

AEW UK REIT plc

Interim Report and Financial Statements
for the six months ended 30 September 2023

Contents

Financial Highlights	1
Property Highlights	1
Chairman's Statement	2
Key Performance Indicators	5
Investment Manager's Report	8
Principal Risks and Uncertainties	18
Interim Management Report and Directors' Responsibility Statement	25
Independent Review Report	26
Financial Statements	
Condensed Statement of Comprehensive Income	27
Condensed Statement of Changes in Equity	28
Condensed Statement of Financial Position	29
Condensed Statement of Cash Flows	30
Notes to the Condensed Financial Statements	31
EPRA Performance Measures	50
Company Information	58
Glossary	60



Gold medal for
Financial Reporting 2023



Silver medal for
Sustainability Reporting 2023



Financial Highlights

- Net Asset Value ('NAV') of £167.93 million and of 106.00 pence per share ('pps') as at 30 September 2023 (31 March 2023: £167.10 million and 105.48 pps).
- NAV Total Return for the period of 4.30% (six months ended 30 September 2022: 4.35%).
- Operating profit before fair value changes of £6.63 million for the period (six months ended 30 September 2022: £5.25 million).
- Profit Before Tax ('PBT')* of £7.16 million and earnings per share ('EPS') of 4.52 pps for the period (six months ended 30 September 2022: £8.32 million and 5.25 pps). PBT includes a £0.16 million loss arising from changes to the fair values of investment properties in the period (six months ended 30 September 2022: £6.51 million loss) and £1.65 million realised gains on disposal of investment properties (six months ended 30 September 2022: £10.83 million gains).
- EPRA Earnings Per Share ('EPRA EPS') for the period of 3.58 pps (six months ended 30 September 2022: 2.58 pps). See page 37 for the calculation of EPRA EPS.
- Total dividends* of 4.00 pps declared in relation to the period (six months ended 30 September 2022: 4.00 pps).
- Shareholder Total Return* for the period of 11.00% (six months ended 30 September 2022: -18.53%).
- The price of the Company's Ordinary Shares on the London Stock Exchange was 98.43 pps as at 30 September 2023 (31 March 2023: 92.10 pps).
- As at 30 September 2023, the Company had drawn £60.00 million (31 March 2023: £60.00 million) of its £60.00 million (31 March 2023: £60.00 million) loan facility with AgFe and was geared to 27.35% of GAV (31 March 2023: 28.06%). See note 15 on page 46 for further detail.
- The Company held cash balances totalling £6.44 million as at 30 September 2023 (31 March 2023: £14.32 million).

Property Highlights

- As at 30 September 2023, the Company's property portfolio had a valuation of £219.36 million across 35 properties (31 March 2023: £213.83 million across 36 properties) as assessed by the valuer¹ and a historical cost of £231.38 million (31 March 2023: £224.03 million).
- The Company acquired two properties during the period for a total purchase price of £21.52 million, excluding acquisition costs (year ended 31 March 2023: five properties for £32.05 million).
- The Company made three disposals during the period for gross sale proceeds of £20.85 million (year ended 31 March 2023: five properties for gross sale proceeds of £44.41 million).
- The portfolio had an EPRA vacancy rate** of 6.98% as at 30 September 2023 (31 March 2023: 7.83%).
- Rental income generated during the period was £9.43 million (six months ended 30 September 2022: £8.41 million).
- EPRA Net Initial Yield ('EPRA NIY')** of 7.85% as at 30 September 2023 (31 March 2023: 7.65%).
- Weighted Average Unexpired Lease Term ('WAULT')* of 4.45 years to break and 5.72 years to expiry (31 March 2023: 3.05 years to break and 4.33 years to expiry).

* See KPIs on pages 5 to 7 for definition of alternative performance measures.

** See glossary on pages 60 to 63 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

Despite the lacklustre economic headlines, we were encouraged to see the portfolio's performance return to positive territory in the first half of the year, following a tumultuous period for UK property valuations. During the period, the Company achieved NAV growth of 0.49%, with two successive quarters of positive valuation movements and numerous NAV accretive sales having been completed. Positive like-for-like valuation movement was seen in all sectors of the Company's portfolio, with the exception of offices, which are still stabilising. All sectors of the Company's portfolio outperformed the MSCI index during the period, demonstrating the benefits of an actively managed portfolio. Quarterly EPRA earnings per share ('EPS') grew by 4% during the period, with EPS reaching 1.84pps for the quarter ending 30 September 2023. Further growth in earnings and NAV are expected in the near term.

