AEW UK REIT plc

Annual Report and Financial Statements
for the year ended 31 March 2020

Contents

Strategic Report

Financial Highlights

- Net Asset Value ('NAV')** of £147.86 million and of 93.13 pence per share ('pps') as at 31 March 2020 (31 March 2019: £149.46 million and 98.61 pps).
- Operating profit before fair value changes of £14.47 million for the year (year ended 31 March 2019: £13.52 million).
- Profit before tax ('PBT')* of £3.65 million and EPS of 2.40 pps for the year (year ended 31 March 2019: £15.54 million and of 10.26 pps).
- EPRA Earnings Per Share ('EPRA EPS')* for the year of 8.67 pps (year ended 31 March 2019: 8.07 pps).
- Total dividends of 8.00 pps declared for the year (year ended 31 March 2019: 8.00 pps).
- Shareholder Total Return* for the year of -17.89% (year ended 31 March 2019: 5.44%).
- The price of the Company's Ordinary Shares on the Main Market of the London Stock Exchange was 68.20 pps as at 31 March 2020 (31 March 2019: 92.80 pps).
- As at 31 March 2020, the Company had drawn £51.50 million (31 March 2019: £50.00 million) of a £60.00 million (31 March 2019: £60.00 million) term credit facility with the Royal Bank of Scotland International Limited ('RBSi') and was geared to 27.21% of the Gross Asset Value ('GAV')* (31 March 2019: 25.30%) (see note 13 on pages 95 and 96 for further details).
- The Company held cash balances totalling £9.87 million as at 31 March 2020 (31 March 2019: £2.13 million) having raised gross proceeds of £7.00 million via a share placing in February 2020. Following the disposal of 2 Geddington Road, Corby, the Company had a cash balance of £27.28 million as at 19 June 2020.

Property Highlights

- As at 31 March 2020, the Company's property portfolio had a valuation of £189.30 million across 35 properties (31 March 2019: £197.61 million across 35 properties) as assessed by the valuer[1] and a historical cost of £197.12 million (31 March 2019: £196.86 million).
- The Company acquired no properties during the year (year ended 31 March 2019: one property for £6.93 million). The Company made no disposals during the year (year ended 31 March 2019: two full disposals and two part disposals for gross sales proceeds of £6.80 million).
- The portfolio had an EPRA Vacancy Rate** of 3.68% as at 31 March 2020 (31 March 2019: 2.99%).
- Rental income generated in the year under review was £17.42 million (year ended 31 March 2019: £17.18 million). The number of tenants as at 31 March 2020 was 91 (31 March 2019: 95).
- EPRA Net Initial Yield ('NIY')** of 8.26% as at 31 March 2020 (31 March 2019: 7.62%).
- Weighted Average Unexpired Lease Term ('WAULT')* of 4.26 years to break (31 March 2019: 4.87 years) and 5.55 years to expiry (31 March 2019: 6.10 years).
- Post year-end, in May 2020, the Company disposed of 2 Geddington Road, Corby, for gross proceeds of £18.80 million.
- Post year-end, in June 2020, the Company completed a 15 year renewal lease with the Secretary of State for Communities and Local Government at its Solihull office, Sandford House. The agreement documents the increase of rental income from the property by 30%.
- As at the date of this report, 84% of the rent due for the March 2020 quarter has been collected.

* See KPIs on pages 15 to 17 for definition of alternative performance measures.
** See Glossary on pages 121 to 124 for definition of alternative performance measures.
[1] The valuation figure is reconciled to the fair value under IFRS in Note 10.

Chairman's Statement

Overview

I am pleased to present the audited annual results of AEW UK REIT plc for the year ended 31 March 2020. As at 31 March 2020, the Company owned a diversified portfolio of 35 commercial investment properties throughout the UK with a value of £189.30 million.

The Company has improved its performance in terms of EPRA EPS for a second consecutive year; increasing from 8.07 pence for the prior year to 8.67 pence for the year under review. However, the end of this financial year brought an unprecedented period of uncertainty to the UK and global markets, which is ongoing as at the date of this report, as a result of the outbreak of COVID-19. This has negatively impacted the fair value of the Company's investment properties, which fell by £9.44 million during the year and consequently the Company's NAV per share, which fell by 5.56% for the year. The Company's shares are also trading at a discount to NAV, having briefly traded at a premium to NAV at the start of 2020, prior to the COVID-19 outbreak.

As a result of the pandemic, the primary focus of the Board and Investment Manager has recently been on minimising the impact of COVID-19 on the Company and its stakeholders. Business continuity measures in place are allowing the Board, the Investment Manager and the Company's service providers to continue to operate effectively. Immediately prior to the publication of this report, the Company had collected 84% of the rents due on 25 March 2020, however we are expecting collection rates to fall again for the June quarter, as tenants have been adversely affected by the period of lockdown. Amounts that remain outstanding are being pursued or are the matter of ongoing engagement between the Manager and the tenant. There are some tenants who are experiencing difficulties in the current environment and the Company is sympathetic to their situation. In these cases, the Company has agreed a payment plan where rental amounts can be fully recovered by the Company over coming periods. Unfortunately, there are a few larger tenants who have significant financial resources and the ability to pay who are refusing to do so or enter into dialogue. The Company shall be pursuing these tenants when legally able to do so and charging the full default interest rates per the lease agreements. To date, the Company has not granted any rent free periods to tenants where asset management gains were not also made.

Although the full impact of COVID-19 on the UK economy and real estate market is yet to become clear, the Board considers the Company to be well positioned to withstand this period of uncertainty due to its cash resources and levels of headroom in respect of its loan covenants. The Board also considers that the Company's assets are strategically placed to continue to provide investors with robust performance over medium and long term horizons. This is expected to be the case due to the portfolio's high weighting towards the industrial sector which, despite the recent lockdown period, has maintained its position as one of the most resilient market sectors, both in terms of occupational and investment market sentiment. Furthermore, the Manager's value investment style which focuses on exploiting mispriced investment opportunities that are trading below their long term fundamental value is considered to create a defensive position in respect of capital preservation.

The Board is encouraged by the fact that, despite the uncertainty that has been caused by the outbreak of COVID-19, there are a number of ongoing asset management transactions currently being negotiated by the Manager, as evidenced by the 15 year lease renewal to the Secretary of State for Communities and Local Government that has now completed at the Company's premises in Solihull. The renewal documented a 30% increase in passing rent and is expected to result in significant value increase for the asset when the portfolio is revalued at the end of this month. The successful conclusion of this business plan at the current time, following on from the profitable sale of Corby in May, both highlight the durability of the Company's strategy during more volatile markets. The Board feels that the recent completion of these asset management transactions is a credit to the Investment Manager's active management style which is a principal feature of the Company's strategy. With a number of asset management discussions still ongoing it is hoped that both income and capital returns to shareholders can be maximised further.

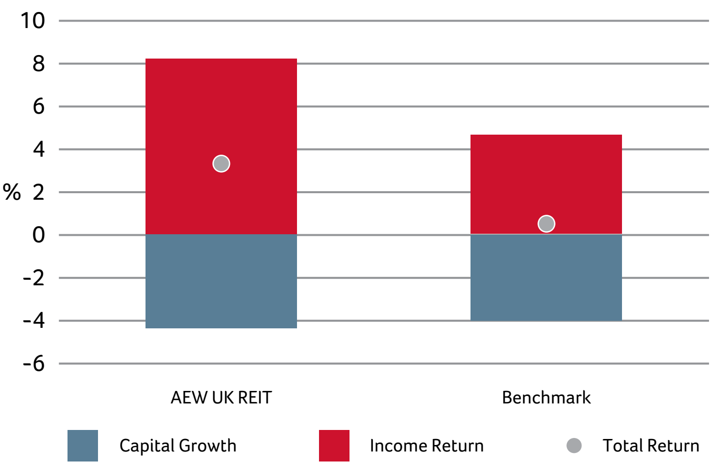
Since the year-end the Company has disposed of 2 Geddington Road, Corby, for gross proceeds of £18.80 million. The Board considers that the profitable sale represents a positive outcome to the Manager's business plan for the asset, particularly given wider market conditions at the time. The sale has delivered to the Company an IRR in excess of 30% due in part to the asset's net income yield of 10% against its purchase price produced throughout its hold period. Proceeds from the sale leave the Company well placed to take advantage of investment opportunities that may arise over coming weeks and months as a result of the current economic environment.

The Company raised gross capital proceeds of £7.00 million in February 2020 which has contributed to a healthy cash balance of £9.87 million as at 31 March 2020. This has since risen to £27.28 million as at 19 June 2020 following the aforementioned disposal.

Chairman's Statement *(continued)*

Portfolio Performance

AEW UK REIT plc Property Performance vs. Benchmark for 12 months to 31 March 2020



Source: MSCI 31 March 2020
* the Benchmark refers to MSCI/AREF PFI Balanced Funds Quarterly Property Index.

The Company's portfolio has again delivered strong results relative to the MSCI/AREF PFI Balanced Funds Quarterly Property Index ('the Benchmark'), outperforming the Benchmark with a total return of 3.5%. Total return was largely driven by the portfolio's high yielding assets generating a strong income return of 8.2% over the year. While capital growth was negative overall, the portfolio is defensively positioned in terms of geographical diversification and composition by sector. As at 31 March 2020, the portfolio valuation comprised just 12.4% of its value in retail assets and 7.8% in leisure which has helped to limit the potential downside arising from events that are affecting the wider economy and these sectors in particular.

The Company's consistent income returns have enabled it to continue to pay quarterly dividends of 2.00 pence per share throughout the year, meeting its target of 8.00 pence per share per annum. Dividends were fully covered by the Company's EPRA EPS of 8.67 pence.

The Investment Manager's active approach to asset management has resulted in a vacancy rate of just 3.68% which has been maintained below 4% for seven consecutive quarters up to and including the quarter ended 31 March 2020. However, given the problems that tenants are generally experiencing we are expecting vacancy rates to increase in the coming year.

The Company's share price was 68.20 pence per share as at 31 March 2020 (31 March 2019: 92.80 pence per share), representing a 26.77% discount to NAV. This reflects the declines experienced in the equity markets in general and specifically in real estate as a result of the COVID-19 outbreak.

Financial Results Summary

	Year ended 31 March 2020	Year ended 31 March 2019
Operating Profit before fair value changes (£'000)	14,472	13,524
Operating Profit (£'000)	5,072	17,226
Profit before Tax (£'000)	3,652	15,544
Earnings Per Share (basic and diluted) (pence)	2.40	10.26
EPRA Earnings Per Share (basic and diluted) (pence)	8.67	8.07
Ongoing Charges (%)	1.34	1.40
Net Asset Value per share (pence)	93.13	98.61
EPRA Net Asset Value per share (pence)	93.12	98.51

Chairman's Statement *(continued)*

Financing

The Company has a £60.00 million loan facility, of which it had drawn a balance of £51.50 million as at 31 March 2020 (31 March 2019: £60.00 million facility; £50.00 million drawn), producing the following measures of gearing.

	Year ended 31 March 2020 %	Year ended 31 March 2019 %
Loan to NAV	34.83	33.45
Gross Loan to GAV	27.21	25.30
Net Loan to GAV (deducts cash balance from the outstanding loan value)	21.99	24.37

The unexpired term of the facility was 3.6 years as at 31 March 2020 (31 March 2019: 4.6 years). The loan incurs interest at 3 month LIBOR +1.4%, which equated to an all-in rate of 2.10% as at 31 March 2020 (31 March 2019: 2.32%).

The Company is protected from a significant rise in interest rates and, as at the year end, had interest rate caps in effect with a combined notional value of £36.51 million (31 March 2019: £36.51 million), with £26.51 million capped at 2.50% and £10.00 million capped at 2.00%, resulting in the loan being 71% hedged (31 March 2019: 73%). These interest rate caps are effective until 19 October 2020. The Company has additional interest rate caps covering the remaining period of the loan from 20 October 2020 to 23 October 2023. After the year-end, the Company replaced its existing caps covering this period, which capped the interest rate at 2.0% on a notional value of £49.51 million, with new caps covering the same period capping the interest rate at 1.0% on a notional value of £51.50 million. The Company paid a premium of £62,968.

During October 2019, the Company announced that it had completed an amendment to its loan facility, increasing the 'Loan to NAV' covenant from 45% to 55% (subject to certain conditions). There were no changes to the margin currently charged under the facility. The long term gearing target remains 25% or less of GAV, however the Company can borrow up to 35% of GAV in advance of an expected capital raise or asset disposal. The Board and Investment Manager will continue to monitor the level of gearing and may adjust the target gearing according to the Company's circumstances and perceived risk levels.

Subsequent to the year-end, on the 26 May 2020, the Company announced that it had obtained consent from its lender, RBS International, to waive the interest cover tests within its loan agreement for July and October with the next proposed test date being January 2021. The lender also conveyed a willingness to review the position again in December based on circumstances prevailing. The Board considers this to have been prudent action in the current market environment.

Dividends

The Company has continued to deliver on its target of paying dividends of 8.00 pence per share per annum. During the year, the Company declared and paid four quarterly dividends of 2.00 pence per Ordinary Share, in line with its target, which were fully covered by the Company's EPRA EPS of 8.67 pence. It remains the Company's longer-term intention to continue to pay dividends in line with its dividend policy, however the outlook is highly uncertain in the short term given the current outbreak of COVID-19. In determining future dividend payments, regard will be had to the circumstances prevailing at the relevant time, as well as the Company's requirement, as a UK REIT, to distribute at least 90% of its distributable income annually, which will remain a key consideration.

Chairman's Statement *(continued)*

Outlook

The Board and Investment Manager are pleased with the strong income returns delivered to shareholders to date. The Company has met its dividend target of 8.00 pps for the year, which was 108.38% covered by EPRA EPS. The outlook for the UK economy and real estate market still faces huge uncertainty and it is likely that the Company will see further reduced levels of rent collection in the near term as tenants continue to feel the impact of lockdown restrictions on their cash flows. However, the Company is well placed to withstand these circumstances due to its healthy cash position and borrowing covenant headroom, as well as its diversified portfolio and low exposure to retail. It is hoped that the easing of lockdown measures will allow many businesses to resume some level of operations and kick start the economic recovery, eventually providing conditions to enable further growth of the Company. In the meantime, the Board will monitor closely the developing situation in consideration of the Company's strategy and the Investment Manager will be working closely with tenants in order to minimise impact on the Company's income profile.

Finally, I would like to remind investors that the Company will hold a continuation vote at the Annual General Meeting ('AGM') to be held on 9 September 2020. Under the provision of the Company's Articles, the Board will propose an ordinary resolution that the Company continues its business as presently constituted. Together with my fellow Board members, and the Investment Manager, I would like to express my ongoing belief in the Company's Strategy and to express the confidence that we have for its future performance for the various reasons that are discussed herewith. The Board, as set out later within this report, therefore welcomes shareholder attendance at the AGM if it is appropriate to do so in light of current circumstances.

Mark Burton
Chairman

22 June 2020

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

The investment objective of the Company 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) to achieve a balanced portfolio with 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 project) to development activities;
- the value of properties, measured at the time of each investment, in any one of the following sectors: office properties, retail warehouses, high street retail and industrial/warehouse properties will not exceed 50.00% of GAV. The 50.00% sector limit may be increased to 60.00% as part of the Investment Manager's efficient portfolio management whereby the Investment Manager determines it appropriate to pursue an attractive investment opportunity which could cause the 50.00% sector limit to be exceeded on a short-term basis pending a repositioning of the portfolio through a sale of assets or other means;
- 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 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.

Business Model and Strategy *(continued)*

***Investment Restrictions** (continued)*

The Directors currently intend, at all times, to conduct the affairs of the Company so as to enable the Group 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.

Our Strategy

As the ramifications of COVID-19 become clearer, it is possible that our strategy might adapt with prevailing market conditions, but for now we continue to follow our successful strategy since inception as below:

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:

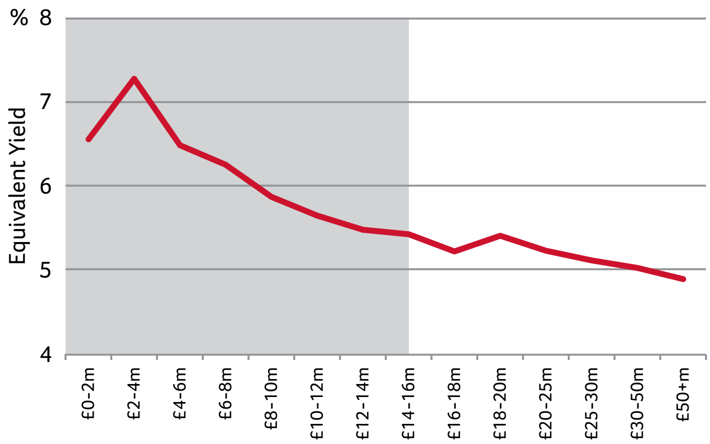
- typically have a value, on investment, of between £2.50 million and £15.00 million;
- have initial net yields, on investment, of typically between 7.5-10%;
- achieve across the whole portfolio an average weighted lease term of between three to six years remaining;
- achieve, across the whole portfolio, a diverse and broad spread of tenants; and
- have potential for asset management initiatives to include refurbishment and re-lettings.

Business Model and Strategy *(continued)*

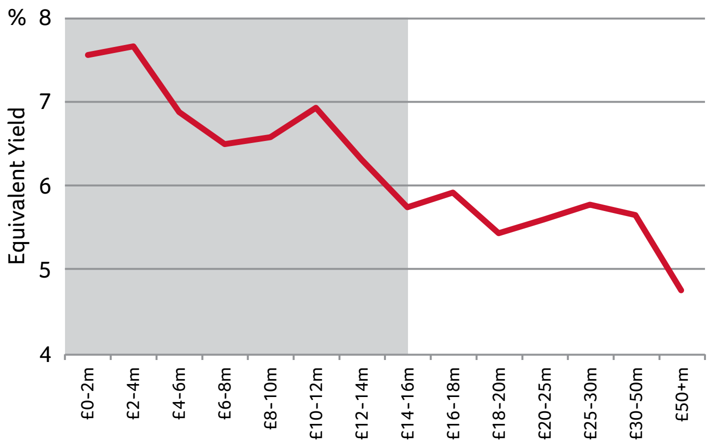
The Company's strategy is focused on delivering enhanced returns from the smaller end (up to £15.00 million) of the UK commercial property market. The Company believes that there are currently pricing inefficiencies in smaller commercial properties relative to the long-term pricing resulting in a significant yield advantage, as demonstrated in the graphs below, which the Company aims to exploit.

Investing in smaller assets of <£15 million can result in significant yield advantage
The graphs below include data for the 2019 year.

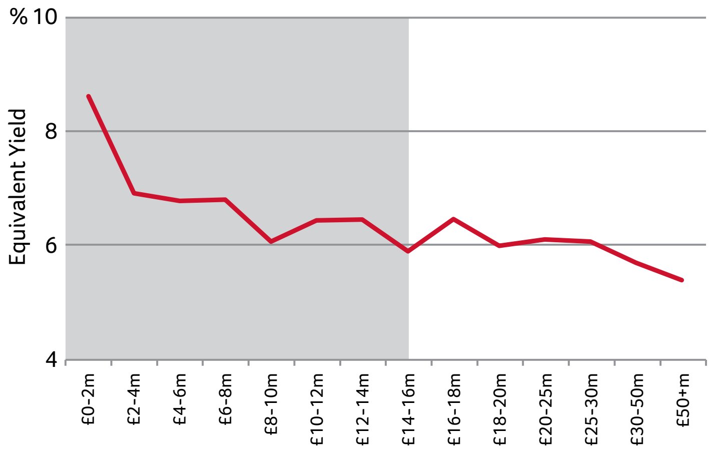
INDUSTRIAL



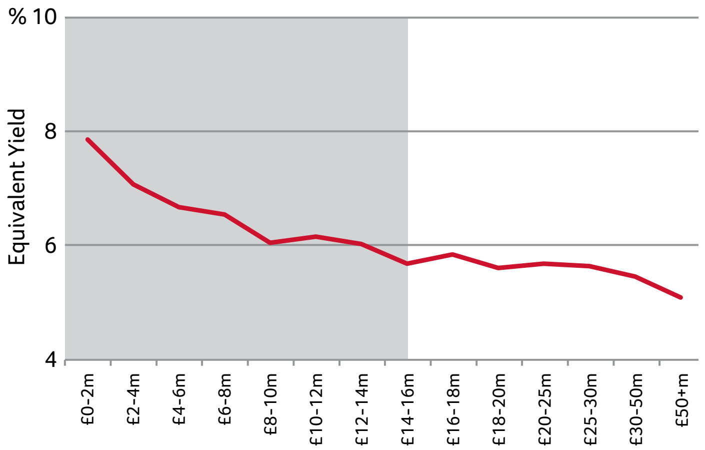
LONDON & SOUTH EAST OFFICES



RETAIL



ALL PROPERTY



Note: Equivalent yield is a weighted average of the initial yield and reversionary yield, and represents the yield which the property will produce based on timing of the income received.

Source: IPD, 31 March 2020, data for 2019.

Business Model and Strategy *(continued)*

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.

