AEW UK REIT plc

Annual Report and Financial Statements
for the year ended 31 March 2022

Contents

Strategic Report	
Financial Highlights	2
Property Highlights	2
Chairman's Statement	3
Business Model and Strategy	7
Strategy in Action	9
Key Performance Indicators	13
Investment Manager's Report	16
Principal Risks and Uncertainties	30
Stakeholder Engagement	37
Governance	
Board of Directors	40
Corporate Governance Statement	41
Report of the Audit Committee	47
Directors' Remuneration Report	51
Directors' Report	54
Statement of Directors' Responsibilities	66
Independent Auditor's Report to the members of AEW UK REIT plc	**68**
Financial Statements	
Statement of Comprehensive Income	76
Statement of Changes in Equity	77
Statement of Financial Position	78
Statement of Cash Flows	79
Notes to the Financial Statements	80
EPRA Unaudited Performance Measures	**112**
EPRA Sustainability Performance Measures	**118**
Company Information	**132**
Glossary	**134**

Strategic Report

Financial Highlights

- Net Asset Value ('NAV') of £191.10 million and 120.63 pence per share ('pps') as at 31 March 2022 (31 March 2021: £157.08 million and 99.15 pps).
- Operating profit before fair value changes of £11.75 million for the year (year ended 31 March 2021: £10.73 million).
- Profit before tax ('PBT')* of £46.70 million and earnings per share ('EPS') of 29.47 pps for the year (year ended 31 March 2021: £22.17 million and 13.98 pps).
- EPRA Earnings Per Share ('EPRA EPS')* for the year of 6.79 pps (year ended 31 March 2021: 6.19 pps). See page 92 for the calculation of EPRA EPS.
- Total dividends of 8.00 pps declared for the year (year ended 31 March 2021: 8.00 pps).
- Shareholder total return* for the year of 53.61% (year ended 31 March 2021: 33.72%).
- The price of the Company's Ordinary Shares on the Main Market of the London Stock Exchange was 119.80 pps as at 31 March 2022 (31 March 2021: 83.20 pps).
- As at 31 March 2022, the Company had drawn £54.00 million (31 March 2021: £39.50 million) of a £60.00 million (31 March 2021: £60.00 million) term credit facility with the Royal Bank of Scotland International Limited ('RBSi') and was geared to 28.26% of NAV (31 March 2021: 25.15%) (see note 15 on pages 101 and 102 for further details).
- The Company held cash balances totalling £6.77 million as at 31 March 2022 (31 March 2021: £17.45 million).

Property Highlights

- As at 31 March 2022, the Company's property portfolio had a valuation of £240.18 million across 36 properties (31 March 2021: £179.00 million across 34 properties) as assessed by the Valuer[1] and a historical cost of £207.96 million (31 March 2021: £173.28 million).
- The Company acquired four properties during the year for a total purchase price of £38.23 million, excluding acquisition costs (year ended 31 March 2021: one property for a purchase price of £5.40 million).
- The Company made two disposals during the year with total gross sale proceeds of £16.71 million (year ended 31 March 2021: two disposals with total gross sale proceeds of £29.30 million).
- The portfolio had an EPRA Vacancy Rate** of 10.69% as at 31 March 2022 (31 March 2021: 8.96%). Excluding vacancy contributed by Bath Street, Glasgow, which was exchanged to be sold with the condition of vacant possession, the vacancy rate was 5.42% (31 March 2021: 5.58%).
- Rental income generated in the year under review was £15.92 million (year ended 31 March 2021: £15.71 million). The number of tenants as at 31 March 2022 was 131 (31 March 2021: 99).
- EPRA Net Initial Yield ('NIY')** of 5.87% as at 31 March 2022 (31 March 2021: 7.37%).
- Weighted Average Unexpired Lease Term ('WAULT')* of 3.94 years to break (31 March 2021: 4.43 years) and 5.78 years to expiry (31 March 2021: 6.71 years).
- The Company has achieved very high rent collection levels, which stand at over 98% for each quarter since March 2020 (excluding current quarter where rent continues to be collected).

* See KPIs on pages 13 to 15 for definition of alternative performance measures.
** See Glossary on pages 134 to 137 for definition of alternative performance measures.
[1] The valuation figure is reconciled to the fair value under IFRS in note 12.

Chairman's Statement

Overview

This financial year has seen the gradual removal of restrictions that had been implemented as a result of the COVID-19 pandemic. This has been a welcome change that has assisted the Company in producing a strong share price total return for the year of 53.61% (31 March 2021: 33.72%). This return to normality has been particularly important for the sectors of the property market that were hardest hit by the pandemic, most notably leisure and some parts of the retail market. The Company has continued to take a cautious approach to cash and debt management, mindful that a degree of uncertainty remains. As is often the case, uncertainty has created opportunities, and pragmatic choices have been rewarded with another year of strong performance for the Company. We are pleased this has allowed the Company to be the only REIT in its peer group to continue paying its full 8p per share annual dividend. Indeed, the Company's dividend of 2p per share per quarter has now been paid consistently since Q1 2016 for 26 consecutive quarters, with the Company's EPRA earnings covering in excess of 98% of this amount.

For this financial year, the Company's NAV per share has increased by 21.66%, providing a NAV total return for the year of 29.73% (31 March 2021: 15.06%). This was the highest NAV total return recorded by any of the UK diversified REIT's and, as a result, the Company has been awarded the Citywire award for best generalist UK property trust for the second consecutive year. During the year, the Company also received awards from EPRA, the European Public Real Estate Association, who awarded the Company a gold medal for the standards of our financial reporting and a silver medal for the standards of our sustainability reporting. We are delighted that these awards recognise the hard work and dedication that is put into the running of the Company by both my colleagues on the Board, and the Company's Investment Manager, AEW.

The Company has benefited from its defensively positioned portfolio which achieved, at property level, a total return of 25.87% over the year, an outperformance of 0.51% relative to the MSCI Benchmark. This success further builds upon the outperformance of 10.7% achieved in the prior year. Relatively small lot sizes, geographical diversification and valuations that are underpinned by alternative use values have all contributed to the Company's resilience during a time of protracted economic uncertainty. This strong performance supports the Company's long-standing strategy of diversification, benefitting both performance and risk mitigation.

Exposure to various key sectors of the property market via its diversified strategy has allowed the Company to maximise shareholder returns with significant profits crystallised this year following the sale of two industrial assets that had seen large valuation uplifts. The Company's industrial assets at Bessemer Road in Basingstoke and Langthwaite Business Park, South Kirkby, were sold achieving sale prices 1.7x and 1.9x ahead of their respective purchase prices.

The proceeds of these industrial sales have now been reinvested into the retail warehouse and leisure sectors in order to create opportunities for future income and NAV growth. The Central Six Retail Park in Coventry was purchased in November 2021 for a price of £16.41 million, producing a net initial yield of circa 11%. The site occupies a strategic and central location close to Coventry city centre with an anticipated reversionary yield of circa 12.5%.

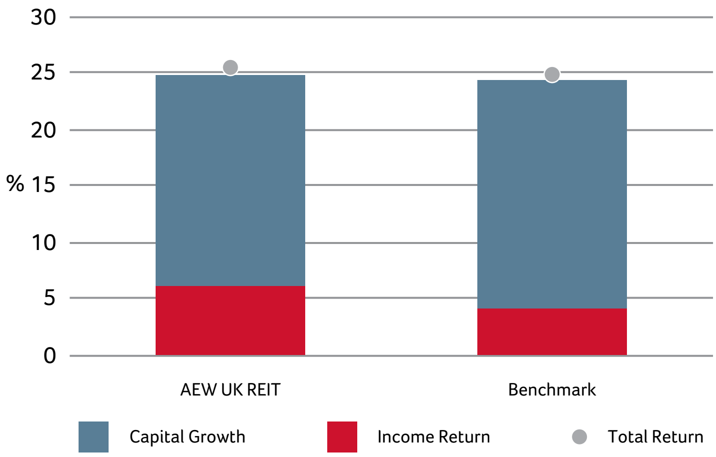
Chairman's Statement *(continued)*

The PRYZM Nightclub in Cardiff was purchased for a price of £3.63 million, reflecting a net initial yield of 7.7%, with an anticipated reversionary yield of circa 9.2% and a low capital value of £92 per sq ft.

Two further assets were purchased in the year, also in the leisure and retail warehousing sectors. The first of these was Arrow Point Retail Park in Shrewsbury which was acquired in May 2021 for a price of £8.35 million. Secondly, the Company acquired 15-33 Union Street, Bristol in June 2021 for a price of £10.19 million, providing a net initial yield of 8.0%.

All of these purchases deliver very attractive levels of income and contribute immediately to the Company's earnings, as well as offering further opportunities to manage the assets proactively to enhance NAV over the long term. Assets such as these form the basis of an attractive pipeline which the Company is currently pursuing in order to reinvest the sale proceeds that are due to be received following the expected sales of assets in 225 Bath Street, Glasgow and Eastpoint Business Park, Oxford. The Company will continue to target acquisitions that offer the opportunity to deliver both strong income and capital performance. The Company's Investment Manager continues to use its extensive knowledge in both asset selection and asset management to select each asset on its own specific merits, rather than being entirely sector driven in its purchasing strategy.

AEW UK REIT plc Property Performance vs. Benchmark for 12 months to 31 March 2022



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

Active asset management continues to form a major part of the Company's strategy where key targets are to improve the length and quality of income streams, as well as maximising rental receipts. Notable successes within the year include the settlement of the Company's September 2021 open market rent review at its industrial holding in Knowles Lane, Bradford, at a level representing a 14% increase over the three-year period. New high rental tones were also set at the Company's multi-let industrial assets in Runcorn and Basildon at £6 per sq ft and £8 per sq ft, respectively. At the Company's office holding in Queen Square, Bristol, strong rental growth has also been observed, with current rents being £30 per sq ft, almost doubling the rental value at acquisition.

The realisation of some business plans within the portfolio has led to periods of income volatility with total EPS of 6.79p achieved over the four quarters of the year. The cause of this has been multi-faceted, with income subdued by the necessity of service charge works at Blackpool, the removal of tenants in preparation for the vacant possession sale of Glasgow and the reinvestment of proceeds following profitable sales. Once the sale of Glasgow completes and its sale proceeds are reinvested, EPS is expected to return to a level in line with the Company's target level of 8p per annum. Looking forward, the portfolio's future income generation prospects appear strong as assessed independently by Knight Frank, the Company's valuer. As at year-end, the portfolio's total estimated market rental value remained 20% higher than its current gross income, demonstrating the portfolio's inherent ability to grow income receipts over the medium term.

Chairman's Statement *(continued)*

Financial Results Summary

	Year ended 31 March 2022	Year ended 31 March 2021
Operating Profit before fair value changes (£'000)	**11,752**	10,735
Operating Profit (£'000)	**46,913**	23,102
Profit before Tax (£'000)	**46,695**	22,172
Earnings Per Share (basic and diluted) (pence)*	**29.47**	13.98
EPRA Earnings Per Share (basic and diluted) (pence)*	**6.79**	6.19
Ongoing Charges (%)	**1.35**	1.36
Net Asset Value per share (pence)	**120.63**	99.15

* See note 10 of the financial statements for calculation.

Financing

The Company had a £60.00 million loan facility, of which it had drawn a balance of £54.00 million as at 31 March 2022 (31 March 2021: £60.00 million facility; £39.50 million drawn), producing the following measures of gearing:

	Year ended 31 March 2022 %	Year ended 31 March 2021 %
Loan to NAV	**28.26**	25.15
Gross Loan to GAV	**22.48**	22.07
Net Loan to GAV (deducts cash balance from the outstanding loan value)	**19.67**	12.32

The unexpired term of the facility was 1.6 years as at 31 March 2022 (31 March 2021: 2.6 years). The loan incurred interest at SONIA +1.4%, which equated to an all-in rate of 2.20% as at 31 March 2022 (31 March 2021: 1.44%).

The Company had in place interest rate caps at the year-end a notional value of £51.50 million (31 March 2021: £51.00 million), resulting in the loan being 95% hedged (31 March 2021: 130%). These interest rate caps were effective for the remaining period of the loan.

As at 31 March 2022, the Company had £12.89 million of the facility available up to the maximum 35.00% Loan to NAV at drawdown.

Post year-end, the decision was taken to complete the refinancing of the portfolio, as announced in May 2022. The Company has secured a new £60.00 million, 5-year term loan facility with AgFe, a leading independent asset manager specialising in debt-based investments. The loan is priced as a fixed rate loan with a total interest cost of 2.959%. The existing RBSi loan facility, which was priced at a floating rate according to SONIA, was due to mature in October 2023 and has been repaid in full by the new loan facility. Simultaneous to the funding, the Company's interest rate cap was sold for proceeds of £743,000. In the current inflationary environment, the Company considers it prudent to fix the loan now, rather than run the risk of further rising rates. The Company intends to utilise borrowings to enhance returns over the next five years.

Chairman's Statement *(continued)*

Dividends

The Company has continued to deliver on its target of paying dividends of 8.00 pps per annum. During the year, the Company declared and paid four quarterly dividends of 2.00 pence per share, in line with its target, which were 84.88% covered by the Company's EPRA EPS of 6.79 pence. It remains the Company's intention to continue to pay dividends in line with its dividend policy. In determining future dividend payments, regard will be given 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.

Outlook

Post year-end, the Company made the announcement that Alex Short, joint Portfolio Manager, had taken the decision to resign from her position within the Company's Investment Manager and therefore also resigned her position in respect of the Company. Laura Elkin continues as Portfolio Manager of the Company supported by the wider AEW UK team which remains unchanged. Laura has played a key role in the portfolio management team since the Company's launch in 2015 and as such, the Board have confidence in her abilities to continue to lead the team at AEW. Laura will work alongside Henry Butt as Assistant Portfolio Manager. All investment decisions made on behalf of AEW UK require the approval of AEW UK's Investment Management Committee, which has remained unchanged for the past 11 years. My colleagues on the Board and I would like to take the opportunity to thank Alex for her involvement in the Company to date and wish her the best for future endeavours.

Despite various headwinds facing the UK economy, the Board feels confident that the asset management opportunities inherent within the portfolio and the Company's investment pipeline provide a strong basis for the continuation of attractive returns to the Company's shareholders. The portfolio's future income generation prospects appear strong as assessed independently by Knight Frank, the Company's valuer. As at 31 March 2022, the portfolio's total estimated market rental value remained 20% higher than its current gross income, demonstrating Knight Frank's belief in the portfolio's inherent ability to grow income receipts over the medium term.

In anticipation of capital receipts from the sale of Glasgow and Oxford later this year, AEW are pursuing an attractive pipeline of retail warehousing, leisure and office assets across the UK, which offer income levels and capital growth opportunities in line with the existing portfolio. Also, as part of the Company's re-financing, the remaining £6.00m available in the loan facility was drawn post year-end, which further extends purchasing capability.

We are pleased to see that the Company's strong performance has been recognised in the rating of its shares, where demand has delivered periods of a share price premium to NAV. With an attractive pipeline of opportunities, we hope the Company will be in a position to take advantage of continued strong demand for its shares and grow its capital base in the future.

Mark Burton
Chairman

21 June 2022

Business Model and Strategy

Introduction

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

Investment Objective

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

Investment Policy

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

Investment Restrictions

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

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

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

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

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

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

Business Model and Strategy *(continued)*

Our Strategy

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

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

How we add value

An Experienced Team

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

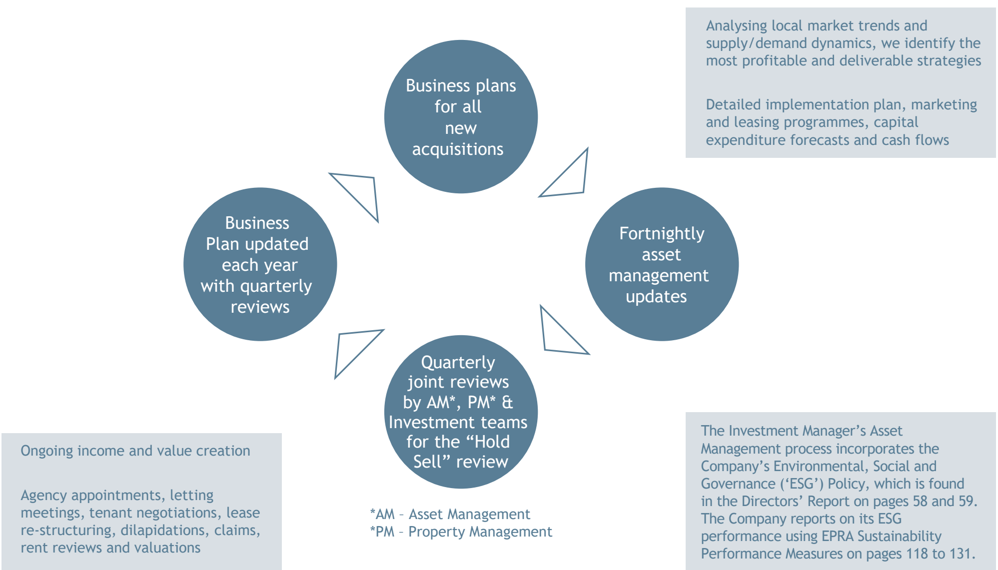
Value Investing

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

Active Asset Management

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

Our Asset Management Process



Strategy in Action

Industrial disposals in South Kirkby and Basingstoke

Crystallising profits once accretive business plans have completed

- During August 2021, a sale of the Company's asset at Langthwaite Business Park in South Kirkby was completed for a price of £10.84 million, 87% ahead of the 2015 purchase price.
- The tenant's lease had been extended and rental levels increased by 13%. Throughout its hold period the asset remained income producing with a minimum yield of 11% against the purchase price.
- In October 2021, the Company completed on the sale of its warehouse at Bessemer Road, Basingstoke for a price of £5.9 million, a 73% premium above the 2016 purchase price.
- The tenant's lease had been extended for a period of five years and rental levels increased by 16%.

Strategy in Action *(continued)*

Bristol, 40 Queen Square

Proving new high rental levels

- Two new lettings secured at £30 per sq ft.
- Rental growth of 29% seen since acquisition.
- Rental growth expected to continue based upon ongoing conversations elsewhere in the building.

Strategy in Action *(continued)*

15-33 Union Street, Bristol

Lengthening income streams in economically active locations

- During Q4 2021, the Company completed a new 15 year lease to Roxy Leisure Limited at a rent of £10 per sq ft.
- The lease provides for five yearly RPI linked reviews, collared and capped at 1.5% and 4% respectively.

Strategy in Action *(continued)*

Knowles Lane, Bradford
Inflation beating rental growth

- During March 2022, the Company settled the September 2021 open market rent review with tenant, Pilkington United Kingdom Ltd.
- The agreed rent, reflecting £4.50 per sq ft, represents a 14% increase in income over the three-year period.

Key Performance Indicators

KPI AND DEFINITION	RELEVANCE TO STRATEGY	TARGET	PERFORMANCE
1. EPRA NIY A representation to the investor of what their initial net yield would be at a predetermined purchase price after taking account of all associated costs, e.g. void costs and rent free periods.	The Company's EPRA NIY demonstrates the ability to generate income from its portfolio in the short term in order to meet its target dividend.	7.50 - 10.00%	**5.87%** at 31 March 2022 (31 March 2021: 7.37%)
2. True Equivalent Yield The average weighted return a property will produce according to the present income and estimated rental value ('ERV') assumptions, assuming the income is received quarterly in advance.	The Company's True Equivalent Yield demonstrates the Company's ability to generate income, both from its existing leases and its ERVs, in order to meet its target dividend.	7.50 - 10.00%	**7.55%** at 31 March 2022 (31 March 2021: 8.15%)
3. Reversionary Yield The expected return the property will provide once rack-rented.	A Reversionary yield profile shows a potentially sustainable income stream that can be used to meet dividends past the expiry of a property's current leasing arrangements.	7.50 - 10.00%	**7.64%** at 31 March 2022 (31 March 2021: 8.18%)
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	**5.78 years** at 31 March 2022 (31 March 2021: 6.71 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	**3.94 years** at 31 March 2022 (31 March 2021: 4.43 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	**£191.10 million** at 31 March 2022 (31 March 2021: £157.08 million)
7. Leverage (Loan to NAV) The proportion of the Company's net assets that is funded by borrowings.	The Company has changed the measure of its Leverage KPI from 'Loan to Gross Asset Value ('GAV')' to 'Loan to NAV'. This is in line with the measure used in its banking covenants and so is considered to be more relevant to the Company's position. The target of 35% Loan to NAV, which is the gearing limit at drawdown under the RBSi facility, approximates to the previous target of 25% Loan to GAV, which is the measure used in the Company's Investment Guidelines. Gearing will continue to be monitored using both measures, but will be reported on the Loan to NAV basis.	35%	**28.26%** at 31 March 2022 (31 March 2021: 25.15%)
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%	**10.69%/5.42% excluding vacancy contributed by Glasgow*** at 31 March 2022 (31 March 2021: 8.96%/5.58% excluding vacancy contributed by Glasgow*)

* Glasgow has exchanged to be sold with the condition of vacant possession.

Key Performance Indicators *(continued)*

KPI AND DEFINITION	RELEVANCE TO STRATEGY	TARGET	PERFORMANCE
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 2022 (year ended 31 March 2021: 8.00 pps)
10. Ongoing Charges The ratio of total administration and operating costs expressed as a percentage of average NAV throughout the year.	The Ongoing Charges ratio provides a measure of total costs associated with managing and operating the Company, which includes the management fees due to the Investment Manager. The Investment Manager presents this measure to provide investors with a clear picture of operational costs involved in running the Company.	< 1.50%	**1.35%** for the year ended 31 March 2022 (year ended 31 March 2021: 1.36%)
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	**£46.70 million/ 29.47 pps** for the year ended 31 March 2022 (year ended 31 March 2021: £22.17 million/ 13.98 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%	**53.61%** for the year ended 31 March 2022 (year ended 31 March 2021: 33.72%)
13. EPRA EPS Earnings from core operational activities. A key measure of a company's underlying operating results from its property rental business and an indication of the extent to which current dividend payments are supported by earnings. See note 10 of the financial statements.	This reflects the Company's ability to generate earnings from the portfolio which underpins dividends.	8.00 pps	**6.79 pps** for the year ended 31 March 2022 (year ended 31 March 2021: 6.19 pps)

Investment Manager's Report

Laura Elkin
Portfolio Manager

Henry Butt
Assistant Portfolio Manager

Economic Outlook

Despite COVID-19 restrictions finally being lifted, the anticipated post-pandemic rebound appears to have slowed as UK GDP fell by a disappointing 0.1% month-on-month in March 2022. It is likely this is primarily due to a significant increase in the rate of inflation with a 30-year high of 9.0% recorded for April 2022. Russia's invasion of Ukraine, and the consequential sanctions imposed by the international community, continues to drive up energy and commodity prices. There is a risk that, as well as affecting manufacturing industries, this may further damage consumer and investor sentiment as real income and wealth levels are reduced. Economic growth is now forecast to slow to 3.8% by 2022 year-end.