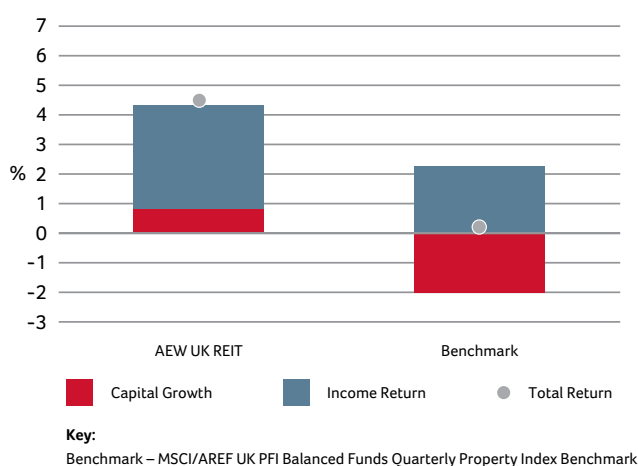
The commercial property investment market remained subdued during the period, with transaction volumes in all sectors well below historic averages. Despite the depressed transactional activity, the Company has identified plentiful pipeline opportunities. Less direct competition and a greater prevalence of mispricing have resulted in value investment opportunities being more numerous.

To exploit these opportunities, the Company has undertaken a strategy of selective capital recycling, in order to benefit from the attractive locations and advantageous pricing in its pipeline. Assets have been sold where their values have been maximised over the medium term and their earnings are below those seen in the Company's pipeline. During the period, the Company undertook three sales where offers had been received at levels that maximised asset value over the short to medium term. These sales included two industrial assets in Leeds and Bradford, sold as a package for a blended net initial yield of 6.2%, far below the Company's achieved average purchase yield during the period of 8.6%, demonstrating the Company's ability to crystallise asset management gains by selling out of lower yielding assets and recycling them into higher yielding assets, thereby enhancing earnings. The sale prices exceeded the assets' valuations prior to disposal by an average of 14%. The third sale was of an industrial property in Deeside, which was sold vacant for an 8% premium to the prior valuation. The asset was sold in order to avoid a costly refurbishment programme. These sales added to the Company's existing strong track record of crystallising net gains on disposal. The resulting capital profit will be utilised, where needed, to supplement earnings in the payment of the Company's market leading dividend, which has now been paid for 32 consecutive quarters.

I am pleased to report significant progress towards the Company's strategic objective of reinvesting capital generated from sales into higher yielding assets in core urban locations. The purchases of NCP, York, and Cambridge House, Bath, utilised most of the capital available for deployment and have strengthened earnings with a combined initial yield of 8.6%. Both assets have robust reversionary potential, each offering yields in excess of 10%, thus furthering their potential accretion to earnings over time. Despite the short-term negative impact on NAV of acquisition costs, these purchases are expected to deliver NAV growth over the medium term. Critical to these acquisitions were the strong locations of the assets, both of which occupy attractive central pitches in cities with a tight supply of land.

Chairman's Statement (continued)

Company Portfolio Performance vs. Benchmark for six months to 30 September 2023¹



Source: MSCI 30 September 2023

¹ This graph has been amended and restated for errors in the AEW REIT capital growth and benchmark income return subsequent to the initial version of the half year report that was issued on 21 November 2023.

This has been a fruitful period for the Company's active asset management capabilities, with high numbers of leasing transactions completing that have fuelled earnings growth and bolstered NAV. The Company's portfolio has seen robust occupational activity across all major market sectors, with a particular concentration of activity in retail sectors, where the Company has focused much of its recent purchases. This activity is testament to the Investment Manager's expertise in stock selection and proactive asset management, both of which have driven the strong total return performance achieved by the portfolio's assets.

Further benefits to earnings and values from asset management transactions are expected to be realised over coming periods, with a number of key negotiations ongoing. As at the period end, the Company had a reversionary yield of 8.72%, as independently assessed by the valuer, Knight Frank, versus an initial yield of 7.31%. This is a measure of the inherent potential for future income growth that the current portfolio provides. Given the portfolio retains a low average passing rent of £6.29 per sq ft, this represents a conservative starting point for value protection and income growth.

Financial Results

	Six months ended 30 September 2023	Six months ended 30 September 2022	Year ended 31 March 2023
Operating profit before fair value changes (£'000)	6,627	5,253	11,096
Operating profit/(loss) (£'000)	8,110	9,576	(9,164)
Profit/(loss) before tax (£'000)	7,162	8,322	(11,325)
Earnings/(loss) per share (basic and diluted) (pence)*	4.52	5.25	(7.15)
EPRA Earnings per share (basic and diluted) (pence)*	3.58	2.58	5.70
Ongoing Charges (%)	1.50	1.33	1.37
Net Asset Value per share (pence)*	106.00	121.88	105.48
EPRA Net Tangible Assets per share (pence)*	106.00	121.88	105.48

* see note 10 of the Financial Statements for the corresponding calculations. See the Investment Manager's Report for further explanation of performance in the period.