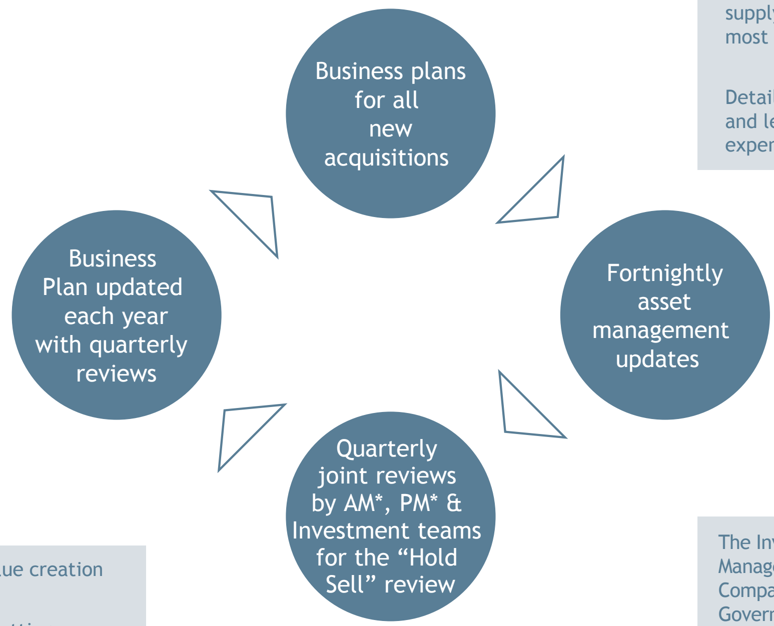
Active Asset Management

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

Analysing local market trends and supply/demand dynamics, we identify the most profitable and deliverable strategies

Detailed implementation plan, marketing and leasing programmes, capital expenditure forecasts and cash flows



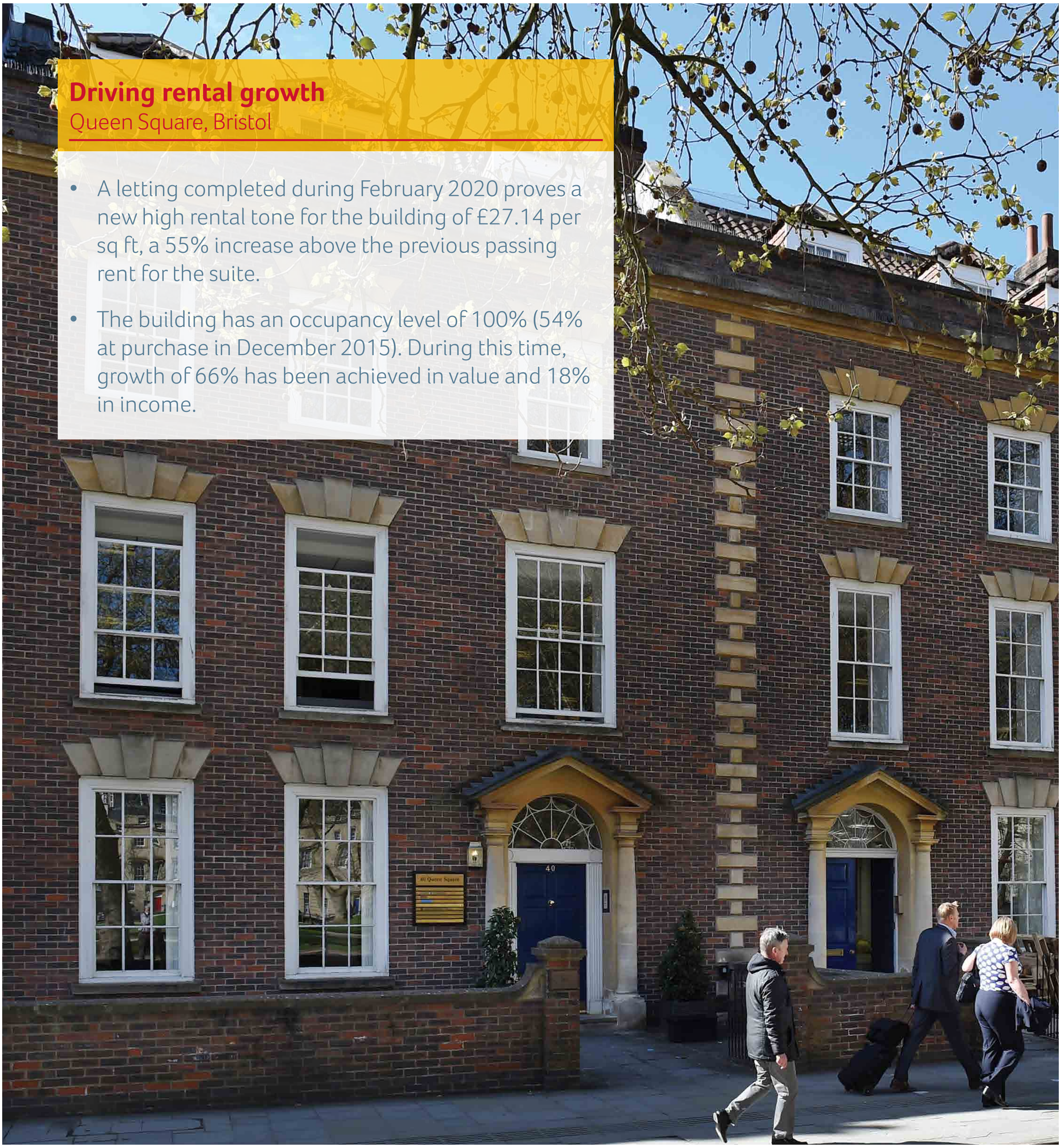
*AM - Asset Management
*PM - Property Management

Ongoing income and value creation

Agency appointments, letting meetings, tenant negotiations, lease re-structuring, dilapidations, claims, rent reviews and valuations

The Investment Manager's Asset Management process incorporates the Company's Environmental, Social and Governance ('ESG') Policy, which is found in the Directors' Report on pages 56 and 57. The Company reports on its ESG performance using EPRA Sustainability Performance Measures on pages 107 to 118.

Strategy in Action

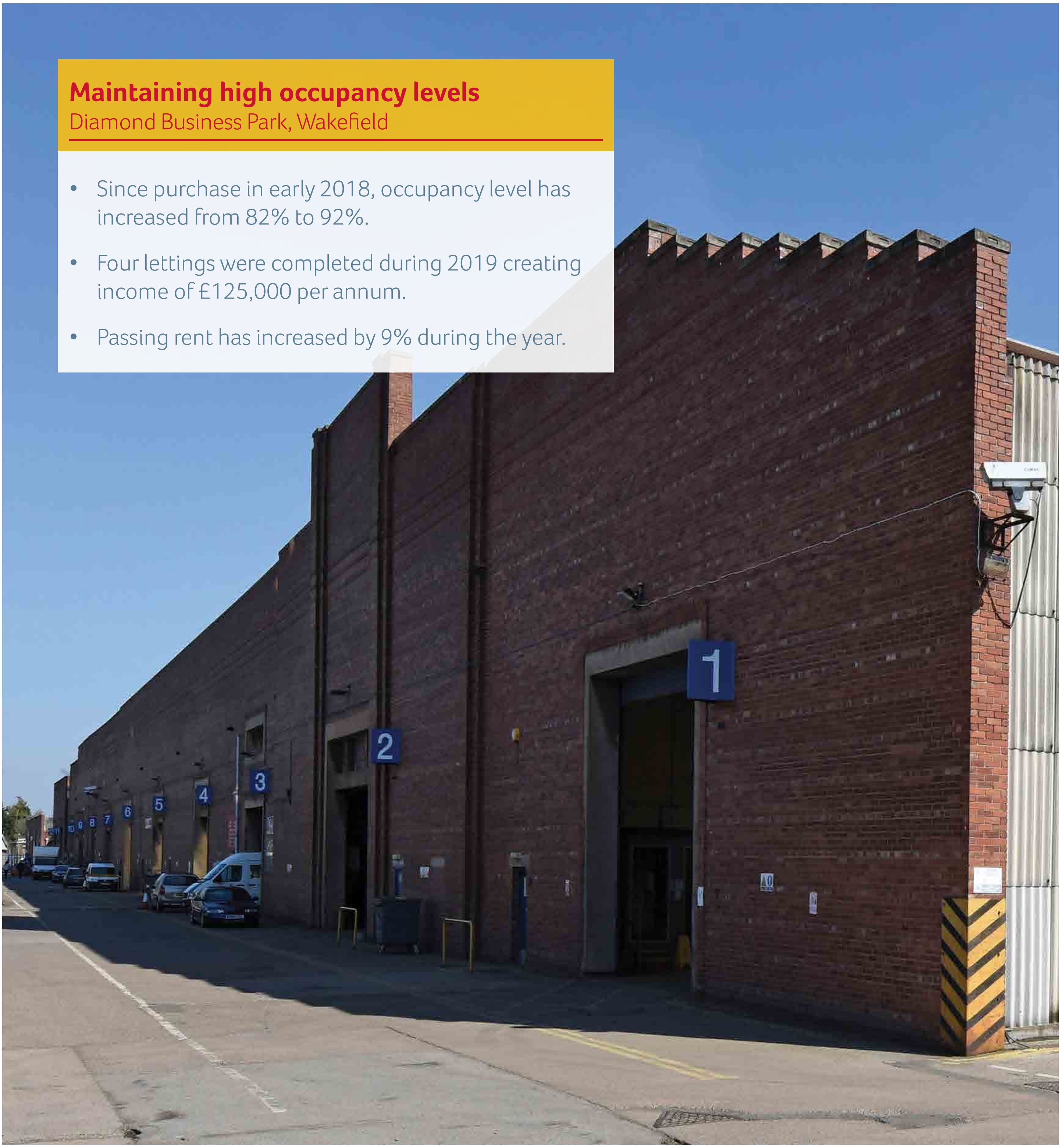


Driving rental growth

Queen Square, Bristol

- A letting completed during February 2020 proves a new high rental tone for the building of £27.14 per sq ft, a 55% increase above the previous passing rent for the suite.
- The building has an occupancy level of 100% (54% at purchase in December 2015). During this time, growth of 66% has been achieved in value and 18% in income.

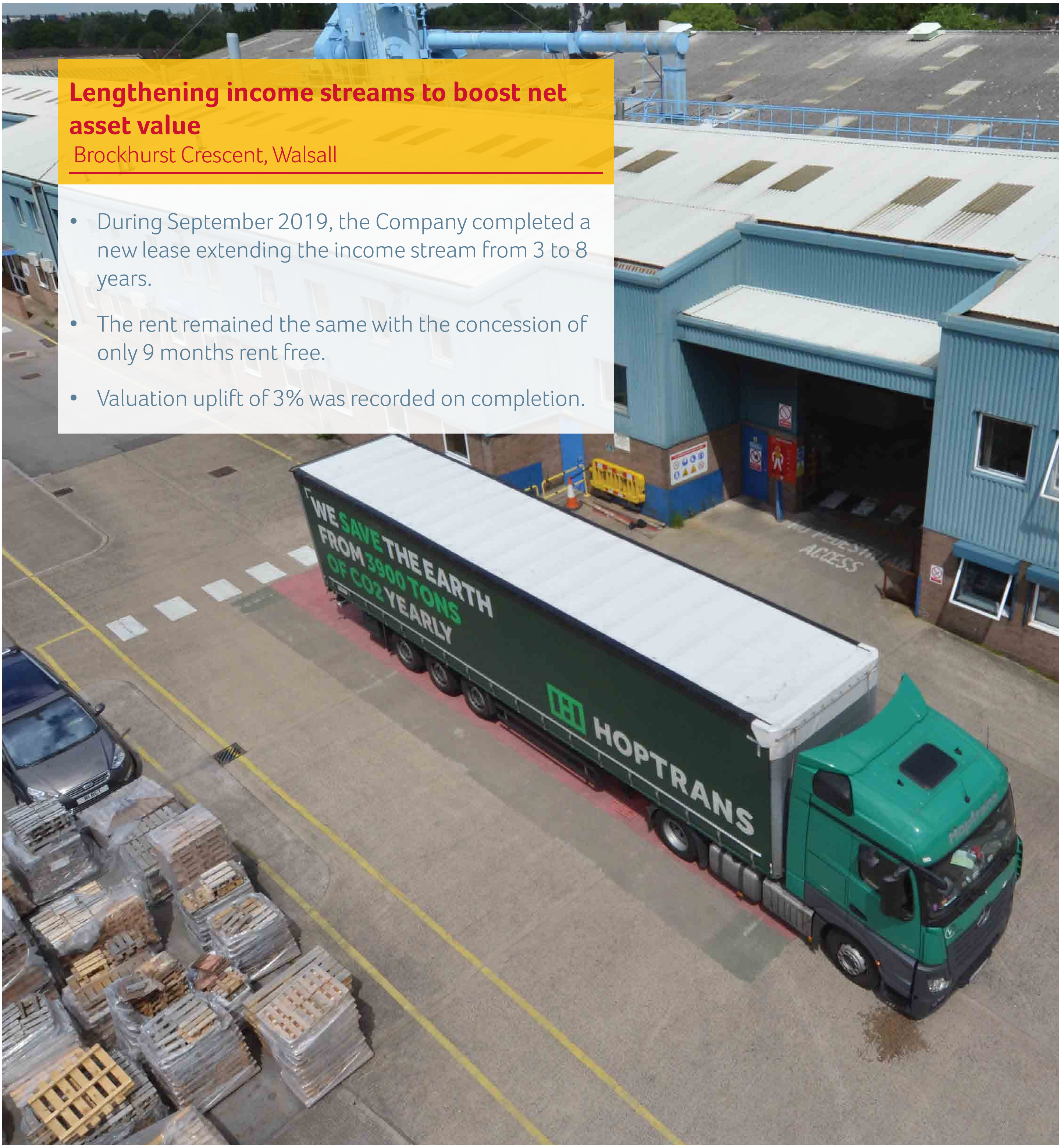
Strategy in Action *(continued)*



Maintaining high occupancy levels
Diamond Business Park, Wakefield

- Since purchase in early 2018, occupancy level has increased from 82% to 92%.
- Four lettings were completed during 2019 creating income of £125,000 per annum.
- Passing rent has increased by 9% during the year.

Strategy in Action *(continued)*



Lengthening income streams to boost net asset value

Brockhurst Crescent, Walsall

- During September 2019, the Company completed a new lease extending the income stream from 3 to 8 years.
- The rent remained the same with the concession of only 9 months rent free.
- Valuation uplift of 3% was recorded on completion.

Strategy in Action *(continued)*

Driving income levels above estimated rental value

Knowles Lane, Bradford

- In September 2019, the Company documented the settlement of a rent review representing a 14% increase on the previous rent and which was also ahead of the valuer's estimated rental value.

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.	EPRA NIY is in line with the Company's target dividend yield meaning that, after costs, the Company should have the ability to meet its target dividend through property income.	7.50 - 10.00%	**8.26%** at 31 March 2020 (31 March 2019: 7.62%)
2. True Equivalent Yield The average weighted return a property will produce according to the present income and ERV assumptions, assuming the income is received quarterly in advance.	A True Equivalent Yield profile in line with the Company's target dividend yield shows that, after costs, the Company should have the ability to meet its proposed dividend through property income.	7.50 - 10.00%	**8.04%** at 31 March 2020 (31 March 2019: 7.94%)
3. Reversionary Yield The expected return the property will provide once rack-rented.	A Reversionary Yield profile that is in line with an Initial 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%	**7.90%** at 31 March 2020 (31 March 2019: 7.75%)
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	**5.55 years** at 31 March 2020 (31 March 2019: 6.10 years)

Key Performance Indicators *(continued)*

KPI AND DEFINITION	RELEVANCE TO STRATEGY	TARGET	PERFORMANCE
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	**4.26 years** at 31 March 2020 (31 March 2019: 4.87 years)
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	**£147.86 million** at 31 March 2020 (31 March 2019: £149.46 million)
7. Leverage (Loan to GAV) The proportion of our property portfolio that is funded by borrowings.	The Company utilises borrowings to enhance returns over the medium term. Borrowings will not exceed 35% of GAV (measured at drawdown) with a long-term target of 25% or less of GAV.	25% long term and 35% in advance of a disposal or capital raise	**27.21%** at 31 March 2020 (31 March 2019: 25.30%)
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%	**3.68%** at 31 March 2020 (31 March 2019: 2.99%)
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 COVID-19 situation, 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 2020 (year ended 31 March 2019: 8.00 pps)

Key Performance Indicators *(continued)*

KPI AND DEFINITION	RELEVANCE TO STRATEGY	TARGET	PERFORMANCE
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%	**1.34%** for the year ended 31 March 2020 (year ended 31 March 2019: 1.40%)
11. Profit before tax ('PBT') PBT is a profitability measure which considers the Company's profit before the payment of income tax.	The PBT is an indication of the Company's financial performance for the year in which its strategy is exercised.	8.00 pps	**£3.65 million/ 2.40 pps** for the year ended 31 March 2020 (year ended 31 March 2019: £15.54 million/ 10.26 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%	**-17.89%** for the year ended 31 March 2020 (year ended 31 March 2019: 5.44%)
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 8 of the Financial Statements.	This reflects the Company's ability to generate earnings from the portfolio which underpins dividends.	8.00 pps	**8.67 pps** for the year ended 31 March 2020 (year ended 31 March 2019: 8.07 pps)

Investment Manager's Report

Alex Short and Laura Elkin – Portfolio Managers

Economic Outlook

The current outlook for the global and UK economy is heavily dependent on ever-changing assumptions made about the COVID-19 pandemic and related government policies. As such it is difficult to forecast with any degree of certainty and the reliance placed on any forecasts should be limited. KPMG forecasts published in May 2020 expect the UK economy to contract by 7.2% in 2020, recovering in 2021 with GDP growth reaching 6.1%. These forecasts predict a W-shaped recession with a relatively fast recovery, with economic activity and property values expected to be approaching normal levels by mid to late 2021. However, some forecasts predict a deeper and more prolonged downside and a weaker recovery. This is highly dependent on developments in containing the spread of the virus, which could include finding a vaccine.

Property Outlook

It is expected that UK commercial property investment volumes will fall to levels last seen during the 2008 financial crisis during Q2 and Q3 of 2020. The full impact of the current crisis is yet to become clear; but the recovery in the UK commercial property investment market will likely mirror that of the UK economy. Thereafter we expect certain characteristics of the market to return, potentially more forcefully than before. These include a polarisation of the market between the best and worst performing sectors, with occupier demand being driven by structural forces as much as by the health of the economy in general. A clear example of this has been the growth of online retail at the expense of physical stores, which has seen a divergence in the capital values of the retail and industrial warehousing sectors.

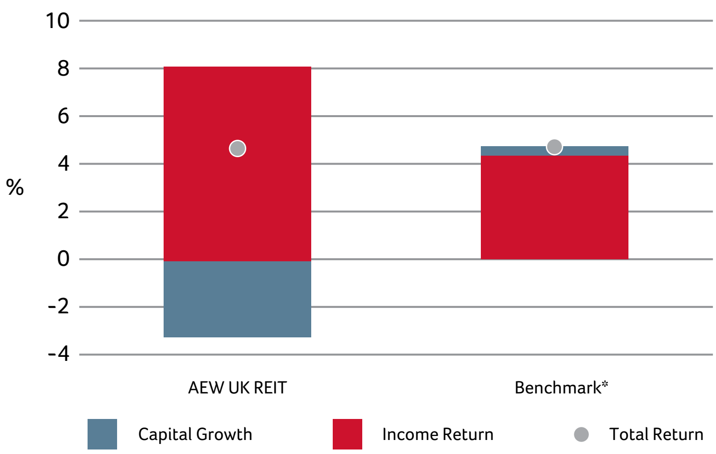
Sector Outlook

Industrial

The sector has seen continued growth for a number of years thanks to the trend towards online shopping and therefore the increased need for warehousing and logistics units. This shift is expected to continue at an even faster pace than predicted prior to the pandemic as a result of social distancing forcing a change in shoppers' habits. This is being seen particularly in the grocery sector where growth of c 30% is expected in 2020 and has led to most grocery retailers needing to occupy additional warehouse space. Current changes to shopper behaviour are expected to lead to increased take up of online sales, as a percentage of total sales, over the medium to long term in all retail sectors which should lead to an increase in demand for warehousing.

In terms of emerging trends, there is an expectation that the UK will begin to see an increase in localised production as a result of supply chain disruption seen during the pandemic. This could further increase demand for industrial accommodation but, unlike the above, would lead to increased take up outside of the currently favoured logistics sector in favour of more traditional manufacturing accommodation which has seen a decline in total stock over recent years.

AEW UK REIT Industrial Performance vs. Benchmark



Source: MSCI 31 March 2020
* the Benchmark refers to MSCI/AREF PFI Balanced Funds Quarterly Property Index.

The industrial sector represents the portfolio's largest sector holding, with 48.18% of the valuation, which leaves the Company well-placed to benefit from structural changes going forward. Our focus is on assets with low capital values in locations with good accessibility from the national motorway network.

Total return for the year from our industrial assets was 4.7%, slightly below benchmark, as the strong income return of 8.1% was offset by negative capital growth.

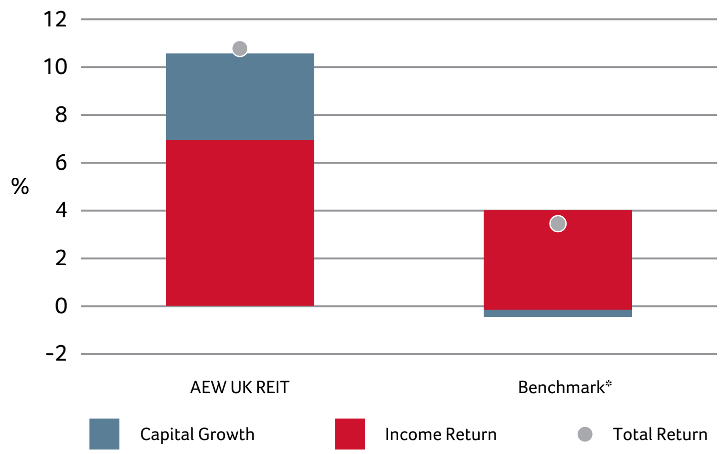
Investment Manager's Report *(continued)*

Office

The office sector on the whole has proven to be resilient, providing solid income and global flows of investment into the UK. We consider that development in most UK cities outside London has already peaked, which should help to maintain stable rental growth. However, the sector could see longer term structural changes as a result of the current lockdown. A prolonged period of working from home could lead to businesses changing to adopt more flexible working practices and reducing office space, putting pressure on the office market, especially for serviced office operators, and increasing the potential for office-to-residential conversions where viable.

