–	67,641
Payables and accrued expenses	–	2,691	–	–	–	2,691
Lease obligation	–	–	14	56	1,722	1,792
	–	**3,135**	**1,345**	**65,922**	**1,722**	**72,124**

31 March 2022	On demand £'000	< 3 months £'000	3–12 months £'000	1–5 years £'000	> 5 years £'000	Total £'000
Interest bearing loans and borrowings	–	297	891	54,674	–	55,862
Payables and accrued expenses	–	3,802	–	–	–	3,802
Lease obligation	–	–	14	56	1,736	1,806
	–	**4,099**	**905**	**54,730**	**1,736**	**61,470**

23. Capital management

The primary objectives of the Company's capital management are to ensure that it continues to qualify for UK REIT status and complies with its banking covenants.

To enhance returns over the medium term, the Company utilises borrowings on a limited recourse basis for each investment or all or part of the total portfolio. The Company's policy is to target a borrowing level of 35.00% Loan to NAV.

Alongside the Company's borrowing policy, the Directors intend, at all times, to conduct the affairs of the Company so as to enable the Company to qualify as a REIT for the purposes of Part 12 of the CTA 2010 (and the regulations made thereunder). The REIT status compliance requirements include: 90% distribution test, interest cover ratio and 75% assets test, all of which the Company remained compliant with in this reporting year.

The monitoring of the Company's level of borrowing is performed primarily using a Loan to Value ratio and is reported to the lender on a quarterly basis against the financial covenants of the facility. At the year-end, the Company had a Loan to Value ratio of 32.73% (31 March 2022: 28.26%).

Breaches in meeting the financial covenants would permit the bank to immediately call loans and borrowings. During the year under review, the Company did not breach any of its loan covenants, nor did it default on any of its other obligations under its loan agreements.

Notes to the Financial Statements *(continued)*

for the year ended 31 March 2023

24. Transactions with related parties

As defined by IAS 24 Related Parties Disclosures, parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial or operational decisions.

For the year ended 31 March 2023, the Directors of the Company are considered to be the key management personnel. Details of amounts paid to Directors for their services can be found within note 6, Directors' remuneration and the Director's remuneration report on page 57. During the year the Directors who served in the year received £87,999 gross in dividend payments (31 March 2022: £80,233).

AEW UK Investment Management LLP is the Company's Investment Manager and has been appointed as AIFM. Under the terms of the Investment Management Agreement, the Investment Manager is responsible for the day-to-day discretionary management of the Company's investments subject to the investment objective and investment policy of the Company and the overall supervision of the Directors.

The Investment Manager is entitled to receive a quarterly management fee in respect of its services calculated at the rate of one-quarter of 0.9% of the prevailing NAV (excluding uninvested proceeds from fundraisings).

During the year, the Company incurred £1,548,204 (31 March 2022: £1,554,751) in respect of investment management fees and expenses, of which £349,351 (31 March 2022: £422,282) was outstanding as at 31 March 2023.

25. Segmental information

The Board of Directors retains overall control of the Company but the Investment Manager (AEW UK Investment Management LLP) has certain authorities and fulfils the function of allocating resource to, and assessing the performance of the Company's operating segments and is therefore considered to be the Chief Operating Decision Maker ('CODM'). In accordance with IFRS 8, the Company considers each of its properties to be an individual operating segment. The CODM allocates resources, and reviews the performance of, the Company's portfolio on a property-by-property basis and discrete financial information is available for each individual property.

These operating segments have similar economic characteristics and, as such, are aggregated into one reporting segment, being investment in property and property-related investments in the UK.

26. Events after reporting date

Dividend

On 26 April 2023, the Board declared its fourth interim dividend of 2.00 pps in respect of the period from 1 January 2023 to 31 March 2023. This was paid on 7 June 2023, to shareholders on the register as at 5 May 2023. The ex-dividend date was 4 May 2023.

Property sale

On 4 May 2023, the Company disposed of its asset at Deeside Industrial Park, Deeside, for gross proceeds of £5.70 million.

EPRA Unaudited Performance Measures

EPRA disclosures are widely used across the listed property sector and, as such, have been presented below to aid comparison with other companies in this sector.

Detailed below is a summary table showing the EPRA performance measures of the Company

All EPRA performance measures have been calculated in line with EPRA Best Practices Recommendations Guidelines which can be found at www.epra.com.

MEASURE AND DEFINITION	PURPOSE	PERFORMANCE
1. EPRA Earnings Earnings for operational activities.	A key measure of a company's underlying operating results and an indication of the extent to which current dividend payments are supported by earnings.	£9.02 million/5.70 pps EPRA earnings for year to 31 March 2023 (31 March 2022: £10.76 million/6.79 pps)
2. EPRA Net Tangible Assets ('NTA') Assumes that entities buy and sell assets, thereby crystallising certain levels of unavoidable deferred tax.		£167.10 million/105.48 pps EPRA NTA as at 31 March 2023 (31 March 2022: £190.27 million/120.10 pps)
3. EPRA Net Reinstatement Value ('NRV') Assumes that entities never sell assets and aims to represent the value required to rebuild the entity.	The EPRA NAV set of metrics make adjustments to the NAV per the IFRS financial statements to provide stakeholders with the most relevant information on the fair value of the assets and liabilities of a real estate investment company, under different scenarios.	£181.21 million/114.38 pps EPRA NRV as at 31 March 2023 (31 March 2022: £206.12 million/130.11 pps)
4. EPRA Net Disposal Value ('NDV') Represents the shareholders' value under a disposal scenario, where deferred tax, financial instruments and certain other adjustments are calculated to the full extent of their liability, net of any resulting tax.		£162.33 million/102.47 pps EPRA NDV as at 31 March 2023 (31 March 2022: £191.10 million/120.63 pps)
5. EPRA Net Initial Yield ('NIY') Annualised rental income based on the cash rents passing at the balance sheet date, less non-recoverable property operating expenses, divided by the market value of the property, increased with (estimated) purchasers' costs.	A comparable measure for portfolio valuations. This measure should make it easier for investors to judge themselves, how the valuation of portfolio X compares with portfolio Y.	7.65% EPRA NIY as at 31 March 2023 (31 March 2022: 5.87%)

EPRA Unaudited Performance Measures *(continued)*

MEASURE AND DEFINITION	PURPOSE	PERFORMANCE
6. EPRA 'Topped-Up' NIY This measure incorporates an adjustment to the EPRA NIY in respect of the expiration of rent-free periods (or other unexpired lease incentives such as discounted rent periods and step rents).	A comparable measure for portfolio valuations. This measure should make it easier for investors to judge themselves, how the valuation of portfolio X compares with portfolio Y.	8.07% EPRA 'Topped-Up' NIY as at 31 March 2023 (31 March 2022: 6.58%)
7. EPRA Vacancy Rate Estimated Market Rental Value ('ERV') of vacant space divided by ERV of the whole portfolio.	A 'pure' (%) measure of investment property space that is vacant, based on ERV.	7.83% EPRA Vacancy Rate as at 31 March 2023 (31 March 2022: 10.69%)
8. EPRA Cost Ratio Administrative and operating costs (including and excluding costs of direct vacancy) divided by gross rental income.	A key measure to enable meaningful measurement of the changes in a company's operating costs.	37.46% EPRA Cost Ratio (including direct vacancy costs) as at 31 March 2023 (31 March 2022: 33.55%) 26.45% EPRA Cost Ratio (excluding direct vacancy costs) as at 31 March 2023 (31 March 2022: 18.16%)
9. EPRA Capital Expenditure Property which has been held at both the current and comparative balance sheet dates for which there has been no significant development.	A measure used to illustrate change in comparable capital values.	£36.73 million for the year ended 31 March 2023 (31 March 2022: £41.55 million)
10. EPRA Like-for-like Rental Growth Net growth generated by assets which were held by the Company throughout both the current and comparable periods which there has been no significant development which materially impacts upon income.	A measure used to illustrate change in comparable income values.	£0.12 million/ 0.98% for the year ended 31 March 2023 (31 March 2022: -£0.54 million/-3.91%)
11. EPRA Loan to Value Debt divided by the market value of property.	A measure to assess the gearing of shareholder equity of a real estate company.	21.18% for the year ended 31 March 2023 (31 March 2022: 19.64%)

EPRA Unaudited Performance Measures *(continued)*

Calculation of EPRA NTA, EPRA NRV and EPRA NDV

The Company considers EPRA NTA to be the most relevant NAV measure for the Company and we are now reporting this as our primary NAV measure, replacing our previously reported EPRA NAV and EPRA NNAV per share metrics. EPRA NTA excludes the cumulative fair value adjustments for debt-related derivatives which are unlikely to be realised.