Chairman's Statement *(continued)*

Awards

I am delighted that the Company's performance and practices have been recognised in four awards received during the period. The Company has once again been awarded a gold medal by EPRA, the European Public Real Estate Association, for its high standard of financial reporting and a silver medal for standards of sustainability reporting. These awards are testament to the Company's robust governance and transparency.

The Company also won the Citywire investment trust award in the 'UK Property' category for the fourth successive year, as well as winning the 'Property' category at the Investment Week Investment Company of the Year awards.

Board Changes

As announced previously, I am very pleased to confirm the appointments of Mr Robin Archibald and Mrs Liz Peace as independent Non-Executive Directors to the Board of the Company, effective 1 October 2023. As part of orderly succession planning, Robin has been appointed as Chairman-elect and will succeed as Chairman of the Board upon my retirement at the Company's 2024 AGM. I am delighted that Robin and Liz are joining the Board and I am confident that their experience and range of skills will complement and further strengthen the existing Board for many years to come. Their collective extensive knowledge and experience in property and investment companies will be of great benefit. I look forward to working closely with Robin to ensure a smooth handover until September 2024.

On 30 September 2023, Mr Bim Sandhu retired from the Board as Chairman of the Audit Committee, having reached the end of his nine-year tenure as a Director of the Company. As first announced on 10 November 2022, Mr Mark Kirkland was appointed as Chairman-designate of the Audit Committee and has now succeeded Mr Sandhu as Audit Committee Chairman. On behalf of the Board, I thank Bim for his invaluable contribution since the IPO of the Company, and wish him well for his future endeavours.

Outlook

We are pleased by the Company's progress in continuing to invest capital into attractive pipeline assets, where market conditions have enabled attractive pricing levels. These purchases have returned the Company's portfolio to being materially fully invested and as a result, income levels have grown accordingly. We are reassured by the occupational resilience that the portfolio has shown during a period of ongoing uncertainty. The quantum of asset management activity completed during the period is testament to the Investment Manager's proactive approach and to the quality of assets held in the portfolio. This activity has also boosted earnings and creates a healthy near-term outlook for further growth.

The Board believes that the ongoing relevance of the Company's strategy is highlighted by its consistent outperformance of the MSCI benchmark, with a five-year annualised outperformance of 6.66%. The Company has identified a plentiful pipeline, which has presented excellent opportunities for a diversified, value-focused investment strategy that is nimble in making cross-sector and often, counter-cyclical moves, thereby delivering optimal value to Shareholders. We believe that the relevance of this strategy is highlighted by the robustness of the Company's share rating, whose discount to NAV has consistently been the narrowest of its peers in the UK diversified peer group.

The Board and Investment Manager will continue to take a prudent approach to the ongoing management of the Company, alongside considering opportunities for investment, growth and capital recycling, as they arise.

Mark Burton
Chairman

21 November 2023

Key Performance Indicators

KPI AND DEFINITION	RELEVANCE TO STRATEGY	TARGET	PERFORMANCE
<p>1. EPRA NIY A representation to investors 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.</p>	The Company's EPRA NIY demonstrates the ability to generate income from its portfolio in the short-term in order to meet its target dividend.	7.50 – 10.00%	7.85% at 30 September 2023 (31 March 2023: 7.65%).
<p>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.</p>	The Company's True Equivalent Yield demonstrates the Company's ability to generate income, both from its existing leases and its ERVs, in order to meet its target dividend.	7.50 – 10.00%	8.84% at 30 September 2023 (31 March 2023: 8.89%).
<p>3. Reversionary Yield The expected return the property will provide once rack rented.</p>	A Reversionary Yield profile shows a potentially sustainable income stream that can be used to meet dividends past the expiry of a property's current leasing arrangements.	7.50 – 10.00%	8.72% at 30 September 2023 (31 March 2023: 8.75%).
<p>4. WAULT to expiry The average lease term remaining to expiry across the portfolio, weighted by contracted rent.</p>	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, particularly in certain growth sectors such as warehousing, as it allows the Investment Manager to engage in direct negotiation with tenants rather than via rent-review mechanisms.	>3 years	5.72 years at 30 September 2023 (31 March 2023: 4.33 years).

Key Performance Indicators *(continued)*

KPI AND DEFINITION	RELEVANCE TO STRATEGY	TARGET	PERFORMANCE
<p>5. WAULT to break</p> <p>The average lease term remaining to break, across the portfolio weighted by contracted rent.</p>	<p>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.</p>	>3 years	<p>4.45 years</p> <p>at 30 September 2023 (31 March 2023: 3.05 years).</p>
<p>6. NAV</p> <p>NAV is the value of an entity's assets minus the value of its liabilities.</p>	<p>Provides stakeholders with the most relevant information on the fair value of the assets and liabilities of the Company.</p>	Increase year-on-year	<p>£167.93 million</p> <p>at 30 September 2023 (31 March 2023: £167.10 million).</p>
<p>7. Leverage (Loan to GAV)</p> <p>The proportion of the Company's gross assets that is funded by borrowings.</p>	<p>The Company intends to utilise borrowings to enhance returns. A target of 25% Loan to GAV is stated in the Company's Investment Guidelines.</p>	25%	<p>27.35%</p> <p>at 30 September 2023 (31 March 2023: 28.06%).</p>
<p>8. Vacant ERV</p> <p>The space in the property portfolio which is currently unlet, as a percentage of the total ERV of the portfolio.</p>	<p>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.</p>	<10.00%	<p>6.98%</p> <p>at 30 September 2023 (31 March 2023: 7.83%)</p>