Our office assets represent the second largest sector holding, with 23.72% of the valuation. The focus has been on strong, regional centres and a preference for town or city centres rather than business park locations with weak surrounding amenity where demand has generally not kept up. This was the second strongest performing sector within the portfolio for the year relative to the benchmark, thanks to key asset management transactions adding significant capital value, achieving outperformance of 7.1%.

AEW UK REIT Office Performance vs. Benchmark



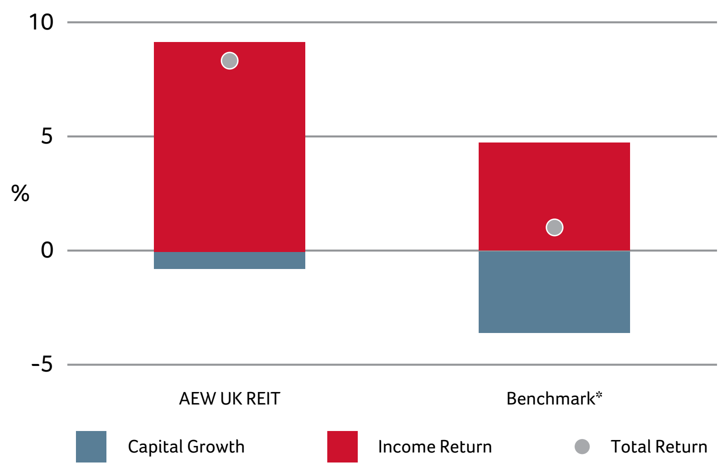
Source: MSCI 31 March 2020
* the Benchmark refers to MSCI/AREF PFI Balanced Funds Quarterly Property Index.

Alternatives

This is a sector in which AEW UK as Investment Manager have significant expertise and, up until the commencement of the current period of uncertainty, had continued to see compelling opportunities. The Company's alternatives holding comprises assets within the leisure and car parking sectors that have been selected due to their defensive, value protection characteristics as well as their high income yield. As such, even if some occupation levels are negatively impacted as a result of the current pandemic, as is expected in the leisure sector, the value of assets held in these sectors is expected to be below their long term assessment of worth, particularly when considering their value for alternative uses.

Assets held in alternative sectors comprise 15.74% of the 31 March 2020 valuation, of which 7.8% is within the leisure sector. As a whole, our alternatives assets provided the best return relative to the Benchmark over the year, achieving outperformance of 7.3%, which was driven by an income return of 9.3%.

AEW UK REIT Alternatives Performance vs. Benchmark



Source: MSCI 31 March 2020
* the Benchmark refers to MSCI/AREF PFI Balanced Funds Quarterly Property Index.

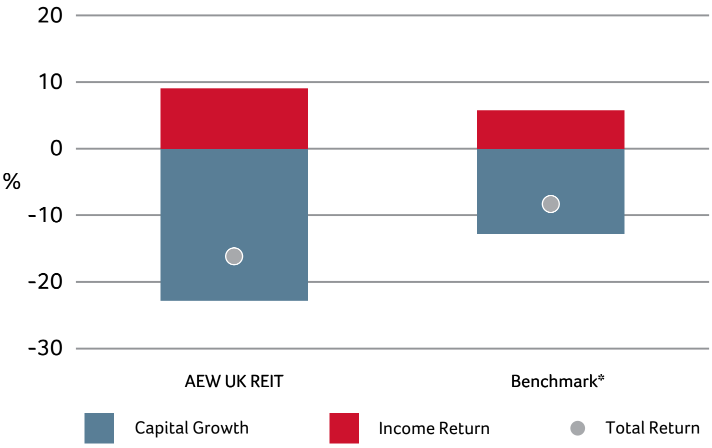
Investment Manager's Report *(continued)*

Retail

The retail sector had been facing difficulties before the outbreak of COVID-19, due to the changing habits of consumers, namely the adoption of online shopping in preference to visiting outlets. These changes in shopping habits could well be accelerated by the outbreak and although we might see a surge in footfall once lockdown restrictions are lifted, this is unlikely to halt the long-term structural decline in the sector. Over time we expect to see opportunities for conversion of redundant retail space into alternative uses and consider our retail assets to be well positioned, with the majority located in town and city centres where there is healthy demand for competing uses.

Retail represents the portfolio's smallest sector holding, with just 12.36% of the valuation, which somewhat mitigates the risk associated with the sector at a portfolio level. Our retail assets have performed weakly relative to the Benchmark, as strong Central London retail performance underpins the benchmark performance to a great extent. The Company's strictly regional holdings have suffered significant valuation losses associated with the negative sentiment in the sector.

AEW UK REIT Retail Performance vs. Benchmark



Source: MSCI 31 March 2020
* the Benchmark refers to MSCI/AREF PFI Balanced Funds Quarterly Property Index.

Asset Management

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

– **Eastpoint Business Park, Oxford** – During May 2019 a lease renewal was completed with Innovista International on a 3,000 sq ft office suite. The lease, which runs for a three year term, provides for a rent of £30,000 per annum and a tenant incentive equivalent to six months rent free.

– **Diamond Business Park, Wakefield** – In June 2019, the Company completed a new letting to tenant CB Imports on 23,000 sq ft of industrial accommodation at this multi-let estate. The lease runs for a three year term and provides a rent of £79,750 per annum. No rental incentives were granted.

  Within the estate, three other lettings were completed during the year producing a total rental income of £41,750 per annum. This includes a February 2020 letting that the Company completed with Texlogistics Ltd at a rent of £33,250 per annum. The lease provides a five year term certain and no rental incentives were granted.

  Since purchase in early 2018, occupancy level has increased from 82% to 92%. Passing rent per sq ft has increased by 14%.

– **Brockhurst Crescent, Walsall** – In September 2019, the Company completed the simultaneous surrender and re-letting of Unit 1, Brockhurst Crescent, Walsall. The rent received from the industrial property will continue unchanged at £231,728 per annum however, the new lease provides for a term of eight years, compared to three years remaining under the previous lease. The incoming tenant will benefit from a nine month rent free period.

– **Knowles Lane, Bradford** – In September 2019, the Company settled a rent review at this industrial property documenting a new passing rent of £182,500. This represents a 14% increase on the previous rent and which was ahead of the valuer's estimated rental value at the date of signing.

Investment Manager's Report *(continued)*

- **Cranbourne House, Basingstoke** – In September 2019, a lease extension for a term of six months was completed with HFC Prestige Manufacturing in Basingstoke. Due to the short extension period, a rental level was agreed 46% ahead of the previous passing rent. The tenant has now agreed terms in principle with the Company for a further lease renewal.

- **Fargate, Sheffield** – Following the CVA of Paperchase in early 2019, the tenant remains in full occupation of the 3,000 sq ft store and did not action a break option in October 2019. H Samuel renewed occupation of their 2,400 sq ft unit in September 2019 at nil rent but with a rolling break actionable by both landlord and tenant.

- **Lockwood Court, Leeds** – During December 2019, the Company completed a new lease with tenant Harrogate Spring Water for a 10 year term on the 187,700 sq ft industrial unit. The new lease provides for a rent of £603,340 and mirrors the terms previously in place with tenant LWS Yorkshire Ltd, a logistics provider to Harrogate Spring Water. The new lease provides the Company with a significantly stronger tenant counterparty.

- **225 Bath Street, Glasgow** – In January 2020, the Company completed a new letting of 6,700 sq ft to SPS Doorguard Ltd. The lease provides a 10 year term with a tenant break option at year five and a rent of £92,250 per annum. The lease was granted with 18 months rent free.

  Within the same building the Company has been made aware of tenant Sedgwick's intention to vacate the premises in August 2020. Sedgwick currently occupy 21,100 sq ft and pay an annual rent of £284,275 per annum. We are exploring alternative uses for the building including student accommodation and residential.

- **40 Queen Square, Bristol** – During February 2020 a new letting of 1,300 sq ft was completed with existing tenant Candide Ltd. The letting of the un-refurbished suite proves a new high rental tone for the building of £27.14 per sq ft, 55% higher than the previous level of passing rent on this suite. The lease provides for a term of five years at a rent of £34,250 per annum with an incentive of half rent payable for the first 12 month period.

- **Oak Park, Droitwich** – In March 2020, the Company completed a lease renewal with tenant Egbert Taylor on 101,000 sq ft of industrial accommodation in this West Midlands location. The renewal takes the tenant's weighted average unexpired lease term from three years to five years at a combined rent of £500,000 per annum over two leases. We are exploring potential for higher value alternative uses on the site and as such, the new leases contain a landlord only break option every 18 months in order to provide access to the site if this is required in order to maximise value.

- **Pearl Assurance House, Nottingham** – In March 2020, a reversionary lease was completed with Lakeland Ltd on a 4,300 sq ft retail unit fronting Wheeler Gate in the heart of Nottingham City Centre. The new lease provides a c. six year term. The lease also documents the rebasing of Lakeland's rent from £155,000 per annum to £90,000 per annum in line with its estimated rental value.

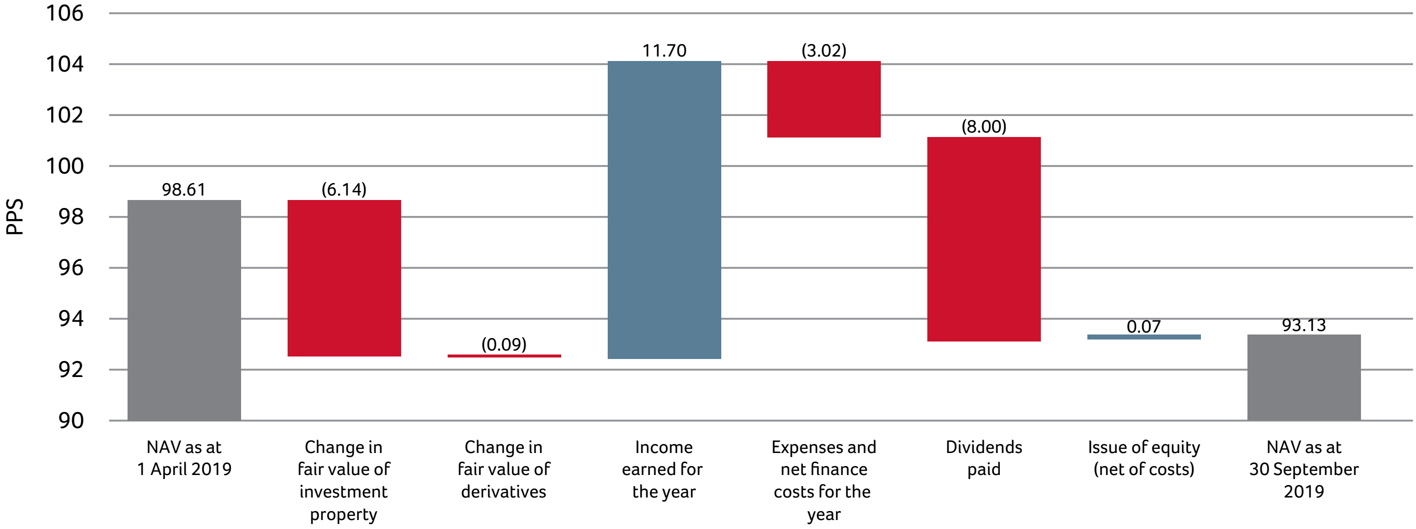
- **2 Geddington Road, Corby** – On 22 May 2020, the Company disposed of its asset at 2 Geddington Road, Corby, for gross proceeds of £18.80 million, delivering an IRR in excess of 30%.

- **Sandford House, Solihull** – During June 2020, the Company completed a 15 year renewal lease with its existing tenant, the Secretary of State for Communities and Local Government. The agreement documents the increase of rental income from the property by 30% as well as providing for five yearly open market rent reviews and a tenant break option at year 10. The tenant intends to carry out a full refurbishment of the property over coming weeks requiring no capital payment by the Company either by way of refurbishment cost or capital incentive to the tenant. In addition, no rent free incentive has been granted to the tenant. Throughout its hold period the Company has so far received a net income yield from the asset in excess of 9% per annum against its purchase price of £5.4 million.

Investment Manager's Report *(continued)*

Financial Results

The Company's Net Asset Value as at 31 March 2020 was £147.86 million or 93.13 pps (31 March 2019: £149.46 million or 98.61 pps). This is a decrease of 5.48 pps or 5.56% over the year, with the underlying movement in NAV set out in the table below:



EPRA earnings per share for the year was 8.67 pps which, based on dividends paid of 8.00 pps, reflects a dividend cover of 108.38%.

Financing

As at 31 March 2020, the Company had a £60.0 million loan facility with RSBi, in place until October 2023, the details of which are presented below:

	31 March 2020	31 March 2019
Facility	£60.00 million	£60.00 million
Drawn	£51.50 million	£50.00 million
Gearing (Loan to GAV)	27.21%	25.30%
Gearing (Loan to NAV)	34.83%	33.45%
Interest rate	2.10% all-in (LIBOR + 1.4%)	2.32% all-in (LIBOR + 1.4%)
Notional Value of Loan Balance Hedged	70.9%	73.0%

Investment Manager's Report *(continued)*

On 9 October 2019, the Company announced that it had completed an amendment to its loan facility to increase the hard loan to NAV covenant from 45% to 55% (subject to certain conditions), although the target gearing remains as set out in the Prospectus. The margin charged under the facility will be determined by the Company's Loan to NAV ratio as follows:

Loan to NAV	Margin (%)
< 40%	1.40
40 – 45%	2.50
> 45% or at the Company's request*	2.00

* In these circumstances certain conditions must be met, including the provision of security over a certain value of the Company's assets.

The margin in effect has remained at 1.40% throughout the year.

Financial convenants

In April 2020, the Company reported the following in respect of its borrowing covenant tests:

	Limit	31 March 2020	31 March 2019
Loan to NAV	<55%	34.83%	33.45%
Historical Interest Cover Ratio	>5:1	7.0	10.7
Projected Interest Cover Ratio	>5:1	10.1	11.1

Property Portfolio

The Company has not made any acquisitions or disposals during the year. The following tables analyse the portfolio by sector and geographical area:

Summary by Sector as at 31 March 2020

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)	Net rental income (£m)	Like-for like rental growth* (£)	Like-for like rental growth* %
Industrial	20	91.20	2,336,087	1.48	3.83	8.16	3.49	8.47	3.62	8.09	0.41	5.49
Offices	6	44.90	286,776	9.09	3.12	3.41	11.89	4.28	14.94	3.37	0.17	5.30
Alternatives	3	29.80	164,708	0.00	5.06	2.81	17.10	2.38	14.44	2.87	0.05	1.78
Standard Retail	5	17.90	168,917	7.09	3.94	2.30	13.61	1.78	10.51	2.49	-0.34	-12.02
Retail Warehouse	1	5.50	51,021	0.00	4.01	0.61	11.96	0.51	10.09	0.61	0.00	0.00
Portfolio	**35**	**189.30**	**3,007,509**	**3.68**	**4.26**	**17.29**	**5.75**	**17.42**	**5.79**	**17.43**	**0.29**	**1.71**

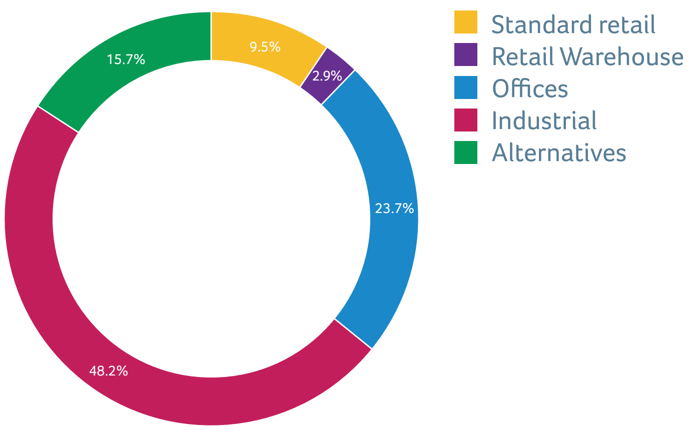
Summary by Geographical Area as at 31 March 2020

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)	Net rental income (£m)	Like-for like rental growth* (£)	Like-for like rental growth* %
Yorkshire and Humberside	8	33.52	1,027,801	1.48	2.35	3.23	3.14	3.40	3.31	3.19	0.30	11.19
South East	5	26.95	195,545	9.30	4.12	2.59	13.24	2.28	11.67	2.64	-0.03	-1.12
Eastern	5	21.65	344,885	0.00	3.08	1.90	5.51	2.10	6.10	1.89	0.02	1.07
South West	3	21.30	125,004	0.00	2.80	1.73	13.82	1.77	14.14	1.68	0.02	1.20
West Midlands	4	19.20	398,140	0.00	3.79	1.69	4.24	1.87	4.69	1.71	-0.11	-6.05
East Midlands	2	19.15	80,572	0.00	2.39	1.85	23.01	1.50	18.59	1.83	-0.02	-1.08
North West	4	14.18	302,061	5.77	3.41	1.27	4.22	1.30	4.30	1.44	0.01	0.70
Wales	2	14.05	376,138	0.00	9.08	1.24	3.31	1.29	3.44	1.31	0.00	0.00
Greater London	1	10.60	71,720	0.00	11.62	0.96	13.40	0.75	10.45	1.01	0.05	5.21
Scotland	1	8.70	85,643	26.16	1.50	0.83	9.65	1.16	13.54	0.73	0.05	7.46
Portfolio	**35**	**189.30**	**3,007,509**	**3.68**	**4.26**	**17.29**	**5.75**	**17.42**	**5.79**	**17.43**	**0.29**	**1.71**

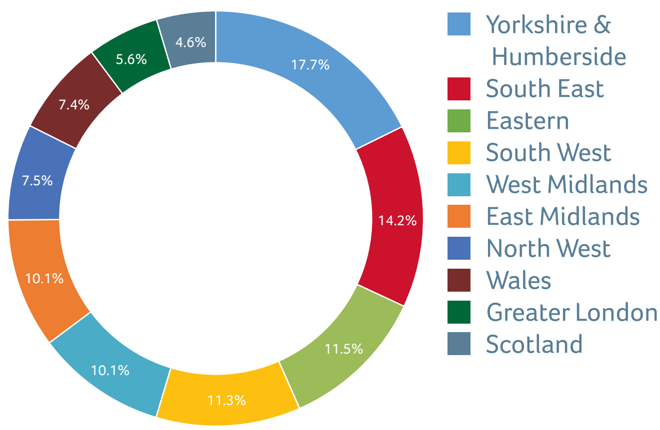
* Like-for-like rental growth is the growth in net rental income on properties owned throughout the current and previous periods under review. These properties had a value of £181.95 million as at 31 March 2020, as assessed by Knight Frank.

Properties by Market Value as at 31 March 2020

Sector weighting by passing rent – high industrial weighting and low exposure to retail



Geographical weighting by valuation – highly diversified across the UK



Investment Manager's Report *(continued)*

Property Portfolio as at 31 March 2020 *(continued)*

	Property	Sector	Region	Market Value Range (£m)
	Top 10:			
1.	2 Geddington Road, Corby	Other (Car parking)	East Midlands	10.0 - 15.0
2.	40 Queen Square, Bristol	Offices	South West	10.0 - 15.0
3.	Eastpoint Business Park, Oxford	Offices	South East	10.0 – 15.0
4.	London East Leisure Park, Dagenham	Other (Leisure)	Greater London	10.0 - 15.0
5.	Gresford Industrial Estate, Wrexham	Industrial	Wales	7.5 – 10.0
6.	225 Bath Street, Glasgow	Offices	Scotland	7.5 – 10.0
7.	Lockwood Court, Leeds	Industrial	Yorkshire and Humberside	5.0 – 7.5
8.	Sandford House, Solihull	Offices	West Midlands	5.0 – 7.5
9.	Langthwaite Grange Industrial Estate, South Kirkby	Industrial	Yorkshire and Humberside	5.0 - 7.5
10.	Storeys Bar Road, Peterborough	Industrial	Eastern	5.0 – 7.5

The Company's top 10 properties listed above comprise 49.7% of the total value of the portfolio.