(SOURCE – Oxford Economics)

With higher than expected inflation, the Bank of England has increased interest rates from 0.50% in February 2022 to 1.25% in June 2022. Despite this backdrop of rising inflation and rising interest rates, over a five-year period, we consider that bond yields are likely to remain low with central banks reluctant to push economies into recession, particularly in times of war.

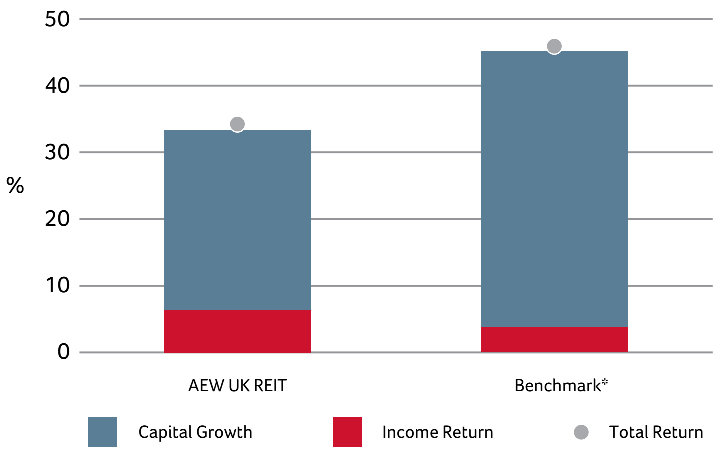
Property Market Outlook

Industrial

The sector has seen significant growth for a number of years due to the growth of e-commerce. The COVID-19 pandemic caused an acceleration of this trend as lockdowns and social distancing forced changes in shoppers' habits. These trends have positively impacted values throughout the industrial market from the prime end to more traditional manufacturing accommodation as older stock has been redeveloped and low rented accommodation has become scarcer.

Strong investor demand in the sector has compressed yields and driven much value growth within the Company's portfolio and, as a result of a number of the asset values being felt to have been maximised, two industrial assets were disposed of during the period. For this reason, we exercise caution when analysing pipeline assets in the sector.

AEW UK REIT Industrial Performance vs. Benchmark



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

Attributes which we still find very compelling within the sector are the historically low levels of availability of accommodation and continued strong tenant demand. It is these attributes which continue to drive rental growth and with the portfolio's average passing rent within the sector being only £3.30 per sq ft we believe that we are ideally placed to be able to benefit from this. This growth potential has been demonstrated by a number of recent asset management transactions including the Company's asset in Bradford where the settlement of a rent review during the period resulted in a 14% increase in income over a three-year period.

The industrial sector represents the portfolio's largest sector holding, making up 50.3% of the portfolio's value as at year-end. The Company's industrial holding delivered a total return of 34.8% during the year and an income yield of 6.3%. In contrast, benchmark total return was 46.5%, reflecting the very strong investor demand seen for prime assets, which delivered a significantly lower income yield of 3.7%.

Investment Manager's Report (continued)

Office

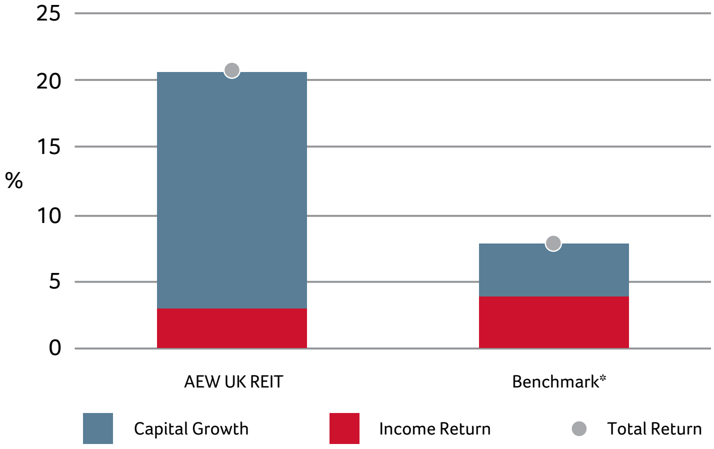
Despite numerous lockdowns and work from home mandates during the pandemic, we have not seen the significant decline in office occupation that some had predicted. It is certainly the case that hybrid working has become more commonplace, however it is clear that at least some exposure to the physical office brings numerous benefits over its more solitary alternative, including increased collaboration and higher levels of personal wellbeing.

UK employment levels have also remained robust, rising to pre-pandemic levels and showing a historic high level.

The office assets within the portfolio have been the subject of much recent discussion with the proposed sales of the Company's assets in Glasgow and Oxford both into alternative uses. When considering office assets for investment, we have often sought to acquire those showing strong alternative use values and we believe that this has assisted in delivering the benchmark outperformance that we have seen from the sector over recent periods.

The investment pipeline for offices focuses on strong, regional centres and a preference for town or city centres rather than business park locations where alternative uses may be more limited.

AEW UK REIT Office Performance vs. Benchmark



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

Our office assets represent the second largest sector holding, with 18.0% of the valuation. This was the strongest performing sector relative to the Benchmark, achieving an outperformance of 13.2%, which was largely driven by capital growth outperformance of 13.7% resulting from key asset management transactions.

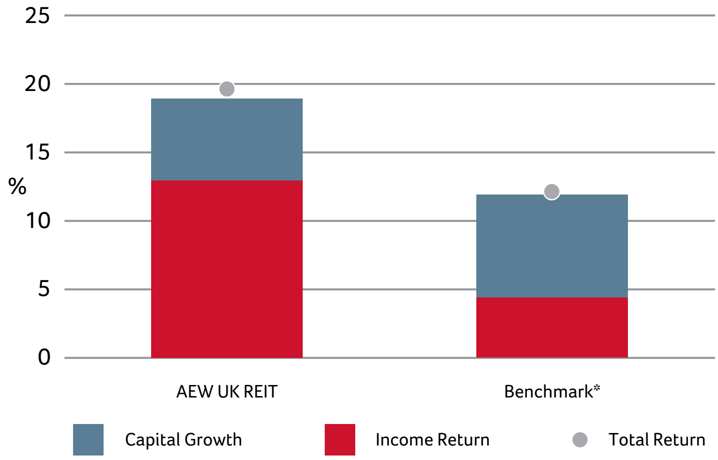
Alternatives

This is a sector in which AEW as Investment Manager has significant expertise and has seen a number of compelling opportunities in the market. The Company's current alternatives holding comprises assets within the leisure sector that have been selected due to their defensive, value protection characteristics as well as their high-income yield.

The leisure sector suffered significant strain during the pandemic as lockdowns kept customers away for many months. However, due to the high levels of cost involved in relocation and fit out, occupiers tend to move accommodation far less than in other sectors. This has been shown by the fact that, since the lifting of all social distancing restrictions, headway has been made in various asset management initiatives within the Company's portfolio. We also find the sector attractive on a selective basis going forward, particularly those properties that occupy larger land holdings or sites in economically active areas such that they can often be underpinned by alternative use values.

Assets held in alternative sectors comprise 7.0% of the 31 March 2022 valuation, all of which is within the leisure sector. The Company's alternative holdings outperformed the Benchmark, with a relative outperformance of 7.5%, driven by an income return outperformance of 8.6%.

AEW UK REIT Alternatives Performance vs. Benchmark



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

Investment Manager's Report *(continued)*

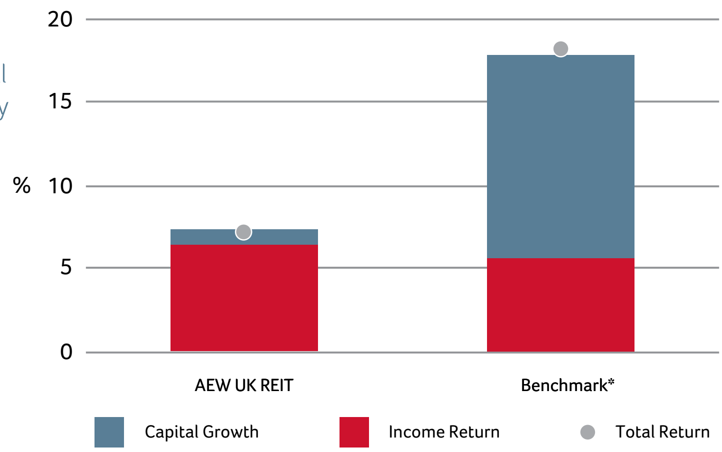
Retail

The high street retail sector (referred to as 'Standard Retail') suffered greatly during the pandemic and experienced an acceleration of trends already present in consumer habits. Values in high street retail have now stabilised somewhat and we believe that the sector is likely to offer opportunities for repurposing to alternative uses over the medium term.

By contrast, performance in the retail warehousing sector has generally been significantly stronger than that seen on the high street due to the ease of parking and open air environments which, in a post COVID-19 world, have been perceived as more pleasant and safer places to shop. This effect has been felt quite acutely in the growing demand for investment properties within the sector and we expect the Company's recently purchased investments to benefit accordingly.

We are attracted to assets located within established commercial locations with low passing rents and particularly where values for warehousing assets have been surpassed by those within the existing use.

AEW UK REIT Retail Performance vs. Benchmark



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

Retail represents 11.6% of the valuation and our retail assets have performed weaker than the Benchmark, as Central London retail, where we have no exposure, props up the Benchmark performance to some extent.

Property Portfolio

The Company made four acquisitions during the year:

Arrow Point Retail Park, Shrewsbury

In May 2021, the Company acquired Arrow Point Retail Park in Shrewsbury for a purchase price of £8.35 million. The established retail park is located on a busy commercial estate and is fully let. The estate provides a net initial yield of 8.7%, with low passing rents compared with competing locations. It comprises a modern purpose-built retail park constructed in 2007, arranged across nine units with 176 car parking spaces, and is prominently located within the main retail warehouse provision of Shrewsbury, approximately 2.5 miles north east of the town centre.

Investment Manager's Report *(continued)*

Union Street, Bristol

In June 2021, the Company acquired 15-33 Union Street for a purchase price of £10.2 million. 15-33 Union Street occupies a prominent location in Bristol city centre, opposite The Galleries Shopping Centre and near Cabot Circus, Bristol's premier retail destination. Located on a busy thoroughfare for pedestrians, the 65,238 sq ft site experiences high footfall and is ideally suited for retail or leisure units. Constructed in 2001, the property currently comprises five purpose built split-level retail or leisure units over four floors and road access to both Union Street and Fairfax Street. Four of the five units are let to three household names and a successful local retailer. The location of the site has been identified as a major regeneration area and it offers the ability for further growth through development.

Central Six Retail Park, Coventry

In November 2021, the Company completed the acquisition of the 11.9 acre Central Six Retail Park in Coventry for a purchase price of £16.4 million. The purchase price reflects a net initial yield of circa 11%, with an anticipated reversionary yield of circa 12.5% and a capital value per sq ft of £110. The site occupies a strategic and central location, approximately 0.7 miles away from Coventry city centre and adjacent to Coventry Railway Station and the Friargate Regeneration area. The retail park is highly accessible and provides 148,765 sq ft of modern purpose-built retail space with parking for 635 cars. Site coverage is low at just 27%. Units are let to TK Maxx, Next, Boots, Sports Direct, Burger King and Poundland. The site presents opportunities to add value through active asset management by renewing current tenancies and securing new tenants on the park. This purchase will be accretive to the Company's income return and it is anticipated that asset management initiatives will result in NAV growth over the medium term.

Greyfriars Road, Cardiff

In February 2022, the Company completed the acquisition of PRYZM nightclub in Cardiff for a purchase price of £3.6 million reflecting £92 per sq ft. The purchase price represents a net initial yield of 8%, with an anticipated reversionary yield of circa 9%. The property is prominently located within the leisure and late-night district of Cardiff city centre near the Principality Stadium and St David's Shopping Centre. Cardiff University and the University of Wales are located approximately 300m from the property, contributing to the total student population of circa 75,000.

The property provides 39,469 sq ft of nightclub and bar accommodation and is single-let to a subsidiary of Rekom UK (formerly The Deltic Group), providing over 14 years' unexpired lease term. Rekom UK is one of the largest specialist late-night operators in the UK with 46 clubs and bars across a number of brands. The nightclub trades as "PRYZM" and "Steinbeck & Shaw".

The Company made two disposals during the year:

Langthwaite Business Park, South Kirkby

During August 2021, a sale of the Company's asset at Langthwaite Business Park in South Kirkby was completed for a price of £10.84 million. The sale price achieved was 87% ahead of the purchase price paid by the Company for the asset in Q4 2015.

No capital expenditure had been invested into the asset during its hold period, however the tenant's lease had been extended and rental levels increased by 13%. Throughout its hold period the asset remained income producing with a minimum yield of 11% against the purchase price.

Investment Manager's Report *(continued)*

Bessemer Road, Basingstoke

In October 2021, the Company completed on the sale of its warehouse at Bessemer Road, Basingstoke for a price of £5.9 million, a 73% premium above the purchase price of £3.4 million paid in Q1 2016.

No capital expenditure had been invested into the asset during its hold period, however, prior to the sale, the tenant's lease had been extended for a period of five years and rental levels increased by 16%. Throughout its hold period the asset remained income producing with a minimum yield of 9.8% against the purchase price.

Asset Management Update

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

- **Arrow Point Retail Park, Shrewsbury (retail warehousing)** – During Q2 2021, the Company completed an agreement with tenant British Heart Foundation to push its November 2021 break option out to December 2024 in return for four months' rent free. The majority of the rent free was used to write off rent arrears predating the Company's ownership.
- **Diamond Business Park, Wakefield (industrial)** – During Q2 2021, the Company completed a new five year lease at Unit 14 reflecting a rent of £3.75 per sq ft. The annual rental of £41,866 pa sits 25% above the independently assessed March 2021 estimated rental value and six months' rent free was given as an incentive. The lease was agreed outside of the provisions of the Landlord and Tenant Act 1954 meaning that the Company benefits from greater flexibility upon expiry of the lease.
- **Bristol, 40 Queen Square (office)** – During Q2 2021, the Company completed a new five year lease to Brewin Dolphin at a rent of £103,770 pa reflecting £30 per sq ft versus the previous passing rent of £22 per sq ft and the March 2021 ERV of £26 per sq ft. A 12 month rent free incentive was given.
- **Vantage Point, Hemel Hempstead (office)** – During Q3 2021, the Company completed a new five year lease to Netronix Integration Limited at a rent of £33,683 pa reflecting £14.50 per sq ft. The rental level agreed reflects £3 per sq ft above valuers, ERV. Four months' rent free incentive was given to the tenant who also has the ability to bring the lease to an end at the expiry of three years.
- **Bristol, 40 Queen Square (office)** – During Q3 2021, the Company completed a lease renewal to Candide Limited until February 2025 at a rent of £30 per sq ft, £116,970 pa. The previous passing rent reflected £22.81 per sq ft and only 1.5 months' rent free incentive was given.
- **Sarus Court, Runcorn (industrial)** – During Q3 2021, the Company completed a 10 year lease renewal with tenant NTT United Kingdom Limited, trading as Dimension Data. Rental income from the lease was agreed at £5.75 per sq ft as compared to the previous level of passing rent of £5.25 per sq ft. There is a tenant break option in December 2025. Five months' rent free was given to the tenant as an incentive.
- **15-33 Union Street, Bristol (Standard Retail)** – During Q4 2021, the Company completed a new 15 year lease to Roxy Leisure Limited, a "competitive social" leisure occupier, at a rent of £181,000 pa reflecting £10 per sq ft. The lease provides for five yearly RPI linked reviews, collared and capped at 1.5% and 4% respectively. A 12-month rent free period was granted to the tenant as an incentive along with a £300,000 capital contribution to the tenant's fit out. On acquisition in June 2021, the 18,122 sq ft of upper floor space was vacant, with the Company benefiting from a 12-month rental guarantee from the vendor of the asset with a value of £190,000.
- **Pearl House, Nottingham (Standard Retail)** – During Q4 2021, the Company completed the renewal of Cancer Research's lease for a term of 5 years with a tenant break in year three, subject to a break penalty equivalent to three months' rent. The rent agreed is £21,000 pa. Three months' rent-free incentive was given to the tenant.

Investment Manager's Report *(continued)*

- **Above Bar Street, Southampton (Standard Retail)** – During Q4 2021, the Company completed a new straight five year lease to Shoe Zone at its property at 69 Above Bar Street. The transaction will provide the Company with a rental income of £80,000 pa with 12 months' rent free incentive given to the tenant. The lease was agreed outside of the provisions of the Landlord and Tenant Act 1954 meaning that the Company benefits from greater flexibility upon expiry of the lease. The transaction exchanged during Q3 2021 and was subject to approximately £40,000 of landlord works which have now been completed.
- **Walkers Lane, St Helens (industrial)** – During Q4 2021, the Company reached agreement with tenant Kverneland in respect of its October 2020 open market rent review. The review has been settled at £389,000 pa reflecting £4.16 per sq ft and representing a £89,000 pa increase above the prior passing rent.
- **Westlands Distribution Park, Weston-Super-Mare (industrial)** – During Q4 2021, the Company completed a new letting to North Somerset District Council at £20,000 pa, rising to £30,000 pa in April 2022. The lease provides for five yearly upwards only rent reviews to the higher of open market or RPI (capped at 1.5% per annum) in 2027 and 2032. The lease expires in April 2037 with mutual rolling break options in 2024, 2027 and 2032.
- **Sarus Court, Runcorn (industrial)** – During Q4 2021, the Company completed a new 10 year lease to KMS (Europe) Ltd at a headline rent of £6 per sq ft reflecting an annual rental income of £95,000 pa. The letting set a new high rental tone for the estate and far exceeds the prior passing rent of £4.83 per sq ft. The incoming tenant was given the benefit of a 12-month rent free period spread out over the first three years of the lease.
- **Knowles Lane, Bradford (industrial)** – During March 2022, the Company settled the September 2021 open market rent review with tenant, Pilkington United Kingdom Ltd, at our industrial unit in Bradford. The agreed rent is £208,000 per annum reflecting £4.50 per sq ft. The previous passing rent was £182,500 per annum reflecting £3.95 per sq ft and representing a 14% increase over a three-year period.
- **Apollo Business Park, Basildon (industrial)** – During March 2022, the Company completed a new 10-year letting at Unit 1 Apollo Business Park, Basildon. The lease provides the tenant with a five-year break option and offers six months' rent free. The letting produces annual rental income of £240,750 and realises a new headline rent of £8 per sq ft versus an expected market rental value of £7 per sq ft.
- **First Avenue, Deeside (industrial)** – In Q4 2021, incumbent tenant, Magellan Aerospace (UK) Ltd, served notice to bring its lease to an end on 1 April 2022. Discussions have been ongoing since the service of the break notice to agree terms for a short-term lease extension. This agreement has now been signed, extending the tenant's occupation by six months. Upon completion of the new lease, the tenant paid to the Company a dilapidations settlement of £250,000, three months' rent up front at a rate of £6 per sq ft (vs market rent value of £5.25 per sq ft and previous passing rent of £3.75 per sq ft) and a single lease premium of £50,000. The total capital receipt from the tenant upon completion was £457,400 excluding VAT. The property continues to be marketed.
- **Bath Street, Glasgow (office)** – During February 2022, the Company received confirmation that planning consent had been granted for the demolition and development of a 527-unit student accommodation scheme at 225 Bath Street in Glasgow city centre. This follows the exchange of contracts for the sale of the site with a subsidiary company of IQ Student Accommodation in October 2020. The sale of 225 Bath Street is expected to complete after the standard three-month judicial review period.

Once the sale of Bath Street completes, occupancy within the portfolio is expected to increase by just over 4% with a corresponding decrease in the Company's costs and associated increase in income once sale proceeds have been reinvested. Earnings are then expected to normalise at a level much closer to the Company's long-term target.

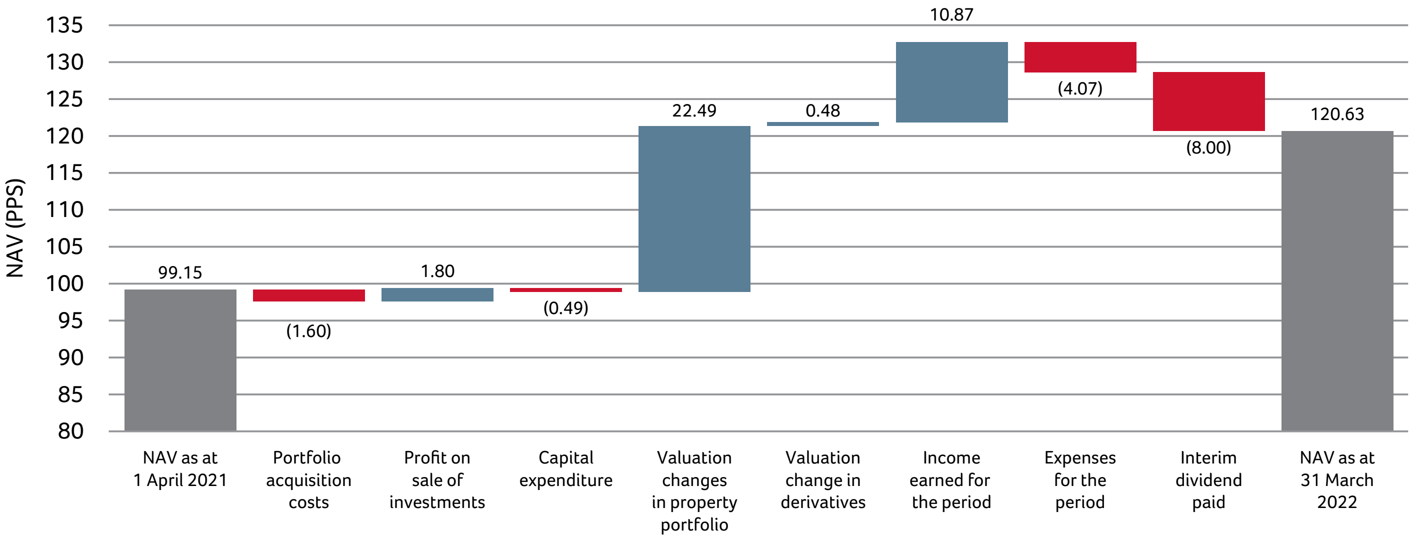
Vacancy

The portfolio's overall vacancy level now sits at 5.42%, excluding vacancy contributed by the asset at 225 Bath Street, Glasgow, which as discussed above, has now been exchanged for sale for alternative use redevelopment. As a condition of the sale agreement, full vacancy had to be achieved in the building before the sale could be completed. Including this asset, overall vacancy is 10.69%.

Investment Manager's Report *(continued)*

Financial Results

The Company's Net Asset Value as at 31 March 2022 was £191.10 million or 120.63 pps (31 March 2021: £157.08 million or 99.15 pps). This is an increase of 21.48 pps or 21.7% over the year, with the underlying movement in NAV set out in the table below:



EPRA earnings per share for the period was 6.79 pps which, based on dividends paid of 8.00 pps, reflects a dividend cover of 84.88%. The increase in dividend cover compared to the prior 12-month period has largely arisen due to improvements in rent collection levels, along with successful legal outcomes that have recovered significant arrears. Income across the tenancy profile has remained largely intact. Collection rates have reached 99% for both the March 2022 and June 2022 quarters, with further payments expected to be received under longer term payment plans; of the outstanding arrears, £0.76 million has been provided for expected credit losses.