Key Performance Indicators *(continued)*

KPI AND DEFINITION	RELEVANCE TO STRATEGY	TARGET	PERFORMANCE
<p>9. Dividend</p> <p>Dividends declared in relation to the year. The Company targets a dividend of 8.00 pence per Ordinary Share per annum.</p> <p>However, given the current general economic uncertainty, regard will be had to the circumstances prevailing at the relevant time in determining dividend payments.</p>	<p>The dividend reflects the Company's ability to deliver a sustainable income stream from its portfolio.</p>	<p>4.00 pps (six month period to 30 September)</p>	<p>4.00 pps for the six months to 30 September 2023. This supports an annualised target of 8.00 pps (six months to 30 September 2022: 4.00 pps).</p>
<p>10. Ongoing Charges</p> <p>The ratio of annualised administration and operating costs expressed as a percentage of average NAV throughout the period.</p>	<p>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.</p>	<p><1.50%</p>	<p>1.50% for the six months to 30 September 2023 (six months to 30 September 2022: 1.33%).</p>
<p>11. Profit before tax ('PBT')</p> <p>PBT is a profitability measure which considers the Company's profit before the payment of income tax.</p>	<p>The PBT is an indication of the Company's financial performance for the period in which its strategy is exercised.</p>	<p>4.00 pps (six month period to 30 September)</p>	<p>£7.16 million/4.52 pps for the six months to 30 September 2023 (six months to 30 September 2022: £8.32 million/5.25 pps).</p>
<p>12. Shareholder Total Return</p> <p>The percentage change in the share price assuming dividends are reinvested to purchase additional Ordinary Shares.</p>	<p>This reflects the return seen by shareholders on their shareholdings through share price movements and dividends received.</p>	<p>8.00% per annum</p>	<p>11.00% for the six months to 30 September 2023 (six months to 30 September 2022: -18.53%).</p>
<p>13. EPRA EPS</p> <p>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 9.</p>	<p>This reflects the Company's ability to generate earnings from the portfolio which underpins dividends.</p>	<p>4.00 pps (six month period to 30 September)</p>	<p>3.58 pps for the six months to 30 September 2023 (six months to 30 September 2022: 2.58 pps).</p>

Investment Manager's Report

Property Market Outlook

Despite uncertainty remaining in the wider economy, values in UK commercial property largely stabilised during the six months to 30 September 2023. UK property is expected to offer healthy return prospects over the coming periods, with consensus forecasts showing an expected return to positive rental growth across all major market sectors by 2025, and all UK property total returns to average 5.6% per annum over the next five years (2023–2027).

Industrial

During the period, the industrials sector remained robust having been the sector which saw the steepest value declines at the end of 2023. Supported by resilient levels of occupational demand, the sector has continued to see the highest levels of rental growth and although this is expected to slow in coming years, it is expected to remain in positive territory, showing expected average annual growth of 3.3% between 2023 and 2027. We believe that the Company's industrial portfolio, with a low average passing rent of £3.60 per sq ft, will be well placed to benefit. The Company has completed several sales from the sector during the period, where sales yields have compressed significantly compared to pipeline assets, due to vendors' positive expectations on rental growth.

Retail

Values in the retail sector also fared robustly during the period, buoyed by positive sector indicators. Retail sales volumes increased 0.3% over the three months to August 2023 and the proportion of online retail sales fell marginally in the month to August. These figures, however, mask a divergence in performance of the underlying retail sectors, with retail warehousing remaining more robust on a total return basis than its high street equivalent. Vacancy levels across retail warehousing have fallen to 4.7%, the lowest level seen since 2018. Performance on the high street remains significantly polarised from town to town, with the top tiers remaining robust and those now deemed to be lower quality struggling, both for occupational and investor demand.

The period saw the failure of Wilko, which affected both high street and retail warehousing locations. Tenant failures and CVAs have not been as common as compared to the more regular occurrence seen during the Covid pandemic, however we remain cautious of further distress in the sector.