	Property	Sector	Region	Market Value Range (£m)
11.	Apollo Business Park, Basildon	Industrial	Eastern	5.0 – 7.5
12.	Sarus Court Industrial Estate, Runcorn	Industrial	North West	5.0 – 7.5
13.	Barnstaple Retail Park	Retail Warehouse	South West	5.0 - 7.5
14.	Euroway Trading Estate, Bradford	Industrial	Yorkshire and Humberside	5.0 – 7.5
15.	Above Bar Street, Southampton	Standard Retail	South East	5.0 – 7.5
16.	Brockhurst Crescent, Walsall	Industrial	West Midlands	5.0 – 7.5
17.	Oak Park, Droitwich	Industrial	West Midlands	< 5.0
18.	Excel 95, Deeside	Industrial	Wales	< 5.0
19.	Diamond Business Park, Wakefield	Industrial	Yorkshire and Humberside	< 5.0
20.	Commercial Road, Portsmouth	Standard Retail	South East	< 5.0
21.	Odeon Cinema, Southend	Other (Leisure)	Eastern	< 5.0
22.	Pearl Assurance House, Nottingham	Standard Retail	East Midlands	< 5.0
23.	Walkers Lane, St. Helens	Industrial	North West	< 5.0
24.	Cedar House, Gloucester	Offices	South West	< 5.0
25.	Cranbourne House, Basingstoke	Industrial	South East	< 5.0
26.	Brightside Lane, Sheffield	Industrial	Yorkshire and Humberside	< 5.0
27.	Magham Road, Rotherham	Industrial	Yorkshire and Humberside	< 5.0
28.	Pipps Hill Industrial Estate, Basildon	Industrial	Eastern	< 5.0
29.	Bank Hey Street, Blackpool	Standard Retail	North West	< 5.0
30.	Eagle Road, Redditch	Industrial	West Midlands	< 5.0
31.	Clarke Road, Milton Keynes	Industrial	South East	< 5.0
32.	Knowles Lane, Bradford	Industrial	Yorkshire and Humberside	< 5.0
33.	Vantage Point, Hemel Hempstead	Offices	Eastern	< 5.0
34.	Moorside Road, Salford	Industrial	North West	< 5.0
35.	Fargate and Chapel Walk, Sheffield	Standard Retail	Yorkshire and Humberside	< 5.0

Investment Manager's Report *(continued)*

Property Portfolio *(continued)*

UK property locations as at 31 March 2020

Investment Manager's Report *(continued)*

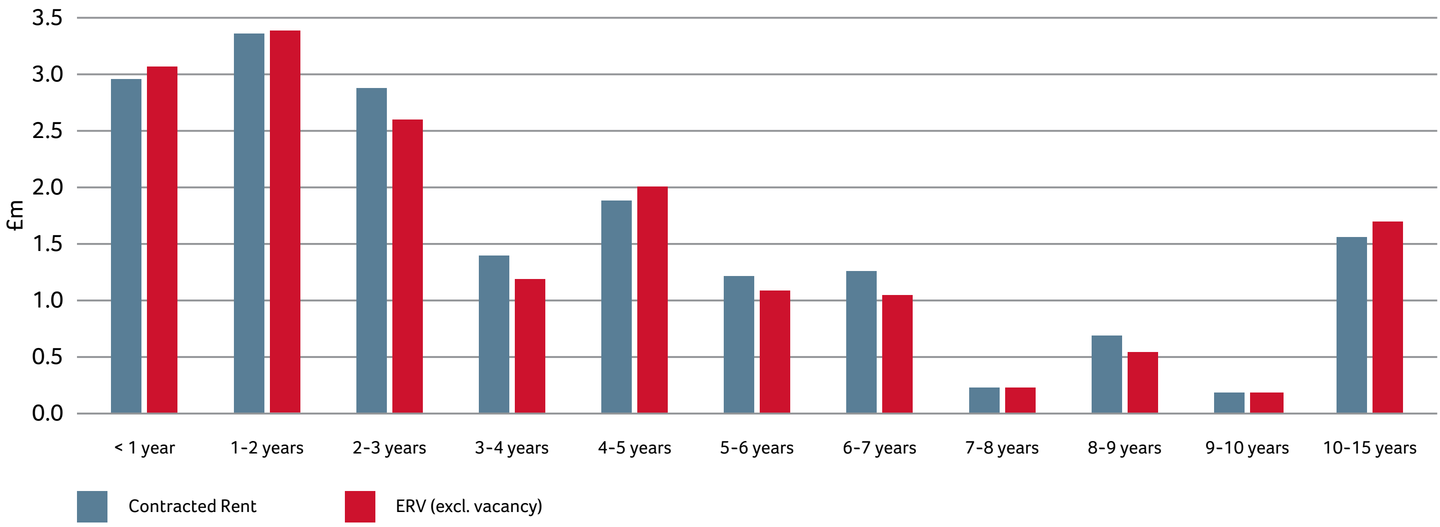
Top 10 Tenants as at 31 March 2020

	Tenant	Sector	Property	Passing Rental Income (£'000)	% of Portfolio Total Passing Rental Income
1.	GEFCO UK Limited	Industrial	2 Geddington Road, Corby	1,320	7.6
2.	Plastipak UK Limited	Industrial	Gresford Industrial Estate, Wrexham	883	5.1
3.	The Secretary of State	Government body	Sandford House, Solihull and Cedar House, Gloucester	832	4.8
4.	Ardagh Glass Limited	Industrial	Langthwaite Industrial Estate, South Kirkby	676	3.9
5.	Mecca Bingo Limited	Leisure	London East Leisure Park, Dagenham	625	3.6
6.	Harrogate Spring Water	Industrial	Lockwood Court, Leeds	603	3.5
7.	HFC Prestige Manufacturing	Industrial	Cranbourne House, Basingstoke	600	3.5
8.	Odeon Cinemas	Leisure	Odeon Cinema, Southend	535	3.1
9.	Sports Direct	Retail	Barnstaple Retail Park and Bank Hey Street, Blackpool	525	3.0
10.	Wyndeham Peterborough Limited	Industrial	Storeys Bar Road, Peterborough	525	3.0

The Company's top ten tenants, listed above, represent 41.1% of the total passing rental income of the portfolio.

Lease Expiry Profile as at 31 March 2020

AEW UK REIT Lease Income to Break



Investment Manager's Report *(continued)*

Approximately £2.94 million of the Company's current contracted income stream is subject to an expiry or break within the 12 month period commencing 1 April 2020. Of this amount, £1.1 million (38%) is already subject to an agreed renewal in principle with a further £1.3 million (44%) where we are currently engaged in active renewal discussions and where tenants are expected to remain in occupation subject to agreeing final lease terms. We expect to engage further tenants in renewal discussion throughout the period. To date, tenants that have served notice to vacate within this period and have made clear that they intend to do so amount to c. £0.49 million (17%), the majority of which is attributed to Sedgwick in Glasgow (as noted in the Asset Management section) where the Company is exploring redevelopment for alternative use.

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.

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 2020		31 March 2019	
Leverage Exposure	**Gross Method**	**Commitment Method**	Gross Method	Commitment Method
Maximum Limit	140%	140%	140%	140%
Actual	128%	135%	132%	134%

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.

Investment Manager's Report *(continued)*

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) incentivise staff performance over longer periods of time;

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

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

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 31 December 2019.

	Year ended 31 December 2019
Total remuneration paid to employees during financial year:	
a) remuneration, including, where relevant, any carried interest paid by the AIFM	£2,920,641
b) the number of beneficiaries	29
The aggregate amount of remuneration of the AIFM Remuneration Code staff, broken down by:	
a) senior management	£738,634
b) members of staff	£2,182,007

	Fixed remuneration	Variable remuneration	Total remuneration
Senior management	£658,634	£80,000	£738,634
Staff	£1,542,947	£639,060	£2,182,007
Total	**£2,201,581**	**£719,060**	**£2,920,641**

Fixed remuneration comprises basic salaries and variable remuneration comprises bonuses.

AEW UK Investment Management LLP

22 June 2020

Principal Risks and Uncertainties

The Company's assets consist primarily 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.

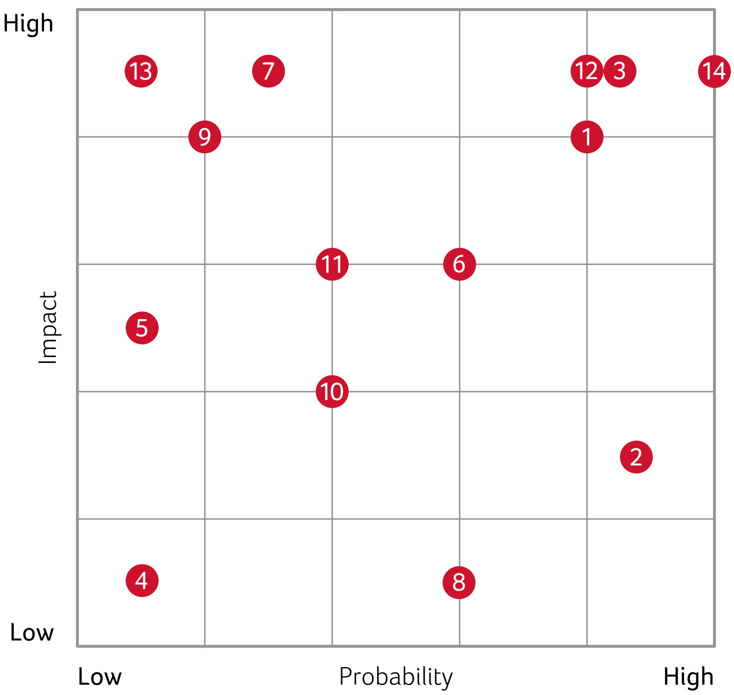
The Board has overall responsibility for reviewing the effectiveness of the system of risk management and internal control which is operated by the Investment Manager. The Company's ongoing risk management process is designed to identify, evaluate and mitigate the significant risks the Company faces.

Twice each year, the Board undertakes a 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 Board has carried out a robust assessment of the principal 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. This does 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. Interest rate rises
9. Availability and cost of debt
10. Use of service providers
11. Dependence on the Investment Manager
12. Ability to meet objectives
13. Company REIT status
14. Political/economic risks

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:** High **Movement:** Increase
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, the NAV and the price of Ordinary Shares in cases where properties are sold whose valuations have previously been materially overstated. The report of the valuer on the property valuations as at 31 March 2020 contains a material valuation uncertainty clause due to COVID-19 and its unknown impact at that point in time as shown in note 10 of the financial statements.	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:** High **Impact:** Low to Moderate **Movement:** Increase
3. Tenant default		
Failure by tenants to fulfill 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. Asset management team conducts ongoing monitoring and liaison with tenants to manage potential bad debt risk.	**Probability:** High **Impact:** High **Movement:** Increase
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 **Impact:** Low **Movement:** No change

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 relies 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 to High **Impact:** Moderate to High **Movement:** Increase
FINANCIAL RISKS		
7. Breach of borrowing covenants		
The Company has entered into a term credit facility. Material adverse changes in valuations and net income may lead to breaches in the LTV and interest cover ratio 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.	**Probability:** Low to Moderate **Impact:** High **Movement:** No change
8. Interest rate rises		
The Company's borrowings through a term credit facility are subject to interest rate risk through changing LIBOR rates. Any increases in LIBOR rates may have an adverse effect on the Company's ability to pay dividends.	The Company uses interest caps on a significant notional value of the loan to mitigate the adverse impact of possible interest rate rises. The Investment Manager and Board of Directors monitor the level of hedging and interest rate movements to ensure that the risk is managed appropriately.	**Probability:** Moderate to High **Impact:** Low **Movement:** Decrease

Principal Risks and Uncertainties *(continued)*

Principal risks and their potential impact	How risk is managed	Risk assessment
FINANCIAL RISKS *(continued)*		
9. Availability and cost of debt The term credit facility expires in October 2023. In the event that RBSi does not renew the facility, the Company may need to sell assets to repay the outstanding loan. Any increase in the financing costs of the facility on renewal would adversely impact on the Company's profitability.	The Company maintains a good relationship with the bank providing the term credit facility. The Company monitors the projected usage and covenants of the credit facility on a quarterly basis.	**Probability:** Low to Moderate **Impact:** High **Movement:** Increase
CORPORATE RISKS		
10. Use of service providers The Company has no employees and is reliant upon the performance of third party service providers. Failure by 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 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 **Impact:** Moderate **Movement:** Increase
11. Dependence on the Investment Manager The Investment Manager is responsible for providing investment management services to 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.	**Probability:** Moderate **Impact:** Moderate to High **Movement:** Increase

Principal Risks and Uncertainties *(continued)*

Principal risks and their potential impact	How risk is managed	Risk assessment
CORPORATE RISKS *(continued)*		
12. Ability 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 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. These factors mitigate the risk of fluctuations in returns.	**Probability:** High **Impact:** High **Movement:** Increase
TAXATION RISKS		
13. 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:** High **Movement:** No change

Principal Risks and Uncertainties *(continued)*

Principal risks and their potential impact	How risk is managed	Risk assessment
14. POLITICAL/ECONOMIC RISKS		
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 following the EU referendum vote (Brexit) in June 2016.	The Board considers the impact of political and macroeconomic events when reviewing strategy.	**Probability:** High **Impact:** High **Movement:** Increase
EMERGING RISKS		
The economic disruption arising from the COVID-19 virus could impact rental income receipts from tenants, the ability to access funding at competitive rates, maintain the Company's dividend policy and its adherence to the HMRC REIT regime, particularly if the UK government restrictions are in place for a prolonged period.	The Manager is in close contact with tenants. The Manager has put in place social distancing measures as advised by the UK government. The Manager has maintained a close relationship with RBSi to ensure continuing dialogue around covenants.	**Probability:** Definite **Impact:** High **Movement:** This was an unprecedented and unforeseen risk. The Company continues to work closely with all parties through this disruptive period.

Stakeholder Engagement

s172 Statement

The Directors' overarching duty is to promote the success of the Company for the benefit of its shareholders, having regard to the interests of its 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 Disclosure *(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 – GRESB reporting – Communication with local authorities via Investment Manager

Approval

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

Mark Burton
Chairman

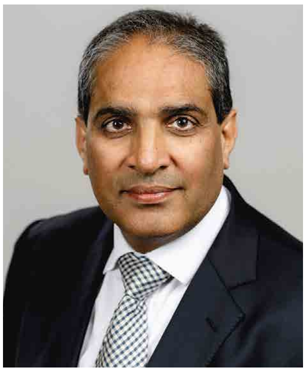
22 June 2020

Governance

Board of Directors

Mark Burton, non-executive Chairman
(aged 72)
Mr Burton currently serves as a board member of Value Retail plc. He also sits on the real estate advisory boards for Norges Bank Investment Management and is a member of the investment advisory council of Real Tech Ventures 1 and acts as an advisor to Citic Capital Real Estate. 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 58)
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 is a non-executive director of, and major investor in, Hyperdrive Innovation Limited, 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 (formerly Raven Russia 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 a 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.

Appointed: 9 April 2015

Katrina Hart, non-executive Director
(aged 46)
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 of BlackRock Frontiers Investment Trust plc, Polar Capital Global Financials Trust plc and Keystone Investment Trust plc. Until recently, Mrs Hart was a non-executive director of Premier Miton Group Plc, having been on the board of Miton Group Plc since 2011.

Appointed: 5 June 2017

Corporate Governance Statement

This Corporate Governance Statement comprises pages 39 to 44 and forms part of the Directors' Report.

Statement of Compliance

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 meet fully 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.
- given the structure and size of the Board, the Board does not consider it necessary to appoint a separate management, engagement, nomination and remuneration committees. As such the Management Engagement and Remuneration Committee was disbanded in January 2020. 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 the determination 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 the control and supervision of the Investment Manager.

The Board consists of three 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.

Corporate Governance Statement *(continued)*

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.

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 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 38.

The document setting out the responsibilities of the Chairman is available on the Company's website.

Board Operation

The Board has adopted a formal schedule of matters reserved for decision by the Board. These matters include responsibility for the determination of the Company's investment objective and policy, and overall responsibility for the Company's activities, including the review of investment activity, gearing, performance and the control and supervision of the Investment Manager.

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 Company Secretary, the Administrator and the Investment Manager 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 pages 43 and 44.

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 objective and policies. 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.

Board Committees

The Company has one Committee, the Audit Committee. During the year, the Management Engagement and Remuneration Committee was disbanded with matters to be decided at Board level, given the composition and size of the Board. The 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 45 to 48.

Corporate Governance Statement *(continued)*

Meeting Attendance

The Board has four scheduled meetings a year, with additional meetings held to approve NAVs and dividends. During the year ended 31 March 2020, extra meetings were held to discuss the Company's strategy and approve the share issue.

The number of scheduled Board and Committee meetings attended by each Director during the year were as follows:

	Board meetings		**Audit Committee meetings**		**Management Engagement and Remuneration Committee meeting***	
	Number of meetings	Number attended	Number of meetings	Number attended	Number of meetings	Number attended
Mark Burton	4	4	2	2	1	1
Bim Sandhu	4	4	2	2	1	1
Katrina Hart	4	4	2	2	1	1

* held in June 2019.

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 process involves a series of appraisal meetings and discussions with the Chairman and other Directors. 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 its committees, including how Directors work together as a whole;
- the balance of 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 committees. 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.

Corporate Governance Statement *(continued)*

Diversity

The Board acknowledges the importance of diversity, including but not limited to gender diversity, for the Company and has established the following objectives for achieving diversity:

- all Board appointments will be made on merit, in the context of the skills, knowledge and experience that are needed for the Board to be effective.
- long lists of potential directors will include diverse candidates of appropriate merit
- when engaging with executive search firms, the Company will only engage with those firms who have signed up to the Voluntary Code of Conduct on gender diversity and best practice.

The Directors in office at 31 March 2020 and the date of this report are set out on page 38.

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.

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.

Election and Re-election 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 will not serve for a period of more than nine years.

Under the Company's Articles of Association and in accordance with the AIC Code, Directors are subject to election by shareholders at the first AGM after their appointment. Thereafter, at each AGM, any Director who has not stood for re-election at either of the two preceding AGMs shall retire. In addition, one-third of the Directors eligible to retire by rotation shall retire from office at each AGM. Beyond these requirements, the Board has agreed a policy whereby all Directors will seek annual re-election at the Company's AGMs.

As a result 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.

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 its 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.

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 service on a regular basis as described on page 56. 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.

Relations with Shareholders

Communication with shareholders is given high priority by both the Board and the Investment Manager. The Investment Manager and the Company's broker are in regular contact with major shareholders and report the results of meetings and the views of those shareholders to the Board on a regular basis. The Chairman ensures that the Board as a whole has a clear understanding of the views of shareholders by receiving regular updates from the corporate broker and Investment Manager.

All shareholders are encouraged to attend and vote at AGMs, at which the Board and the Investment Manager are available to discuss issues affecting the Company and answer any questions. Any shareholder wishing to contact the Company should address their query to the Company Secretary at the registered office address on page 120.

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. The internal control systems do not eliminate risk and can only provide reasonable assurance against misstatement or loss.

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.

Corporate Governance Statement *(continued)*

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

- a risk register has been produced against which identified and emerging risks and the controls in place to mitigate those risks can be monitored;
- 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;
- the controls employed by the Investment Manager and other third party service providers, as evidenced by their ISAE 3402 or similar 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.

The risks of any failure of internal controls are identified in the risk register, which is regularly reviewed by the Board through the Audit Committee and which also assesses the impact of such risks. The principal and emerging risks and uncertainties identified from the risk register can be found in the Strategic Report on pages 30 to 35.

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 and Administrator 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 9 September 2020. Whilst the Company welcomes and encourages attendance and participation from shareholders at the AGM, at this stage it is not known whether it will be advisable for shareholders to attend in person. The wellbeing of our shareholders is vitally important to us and if the AGM proceeds as a physical meeting then, in light of current restrictions on movement and gatherings as a result of the COVID-19 pandemic, shareholders may be prohibited from attending the AGM in person. Further updates will be provided in due course.

Report of the Audit Committee

I am pleased to present the Audit Committee Report for the year ended 31 March 2020.

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 40.

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, business model and strategy;
- keeping under review the adequacy and effectiveness of the Company's risk management systems; 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;
- making recommendations to the Board in relation to the 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
- approving 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 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 2019 and the statutory audit of the annual report for the year ended 31 March 2020, including the principal areas of focus;
- considered the impact of COVID-19 on the Company and its tenant-base;
- received and discussed with the Auditor its report on the results of the review of the half-yearly financial statements and the year-end audit;
- reviewed the annual and half-yearly financial statements and recommended these to the Board for approval;
- reviewed the performance and effectiveness of the Auditor and considered its re-appointment and fees; and reviewed the non-audit services provided by the Auditor and the associated fees incurred.

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 35 properties in the portfolio as at 31 March 2020 are 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 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 PID and non-PID distributions.

The report of the valuer on the property valuations as at 31 March 2020 contains the below material valuation uncertainty clause due to COVID-19 and its unknown impact at that point in time.

> *"The outbreak of COVID-19, declared by the World Health Organisation as a "Global Pandemic" on 11 March 2020, has impacted global financial markets. Travel restrictions have been implemented by many countries. In the UK, market activity is being impacted in all sectors.*
>
> *As at the valuation date, we consider that we can attach less weight to previous market evidence for comparison purposes, to inform opinions of value. Indeed, the current response to COVID-19 means that we are faced with an unprecedented set of circumstances on which to base a judgement. Our valuations are therefore reported on the basis of 'material valuation uncertainty' per the RICS Valuation – Professional Standards. Consequently, less certainty, and a higher degree of caution, should be attached to our valuations than would normally be the case.*
>
> *Given the unknown future impact that COVID-19 might have on the real estate market, we recommend that you keep the valuations under frequent review."*

Internal Controls

The Audit Committee carefully considers the internal control systems by continually 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.

Report of the Audit Committee *(continued)*

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 viability statement can be found on pages 54 and 55.

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. During the year ended 31 March 2020, 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 EU law.

The Auditor is permitted to provide 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 2020	Year ended 31 March 2019
Audit		
Statutory audit of Annual Report and Financial Statements	£82,000	£79,000
Over accrual 2019	–	(£4,000)
	£82,000	**£75,000**
Non-audit		
Review of Interim Report	£24,000	£23,500
Renewal of Company's Prospectus 2019	–	£30,750
	£24,000	**£54,250**
Total fees paid to KPMG LLP	**£106,000**	**£129,250**
Percentage of total fees attributed to non-audit services	**23%**	**42%**

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 KPMG LLP's 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 is satisfied with the Auditor's performance and that the engagement of KPMG LLP 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, following the retirement of Bill Holland, the Company's appointed audit director was Henry Todd. The Chairman of the Audit Committee maintained regular contact with the audit director throughout the year and met with him prior to the finalisation of the 2020 audit to discuss how the external audit was carried out and the audit findings. 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 2020 audit concluded that the audit process had worked well, and no significant issues were identified.