Financing

As at 31 March 2022, the Company had a £60.00 million loan facility with RBSi, which was due to be in place until October 2023, the details of which are presented below:

	31 March 2022	**31 March 2021**
Facility	**£60.00 million**	£60.00 million
Drawn	**£54.00 million**	£39.50 million
Gearing (Loan to NAV)	**28.26%**	25.15%
Interest rate	**2.20% all-in (SONIA + 1.4%)**	1.44% all-in (LIBOR +1.4%)
Notional Value of Loan Balance Hedged	**95%**	130.4%

Due to GBP LIBOR ending at the end of 2021, the Company transitioned to SONIA on 20 July 2021, with a credit adjustment spread of 0.0981%. Post year-end, the Company secured a new £60.00 million, five-year term loan facility with AgFe. See page 5 for further detail.

Investment Manager's Report *(continued)*

Property Portfolio

Summary by Sector as at 31 March 2022

Sector	Number of assets	Valuation (£m)	Area (sq ft)	Vacancy by ERV (%)	WAULT to break (years)	Gross passing rental income (£m)	Gross passing rental income (£psf)	ERV (£m)	ERV (£psf)	Rental income (£m)	Like-for-like rental growth (£m)	Like-for-like rental growth (%)
Industrial	19	120.75	2,364,571	4.87	3.60	7.80	3.30	9.28	3.92	7.88	0.29	4.16
Office	5	43.28	251,812	31.59	3.88	1.58	6.27	3.64	14.47	1.74	(0.71)	(28.89)
Retail Warehouse	3	34.25	285,704	14.78	2.05	3.11	10.89	3.38	11.82	2.17	(0.01)	(1.98)
Standard Retail	6	24.98	237,792	2.53	5.03	2.58	10.87	2.33	9.79	2.59	(0.06)	(3.19)
Alternatives	3	16.92	151,824	0.00	7.67	1.80	11.83	1.59	10.47	1.54	(0.05)	(2.98)
Portfolio	**36**	**240.18**	**3,291,703**	**10.69**	**3.94**	**16.87**	**5.13**	**20.22**	**6.14**	**15.92**	**(0.54)**	**(3.91)**

Summary by Geographical Area as at 31 March 2022

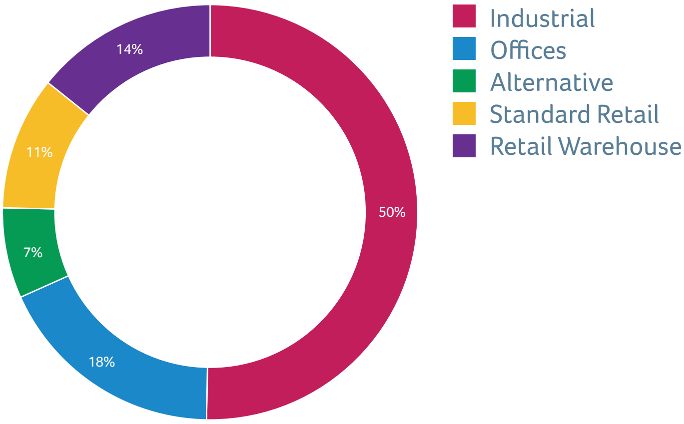
Geographical area	Number of assets	Valuation (£m)	Area (sq ft)	Vacancy by ERV (%)	WAULT to break (years)	Gross passing rental income (£m)	Gross passing rental income (£psf)	ERV (£m)	ERV (£psf)	Rental income (£m)	Like-for-like rental growth (£m)	Like-for-like rental growth (%)
West Midlands	5	42.65	598,405	14.03	2.76	3.73	6.23	4.01	6.69	2.72	(0.12)	(9.22)
South West	5	40.08	517,232	6.42	3.28	2.78	5.38	3.48	6.73	2.73	0.26	13.89
Yorkshire and Humberside	7	38.02	791,858	6.75	2.44	2.23	2.81	3.33	4.20	2.54	(0.22)	(8.77)
South East	4	27.90	137,026	5.01	5.06	1.36	9.91	1.72	12.57	1.85	(0.14)	(8.07)
Eastern	5	26.90	344,339	0.00	2.19	1.99	5.78	2.12	6.16	1.85	0.19	11.51
Wales	3	23.13	415,607	0.00	7.50	1.76	4.24	1.84	4.43	1.35	0.00	0.12
North West	4	19.15	301,654	0.00	4.33	1.56	5.17	1.43	4.75	1.51	0.16	11.59
Rest of London	1	9.90	71,720	0.00	9.62	0.96	13.40	0.75	10.45	0.96	(0.04)	(4.56)
Scotland	1	8.50	85,643	91.85	1.42	0.09	1.10	1.16	13.54	0.01	(0.64)	(98.55)*
East Midlands	1	3.95	28,219	0.00	4.67	0.41	14.56	0.38	13.38	0.40	0.01	2.69
Portfolio	**36**	**240.18**	**3,291,703**	**10.69**	**3.94**	**16.87**	**5.13**	**20.22**	**6.14**	**15.92**	**(0.54)**	**(3.91)**

* Excluding the vacancy from 225 Bath Street Glasgow, which has exchanged to be sold with the condition of vacant possession, the vacancy rate is 5.42%.

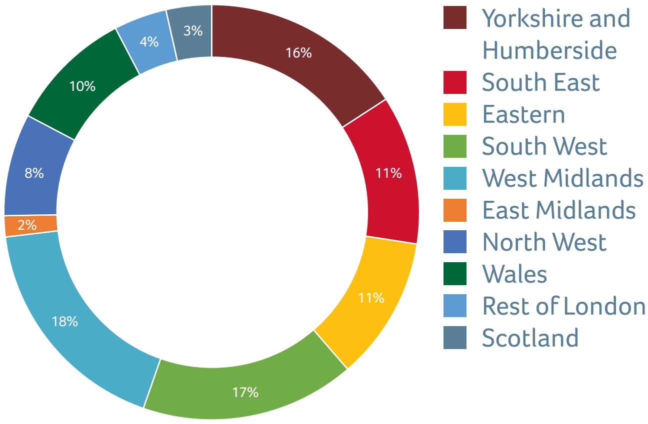
Property Portfolio *(continued)*

Properties by Market Value as at 31 March 2022

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



Geographical weighting by valuation – highly diversified across the UK



Properties by Market Value as at 31 March 2022

	Property	Sector	Region	Market Value Range (£m)
	Top 10:			
1.	Central Six Retail Park, Coventry	Retail Warehouses	West Midlands	15.0 – 20.0
2.	Eastpoint Business Park, Oxford	Offices	South East	15.0 – 20.0
3.	Gresford Industrial Estate, Wrexham	Industrial	Wales	10.0 – 15.0
4.	40 Queen Square, Bristol	Offices	South West	10.0 – 15.0
5.	Lockwood Court, Leeds	Industrial	Yorkshire and Humberside	10.0 – 15.0
6.	15-33 Union Street, Bristol	Standard Retail	South West	10.0 – 15.0
7.	London East Leisure Park, Dagenham	Alternatives	Rest of London	7.5 – 10.0
8.	Arrow Point Retail Park, Shrewsbury	Retail Warehouses	West Midlands	7.5 – 10.0
9.	Apollo Business Park, Basildon	Industrial	Eastern	7.5 – 10.0
10.	225 Bath Street, Glasgow	Offices	Scotland	7.5 – 10.0

The Company's top 10 properties listed above comprise 49.4% (2021: 49.7%) of the total value of the portfolio.

Investment Manager's Report *(continued)*

Property Portfolio *(continued)*

	Property	Sector	Region	Market Value Range (£m)
11.	Sarus Court, Runcorn	Industrial	North West	7.5 – 10.0
12.	Storey's Bar Road, Peterborough	Industrial	Eastern	7.5 – 10.0
13.	Euroway Trading Estate, Bradford	Industrial	Yorkshire and Humberside	5.0 – 7.5
14.	Westlands Distribution Park, Weston Super Mare	Industrial	South West	5.0 – 7.5
15.	Brockhurst Crescent, Walsall	Industrial	West Midlands	5.0 – 7.5
16.	Barnstaple Retail Park, Barnstaple	Retail Warehouses	South West	5.0 – 7.5
17.	Walkers Lane, St Helens	Industrial	North West	5.0 – 7.5
18.	Deeside Industrial Park, Deeside	Industrial	Wales	5.0 – 7.5
19.	Diamond Business Park, Wakefield	Industrial	Yorkshire and Humberside	5.0 – 7.5
20.	Mangham Road, Rotherham	Industrial	Yorkshire and Humberside	< 5.0
21.	710 Brightside Lane, Sheffield	Industrial	Yorkshire and Humberside	< 5.0
22.	Oak Park, Droitwich	Industrial	West Midlands	< 5.0
23.	Pipps Hall Industrial Estate, Basildon	Industrial	Eastern	< 5.0
24.	Pearl House, Nottingham	Standard Retail	East Midlands	< 5.0
25.	Eagle Road, Redditch	Industrial	West Midlands	< 5.0
26.	Cedar House, Gloucester	Offices	South West	< 5.0
27.	PRYZM, Cardiff	Alternatives	Wales	< 5.0
28.	69-75 Above Bar Street, Southampton	Standard Retail	South East	< 5.0
29.	Clarke Road, Milton Keynes	Industrial	South East	< 5.0
30.	Odeon Cinema, Southend-on-Sea	Alternatives	Eastern	< 5.0
31.	Bridge House, Bradford	Industrial	Yorkshire and Humberside	< 5.0
32.	Commercial Road, Portsmouth	Standard Retail	South East	< 5.0
33.	Pricebusters Building, Blackpool	Standard Retail	North West	< 5.0
34.	Vantage Point, Hemel Hempstead	Offices	Eastern	< 5.0
35.	Moorside Road, Swinton	Industrial	North West	< 5.0
36.	11/15 Fargate, Sheffield	Standard Retail	Yorkshire and Humberside	< 5.0

Investment Manager's Report *(continued)*

Property Portfolio *(continued)*

UK property locations as at 31 March 2022

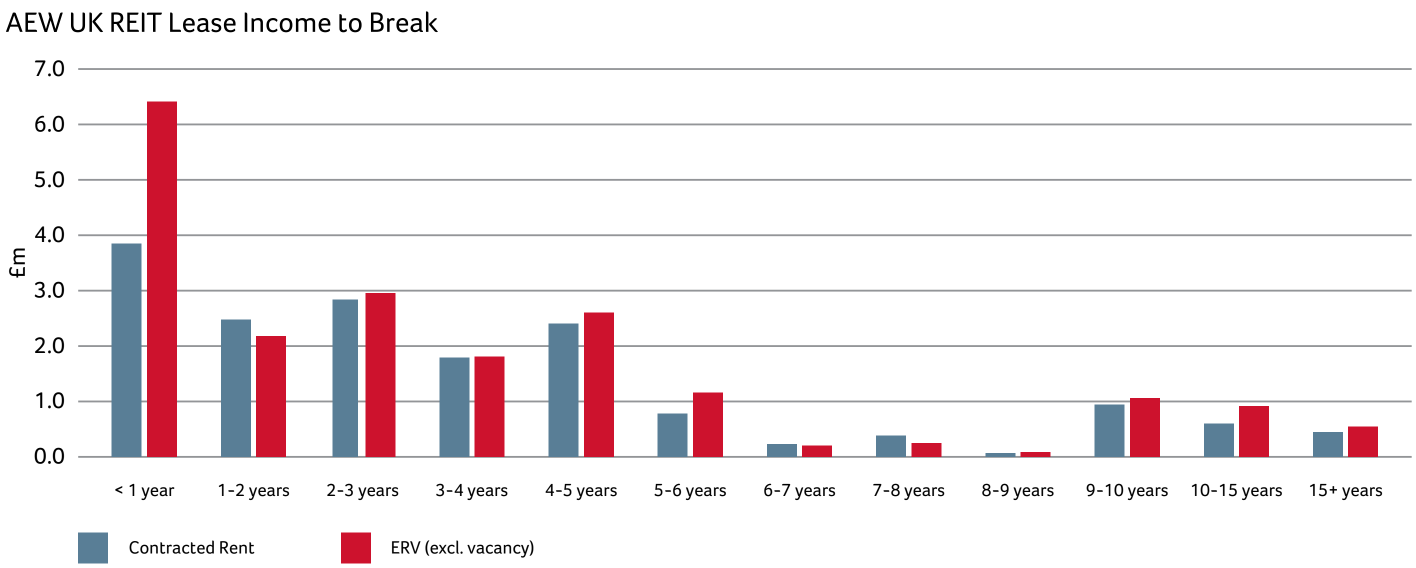
Investment Manager's Report *(continued)*

Top 10 Tenants as at 31 March 2022

	Tenant	Sector	Property	Passing Rental Income (£'000)	% of Portfolio Total Passing Rental Income
1.	Plastipak UK Ltd	Industrial	Gresford Industrial Estate, Wrexham	883	5.2
2.	Sports Direct	Retail	Various	678	4.0
3.	Wyndeham Group	Industrial	Wyndeham, Peterborough	644	3.8
4.	Poundland Limited	Retail	Various	631	3.7
5.	Mecca Bingo Ltd	Leisure	London East Leisure Park, Dagenham	625	3.7
6.	Harrogate Spring Water Limited	Industrial	Lockwood Court, Leeds	603	3.6
7.	Magellan Aerospace (UK) Ltd	Industrial	Excel 95, Deeside	580	3.4
8.	Odeon Cinemas	Leisure	Victoria Circus, Southend-on-Sea	535	3.2
9.	Wilko Retail Limited	Retail	15-33 Union Street, Bristol	481	2.9
10.	Advanced Supply Chain (BFD) Ltd	Industrial	Euroway Trading Estate, Bradford	467	2.8

The Company's top ten tenants, listed above, represent 36.3% (2021: 38.8%) of the total passing rental income of the portfolio.

Lease Expiry Profile as at 31 March 2022



Approximately £3.85 million of the Company's current contracted income stream is subject to an expiry or break within the 12-month period commencing 1 April 2022.

Investment Manager's Report *(continued)*

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 2022		31 March 2021	
Leverage Exposure	**Gross Method**	**Commitment Method**	Gross Method	Commitment Method
Maximum Limit	140%	140%	140%	140%
Actual	125%	129%	114%	125%

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) incentivising staff performance over longer periods of time;

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

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

As required under section 'Fund 3.3.5.R(5)' of the Investment Fund Sourcebook, the following information is provided in respect of remuneration paid by the AIFM to its staff for the year ended to 31 December 2021.

	Year ended 31 December 2021
Total remuneration paid to employees during financial year:	
a) remuneration, including, where relevant, any carried interest paid by the AIFM:	£2,938,680
b) the number of beneficiaries	30
The aggregate amount of remuneration of the AIFM Remuneration Code staff, broken down by:	
a) senior management	£753,900
b) members of staff	£2,184,780

	Fixed remuneration	Variable remuneration	Total remuneration
Senior management	£681,900	£72,000	£753,900
Staff	£1,615,193	£569,587	£2,184,780
Total	**£2,297,093**	**£641,587**	**£2,938,680**

Fixed remuneration comprises basic salaries and variable remuneration comprises bonuses.

AEW UK Investment Management LLP

21 June 2022

Principal Risks and Uncertainties

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

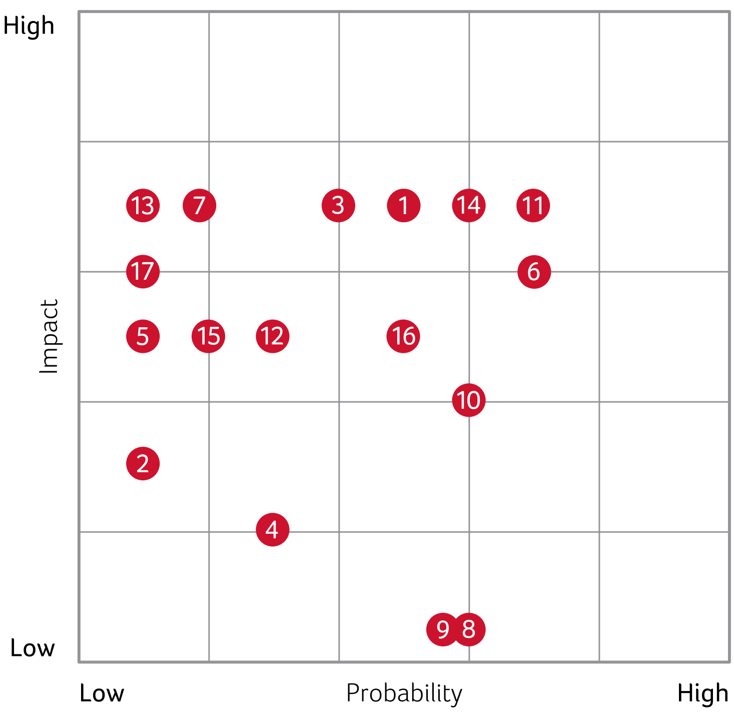
The Board has overall responsibility for reviewing the effectiveness of the system of risk management and internal control which is operated by the Investment Manager. The Company's ongoing risk management process is designed to identify, evaluate and mitigate the significant risks the Company faces.

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

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

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

Principal Risks



Key

1. Property market
2. Property valuation
3. Tenant default
4. Asset management initiatives
5. Due diligence
6. Fall in rental rates
7. Breach of borrowing covenants
8. Interest rate rises
9. Availability and cost of debt
10. Dependence on Investment Manager and other third party service providers
11. Ability to meet objectives
12. Business interruption
13. Company REIT status
14. General political and economic risks
15. COVID-19
16. Environmental transition risk
17. Physical risk to properties

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:** Moderate **Impact:** Moderate to High **Movement:** No change
2. Property valuation		
Property and property-related assets are inherently difficult to value due to the individual nature of each property. There may be an adverse effect on the Company's profitability, the NAV and the price of Ordinary Shares in cases where properties are sold whose valuations have previously been materially overstated.	The Company uses an independent external valuer (Knight Frank LLP) to value the properties at fair value in accordance with accepted RICS appraisal and valuation standards.	**Probability:** Low **Impact:** Low to Moderate **Movement:** Decrease
3. Tenant default		
Failure by tenants to fulfil their rental obligations could affect the income that the properties earn and the ability of the Company to pay dividends to its shareholders.	Comprehensive due diligence is undertaken on all new tenants. Tenant covenant checks are carried out on all new tenants where a default would have a significant impact. The asset management team conducts ongoing monitoring and liaison with tenants to manage potential bad debt risk.	**Probability:** Moderate **Impact:** Moderate to High **Movement:** Decrease
4. Asset management initiatives		
Asset management initiatives, such as refurbishment works, may prove to be more extensive, expensive and take longer than anticipated. Cost overruns may have a material adverse effect on the Company's profitability, the NAV and the share price.	Costs incurred on asset management initiatives are closely monitored against budgets and reviewed in regular presentations to the Investment Management Committee of the Investment Manager.	**Probability:** Low to Moderate **Impact:** Low to Moderate **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 ten 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:** No change
BORROWING RISKS		
7. Breach of borrowing covenants		
The Company has entered into a term credit facility with RBSi. Material adverse changes in valuations and net income may lead to breaches in the Loan to Value ('LTV') and interest cover ratio covenants. The Investment Manager will maintain a close relationship with its new loan finance provider, AgFe, to ensure continuing dialogue around 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:** Moderate to High **Movement:** Decrease

Principal Risks and Uncertainties *(continued)*

Principal risks and their potential impact	How risk is managed	Risk assessment
BORROWING RISKS *(continued)*		
8. Interest rate rises		
The Company's borrowings through a term credit facility are subject to interest rate risk through changing SONIA rates. Any increases in SONIA rates may have an adverse effect on the Company's ability to pay dividends. As detailed on page 5 (financing section of Chairman's Statement), the Company has secured a new fixed rate loan facility with AgFe which, by definition, protects the Company from rising interest rates.	In the case of variable rate loans, the Company uses interest rate 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 **Impact:** Low **Movement:** Decrease
9. Availability and cost of debt		
The RBSi loan facility was due to mature in October 2023 and therefore, the Company elected to undertake a re-financing which concluded in May 2022, but had not completed by year-end. The re-financed loan is held with AgFe and is a £60.00m facility.	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. The Company actively monitors the loan term and engages in loan extension negotiations far in advance of expiry.	**Probability:** Moderate **Impact:** Low **Movement:** Decrease

Principal Risks and Uncertainties *(continued)*

Principal risks and their potential impact	How risk is managed	Risk assessment
CORPORATE RISKS		
10. Dependence on Investment Manager and other third party service providers		
The Company has no employees and is reliant upon the performance of its Investment Manager and third party service providers. Failure by the Investment Manager and/or any service provider to carry out its obligations to the Company in accordance with the terms of its appointment could have a materially detrimental impact on the operation of the Company. The future ability of the Company to successfully pursue its investment objective and investment policy may, among other things, depend on the ability of the Investment Manager to retain its existing staff and/or to recruit individuals of similar experience and calibre.	The Investment Manager has endeavoured to ensure that the principal members of its management team are suitably incentivised. The performance of service providers in conjunction with their service level agreements is monitored via regular calls and face-to-face meetings and the use of key performance indicators, where relevant.	**Probability:** Moderate to High **Impact:** Moderate **Movement:** No change
11. 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:** Moderate to High **Impact:** Moderate to High **Movement:** No change
12. Business interruption		
Cyber-attacks on the Investment Manager's and/or other service providers' IT systems could lead to disruption, reputational damage, regulatory (including GDPR) or financial loss to the Company.	The Investment Manager and other service providers' staff are capable of working remotely for an extended time period. The Investment Manager's and other service providers' IT systems are protected by anti-virus software and firewalls that are updated regularly. Fire protection and access security procedures exist at all the Company's managed properties, along with the offices of its Investment Manager and other service providers.	**Probability:** Low to Moderate **Impact:** Moderate **Movement:** No change

Principal Risks and Uncertainties *(continued)*

Principal risks and their potential impact	How risk is managed	Risk assessment
TAXATION RISKS		
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:** Moderate to High **Movement:** No change
POLITICAL/ECONOMIC RISKS		
14. General political and 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 the effects of the UK's exit from the EU in January 2021. In addition, the current war in Ukraine and associated sanctions on Russia continue to drive-up energy and commodity prices. This might further damage consumer and investor sentiment as real income and wealth levels are reduced.	The Board considers the impact of political and macroeconomic events when reviewing strategy.	**Probability:** Moderate to High **Impact:** Moderate to High **Movement:** No change
15. COVID-19		
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. Now that lockdown restrictions have been lifted, the Company has experienced a return to pre-COVID-19 rent collection levels and a marked reduction in the disruption caused by COVID-19.	The Investment Manager continues to monitor the impact that COVID-19 has had on the Company's assets and its tenants in order to protect the Company's cash flow regarding rent collection, impact on dividends and banking covenants. The Investment Manager continues to monitor the financial health of its suppliers to ensure the impact to the Company and its service providers is minimised.	**Probability:** Low to Moderate **Impact:** Moderate **Movement:** Decreasing

Principal Risks and Uncertainties *(continued)*

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

Stakeholder Engagement

s172 Statement

The Directors' overarching duty is to promote the success of the Company for the benefit of its 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 *(continued)*

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

Principal decisions made by the Board

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

Dividends	The Board is committed to delivering on its target of paying dividends of 8.00 pps per annum, continuing the Company's track record in paying dividends at this level.
Continued focus on sustainability impact and GRESB score	The Board has continued its focus on responsible business practices. More details can be found in the Directors' Report on pages 54 to 65. The Investment Manager meets regularly with its ESG consultant, Evora, to consider initiatives to improve the Company's GRESB score.
Oversight of Investment Manager and Review of Investment Activities	The Board is responsible for the ongoing review of investment activity and performance and the control and supervision of the Investment Manager. During the year, the following key investment activities were approved by the Board: – The acquisition of Arrow Point Retail Park, Shrewsbury; – The acquisition of 15-33 Union Street, Bristol; – The disposal of Langthwaite Industrial Estate, South Kirkby; – The disposal of Wella Warehouse, Basingstoke; – The acquisition of Central Six Retail Park, Coventry; – The acquisition of PRYZM Nightclub, Cardiff; – The re-financing of the Company's loan facility, which is now held with AgFe, having previously been held with RBSi. Further information is provided on page 5. Further details of the property transactions can be found in the 'Property Portfolio' section of the Investment Manager's Report.