Office

The Office sector saw a stronger post-Covid recovery in 2022 than some may have expected, with office-based employment growing in 2022. This trend started to reverse during 2023, resulting in negative capital growth seen across most locations. Occupational uncertainty remains across the sector, as businesses continue to transition to new working patterns. Tenants have also become more discerning in recent years, with occupiers now wishing to benefit from strong sustainability credentials as well as surrounding amenities and top-quality space. This is particularly the case for large corporate tenants, but it is increasingly becoming a key factor for smaller businesses too. As a result of all these factors, we have seen investor demand for the sector remain light, with investors further deterred by the high costs associated with delivery.

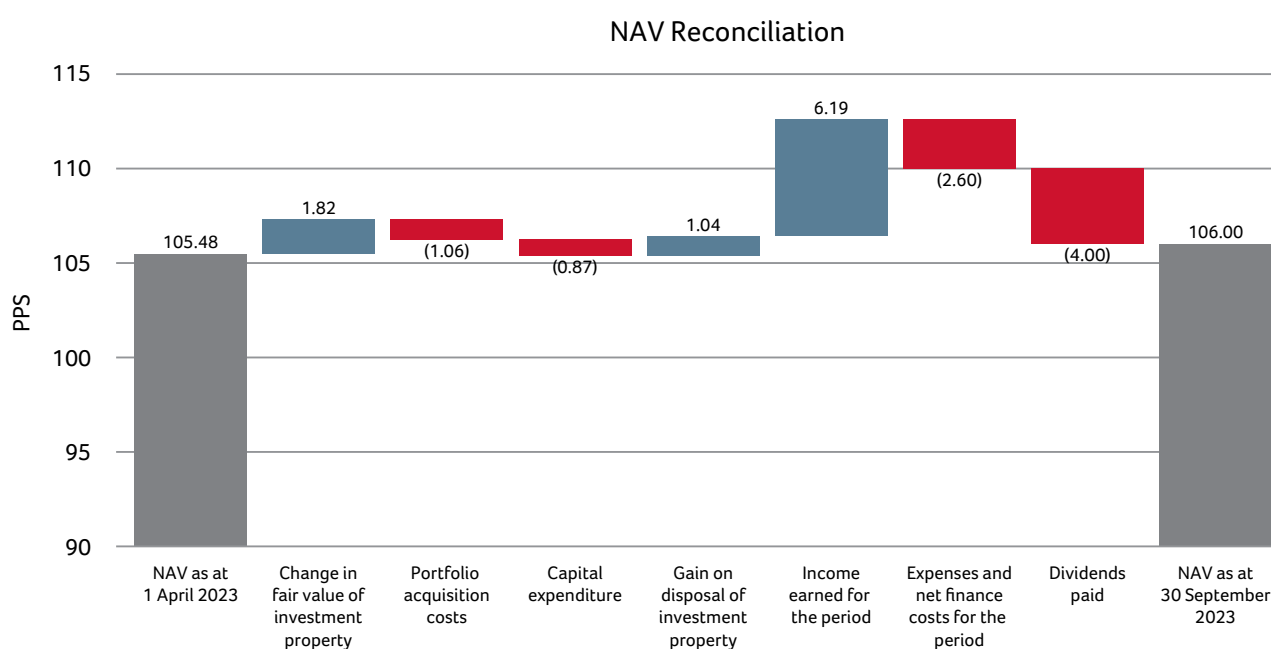
Alternatives

Across alternative sectors, visibility of performance in trading updates is key to investor demand and where these have remained robust, despite the squeeze on consumer discretionary spend, investment volumes have held up. Generally, leisure has historically fared relatively defensively during periods of economic uncertainty. Operators carrying unsustainably high levels of debt are seen as a concern, however. We find the sector attractive on a selective basis, particularly for assets that offer a superior income return and occupy larger land holdings, or sites in urban areas that can often be underpinned by alternative use values, most likely residential.

Investment Manager's Report *(continued)*

Financial Results

The Company's NAV as at 30 September 2023 was £167.93 million or 106.00 pps (31 March 2023: £167.10 million or 105.48 pps). This represents an increase of 0.52 pps or 0.49% over the six-month period, with the underlying movement in NAV set out in the table below:



EPRA EPS for the period was 3.58 pence which, based on dividends paid of 4.00 pps, reflects a dividend cover of 89.50%. The increase in dividend cover compared to the prior six-month period has largely arisen due to the completion of key asset management transactions. Our portfolio has gradually been reducing its industrial exposure over the past 18 months, and although this may not continue at the same rate going forward, it has allowed us to crystallise profits made in the sector and concurrently recycle the resulting capital into high yielding assets in our pipeline, mostly within other market sectors. We believe that this ability to move nimbly between property sectors in order to extract maximum value from our portfolio is a key strength of our strategy.

Further gains in EPS are expected in the coming quarters as the ongoing programme of new lettings should provide a boost to income streams and a reduction in void costs. The Company's focus for the deployment of capital continues to be further accretive investment opportunities, alongside re-investment into the existing portfolio where capex is needed in order to drive future performance gains.