Re-appointment of the Auditor

Following the completion of the annual review of the performance of the Auditor, the Audit Committee has recommended to the Board that the re-appointment of KPMG LLP as the Company's Auditor be proposed to shareholders at the forthcoming AGM. KPMG LLP was first appointed as the Auditor in respect of the Company's first financial period ended 30 April 2016 and has completed five annual audits. In accordance with the EU Audit Regulation, the Company will be required to conduct a tender for audit services following the statutory audit for the year ended 31 March 2025 at the latest.

Bim Sandhu
Audit Committee Chairman

22 June 2020

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 2021. The proposed remuneration policy is set out below.

Remuneration 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 Remuneration Committee 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 2021**
Chairman of the Board	£35,000
Chairman of the Audit Committee	£32,500
Non-executive Director	£27,500

Directors' Remuneration Report

This Report is prepared in accordance with Schedule 8 of the Large and Medium-sized Companies and Groups (Accounts and Reports) (Amendment) Regulations 2013.

Statement from the Chairman

The Board 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 2019 to 31 March 2020 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 Directors. No changes to the Directors' fees are proposed for the year ending 31 March 2021. Future increases to Directors' fees are currently limited to the prevailing Consumer Price Index ('CPI') as at the date of any decision.

The Company's Articles 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. No Director is entitled to any other monetary payment or any assets of the Company. Accordingly, the Single Total Figure table on page 51 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 9 September 2020. No significant changes are proposed to the way in which its current Directors' Remuneration Policy approved by shareholders in 2017 will be implemented during the course of the next financial year.

Voting at AGM

The Directors' remuneration report for the year ended 31 March 2019 and the Directors' remuneration policy were approved by shareholders at the AGMs held on 12 September 2019 and 12 September 2017, respectively. The results taken on a poll were as follows:

Remuneration Report 2019	
For – number of votes cast	31,524,549
Against – number of votes cast	63,259
Total votes cast	31,587,808
Number of votes withheld	4,975

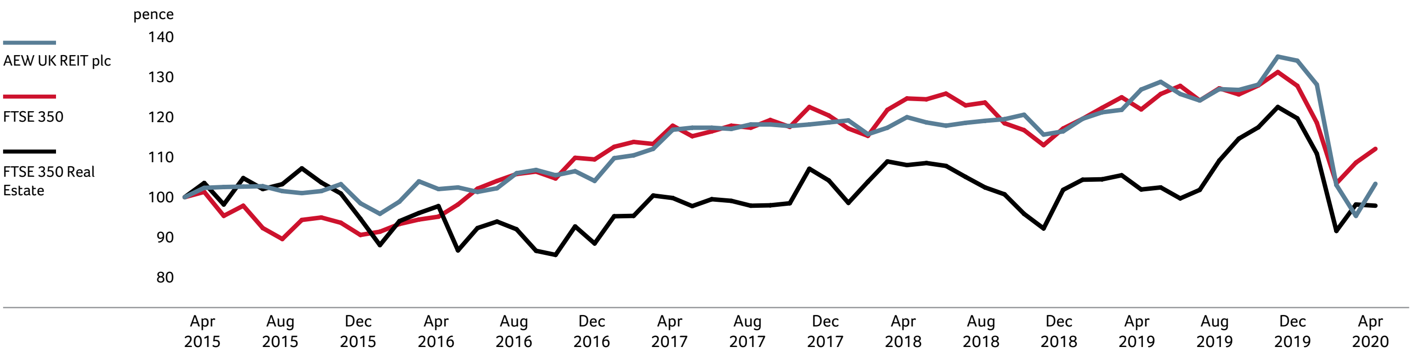
Remuneration Policy 2017	
For – number of votes cast	45,329,580
Against – number of votes cast	1,000
Total votes cast	45,330,580
Number of votes withheld	–

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 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



Directors' Remuneration for the Year Ended 31 March 2020 (audited)

Name of Director	Fees paid **Year ended 31 March 2020**	Fees paid Year ended 31 March 2019*	Total **Year ended 31 March 2020**	Total Year ended 31 March 2019*
Mark Burton	£35,000	£32,500	£35,000	£32,500
James Hyslop (retired 12 September 2019)	£12,410	£25,625	£12,410	£25,625
Bim Sandhu	£32,500	£30,375	£32,500	£30,375
Katrina Hart	£27,500	£25,625	£27,500	£25,625
	£107,410	**£114,125**	**£107,410**	**£114,125**

* Directors fees were increased with effect from 1 July 2018.

None of the fees referred to in the above table was paid to any third party in respect of the services provided by any of the Directors. No other benefits were provided to the Directors.

Relative Importance of Spend on Pay

The table below sets out, in respect of the year ended 31 March 2020:

(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 dividend.

Directors' Remuneration Report *(continued)*

	Year ended 31 March 2020	Year ended 31 March 2019
Directors' fees*	£107,410	£114,125
Management fee and expenses	£1,308,301	£1,302,153
Dividends paid	£12,124,660	£12,124,660

* As the Company has no employees, the total spend on remuneration comprises only the Directors' fees.

Statement of Directors' Shareholdings and Share Interests (audited)

Neither the Company's Articles 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 2020 are shown in the table below.

	Number of Ordinary Shares		% of Total Voting Rights	
Director	**2020**	2019	**2020**	2019
Mark Burton	75,000	75,000	0.05	0.05
Bim Sandhu	825,000*	650,000**	0.52	0.43
Katrina Hart	19,145	19,145	0.01	0.01

* 100,000 Ordinary Shares held in Mr Sandhu's spouse's name, Mrs Pardeep Sandhu, 300,000 Ordinary Shares held in The Santon Pension Fund (a small self-administered pension scheme ('SSAS') for him and his spouse), 300,000 Ordinary Shares held in The Sandhu Charitable Foundation and 125,000 Ordinary Shares held in his own name.

** 100,000 Ordinary Shares held in Mr Sandhu's spouse's name, Mrs Pardeep Sandhu, 175,000 Ordinary Shares held in The Santon Pension Fund (a small self-administered pension scheme ('SSAS') for him and his spouse), 250,000 Ordinary Shares held in The Sandhu Charitable Foundation and 125,000 Ordinary Shares held in his own name.

On 20 April 2020, Mr Sandhu purchased 175,000 Ordinary Shares, of which 125,000 were acquired for The Santon Pension Fund and 50,000 were acquired for The Sandhu Charitable Foundation. There have been no other changes to Directors' interests between 31 March 2020 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

22 June 2020

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 53 to 59, and incorporates the Corporate Governance Statement on pages 39 to 44.

Results and Dividends

The interim dividends paid by the Company are set out in Note 9 of the Financial Statements. A summary of the Company's performance during the year and significant events following the year end and future developments is set out in the Strategic Report on pages 2 to 29.

Directors

The Directors in office at 31 March 2020 and the date of this report are shown on page 38.

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 have made an assessment of the Company's ability to continue as a going concern, which takes into consideration the uncertainty surrounding the outbreak of COVID-19, as well as the Company's cash flows, financial position, liquidity and borrowing facilities.

As at 31 March 2020, the Company had a cash balance of £9.87 million and has subsequently disposed of one property, Geddington Road, Corby, for gross proceeds of £18.80 million, providing further liquidity.

The Company had sufficient headroom against its borrowing covenants when last reported in April 2020, which can be found in the Investment Manager's Report on page 23. The Company reported a Loan to NAV of 34.8%, so had room for a £33.4 million fall in NAV before reaching the maximum Loan to NAV of 45% per the covenant. This limit can be increased to 55% when the option is exercised by the Company and certain conditions are met, which would allow for a further £20.8 million fall in NAV i.e. a total fall of £54.2 million. The Company also passed its most recent interest cover ratio ('ICR') test, reporting on the quarter to 31 March 2020. A waiver of the next two tests for the quarters to 30 June and 30 September 2020 has been successfully negotiated with RBSi, as a result of conditions in the wider economic environment. This will be reviewed again in relation to the test covering the quarter to 31 December 2020 and beyond as required.

The Company benefits from a secure, diversified income stream from a tenancy profile which is not overly reliant on any one tenant or sector. As at the date of this report, 84% of the rent due for the March 2020 quarter has been collected.

Taking this into consideration, the Directors have reviewed a number of scenarios over 12 months, including an extreme, but plausible, downside scenario which makes the following assumptions:

- Failure of 25% to 30% of tenants (by passing rent);
- Collection of c. 50% of remaining rents on the quarter date, with remaining collection deferred for three quarters;
- No new lettings or renewals, other than those where terms have already been agreed;

Directors' Report *(continued)*

Going Concern *(continued)*

- A 25% fall in valuations;
- No new acquisitions or disposals;
- 3-month GBP LIBOR at 0.5%; and
- Passing of the continuation vote in September 2020.

The Company's cash resources available of £27.28 million (as at 19 June 2020) are sufficient to cover any losses incurred in the above scenario over the 12 month assessment period and surplus cash available could be used to manage the Company's gearing, maintaining a Loan to NAV ratio below 40% and therefore the margin at 1.4%. Details of the margin charged under the facility can be found in the Investment Manager's Report on page 23. The Company's cash flow can also be managed through the adjustment of dividend payments and reduction of outflows on capital expenditure and acquisitions.

In the above scenario, the Company is forecast to pass its ICR tests for the quarters to December 2020 and March 2021, albeit with marginal headroom, assuming that a portion of the debt would have to be repaid in order to keep the margin at 1.4%. The Directors are confident that further waivers of the ICR test could be extended throughout the assessment period should economic conditions not improve and have had informal discussions with the lender in this respect. In the unlikely event that the Company were to breach its ICR covenant, it has the ability to 'cure' the breach by placing cash on account with the bank. In the extremely unlikely event that the full balance of the facility was called in, the Company has certain more attractive assets with long leases and good quality tenants which could be realised at, or close to, valuation. The Company could then continue to operate un-geared.

As such, having assessed the worst case plausible scenario for the assessment period, the Directors are not aware of any material uncertainties in relation to the Company's ability to continue in operation for a period of 12 months from the date of approval of these financial statements. Given the Company's substantial cash balance and headroom against its borrowing covenants, the Directors believe that the Company is well placed to manage its financing and business risks, including those associated with COVID-19, and the Board is of the opinion that the going concern basis adopted in the preparation of the Annual Report is appropriate.

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 2025 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 current unexpired term under the Company's debt facility stands at 3.6 years, meaning that financing is secure for the majority of the period under consideration;
- the Company's property portfolio has a WAULT of 5.55 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;
- 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.

Directors' Report *(continued)*

Viability Statement *(continued)*

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 and 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 outbreak of COVID-19, amongst other factors:

- reduced rent collection
- portion of rent written off completely
- fall in portfolio valuation
- 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.

Subsidiary Company

Details of the Company's subsidiary, AEW UK REIT 2015 Limited, can be found in Note 17 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' 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.

Directors' Report *(continued)*

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 20 to the Financial Statements.

Social, Community and Employee Responsibility

The Company is an externally managed real estate investment trust and has no direct employees. The management of the portfolio has been delegated to the Investment Manager who provide the employees that support the Company.

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 *www.aewuk.co.uk/link-to-esg-flyer*

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 provision is 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 (the 'Act').
https://www.natixis.com/natixis/jcms/lpaz5_81749/fr/natixis-slavery-act-statement-2019

Environmental, Social and Governance policy

The Investment Manager is committed to creating long term value for investors and adheres to a policy of sustainable and responsible investment (SRI). The Investment Managers SRI policy can be found on their 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 environmental, social and governance issues (ESG) 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 Environmental, Social and Governance performance for real estate funds and companies.

The Company was awarded a Green Star ranking from GRESB for 2019 and improved its score to 62 from the score of 56 recorded in 2018. A Green Star is awarded to entities that score at least 50 out of 100 points for the two dimensions of Management & Policy and Implementation & Measurement.

The Investment Manager is in the process of submitting the Company's GRESB assessment for the year from 1 April 2019 to 31 March 2020 and we expect to receive the results of the assessment in September 2020.

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.

Directors' Report *(continued)*

Environmental, Social and Governance policy *(continued)*

The full ESG disclosures for the Company can be found in the EPRA Sustainability Reporting Performance Measures on pages 107 to 118.

Our fiduciary duty to investors 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 responsive fund management means being active, on the ground every day. As such, the fund operates within an ISO4001 Environmental Management Systems ('EMS') to align and integrate sustainability objectives into the overall business strategy. Our property managers, Mapp, also apply their own internal EMS at all managed assets across the portfolio.

Each member of the Investment Manager's (real estate) team have a sustainability objective within their annual objectives.

Share Capital

Share Issues

At a general meeting held on 12 September 2018, the Company was granted authority to allot up to (i) 250 million Ordinary Shares of £0.01 each in the capital of the Company and/or (ii) 250 million convertible redeemable preference shares ('C Shares') of £0.01 each in the capital of the Company pursuant to a potential Share Issuance Programme. The Company published its Prospectus in relation to the Share Issuance Programme on 1 March 2019.

At the AGM held on 12 September 2019, the Company was granted the authority to allot Ordinary Shares up to an aggregate nominal amount of £151,558 on a non pre-emptive basis. No Ordinary Shares have been allotted under this authority and the authority will expire at the conclusion of the 2020 AGM.

On 26 February 2020, the Company successfully raised gross proceeds of £7 million under the Company's Placing Programme which expired on 28 February 2020. 7,216,495 new Ordinary Shares were issued and allotted at a price of 97 pence per Ordinary Share.

As at 31 March 2020, the Company had 158,774,746 Ordinary Shares in issue.

Purchase of Own Shares

At the Company's AGM on 12 September 2019, the Company was granted authority to purchase up to 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 2020 AGM. A resolution to renew the Company's authority to purchase (either for cancellation or for placing into Treasury) up to 23,800,334 Ordinary Shares (being 14.99% of the issued Ordinary Share capital as at the date of this report), will be put to shareholders at the 2020 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.

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.

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.

Directors' Report *(continued)*

Share Capital *(continued)*

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.

Substantial Shareholdings

As at 31 March 2020, 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	8.55
Close Asset Management Limited	13,448,090	8.47
Old Mutual plc	11,087,801	6.98
Schroders plc	7,643,485	4.81
Seneca IM Limited	7,602,200	4.79
Investec Wealth & Investment Limited	4,813,400	3.03

The Directors have not been informed of any changes to the above interests between 31 March 2020 and the date of this Report.

Directors' Report *(continued)*

Related Party Transactions

Related party transactions during the year ended 31 March 2020 can be found in Note 22 to the Financial Statements.

Post Balance Sheet Events

Post balance sheet events can be found in Note 24 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 61 to 69), 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

KPMG LLP has expressed its willingness to continue as the Company's Auditor. As outlined in the Report of the Audit Committee on page 48, 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

22 June 2020

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

The Directors are responsible for preparing the Annual Report and Financial Statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare financial statements for each financial year. Under that law, they are required to prepare the financial statements in accordance with International Financial Reporting Standards as adopted by the European Union (IFRS as adopted by the EU) and applicable law.

Under company law, the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of its profit or loss 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 estimates that are reasonable, relevant and reliable;
- state whether they have been prepared in accordance with IFRS as adopted by the EU;
- assess the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

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 its financial statements comply with the Companies Act 2006. They are responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Company and to prevent and detect fraud and other irregularities.

Under applicable law and regulations, the Directors are also responsible for preparing a Strategic Report, Directors' Report, Directors' Remuneration Report and Corporate Governance Statement that comply with that law and those regulations.

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website. Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

We confirm that to the best of our knowledge:

- the Financial Statements, prepared in accordance with the applicable set of accounting standards, give a true and fair view of the assets, liabilities, financial position and profit of the Company; and
- the Strategic Report includes a fair review of the development and performance of the business and the position of the Company, together with a description of the principal risks and uncertainties that it faces.

We consider the Annual Report and the 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.

On behalf of the Board

Mark Burton
Chairman

22 June 2020

Independent Auditor's Report

to the members of AEW UK REIT plc

1. Our opinion is unmodified

We have audited the financial statements of AEW UK REIT plc (the 'Company') for the year ended 31 March 2020 which comprise the Statement of Comprehensive Income, the Statement of Changes in Equity, the Statement of Financial Position and the Statement of Cash Flows, and the related notes, including the accounting policies in note 2.

In our opinion the financial statements:

- give a true and fair view of the state of Company's affairs as at 31 March 2020 and of its profit for the year then ended;
- have been properly prepared in accordance with International Financial Reporting Standards as adopted by the European Union; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ('ISAs (UK)') and applicable law. Our responsibilities are described below. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion. Our audit opinion is consistent with our report to the audit committee.

We were first appointed as auditor by the Directors on 4 August 2015. The period of total uninterrupted engagement is for the five financial years ended 31 March 2020. We have fulfilled our ethical responsibilities under, and we remain independent of the Company in accordance with, UK ethical requirements including the FRC Ethical Standard as applied to listed public interest entities. No non-audit services prohibited by that standard were provided.

Overview	
Materiality:	£2.0 million (2019: £2.0 million)
Financial statements as a whole	1% (2019: 1%) of total assets
Lower materiality applied to certain items	£0.65 million (2019: £0.55 million) Applied to rental income, management fees and finance expenses

Key audit matters	**vs 2019**
Recurring risks	
Valuation of investment properties	▲
Going concern	▲
The impact of uncertainties due to the UK exiting the European Union on our audit	◀▶

2. Emphasis of matter – uncertain valuation of investment property

We draw attention to note 10 to the financial statements which states that the independent external valuations of investment properties at the reporting date are reported on the basis of 'material valuation uncertainty' due to the potential economic effect of the coronavirus pandemic. Consequently, more subjectivity is associated with the valuation of investment property than would normally be the case. Our opinion is not modified in respect of this matter

We identified the valuation of investment properties as a key audit matter (see section 3 of this report)

3. Key audit matters: including our assessment of risks of material misstatement

Key audit matters are those matters that, in our professional judgment, were of most significance in the audit of the financial statements and include the most significant assessed risks of material misstatement (whether or not due to fraud) identified by us, 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. We summarise below the key audit matters (unchanged from 2019), in decreasing order of significance, in arriving at our audit opinion above, together with our key audit procedures to address those matters and, as required for public interest entities, our results from those procedures. These matters were addressed, and our results are based on procedures undertaken, in the context of, and solely for the purpose of, our audit of the financial statements as a whole, and in forming our opinion thereon, and consequently are incidental to that opinion, and we do not provide a separate opinion on these matters.

	The risk	Our response
Valuation of investment properties (£187 million; 2019: £196 million) Refer to page 46 (Audit Committee Report), page 78 (accounting policy) and pages 88 to 92 (financial disclosures).	**Subjective valuation:** Investment properties represent 92% (2019: 97%) of the gross assets of the Company. The portfolio comprises 35 (2019: 35) properties which are externally valued by a qualified independent valuer and held at fair value at the balance sheet date. Each property's fair value will be impacted by a number of factors including location, future rental income, quality and condition of the building, tenant covenant and market yields. Whilst comparable market transactions provide good valuation evidence, the individual nature of each property means that a key factor in the property valuations are assumptions which involve significant levels of judgement.	Our procedures, assisted by our own property valuation specialist (for procedures 1, 2 and 3), included: 1. **Assessing valuer's credentials:** assessing the Company's external property valuer's objectivity, professional qualifications and capabilities through discussions with the valuer and reading their valuation report and terms of engagement. 2. **Methodology choice:** critically assessing whether the valuation report and the valuation methodology adopted is in accordance with the RICS Valuation Professional Standards 'the Red Book' and IFRS and that the methodology adopted was appropriate by reference to acceptable valuation practice. 3. **Benchmarking assumptions:** assessing movements in property values by holding discussions with the valuer. For a sample of properties selected using various criteria including analysis of the size of a property as well as correlation with movements in market rent, challenging the key assumptions upon which these valuations were based, including those relating to forecast rents and yields, by making a comparison to our own understanding of the market and to industry benchmarks.

3. Key audit matters: including our assessment of risks of material misstatement *(continued)*

	The risk	Our response
Valuation of investment properties *(continued)*	The impact of the coronavirus pandemic in 2020 has meant that the external valuations have been reported on the basis of a "material valuation uncertainty" as per VPGA 10 of the RICS Valuation – Global Standards and as such less certainty, and a higher degree of caution, should be placed on the external valuation. The effect of these matters is that, as part of our risk assessment, we determined that the valuation of investment properties has a high degree of estimation uncertainty, with a potential range of reasonable outcomes greater than our materiality for the financial statements as a whole, and possibly many times that amount. **Disclosure quality** The financial statements (note 10) disclose the sensitivity estimated by the Company. The Directors' assessment of the extent of the disclosure is based on an evaluation of the inherent risks to the valuation, including the possible economic effect of the coronavirus pandemic. The risk for our audit is whether or not those disclosures adequately address the uncertainties within the valuation, and if so, whether those uncertainties are fundamental to the users' understanding of the financial statements. If so, we draw attention to the disclosure in our audit report by the inclusion of an "emphasis of matter" paragraph.	**4. Assessing transparency:** Assessing whether the Company's disclosures about the sensitivity of the valuation of investment properties to changes in key assumptions adequately reflected the related risks, particularly as regards the material uncertainty reported by the external valuer. **Our results** We found the valuation of investment properties and the disclosure of the associated level of uncertainty to be acceptable (2019 result: acceptable). We have included an emphasis of matter in respect of the material uncertainty in the valuation in section 2 of this report (2019 result: no emphasis of matter).