As at 31 March 2023	EPRA NTA £'000	EPRA NRV £'000	EPRA NDV £'000
IFRS NAV attributable to shareholders	167,101	167,101	167,101
Real estate transfer tax and other purchasers' costs[1]	–	14,112	–
Adjustment for the fair value of bank borrowings	–	–	(4,771)
At 31 March 2023	167,101	181,213	162,330
Number of Ordinary Shares ('000)	158,424,746	158,424,746	158,424,746
NAV Per share	**105.48p**	**114.38p**	**102.47p**

As at 31 March 2022	EPRA NTA £'000	EPRA NRV £'000	EPRA NDV £'000
IFRS NAV attributable to shareholders	191,100	191,100	191,100
Mark-to-market adjustment of derivatives	(831)	(831)	–
Real estate transfer tax and other purchasers' costs[1]	–	15,852	–
At 31 March 2022	190,269	206,121	191,100
Number of Ordinary Shares ('000)	158,424,746	158,424,746	158,424,746
NAV Per share	**120.10p**	**130.11p**	**120.63p**

[1] EPRA NTA and EPRA NDV are calculated using property values in line with IFRS, where values are net of Real Estate Transfer Tax (RETT) and other purchasers' costs. RETT and other purchasers' costs are added back when calculating EPRA NRV, and have been estimated at 6.6% of the net valuation provided by Knight Frank.

EPRA Unaudited Performance Measures *(continued)*

Calculation of EPRA Net Initial Yield ('NIY') and EPRA 'topped-up' NIY

	Year ended 31 March 2023 £'000	Year ended 31 March 2022 £'000
Investment property – wholly-owned	213,825	240,175
Allowance for estimated purchasers' costs at 6.6%	14,112	15,852
Grossed-up completed property portfolio valuation (B)	**227,937**	**256,027**
Annualised cash passing rental income	18,399	16,871
Property outgoings	(960)	(1,818)
Annualised net rents (A)	**17,439**	**15,053**
Rent from expiry of rent-free periods and fixed uplifts*	949	1,812
'Topped-up' net annualised rent (C)	**18,388**	**16,865**
EPRA NIY (A/B)	**7.65%**	**5.87%**
EPRA 'topped-up' NIY (C/B)	**8.07%**	**6.58%**

* Rent-free periods expire by November 2023.

EPRA NIY basis of calculation

EPRA NIY is calculated as the annualised net rent, divided by the grossed-up value of the completed property portfolio valuation.

The valuation of the grossed-up completed property portfolio is determined by the Company's external valuers as at 31 March 2023, plus an allowance for estimated purchaser's costs. Estimated purchaser's costs are determined by the relevant stamp duty liability, plus an estimate by our valuers of agent and legal fees on notional acquisition. The net rent deduction allowed for property outgoings is based on the Company's valuers' assumptions on future recurring non-recoverable revenue expenditure.

In calculating the EPRA 'topped-up' NIY, the annualised net rent is increased by the total contracted rent from expiry of rent-free periods and future contracted rental uplifts.

Calculation of EPRA Vacancy Rate

	Year ended 31 March 2023 £'000	Year ended 31 March 2022 £'000
Annualised potential rental value of vacant premises (A)	1,671	2,161
Annualised potential rental value for the complete property portfolio (B)	21,343	20,215
EPRA Vacancy Rate (A/B)	**7.83%**	**10.69%**

EPRA Unaudited Performance Measures *(continued)*

Calculation of EPRA Cost Ratios

	Year ended 31 March 2023 £'000	Year ended 31 March 2022 £'000
Administrative/operating expense per IFRS income statement	6,810	5,368
Less: ground rent costs	(282)	(15)
EPRA costs (including direct vacancy costs) (A)	**6,528**	**5,353**
Direct vacancy costs (see Glossary on page 145 for further details)	(1,918)	(2,456)
EPRA costs (excluding direct vacancy costs) (B)	**4,610**	**2,897**
Gross rental income less ground rent costs (C)	**17,427**	**15,955**
EPRA Cost Ratio (including direct vacancy costs) (A/C)	**37.46%**	**33.55%**
EPRA Cost Ratio (excluding direct vacancy costs) (B/C)	**26.45%**	**18.16%**

The Company has not capitalised any overhead or operating expenses in the accounting years disclosed above.

Only costs directly associated with the purchase or construction of properties as well as all subsequent value-enhancing capital expenditure are capitalised.

Like-for-like rental growth

The table below sets out the like-for-like for rental growth of the portfolio, by sector, in accordance with EPRA Best Practices Recommendations.

Sector	**Rental income from like-for-like portfolio 2023 £m**	Rental income from like-for-like portfolio 2022 £m	Like-for-like rental growth £m	Like-for-like rental growth %
Industrial	7.47	7.06	0.41	5.81
Office	1.03	1.06	(0.03)	(2.83)
Alternatives	1.47	1.50	(0.03)	(2.00)
Standard Retail	1.76	2.00	(0.24)	(12.00)
Retail Warehouse	0.61	0.60	0.01	1.67
Total	**12.34**	**12.22**	**0.12**	**0.98**

The like-for-like rental growth is based on changes in rental income for those properties which have been held for the duration of both the current and comparative reporting. This represents a portfolio valuation, as assessed by the valuer of £143.98 million (31 March 2022: £165.10 million).

EPRA Unaudited Performance Measures *(continued)*

Capital Expenditure

The table below sets out the capital expenditure of the portfolio in accordance with EPRA Best Practice Recommendations.

Sector	**2023 £'000**	2022 £'000
Acquisitions	34,147	40,770
Investment properties – no incremental lettable space	2,585	777
Total purchases and capital expenditure	**36,732**	**41,547**

EPRA Loan to Value

The table below sets out the loan to net value in accordance with EPRA Best Practice Recommendations:

EPRA Loan-to-Value	**31 March 2023 £'000**	31 March 2022 £'000
Borrowings from financial institutions	60,000	54,000
Cash and cash equivalents	(14,315)	(6,769)
EPRA Net debt (A)	**45,685**	**47,231**
Investment properties at fair value	213,825	240,175
Net receivables	1,874	320
Total property value (B)	**215,699**	**240,495**
EPRA LTV (A/B)	**21.18%**	**19.64%**

Net receivables comprises		
Receivables and prepayments	8,802	7,584
Payables and accrued expenses	(6,928)	(7,264)
Total	**1,874**	**320**

EPRA Sustainability Performance Measures (unaudited)

The Company has chosen to disclose sustainability information where material in accordance with EPRA Best Practice Recommendations on Sustainability Reporting (sBPR) 2017.