Rent collection rates have reached 99% for both the March 2023 and June 2023 quarters respectively, with further payments expected to be received under longer-term payment plans. Of the outstanding arrears, the Company has made a £1.27 million expected credit loss provision, given the challenging economic outlook. The Company will continue to pursue all outstanding arrears.

The ongoing charges ratio has increased during the period as a result of the decline in the valuation of the portfolio rather than an increase in the Company's underlying cost base.

Investment Manager's Report *(continued)*

Financing

The Company holds a £60.00 million five-year term loan facility, maturing in May 2027. The loan is held with AgFe, a leading independent asset manager specialising in debt-based investments. It is priced as a fixed rate loan with a total interest cost of 2.959%. In the current inflationary environment, the Company considered it prudent to fix the loan and interest, rather than run the risk of further interest rate rises during the loan term.

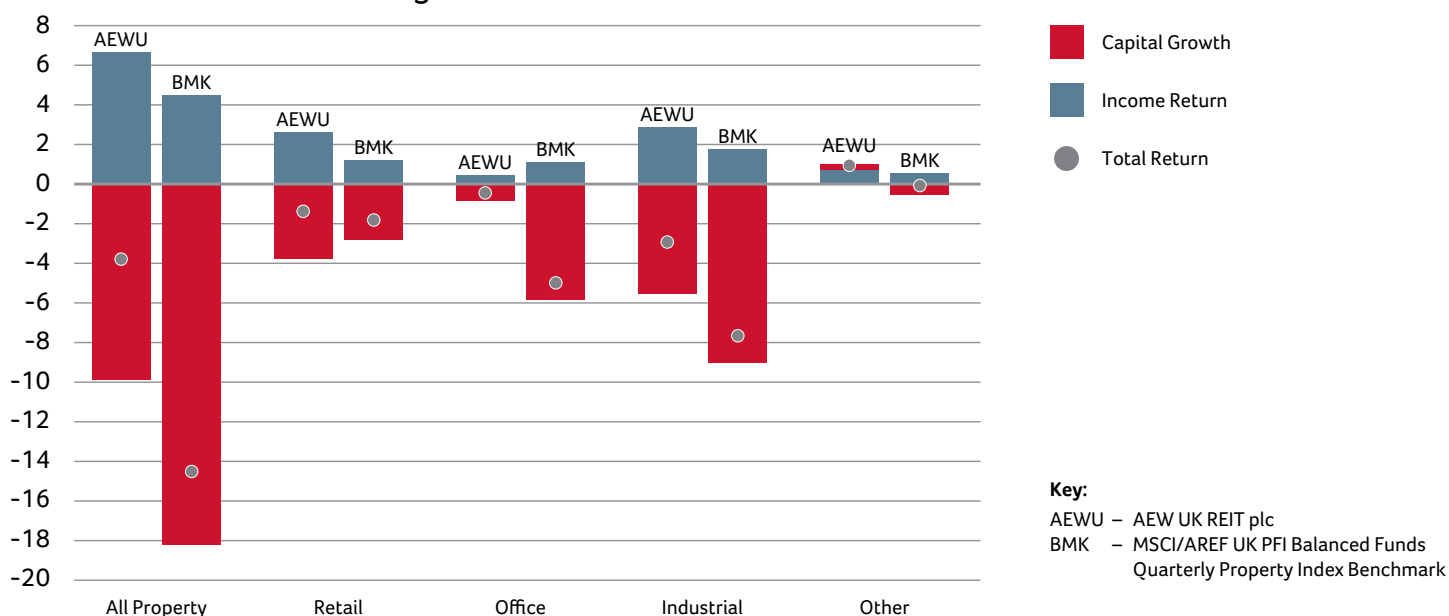
The details of the loan facility are as follows:

	30 September 2023	31 March 2023
Facility	£60.00 million	£60.00 million
Drawn	£60.00 million	£60.00 million
Gearing (Loan to GAV)	27.35%	28.06%
Interest rate	2.959% fixed	2.959% fixed

Property Portfolio

In the year to 30 September 2023, the Company outperformed the benchmark in total return terms across all property sectors, demonstrating the benefits of an actively managed portfolio. This was driven by capital growth outperformance in all sectors aside from retail, and income return outperformance in all sectors aside from offices.