3. Key audit matters: including our assessment of risks of material misstatement *(continued)*

	The risk	Our response
Going concern Refer to pages 53 to 55 (Going concern and viability statement) and pages 76 to 77 (financial disclosures).	**Disclosure quality** The financial statements explain how the Board has formed a judgement that it is appropriate to adopt the going concern basis of preparation for the Company. That judgement is based on an evaluation of the inherent risks to the Company's business model and how those risks might affect the Company's financial resources or ability to continue operations over a period of at least a year from the date of approval of the financial statements. Given the significant impact of the COVID-19 pandemic, the risks most likely to adversely affect the Company's available financial resources over this period were: – tenant default and significant reduction in rent collections impacting cash flow and earnings; – availability of borrowings and compliance with loan covenants; and – significant reduction in property values. The risk for our audit was whether or not those risks were such that they amounted to a material uncertainty that may have cast significant doubt about the ability to continue as a going concern. Had they been such, then that fact would have been required to have been disclosed.	Our procedures included: 1. **Funding assessment:** Analysing the Company's financing terms and reviewing Directors' forecasts and assumptions for ongoing covenant compliance and available headroom; 2. **Benchmarking assumptions:** Comparing the Company's assumptions used in the cash flow projections to externally derived data in relation to key inputs such as property market valuation and cost inflation; 3. **Sensitivity analysis:** Considering sensitivities over the level of available financial resources and the potential impact on the Company's borrowing covenants, indicated by the Company's financial forecasts taking account of severe but plausible adverse effects that could arise from these risks individually and collectively such as a further reduction in rent collections, a fall in real estate prices and a gradual recovery in relation to these factors following lockdown as a result of the COVID-19 pandemic; 4. **COVID-19 knowledge:** Considering the Director's assessment of COVID-19 related sources of risk for the Company's business and financial resources compared with our own understanding of the risks. This included assessing the possibility of tenant default and the impact on rent collections for cash flow purposes, the ability of the Company to comply with the loan covenants and the significant reduction in property values; 5. **Evaluating the Director's intent:** Evaluating the achievability of the actions the Directors consider they would take to improve the position if the risks mentioned above were to materialise. This included assessing the intent and ability of the Directors to implement these actions in the time frame required and that they were entirely in the Director's control; 6. **Assessing transparency:** Assessing the completeness and accuracy of the matters covered in the going concern disclosures and assessing whether they reflect the position of the Company's financing and the risks associated with the Company's ability to continue as a going concern. **Our results** We found the going concern disclosure, without any material uncertainty, to be acceptable. (2019 result: acceptable).

3. Key audit matters: including our assessment of risks of material misstatement *continued*

	The risk	Our response
The impact of uncertainties due to the UK exiting the European Union on our audit Refer to page 35 (Principal Risks and Uncertainties)	**Unprecedented levels of uncertainty** All audits assess and challenge the reasonableness of estimates, in particular as described in the valuation of investment properties above, and related disclosures and the appropriateness of the going concern basis of preparation of the financial statements (see above). All of these depend on assessments of the future economic environment and the Company's future prospects and performance. In addition, we are required to consider the other information presented in the Annual Report including the principal risks disclosure and the viability statement and to consider the Directors' Statement 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 position and performance, business model and strategy. Brexit is one of the most significant economic events for the UK and its effects are subject to unprecedented levels of uncertainty of consequences, with the full range of possible effects unknown.	We developed a standardised firm-wide approach to the consideration of the uncertainties arising from Brexit in planning and performing our audits. Our procedures included: 1. **Our Brexit knowledge:** We considered the Directors' assessment of Brexit-related sources of risk for the Company's business and financial resources compared with our own understanding of the risks. We considered the Directors' plans to take action to mitigate the risks. 2. **Sensitivity analysis:** When addressing valuation of investment property, disclosures in relation to going concern and other areas that depend on forecasts, we compared the Directors' analysis to our assessment of the full range of reasonably possible scenarios and, where forecast cash flows are required to be discounted, considered adjustments to discount rates for the level of remaining uncertainty. 3. **Assessing transparency:** As well as assessing individual disclosures as part of our procedures on valuation of investment property and disclosures in relation to going concern we considered all of the Brexit related disclosures together, including those in the strategic report, comparing the overall picture against our understanding of the risks. **Our results** As reported under the key audit matters affected, we found the resulting estimates and related disclosures of valuation of investment property and disclosures in relation to going concern to be acceptable. (2019: acceptable). However, no audit should be expected to predict the unknowable factors or all possible future implications for a company and this is particularly the case in relation to Brexit.

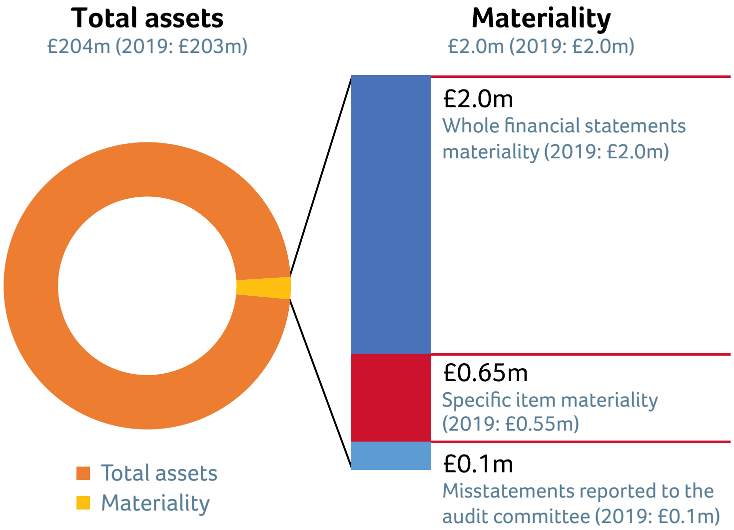
4. Our application of materiality and an overview of the scope of our audit

Materiality for the financial statements as a whole was set at £2.0 million (2019: £2.0 million), determined with reference to a benchmark of total assets, of which it represents 1% (2019: 1%).

In addition, we applied a lower materiality of £0.65 million (2019: £0.55 million) to rental income, management fees and finance expenses, for which we believe misstatement of lesser amounts than materiality for the financial statements as a whole can be reasonably expected to influence the Company's members' assessment of the financial performance of the Company.

We agreed to report to the Audit Committee any corrected or uncorrected identified misstatements exceeding £0.1 million (2019: £0.1 million), in addition to other identified misstatements that warranted reporting on qualitative grounds.

Our audit of the Company was undertaken to the materiality level specified above and was performed by a single audit team.



5. We have nothing to report on going concern

The Directors have prepared the financial statements on the going concern basis as they do not intend to liquidate the Company or to cease its operations, and as they have concluded that the Company's financial position means that this is realistic. They have also concluded that there are no material uncertainties that could have cast significant doubt over its ability to continue as a going concern for at least a year from the date of approval of the financial statements ("the going concern period").

Our responsibility is to conclude on the appropriateness of the Directors' conclusions and, had there been a material uncertainty related to going concern, to make reference to that in this audit report. However, as we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the absence of reference to a material uncertainty in this auditor's report is not a guarantee that the Company will continue in operation.

We identified going concern as a key audit matter (see section 3 of this report). Based on the work described in our response to that key audit matter, we are required to report to you if:

– we have anything material to add or draw attention to in relation to the Directors' Statement in Note 2 to the financial statements on the use of the going concern basis of accounting with no material uncertainties that may cast significant doubt over the Company's use of that basis for a period of at least twelve months from the date of approval of the financial statements; or

– the related statement under the Listing Rules set out on page 58 is materially inconsistent with our audit knowledge.

We have nothing to report in these respects.

6. We have nothing to report on the other information in the Annual Report

The Directors are responsible for the other information presented in the Annual Report together with the financial statements. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except as explicitly stated below, any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on that work we have not identified material misstatements in the other information.

6. We have nothing to report on the other information in the Annual Report *continued*

Strategic Report and Directors' Report

Based solely on our work on the other information:

- we have not identified material misstatements in the Strategic Report and the Directors' Report;
- in our opinion the information given in those reports for the financial year is consistent with the financial statements; and
- in our opinion those reports have been prepared in accordance with the Companies Act 2006.

Directors' Remuneration Report

In our opinion the part of the Directors' Remuneration Report to be audited has been properly prepared in accordance with the Companies Act 2006.

Disclosures of emerging and principal risks and longer-term viability

Based on the knowledge we acquired during our financial statements audit, we have nothing material to add or draw attention to in relation to:

- the directors' confirmation within the viability statement on page 54 that they have carried out a robust assessment of the emerging and principal risks facing the Company, including those that would threaten its business model, future performance, solvency and liquidity;
- the Principal Risks and Uncertainties disclosures describing these risks and explaining how they are being managed and mitigated; and
- the Directors' explanation in the viability statement of how they have assessed the prospects of the Company, over what period they have done so and why they considered that period to be appropriate, and their statement as to whether they have a reasonable expectation that the Company will be able to continue in operation and meet its liabilities as they fall due over the period of their assessment, including any related disclosures drawing attention to any necessary qualifications or assumptions.

Under the Listing Rules we are required to review the viability statement. We have nothing to report in this respect.

Our work is limited to assessing these matters in the context of only the knowledge acquired during our financial statements audit. As we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgments that were reasonable at the time they were made, the absence of anything to report on these statements is not a guarantee as to the Company's longer-term viability.

Corporate governance disclosures

We are required to report to you if:

- we have identified material inconsistencies between the knowledge we acquired during our financial statements audit and the Directors' Statement that they consider 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 position and performance, business model and strategy; or
- the section of the Annual Report describing the work of the Audit Committee does not appropriately address matters communicated by us to the Audit Committee.

We are required to report to you if the Corporate Governance Statement does not properly disclose a departure from the provisions of the UK Corporate Governance Code specified by the Listing Rules for our review.

We have nothing to report in these respects.

7. We have nothing to report on the other matters on which we are required to report by exception

Under the Companies Act 2006, we are required 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.

We have nothing to report in these respects.

8. Respective responsibilities

Directors' responsibilities

As explained more fully in their statement set out on page 60, the Directors are responsible for: the preparation of the financial statements including being satisfied that they give a true and fair view; such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; 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 they either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities

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 other irregularities (see below), or error, and to issue our opinion in an auditor's report. Reasonable assurance is a high level of assurance, but does not guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud, other irregularities or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

A fuller description of our responsibilities is provided on the FRC's website at www.frc.org.uk/auditorsresponsibilities.

Irregularities – ability to detect

We identified areas of laws and regulations that could reasonably be expected to have a material effect on the financial statements from our general commercial and sector experience through discussion with the Directors and other management (as required by auditing standards), and from inspection of the Company's regulatory and legal correspondence and discussed with the Directors and other management the policies and procedures regarding compliance with laws and regulations. We communicated identified laws and regulations throughout our team and remained alert to any indications of non-compliance throughout the audit.

The potential effect of these laws and regulations on the financial statements varies considerably.

Firstly, the Company is subject to laws and regulations that directly affect the financial statements including financial reporting legislation (including related companies legislation), distributable profits legislation and taxation legislation and we assessed the extent of compliance with these laws and regulations as part of our procedures on the related financial statement items.

Secondly, the Company is subject to many other laws and regulations where the consequences of non-compliance could have a material effect on amounts or disclosures in the financial statements, for instance through the imposition of fines or litigation. We identified the following areas as those most likely to have such an effect: health and safety, anti-bribery, employment law, REIT legislation and certain aspects of company legislation, recognising the financial nature of the company's activities. Auditing standards limit the required audit procedures to identify non-compliance with these laws and regulations to enquiry of the directors and other management and inspection of regulatory and legal correspondence, if any. These limited procedures did not identify any actual or suspected non-compliance.

8. Respective responsibilities *continued*

Owing to the inherent limitations of an audit, there is an unavoidable risk that we may not have detected some material misstatements in the financial statements, even though we have properly planned and performed our audit in accordance with auditing standards. For example, the further removed non-compliance with laws and regulations (irregularities) is from the events and transactions reflected in the financial statements, the less likely the inherently limited procedures required by auditing standards would identify it. In addition, as with any audit, there remained a higher risk of non-detection of irregularities, as these may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls. We are not responsible for preventing non-compliance and cannot be expected to detect non-compliance with all laws and regulations.

9. The purpose of our audit work and to whom we owe our responsibilities

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.

Henry Todd (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
15 Canada Square
London E14 5GL

22 June 2020

Financial Statements

Statement of Comprehensive Income
for the year ended 31 March 2020

	Notes	Year ended 31 March 2020 £'000	Year ended 31 March 2019 £'000
Income			
Rental and other income	3	17,790	17,183
Property operating expenses	4	(1,326)	(1,462)
Net rental and other income		**16,464**	**15,721**
Other operating expenses	4	(1,877)	(2,075)
Directors' remuneration	5	(115)	(122)
Operating profit before fair value changes		**14,472**	**13,524**
Change in fair value of investment properties	10	(9,444)	4,184
Realised gain/(loss) on disposal of investment properties		44	(482)
Operating profit		**5,072**	**17,226**
Finance expense	6	(1,420)	(1,682)
Profit before tax		**3,652**	**15,544**
Taxation	7	–	–
Profit after tax		**3,652**	**15,544**
Other comprehensive income		–	–
Total comprehensive income for the year		**3,652**	**15,544**
Earnings per share (pps) (basic and diluted)	8	**2.40**	**10.26**

The notes on pages 74 to 103 form an integral part of these financial statements.

Statement of Changes in Equity

for the year ended 31 March 2020

For the year ended 31 March 2020	Notes	**Share capital £'000**	**Share premium account £'000**	**Capital reserve and retained earnings* £'000**	**Total capital and reserves attributable to owners of the Company £'000**
Balance at 1 April 2019		**1,515**	**49,770**	**98,171**	**149,456**
Total comprehensive income		–	–	3,652	3,652
Ordinary shares issued	18/19	72	6,928	–	7,000
Share issue costs	19	–	(120)	–	(120)
Dividends paid	9	–	–	(12,125)	(12,125)
Balance at 31 March 2020		**1,587**	**56,578**	**89,698**	**147,863**

For the year ended 31 March 2019	Notes	Share capital £'000	Share premium account £'000	Capital reserve and retained earnings £'000	Total capital and reserves attributable to owners of the Company £'000
Balance at 1 April 2018		**1,515**	**49,768**	**94,751**	**146,034**
Total comprehensive income		–	–	15,544	15,544
Share issue costs	19	–	2	–	2
Dividends paid	9	–	–	(12,124)	(12,124)
Balance at 31 March 2019		**1,515**	**49,770**	**98,171**	**149,456**

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

The notes on pages 74 to 103 form an integral part of these financial statements.

Statement of Financial Position

as at 31 March 2020

	Notes	31 March 2020 £'000	31 March 2019 £'000
Assets			
Non-Current Assets			
Investment property	10	187,042	196,129
		187,042	**196,129**
Current Assets			
Receivables and prepayments	11	7,351	4,469
Other financial assets held at fair value	12	14	162
Cash and cash equivalents		9,873	2,131
		17,238	**6,762**
Total Assets		**204,280**	**202,891**
Non-Current Liabilities			
Interest bearing loans and borrowings	13	(51,047)	(49,476)
Lease obligations	15	(635)	(636)
		(51,682)	**(50,112)**
Current Liabilities			
Payables and accrued expenses	14	(4,687)	(3,275)
Lease obligations	15	(48)	(48)
		(4,735)	**(3,323)**
Total Liabilities		**(56,417)**	**(53,435)**
Net Assets		**147,863**	**149,456**
Equity			
Share capital	18	1,587	1,515
Share premium account	19	56,578	49,770
Capital reserve and retained earnings		89,698	98,171
Total capital and reserves attributable to equity holders		**147,863**	**149,456**
Net Asset Value per share (pps)	8	**93.13 pps**	**98.61 pps**

The financial statements were approved by the Board of Directors on 22 June 2020 and were signed on its behalf by:

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

The notes on pages 74 to 103 form an integral part of these financial statements.

Statement of Cash Flows

for the year ended 31 March 2020

	Year ended 31 March 2020 £'000	Year ended 31 March 2019 £'000
Cash flows from operating activities		
Profit before tax	3,652	15,544
Adjustment for non-cash items:		
Finance expenses	1,420	1,682
Loss/(gain) from change in fair value of investment property	9,444	(4,184)
Realised (gain)/loss on disposal of investment properties	(44)	482
Increase in other receivables and prepayments	(2,882)	(1,318)
Increase in other payables and accrued expenses	1,424	587
Net cash flow generated from operating activities	**13,014**	**12,793**
Cash flows from investing activities		
Purchase of and additions to investment properties	(358)	(7,945)
Disposal of investment properties	44	6,629
Net cash used in investing activities	**(314)**	**(1,316)**
Cash flows from financing activities		
Proceeds from issue of ordinary share capital	7,000	–
Share issue costs	(120)	(32)
Loan drawdown	1,500	–
Arrangement loan facility fee paid	(39)	(294)
Premium for interest rate caps	–	(531)
Finance costs	(1,174)	(1,076)
Dividends paid	(12,125)	(12,124)
Net cash used in financing activities	**(4,958)**	**(14,057)**
Net increase/(decrease) in cash and cash equivalents	7,742	(2,580)
Cash and cash equivalents at start of the year	**2,131**	**4,711**
Cash and cash equivalents at end of the year	**9,873**	**2,131**

The notes on pages 74 to 103 form an integral part of these financial statements.

Notes to the Financial Statements
for the year ended 31 March 2020

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 1 to 37.

2. Accounting policies

2.1 Basis of preparation

These financial statements are prepared and approved by the Directors in accordance with IFRS and interpretations issued by the International Accounting Standards Board ('IASB') as adopted by the European Union ('EU IFRS').

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 following new standards and amendments to existing standards have been published and approved by the EU. The Company has applied the following standards from 1 April 2019, with the year ended 31 March 2020 being the first year end reported under the standards:

- **IFRS 16 Leases**. In January 2016, the IASB published the final version of IFRS 16 Leases. IFRS 16 specifies how an IFRS reporter will recognise, measure, present and disclose leasing arrangements. The new standard results in almost all leases held as lessee being recognised on the balance sheet, as the distinction between operating and finance leases is removed. However, IFRS 16 has not impacted operating leases held by the Company where the Company is lessor.

  Under IFRS 16, where the Company is lessee, it now recognises the right-to-use asset in the Consolidated Statement of Financial Position at the present value of future lease payments cash flows. In addition, a financial liability is also recognised in the Consolidated Statement of Financial Position which is valued at the present value of future lease payments cash flows.

  A reconciliation of the presentation under IFRS 16 versus IAS 17 has not been presented, as there was an immaterial impact on the net assets. There were no new lease liabilities arising during the year. Accordingly, comparative amounts have not been restated.

Notes to the Financial Statements *(continued)*

for the year ended 31 March 2020

2. Accounting policies *(continued)*

2.1 Basis of preparation *(continued)*

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

- Amendments to IFRS 9;
- IFRIC 23, Uncertainty over Income Tax Treatments;
- Amendments to IAS 28 Long Term Interests in Associates and Joint Ventures; and
- Amendments to IAS 19 Plan Amendment, Curtailment or Settlement.

The following new standards and amendments to existing standards have been published and approved by the EU, and are mandatory for the Company's accounting periods beginning after 1 April 2020 or later periods:

- Definition of Material – amendments to IAS 1 and IAS 8;
- Annual improvements to IFRS 2015-2017 Cycle: amendments to IFRS 3 Business Combinations, IFRS 11 Joint Arrangements, IAS 12 Income Taxes and IAS 23 Borrowing Costs;
- IFRS 17 – Insurance Contracts; and
- Revised Conceptual Framework for financial reporting: The IASB has issued a revised Conceptual Framework for future standard setting decisions. No changes will be made to any of the current standards.

The Company does not expect the adoption of 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 EU 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 valuer on the basis of fair value in accordance with the internationally accepted RICS Appraisal and Valuation Standards.

2.3 Segmental information

In accordance with IFRS 8, the Company is organised into one main operating segment being investment in property in the UK.

Notes to the Financial Statements *(continued)*
for the year ended 31 March 2020

2. Accounting policies *(continued)*

2.4 Going concern

The Directors have made an assessment of the Company's ability to continue as a going concern, which takes into consideration the uncertainty surrounding the outbreak of COVID-19, as well as the Company's cash flows, financial position, liquidity and borrowing facilities.

As at 31 March 2020, the Company had a cash balance of £9.87 million and has subsequently disposed of one property, Geddington Road, Corby, for gross proceeds of £18.80 million, providing further liquidity.

The Company had sufficient headroom against its borrowing covenants when last reported in April 2020, which can be found in the Investment Manager's Report on page 23. The Company reported a Loan to NAV of 34.8%, so had room for a £33.4 million fall in NAV before reaching the maximum Loan to NAV of 45% per the covenant. This limit can be increased to 55% when the option is exercised by the Company and certain conditions are met, which would allow for a further £20.8 million fall in NAV i.e. a total fall of £54.2 million. The Company also passed its most recent interest cover ratio ('ICR') test, reporting on the quarter to 31 March 2020. A waiver of the next two tests for the quarters to 30 June and 30 September 2020 has been successfully negotiated with RBSi, as a result of conditions in the wider economic environment. This will be reviewed again in relation to the test covering the quarter to 31 December 2020 and beyond as required.

The Company benefits from a secure, diversified income stream from a tenancy profile which is not overly reliant on any one tenant or sector. As at the date of this report, 84% of the rent due for the March 2020 quarter has been collected.

Taking this into consideration, the Directors have reviewed a number of scenarios over 12 months, including an extreme but plausible downside scenario which makes the following assumptions:

- Failure of 25% to 30% of tenants (by passing rent);
- Collection of c. 50% of remaining rents on the quarter date, with remaining collection deferred for three quarters;
- No new lettings or renewals, other than those where terms have already been agreed;
- A 25% fall in valuations;
- No new acquisitions or disposals;
- 3-month GBP LIBOR at 0.5%; and
- Passing of the continuation vote in September 2020.