EPRA use the following 28 performance measures as indicated, by code, in the table below:

Code	Performance Measure
Environmental	
Elec-Abs	Total electricity consumption
Elec-LfL	Like-for-like total electricity consumption
DH&C-Abs	Total district heating & cooling consumption
DH&C-LfL	Like-for-like district heating & cooling consumption
Fuels-Abs	Total fuel consumption
Fuels-LfL	Like-for-like total fuel consumption
Energy-LfL	Building energy intensity
GHG-Dir-Abs	Total direct greenhouse gas (GHG) emissions
GHG-Indir-Abs	Total indirect greenhouse gas (GHG) emissions
GHG-Int	Greenhouse gas (GHG) emissions intensity from buildings
Water-Abs	Total water consumption
Water-LfL	Like-for-like total water consumption
Water-Int	Building water intensity
Waste-Abs	Total weight of waste by disposal route
Waste-LfL	Life-for-like total weight of waste by disposal route
Cert-Tot	Type and number of sustainably certified assets
Social	
Diversity-Emp	Employee gender diversity
Diversity-Pay	Gender pay ratio
Emp-Training	Employee training and development
Emp-Dev	Employee performance appraisals
Emp-Turnover	New hires and turnover
H&S-Emp	Employee Health & Safety
H&S-Asset	Asset Health & Safety assessments
H&S-Comp	Asset Health & Safety compliance
Comty-Eng	Community engagement, impact assessment and development programs
Governance	
Gov Board	Composition of the highest governance body
Gov Selec	Process for nominating and selecting the highest governance body
Gov Col	Process for managing conflicts of interest

EPRA Sustainability Performance Measures (unaudited)
(continued)

Sustainability Performance Measures (Environmental)

The Company has chosen to report GHG emissions using the 'Operational Control' approach for its reporting boundary (as opposed to 'financial control' or 'equity share'). 'Operational control' has been selected as the reporting boundary as this reflects the portion of the portfolio where the Company can influence operational procedures and, ultimately, sustainability performance. The operational control approach is the most commonly applied within the industry. This boundary includes owned assets where the Company, acting as the landlord, is directly responsible for electricity and/or gas supplies and/or has control of air conditioning equipment.

The Company has considered the seven main GHGs covered by the Kyoto protocol, including:

- Carbon dioxide (CO_2)
- Methane (CH_4)
- Nitrous oxide (N_2O)
- Hydrofluorocarbons (HFCs)
- Perfluorocarbons (PFCs)
- Sulphur Hexafluoride (SF_6)
- Nitrogen Trifluoride (NF_3)

Total GHG emissions are reported in terms of carbon dioxide equivalent (CO_2e). Conversion factors have been sourced from the UK Government's Greenhouse Gas Reporting Factors for Company Reporting (2022).

The following sources of emissions have been considered as part of this review:

Scope 1

- Direct emissions from controlled gas boilers (converted from kWh usage)
- Fugitive emissions from air conditioning systems under landlord control (converted from kg refrigerant releases). The Company's property manager, Mapp, have confirmed that no fugitive emission (through refrigerant gases) were reported in 2022/23
- Business travel through company owned vehicles (not relevant as the Company does not own any vehicles)

Scope 2

- Indirect emissions from electricity purchased by the Company and consumed within real estate assets owned by the Company (converted from kWh usage)
- Greenhouse Gas (GHG) emissions from electricity (Scope 2) are reported according to the 'location-based' approach

EPRA Sustainability Performance Measures (unaudited)

(continued)

As a property company, the majority of the Company's emissions arise through assets that are owned and leased. At multi-let properties, the Company, acting as the landlord, has control and influence over the whole building and/or shared services (including refrigerant leakage), external lighting and void spaces. In this reporting year, the Company was responsible for Scope 1 and/or Scope 2 emissions at the following assets:

Asset name	Sector	Scope 1 – Gas	Scope 2 – Electricity	Included in like-for-like
225 Bath Street	Office	Yes	Yes	No
40 Queen Square	Office	Yes	Yes	Yes
Eastpoint Business Park – Meridian House	Office	No	Yes	No
Vantage Point	Office	Yes	Yes	Yes
Pearl House	Retail	Yes	Yes	Yes
69-75 Above Bar Street	Retail	No	Yes	Yes
11/15 Fargate	Retail	No	Yes	No
Pricebusters Building	Retail	No	Yes	Yes
Barnstaple Retail Park	Retail Warehouse	No	Yes	No
Diamond Business Park	Industrial	Yes	Yes	Yes
Apollo Business Park	Industrial	Yes	Yes	Yes
London East Leisure 1	Leisure	No	Yes	Yes
15-33 Union Street	Retail	No	Yes	No
Railway Station Centre	Retail	No	Yes	No
Central Six Retail Park	Retail Warehouse	Yes	Yes	No
Westlands Distribution Park	Industrial	No	Yes	Yes

Emission sources listed in the above table relate to the managed portfolio only and the following sources of energy consumption within each sector:

- Office; Whole building
- Retail; Whole building, tenant space and common areas
- Retail Warehouse; Tenant space and external lighting
- Leisure; External lighting, tenant space and common areas
- Industrial; Tenant space, common areas and external lighting

Emissions outside of operational control

The Company was not responsible for emission from gas and/or electricity use at any other owned asset or for head office operations.

The Company is not directly responsible for any GHG emissions/energy usage at single let/FRI assets nor at multi-let assets where the tenant is counterparty to the energy contract. As these emissions are outside of our direct control, they form part of our wider value chain (i.e. 'Scope 3') emissions, which are not monitored at present.

EPRA Sustainability Performance Measures (unaudited)
(continued)

Water Consumption & Waste Production

Alongside GHG emissions/energy usage, the Company has chosen to report water and waste consumption of assets where the Company, acting as the landlord, is directly responsible for them.

Asset name	Sector	Water	Waste
225 Bath Street	Office	Yes	Yes
40 Queen Square	Office	Yes	Yes
Eastpoint Business Park – Meridian House	Office	Yes	No
Vantage Point	Office	Yes	Yes
Diamond Business Park	Industrial	Yes	Yes
Central Six Retail Park	Industrial	No	Yes
London East Leisure 1	Leisure	Yes	No
Westlands Distribution Park	Industrial	Yes	No

Intensity Ratios

In addition to reporting relevant absolute GHG emissions (per scope and per sector), the Company has chosen to report intensity ratios, where appropriate.

The denominator determined to be most relevant to the business is metres squared of the area served by the meter. The intensity ratio is expressed as kilograms carbon dioxide equivalent per metre square (of area served by the meter) per year, or, kg $CO_2e/m^2/yr$.

Like-for-like intensity ratios have only been determined on relevant emissions, where each of the following conditions is met:

- No major renovation or refurbishment has taken place i.e. affecting more than 50% of the building by area or number of occupants
- At least 12 months data is available

Assets excluded from the like-for-like analysis include:

- 225 Bath Street
- Eastpoint Business Park – Meridian House
- 11/15 Fargate
- Barnstaple Retail Park
- 15-33 Union Street, Bristol
- Railway Station Centre
- Central Six Retail Park

Normalisation Factors

Normalisation of intensity ratios has been completed to account for year-on-year changes in annual temperatures. Annual gas usage data has been compared to, and normalised against, the UK 20-year average degree day value. Degree days data are sourced from www.degreedays.net using the closest and most reliable weather station to each asset.

No further adjustments are considered for this annual report, however, further evaluation concerning occupancy and/or operation hours may be considered in the future, once a baseline year and / or target has been established.

EPRA Sustainability Performance Measures (unaudited)

(continued)

Data Collection and Verification

Data has been sourced from the Company's property manager, Mapp. As an independent consultancy, EVORA can provide verification that GHG emissions have been calculated in accordance with the principles of ISO14064.

In summary, the applied process includes:

- Confirmation of asset location and scope of landlord impacts (Scopes 1 and 2)
- Input of Scope 1 and Scope 2 data (provided by Mapp)
- Completion of data accuracy checks (inbuilt function of SIERA with specialist consultant review)
- Verification of data against source evidence (invoices)
- Initial approval of data (by the Company and Mapp)
- Verification of data and publishing of results

EVORA has reviewed the accuracy of data as determined by actual or estimated kWh usage. As a percentage of the total kWh reported, actual/estimated data was reported on the following basis for 2022/23:

- Scope 1 (gas) 100% actual data/0% estimated
- Scope 2 (electricity) 100% actual data/0% estimated

Company Targets

GHG Reporting Guidelines recommend establishing a target as a matter of good practice. Energy targets are typically measured via changes to KWh usage and/or greenhouse gas emissions (in the form of carbon dioxide equivalent) compared to a baseline. Energy targets help:

- Support identification of asset improvement opportunities
- Drive improvements in operational efficiency (and potentially lower costs)
- Futureproof asset against increased legislation and 'brown discounting' (on sale)
- Support overall good asset management
- Support GRESB

The Company has established absolute targets for energy, greenhouse gas emissions and waste covering the whole portfolio based on a 2018 baseline. The targets are outlined below:

- Energy consumption: 40% reduction in absolute energy by 2030 based on the 2018 baseline
- GHG emissions: 40% reduction in absolute energy by 2030 based on the 2018 baseline
- Waste: 100% waste diverted from landfill by 2020 based on the 2016 baseline

Environmental information in this report has been provided by EVORA Global, retained sustainability and energy management consultants to the Investment Manager.