Stakeholder Engagement *(continued)*

Principal decisions made by the Board *continued*

Consideration of the Company's loan facility arrangements	The Board considered the potential loan refinancing options and agreed to enter into a loan agreement with provider, AgFe. The Board decided to secure new finance for five years, in advance of the end of the current loan term, being October 2023. AgFe was primarily selected due to offering a lower margin than that offered by the incumbent bank on a refinanced facility, based on prevailing market rates. Of the various refinancing options explored, a lower overall cost of debt will be achieved with AgFe, as the loan is based on five-year Gilts rather than five-year SONIA swaps. Further information is provided on page 5. The re-financing was not concluded until post year-end, however this was assessed during the year.

Further information on the Company's engagement with stakeholders and its ESG policy can be found on page 57 to 59.

Approval

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

Mark Burton
Chairman

21 June 2022

Governance

Board of Directors

Mark Burton, non-executive Chairman
(aged 74)

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

Appointed: 9 April 2015

Bimaljit ("Bim") Sandhu, non-executive Director
(aged 60)

Mr Sandhu is chief executive officer and owner of The Santon Group which has developed over £1.4 billion of property. The Santon Group has won a number of environmental awards and has been involved in a number of regeneration schemes. He is an independent non-executive director and chairman of the audit committee of Africa Logistics Properties Holdings Limited and non-executive director and member of the audit committee of The Conygar Investment Company PLC. Mr Sandhu was, until its sale in May 2021, a non-executive director of, and major investor in, Hyperdrive Innovation, a multiple award winning company, which seeks to provide more environmentally friendly energy solutions for clients in diverse industries. He is chairman of The Sandhu Charitable Foundation that supports a number of charities that have a social impact both in the UK and overseas. Mr Sandhu was a founder and chief executive officer of Raven Mount plc, a co-founder of Raven Property Group Limited (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 the 5,000 strong pub unit, The Courage Pub Company plc. Mr Sandhu is a Fellow of the Institute of Chartered Accountants, having qualified as a Chartered Accountant with KPMG in London. Following qualification, he became secretary of the KPMG UK Property & Construction Group.

Appointed: 9 April 2015

Katrina Hart, non-executive Director
(aged 48)

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 was formerly a non-executive director of Premier Miton Group Plc and had served on the board of Miton Group Plc since 2011. Mrs Hart is a non-executive director of BlackRock Frontiers Investment Trust plc, Polar Capital Global Financials Trust plc, Keystone Positive Change Investment Trust plc, JP Morgan UK Smaller Companies Trust plc and Montanaro Asset Management Limited.

Appointed: 5 June 2017

Corporate Governance Statement

This Corporate Governance Statement comprises pages 41 to 46 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 fully meet their obligations under the UK Code and the related disclosure requirements contained in the Listing Rules. The AIC Code is available from the AIC website at theaic.co.uk. A copy of the UK Code can be obtained at frc.org.uk.

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

The UK Code includes provisions relating to:

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

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

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

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

The Board of Directors

Under the leadership of the Chairman, the Board of Directors is collectively responsible for the long-term sustainable success of the Company. It provides overall leadership, sets the strategic aims of the Company and ensures that the necessary resources are in place for the Company to meet its objectives and fulfil its obligations to shareholders within a framework of high standards of corporate governance and effective internal controls. The Directors are responsible for 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 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.

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

Corporate Governance Statement *(continued)*

Chairman

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

The Chairman was independent on appointment and is deemed by his fellow Board members to be independent in character and judgement and free of any conflicts of interest. He considers himself to have sufficient time to spend on the affairs of the Company. Mr Burton has no significant commitments other than those disclosed in his biography on page 40.

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

Board Operation

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

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

Board Meetings

The Company has four scheduled Board meetings a year with additional meetings held to approve NAVs and dividends and other meetings arranged as necessary. At each Board meeting, the Directors follow a formal agenda which is circulated in advance by the Company Secretary. The Administrator, Investment Manager and the Company Secretary regularly provide the Board with financial information, together with briefing notes and papers in relation to changes in the Company's economic and financial environment, statutory and regulatory changes and corporate governance best practice. A description of the Company's risk management and internal control systems is set out on pages 45 and 46.

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

Corporate Governance Statement *(continued)*

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

The Audit Committee comprises all the non-executive Directors and is chaired by Mr Sandhu, who has recent and relevant financial experience. Given the size and nature of the Board, it is felt appropriate that all Directors are members of the Audit Committee. The Board is satisfied that the combined knowledge and experience of its members is such that the Committee discharges its responsibilities in an effective, informed and challenging manner. The Committee as a whole has competence relevant to the investment trust sector. Further details about this Committee and its activities can be found on pages 47 to 50.

Meeting Attendance
The table below sets out the number of Board and Committee meetings attended by each Director during the year ended 31 March 2022.

	Board meetings		Audit Committee meetings	
	Number of meetings	Number attended	Number of meetings	Number attended
Mark Burton	12	12	2	2
Bim Sandhu	12	12	2	2
Katrina Hart	12	12	2	2

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

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

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

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

Corporate Governance Statement *(continued)*

Diversity
The Board acknowledges the importance of diversity for the Company, including but not limited to gender diversity, ethnic and social background, and has established the following objectives for achieving diversity, as set out in its diversity policy:

- 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; and
- when engaging with executive search firms, the Company will only engage with those firms who have signed up to the Voluntary Code of Conduct for Executive Search Firms on gender diversity and best practice.

As at 31 March 2022 the Board comprised of three members. The gender breakdown is as follows: 1 (33% female); 2 (67% male). Each Board member is also a Director of the Company's subsidiary, AEW UK REIT 2015 Limited.

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.

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

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

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

Succession Planning
The composition of the Board and succession planning are kept under review by the Board and reviewed annually as part of the Board evaluation process in order to ensure an orderly refreshment of the Board.

Corporate Governance Statement *(continued)*

Culture

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

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

The Board seeks to appoint the best possible service providers and evaluates their services on a regular basis as described on page 56 to 57. The Board considers the culture of the Investment Manager and other service providers, including their policies, practices and behaviour, through regular reporting from these stakeholders and in particular during the annual review of the performance and continuing appointment of all service providers.

Internal Control Review

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

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

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

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

Corporate Governance Statement *(continued)*

Internal Control Assessment Process

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

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

- a risk register has been maintained against which identified and emerging risks as well as the controls in place to mitigate those risks can be monitored. The risks of any failure of internal controls are identified in the risk matrix, which is regularly reviewed by the Board through the Audit Committee and the impact of such risks is also assessed. The principal and emerging risks and uncertainties identified from the risk matrix can be found in the Strategic Report on pages 30 to 36;
- a procedure to monitor the compliance status of the Company to ensure that it can continue to be approved as a REIT;
- the Investment Manager and the Administrator prepare forecasts and management accounts which allow the Board to assess performance; and
- the controls employed by the Investment Manager and other third party service providers, as evidenced by their ISAE 3402 or equivalent reports, are periodically reviewed by the Audit Committee, and there are agreed and defined investment criteria, specified levels of authority and exposure limits in relation to investments, leverage and payments.

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

AGM

The Company's AGM will take place on 7 September 2022. The notice of this meeting and details of the resolutions to be put to the AGM are contained in the circular sent to shareholders with this report and are available on the Company's website.

Report of the Audit Committee

I am pleased to present the Report of the Audit Committee for the year ended 31 March 2022.

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 43 along with details on how the Committee's evaluation process was conducted.

Role of the Audit Committee

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

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

Matters Considered During the Year

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

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

- reviewed the internal controls and risk management systems of the Company and its third party service providers;
- agreed the plan and fees with the Auditor in respect of the review of the Half-Yearly Report for the six months ended 30 September 2021 and the statutory audit of the Annual Report for the year ended 31 March 2022, including the principal areas of focus;
- considered the impact of the ongoing COVID-19 pandemic 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 Report and the year-end audit;
- reviewed the Annual and Half-Yearly Reports and recommended these to the Board for approval;
- reviewed the performance and effectiveness of the Auditor and considered its fees;
- reviewed the non-audit services provided by the Auditor and the associated fees incurred; and
- reviewed Knight Frank's valuation of investment properties.

Report of the Audit Committee *(continued)*

Significant Issues Considered by the Audit Committee

Valuation of Investment Properties

The Audit Committee determined that the key area of risk in relation to the financial statements of the Company was the valuation of the investment properties. The 36 properties in the portfolio as at 31 March 2022 were externally valued by qualified independent valuers, using the internationally accepted Royal Institution of Chartered Surveyors ('RICS') Valuation – Professional Standards, and whilst comparable market transactions provide valuation evidence, there are assumptions which involve significant levels of judgement. The Audit Committee considered the quarterly and year-end valuations of the Company's portfolio which were discussed with the Investment Manager and the Auditor during the audit of the financial statements.

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

Internal Controls

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

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

Internal Audit

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

Maintenance of REIT Status

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

Going Concern and Long-term Viability of the Company

The Audit Committee considered the Company's financial requirements for the next 12 months and concluded that it has sufficient resources to meet its commitments. Consequently, the financial statements have been prepared on a going concern basis. The Audit Committee also considered the longer-term viability statement covering a five-year period, and the underlying factors and assumptions which contributed to the Committee deciding that this was an appropriate length of time to consider the Company's long-term viability. The Company's going concern statement and the viability statement can be found on pages 54 to 56.

Report of the Audit Committee *(continued)*

Audit Fees and Non-audit Services

The Audit Committee has sole responsibility for agreeing the audit fee in consultation with the Investment Manager, based on the scope of the audit. The total audit fees for the year ended 31 March 2022 can be found in note 5 to the financial statements. During the year ended 31 March 2022, the Audit Committee reviewed the policy on the engagement of the Auditor to supply non-audit services, taking into account the recommendations of the FRC. All non-audit services are reviewed by the Audit Committee, which makes recommendations to the Board for the provision of each non-audit service and ensures that the statutory auditor is not engaged to perform work that is prohibited under UK law.

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

These include:

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

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

	Year ended 31 March 2022	Year ended 31 March 2021
Audit		
Statutory audit of Annual Report and Financial Statements	£120,000	£110,000
	£120,000	**£110,000**
Non-audit		
Review of Half-Year Report	£26,000	£25,000
	£26,000	**£25,000**
Total fees paid to BDO LLP/KPMG LLP*	**£146,000**	**£135,000**
Percentage of total fees attributed to non-audit services	**18%**	**19%**

* KPMG LLP conducted the audit for the year ended 31 March 2021.

Independence and Objectivity of the Auditor

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

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

Report of the Audit Committee *(continued)*

External Audit Tender

In March 2021, the Committee tendered the Company's external audit through a competitive tender. Following this process, a recommendation based on quality, knowledge and experience was made to appoint BDO as the Auditor of the Company for the year ending 31 March 2022 and for the period ending 30 September 2021. The appointment of BDO was unanimously approved by shareholders at the AGM held on 8 September 2021.

External Audit Process

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

During the period under review BDO carried out the half year review for the Company. The Chairman of the Audit Committee maintains regular contact with the audit partner throughout the year. In addition, at least once a year, the Audit Committee has an opportunity to discuss any aspect of the Auditor's work with the Auditor in the absence of the Investment Manager. After each audit, the Audit Committee reviews the audit process and considers its effectiveness. The review of the 2022 audit concluded that the audit process had generally worked well and no significant issues were identified specifically in relation to the Company.

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

Bim Sandhu
Audit Committee Chairman

21 June 2022

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

Given the structure and size of the Board, the Board does not consider it necessary to appoint a separate Remuneration Committee. The Board consists entirely of non-executive Directors and the Board as a whole is responsible for determining the remuneration of each Director and each Director abstains from voting on their own individual remuneration. Directors' fees from 1 July 2021 to 31 March 2022 were at a level of £35,000 per annum for the Chairman, £32,500 per annum for the Audit Committee Chairman and £27,500 per annum for the other Director. No changes to the Directors' fees are proposed for the year ending 31 March 2023. 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 of Association permit the Company to provide pensions or similar benefits for Directors and employees of the Company. However, no pension schemes or other similar arrangements have been established and no Director is entitled to any pension or similar benefits. The Directors are not entitled to any compensation for loss of office. No Director is entitled to any other monetary payment or any assets of the Company. Accordingly, the Single Total Figure table on page 52 does not include columns for any of these items or their monetary equivalents.

The Directors' Remuneration Policy was last approved by shareholders at the AGM in 2020 and is available on the Company's website. No significant changes are proposed to the way in which the current Directors' Remuneration Policy will be implemented during the course of the next financial year.

An ordinary resolution to approve the Directors' Remuneration Report will be put to shareholders at the forthcoming AGM to be held on 7 September 2022.

Voting at AGM

The Directors' remuneration report for the year ended 31 March 2021 and the Directors' remuneration policy were approved by shareholders at the AGMs held on 8 September 2021 and 12 September 2020 respectively. The results taken on a poll were as follows:

Remuneration Report 2021	Number of votes cast	Percentage of votes cast
For	43,627,861	99.39
Against	265,888	0.61
Total votes cast	43,893,749	
Number of votes withheld	46,488	

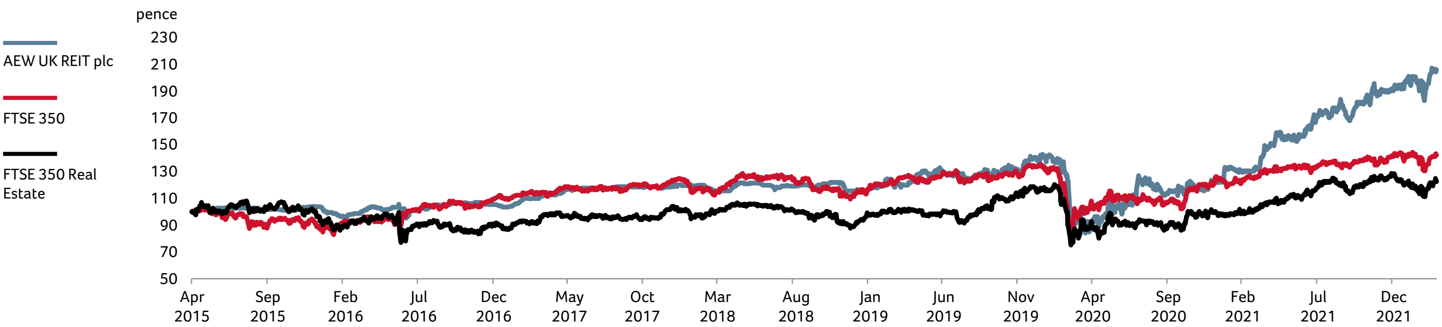
Remuneration Policy 2020		
For	50,766,049	99.74
Against	133,940	0.26
Total votes cast	50,899,989	
Number of votes withheld	36,276	

Directors' Remuneration Report *(continued)*

Performance of the Company

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

Cumulative Share Price Total Return



Source: Bloomberg

Directors' Remuneration for the Year Ended 31 March 2022 (audited)

	Fees paid		Total		
Name of Director	**Year ended 31 March 2022**	Year ended 31 March 2021	**Year ended 31 March 2022**	Year ended 31 March 2021	% change in Directors' fees
Mark Burton	£35,000	£35,000	£35,000	£35,000	–
Bim Sandhu	£32,500	£32,500	£32,500	£32,500	–
Katrina Hart	£27,500	£27,500	£27,500	£27,500	–
	£95,000	**£95,000**	**£95,000**	**£95,000**	**–**

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

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

Directors' Remuneration Report *(continued)*

Relative Importance of Spend on Pay

The table below sets out, in respect of the year ended 31 March 2022:

(a) the remuneration paid to the Directors;

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

(c) distributions to shareholders by way of dividends.

	Year ended 31 March 2022	Year ended 31 March 2021
Directors' fees*	£95,000	£95,000
Management fee and expenses	£1,554,751	£1,228,849
Dividends paid	£12,673,980	£12,690,980

* 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 of Association nor the Directors' Letters of Appointment require a Director to own shares in the Company. The interests of the Directors and their persons closely associated in the equity of the Company at 31 March are shown in the table below:

	Number of Ordinary Shares		**% of Total Voting Rights**	
Director	**2022**	2021	**2022**	2021
Mark Burton	75,000	75,000	0.05	0.05
Bim Sandhu	1,005,839*	1,000,000**	0.63	0.63
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, 425,000 Ordinary Shares held in The Santon Pension Fund (a small self-administered pension scheme ('SSAS') for him and his spouse), 355,839 Ordinary Shares held in The Sandhu Charitable Foundation and 125,000 Ordinary Shares held in his own name.

** 100,000 Ordinary Shares held in Mr Sandhu's spouse's name, Mrs Pardeep Sandhu, 425,000 Ordinary Shares held in The Santon Pension Fund (a small, self-administered pension scheme ('SSAS') for him and his spouse), 350,000 Ordinary Shares held in The Sandhu Charitable Foundation and 125,000 Ordinary Shares held in his own name.

The Company has not been informed of any changes to the above interests between 31 March 2022 and the date of this report.

None of the Directors or any persons connected with them had a material interest in the Company's transactions, arrangements or agreements during the year.

Approval

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

Mark Burton
Chairman

21 June 2022

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 54 to 65 and incorporates the Corporate Governance Statement on pages 41 to 46.

Dividends

The Company pays dividends on a quarterly basis.

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

Directors

The Directors in office at 31 March 2022 and the date of this report are shown on page 40.

Power of Directors

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

Indemnity Provisions

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

Going Concern

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

As at 31 March 2022, the Company had a cash balance of £6.77 million. The Company's existing RBSi loan facility in place at year-end was due to mature in October 2023 and therefore, the Company elected to undertake a re-financing which concluded post year-end in May 2022. The re-financed loan is held with AgFe and is a £60.00m facility with a five-year term. This is priced as a fixed rate loan with a total interest cost of 2.96% and associated 10% projected debt yield and 55% Loan to NAV covenants. The Company reported a Loan to NAV of 28.26% at year-end. Taking into account the further £6.00m debt drawn as part of the re-financing process, this would give a Loan to NAV of 31.40%, all else equal. This provides room for a £92.92 million fall in NAV before reaching the 55% Loan to NAV covenant. Moreover, based on the £54.00m of debt drawn as at year-end, the Company had a projected debt yield of 25%, comfortably in excess of the 10% covenant.

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

- The Company's rent collection has been strong, with 93% of contracted rent either having been collected, or payment plans agreed, for the March 2022 quarter.
- Based on the contracted rent as at 31 March 2022, a reduction of 64.58% in NOI could be accommodated before breaching the debt yield covenant in the Company's refinanced debt arrangements.
- Based on the property valuation at 31 March 2022, the Company had room for a £92.92 million fall in NAV before reaching the maximum LTV covenant in the Company's refinanced debt arrangements.
- The Company's cash flow can also be significantly managed through the adjustment of dividend payments.

Directors' Report *(continued)*

Going Concern *(continued)*

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

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

In the above scenario, the Company is forecast to generate a positive cash flow before dividend payments, however it would generate a cash flow much lower than its target dividend of 8 pps per annum.

As part of the refinancing process, the remaining £6.00m of the loan facility was drawn. Taking this into account, the Company would maintain a Loan to NAV ratio of no higher than 39% over the next 12 months, providing a headroom of over £47 million up to the 55% covenant. The Company's cash could be managed through a change to dividend policy, which would allow the existing cash resources of circa £2.33 million at the date of approval of the financial statements to be maintained.

In the above scenario, the Company is forecast to pass the debt yield covenant during the 12-month period with a minimum projected yield of 18%, compared with the limit of 10%, assuming that no repayments of the facility were to be made.

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

Viability Statement

The Directors have also assessed the prospects of the Company over a period longer than the 12 months required by the 'Going Concern' provisions. The Board has considered the nature of the Company's assets, liabilities and associated cash flows, and has determined that five years up to 31 March 2027 is the maximum timescale over which the performance of the Company can be forecast with a material degree of accuracy and so is an appropriate period over which to assess the Company's viability. Considerations in support of the assessment of the Company's viability over a five-year period include:

- the Company re-financed its debt post year-end in May 2022. A new £60.00 million, five-year term loan facility has been secured with AgFe, a leading independent asset manager specialising in debt-based investments. The loan is priced as a fixed rate loan with a total interest cost of 2.959%. In the current inflationary environment, the Company considers it prudent to fix the loan now, rather than run the risk of further rising rates;
- the Company's property portfolio has a WAULT of 5.78 years to expiry, representing a secure income stream for the period under consideration;
- the Company benefits from a portfolio which is diversified in terms of sector and location, mitigating the risk of tenant default during the period; and
- most leases contain a five-year rent review pattern and therefore an assessment over five years allows the Directors to assess the impact of the portfolio's reversion arising from rent reviews.

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 the Ukraine war, amongst other factors:

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

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

Subsidiary Company

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

Management Arrangements

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

Continuing Appointment of the Investment Manager

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

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

Review of Service Providers

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

During the year, following a review of performance, the Board made the decision to change its Registrar to Link Group with effect from 19 July 2021. 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.

Directors' Report *(continued)*

Review of Service Providers *(continued)*

As noted on page 50, the Audit Committee tendered the Company's external audit through a competitive tender in March 2021. Following this process, the decision was made to appoint BDO as the Auditor of the Company for the six-month period ending 30 September 2021 and the year ending 31 March 2022.