The Company's cash resources available of £27.28 million (as at 19 June 2020) are sufficient to cover any losses incurred in the above scenario over the 12 month assessment period and surplus cash available could be used to manage the Company's gearing, maintaining a Loan to NAV ratio below 40% and therefore the margin at 1.4%. Details of the margin charged under the facility can be found in the Investment Manager's Report on page 23. The Company's cash flow can also be managed through the adjustment of dividend payments and reduction of outflows on capital expenditure and acquisitions.

2. Accounting policies *(continued)*

2.4 Going concern *(continued)*

In the above scenario, the Company is forecast to pass its ICR tests for the quarters to December 2020 and March 2021, albeit with marginal headroom, assuming that a portion of the debt would have to be repaid in order to keep the margin at 1.4%. The Directors are confident that further waivers of the ICR test could be extended throughout the assessment period should economic conditions not improve and have had informal discussions with the lender in this respect. In the unlikely event that the Company were to breach its ICR covenant, it has the ability to 'cure' the breach by placing cash on account with the bank. In the extremely unlikely event that the full balance of the facility was called in, the Company has certain more attractive assets with long leases and good quality tenants which could be realised at, or close to, valuation. The Company could then continue to operate un-geared.

As such, having assessed the worst case plausible scenario for the assessment period, the Directors are not aware of any material uncertainties in relation to the Company's ability to continue in operation for a period of 12 months from the date of approval of these financial statements. Given the Company's substantial cash balance and headroom against its borrowing covenants, the Directors believe that the Company is well placed to manage its financing and business risks, including those associated with COVID-19, and the Board is of the opinion that the going concern basis adopted in the preparation of the Annual Report is appropriate.

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 term of the lease. Rental income is invoiced in advance, except for contingent rental income, which is calculated based off prior turnover and is recognised when it is raised. Any modification to an operating lease is accounted for as a new lease from the effective date of the modification, considering any prepaid or accrued lease payments relating to the original lease as part of the lease payments for the new lease. Any lease incentive existing on a modified lease will then be spread evenly over the new remaining life of the lease.

Rent adjustments based on open market estimated rental values are only recognised once the review has been finalised.

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.

Notes to the Financial Statements *(continued)*
for the year ended 31 March 2020

2. Accounting policies *(continued)*

2.5 Summary of significant accounting policies *(continued)*

b) Revenue recognition *(continued)*

Incentives for lessees to enter into lease agreements are spread evenly over the lease term, even if the payments are not made on such a basis. The lease term is the non-cancellable period of the lease together with any further term for which the tenant has the option to continue the lease, where, at the inception of the lease, the Directors are reasonably certain that the tenant will exercise that option.

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 on the Statement of Financial Position.

c) Dividend income

Dividend income is recognised in profit or loss on the date the entity's right to receive a dividend is established.

d) 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.

e) 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 include 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 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.

2. Accounting policies *(continued)*

2.5 Summary of significant accounting policies *(continued)*

e) Investment property *(continued)*

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.

f) 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 17.

The Company has taken advantage of the exemption as permitted by Section 405 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.

g) 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.

h) 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 finance expenses in profit or loss in the period in which they occur.

i) 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)*

j) 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 always 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.

k) 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.

l) Other payables and accrued expenses

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

m) 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.

n) 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.

o) 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)*

p) Dividend payable to shareholders

Equity dividends are recognised when they become legally payable.

q) 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.

r) Leases

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

s) 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.

t) 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 2020, audited EPS and NAV calculations under EPRA's methodology are included in note 8 and further unaudited measures are included on pages 104 to 106.

2. Accounting policies *(continued)*

2.5 Summary of significant accounting policies *(continued)*

u) Capital and reserves

Share capital

Share capital is the nominal amount of the Company's ordinary shares in issue.

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 losses contained within this reserve at 31 March 2020 is £10.76m (31 March 2019: £1.32m).

3. Revenue

	Year ended 31 March 2020 £'000	Year ended 31 March 2019 £'000
Rental income received	17,418	17,179
Dilapidation income received	372	–
Other property income	–	4
Total revenue	**17,790**	**17,183**

Rent receivable under the terms of the leases is adjusted for the effect of any incentives agreed.

Notes to the Financial Statements *(continued)*

for the year ended 31 March 2020

4. Expenses

	Year ended 31 March 2020 £'000	Year ended 31 March 2019 £'000
Property operating expenses	**1,326**	**1,462**
Other operating expenses		
Investment management fee	1,308	1,302
Auditor remuneration	106	98
Prospectus drafting costs	–	181
Operating costs	463	494
Total other operating expenses	**1,877**	**2,075**
Total operating expenses	**3,203**	**3,537**

	Year ended 31 March 2020 £'000	Year ended 31 March 2019 £'000
Audit		
Statutory audit of Annual Report and Financial Statements	82	75
	82	**75**
Non-audit		
Review of Interim Report	24	23
Renewal of Company's Prospectus	–	31
	24	**54**
Total fees paid to KPMG LLP	**106**	**129**
Percentage of total fees attributed to non-audit services	**23%**	**42%**

5. Directors' remuneration

	Year ended 31 March 2020 £'000	Year ended 31 March 2019 £'000
Directors' fees	107	114
Tax and social security	8	8
Total remuneration	**115**	**122**

A summary of the Directors' remuneration is set out in the Directors' Remuneration Report on page 51.

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

6. Finance expenses

	Year ended 31 March 2020 £'000	Year ended 31 March 2019 £'000
Interest payable on loan borrowings	1,108	1,103
Amortisation of loan arrangement fee	110	127
Agency fee payable on loan borrowings	–	3
Commitment fees payable on loan borrowings	54	54
	1,272	1,287
Change in fair value of interest rate derivatives	148	395
Total	**1,420**	**1,682**

7. Taxation

	Year ended 31 March 2020 £'000	Year ended 31 March 2019 £'000
Tax charge reconciliation:		
Analysis of tax charge in the year		
Profit before tax	3,652	15,544
Theoretical tax at UK corporation tax standard rate of 19.00% (2019: 19.00%)[1]	694	2,953
Adjusted for:		
Exempt REIT income	(2,488)	(2,257)
Non taxable investment profit	1,786	(704)
Unrealised management expenses not recognised	8	8
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 remain at 19% for the next financial year as announced in the 2020 budget rather than being reduced to 17% as previously announced.

8. Earnings per share and NAV per share

	Year ended 31 March 2020	Year ended 31 March 2019
Earnings per share:		
Total comprehensive income (£'000)	3,652	15,544
Weighted average number of shares	152,208,919	151,558,251
Earnings per share (basic and diluted) (pence)	**2.40**	**10.26**
EPRA earnings per share:		
Total comprehensive income (£'000)	3,652	15,544
Adjustment to total comprehensive income:		
Change in fair value of investment properties (£'000)	9,444	(4,184)
Realised (gain)/loss on disposal of investment properties (£'000)	(44)	482
Change in fair value of interest rate derivatives (£'000)	148	395
Total EPRA Earnings (£'000)	13,200	12,237
EPRA earnings per share (basic and diluted) (pence)	**8.67**	**8.07**
NAV per share:		
Net assets (£'000)	147,863	149,456
Ordinary Shares	158,774,746	151,558,251
NAV per share (pence)	**93.13**	**98.61**
EPRA NAV per share:		
Net assets (£'000)	147,863	149,456
Adjustments to net assets:		
Other financial assets held at fair value (£'000)	(14)	(162)
EPRA NAV (£'000)	147,849	149,294
EPRA NAV per share (pence)	**93.12**	**98.51**

Earnings per share (EPS) amounts are calculated by dividing profit for the period attributable to ordinary equity holders of the Company by the weighted average number of Ordinary Shares in issue during the period. As at 31 March 2020, EPRA NNNAV was equal to IFRS NAV and, as such, a reconciliation between the two measures has not been presented.

Notes to the Financial Statements *(continued)*

for the year ended 31 March 2020

9. Dividends paid

Dividends paid during the period	Year ended 31 March 2020 £'000	Year ended 31 March 2019 £'000
Represents four interim dividends of 2.00 pps each	**12,125**	12,124

Dividends relating to the period	Year ended 31 March 2020 £'000	Year ended 31 March 2019 £'000
Represents four interim dividends of 2.00 pps each	**12,269***	12,124

Dividends paid during the period relate to Ordinary Shares only.

* Dividends relating to the period has increased due to the issue of new shares in February 2020, therefore the fourth interim dividend at 2.00pps was increased.

10. Investments

10.a) Investment property

	31 March 2020 Investment property freehold £'000	31 March 2020 Investment property leasehold £'000	31 March 2020 Total £'000	31 March 2019 Total £'000
UK investment property				
As at beginning of the year	159,080	38,525	197,605	192,342
Purchases and capital expenditure in the year	363	(5)	358	7,590
Disposals in the year	–	–	–	(7,053)
Revaluation of investment properties	(12,043)	3,380	(8,663)	4,726
Valuation provided by Knight Frank	**147,400**	**41,900**	**189,300**	**197,605**
Adjustment to fair value for lease incentive debtor			(2,941)	(2,160)
Adjustment for lease obligations*			683	684
Total investment property			**187,042**	**196,129**
Gain/(loss) on disposal of the investment property				
Net proceeds from disposals of investment property during the year			44	6,629
Carrying value at date of sale			–	(7,053)
Lease incentives amortised in current year			–	(58)
Gain/(loss) realised on disposal of investment property			**44**	**(482)**
Change in fair value of investment property				
Change in fair value before adjustments for lease incentives			(8,663)	4,726
Adjustment for movement in the year:				
in value of lease incentive debtor			(781)	(542)
			(9,444)	**4,184**

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

Notes to the Financial Statements *(continued)*

for the year ended 31 March 2020

10. Investments *(continued)*

10.a) Investment property *(continued)*

Valuation of investment property

Valuation of investment property is performed by Knight Frank LLP, an accredited external 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.

The report of the valuer on the property valuations as at 31 March 2020 contains the following material valuation uncertainty clause due to COVID-19 and its unknown impact at that point in time.

> *"The outbreak of COVID-19, declared by the World Health Organisation as a "Global Pandemic" on 11 March 2020, has impacted global financial markets. Travel restrictions have been implemented by many countries. In the UK, market activity is being impacted in all sectors.*
>
> *As at the valuation date, we consider that we can attach less weight to previous market evidence for comparison purposes, to inform opinions of value. Indeed, the current response to COVID-19 means that we are faced with an unprecedented set of circumstances on which to base a judgement. Our valuations are therefore reported on the basis of 'material valuation uncertainty' per VPGA 10 of the RICS Valuation – Global Standards. Consequently, less certainty – and a higher degree of caution – should be attached to our valuations than would normally be the case.*
>
> *Given the unknown future impact that COVID-19 might have on the real estate market, we recommend that you keep the valuations under frequent review."*

10. Investments *(continued)*

10.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 2020				
Investment property	**–**	**–**	**187,042**	**187,042**
31 March 2019				
Investment property	–	–	196,129	196,129

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.

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.

Notes to the Financial Statements *(continued)*

for the year ended 31 March 2020

10. Investments *(continued)*

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

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:

Class	Fair Value £'000	Valuation Technique	Significant Unobservable Inputs	Range
31 March 2020				
Investment property*	189,300	Income capitalisation	ERV Equivalent yield	£0.50 – £105.00 5.71% – 10.54%
31 March 2019				
Investment property*	197,605	Income capitalisation	ERV Equivalent yield	£1.00 – £127.00 5.87% – 10.25%

* 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 2020

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

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

	Change in ERV		Change in equivalent yield	
	£'000	£'000	£'000	£'000
Sensitivity analysis	**+5%**	**-5%**	**+5%**	**-5%**
31 March 2020 **Resulting fair value of investment property**	**197,146**	**180,075**	**179,906**	**199,956**
31 March 2019 Resulting fair value of investment property	205,803	189,720	187,352	208,707

	Change in ERV		Change in equivalent yield	
	£'000	£'000	£'000	£'000
Sensitivity analysis	**+10%**	**-10%**	**+10%**	**-10%**
31 March 2020 **Resulting fair value of investment property**	**205,933**	**171,723**	**171,241**	**211,640**
31 March 2019 Resulting fair value of investment property	215,108	181,156	179,876	219,000

	Change in ERV		Change in equivalent yield	
	£'000	£'000	£'000	£'000
Sensitivity analysis	**+15%**	**-15%**	**+15%**	**-15%**
31 March 2020 **Resulting fair value of investment property**	**214,777**	**163,364**	**163,327**	**224,687**
31 March 2019 Resulting fair value of investment property	223,971	172,984	172,210	231,633

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.

Notes to the Financial Statements *(continued)*

for the year ended 31 March 2020

11. Receivables and prepayments

	31 March 2020 £'000	31 March 2019 £'000
Receivables		
Rent debtor	2,579	1,438
Allowance for expected credit losses	(190)	(39)
Rent agent float account	1,486	92
Dilapidations receivable	372	–
Other receivables	115	420
	4,362	1,911
Lease incentive debtor	2,941	2,160
	7,303	**4,071**
Prepayments		
Property related prepayments	16	4
Other prepayments	32	394
	48	398
Total	**7,351**	**4,469**

The aged debtor analysis of receivables is as follows:

	31 March 2020 £'000	31 March 2019 £'000
Less than three months	4,317	1,911
Between three and six months	45	–
Between six and twelve months	–	–
Total	**4,362**	**1,911**

Notes to the Financial Statements *(continued)*

for the year ended 31 March 2020

12. Interest rate derivatives

	31 March 2020 £'000	31 March 2019 £'000
At the beginning of the year	162	26
Interest rate cap premium paid	–	531
Changes in fair value of interest rate derivatives	(148)	(395)
At the end of the year	**14**	**162**

The Company is protected from a significant rise in interest rates as it currently has interest rate caps in effect with a combined notional value of £36.51 million (31 March 2019: £36.51 million), with £26.51 million capped at 2.50% and 10.00 million capped at 2.00%, resulting in the loan being 71% hedged (31 March 2019: 73%). These interest rate caps are effective until 19 October 2020. The Company has additional interest rate caps covering the remaining period of the loan from 20 October 2020 to 23 October 2023. After the year-end, the Company replaced it existing caps covering this period, which capped the interest rate at 2.0% on a notional value of £49.51 million, with new caps covering the same period capping the interest rate at 1.0% on a notional value of £51.50 million. The Company paid a premium of £62,968.

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 2020	–	14	–	14
31 March 2019	–	162	–	162

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.

13. Interest bearing loans and borrowings

	Bank borrowings	
	31 March 2020 £'000	31 March 2019 £'000
At the beginning of the year	50,000	50,000
Bank borrowings drawn in the year	1,500	–
Interest bearing loans and borrowings	**51,500**	**50,000**
Unamortised loan arrangement fees	(453)	(524)
At the end of the year	**51,047**	**49,476**
Repayable between 2 and 5 years	51,500	50,000
Undrawn facility at the year end	8,500	10,000
Total facility	**60,000**	**60,000**

The Company has a £60.00 million (31 March 2019: £60.00 million) credit facility with RBSi of which £51.50 million (31 March 2019: £50.00 million) has been utilised as at 31 March 2020.

Under the terms of the Prospectus, the Company has a target gearing of 25% Loan to GAV, but can borrow up to 35% Loan to GAV in advance of a capital raise or asset disposal. As at 31 March 2020, the Company's gearing was 27.21% Loan to GAV (31 March 2019: 25.30%).

Under the terms of the loan facility, the Company can draw up to 35% Loan to NAV at drawdown. As at 31 March 2020, the Company could draw a further £0.25 million up to the maximum 35% (31 March 2019: £2.31 million).

Borrowing costs associated with the credit facility are shown as finance costs in note 6 to these financial statements.

	31 March 2020	**31 March 2019**
Facility	£60.00 million	£60.00 million
Drawn	£51.50 million	£50.00 million
Gearing (Loan to GAV)	27.21%	25.30%
Gearing (Loan to NAV)	34.83%	33.45%
Interest rate	2.10% all-in (LIBOR + 1.4%)	2.32% all-in (LIBOR + 1.4%)
Notional Value of Loan Balance Hedged	70.9%	73.0%

On 9 October 2019, the Company announced that it had completed an amendment to its loan facility to increase the hard loan to NAV covenant from 45% to 55% (subject to certain conditions), although the target gearing remains as set out in the Prospectus. There are no changes to the margin currently charged under the facility. Upcoming LIBOR reforms have been considered and their impact on the Company is expected to be immaterial, so no further disclosures have been added.

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

Reconciliation to cash flows from financing activities

	Bank borrowings	
	31 March 2020 £'000	31 March 2019 £'000
Balance at the beginning of the year	49,476	49,643
Changes from financing cash flows		
Loan drawdown	1,500	–
Loan arrangement fees	(39)	(294)
Total changes from financing cash flows	**1,461**	**(294)**
Other changes		
Amortisation of loan arrangement fees	110	127
Interest expense	1,108	1,103
Interest paid	(1,120)	(1,021)
Changes in loan interest payable	12	(82)
Total other changes	**110**	**127**
Balance at the end of the year	**51,047**	**49,476**

14. Payables and accrued expenses

	31 March 2020 £'000	31 March 2019 £'000
Deferred income	2,906	1,137
Accruals	814	1,189
Other creditors	967	949
Total	**4,687**	**3,275**

Notes to the Financial Statements *(continued)*
for the year ended 31 March 2020

15. 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 2020 £'000	31 March 2019 £'000
Within one year	**48**	48
After one year but not more than five years	159	160
More than five years	476	476
Non-Current	**635**	636
Total	**683**	**684**

16. Guarantees and commitments

As at 31 March 2020, there were capital commitments of nil (31 March 2019: £210,588).

Lease commitments – 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 24 years.

Future minimum rentals receivable under non-cancellable operating leases as at 31 March 2020 are as follows:

	31 March 2020 £'000	31 March 2019 £'000
Within one year	15,325	16,387
After one year but not more than five years	37,828	41,304
More than five years	24,596	29,513
Total	**77,749**	**87,204**

During the year ended 31 March 2020, there were contingent rents totalling £188,872 (year ended 31 March 2019: £67,591) recognised as income.

Notes to the Financial Statements *(continued)*

for the year ended 31 March 2020

17. 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 2020, 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 2019: £0.01). The registered office of AEW UK REIT 2015 Limited is 6th Floor, 65 Gresham Street, London, EC2V 7NQ.

18. Issued share capital

	31 March 2020		31 March 2019	
	£'000	**Number of Ordinary Shares**	£'000	Number of Ordinary Shares
Ordinary Shares (nominal value £0.01 per share) authorised, issued and fully paid				
At the beginning of the year	1,515	151,558,251	1,515	151,558,251
Issued on admission to trading on the London Stock Exchange on 28 February 2020	72	7,216,495	–	–
At the end of the year	1,587	158,774,746	1,515	151,558,251

19. Share premium account

	31 March 2020 £'000	31 March 2019 £'000
The share premium relates to amounts subscribed for share capital in excess of nominal value:		
Balance at the beginning of the year	49,770	49,768
Issued on admission to trading on the London Stock Exchange on 28 February 2020	6,928	–
Share issue cost (paid and accrued)	(120)	2
Balance at the end of the year	**56,578**	**49,770**

Notes to the Financial Statements *(continued)*

for the year ended 31 March 2020

20. Financial risk management objectives and policies

20.1 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 2020		31 March 2019	
	Book Value £'000	**Fair Value £'000**	Book Value £'000	Fair Value £'000
Financial assets				
Receivables[1]	4,362	4,362	1,911	1,911
Cash and cash equivalents	9,873	9,873	2,131	2,131
Other financial assets held at fair value	14	14	162	162
Financial liabilities				
Interest bearing loans and borrowings	51,047	51,500	49,476	50,000
Payables and accrued expenses[2]	1,532	1,532	1,923	1,923
Lease obligations	683	683	684	684

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.

20.2 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.

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

Notes to the Financial Statements *(continued)*

for the year ended 31 March 2020

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

Market price risk

Market price 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.

Real estate risk

The Company is exposed to the following risks specific to its investment property:

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.

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.

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.

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

Credit risk *(continued)*

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

	As at 31 March 2020 £'000	As at 31 March 2019 £'000
Receivables (excluding incentives and prepayments)	4,362	1,911
Cash and cash equivalents	9,873	2,131
Total	**14,235**	**4,042**

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.

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

31 March 2020	**On demand £'000**	**< 3 months £'000**	**3–12 months £'000**	**1–5 years £'000**	**> 5 years £'000**	**Total £'000**
Interest bearing loans and borrowings	–	270	811	54,203	–	55,284
Payables and accrued expenses	–	1,532	–	–	–	1,532
Lease obligation	–	–	51	205	4,256	4,512
	–	**1,802**	**862**	**54,408**	**4,256**	**61,328**

31 March 2019	On demand £'000	< 3 months £'000	3–12 months £'000	1–5 years £'000	> 5 years £'000	Total £'000
Interest bearing loans and borrowings	–	290	877	54,145	–	55,312
Payables and accrued expenses	–	1,923	–	–	–	1,923
Lease obligation	–	–	51	205	4,307	4,563
	–	**2,213**	**928**	**54,350**	**4,307**	**61,798**

Notes to the Financial Statements *(continued)*

for the year ended 31 March 2020

21. 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 25% loan to GAV and it can borrow up to a maximum of 35% loan to GAV in advance of a capital raise or asset disposal. It is currently anticipated that the level of total borrowings will typically be at the level of 25% of GAV (measured at drawdown).

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, 75% assets test and the substantial shareholder rule, 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 GAV ratio, which is calculated as the amount of outstanding debt divided by the total valuation of investment property. The Company Loan to GAV ratio at the year end was 27.21% (31 March 2019: 25.30%).

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 other of its obligations under its loan agreements.

22. 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 2020, 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 5, Directors' remuneration and the Director's remuneration report on page 51.