EVORA's consultant statement is included below:

EVORA Global Limited has been appointed by the Company to complete verification of reported energy consumption data and greenhouse gas (GHG) emissions presented within this report.

EPRA Sustainability Performance Measures (unaudited)

(continued)

Methodology

Utility data is reported to EVORA by the Company's property managers (Mapp) based on invoiced data. Data is reported and reviewed by EVORA bi-annually. The Company utilises SIERA as its Data Management System platform, to enable capture and reporting of sustainability performance data (including energy consumption and GHG emissions). I can confirm that EVORA has used ISO 14064 as the methodology for data collection, verification and calculation for energy and Greenhouse Gas emissions.

In summary, the applied process includes:

(1) Confirmation of asset location and scope of landlord impacts (Scopes 1 and 2)

(2) Input of Scope 1 and Scope 2 data (provided by Mapp)

(3) Completion of data accuracy checks (inbuilt function of SIERA with specialist consultant review)

(4) Verification of data against source evidence (invoices)

(5) Initial approval of data (by the Company and Mapp)

(6) Verification of data and publishing of results

Opinion

Data is accurately reported, based on the methodology applied above. The Company continue to work towards improving accuracy of data. This will support improvement programmes going forwards.

About EVORA

EVORA is an independent, pan-European sustainability consultancy and software provider, specialising in the commercial real estate sector.

RMastrogiannis

Rebecca Mastrogiannis
Managing Consultant, EVORA Global Ltd

May 2023

EPRA Sustainability Performance Measures (unaudited)

(continued)

Total energy consumption (Elec-Abs; Fuels-Abs, DH&C-Abs)

The table below sets out total landlord obtained energy consumption from the Company's managed portfolio by sector.

		Absolute Energy Usage (kWh)	
Sector	**Energy Source**	**2022/23**	**2021/22**
Office	Gas	331,040	602,742
	Electricity	491,782	1,108,321
	Energy	**822,822**	**1,711,063**
Retail	Gas	145,178	523,993
	Electricity	350,074	370,439
	Energy	**495,252**	**894,432**
Retail Warehouse	Gas	–	–
	Electricity	101,264	52,066
	Energy	**101,264**	**52,066**
Leisure	Gas	–	–
	Electricity	35,983	38,677
	Energy	**35,893**	**38,677**
Industrial	Gas	833,550	866,198
	Electricity	1,218,922	1,238,200
	Energy	**2,052,472**	**2,104,398**
Total	Gas	1,309,768	1,992,933
	Electricity	2,198,024	2,807,703
	Energy	**3,507,792**	**4,800,636**

The Company does not have any responsibility over any managed assets that consume energy from district heating or cooling sources. Therefore, the EPRA sBPR DH&C-Abs indicator is not applicable and not presented in this report.

EPRA Sustainability Performance Measures (unaudited)

(continued)

Like-for-like energy consumption (Elec-LfL; Fuels-LfL; DH&C-LfL, Energy-Int)

The table below sets out the like-for-like landlord obtained energy consumption from the Company's managed portfolio by sector.

		Like-for-like/Degree Day Adj Usage (kWh)			Like-for-like/Degree Day Adj Intensity		
Sector	**Energy Source**	**2022/23**	**2021/22**	**Change**	**2022/23**	**2021/22**	**Change**
Office	Gas	317,830	372,073	(15%)	109.88	119.57	(8%)
	Electricity	419,188	429,979	(3%)			
	Total	**737,018**	**802,052**	**(8%)**			
Retail	Gas	–	–	n/a	18.82	21.22	(11%)
	Electricity	300,213	338,565	(11%)			
	Total	**300,213**	**338,565**	**(11%)**			
Retail Warehouse	Gas	–	–	n/a	–	–	–
	Electricity	–	–	n/a			
	Total	**–**	**–**	**n/a**			
Leisure	Gas	–	–	n/a	7.21	8.32	(13%)
	Electricity	11,645	13,443	(13%)			
	Total	**11,645**	**13,443**	**(13%)**			
Industrial	Gas	884,672	909,652	(3%)	95.85	97.86	(2%)
	Electricity	1,218,922	1,238,200	(2%)			
	Total	**2,103,594**	**2,147,852**	**(2%)**			
Total	Gas	1,202,502	1,281,724	(6%)	70.60	73.95	(5%)
	Electricity	1,949,967	2,020,188	(3%)			
	Energy	**3,152,469**	**3,301,912**	**(5%)**			

The Company does not have any responsibility over any managed assets that consume energy from district heating or cooling sources. Therefore, the EPRA sBPR DH&C-LfL indicator is not applicable and not presented in this report.

EPRA Sustainability Performance Measures (unaudited)

(continued)

Greenhouse gas emissions (GHG-Dir-Abs; GHG-Indir-Abs; GHG-Int)

The table below sets out the absolute, like-for-like and intensity of the GHG emissions per sector and for the Company overall.

		Absolute Tonnes of Carbon Dioxide Equivalent ($^tCO_2e$)		Like-for-like/Degree Day Adj Tonnes of Carbon Dioxide Equivalent ($^tCO_2e$)			Like-for-like Degree Day Adj Carbon Intensity ($kg/CO_2e/m^2$)		
Sector	**Scope**	**2022/23**	**2021/22**	**2022/23**	**2021/22**	**Change**	**2022/23**	**2021/22**	**Change**
Office	Scope 1 – Gas	60.41	110.40	58.00	68.15	(15%)	20.73	23.77	(13%)
	Scope 2 – Electricity	95.11	235.33	81.07	91.30	(11%)			
Retail	Scope 1 – Gas	26.49	95.97	–	–	n/a	3.64	4.51	(19%)
	Scope 2 – Electricity	67.70	78.66	58.06	71.89	(19%)			
Retail Warehouse	Scope 1 – Gas	–	–	–	–	n/a	n/a	n/a	n/a
	Scope 2 – Electricity	19.58	11.06	–	–	n/a			
Leisure	Scope 1 – Gas	–	–	–	–	n/a	1.39	1.77	(21%)
	Scope 2 – Electricity	6.96	8.21	2.25	2.85	(21%)			
Industrial	Scope 1 – Gas	152.12	158.65	161.45	166.61	(3%)	18.10	19.57	(8%)
	Scope 2 – Electricity	235.74	262.91	235.74	262.91	(10%)			
Total	Scope 1 – Gas	239.03	365.03	219.46	234.76	(7%)	13.36	14.86	(10%)
	Scope 2 – Electricity	425.10	596.16	377.12	428.95	(12%)			
	Total	**664.13**	**961.19**	**671.10**	**596.58**	**(10%)**			

Water (Water-Abs; Water-LfL; Water-Int)

The table below sets out the absolute, like-for-like and intensity value water consumption from the Company's managed portfolio by sector. No assets met the criteria for like-for-like analysis.