Financial Risk Management

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

Social, Community and Employee Responsibility

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

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

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

AEW UK Investment Management LLP, the Investment Manager to the Company, is part of the Natixis Group whose statement on Slavery and Human Trafficking has been published in accordance with the Modern Slavery Act 2015.
https://www.natixis.com/natixis/en/modern-slavery-act-transparency-statement-in-2020-rqaz5_107684.html

How We Engage With Stakeholders

Investors

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

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

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

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

Tenants

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

Shareholder engagement and investor meetings

During the year, the Company held 16 meetings with approximately 58 potential and existing institutional shareholders. Due to the COVID-19 restrictions in place during the year these engagements were mainly held via conference calls and virtual meetings and were attended by the Investment Manager and Liberum, Broker to the Company. Quarterly, the Company also engaged with its retail investors through virtual presentations held on the Investor Meet Company platform.

Directors' Report *(continued)*

How We Engage With Stakeholders *(continued)*

2022 AGM
The Company's AGM will take place on 7 September 2022. The notice of this meeting and details of the resolutions to be put to the AGM are contained in the circular sent to shareholders with this report and are available on the Company's website.

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

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

Environmental, Social and Governance Policy

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

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

GRESB is the dominant global standard for assessing ESG performance for real estate funds and companies. GRESB requires the Company to report against a wide array of ESG matters, and highlights areas for improvement and opportunities for growth. The Company uses the annual outcome from GRESB as a benchmark to assess its own sustainability performance.

The Company was awarded two stars from GRESB for 2020 and improved its score to 65 (peer group average 61) from the score of 62 recorded in 2019. However, direct comparison to previous years is not representative given the substantial changes introduced by GRESB during the 2020 assessment. With this in mind, it was particularly pleasing to increase our GRESB score.

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

Within GRESB, the Company is benchmarked against two dimensions:

(1) **Management** – relating to strategy and leadership management, policies, risk management and stakeholder engagement completed at an entity level.

The Company achieved a score of 29 out of 30. This section is dependent on fund level policies and initiatives which are directly applicable to the Company (e.g. Environmental, Governance and Employee Policies).

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

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

The Investment Manager is in the process of submitting the Company's GRESB assessment for the year from 1 April 2021 to 31 March 2022 and expects to receive the results of the assessment in September 2022.

Directors' Report *(continued)*

Environmental, Social and Governance Policy *(continued)*

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

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

Further information on the Company's engagement with stakeholders can be found on page 57 to 58 and the full ESG disclosures for the Company, including Streamlined Energy and Carbon Reporting disclosures, can be found in the EPRA Sustainability Performance Measures on page 118 to 131.

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

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

Greenhouse Gas Emissions

Refer to the EPRA Sustainability Performance Measures on pages 118 to 131 for Greenhouse Gas Emissions disclosures.

Taskforce on Climate-Related Financial Disclosures

The Board recognises the importance of understanding the risks and opportunities presented by climate change and the impacts it could have on its business operations.

The information below details where the Company is already aligned with Taskforce on Climate-Related Financial Disclosures ('TCFD') reporting. We will continue our efforts on this over the next year to achieve full alignment in 2022/3, focusing on two priority areas:

(1) Establish risk exposures to the example risks highlighted, using both 1.5C and 2C warming scenarios.

(2) Quantify the risk exposures and fully incorporate the results into the risk management process.

Directors' Report *(continued)*

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

1. Governance

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

As part of the Audit Committee's review of ongoing performance and continuing appointment of key service providers, consideration is given to key service providers' ESG credentials and expertise. The Audit Committee remains responsible for reviewing and approving the content of the Company's TCFD disclosure.

The knowledge of the Board on ESG-related matters continues to be enhanced through interaction with the Investment Manager and training. In November 2021, the Board undertook TCFD and Net Zero Carbon training provided by Evora sustainability consultants to support their understanding of climate change and other ESG risks and opportunities.

The Board will have regard to climate-related issues when considering the Company's business model, strategy and risk management policies.

The Investment Manager's role in assessing and managing climate-related risks and opportunities
AEW's Executive Committee in Europe is ultimately responsible for climate-related risks and delegates to a number of sub-committees including:

- European Risk Committee
- European ESG+R Committee
- Investment Committee

The European ESG+R Committee is responsible for the delivery of the sustainability strategy, including climate change and its associated risks and opportunities for AEW's managed funds in Europe.

The European ESG+R Committee includes the European CEO, the Head of Socially Responsible Investment, country and function representatives (investment, asset management, portfolio management, fund financial management, compliance and risk) and meets every two months. Responsibility for specific climate risks and resilience are assigned to individual members of the committee. The ESG+R Committee and the Executive Committee receive periodical reports on the status of defined indicators to monitor progress of climate policy objectives and targets.

Climate-related risk consideration is integrated into the investment process, with property acquisitions being subject to ESG due diligence assessments and audits. These inform the members of the Investment Committee and may impact the investment decisions.

In the UK, climate-related issues and risks are reviewed for the Company at the Portfolio Management Review Committee ('PMRC') which includes the Head of Investment, Head of Asset Management and Head of Operations and Risk Management. PMRC report to the local management board and Investment Committee, with material matters being escalated to the European Risk Committee and Executive Committee. PMRC and staff of the Investment Manager engage with external consultants to receive advice on the sustainability strategy and receive regular training from several specialist climate-related consultants.

AEW, as the Investment Manager of AEW UK REIT plc, is responsible for monitoring trends and developments in climate-related issues. Any material changes are reported to the Company's Board at each Board meeting, which occur quarterly.

Directors' Report *(continued)*

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

2. Strategy

Impacts of climate-related risks and opportunities

TCFD identifies two types of risks associated with climate change. (i) **Transition risks** associated with the transition to a low or ultra-low economy and (ii) **Physical risks** associated with physical effects of climate change. Climate related opportunities are considered to be principally resource efficiency, energy source, property services and resilience. The Investment Manager is tasked with developing these opportunities through on-going asset management initiatives and assessment of opportunities through Asset Sustainability Action Plans.

During the year, the Investment Manager conducted a risk identification assessment to determine climate-related impacts and identify the climate-related risk and opportunities which could materially impact the business. These are detailed in the table below. The focus of reporting at this stage is on the key short and medium term transition risks and acute physical risks. Climate-related chronic physical risks are considered longer term.

The Company has assessed climate-related risks and opportunities within the following time horizons:

- Short term horizon is three years or less
- Medium term horizon is three to seven years
- Long term horizon is over seven years

Transition Risks

Transition Risks	Specific Risk	Impact	Time horizon
Policy & Legal	Energy Performance Certificates (EPCs): the existing MEES Regulations proposed changes include increasing the minimum standard to 'C' by 2027 and to a 'B' by 2030.	MEES non-compliance would prevent the Company from leasing non-compliant space, posing a risk of revenue loss, increasing capex to bring properties up to the required standard, and potential liabilities from non-compliance penalties.	Medium term risk.
Market	High energy and utility consumption may increase exposure to energy price fluctuations.	Potential impact on service charge affordability for tenants.	Medium term risk.
Technology	UK Government requirement to transition to lower emissions technology (e.g. from natural gas boilers to low-carbon heating technologies).	Could lead to material capex expenditure to meet requirements.	Medium term risk.
Reputation	Fall in demand from tenants for properties with inefficient building performance.	Could leave the Company with stranded assets, leading to negative impact on its reputation, increased stakeholder concern and poor investor relations.	Medium term risk.

Directors’ Report *(continued)*

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

2. Strategy *(continued)*

Transition Opportunities

TCFD Category	Opportunity	Impact	Time horizon
Resource efficiency	Move to more efficient buildings.	Reduce operating expenditure through efficiency gains. Reduce GHG emissions and possible future carbon taxes.	Short/medium term opportunity.
Energy source	Installation of solar roofs.	Investing in on-site renewable energy generation could protect against energy cost volatility for our tenants.	Short/medium term opportunity.
Products and Services	Improve building amenities (e.g. EV charging, install LED lights).	Investing in on-site amenities could improve the marketability of a property.	Short/medium term opportunity.

Physical Risks

TCFD Category	Risk	Impact	Time horizon
Acute (floods, hurricanes, windstorms, heatwaves)	Increased frequency and intensity of extreme weather events leading to property damage.	Increased insurance costs. Inability to sell or lease property.	Short/medium term risk.
Chronic (sustained higher temperatures, rising sea levels and water stress)	Rising temperatures leading to increasing insurance and utilities costs.	Potential impact on service charge affordability for tenants.	Longer term risk.

Physical Opportunities

TCFD Category	Opportunity	Impact	Time horizon
Resilience	The development of net zero carbon assets could future proof the property portfolio against future increasing regulation e.g. increasing MEES standards.	Increased market valuation of properties through resilience planning.	Medium/longer term opportunity.

Directors' Report *(continued)*

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

3. Risk management

Our risk management process is designed to identify, evaluate, manage, and mitigate (rather than eliminate) the significant risks we face. This process, as described on pages 45 to 46 includes transitional and physical climate-related risks.

At least twice a year, the Board undertakes a formal risk review, with the assistance of the Audit & Risk Committee, to assess the effectiveness of our risk management and internal control systems.

4. Metrics and targets

Please see pages 118 to 131 for reporting on our climate change metrics and targets.

Share Capital

Share Issues

At the Company's AGM held on 8 September 2021, the Company was granted the authority to allot Ordinary Shares up to an aggregate nominal amount of £158,424.74 on a non pre-emptive basis. The Company was also granted authority to allot further Ordinary Shares up to an aggregate nominal amount of £158,424.74 on a non pre-emptive basis. No Ordinary Shares have been allotted under either authority during the year and both authorities will expire at the conclusion of the 2022 AGM. A resolution to renew the Company's authority to allot Ordinary Shares up to an aggregate nominal amount of £158,424.74 on a non pre-emptive basis will be put to shareholders at the 2022 AGM alongside a resolution to allot further Ordinary Shares up to an aggregate nominal amount of £158,424.74 on a non pre-emptive basis.

As at 31 March 2022, and the date of this report, the Company had 158,774,746 Ordinary Shares in issue, of which 350,000 (2021: 350,000) were held in treasury and therefore the total voting rights attaching to Ordinary Shares are 158,424,746.

Purchase of Own Shares

At the Company's AGM on 8 September 2021, the Company was granted authority to purchase up to 23,747,869 Ordinary Shares (being 14.99% of the Company's Ordinary Shares in issue). No shares have been bought back under this authority during the year, which expires at the conclusion of the Company's 2022 AGM. A resolution to renew the Company's authority to purchase (either for cancellation or for placing into treasury) up to 23,747,869 Ordinary Shares (being 14.99% of the issued Ordinary Share capital (excluding treasury shares) as at the date of this report), will be put to shareholders at the 2022 AGM. Any purchase will be made in the market and prices will be in accordance with the terms laid out in the Notice of AGM (enclosed separately and available on the Company's website). The authority will be used where the Directors consider it to be in the best interests of shareholders.

Rights attached to Ordinary Shares

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

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

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

Directors' Report *(continued)*

Share Capital *(continued)*

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 2022, the Company had been notified under Disclosure Guidance and Transparency Rule ('DTR') 5 of the following significant holdings of voting rights in its Ordinary Shares. These holdings may have changed since notification, however notification of any change is not required until the next applicable threshold is crossed.

Shareholder	Number of Ordinary Shares held	% of total voting rights
The Royal Bank of Scotland Group plc	13,570,464	8.6
Close Asset Management Limited	13,448,090	8.5
Old Mutual plc	11,087,801	7.0
Momentum Global Investment Management Limited	7,867,700	5.0
Schroders plc	7,643,485	4.8
Seneca IM Limited	7,602,200	4.8
Investec Wealth & Investment Limited	4,813,400	3.0
NatWest Group plc	4,747,598	3.0

The Company has not been informed of any changes to the above interests between 31 March 2022 and the date of this report.

Related Party Transactions

Related party transactions during the year ended 31 March 2022 can be found in note 24 to the financial statements.

Post Balance Sheet Events

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

Statement of Disclosure of Information to Auditor

So far as each Director is aware, there is no relevant audit information, which would be needed by the Company's Auditor in connection with preparing its audit report (on pages 68 to 75), 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.

Directors' Report *(continued)*

Auditor

BDO has expressed its willingness to continue as the Company's Auditor. As outlined in the Report of the Audit Committee on page 47, 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

21 June 2022

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

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

Company law requires the Directors to prepare financial statements for each financial year. Under that law, the Directors are required to prepare the Company's financial statements in accordance with UK adopted international accounting standards. Under company law, the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss for the Company for that period.

In preparing these financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether they have been prepared in accordance with UK adopted international accounting standards, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business; and
- prepare a Directors' Report, a Strategic Report and Directors' Remuneration Report which comply with the requirements of the Companies Act 2006.

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

They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities. The Directors are responsible for ensuring that the Annual Report and Financial statements, taken as a whole, is fair, balanced, and understandable and provides the information necessary for shareholders to assess the Company's performance, prospects, business model and strategy.

Website publication

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

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

Directors' responsibilities pursuant to DTR4

The Directors confirm to the best of their knowledge:

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

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

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

Mark Burton
Chairman

21 June 2022

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

Opinion on the financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 March 2022 and of its profit for the year then ended;
- have been properly prepared in accordance with UK adopted international accounting standards; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements of AEW UK REIT plc (the 'Company') for the year ended 31 March 2022 which comprise the Statement of Comprehensive Income, the Statement of Financial Position, the Statement of Changes in Equity, the Statement of Cash Flows and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and UK adopted international accounting standards.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs(UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion. Our audit opinion is consistent with the additional report to the audit committee.

Independence

Following the recommendation of the audit committee, we were appointed by the board of directors on 8 September 2021 to audit the financial statements for the year ended 31 March 2022 and subsequent financial periods. The period of total uninterrupted engagement is 1 year, covering the year ended 31 March 2022. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard as applied to listed public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements. The non-audit services prohibited by that standard were not provided to the Company.

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the Directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate. Our evaluation of the Directors' assessment of the Company's ability to continue to adopt the going concern basis of accounting included:

- using our knowledge of the Company and its market sector together with the current general economic environment to assess the Directors' identification of the inherent risks to the Company's business and how these might impact the Company's ability to remain a going concern for the going concern period, being the period to 30 June 2023, which is at least 12 months from when the financial statements are authorised for issue;
- obtaining an understanding of the Directors' process for assessing going concern including an understanding of the key assumptions used;
- obtaining the Directors' going concern assessment and:
  - assessing the Company's forecast cash flows with reference to historic performance and challenging the Directors' forecast assumptions in comparison to the current performance of the Company;
  - testing the inputs into the forecasts for reasonableness based on historic activity and corroboration to contractual agreements;
  - agreeing the Company's available borrowing facilities and the related terms and covenants to loan agreements including Company's facilities refinancing post year end with AgFe;

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

- obtaining forecast covenant calculations to check for any potential future covenant breaches. We also considered the covenant compliance headroom for sensitivity to both future changes in property valuations and the Company's future financial performance;
- considering board minutes, and evidence obtained through the audit and challenging the Directors on the identification of any contradictory information in the forecasts and the impact the going concern assessment; and
- analysing the Directors' stress testing calculations and challenging the assumptions made using our knowledge of the business and of the current economic climate, to assess the reasonableness of the downside scenarios selected and the appropriateness of the Directors' mitigating actions.

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

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

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

Overview

Key audit matters	2022 Valuation of Investment Property
Materiality	*Company financial statements as a whole* £2.52 million based on 1% of total assets

An overview of the scope of our audit

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

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) that we identified, including those which had the greatest effect on: the overall audit strategy, the allocation of resources in the audit, and directing the efforts of the engagement team. This matter was addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on this matter.

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

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

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

Our application of materiality

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

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

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

	Company financial statements 2022
Materiality	£2.52 million
Basis for determining materiality	1% of total Assets
Rationale for the benchmark applied	We determined that total assets would be the most appropriate basis for determining overall materiality as we consider it to be one of the principal considerations for users of the financial statements in assessing the financial performance of the Company.
Performance materiality	**£1.64 million**
Basis for determining performance materiality	Overall performance materiality for the Company has been set at 65% of materiality. This was on the basis of our risk assessment, together with our assessment of the Company's overall control environment, while also considerating this is our first audit of the Company.

Specific materiality

We also determined that for any items that could affect the calculation of the Company's European Public Real Estate ("EPRA") earnings, a misstatement of less than materiality for the financial statements as a whole, specific materiality, could influence the economic decisions of users. We consider EPRA earnings to be a key performance measure of the Company. EPRA earnings excludes the impact of the net surplus on revaluation of investment properties, profit on disposal of investment properties and changes in the fair value of interest rate derivatives. As a result, we determined materiality for these items based on 5% of EPRA earnings amounting to £0.58 million for the Company. We further applied a performance materiality level of 65% of specific materiality to ensure that the risk of errors exceeding specific materiality was appropriately mitigated.

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

Reporting threshold

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

Other information

The directors are responsible for the other information. The other information comprises the information included in the Annual Report and Financial Statements other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon. Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit, or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Corporate governance statement

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

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

Going concern and longer-term viability	• The Directors' statement with regards to the appropriateness of adopting the going concern basis of accounting and any material uncertainties identified and set out on pages 54 and 55; and • The Directors' explanation as to their assessment of the Company's prospects, the period this assessment covers and why the period is appropriate set out on pages 55 and 56.
Other Code provisions	• Directors' statement on fair, balanced and understandable set out on pages 66 and 67; • Board's confirmation that it has carried out a robust assessment of the emerging and principal risks set out on pages 30 to 36; • The section of the annual report that describes the review of effectiveness of risk management and internal control systems set out on pages 45 and 46; and • The section describing the work of the Audit Committee set out on page 47.

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

Other Companies Act 2006 reporting

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

Strategic report and Directors' report	In our opinion, based on the work undertaken in the course of the audit: • the information given in the Strategic report and the Directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and • the Strategic report and the Directors' report have been prepared in accordance with applicable legal requirements. In the light of the knowledge and understanding of the Company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or the Directors' report.
Directors' remuneration	In our opinion, the part of the Directors' remuneration report to be audited has been properly prepared in accordance with the Companies Act 2006.
Matters on which we are required to report by exception	We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion: • adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or • the financial statements and the part of the Directors' remuneration report to be audited are not in agreement with the accounting records and returns; or • certain disclosures of Directors' remuneration specified by law are not made; or • we have not received all the information and explanations we require for our audit.

Responsibilities of Directors

As explained more fully in the Statement of Directors' Responsibilities in respect of the Annual Report and Financial Statements, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Directors are responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

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

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Extent to which the audit was capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below:

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

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

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

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

Use of our report

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

Richard Levy (Senior Statutory Auditor)
For and on behalf of BDO LLP, Statutory Auditor
London, United Kingdom

21 June 2022

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

Financial Statements

Statement of Comprehensive Income

for the year ended 31 March 2022

	Notes	**Year ended 31 March 2022 £'000**	Year ended 31 March 2021 £'000
Income			
Rental and other income	3	19,911	17,491
Property operating expenses	4	(5,739)	(3,754)
Impairment release/(loss) on trade receivables		9	(944)
Net rental and other income		**14,181**	**12,793**
Other operating expenses	5	(2,329)	(1,958)
Directors' remuneration	6	(100)	(100)
Operating profit before fair value changes		**11,752**	**10,735**
Change in fair value of investment properties	12	32,317	5,324
Realised gains on disposal of investment properties	12	3,673	7,043
Costs in respect of investment property held for sale	12	(829)	–
Operating profit		**46,913**	**23,102**
Change in fair value of interest rate derivatives	7	770	(16)
Finance expense	8	(988)	(914)
Profit before tax		**46,695**	**22,172**
Taxation	9	–	–
Profit after tax		**46,695**	**22,172**
Other comprehensive income		–	–
Total comprehensive income for the year		**46,695**	**22,172**
Earnings per share (pps) (basic and diluted)	10	**29.47**	**13.98**

The notes on pages 80 to 111 form an integral part of these financial statements.

Statement of Changes in Equity

for the year ended 31 March 2022

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

For the year ended 31 March 2021	Notes	Share capital £'000	Share premium account £'000	Capital reserve and retained earnings* £'000	Buyback reserve £'000	Total capital and reserves attributable to owners of the Company £'000
Balance at 1 April 2020		**1,587**	**56,578**	**89,698**	**–**	**147,863**
Total comprehensive income		–	–	22,172	–	22,172
Ordinary Shares bought back	20	–	–	–	(263)	(263)
Share buyback costs	20	–	–	–	(2)	(2)
Dividends paid	11	–	–	(12,691)	–	(12,691)
Balance at 31 March 2021		**1,587**	**56,578**	**99,179**	**(265)**	**157,079**

* 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 80 to 111 form an integral part of these financial statements.

Statement of Financial Position
as at 31 March 2022

	Notes	31 March 2022 £'000	31 March 2021 £'000
Assets			
Non-current assets			
Investment property	12	211,710	169,092
		211,710	**169,092**
Current assets			
Investment property held for sale	12	25,414	7,251
Receivables and prepayments	13	7,584	6,977
Other financial assets held at fair value	14	831	61
Cash and cash equivalents		6,769	17,450
		40,598	**31,739**
Total assets		**252,308**	**200,831**
Non-current liabilities			
Interest bearing loans and borrowings	15	(53,757)	(39,131)
Lease obligations	17	(174)	(635)
		(53,931)	**(39,766)**
Current liabilities			
Payables and accrued expenses	16	(7,264)	(3,938)
Lease obligations	17	(13)	(48)
		(7,277)	**(3,986)**
Total liabilities		**(61,208)**	**(43,752)**
Net assets		**191,100**	**157,079**
Equity			
Share capital	20	1,587	1,587
Buyback reserve	20	(265)	(265)
Share premium account	21	56,578	56,578
Capital reserve and retained earnings		133,200	99,179
Total capital and reserves attributable to equity holders		**191,100**	**157,079**
Net Asset Value per share (pps)	10	**120.63**	**99.15**
EPRA Net Tangible Assets per share (pps)	10	**120.10**	**99.11**

The financial statements were approved by the Board of Directors on 21 June 2022 and were signed on its behalf by:

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

The notes on pages 80 to 111 form an integral part of these financial statements.

Statement of Cash Flows

for the year ended 31 March 2022

	Year ended 31 March 2022 £'000	Year ended 31 March 2021 £'000
Cash flows from operating activities		
Profit before tax	46,695	22,172
Adjustment for non-cash items:		
Finance expenses	988	914
(Gain)/loss from change in fair value of interest rate derivatives	(770)	16
Gain from change in fair value of investment property	(32,317)	(5,324)
Realised gain on disposal of investment properties	(3,673)	(7,043)
(Increase)/decrease in other receivables and prepayments	(768)	374
Increase/(decrease) in other payables and accrued expenses	2,170	(647)
Net cash flow generated from operating activities	**12,325**	**10,462**
Cash flows from investing activities		
Purchase of and additions to investment properties	(41,437)	(5,983)
Disposal of investment properties	16,446	29,049
Net cash (used in)/generated from investing activities	**(24,991)**	**23,066**
Cash flows from financing activities		
Share buyback cash paid	–	(263)
Share buyback costs	–	(2)
Loan draw down/(repayment)	14,500	(12,000)
Arrangement loan facility fee paid	(46)	(13)
Collateral received	870	–
Premium for interest rate caps	–	(63)
Finance costs	(772)	(919)
Dividends paid	(12,539)	(12,691)
Amounts paid on finance lease	(28)	–
Net cash generated from/(used in) in financing activities	**1,985**	**(25,951)**
Net (decrease)/increase in cash and cash equivalents	(10,681)	7,577
Cash and cash equivalents at start of the year	**17,450**	**9,873**
Cash and cash equivalents at end of the year	**6,769**	**17,450**

The notes on pages 80 to 111 form an integral part of these financial statements.