12 month weighted contribution to returns



Source: MSCI 30 September 2023

Investment Manager's Report *(continued)*

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

Summary by Sector as at 30 September 2023

Sector	Number of assets	Valuation (£m)	Area (sq ft)	Vacancy by ERV (%)	WAULT to break (years)	Gross passing rental income (£m)	Gross passing rental income (£psf)	ERV (£m)	ERV (£psf)	Rental income (£m)	Like-for-like rental growth* (£m)	Like-for-like rental growth* %
Industrial	14	78.33	1,880,794	4.35	3.80	6.78	3.60	7.71	4.10	3.51	(0.08)	(2.31)
Retail warehouses	5	46.25	484,033	18.14	5.25	3.40	7.03	4.32	8.93	2.07	(0.19)	(9.67)
Standard retail	8	38.16	357,227	3.16	4.89	3.89	10.90	3.98	11.13	2.03	0.03	1.98
Alternatives	5	30.37	197,491	0.00	7.54	2.98	15.08	2.75	13.95	1.16	(0.04)	(3.91)
Offices	3	26.25	125,318	9.34	2.96	2.10	16.74	2.73	21.75	0.66	0.05	8.14
Portfolio	35	219.36	3,044,863	6.98	4.45	19.15	6.29	21.49	7.06	9.43	(0.23)	(2.89)

Summary by Geographical Area as at 30 September 2023

Geographical Area	Number of assets	Valuation (£m)	Area (sq ft)	Vacancy by ERV (%)	WAULT to break (years)	Gross passing rental income (£m)	Gross passing rental income (£psf)	ERV (£m)	ERV (£psf)	Rental income (£m)	Like-for-like rental growth* (£m)	Like-for-like rental growth* %
South West	7	57.35	635,587	9.65	3.96	4.58	7.20	6.15	9.68	2.33	0.10	6.51
West Midlands	5	43.00	597,860	10.24	4.22	3.60	6.03	3.86	6.46	1.81	(0.09)	(4.62)
Yorkshire and Humberside	7	32.43	616,838	13.81	4.85	2.92	4.74	3.57	5.79	1.48	(0.02)	(1.57)
Eastern	4	22.08	326,419	0.80	3.29	1.92	5.87	2.10	6.44	0.83	(0.15)	(15.61)
North West	4	21.60	336,043	0.00	6.05	1.90	5.67	2.00	5.95	0.98	(0.07)	(9.75)
Wales	2	14.90	319,010	0.00	9.48	1.28	4.00	1.38	4.34	0.61	(0.03)	(5.37)
South East	3	12.15	86,826	0.00	2.67	1.39	16.06	1.05	12.07	0.62	0.07	17.96
Rest of London	1	10.00	71,720	0.00	8.01	0.94	13.04	0.79	10.94	0.49	(0.02)	(4.62)
East Midlands	1	3.70	28,219	0.00	3.62	0.41	14.56	0.38	13.38	0.18	(0.02)	(10.37)
Scotland	1	2.15	26,341	0.00	4.54	0.21	7.97	0.21	7.97	0.10	-	1.89
Portfolio	35	219.36	3,044,863	6.98	4.45	19.15	6.29	21.49	7.06	9.43	(0.23)	(2.89)

* like-for-like rental growth is for the six months ended 30 September 2023.

Source: Knight Frank/AEW, 30 September 2023.

Investment Manager's Report *(continued)*

Individual Property Classifications

	Property – Top 10	Sector	Region	Market Value Range (£m)
1	Central Six Retail Park, Coventry	Retail warehouses	West Midlands	20.0 – 25.0
2	Northgate House, Bath	Standard retail	South West	10.0 – 15.0
3	Gresford Industrial Estate, Wrexham	Industrial	Wales	10.0 – 15.0
4	Cambridge House, Bath	Offices	South West	10.0 – 15.0
5	40 Queen Square, Bristol	Offices	South West	10.0 – 15.0
6	Tanner Row, York	Other	Yorkshire and Humberside	10.0 – 15.0
7	London East Leisure Park, Dagenham	Other	Rest of London	10.0 – 15.0
8	Arrow Point Retail Park, Shrewsbury	Retail warehouses	West Midlands	7.5 – 10.0
9	Units 1001-1004, Sarus Court, Runcorn	Industrial	North West	5.0 – 7.5
10	Apollo Business Park, Basildon	Industrial	Eastern	5.0 – 7.5

The Company's top ten properties listed above comprise 51.1% of the total value of the portfolio.

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

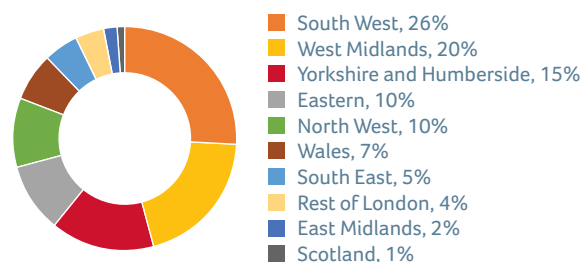
Investment Manager's Report *(continued)*

Sector and Geographical Allocation by Market Value as at 30 September 2023

Sector Allocation



Geographical Allocation



Source: Knight Frank valuation report as at 30 September 2023.