	Absolute Water Usage (m^3)		Like-for-like Water Usage (m^3)			Like-for-like Intensity		
Sector	**2022/23**	**2021/22**	**2022/23**	**2021/22**	**Change**	**2022/23**	**2021/22**	**Change**
Office	2,258	2,663	1,614	1,243	30%	–	–	–
Industrial	27,881	27,538	27,881	25,538	9%	–	–	–
Leisure	112	211	112	211	(47%)			
Total	**30,252**	**30,412**	**29,607**	**26,992**	**10%**	–	–	–

EPRA Sustainability Performance Measures (unaudited) *(continued)*

Waste (Waste-Abs; Waste-LfL)

The table below sets out the waste managed (absolute waste production and like-for-like) by the Company by disposal route and by sector. Absolute waste production figures are estimated using a bespoke waste estimation tool that takes bin size and number of collections to calculate the amount of waste produced. The waste estimation tool has been externally validated and is accepted as evidence for GRESB submissions. This does not include waste disposal services procured directly by tenants. Whilst zero waste is sent directly to landfill, a residual component of the 'recycled' and 'incineration with energy recovery' waste streams may end up in landfill. The approach taken follows guidance provided by EPRA Best Practice Recommendations on Sustainability Reporting 2017. Note there has been an increase in 2021/22 absolute waste (tonnes) due to an increase in data coverage since the 2021/22 GHG statement was published. Like-for-like there has been an increase in the recycling rate for the Company's assets.

		Absolute Waste (Tonnes)		Like-for-like (Tonnes)		
Sector	**Destination**	**2022/23**	**2021/22**	**2022/23**	**2021/22**	**Change**
Office	Anaerobic Digestion	–	2.37	–	2.37	(100%)
	Incinerated	26.29	43.80	23.20	22.35	3.82%
	Incineration with energy recovery	4.77	4.68	4.77	4.68	1.92%
	MRF	**1.21**	**2.76**	**–**	**–**	**n/a**
	Recycled	**22.67**	**23.10**	**1.10**	**1.90**	**(42.18%)**
Industrial, Business Park	Anaerobic Digestion	–	–	–	–	n/a
	Incinerated	4.82	4.73	4.82	4.73	1.92%
	Incineration with energy recovery	–	–	–	–	n/a
	MRF	**–**	**–**	**–**	**–**	**n/a**
	Recycled	**2.07**	**2.03**	**2.07**	**2.03**	**1.92%**
Industrial, Distribution Warehouse	Anaerobic Digestion	–	4.80	–	–	n/a
	Incinerated	1.17	0.18	–	–	n/a
	Incineration with energy recovery	–	–	–	–	n/a
	MRF	**–**	**0.32**	**–**	**–**	**n/a**
	Recycled	**20.80**	**3.20**	**–**	**–**	**n/a**
Total	Anaerobic Digestion	–	7.17	–	2.37	(100%)
	Incinerated	32.29	48.71	28.03	27.08	3.48%
	Incineration with energy recovery	4.77	4.68	4.77	4.68	1.92%
	MRF	**1.21**	**3.08**	**–**	**–**	**n/a**
	Recycled	**45.54**	**28.33**	**3.17**	**3.93**	**(19.43%)**
	Total	**83.60**	**91.97**	**35.96**	**38.06**	**(5.51%)**
	Recycling Rate %	**38.53%**	**52.97%**	**77.93%**	**71.16%**	**9.52%**

We present property energy, greenhouse gas ("GHG"), water and waste data on both an absolute ("abs") and life-for-like ("LfL") basis, covering assets in our UK based portfolio.

Our organisational boundary for environmental disclosure is based on the principle of operational control, and therefore includes all property assets where we are responsible for the procurement of energy, water and waste services.

A total of 16 assets fell within the boundary for 2022 for GHG emissions (year ended 31 March 2022: 12 assets) and 8 assets for water and waste services (year ended 31 March 2022: 8 assets).

EPRA Sustainability Performance Measures (unaudited)

(continued)

The reporting scope for energy consumption and Scope 1 and 2 GHG emissions covers 44% of the portfolio (year ended 31 March 2022: 33%).

The reporting scope for water and waste covers 22% of the portfolio (year ended 31 March 2022: 22%).

During the year, the Company procured 3.5 million kWh (year ended 31 March 2022: 4.8 million kWh) of energy for use across the managed portfolio, which is 27.1% (year ended 31 March 2022: 14.8%) less energy use than in the prior year. On a like-for-like basis our portfolio has seen a reduction of 5% (year ended 31 March 2022: 15%) energy use during the year.

The Scope 1 and 2 GHG emissions for the year totalled 664.1 tonnes CO_2e (2022: 961.2 tonnes CO_2e). The absolute Scope 1 and 2 decreased by 30.9% and the two year like-for-like emissions decreased 10% respectively. The decrease in like-for-like carbon emissions is the result of performance improvements across the portfolio as well as the energy crisis and increase in energy prices witnessed in 2022/23.

During the period, the total managed and reported waste amounted to 83.6 tonnes (year ended 31 March 2022: 92.0 tonnes), of which none (year ended 31 March 2022: none) was sent directly to landfill.

Sustainability certification (Cert-Tot): Green building certificates

The Company has chosen not to pursue certification of any of its assets under measures such as BREEAM (the Building Research Establishment Environmental Assessment Methodology) or Green building certification. This decision will be reviewed periodically on an ongoing basis in the course of the Company's usual asset management activity.

Sustainability certification (Cert-Tot): Energy performance certificates

The Minimum Energy Efficiency Standards (MEES) Regulations stem from the Energy Act 2011, which has made it unlawful from April 2018 to let or renew leases at non-domestic properties in England & Wales with an Energy Performance Certificate (EPC) rating lower than an E, subject to certain exemptions. A 'hard backstop' which brings into the MEES standards existing leases will be introduced from 2023, again, subject to certain exemptions.

The below table sets out the EPC rating by Estimated Rental Value (ERV). An A rating reflects the most efficient rating with a G being the least efficient. 72% (by ERV) of the assets within the Companies portfolio have efficient A-C EPC ratings.

	Portfolio by ERV (%)	
Energy performance certificate rating	**2022/23**	**2021/22**
A-C	72%	48%
D	13%	31%
E	8%	5%
F	–	1%
G	–	2%
Exempt	–	–
No EPC/Expired	7%	13%
Coverage	100%	100%

EPRA Sustainability Performance Measures (unaudited)

(continued)

- Energy Performance Certificate (EPC) records for the Company are provided as at 31 March by ERV.
- Data provided includes managed and non-managed assets (i.e. the whole portfolio).
- The information on EPCs is continuously reviewed and updated.
- As at 31 March 2023, there was no EPC for Pipps Hall, Basildon and Diamond Business Park, Wakefield and the EPC for Pryzm, Cardiff had expired. Actions plans are in place to update these EPCs.

Sustainability Performance Measures (Social)

EPRA's Sustainability Best Practices Recommendations Guidelines 2017 ("EPRA's Guidelines") include Social and Governance reporting measures to be disclosed for the entity i.e. the Company. The Company is an externally managed real estate investment trust and has no direct employees. A number of these Social Performance measures relate to entity employees and therefore these measures are not relevant for reporting at the entity level. The Investment Manager to the Company, AEW UK Investment Management LLP has responsibility for the employees that support the Company. The Company aims to comply with EPRA's Guidelines and therefore has included Social and Governance Performance Measure disclosures in this report.

Employee gender diversity (Diversity-Emp)

As at 31 March 2023 the Company Board comprised four members: 1 (25% female); 3 (75% male).

For further information on the Investment Manager's employee gender diversity please refer to the ESG link within the Corporate Responsibility area at www.aewukreit.com/ [1].

Gender pay ratio (Diversity-Pay)

The remuneration of the Company Board is set out on page 57 of this Annual Report.

For further information on the Investment Manager's gender pay ratio please refer to the ESG link within the Corporate Responsibility area at www.aewukreit.com/ [1].

Training and development (Emp-Training)

Please refer to the Director Induction and Training section in the Director Report (page 49) for details on training for the Company's Board members.

The Investment Manager requires employees to complete mandatory internal training and encourage all staff with professional qualifications to maintain the training requirements of their respective professional body.

All employees of the Investment Manager that work on the Company's activities hold professional qualifications and have completed the relevant CPD for their respective professional bodies.

The Investment Manager also provides training to its employees to ensure that they understand and abide by the Anti-Bribery, Insider Trading and GDPR regulations.

Employee performance appraisals (Emp-Dev)

The Investment Manager's performance appraisal process requires annual performance objective setting and reviews for all staff.

For further information on the Investment Manager's performance appraisal statistics please refer to the ESG link within the Corporate Responsibility area at www.aewukreit.com/ [1].