Notes to the Financial Statements

for the year ended 31 March 2022

1. Corporate information

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

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

The nature of the Company's operations and its principal activities are set out in the Strategic Report on pages 2 to 39.

2. Accounting policies

2.1 Basis of preparation

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

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

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

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

New standards, amendments, and interpretations

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

- **Amendments to IFRS 16 COVID-19 Related Rent Concessions beyond June 2021,** the amendments are an extension by one year to the amendments adopted in the prior year which were to provide relief to lessees from applying IFRS 16 guidance on lease modification accounting for rent concessions arising as a direct consequence of the COVID-19 pandemic. The Company has not received any concessions for its ground rent costs and therefore accounting treatment has not been affected.

- **Interest Rate Benchmark Reform – Phase 2** (Amendments to various standards: IFRS 9 'Financial Instruments', IAS 39 'Financial Instruments; Recognition and Measurement', IFRS 7 'Financial Instruments: Disclosures', IFRS 4 'Insurance Contracts' and IFRS 16 'Leases'), the amendments focus on the accounting for the replacement of existing benchmark interest rates. The Company has transitioned the interest rate on the loan from GBP LIBOR +1.4% to SONIA + 1.4% in the financial year. The change in benchmark interest rates has had no significant impact on the finance costs incurred by the Company.

Notes to the Financial Statements *(continued)*
for the year ended 31 March 2022

2. Accounting policies *(continued)*

2.1 Basis of preparation *(continued)*

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

- Reference to Conceptual Framework (Amendments to IFRS 3)
- Onerous Contracts – Cost of Fulfilling a Contract (Amendments to IAS 37)

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

2.2 Significant accounting judgements and estimates

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

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

i) Valuation of investment property

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

2.3 Segmental information

In accordance with IFRS 8, the Company considers each of its properties to be an individual operating segment, which are aggregated into one reporting segment, being investment in property in the UK.

2.4 Going concern

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

As at 31 March 2022, the Company had a cash balance of £6.77 million. The Company's existing RBSi loan facility in place at year-end was due to mature in October 2023 and therefore, the Company elected to undertake a re-financing which concluded post year-end in May 2022. The re-financed loan is held with AgFe and is a £60.00m facility with a five-year term. This is priced as a fixed rate loan with a total interest cost of 2.96% and associated 10% projected debt yield and 55% Loan to NAV covenants. The Company reported a Loan to NAV of 28.26% at year-end. Taking into account the further £6.00m debt drawn as part of the re-financing process, this would give a Loan to NAV of 31.40%, all else equal. This provides room for a £92.92 million fall in NAV before reaching the 55% Loan to NAV covenant. Moreover, based on the £54.00m of debt drawn as at year-end, the Company had a projected debt yield of 25%, comfortably in excess of the 10% covenant.

Notes to the Financial Statements *(continued)*
for the year ended 31 March 2022

2. Accounting policies *(continued)*

2.4 Going concern *(continued)*

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

- The Company's rent collection has been strong, with 93% of contracted rent either having been collected, or payment plans agreed, for the March 2022 quarter.
- Based on the contracted rent as at 31 March 2022, a reduction of 64.58% in NOI could be accommodated before breaching the debt yield covenant in the Company's refinanced debt arrangements.
- Based on the property valuation at 31 March 2022, the Company had room for a £92.92 million fall in NAV before reaching the maximum LTV covenant in the Company's refinanced debt arrangements.
- The Company's cash flow can also be significantly managed through the adjustment of dividend payments.

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

- A reduction in NOI of 30%;
- No new lettings or renewals, other than those where terms have already been agreed;
- A 10% fall in property valuations; and
- No new acquisitions or disposals.

In the above scenario, the Company is forecast to generate a positive cash flow before dividend payments, however it would generate a cash flow much lower than its target dividend of 8 pps per annum.

As part of the refinancing process, the remaining £6.00m of the loan facility was drawn. Taking this into account, the Company would maintain a Loan to NAV ratio of no higher than 39% over the next 12 months, providing a headroom of over £47 million up to the 55% covenant. The Company's cash could be managed through a change to dividend policy, which would allow the existing cash resources of circa £2.33 million at the date of approval of the financial statements to be maintained.

In the above scenario, the Company is forecast to pass the debt yield covenant during the 12 month period with a minimum projected yield of 18%, compared with the limit of 10%, assuming that no repayments of the facility were to be made.

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

Notes to the Financial Statements *(continued)*

for the year ended 31 March 2022

2. Accounting policies *(continued)*

2.5 Summary of significant accounting policies

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

a) Presentation currency

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

b) Revenue recognition

i) Rental income

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

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

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

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

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

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

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

ii) Deferred income

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

Notes to the Financial Statements *(continued)*

for the year ended 31 March 2022

2. Accounting policies *(continued)*

2.5 Summary of significant accounting policies *(continued)*

c) Financing income and expenses

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

d) Investment property

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

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

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

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

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

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

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

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

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

Notes to the Financial Statements *(continued)*
for the year ended 31 March 2022

2. Accounting policies *(continued)*

2.5 Summary of significant accounting policies *(continued)*

e) Investments in subsidiaries

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

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

f) Investment property held for sale

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

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

g) Derivative financial instruments

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

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

h) Cash and cash equivalents

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

2. Accounting policies *(continued)*

2.5 Summary of significant accounting policies *(continued)*

i) Receivables

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

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

j) Capital prepayments

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

k) Other payables and accrued expenses

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

l) Rent deposits

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

m) Interest bearing loans and borrowings

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

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

n) Provisions

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

2. Accounting policies *(continued)*

2.5 Summary of significant accounting policies *(continued)*

o) Dividend payable to shareholders

Equity dividends are recognised when they become legally payable.

p) Share issue costs

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

q) Leases

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

r) Taxes

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

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

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

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

s) European Public Real Estate Association

The Company has adopted European Public Real Estate Association ('EPRA') best practice recommendations, which it expects to broaden the range of potential institutional investors able to invest in the Company's Ordinary Shares. For the year to 31 March 2022, audited EPS and NAV calculations under EPRA's methodology are included in note 10 and further unaudited measures are included on pages 112 to 117.

2. Accounting policies *(continued)*

2.5 Summary of significant accounting policies *(continued)*

t) Capital and reserves

Share capital

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

Buyback reserve

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

Share premium

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

Capital reserve

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

Retained earnings

Retained earnings represent the profits of the Company less dividends paid from revenue profits to date. Unrealised gains on the revaluation of investment properties contained within this reserve are not distributable until they crystallise on the sale of the investment property. The cumulative unrealised gains contained within this reserve at 31 March 2022 is £26.88 million (31 March 2021: cumulative unrealised losses of £5.44 million).

3. Rental and other income

	Year ended 31 March 2022 £'000	Year ended 31 March 2021 £'000
Rental income	15,920	15,714
Service charge income	1,768	1,535
Dilapidation income received	1,103	197
Insurance income	924	–
Lease surrender income	139	45
Other property income	57	–
Total rental and other income	**19,911**	**17,491**

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

Notes to the Financial Statements *(continued)*

for the year ended 31 March 2022

4. Property operating expenses

	Year ended 31 March 2022 £'000	Year ended 31 March 2021 £'000
Recoverable service charge expense	1,768	1,535
Non-recoverable service charge expense	1,231#	1,166
Other property operating expenses	1,816	1,053
Recoverable insurance expense	924	–
Total property operating expenses	**5,739**	**3,754**

Of the £1,231,000 non-recoverable service charge expenditure (31 March 2021: £1,166,000) c. £778,000 relates to Bank Hey Street, Blackpool (31 March 2021: £768,000) which includes costs relating to the remedial works as detailed in the Investment Manager's Report.

5. Other operating expenses

	Year ended 31 March 2022 £'000	Year ended 31 March 2021 £'000
Investment management fee	1,555	1,229
Operating costs	628	594
Auditor remuneration	146	135
Total other operating expenses	**2,329**	**1,958**

	Year ended 31 March 2022 £'000	Year ended 31 March 2021 £'000
Audit		
Statutory audit of Annual Report and Financial Statements	120	110
	120	**110**
Non-audit		
ISRE 2410 review (interim review fee)	26	25
	26	**25**
Total fees paid to BDO LLP/KPMG LLP	**146**	**135**
Percentage of total fees attributed to non-audit services	**18%**	**19%**

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

6. Directors' remuneration

	Year ended 31 March 2022 £'000	Year ended 31 March 2021 £'000
Directors' fees	95	95
Tax and social security	5	5
Total remuneration	**100**	**100**

A summary of the Directors' remuneration is set out in the Directors' Remuneration Report on page 52.

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

7. Change in fair value of interest rate derivatives

	Year ended 31 March 2022 £'000	Year ended 31 March 2021 £'000
Change in fair value of interest rate derivatives	770	(16)
Total	**770**	**(16)**

During the year, the company received £870,000 (31 March 2021: £0) in collateral payments relating to the interest rate derivative.

8. Finance expenses

	Year ended 31 March 2022 £'000	Year ended 31 March 2021 £'000
Interest payable on loan borrowings	754	722
Amortisation of loan arrangement fee	126	97
Commitment fees payable on loan borrowings	58	95
Bank charges	1	–
	939	914
Interest expense on lease liabilities	49	–
Total	**988**	**914**

Notes to the Financial Statements *(continued)*

for the year ended 31 March 2022

9. Taxation

	Year ended 31 March 2022 £'000	Year ended 31 March 2021 £'000
Tax charge reconciliation:		
Analysis of tax charge in the year		
Profit before tax	46,695	22,172
Theoretical tax at UK corporation tax standard rate of 19.00% (2021: 19.00%)[1]	8,872	4,213
Adjusted for:		
Exempt REIT income	(2,210)	(1,863)
Non-taxable investment profit	(6,662)	(2,350)
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 by the Chancellor in the 2021 budget the tax rate will increase to 25% from April 2023.

10. Earnings per share and NAV per share

	Year ended 31 March 2022	Year ended 31 March 2021
Earnings per share:		
Total comprehensive income (£'000)	46,695	22,172
Weighted average number of shares	158,424,746	158,620,910
Earnings per share (basic and diluted) (pence)	**29.47**	**13.98**
EPRA earnings per share:		
Total comprehensive income (£'000)	46,695	22,172
Adjustment to total comprehensive income:		
Change in fair value of investment properties (£'000)	(32,317)	(5,324)
Realised gain on disposal of investment properties (£'000)	(3,673)	(7,043)
Realised loss on disposal of investment property held for sale (£'000)	829	–
Change in fair value of interest rate derivatives (£'000)	(770)	16
Total EPRA Earnings (£'000)	10,764	9,821
EPRA earnings per share (basic and diluted) (pence)	**6.79**	**6.19**
Net assets (£'000)	191,100	157,079
Ordinary Shares in issue	158,424,746	158,424,746
NAV per share (pence)	**120.63**	**99.15**

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

Notes to the Financial Statements *(continued)*

for the year ended 31 March 2022

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

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

As at 31 March 2021	Current measures EPRA NTA £'000	Current measures EPRA NRV £'000	Current measures EPRA NDV £'000	Previous measures EPRA NAV £'000	Previous measures EPRA NNNAV £'000
IFRS NAV attributable to shareholders	157,079	157,079	157,079	157,079	157,079
Mark-to-market adjustment of derivatives	(61)	(61)	–	(61)	–
Real estate transfer tax and other purchasers' costs[1]	–	11,814	–	–	–
At 31 March 2021	157,018	168,832	157,079	157,018	157,079
Number of Ordinary Shares	158,424,746	158,424,746	158,424,746	158,424,746	158,424,746
NAV per share	**99.11p**	**106.57p**	**99.15p**	**99.11p**	**99.15p**

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

11. Dividends paid

Dividends paid during the year	**Year ended 31 March 2022 £'000**	Year ended 31 March 2021 £'000
Represents four interim dividends of 2.00 pps each	**12,674**	12,691

Dividends relating to the year	**Year ended 31 March 2022 £'000**	Year ended 31 March 2021 £'000
Represents four interim dividends of 2.00 pps each	**12,674**	12,684

Dividends paid during the period relate to Ordinary Shares only.

Notes to the Financial Statements *(continued)*

for the year ended 31 March 2022

12. Investment property

12.a) Investment property

	31 March 2022			
	Investment property freehold £'000	**Investment property leasehold £'000**	**Total £'000**	31 March 2021 Total £'000
UK investment property				
As at beginning of the year	160,750	18,250	179,000	189,300
Purchases and capital expenditure in the year	13,530	28,017	41,547	5,983
Disposals in the year	(8,237)	(4,350)	(12,587)	(22,006)
Revaluation of investment properties	30,457	1,758	32,215	5,723
Valuation provided by Knight Frank	**196,500**	**43,675**	**240,175**	**179,000**
Adjustment to carrying value for lease incentive debtor			(3,238)	(3,340)
Adjustment for lease obligations*			187	683
Total investment property			**237,124**	**176,343**
Classified as:				
Investment property held for sale**			25,414	7,251
Investment property			211,710	169,092
			237,124	**176,343**
Change in fair value of investment property				
Change in fair value before adjustments for lease incentives			32,215	5,723
Adjustment for movement in the year:				
in value of lease incentive debtor			102	(399)
			32,317	**5,324**
Gains on disposal of investment property				
Net proceeds from disposals of investment property during the year***			16,260	29,049
Fair value at beginning of period			(12,587)	(22,006)
			3,673	**7,043**
Costs in respect of investment property held for sale			**(829)**	**–**

The costs in respect of investment property held for sale relates to severance payments made to tenants of Bath Street, Glasgow, to vacate the property.

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

** 225 Bath Street, Glasgow and Eastpoint Business Park, Oxford, have been classified as held-for-sale as at 31 March 2022. Contracts to sell 225 Bath Street were exchanged in October 2020 and terms have been agreed to sell Eastpoint Business Park. It is expected that both transactions will be completed within the next 12 months.

*** Net proceeds include deductions for topped up rents and rent free periods of £207,000 (31 March 2021: £0).

Notes to the Financial Statements *(continued)*

for the year ended 31 March 2022

12. Investment property *(continued)*

12.a) Investment property *(continued)*

Valuation of investment property

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

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

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

12.b) Fair value measurement hierarchy

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

	Quoted prices in active markets (Level 1) £'000	Significant observable inputs (Level 2) £'000	Significant unobservable inputs (Level 3) £'000	Total £'000
Assets measured at fair value				
31 March 2022				
Investment property	**–**	**–**	**237,124**	**237,124**
31 March 2021				
Investment property	–	–	176,343	176,343

Explanation of the fair value hierarchy:

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

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

Level 3 – Valuation techniques using non-observable data.

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

12. Investment property *(continued)*

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

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

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

1) ERV

2) Equivalent yield

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

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

Sector	Fair Value £'000	Significant Unobservable Inputs ERV range (per sq ft per annum)	Equivalent Yield range
As at 31 March 2022			
Industrial	120,750	£0.50 - £10.00	4.49% - 9.53%
Retail	59,225	£4.65 - £75.00	7.16% - 10.65%
Office	43,275	£8.50 - £30.00	4.78% - 9.62%
Alternatives	16,925	£8.50 - £29.60	7.30% - 10.43%
Portfolio*	240,175	£0.50 - £75.00	4.49% - 10.65%
As at 31 March 2021			
Industrial	108,850	£0.50 - £10.00	5.76% - 10.02%
Retail	20,800	£4.65 - £75.00	8.46% - 10.30%
Office	36,800	£8.50 - £27.00	6.09% - 10.12%
Alternatives	12,550	£8.50 - £29.60	7.61% - 10.37%
Portfolio*	179,000	£0.50 - £75.00	5.76% - 10.37%

* 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.

12. Investment property *(continued)*

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

	Change in ERV		Change in equivalent yield	
	£'000	£'000	£'000	£'000
Sensitivity analysis	**+5%**	**-5%**	**+5%**	**-5%**
31 March 2022 **Resulting fair value of investment property**	**250,408**	**230,258**	**230,818**	**250,477**
31 March 2021 Resulting fair value of investment property	183,818	168,394	170,487	187,847

	Change in ERV		Change in equivalent yield	
	£'000	£'000	£'000	£'000
Sensitivity analysis	**+10%**	**-10%**	**+10%**	**-10%**
31 March 2022 **Resulting fair value of investment property**	**260,668**	**220,355**	**222,326**	**261,938**
31 March 2021 Resulting fair value of investment property	191,699	160,864	162,986	197,965

	Change in ERV		Change in equivalent yield	
	£'000	£'000	£'000	£'000
Sensitivity analysis	**+15%**	**-15%**	**+15%**	**-15%**
31 March 2022 **Resulting fair value of investment property**	**270,943**	**210,468**	**214,571**	**274,743**
31 March 2021 Resulting fair value of investment property	199,642	153,345	156,136	209,264

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

12.c) Real estate risk

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

Notes to the Financial Statements *(continued)*

for the year ended 31 March 2022

13. Receivables and prepayments

	31 March 2022 £'000	31 March 2021 £'000
Receivables		
Rent receivable	1,716	3,252
Allowance for expected credit losses	(756)	(995)
Rent agent float account	1,227	724
Other receivables	1,087	627
Recoverable service charge receivable	660	–
Recoverable insurance debtor	287	–
	4,221	3,608
Lease incentive debtor	3,238	3,340
	7,459	**6,948**
Prepayments		
Property related prepayments	52	4
Other prepayments	73	25
	125	29
Total	**7,584**	**6,977**

The aged debtor analysis of receivables is as follows:

	31 March 2022 £'000	31 March 2021 £'000
Less than three months	3,379	3,416
Between three and six months	842	192
Between six and twelve months	–	–
Total	**4,221**	**3,608**

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

The expected loss rates are based on the Company's historical credit losses experienced over the three-year period prior to the year-end. The historical loss rates are then adjusted for current and forward-looking information on macroeconomic factors affecting the Company's customers. The expected credit loss provision as at 31 March 2022 was £0.8 million (31 March 2021: £1.0 million). No reasonably possible changes in the assumptions underpinning the expected credit loss provision would give rise to a material expected credit loss.

Notes to the Financial Statements *(continued)*
for the year ended 31 March 2022

13. Receivables and prepayments *(continued)*

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

	31 March 2022 £'000	31 March 2021 £'000
At the beginning of the year	995	190
Remeasurement of loss allowance	(239)	805
At the end of the year	**756**	**995**

14. Interest rate derivatives

	31 March 2022 £'000	31 March 2021 £'000
At the beginning of the year	61	14
Interest rate cap premium paid	–	63
Changes in fair value of interest rate derivatives	770	(16)
At the end of the year	**831**	**61**

The Company was protected from a significant rise in interest rates at the year-end as it had interest rate caps in effect which capped the interest rate at 1.00% on a notional value of £ 51.50 million. As a result, the loan was 95.37% hedged as at 31 March 2022 (31 March 2021: 130%). Post year-end, the Company entered into a five-year fixed rate loan with AgFe. As part of this, the interest rate cap held was sold with total proceeds of £743,395.

14. Interest rate derivatives *(continued)*

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 2022	**–**	**831**	**–**	**831**
31 March 2021	–	61	–	61

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

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

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

15. Interest bearing loans and borrowings

	31 March 2022 £'000	31 March 2021 £'000
At the beginning of the year	**39,500**	**51,500**
Bank borrowings drawn in the year	14,500	–
Bank borrowings repaid in the year	–	(12,000)
Interest bearing loans and borrowings	**54,000**	**39,500**
Unamortised loan arrangement fees	(243)	(369)
At the end of the year	**53,757**	**39,131**
Repayable between two and five years	54,000	39,500
Undrawn facility at the year-end	6,000	20,500
Total facility	**60,000**	**60,000**

The Company had a £60.00 million (31 March 2021: £60.00 million) credit facility with RBSi of which £54.00 million (31 March 2021: £39.50 million) has been utilised as at 31 March 2022.

Under the terms of the Prospectus, the Company has a target gearing equivalent to 35.00% Loan to NAV. As at 31 March 2022, the Company's gearing was 28.26% Loan to NAV (31 March 2021: 25.15%).

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

Under the terms of the loan facility, the Company could draw up to 35.00% Loan to NAV at drawdown. As at 31 March 2022, the Company could draw a further £6.00 million up to the maximum 35.00% (31 March 2021: £15.48 million).

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

	31 March 2022	31 March 2021
Facility	£60.00 million	£60.00 million
Drawn	£54.00 million	£39.50 million
Gearing (Loan to GAV)	22.48%	22.07%
Gearing (Loan to NAV)	28.26%	25.15%
Interest rate	2.20% all-in (SONIA + 1.4%)	1.44% all-in (LIBOR + 1.4%)
Notional Value of Loan Balance Hedged	95.37%	130.4%

Due to GBP LIBOR ending at the end of 2021, the Company transitioned to SONIA on 20 July 2021.

Reconciliation to cash flows from financing activities

	31 March 2022 £'000	31 March 2021 £'000
Balance at the beginning of the year	39,131	51,047
Changes from financing cash flows		
Loan drawdown	14,500	–
Loan repaid	–	(12,000)
Loan arrangement fees	–	(13)
Total changes from financing cash flows	**14,500**	**(12,013)**
Other changes		
Amortisation of loan arrangement fees	126	97
Interest expense	754	722
Interest paid	(810)	(824)
Changes in loan interest payable	56	102
Total other changes	**126**	**97**
Balance at the end of the year	**53,757**	**39,131**

16. Payables and accrued expenses

	31 March 2022 £'000	31 March 2021 £'000
Deferred income	2,924	2,567
Other creditors	2,206	588
Accruals	1,474	783
Recoverable service charge payable	660	–
Total	**7,264**	**3,938**

17. Lease obligations as lessee

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

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

	31 March 2022 £'000	31 March 2021 £'000
Not later than one year	**13**	48
Later than one year but not later than two years	12	44
Later than two years but not later than three years	11	41
Later than three years but not later than four years	10	38
Later than four years but not later than five years	10	36
Later than five years	131	476
Total	**187**	**683**

18. Guarantees and commitments

As at 31 March 2022, there were capital commitments of £nil (31 March 2021: £67,667).

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 28 years.

Notes to the Financial Statements *(continued)*

for the year ended 31 March 2022

18. Guarantees and commitments *(continued)*

Future minimum rentals receivable under non-cancellable operating leases as at 31 March 2022 are as follows:

	31 March 2022 £'000	31 March 2021 £'000
Within one year	14,493	14,492
After one year but not more than five years	32,093	32,750
More than five years	19,303	22,726
Total	**65,889**	**69,968**

During the year ended 31 March 2022, there were contingent rents totalling £192,211 (year ended 31 March 2021: £204,623) recognised as income.

19. Investment in subsidiary

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

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

AEW UK REIT 2015 Limited is a subsidiary of the Company incorporated in the UK on 2 April 2015. At 31 March 2022, 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 2021: £0.01). The registered office of AEW UK REIT 2015 Limited is 6th Floor, 65 Gresham Street, London, EC2V 7NQ.