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 £1,308,301 (31 March 2019: £1,302,153) in respect of investment management fees and expenses, of which £311,683 (31 March 2019: £328,323) was outstanding as at 31 March 2020.

Notes to the Financial Statements *(continued)*

for the year ended 31 March 2020

23. Segmental information

Management has considered the requirements of IFRS 8 `operating segments'. The source of the Company's diversified revenue is from the ownership of investment properties across the UK. Financial information on a portfolio basis is provided to senior management of the Investment Manager and the Directors, which collectively comprise the chief operating decision maker. The properties are managed on a portfolio basis and the chief operating decision maker assesses performance and makes resource allocation decisions at the portfolio level (being the total investment property portfolio held by the company). Therefore, the Company is considered to be engaged in a single segment of business, being property investment and in one geographical area, the United Kingdom.

24. Events after reporting date

Dividend

On 20 April 2020, the Board declared its fourth interim dividend of 2.00pps in respect of the period from 1 January 2020 to 31 March 2020. This was paid on 29 May 2020, to shareholders on the register as at 1 May 2020. The ex-dividend date was 30 April 2020.

Property sales

On 22 May 2020, the Company disposed of its asset at 2 Geddington Road, Corby, for gross proceeds of £18.80 million, delivering an IRR in excess of 30%.

Interest Rate Caps

After the year-end, the Company replaced it existing caps covering the period from October 2020 to October 2023, which capped the interest rate at 2.0% on a notional value of £49.51 million, with new caps covering the same period capping the interest rate at 1.0% on a notional value of £51.50 million. The Company paid a premium of £62,968.

Solihull

In June 2020, the Company completed a 15 year renewal lease with the Secretary of State for Communities and Local Government at its Solihull office, Sandford House. The agreement documents the increase of rental income from the property by 30%.

EPRA Unaudited Performance Measures

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 from 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.	£13.20 million/8.67 pps EPRA earnings for year to 31 March 2020 (31 March 2019: £12.24 million/8.07 pps)
2. 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.	Makes adjustments to IFRS NAV to provide stakeholders with the most relevant information on the fair value of the assets and liabilities within a true real estate investment company with a long-term investment strategy.	£147.85 million/93.12 pps EPRA NAV as at 31 March 2020 (31 March 2019: £149.29 million/98.51 pps)
3. EPRA NNNAV EPRA NAV adjusted to include the fair values of: (i) financial instruments; (ii) debt; and (iii) deferred taxes.	Makes adjustments to EPRA NAV to provide stakeholders with the most relevant information on the current fair value of all the assets and liabilities within a real estate company.	£147.86 million/93.13 pps EPRA NNNAV as at 31 March 2020 (31 March 2019: £149.46 million/98.61 pps)
4.1 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 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.	8.26% EPRA NIY as at 31 March 2020 (31 March 2019: 7.62%)
4.2 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.	8.66% EPRA 'Topped-Up' NIY as at 31 March 2020 (31 March 2019: 8.58%)
5. EPRA Vacancy Rate ERV of vacant space divided by ERV of the whole portfolio.	A 'pure' (%) measure of investment property space that is vacant, based on ERV.	3.68% EPRA ERV as at 31 March 2020 (31 March 2019: 2.99%)
6. 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.	18.75% EPRA Cost Ratio (including direct vacancy costs) as at 31 March 2020 (31 March 2019: 21.04%) 13.76% EPRA Cost Ratio (excluding direct vacancy costs) as at 31 March 2020 (31 March 2019: 15.81%)
7. 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.	Is used to illustrate change in comparable capital values.	£0.29 million for the year ended 31 March 2020 (31 March 2019: £0.40 million)
8. EPRA Like-for-like Rental Growth Net income generate 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.	Is used to illustrate change in comparable income values.	£0.29 million/1.71% for the year ended 31 March 2020 (31 March 2019: -£1.05 million/-9.54%)

EPRA Unaudited Performance Measures *(continued)*

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

	Year ended 31 March 2020 £'000	Year ended 31 March 2019 £'000
Investment property – wholly-owned	189,300	197,605
Allowance for estimated purchasers' costs at 6.8%	12,872	13,437
Grossed-up completed property portfolio valuation (B)	**202,172**	**211,042**
Annualised cash passing rental income	17,361	16,725
Property outgoings	(670)	(651)
Annualised net rents (A)	**16,691**	**16,074**
Rent from expiry of rent-free periods and fixed uplifts	826	2,023
'Topped-up' net annualised rent (C)	**17,517**	**18,097**
EPRA NIY (A/B)	**8.26%**	**7.62%**
EPRA 'topped-up' NIY (C/B)	**8.66%**	**8.58%**

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 2020, 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.

EPRA Unaudited Performance Measures *(continued)*

Calculation of EPRA Vacancy Rate

	Year ended 31 March 2020 £'000	Year ended 31 March 2019 £'000
Annualised potential rental value of vacant premises (A)	641	522
Annualised potential rental value for the complete property portfolio (B)	17,420	17,484
EPRA Vacancy Rate (A/B)	**3.68%**	**2.99%**

Calculation of EPRA Cost Ratios

	Year ended 31 March 2020 £'000	Year ended 31 March 2019 £'000
Administrative/operating expense per IFRS income statement	3,319	3,660
Less: ground rent costs	(66)	(58)
EPRA costs (including direct vacancy costs) (A)	**3,253**	**3,602**
Direct vacancy costs (see Glossary on page 121 for further details)	(865)	(895)
EPRA costs (excluding direct vacancy costs) (B)	**2,388**	**2,707**
Gross rental income less ground rent costs (C)	**17,352**	**17,121**
EPRA Cost Ratio (including direct vacancy costs) (A/C)	**18.75%**	**21.04%**
EPRA Cost Ratio (excluding direct vacancy costs) (B/C)	**13.76%**	**15.81%**

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.

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 CoI	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 (2019).

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). Mapp have confirmed that no fugitive emission (through refrigerant gases) were reported in 2019/20.
- 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	Yes
40 Queen Square	Office	Yes	Yes	Yes
Eastpoint Business Park – Meridian House	Office	No	Yes	Yes (Elec)
Eastpoint Business Park – Orion House	Office	No	Yes	No
Vantage Point	Office	Yes	Yes	Yes
Pricebusters Building	Retail	No	Yes	No
Barnstaple Retail Park	Retail Warehouse	No	Yes	Yes (Elect)
Diamond Business Park	Industrial	Yes	Yes	No
Apollo Business Park	Industrial	Yes	Yes	No
London East Leisure 1	Leisure	Yes	No	No

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 and/or shared services
- Retail; Common areas
- Retail Warehouse; External lighting and tenant voids
- Industrial; Whole building and/or shared services

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)

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

Asset name	Sector	Water	Waste
225 Bath Street	Office	No	Yes
40 Queen Square	Office	Yes	Yes
Eastpoint Business Park – Meridian House	Office	Yes	No
Vantage Point	Office	No	Yes
Diamond Business Park	Industrial	Yes	Yes

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 net lettable area. The intensity ratio is expressed as kilograms carbon dioxide equivalent per metre square (net lettable area) per year, or, kWH CO^2e/m^2/yr.

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 area or number of occupants
- Occupancy is at least 75%
- At least 12 months data is available
- Meters serve the following areas:
  - Offices – Whole building energy consumption (divided by net lettable area (NLA m2)).
  - Retail Warehouse – External areas energy consumption (divided by number of car park spaces)

Intensities have not been completed on Retail, Industrial and Leisure sectors as no assets meet the requirements.

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.

Data has been sourced from the Company's property manager, Mapp, via their utility broker Alpha Energy. As an independent consultancy, EVORA can provide verification that GHG emissions have been calculated in accordance with the principals 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 Alpha Energy and Mapp)
- Completion of data accuracy checks (inbuilt function of SIERA with specialist consultant review)
- Verification of data against source evidence (invoices)

EPRA Sustainability Performance Measures (unaudited)

(continued)

- 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 2019/20:

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

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: 15% reduction in absolute energy by 2030 based on the 2018 baseline
- GHG emissions: 15% 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.

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)	
Asset name	**Energy Source**	**2018/19**	**2019/20**
Office	Gas	614,929	578,859
	Electricity	2,189,330	2,024,267
	Energy	2,804,259	2,603,126
Retail	Gas	–	–
	Electricity	122,939	113,401
	Energy	122,939	113,401
Retail Warehouse	Gas	n/a	n/a
	Electricity	17,006	9,260
	Energy	17,006	9,260
Leisure	Gas	–	–
	Electricity	50,698	42,131
	Energy	50,698	42,131
Industrial	Gas	1,194,005	1,326,547
	Electricity	652,828	703,225
	Energy	1,846,833	2,029,772
Total	Gas	1,808,934	1,905,406
	Electricity	3,032,801	2,892,284
	Energy	4,841,735	4,797,690

The Company does not contain 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)			Life-for-like/Degree Day Adj Intensity		
Sector	**Energy Source**	**2018/19**	**2019/20**	**% Change**	**2018 /19**	**2019/20**	**% Change**
Office	Gas	655,716	582,432	-11%	190	178	-6%
	Electricity	2,126,310	2,024,267	-5%			
	Energy	2,782,026	2,606,699	-6%			
Retail	Gas	–	–	–	–	–	–
	Electricity	–	–	–			
	Energy	–	–	–			
Retail Warehouse	Gas	n/a	n/a	n/a	37	23	-37%
	Electricity	14,684	9,260	-37%			
	Energy	14,684	9,260	-37%			
Leisure	Gas	–	–	–	–	–	–
	Electricity	–	–	–			
	Energy	–	–	–			
Industrial	Gas	–	–	–	–	–	–
	Electricity	–	–	–			
	Energy	–	–	–			
Total	Gas	655,716	582,432	-11%	–	–	–
	Electricity	2,140,994	2,033,527	-5%			
	Energy	2,796,711	2,615,959	-6%			

The Company does not contain 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 ($^{t}CO^{2}e$)		Life-for-like/Degree Day Adj Tonnes of Carbon Dioxide Equivalent ($^{t}CO^{2}e$)			Life-for-like Degree Day Adj Carbon Intensity		
Sector	**Scope**	**2018/19**	**2019/20**	**2018 /19**	**2019/20**	**% Change**	**2018 /19**	**2019/20**	**% Change**
Office	Scope 1 – Gas	113	106	121	107	-11%	49	43	-14%
	Scope 2 – Electricity	620	517	602	517	-14%			
Retail	Scope 1 – Gas	–	–	–	–	–	–	–	–
	Scope 2 – Electricity	35	29	–	–	–			
Retail Warehouse	Scope 1 – Gas	–	–	–	–	–	7	4	-37%
	Scope 2 – Electricity	5	2	1	2	43%			
Leisure	Scope 1 – Gas	–	–	–	–	–	–	–	–
	Scope 2 – Electricity	14	11	–	–	–			
Industrial	Scope 1 – Gas	220	244	–	–	–	–	–	–
	Scope 2 – Electricity	185	180	–	–	–			
Total	Scope 1 – Gas	333	350	121	107	-11%	–	–	–
	Scope 2 – Electricity	859	739	606	520	-14%			
	Total	**1,192**	**1,089**	**727**	**627**	**-14%**			

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	**2018/19**	**2019/20**	**2018 /19**	**2019/20**	**% Change**	**2018 /19**	**2019/20**	**% Change**
Office	2,431	1,105	–	–	–	–	–	–
Industrial	12	–	–	–	–	–	–	–
Total	**2,443**	**1,105**	**–**	**–**	**–**	**–**	**–**	**–**

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. This does not include waste procured directly by tenants. Whilst zero waste is sent directly to landfill, a residual components of the 'recycled' and 'incineration with energy recovery' waste streams may end up in landfill.

		Absolute Waste (tonnes)		Like-for-like (tonnes)		
Sector	**Disposal Route**	**2018 /19**	**2019/20**	**2018 /19**	**2019/20**	**% Change**
Office	Recycled	117	100	95	75	-21%
	Anaerobic Digestion	5	9	5	9	98%
	Incineration with energy recovery	37	44	20	30	52%
	Landfill	–	–	–	–	–
	Total	**159**	**153**	**119**	**114**	**-4%**
Industrial	Recycled	5	5	–	–	–
	Anaerobic Digestion	–	–	–	–	–
	Incineration with energy recovery	2	2	–	–	–
	Landfill	–	–	–	–	–
	Total	**7**	**7**	**–**	**–**	**–**
Total	Recycled	122	105	95	75	-21%
	Anaerobic Digestion	5	9	5	9	98%
	Incineration with energy recovery	39	46	20	30	52%
	Landfill	–	–	–	–	–
	Total	**166**	**160**	**119**	**114**	**-4%**

Sustainability certification (Cert-Tot): Green building certificates

The Company does not have any developments or refurbishment projects in its property portfolio and therefore does not have the ability to deliver any projects that could be measured against BREEAM (the Building Research Establishment Environmental Assessment Methodology). The Company does not have any properties in its portfolio that could qualify for a Green building certificate.

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. This legislation is similar to regulations introduced in Scotland in September 2016. A 'hard backstop' which brings into the MEES standards existing leases will be introduced from 2023, again, subject to certain exemptions.

EPRA Sustainability Performance Measures (unaudited)

(continued)

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. All assets within the Companies portfolio have identified in-date EPCs, with the majority (49% by ERV) having efficient A-C EPC ratings. The Investment Manager is taking the necessary steps to address F to G rated EPCs (approximately 6% of ERV value) and remove MEES risk.

Energy performance certificate rating	Portfolio by ERV (%)
A-C	49%
D	39%
E	6%
F	3%
G	3%
Exempt	0%
No EPC	0%
Coverage	100%

- Energy Performance Certificate (EPC) records for the Company are provided as at 31 March 2020 by ERV.
- Data provided includes managed and non-managed assets (i.e. the whole portfolio).
- The information on EPCs is continuously reviewed and updated.
- The F EPCs relate to Oak Park, Droitwich (whole building) and Brockhurst Cresent, Walsall (Unit 3 Building 2). The G EPC relates to the Odeon Cinema, Southend. Actions plans are in place to improve the ratings of these properties.

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 2020 the Company Board comprised three members: 1 (33% female); 2 (67% male).

For further information on the Investment Manager's employee gender diversity please refer to ***https://www.aewuk.co.uk/corporate-responsibility/esg***

Gender pay ratio (Diversity-Pay)

The remuneration of the Company Board is set out on page 51 of this Annual Report.

For further information on the Investment Manager's gender pay ratio please refer to ***https://www.aewuk.co.uk/corporate-responsibility/esg***

Training and development (Emp-Training)

Please refer to the Director Induction and Training section in the Directors' Report (page 42) for details on training for the Company's Board members.

EPRA Sustainability Performance Measures (unaudited)
(continued)

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.

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 ***https://www.aewuk.co.uk/corporate-responsibility/esg***

The Investment Manager confirms that performance appraisals were completed for 100% of staff relevant to the Company in 2020.

Employee turnover and retention (Emp-Turnover)

For further information on the Investment Manager's employee turnover and retention please refer to ***https://www.aewuk.co.uk/corporate-responsibility/esg***

There have been no changes in the Investment Manager's staff that work on the Companies activities during the year.

One board member, James Hyslop, retired following the AGM in September 2019.

Employee health and safety (H&S-Emp)

For further information on the Investment Manager's employee health & safety please refer to ***https://www.aewuk.co.uk/corporate-responsibility/esg***

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)

During December 2019, 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.

EPRA Sustainability Performance Measures (unaudited)

(continued)

Sustainability Performance Measures (Governance)

Composition of the highest governance body (Gov-Board)

The Board of the Company comprised three non-executive independent directors (no executive board members) as at 31 March 2020.

- The average tenure of the three directors to 31 March 2020 is 4 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.

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 Directors' Report (page 42) for further details.

Company Information

Share Register Enquiries
The register for the Ordinary Shares is maintained by Computershare Investor Services PLC. In the event of queries regarding your holding, please contact the Registrar on +44 (0)370 707 1341 or email: web.queries@computershare.co.uk.

Changes of name and/or address must be notified in writing to the Registrar, at the address shown below. You can check your shareholding and find practical help on transferring shares or updating your details at www.investorcentre.co.uk. Shareholders eligible to receive dividend payments gross of tax may also download declaration forms from that website.

Share Information

Ordinary £0.01 Shares	158,774,746
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

9 September 2020	Annual General Meeting
30 September 2020	Half-year end
November 2020	Announcement of half-yearly results
31 March 2021	Year end
June 2021	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 2019 to 30 June 2019 (payment made on 30 August 2019)	3,031,165
Interim dividend for the period 1 July 2019 to 30 September 2019 (payment made on 29 November 2019)	3,031,165
Interim dividend for the period 1 October 2019 to 31 December 2019 (payment made on 28 February 2020)	3,031,165
Interim dividend for the period 1 January 2020 to 31 March 2020 (payment made on 29 May 2020)	3,175,495
Total	**12,268,990**

Company Information *(continued)*

Directors
Mark Burton (Non-executive Chairman)
Katrina Hart (Non-executive Director)
Bimaljit ("Bim") Sandhu (Non-executive Director)

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Auditor
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Valuer
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Copies of the Annual Report and Financial Statements and the Notice of AGM
Printed copies of the Annual Report and Notice of the 2020 Annual General Meeting 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 www.morningstar.co.uk/uk/NSM.

Glossary

AEW UK Core Property Fund (the 'Core Fund')	AEW UK Core 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 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)*

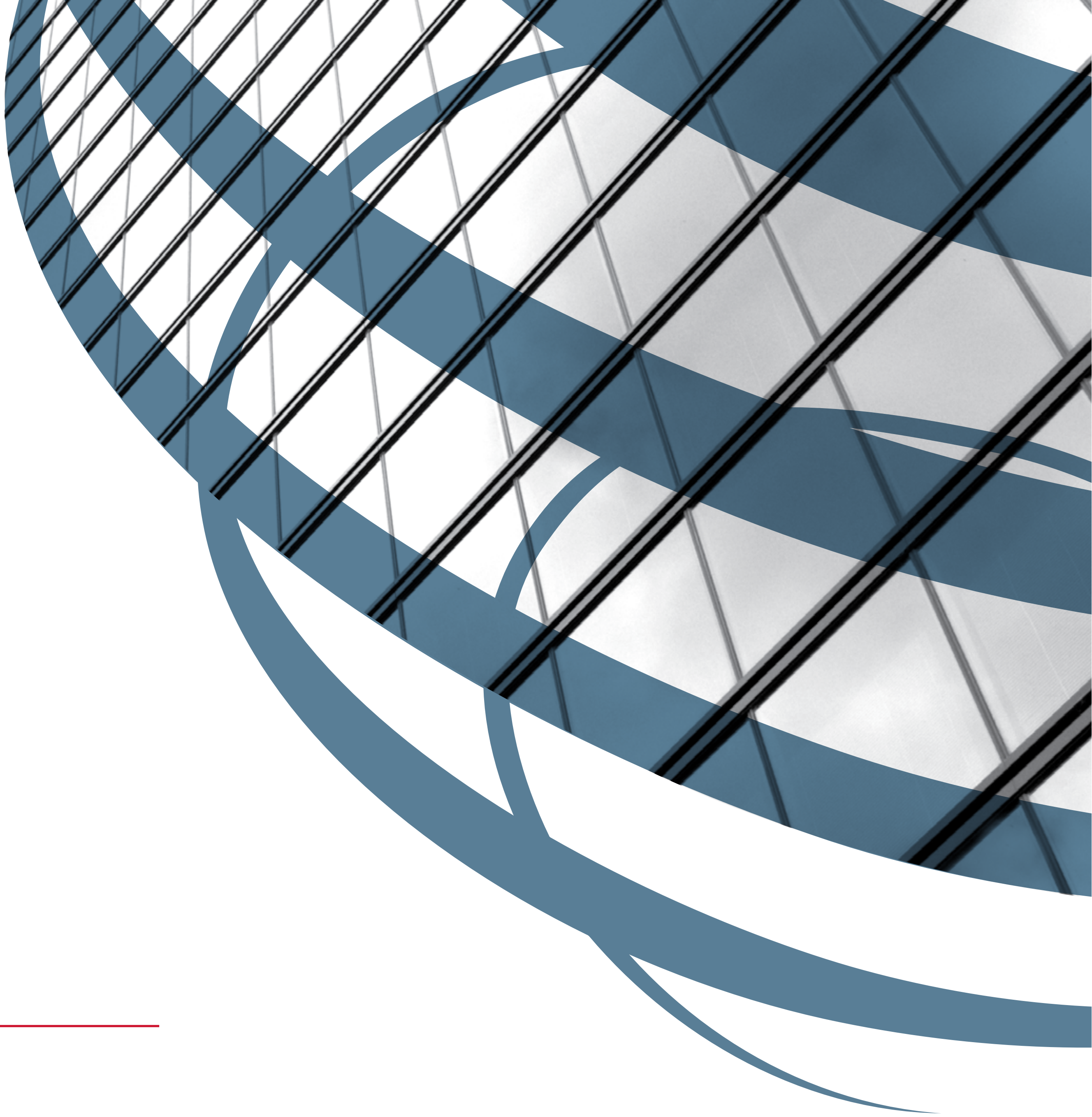
EPRA Topped-Up Net Initial Yield	This measure incorporates an adjustment to the EPRA NIY in respect of the expiration of rent-free periods (or other unexpired lease incentives such as discounted rent periods and step rents).
EPRA Vacancy Rate	Estimated Rental Value ('ERV') of vacant space as a percentage 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 Financial Reporting Standards, as adopted by the European Union.
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.
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.

Glossary *(continued)*

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.
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.
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 a trading at a premium or discount to its Net Asset Value 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 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.
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.
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.

Glossary *(continued)*

Total returns	The returns to shareholders calculated on a per share basis by adding dividend 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.
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.



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