The Investment Manager confirms that performance appraisals were completed for 100% of staff relevant to the Company in 2023.

[1] For direct link use: https://www.aewukreit.com/~/media/Files/A/AEW-UK-Reit/documents/aew-esg-flyer.pdf

EPRA Sustainability Performance Measures (unaudited) *(continued)*

Employee turnover and retention (Emp-Turnover)

For further information on the Investment Manager's employee turnover and retention please refer to the ESG link within the Corporate Responsibility area at www.aewukreit.com/ [1].

There have been no changes in the Investment Manager's staff that work on the Companies activities during the year.

Employee health and safety (H&S-Emp)

For further information on the Investment Manager's employee health & safety (being the absenteeism rate) please refer to the ESG link within the Corporate Responsibility area at www.aewukreit.com/ [1].

Asset health and safety assessments (H&S-Asset)

All sites were inspected by MAPP's during the reporting period and further Health & Safety audits were carried out at those sites that are multi-let.

Asset health and safety compliance (H&S-Comp)

No incidents of non-compliance with regulations/and or voluntary codes were identified during the reporting period.

Community engagement, impact assessments and development programmes (Comty-Eng)

The Company, in conjunction with Mapp, participated in the KidsOut Charity 'Giving Tree' initiative. This initiative aims to provide children living in local refuge homes with a present to open on Christmas Day. To facilitate this, decorative tags with a child's name, age and suggested gift are placed on Christmas Trees in the receptions of participating offices throughout the Company's portfolio. Tenants of the offices can then use the details given on the tags to make a donation (£5-£10) to the KidsOut charity.

Sustainability Performance Measures (Governance)

Composition of the highest governance body (Gov-Board)

The Board of the Company comprised 4 non-executive independent directors (no executive board members) as at 31 March 2023.

- The average tenure of the four directors to 31 March 2023 is 5 years and 6 months (31 March 2022 average tenure of three directors is 6 years and 3 months)
- The number of directors with competencies relating to environmental and social topics is one and his experience can be seen in his biography (31 March 2022: one director)

Process for nominating and selecting the highest governance body (Gov-Select)

The Company does not have a separate nomination committee, this role being carried out by the whole Board as chaired by Mark Burton. The Board will consider and make recommendations on its composition so as to maintain an appropriate balance of skills, experience and diversity, including gender, and to ensure progressive refreshing of the Board.

Before the appointment of a new director, the Board prepares a description of the role and capabilities required for a particular appointment. Whilst the Board is dedicated to selecting the best person for the role, it aims to promote diversification and the Board recognises the importance of diversity. The Board agrees that its members should possess a range of experience, knowledge, professional skills and personal qualities as well as the independence necessary to provide effective oversight of the affairs of the Company.

Process for managing conflicts of interest (Gov-Col)

The Company maintains a Conflicts of Interest register that is managed by the Company Secretary and is reviewed at each quarterly Board meeting.

Please refer to the Director's Conflicts of interest section in the Director Report (page 49) for further details.

[1] For direct link use: https://www.aewukreit.com/~/media/Files/A/AEW-UK-Reit/documents/aew-esg-flyer.pdf

EPRA Sustainability Performance Measures (unaudited) *(continued)*

Targets and progress

During the period we set the following long-term targets to support our strategic ESG objectives. Each year these will be reviewed, with progress being regularly reported to the Board by the Investment Manager.

Area of focus	Target	Metric of Measure	Year	Progress
Health & Safety	To ensure all incidents are resolved within the required timeframe.	Number of incidents per year.	Yearly	MAPP track all instances via 'risk wise' with priority 1 issues being closed immediately.
Wellbeing	To promote health and wellbeing initiatives across all managed assets.	100% of managed assets to have a health and wellbeing tracker in year 1.	Yearly	Wellbeing tracker in place.
Social Value	To develop a tenant and community engagement programme.	Number of managed assets to have community engagement programmes per year.	Yearly	AEW initiatives working towards giving up to 2 working days for community engagement for each AEW staff member.
ESG Disclosure & Transparency	To achieve a Gold award for disclosure in line with EPRA sBPR.	Gold Rating EPRA.	2023	Silver in 2022.
	To continuously improve the GRESB rating year on year.	GRESB star rating and score.	Yearly	Achieved two stars in 2022 GRESB assessment and improved score from 65 in 2021 to 67.
	To strengthen alignment with the TCFD recommendations.	Align the TCFD by 2023 and provide full publication by 2024.	2024	Updated in this Annual Report in alignment with TCFD recommendations. See pages 65 to 76.
Managing environmental impacts	To develop sustainability action plans for all managed assets.	100% of all managed assets to have a sustainability action plan by 2023.	Yearly	Completed for all existing assets. Target for new assets.
	To maintain renewable electricity for all landlord-controlled areas.	100% of all procured electricity to be from renewable sources.	Yearly	Achieved, all suppliers providing electricity from renewable sources.
	Energy consumption: To achieve a 40% reduction in absolute energy by 2030 based on the 2018 baseline.	40% reduction	2030	See page 136.
	GHG emissions: To achieve a 40% reduction in absolute energy by 2030 based on the 2018 baseline.	40% reduction	2030	See page 75.
	To improve the recycling rates on all managed assets.	Sum of waste recycled as opposed to incinerated with energy recovery.	Yearly	57% recycling rates on all office managed assets (2022: 41%). 70% recycling rates on all industrial managed assets (2022: 70%).
	To maintain zero waste to landfill on all waste managed.	100% of waste diverted from landfill on all waste managed assets.	Yearly	Currently 100%.
	To ensure there are no properties in the portfolio with an EPC below an E rating.	All non compliant EPC's to be improved to a minimum E rating.	Yearly	12 units have no valid EPC (due to recent expiries). All 12 units are expected to be F&G rated however, all are currently subject to ongoing improvement plans to achieve MEES compliance.

Company Information

Share Register Enquiries

The register for the Ordinary Shares is maintained by Link Group. In the event of queries regarding your holding, please contact the Registrar on +44 (0)371 664 0391 or email: enquiries@linkgroup.co.uk.

Changes of name and/or address must be notified in writing to the Registrar, at the address shown on page 144. You can check your shareholding and find practical help on transferring shares or updating your details at www.signalshares.com. Shareholders eligible to receive dividend payments gross of tax may also download declaration forms from that website.

Share Information

Total Voting Rights	158,424,746
SEDOL Number	BWD2415
ISIN Number	GB00BWD24154
Ticker/TIDM	AEWU

Share Prices

The Company's Ordinary Shares are traded on the premium segment of the Main Market of the London Stock Exchange.

Frequency of NAV publication:

The Company's NAV is released to the London Stock Exchange on a quarterly basis and is published on the Company's website.

Annual and Half-Yearly Reports

Copies of the Annual and Half-Yearly Reports are available from the Company's website.

Financial Calendar

14 September 2023	Annual General Meeting
30 September 2023	Half-year end
November 2023	Announcement of half-yearly results
31 March 2024	Year-end
June 2023	Announcement of annual results

Dividends

The following table summarises the amounts distributed to equity shareholders in respect of the period:

	£
Interim dividend for the period 1 April 2022 to 30 June 2022 (payment made on 31 August 2022)	3,168,495
Interim dividend for the period 1 July 2022 to 30 September 2022 (payment made on 28 November 2022)	3,168,495
Interim dividend for the period 1 October 2022 to 31 December 2022 (payment made on 20 February 2023)	3,168,495
Interim dividend for the period 1 January 2023 to 31 March 2023 (payment made on 7 June 2023)	3,168,495
Total	**12,673,980**

Company Information *(continued)*

Directors
Mark Burton (Non-executive Chairman)
Katrina Hart (Non-executive Director)
Bimaljit ("Bim") Sandhu (Non-executive Director)
Mark Kirkland (Non-executive Director)

Registered Office
6th Floor
65 Gresham Street
London EC2V 7NQ

Company Website
www.aewukreit.com

Investment Manager and AIFM
AEW UK Investment Management LLP
33 Jermyn Street
London SW1Y 6DN

Tel: 020 7016 4880
Website: www.aew.com

Property Manager
MAPP
180 Great Portland Street
London W1W 5QZ

Corporate Broker
Liberum Capital Limited
Ropemaker Place
25 Ropemaker Street
London EC2Y 9LY

Legal Adviser
Gowling WLG (UK) LLP
4 More London Riverside
London SE1 2AU

Depositary
Langham Hall UK LLP
8th Floor
1 Fleet Place
London EC4M 7RA

Administrator
Link Alternative Fund Administrators Limited
Broadwalk House
Southernhay West
Exeter EX1 1TS

Company Secretary
Link Company Matters Limited
Central Square
29 Wellington Street
Leeds LS1 4DL

Registrar
Link Group
10th Floor
Central Square
29 Wellington Street
Leeds LS1 4DL

Auditor
BDO LLP
55 Baker Street
London W1U 7EU

Valuer
Knight Frank LLP
55 Baker Street
London W1U 8AN

Copies of the Annual Report and Financial Statements
Printed copies of the Annual Report will be sent to shareholders shortly and will be available on the Company's website.