20. Issued share capital

	31 March 2022		31 March 2021	
	£'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	1,587	158,774,746	1,587	158,774,746
At the end of the year	1,587	158,774,746	1,587	158,774,746
Treasury Shares				
At the beginning of the year	(265)	350,000	–	–
Share buybacks on 14 October 2020	–	–	(154)	200,000
Share buybacks on 3 November 2020	–	–	(111)	150,000
At the end of the year	(265)	350,000	(265)	350,000
Total Ordinary Share capital excluding treasury shares	1,587	158,424,746	1,587	158,424,746

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

21. Share premium account

	31 March 2022 £'000	31 March 2021 £'000
The share premium relates to amounts subscribed for share capital in excess of nominal value:		
Balance at the beginning of the year	56,578	56,578
Balance at the end of the year	**56,578**	**56,578**

Notes to the Financial Statements *(continued)*

for the year ended 31 March 2022

22. Financial risk management objectives and policies

22.1 Financial assets and liabilities

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

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

	31 March 2022		31 March 2021	
	Book Value £'000	**Fair Value £'000**	Book Value £'000	Fair Value £'000
Financial assets				
Receivables[1]	4,221	4,221	3,608	3,608
Cash and cash equivalents	6,769	6,769	17,450	17,450
Other financial assets held at fair value	831	831	61	61
Financial liabilities				
Interest bearing loans and borrowings	53,757	54,000	39,131	39,500
Payables and accrued expenses[2]	3,802	3,802	1,064	1,064
Lease obligations	187	187	683	683

1 Excludes lease incentive debtor and prepayments.

2 Excludes tax, VAT liabilities and deferred income.

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

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

22.2 Financing management

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

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

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

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

Market price risk

Market risk is the risk that the fair values of financial instruments will fluctuate because of changes in market prices. The financial instruments held by the Company that are affected by market risk are principally the Company's cash balances, bank borrowings and its interest rate derivative held in order to mitigate interest rate risk. The Company monitors its interest rate exposure on a regular basis.

To mitigate the interest rate risk that arises as a result of entering into variable rate loans, the Company has an interest rate derivative. An interest rate cap has been taken out in respect of the Company's variable rate debt to fix or cap the rate to which three-month SONIA can rise. The cap runs coterminous to the initial term of the loan. With effect from 20 July 2021, the interest rate derivatives were transitioned to Sonia, as this is the risk-free rate now adopted by the Company's variable rate loan facility. The interest rate cap means that the Company's borrowing facility at year-end had an all-inclusive capped interest rate payable of 2.4% (31 March 2021: 2.4%). The total premium payable in the year towards securing the interest rate caps was £nil (31 March 2021: £62,968).

Post year-end, the cap was sold for a total value of £743,395 as a result of the re-financing.

Real estate risk

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

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

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

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

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

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

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 which has an A3 long term credit rating.

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

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

	As at 31 March 2022 £'000	As at 31 March 2021 £'000
Receivables (excluding incentives and prepayments)	4,221	3,608
Cash and cash equivalents	6,769	17,450
Total	**10,990**	**21,058**

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.

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

Liquidity risk *(continued)*

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

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

31 March 2021	On demand £'000	< 3 months £'000	3–12 months £'000	1–5 years £'000	> 5 years £'000	Total £'000
Interest bearing loans and borrowings	–	142	427	40,388	–	40,957
Payables and accrued expenses	–	1,064	–	–	–	1,064
Lease obligation	–	–	51	205	4,205	4,461
	–	**1,206**	**478**	**40,593**	**4,205**	**46,482**

23. Capital management

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

To enhance returns over the medium term, the Company utilises borrowings on a limited recourse basis for each investment or all or part of the total portfolio. The Company's policy is to target a borrowing level of 35.00% Loan to NAV and this was the maximum gearing permitted at drawdown under the terms of the RBSi facility.

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 NAV ratio and is reported to the lender on a quarterly basis against the financial covenants of the facility. At the year-end, the Company had a Loan to NAV ratio of 28.26% (31 March 2021: 25.15%).

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

Notes to the Financial Statements *(continued)*

for the year ended 31 March 2022

24. Transactions with related parties

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

For the year ended 31 March 2022, the Directors of the Company are considered to be the key management personnel. Details of amounts paid to Directors for their services can be found within note 6, Directors' remuneration and the Director's remuneration report on page 52. During the year the Directors who served in the year received £80,233 gross in dividend payments (31 March 2021: £80,000).

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 £1,554,751 (31 March 2021: £1,228,849) in respect of investment management fees and expenses, of which £422,282 (31 March 2021: £315,825) was outstanding as at 31 March 2022.

25. Segmental information

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

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

26. Events after reporting date

Dividend

On 21 April 2021, the Board declared its fourth interim dividend of 2.00pps in respect of the period from 1 January 2022 to 31 March 2022. This was paid on 31 May 2022, to shareholders on the register as at 29 April 2022. The ex-dividend date was 28 April 2022.

New debt facility

The Company has secured a new £60 million five-year term loan facility with AgFe, a leading independent asset manager specialising in debt-based investments. The loan is a fixed rate loan with a total interest cost of 2.959%. The existing £54 million RBSi loan facility, which was due to mature in October 2023, was repaid in full by the new loan facility in May 2022. Simultaneous to the funding, the Company's interest rate cap was sold for a total value of £743,395.

Acquisition of Dewsbury retail park

On 9 June 2022, the Company completed the acquisition of a 6.04 acre Railway Station Retail Park in Dewsbury for a price of £4,700,000. The purchase price reflects a low capital value of only £82 per sq ft and provides an attractive net initial yield of 9.4%.

EPRA Unaudited Performance Measures

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

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

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

MEASURE AND DEFINITION	PURPOSE	PERFORMANCE
1. EPRA Earnings Earnings for operational activities.	A key measure of a company's underlying operating results and an indication of the extent to which current dividend payments are supported by earnings.	£10.76 million/6.79 pps EPRA earnings for year to 31 March 2022 (31 March 2021: £9.82 million/6.19 pps)
2. EPRA Net Tangible Assets ('NTA') Assumes that entities buy and sell assets, thereby crystallising certain levels of unavoidable deferred tax.		£190.27 million/120.10 pps EPRA NTA as at 31 March 2022 (31 March 2021: £157.02 million/99.11 pps)
3. EPRA Net Reinstatement Value ('NRV') Assumes that entities never sell assets and aims to represent the value required to rebuild the entity.	The EPRA NAV set of metrics make adjustments to the NAV per the IFRS financial statements to provide stakeholders with the most relevant information on the fair value of the assets and liabilities of a real estate investment company, under different scenarios.	£206.12 million/130.11 pps EPRA NRV as at 31 March 2022 (31 March 2021: £168.83 million/106.57 pps)
4. EPRA Net Disposal Value ('NDV') Represents the shareholders' value under a disposal scenario, where deferred tax, financial instruments and certain other adjustments are calculated to the full extent of their liability, net of any resulting tax.		£191.10 million/120.63 pps EPRA NDV as at 31 March 2022 (31 March 2021: £157.08 million/99.15pps)
5. EPRA Net Initial Yield ('NIY') Annualised rental income based on the cash rents passing at the balance sheet date, less non-recoverable property operating expenses, divided by the market value of the property, increased with (estimated) purchasers' costs.	A comparable measure for portfolio valuations. This measure should make it easier for investors to judge themselves, how the valuation of portfolio X compares with portfolio Y.	5.87% EPRA NIY as at 31 March 2022 (31 March 2021: 7.37%)

EPRA Unaudited Performance Measures *(continued)*

MEASURE AND DEFINITION	PURPOSE	PERFORMANCE
6. EPRA 'Topped-Up' NIY This measure incorporates an adjustment to the EPRA NIY in respect of the expiration of rent-free periods (or other unexpired lease incentives such as discounted rent periods and step rents).	A comparable measure for portfolio valuations. This measure should make it easier for investors to judge themselves, how the valuation of portfolio X compares with portfolio Y.	6.58% EPRA 'Topped-Up' NIY as at 31 March 2022 (31 March 2021: 8.12%)
7. EPRA Vacancy Rate Estimated Market Rental Value ('ERV') of vacant space divided by ERV of the whole portfolio.	A 'pure' (%) measure of investment property space that is vacant, based on ERV.	10.69% EPRA Vacancy Rate as at 31 March 2022 (31 March 2021: 8.96%)
8. EPRA Cost Ratio Administrative and operating costs (including and excluding costs of direct vacancy) divided by gross rental income.	A key measure to enable meaningful measurement of the changes in a company's operating costs.	33.55% EPRA Cost Ratio (including direct vacancy costs) as at 31 March 2022 (31 March 2021: 32.94%) 18.16% EPRA Cost Ratio (excluding direct vacancy costs) as at 31 March 2022 (31 March 2021: 22.58%)
9. EPRA Capital Expenditure Property which has been held at both the current and comparative balance sheet dates for which there has been no significant development.	A measure used to illustrate change in comparable capital values.	£41.55 million for the year ended 31 March 2022 (31 March 2021: £5.98 million)
10. EPRA Like-for-like Rental Growth Net growth generated by assets which were held by the Company throughout both the current and comparable periods which there has been no significant development which materially impacts upon income.	A measure used to illustrate change in comparable income values.	-£0.54 million/-3.91%% for the year ended 31 March 2022 (31 March 2021: -£1.08 million/-6.80%)

EPRA Unaudited Performance Measures *(continued)*

Calculation of EPRA NTA, EPRA NRV and EPRA NDV

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

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

	Current measures			Previous measures	
As at 31 March 2021	**EPRA NTA £'000**	**EPRA NRV £'000**	**EPRA NDV £'000**	**EPRA NAV £'000**	**EPRA NNNAV £'000**
IFRS NAV attributable to shareholders	157,079	157,079	157,079	157,079	157,079
Mark-to-market adjustment of derivatives	(61)	(61)	–	(61)	–
Real estate transfer tax and other purchasers' costs[1]	–	11,814	–	–	–
At 31 March 2021	157,018	168,832	157,079	157,018	157,079
Number of Ordinary Shares ('000)	158,425	158,425	158,425	158,425	158,425
NAV Per share	**99.11p**	**106.57p**	**99.15p**	**99.11p**	**99.15p**

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

EPRA Unaudited Performance Measures *(continued)*

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

	Year ended 31 March 2022 £'000	Year ended 31 March 2021 £'000
Investment property – wholly-owned	240,175	179,000
Allowance for estimated purchasers' costs at 6.6%	15,852	11,814
Grossed-up completed property portfolio valuation (B)	**256,027**	**190,814**
Annualised cash passing rental income	16,871	15,051
Property outgoings	(1,818)	(993)
Annualised net rents (A)	**15,053**	**14,058**
Rent from expiry of rent-free periods and fixed uplifts*	1,812	1,439
'Topped-up' net annualised rent (C)	**16,865**	**15,497**
EPRA NIY (A/B)	**5.87%**	**7.37%**
EPRA 'topped-up' NIY (C/B)	**6.58%**	**8.12%**

* Rent-free periods expire by September 2022.

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 2022, plus an allowance for estimated purchaser's costs. Estimated purchaser's costs are determined by the relevant stamp duty liability, plus an estimate by our valuers of agent and legal fees on notional acquisition. The net rent deduction allowed for property outgoings is based on the Company's valuers' assumptions on future recurring non-recoverable revenue expenditure.

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

Calculation of EPRA Vacancy Rate

	Year ended 31 March 2022 £'000	Year ended 31 March 2021 £'000
Annualised potential rental value of vacant premises (A)	2,161	1,482
Annualised potential rental value for the complete property portfolio (B)	20,215	16,538
EPRA Vacancy Rate (A/B)	**10.69%**	**8.96%**

EPRA Unaudited Performance Measures *(continued)*

Calculation of EPRA Cost Ratios

	Year ended 31 March 2022 £'000	Year ended 31 March 2021 £'000
Administrative/operating expense per IFRS income statement	5,368	5,221
Less: ground rent costs	(15)	(66)
EPRA costs (including direct vacancy costs) (A)	**5,353**	**5,155**
Direct vacancy costs (see Glossary on page 134 for further details)	(2,456)	(1,622)
EPRA costs (excluding direct vacancy costs) (B)	**2,897**	**3,533**
Gross rental income less ground rent costs (C)	**15,955**	**15,648**
EPRA Cost Ratio (including direct vacancy costs) (A/C)	**33.55%**	**32.94%**
EPRA Cost Ratio (excluding direct vacancy costs) (B/C)	**18.16%**	**22.58%**

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

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

Like-for-like rental growth

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

Sector	**Rental income from like-for-like portfolio 2022 £m**	**Rental income from like-for-like portfolio 2021 £m**	Like-for-like rental growth £m	Like-for-like rental growth %
Industrial	7.35	7.06	0.29	4.16
Office	1.73	2.44	(0.71)	(28.89)
Alternatives	1.50	1.55	(0.05)	(2.98)
Standard Retail	2.01	2.07	(0.06)	(3.19)
Retail Warehouse	0.60	0.61	(0.01)	(1.98)
Total	**13.19**	**13.73**	**(0.54)**	**(3.91)**

The like-for-like rental growth is based on changes in rental income for those properties which have been held for the duration of both the current and prior reporting years. This represents a portfolio valuation, as assessed by the valuer, of £198.30 million (year ended 31 March 2021: £173.60 million).

EPRA Unaudited Performance Measures *(continued)*

Capital Expenditure

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

Sector	**2022 £'000**	2021 £'000
Acquisitions	40,770	5,778
Investment properties – no incremental lettable space	777	205
Total purchases and capital expenditure	**41,547**	**5,983**

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	Like-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 (2021).

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

Scope 1

- Direct emissions from controlled gas boilers (converted from kWh usage)
- Fugitive emissions from air conditioning systems under landlord control (converted from kg refrigerant releases). The Company's property manager, MAPP, have confirmed that no fugitive emission (through refrigerant gases) were reported in 2021/22.
- 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)
Vantage Point	Office	Yes	Yes	Yes
Pearl House	Retail	Yes	Yes	Yes
69-75 Above Bar Street	Retail	No	Yes	No
11/15 Fargate	Retail	No	Yes	No
Pricebusters Building	Retail	No	Yes	Yes (Elec)
Barnstaple Retail Park	Retail Warehouse	No	Yes	No
Diamond Business Park	Industrial	Yes	Yes	Yes
Apollo Business Park	Industrial	Yes	Yes	Yes
London East Leisure 1	Leisure	No	Yes	Yes (Elec)

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

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

Emissions outside of operational control

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

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

EPRA Sustainability Performance Measures (unaudited)

(continued)

Water Consumption & Waste Production

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

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

Intensity Ratios

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

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

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

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

Normalisation Factors

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

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

EPRA Sustainability Performance Measures (unaudited)

(continued)

Data Collection and Verification

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

In summary, the applied process includes:

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

EVORA has reviewed the accuracy of data as determined by actual or estimated kWh usage. As a percentage of the total kWh reported, actual/estimated data was reported on the following basis for 2021/22:

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

Company Targets

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

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

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

- Energy consumption: 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 Company.

EVORA's consultant statement is included below:

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

EPRA Sustainability Performance Measures (unaudited)

(continued)

Methodology

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

In summary, the applied process includes:

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

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

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

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

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

(6) Verification of data and publishing of results

Opinion

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

About EVORA

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

Chris Burgess
Director, EVORA Global Ltd

June 2022

EPRA Sustainability Performance Measures (unaudited)

(continued)

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

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

		Absolute Energy Usage (kWh)	
Sector	**Energy Source**	**2021/22**	**2020/21**
Office	Gas	599,665	685,676
	Electricity	1,108,321	1,419,504
	Energy	**1,707,986**	**2,105,180**
Retail	Gas	523,993	476,674
	Electricity	340,043	266,878
	Energy	**864,036**	**743,552**
Retail Warehouse	Gas	–	–
	Electricity	7,577	8,081
	Energy	**7,577**	**8,081**
Leisure	Gas	–	–
	Electricity	38,677	46,335
	Energy	**38,677**	**46,335**
Industrial	Gas	865,007	1,349,479
	Electricity	606,535	545,703
	Energy	**1,471,542**	**1,895,182**
Total	Gas	1,988,665	2,511,828
	Electricity	2,101,153	2,286,501
	Energy	**4,089,817**	**4,798,330**

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)			Like-for-like/Degree Day Adj Intensity		
Sector	**Energy Source**	**2021/22**	**2020/21**	**Change**	**2021/22**	**2020/21**	**Change**
Office	Gas	640,491	731,058	(12%)	89.9	110.5	(19%)
	Electricity	1,108,321	1,419,504	(22%)			
	Total	**1,748,812**	**2,150,561**	**(19%)**			
Retail	Gas	554,821	504,718	10%	71.2	61.9	15%
	Electricity	319,991	255,711	25%			
	Total	**874,811**	**760,429**	**15%**			
Retail Warehouse	Gas	–	–	–	–	–	–
	Electricity	7,577	8,081	(6%)			
	Total	**7,577**	**8,081**	**(6%)**			
Leisure	Gas	–	–	–	10.1	8.8	14%
	Electricity	13,443	11,742	14%			
	Total	**13,443**	**11,742**	**14%**			
Industrial	Gas	919,438	1,435,540	(36%)	77.6	100.8	(23%)
	Electricity	608,535	545,703	(11%)			
	Total	**1,525,974**	**1,981,344**	**(23%)**			
Total	Gas	2,114,751	2,671,416	(21%)			
	Electricity	2,055,867	2,240,742	(8%)			
	Total	**4,170,617**	**4,912,158**	**(15%)**			

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 ($^tCO_2e$)		Like-for-like/Degree Day Adj Tonnes of Carbon Dioxide Equivalent ($^tCO_2e$)			Like-for-like Degree Day Adj Carbon Intensity ($kg/CO_2e/m^2$)		
Sector	**Scope**	**2021/22**	**2020/21**	**2021/22**	**2020/21**	**Change**	**2021/22**	**2020/21**	**Change**
Office	Scope 1 – Gas	109.8	126.1	117.3	134.4	(13%)	18.1	23.9	(24%)
	Scope 2 – Electricity	235.3	330.9	235.3	330.9	(29%)			
Retail	Scope 1 – Gas	96.0	87.7	101.6	92.8	10%	37.8	34.5	10%
	Scope 2 – Electricity	72.2	62.2	67.9	59.6	14%			
Retail Warehouse	Scope 1 – Gas	–	–	–	–	–	–	–	–
	Scope 2 – Electricity	1.6	1.9	1.6	1.9	(15%)			
Leisure	Scope 1 – Gas	–	–	–	–	–	2.1	2.0	4%
	Scope 2 – Electricity	8.2	10.8	2.9	2.8	4%			
Industrial	Scope 1 – Gas	158.4	248.1	168.4	264.0	(36%)	15.1	19.8	(24%)
	Scope 2 – Electricity	128.8	127.2	128.8	127.2	1%			
Total	Scope 1 – Gas	364.2	461.9	387.3	491.2	(21%)			
	Scope 2 – Electricity	446.1	533.1	436.5	522.4	(16%)			
	Total	**810.4**	**994.9**	**823.9**	**1013.6**	**(19%)**			

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. Two office 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	**2021/22**	**2020/21**	**2021/22**	**2020/21**	**Change**	**2021/22**	**2020/21**	**Change**
Office	2,726	2,752	1,110	1,660	(33%)	–	–	–
Industrial	23,465	4,626	–	–	–	–	–	–
Leisure	119	365	–	–	–	–	–	–
Total	**26,130**	**7,743**	–	–	–	–	–	–

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 disposal services procured directly by tenants. Whilst zero waste is sent directly to landfill, a residual component of the 'recycled' and 'incineration with energy recovery' waste streams may end up in landfill:

		Absolute Waste (Tonnes)		Like-for-like (Tonnes)		
Sector	**Destination**	**2021/22**	**2020/21**	**2021/22**	**2020/21**	**Change**
Office	Incineration with energy recovery	25.5	32.3	25.5	24.3	5%
	Recycled	37.1	69.4	37.1	62.0	(40%)
	Anaerobic Digestion	7.4	9.8	7.4	9.8	(24%)
	Total	**70.0**	**111.4**	**70.0**	**96.0**	**(24%)**
	Recycling Rate	**53%**	**62%**	**53%**	**65%**	**–**
Industrial, Business Park	Incineration with energy recovery	2.0	2.0	2.0	2.0	–
	Recycled	4.7	4.7	4.7	4.7	–
	Anaerobic Digestion	–	–	–	–	–
	Total	**6.8**	**6.8**	**6.8**	**6.8**	**–**
	Recycling Rate	**70%**	**70%**	**70%**	**70%**	**–**
Industrial, Distribution Warehouse	Incineration with energy recovery	8.0	–	–	–	–
	Recycled	0.5	–	–	–	–
	Anaerobic Digestion	–	–	–	–	–
	Total	**8.5**	**–**	**–**	**–**	**–**
	Recycling Rate	**6%**	**–**	**–**	**–**	**–**
Total	Incineration with energy recovery	36.5	34.3	27.5	26.3	5%
	Recycled	42.4	74.1	41.9	66.7	(37%)
	Anaerobic Digestion	7.4	9.8	7.4	9.8	(24%)
	Total	**85.2**	**118.2**	**76.7**	**102.8**	**(25%)**
	Recycling Rate	**49%**	**63%**	**55%**	**65%**	**–**

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

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

A total of 12 assets fell within the boundary for 2022 for GHG emissions (year ended 31 March 2021: 11 assets) and 8 assets for water and waste services (year ended 31 March 2021: 6 assets).

The reporting scope for energy consumption and Scope 1 and 2 GH emissions covers 32% of the portfolio (year ended 31 March 2021: 32%).

The reporting scope for water and waste covers 22% of the portfolio (year ended 31 March 2021: 18%).

EPRA Sustainability Performance Measures (unaudited)

(continued)

During the year, the Company procured 4.1 million kWh (year ended 31 March 2021: 4.8 million kWh) of energy for use across the managed portfolio, which is 14.8% (year ended 31 March 2021: 11.6%) less energy use than in the prior year. The reduction is largely linked to the decrease in energy demand as a result of the impact of COVID-19 and reduced operational activity during this period. On a like-for-like basis our portfolio has seen a reduction of 15% (year ended 31 March 2021: 14%) energy use during the year.

The Scope 1 and 2 GH emissions for the year totalled 810.4 tonnes CO_2e (2021: 994.9 tonnes CO_2e). The absolute Scope 1 and 2 and the two year like-for-like emissions decreased by 18.5% and 18.7% respectively. These changes in the emissions footprint are strongly linked to the operational restrictions due to COVID-19, as well as the UK grid decarbonisation and the associated decrease in the electricity emission factors.

During the period, the total managed and reported waste amounted to 118.2 tonnes (year ended 31 March 2021: 85.2 tonnes), of which none (year ended 31 March 2021: none) was sent directly to landfill.

Sustainability certification (Cert-Tot): Green building certificates

The Company does not have any developments or refurbishment projects in its property portfolio (year ending 31 March 2021: None) 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 (year ending 31 March 2021: None).

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.