National Storage Mechanism
A copy of the Annual Report and Financial Statements will be submitted shortly to the National Storage Mechanism ('NSM') and will be available for inspection at https://data.fca.org.uk/#/nsm/nationalstoragemechanism.

Glossary

AEW UK Core Plus Property Fund (the 'Core Fund')	AEW UK Core Plus Property Fund, a property authorised investment fund ('PAIF') and a sub-fund of the AEW UK Real Estate Fund, an open-ended investment company.
AIC	Association of Investment Companies. This is the trade body for closed-ended Investment companies (www.theaic.co.uk).
AIC Code	The AIC Code of Corporate Governance, as published in February 2019. A framework of best practice guidance for investment companies.
AIFMD	Alternative Investment Fund Managers Directive.
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 AEW UK Investment Management LLP.
AIF	Alternative Investment Fund. Alternative Investment Funds are funds that are not regulated at EU level by the UCITS Directive.
Company	AEW UK REIT plc.
Company Secretary	Link Company Matters Limited.
Company website	www.aewukreit.com
Contracted rent	The annualised rent adjusting for the inclusion of rent subject to rent-free periods.
Covenant strength	The strength of a tenant's financial status and its ability to perform the covenants in the lease.
Direct vacancy costs	Property expenses that are directly related to the property including the following: rates/property taxes; service charge; insurance premiums; carbon tax; any other costs directly billed to the unit.
DTR	Disclosure Guidance and Transparency Rules, issued by the FCA.
Earnings Per Share ('EPS')	Profit for the period attributable to equity shareholders divided by the weighted average number of Ordinary Shares in issue during the period.
EPC	Energy Performance Certificate.
EPRA	European Public Real Estate Association, the industry body representing listed companies in the real estate sector.
EPRA cost ratio (including direct vacancy costs)	The ratio of net overheads and operating expenses against gross rental income (with both amounts excluding ground rents payable). Net overheads and operating expenses relate to all administrative and operating expenses.
EPRA cost ratio (excluding direct vacancy costs)	The ratio calculated above, but with direct vacancy costs removed from net overheads and operating expenses balance.
EPRA Earnings Per Share	Recurring earnings from core operational activities. A key measure of a company's underlying operating results from its property rental business and an indication of the extent to which current dividend payments are supported by earnings.
EPRA Loan to Value ('EPRA LTV')	The ratio of net debt (including net payables) divided by the market value of property operating (including net receivables).
EPRA NAV	Net Asset Value adjusted to include properties and other investment interests at fair value and to exclude certain items not expected to crystallise in a long-term investment property business.
EPRA NNNAV	EPRA NAV adjusted to reflect the fair value of debt and derivatives and to include deferred taxation on revaluations.
EPRA Net Initial Yield ('EPRA NIY')	Annualised rental income based on the cash rents passing at the balance sheet date, less non-recoverable property operating expenses, divided by the fair value of the property, increased with (estimated) purchasers' costs.

Glossary *(continued)*

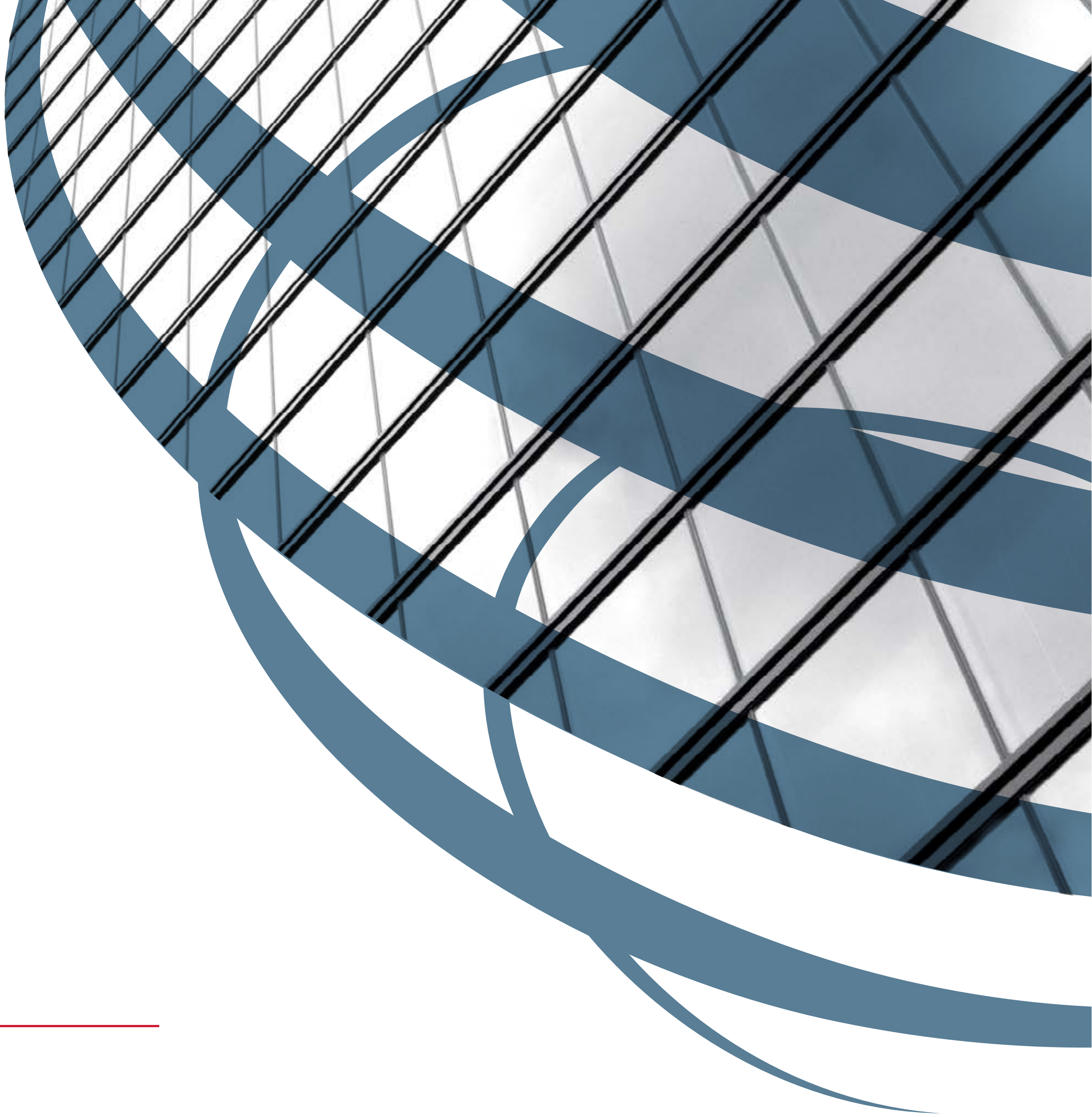
EPRA Net Disposal Value ('EPRA NDV')	This measure represents the shareholders' value under a disposal scenario, where deferred tax, financial instruments and certain other adjustments are calculated to the full extent of their liability, net of any resulting tax.
EPRA Net Reinstatement Value ('EPRA NRV')	NAV adjusted to assume that entities never sell assets and aims to represent the value required to rebuild the entity.
EPRA Net Tangible Asset ('EPRA NTA')	NAV adjusted to assume that entities buy and sell their assets, thereby crystallising certain levels of unavoidable deferred tax.
EPRA Topped-Up Net Initial Yield	This measure incorporates an adjustment to the EPRA NIY in respect of the expiration of rent-free periods (or other unexpired lease incentives such as discounted rent periods and step rents).
EPRA Vacancy Rate	Estimated Rental Value ('ERV') of vacant space as a percentage of the ERV of the whole portfolio.
Equivalent Yield	The internal rate of return of the cash flow from the property, assuming a rise to ERV at the next review or lease expiry. No future growth is allowed for.
Estimated Rental Value ('ERV')	The external valuers' opinion as to the open market rent which, on the date of the valuation, could reasonably be expected to be obtained on a new letting or rent review of a property.
External Valuer	An independent external valuer of a property. The Company's external valuer is Knight Frank LLP.
Fair Value	The estimated amount for which a property should exchange on the valuation date between a willing buyer and a willing seller in an arm's length transaction after proper marketing and where parties had each acted knowledgeably, prudently and without compulsion.
Fair value movement	An accounting adjustment to change the book value of an asset or liability to its fair value.
FCA	The Financial Conduct Authority.
FRI lease	A lease which imposes full repairing and insuring obligations on the tenant, relieving the landlord from all liability for the cost of insurance and repairs.
Gross Asset Value	The aggregate value of the total assets of the Company as determined in accordance with IFRS.
Gross passing rental income	The rent receivable from the portfolio's leases at a particular reporting date. Allows the user to assess the cash receipts the Company is entitled to receive.
IASB	International Accounting Standards Board.
IFRS	International accounting standards in conformity with the requirements of the Companies Act 2006 ('Adopted IFRSs').
Investment Manager	The Company's Investment Manager is AEW UK Investment Management LLP.
IPD	Investment Property Databank. An organisation supplying independent market indices and portfolio benchmarks to the property industry.
IPO	The admission to trading on the London Stock Exchange's Main Market of the share capital of the Company and listing of Ordinary Shares to the premium segment of the Official List of the FCA, on 12 May 2015.
Lease incentives	Incentives offered to occupiers to enter into a lease. Typically this will be an initial rent-free period, or a cash contribution to fit-out. Under accounting rules, the value of the lease incentive is amortised through the Statement of Comprehensive Income on a straight-line basis until the lease expiry.
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 option. This will frequently involve the negotiation of a surrender premium by one party to the other.
LIBOR	The London Interbank Offered Rate, a globally accepted key benchmark interest rate that indicates borrowing between banks.

Glossary *(continued)*

Like-for-like	The like-for-like valuation movement compares the valuation (as provided by the external valuer and before adjustments for lease incentives) of properties at the end of the period in question with the valuation at the start of the period. This measure only compares movements for those properties which were held at both the start and end of the period, so excludes the effects of acquisitions and disposals.
Loan to NAV	The loan balance drawn expressed as a percentage of the Company's Net Asset Value. Allows the user to assess the Company's gearing and is relevant, as this is the measure tested the Company's borrowing covenant.
Loan to GAV (also Gross Loan to GAV)	The loan balance drawn expressed as a percentage of the combined value of the Company's investment property portfolio (as assessed by the valuer) and the Company's investments. Allows the user to assess the Company's gearing and is relevant, as this is the measure used under the Company's Investment Guidelines.
Loan-to-Value ('LTV')	The value of outstanding loans and borrowings (before adjustments for issue costs) expressed as a percentage of the combined valuation of the property portfolio (as provided by the external valuer) and the fair value of other investments.
Net Asset Value ('NAV')	Net Asset Value is the equity attributable to shareholders calculated under IFRS.
NAV per share	Equity shareholders, funds divided by the number of Ordinary Shares in issue. This measure allows a comparison with the Company's share price to determine whether the Company's shares are trading at a premium or discount to its NAV calculated under IFRS.
NAV total return	The percentage change in NAV, assuming that dividends paid to shareholders are reinvested at NAV to purchase additional Ordinary Shares.
Net equivalent yield	Calculated by the Company's External Valuers, net equivalent yield is the internal rate of return from an investment property, based on the gross outlays for the purchase of a property (including purchase costs), reflecting reversions to current market rent and items as voids and non-recoverable expenditure but ignoring future changes in capital value. The calculation assumes rent is received annually in arrears.
Net initial yield ('NIY')	The initial net rental income from a property at the date of purchase, expressed as a percentage of the gross purchase price including the costs of purchase.
Net Loan to GAV	Measure of gearing calculated as follows: (l-c)/v, where "l" is the loan balance drawn, "c" is the Company's cash and cash equivalents and "v" is the combined value of the Company's investment property portfolio (as assessed by the valuer) and the Company's investments. Allows the user to assess the potential effect on gearing of using the Company's cash to repay a portion of its loan balance.
Net Operating Income ('NOI')	The Company's gross operating income minus its operating expenses.
Net rental income	Rental income receivable in the period after payment of ground rents and net property outgoings.
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 Company.
Ongoing charges	A measure, expressed as a percentage of NAV, of the regular, recurring costs of running an investment company which is calculated in line with AIC methodology.
Ordinary Shares	Ordinary Shares of £0.01 each in the capital of the Company. Ordinary Shares are 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.
Over-rented	Space where the passing rent is above the ERV.
Passing rent	The gross rent, less any ground rent payable under head leases.
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 Company.

Glossary *(continued)*

Projected debt yield	Measure of risk, calculated by dividing the projected 12 month net operating income by the outstanding principal balance of the debt secured by the Company.
Rack-rented	Space where passing rent is the same as the ERV.
REIT	A Real Estate Investment Trust. A company which complies with Part 12 of the Corporation tax Act 2010. Subject to the relevant UK REIT criteria being met continually, the profits from the property business of a REIT, arising from both income and capital gains, are exempt from corporation tax.
RETT	Real Estate Transfer Tax. The tax payable by the buyer on the purchase of a property. The RETT payable is calculated at a rate depending on the consideration paid for the property.
Reversion	Increase in rent estimated by the Company's external valuer, where the passing rent is below the ERV.
Reversionary yield	The anticipated yield, which the initial yield will rise (or fall) to once the rent reaches the ERV.
Share price	The value of a share at a point in time as quoted on a stock exchange. The Company's Ordinary Shares are quoted on the Main Market of the London Stock Exchange.
Total returns	The returns 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.
Shareholder total return	The share price movement and dividends (pence per share) received during a period, expressed as a percentage of the opening share price for the period. Calculated as follows: (b - a + d)/a, where "a" is the opening share price, "b" is the closing share price and "d" is dividends per share.
SONIA	Sterling Overnight Index Average.
Under-rented	Space where the passing rent is below the ERV.
UK Corporate Governance Code	A code issued by the Financial Reporting Council which sets out standards of good practice in relation to board leadership and effectiveness, remuneration, accountability and relations with shareholders. All companies with a premium listing of equity shares in the UK are required under the Listing Rules to report on how they have applied the Code in their annual report and accounts.
Voids	The amount of rent relating to properties which are unoccupied and generating no rental income. Stated as a percentage of ERV.
Weighted Average Unexpired Lease Term ('WAULT')	The average lease term remaining for first break, or expiry, across the portfolio weighted by contracted rental income.
Yield compression	Occurs when the net equivalent yield of a property decreases, measured in basis points.



AEW Offices

United Kingdom
33 Jermyn Street
London
SW1Y 6DN

+44 20 7016 4880
www.aew.com

France
22 rue du Docteur Lancereaux
75008 Paris
France

+33 1 78 40 92 00
www.aew.com

United States of America
Two Seaport Lane
Boston MA 02210
United States

+1 617 261 9334
www.aew.com