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. 48% (by ERV) of the assets within the Companies portfolio have efficient A-C EPC ratings. The Investment Manager is taking the necessary steps to address F to G rated EPCs (approximately 3% of ERV value) and remove MEES risk.

	Portfolio by ERV (%)	
Energy performance certificate rating	**2021/22**	**2020/21**
A-C	48%	44%
D	31%	35%
E	5%	4%
F	1%	1%
G	2%	3%
Exempt	–	–
No EPC	1%	1%
Expired	12%	12%
Coverage	100%	100%

EPRA Sustainability Performance Measures (unaudited)

(continued)

- Energy Performance Certificate (EPC) records for the Company are provided as at 31 March by ERV.
- Data provided includes managed and non-managed assets (i.e. the whole portfolio).
- The information on EPCs is continuously reviewed and updated.
- The F EPCs relate to Brockhurst Crescent, Walsall (Unit 3 Building 2) and Westlands Distribution Park, Weston-super-Mare (Old Fire Station and Unit 10). 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 2022 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 the ESG link within the Corporate Responsibility area at www.aewuk.co.uk.

Gender pay ratio (Diversity-Pay)

The remuneration of the Company Board is set out on page 52 of this Annual Report.

For further information on the Investment Manager's gender pay ratio please refer to the ESG link within the Corporate Responsibility area at www.aewuk.co.uk.

Training and development (Emp-Training)

Please refer to the Director Induction and Training section in the Director Report, on page 44, for details on training for the Company's Board members.

The Investment Manager requires employees to complete mandatory internal training and encourage all staff with professional qualifications to maintain the training requirements of their respective professional body.

All employees of the Investment Manager who work on the Company's activities hold professional qualifications and have completed the relevant CPD for their respective professional bodies.

The Investment Manager also provides training to its employees to ensure that they understand and abide by the Anti-Bribery, Insider Trading and GDPR regulations.

Employee performance appraisals (Emp-Dev)

The Investment Manager's performance appraisal process requires annual performance objective setting and reviews for all staff.

For further information on the Investment Manager's performance appraisal statistics please refer to the ESG link within the Corporate Responsibility area at www.aewuk.co.uk.

The Investment Manager confirms that performance appraisals were completed for 100% of staff relevant to the Company in 2022.

EPRA Sustainability Performance Measures (unaudited)

(continued)

Employee turnover and retention (Emp-Turnover)

For further information on the Investment Manager's employee turnover and retention please refer to the ESG link within the Corporate Responsibility area at www.aewuk.co.uk.

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

Employee health and safety (H&S-Emp)

For further information on the Investment Manager's employee health & safety (being the absenteeism rate) please refer to the ESG link within the Corporate Responsibility area at www.aewuk.co.uk.

Asset health and safety assessments (H&S-Asset)

All sites were inspected by MAPP's during the reporting period and further Health & Safety audits were carried out at those sites that are multi-let.

Asset health and safety compliance (H&S-Comp)

No incidents of non-compliance with regulations/and or voluntary codes were identified during the reporting period.

Community engagement, impact assessments and development programmes (Comty-Eng)

The Company, in conjunction with MAPP, participated in the KidsOut Charity 'Giving Tree' initiative. This initiative aims to provide children living in local refuge homes with a present to open on Christmas Day. To facilitate this, decorative tags with a child's name, age and suggested gift are placed on Christmas trees in the receptions of participating offices throughout the Company's portfolio. Tenants of the offices can then use the details given on the tags to make a donation (£5-£10) to the KidsOut charity.

Sustainability Performance Measures (Governance)

Composition of the highest governance body (Gov-Board)

The Board of the Company comprised 3 non-executive independent directors (no executive board members) as at 31 March 2022.

- The average tenure of the three directors to 31 March 2022 is 6 years and 3 months (31 March 2021 is 5 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 their biography (31 March 2021: one director).

Process for nominating and selecting the highest governance body (Gov-Select)

The Company does not have a separate nomination committee, this role being carried out by the whole Board as chaired by Mark Burton. The Board will consider and make recommendations on its composition so as to maintain an appropriate balance of skills, experience and diversity, including gender, and to ensure progressive refreshing of the Board.

Before the appointment of a new director, the Board prepares a description of the role and capabilities required for a particular appointment. Whilst the Board is dedicated to selecting the best person for the role, it aims to promote diversification and the Board recognises the importance of diversity. The Board agrees that its members should possess a range of experience, knowledge, professional skills and personal qualities as well as the independence necessary to provide effective oversight of the affairs of the Company.

Process for managing conflicts of interest (Gov-Col)

The Company maintains a Conflicts of Interest register that is managed by the Company Secretary and is reviewed at each quarterly Board meeting.

Please refer to the Director's Conflicts of interest section in the Director Report (page 44) for further details.

EPRA Sustainability Performance Measures (unaudited)

(continued)

Targets and progress

During the period we set the following long-term targets to support our strategic ESG objectives. Each year these will be reviewed, with progress being regularly reported to the Board by the Investment Manager.

Area of focus	Target	Metric of Measure	Year	Progress
Health & Safety	To ensure all incidents are resolved within the required timeframe.	Number of incidents per year.	2021/2022	MAPP track all instances via 'risk wise' with priority 1 issues being closed immediately.
Wellbeing	To promote health and wellbeing initiatives across all managed assets.	100% of managed assets to have a health and wellbeing tracker in year 1.	2021/2022	Wellbeing tracker in place.
Social Value	To develop a tenant and community engagement programme.	Number of managed assets to have community engagement programmes per year.	Yearly	AEW initiatives working towards giving up to 2 working days for community engagement for each AEW staff member.
ESG Disclosure & Transparency	To achieve a Gold award for disclosure in line with EPRA sBPR.	Gold Rating EPRA.	2022	Silver in 2021.
	To continuously improve the GRESB rating year on year.	GRESB star rating and score.	Yearly	Achieved two stars in 2021 GRESB assessment and maintained 2020 score of 65.
	To strengthen alignment with the TCFD recommendations.	Align the TCFD by 2022 and provide full publication by 2023.	2022	Updated in this Annual Report in alignment with TCFD recommendations.
Managing environmental impacts	To develop sustainability action plans for all managed assets.	100% of all managed assets to have a sustainability action plan by 2022.	2022	Completed.
	To maintain renewable electricity for all landlord-controlled areas.	100% of all procured electricity to be from renewable sources.	2021	Achieved, all suppliers providing electricity from renewable sources.
	Energy consumption: To achieve a 15% reduction in absolute energy by 2030 based on the 2018 baseline.	15% reduction	2030	Currently +5% (2021: +7.8%)
	GHG emissions: To achieve a 15% reduction in absolute energy by 2030 based on the 2018 baseline.	15% reduction	2030	Currently -14.9% (2021: -9.1%)
	To improve the recycling rates on all managed assets.	70% recycling rates on all waste managed assets (Office). 55% recycling rates on all waste managed assets (Industrial).	Yearly	53% (2021: 62%) recycling rate at office managed assets. 70.0% (2021: 70%) recycling rate at industrial managed assets.
	To maintain zero waste to landfill on all waste managed.	100% of waste diverted from landfill on all waste managed assets.	Yearly	Currently 100% (2021: 99.8%).
	To ensure there are no properties in the portfolio with an EPC below an E rating.	All non compliant EPC's to be improved to a minimum E rating.	Yearly	There are currently two properties in the portfolio with an F EPC rating and one with a G rating. Feasibility studies are ongoing to improve the ratings of these properties at lease expiry.

Company Information

Share Register Enquiries
The register for the Ordinary Shares is maintained by Link Group. In the event of queries regarding your holding, please contact the Registrar on +44 (0)371 664 0391 or email: enquiries@linkgroup.co.uk.

Changes of name and/or address must be notified in writing to the Registrar, at the address shown on page 133. You can check your shareholding and find practical help on transferring shares or updating your details at www.signalshares.com. Shareholders eligible to receive dividend payments gross of tax may also download declaration forms from that website.

Share Information

Total Voting Rights	158,424,746
SEDOL Number	BWD2415
ISIN Number	GB00BWD24154
Ticker/TIDM	AEWU

Share Prices
The Company's Ordinary Shares are traded on the premium segment of the Main Market of the London Stock Exchange.

Frequency of NAV publication:
The Company's NAV is released to the London Stock Exchange on a quarterly basis and is published on the Company's website.

Annual and Half-Yearly Reports
Copies of the Annual and Half-Yearly Reports are available from the Company's website.

Financial Calendar

7 September 2022	Annual General Meeting
30 September 2022	Half-year end
November 2022	Announcement of half-yearly results
31 March 2023	Year-end
June 2023	Announcement of annual results

Dividends
The following table summarises the amounts distributed to equity shareholders in respect of the period:

	£
Interim dividend for the period 1 April 2021 to 30 June 2021 (payment made on 31 August 2021)	3,168,495
Interim dividend for the period 1 July 2021 to 30 September 2021 (payment made on 19 November 2021)	3,168,495
Interim dividend for the period 1 October 2021 to 31 December 2021 (payment made on 28 February 2022)	3,168,495
Interim dividend for the period 1 January 2022 to 31 March 2022 (payment made on 31 May 2022)	3,168,495
Total	**12,673,980**

Company Information *(continued)*

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

Registered Office
6th Floor
65 Gresham Street
London EC2V 7NQ

Company Website
www.aewukreit.com

Investment Manager and AIFM
AEW UK Investment Management LLP
33 Jermyn Street
London SW1Y 6DN

Tel: 020 7016 4880
Website: www.aewuk.co.uk

Property Manager
MAPP
180 Great Portland Street
London W1W 5QZ

Corporate Broker
Liberum Capital Limited
Ropemaker Place
25 Ropemaker Street
London EC2Y 9LY

Legal Adviser
Gowling WLG (UK) LLP
4 More London Riverside
London SE1 2AU

Depositary
Langham Hall UK LLP
8th Floor
1 Fleet Place
London EC4M 7RA

Administrator
Link Alternative Fund Administrators Limited
Beaufort House
51 New North Road
Exeter EX4 4EP

Company Secretary
Link Company Matters Limited
6th Floor
65 Gresham Street
London EC2V 7NQ

Registrar
Link Group
10th Floor
Central Square
29 Wellington Street
Leeds LS1 4DL

Auditor
BDO LLP
55 Baker Street
London W1U 7EU

Valuer
Knight Frank LLP
55 Baker Street
London W1U 8AN

Copies of the Annual Report and Financial Statements
Printed copies of the Annual Report will be sent to shareholders shortly and will be available on the Company's website.

National Storage Mechanism
A copy of the Annual Report and Financial Statements will be submitted shortly to the National Storage Mechanism ('NSM') and will be available for inspection at https://data.fca.org.uk/#/nsm/nationalstoragemechanism.

Glossary

AEW UK Core 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)*

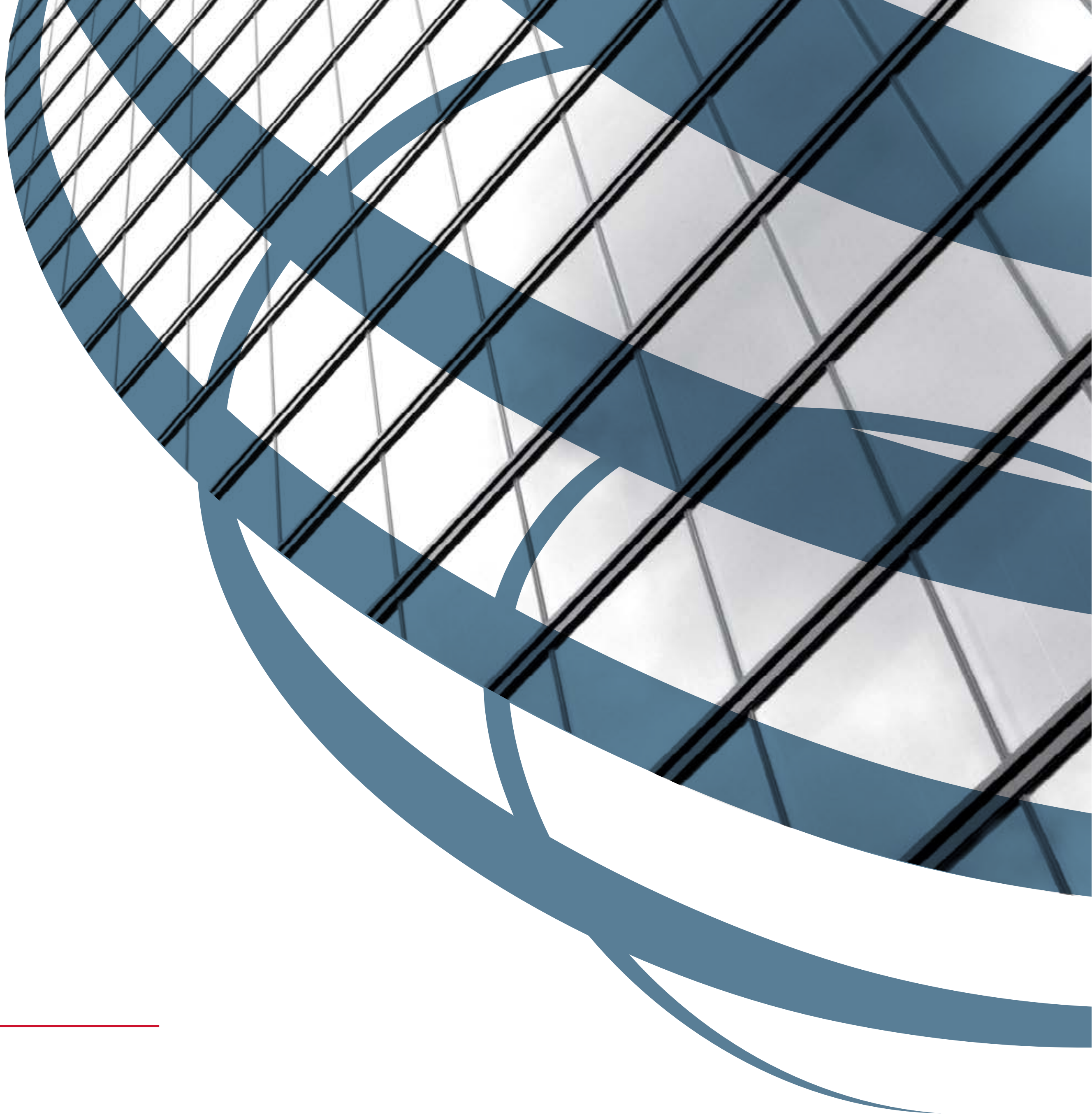
EPRA Net Disposal Value ('EPRA NDV')	This measure represents the shareholders' value under a disposal scenario, where deferred tax, financial instruments and certain other adjustments are calculated to the full extent of their liability, net of any resulting tax.
EPRA Net Reinstatement Value ('EPRA NRV')	NAV adjusted to assume that entities never sell assets and aims to represent the value required to rebuild the entity.
EPRA Net Tangible Asset ('EPRA NTA')	NAV adjusted to assume that entities buy and sell their assets, thereby crystallising certain levels of unavoidable deferred tax.
EPRA Topped-Up Net Initial Yield	This measure incorporates an adjustment to the EPRA NIY in respect of the expiration of rent-free periods (or other unexpired lease incentives such as discounted rent periods and step rents).
EPRA Vacancy Rate	Estimated Rental Value ('ERV') of vacant space as a percentage of the ERV of the whole portfolio.
Equivalent Yield	The internal rate of return of the cash flow from the property, assuming a rise to ERV at the next review or lease expiry. No future growth is allowed for.
Estimated Rental Value ('ERV')	The external valuers' opinion as to the open market rent which, on the date of the valuation, could reasonably be expected to be obtained on a new letting or rent review of a property.
External Valuer	An independent external valuer of a property. The Company's external valuer is Knight Frank LLP.
Fair Value	The estimated amount for which a property should exchange on the valuation date between a willing buyer and a willing seller in an arm's length transaction after proper marketing and where parties had each acted knowledgeably, prudently and without compulsion.
Fair value movement	An accounting adjustment to change the book value of an asset or liability to its fair value.
FCA	The Financial Conduct Authority.
FRI lease	A lease which imposes full repairing and insuring obligations on the tenant, relieving the landlord from all liability for the cost of insurance and repairs.
Gross Asset Value	The aggregate value of the total assets of the Company as determined in accordance with IFRS.
Gross passing rental income	The rent receivable from the portfolio's leases at a particular reporting date. Allows the user to assess the cash receipts the Company is entitled to receive.
IASB	International Accounting Standards Board.
IFRS	International accounting standards in conformity with the requirements of the Companies Act 2006 ('Adopted IFRSs').
Investment Manager	The Company's Investment Manager is AEW UK Investment Management LLP.
IPD	Investment Property Databank. An organisation supplying independent market indices and portfolio benchmarks to the property industry.
IPO	The admission to trading on the London Stock Exchange's Main Market of the share capital of the Company and listing of Ordinary Shares to the premium segment of the Official List of the FCA, on 12 May 2015.
Lease incentives	Incentives offered to occupiers to enter into a lease. Typically this will be an initial rent-free period, or a cash contribution to fit-out. Under accounting rules, the value of the lease incentive is amortised through the Statement of Comprehensive Income on a straight-line basis until the lease expiry.
Lease surrender	An agreement whereby the landlord and tenant bring a lease to an end other than by contractual expiry or the exercise of a break option. This will frequently involve the negotiation of a surrender premium by one party to the other.
LIBOR	The London Interbank Offered Rate, a globally accepted key benchmark interest rate that indicates borrowing between banks.

Glossary *(continued)*

Like-for-like	The like-for-like valuation movement compares the valuation (as provided by the external valuer and before adjustments for lease incentives) of properties at the end of the period in question with the valuation at the start of the period. This measure only compares movements for those properties which were held at both the start and end of the period, so excludes the effects of acquisitions and disposals.
Loan to NAV	The loan balance drawn expressed as a percentage of the Company's Net Asset Value. Allows the user to assess the Company's gearing and is relevant, as this is the measure tested the Company's borrowing covenant.
Loan to GAV (also Gross Loan to GAV)	The loan balance drawn expressed as a percentage of the combined value of the Company's investment property portfolio (as assessed by the valuer) and the Company's investments. Allows the user to assess the Company's gearing and is relevant, as this is the measure used under the Company's Investment Guidelines.
Loan-to-Value ('LTV')	The value of outstanding loans and borrowings (before adjustments for issue costs) expressed as a percentage of the combined valuation of the property portfolio (as provided by the external valuer) and the fair value of other investments.
Net Asset Value ('NAV')	Net Asset Value is the equity attributable to shareholders calculated under IFRS.
NAV per share	Equity shareholders, funds divided by the number of Ordinary Shares in issue. This measure allows a comparison with the Company's share price to determine whether the Company's shares are trading at a premium or discount to its NAV calculated under IFRS.
NAV total return	The percentage change in NAV, assuming that dividends paid to shareholders are reinvested at NAV to purchase additional Ordinary Shares.
Net equivalent yield	Calculated by the Company's External Valuers, net equivalent yield is the internal rate of return from an investment property, based on the gross outlays for the purchase of a property (including purchase costs), reflecting reversions to current market rent and items as voids and non-recoverable expenditure but ignoring future changes in capital value. The calculation assumes rent is received annually in arrears.
Net initial yield ('NIY')	The initial net rental income from a property at the date of purchase, expressed as a percentage of the gross purchase price including the costs of purchase.
Net Loan to GAV	Measure of gearing calculated as follows: (l-c)/v, where "l" is the loan balance drawn, "c" is the Company's cash and cash equivalents and "v" is the combined value of the Company's investment property portfolio (as assessed by the valuer) and the Company's investments. Allows the user to assess the potential effect on gearing of using the Company's cash to repay a portion of its loan balance.
Net Operating Income ('NOI')	The Company's gross operating income minus its operating expenses.
Net rental income	Rental income receivable in the period after payment of ground rents and net property outgoings.
Non-PID	Non-Property Income Distribution. The dividend received by a shareholder of the Company arising from any source other than profits and gains of the Tax Exempt Business of the Company.
Ongoing charges	A measure, expressed as a percentage of NAV, of the regular, recurring costs of running an investment company which is calculated in line with AIC methodology.
Ordinary Shares	Ordinary Shares of £0.01 each in the capital of the Company. Ordinary Shares are the main type of equity capital issued by conventional Investment Companies. Shareholders are entitled to their share of both income, in the form of dividends paid by the Company, and any capital growth.
Over-rented	Space where the passing rent is above the ERV.
Passing rent	The gross rent, less any ground rent payable under head leases.
PID	Property Income Distribution. A dividend received by a shareholder of the Company in respect of profits and gains of the tax exempt business of the Company.

Glossary *(continued)*

Projected debt yield	Measure of risk, calculated by dividing the projected 12 month net operating income by the outstanding principal balance of the debt secured by the Company.
Rack-rented	Space where passing rent is the same as the ERV.
REIT	A Real Estate Investment Trust. A company which complies with Part 12 of the Corporation tax Act 2010. Subject to the relevant UK REIT criteria being met continually, the profits from the property business of a REIT, arising from both income and capital gains, are exempt from corporation tax.
RETT	Real Estate Transfer Tax. The tax payable by the buyer on the purchase of a property. The RETT payable is calculated at a rate depending on the consideration paid for the property.
Reversion	Increase in rent estimated by the Company's external valuer, where the passing rent is below the ERV.
Reversionary yield	The anticipated yield, which the initial yield will rise (or fall) to once the rent reaches the ERV.
Share price	The value of a share at a point in time as quoted on a stock exchange. The Company's Ordinary Shares are quoted on the Main Market of the London Stock Exchange.
Total returns	The returns to shareholders calculated on a per share basis by adding dividends paid in the period to the increase or decrease in the share price or NAV. The dividends are assumed to have been reinvested in the form of Ordinary Shares or net assets.
Shareholder total return	The share price movement and dividends (pence per share) received during a period, expressed as a percentage of the opening share price for the period. Calculated as follows: (b - a + d)/a, where "a" is the opening share price, "b" is the closing share price and "d" is dividends per share.
SONIA	Sterling Overnight Index Average.
Under-rented	Space where the passing rent is below the ERV.
UK Corporate Governance Code	A code issued by the Financial Reporting Council which sets out standards of good practice in relation to board leadership and effectiveness, remuneration, accountability and relations with shareholders. All companies with a premium listing of equity shares in the UK are required under the Listing Rules to report on how they have applied the Code in their annual report and accounts.
Voids	The amount of rent relating to properties which are unoccupied and generating no rental income. Stated as a percentage of ERV.
Weighted Average Unexpired Lease Term ('WAULT')	The average lease term remaining for first break, or expiry, across the portfolio weighted by contracted rental income.
Yield compression	Occurs when the net equivalent yield of a property decreases, measured in basis points.



AEW Offices

United Kingdom
33 Jermyn Street
London
SW1Y 6DN

+44 20 7016 4880
www.aewuk.co.uk

France
22 rue du Docteur Lancereaux
75008 Paris
France

+33 1 78 40 92 00
www.aew.com

United States of America
Two Seaport Lane
Boston MA 02210
United States

+1 617 261 9334
www.aew.com