Top Ten Tenants

Tenant	Sector	Property	Passing Rental Income (£'000)	% of Portfolio Total Contracted Rental Income
1 Plastipak UK Limited	Industrial	Gresford Industrial Estate, Wrexham	975	5.1
2 NCP	Other	Tanner Row, York	733	3.8
3 Matalan	Retail warehouse	Matalan, Preston	651	3.4
4 Wyndeham Group	Industrial	Wyndeham, Peterborough	644	3.4
5 Poundland Limited	Retail	Various	631	3.3
6 Next	Retail	Next, Bromley	630	3.3
7 TJX UK Ltd	Retail	Various	608	3.2
8 Mecca Bingo Ltd	Other	London East Leisure Park, Dagenham	584	3.1
9 Odeon Cinemas	Other	Odeon Cinema, Southend-on-Sea	535	2.8
10 Bath Northgate House Centre Ltd	Retail	Northgate House, Bath	491	2.5

The Company's top ten tenants, listed above, represent 33.9% of the total passing rental income of the portfolio.

Source: Knight Frank valuation report as at 30 September 2023.

Investment Manager's Report (continued)

Investment Update

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

Acquisitions – In July 2023, the Company completed the acquisition of Tanner Row, York, a mixed-use asset within York city centre for £10.02 million, reflecting an attractive net initial yield of 9.3%.

In September 2023, the Company acquired Cambridge House, Bath, a mixed-use asset in Bath city centre for £11.50 million, reflecting an attractive net initial yield of 8.0% and a capital value of £223 per sq ft.

Disposals – In May 2023, the Company completed the sale of its industrial holding in Deeside for £4.75 million, reflecting a capital value of circa £49 per sq ft. The vacant asset was sold to an owner-occupier, with the price reflecting an 8.0% premium to the 31 March 2023 valuation. By disposing of the asset, the Company also avoided a speculative refurbishment project costing approximately £1.00 million.

In June 2023, the Company completed the sale of two industrial assets, being Euroway Trading Estate, Bradford and Lockwood Court, Leeds, for combined proceeds of £16.10 million. This reflected a blended net initial yield (NIY) of 6.2% and a weighted average premium to acquisition price of 31.2%. Both sales realised significant profit for AEWU's shareholders. For Euroway Trading Estate and Lockwood Court respectively, their sales prices exceeded their 31 March 2023 valuations by 26.5% and 3.8%, as well as their acquisition prices by 30.3% and 31.8%.

Asset Management Update

Central Six Retail Park, Coventry (retail warehousing) – in April 2023, the Company completed a lease renewal with existing tenant, Grahams Baked Potatoes Limited. The tenant has entered into a new four-year lease with rolling mutual break options at a rent of £24,500 per annum, equating to £45 per sq ft.

In May 2023, the Company completed a lease renewal with existing tenant, Oak Furnitureland Group Limited, for Unit 12. The tenant has entered into a new two-year lease with rolling mutual break options at a rent of £25,000 per annum, equating to £2.50 per sq ft.

In May 2023, the Company also completed a reversionary lease with existing tenant, Boots UK Limited, for Unit 7. The tenant has entered into a new five-year lease with effect from 28 February 2024 at a rent of £259,293 per annum, equating to £14.25 per sq ft. The letting also includes seven and a half months' rent free taken under the existing lease.

In June 2023, the Company completed the acquisition of the freehold interest in units 1-11, which had previously been held by way of long leasehold from Friargate JV Projects Limited. The acquisition of the freehold interest is expected to increase the liquidity of the asset in case of its future sale and also removes user restrictions within the long lease which are constrictive to lettings. In exchange for the freehold interest, the Company has granted to Friargate JV Projects an option to acquire the Company's long leasehold interest in units 12 A & B over a five-year period, commencing in two years' time.

The Company completed a new 20-year lease to Aldi Stores Limited, following the completion of the agreement for lease in October 2022. The lease provides an annual rent of £270,166 per annum, reflecting £13 per sq ft, to be reviewed every five years based on compounded annual RPI, collared and capped at 1% and 3% respectively. The lease provides Aldi with a 12-month rent-free incentive and a tenant break option at year 15.

In September 2023, the Company received formal confirmation of the planning permission for the amalgamation of Unit 6a and Unit 6b and extended delivery hours in order to facilitate the letting to The Food Warehouse. The letting is expected to complete in February 2024.

Barnstaple Retail Park, Barnstaple (retail warehousing) – the Company has completed an eight-year reversionary lease with B&Q from 29 September 2024 at the current passing rent of £348,000 per annum (£9.75 per sq ft). In return, the tenant has been granted a six-month rent-free period.

Investment Manager's Report *(continued)*

40 Queens Square, Bristol (office) – after protracted negotiations, the Company has settled three outstanding rent reviews at the building dating back to 2021 and 2022 with the following tenants: Leonard Curtis Recovery Limited, Chapman Taylor LLP and Turley Associates. The outcome of the reviews will see the annual rent from the three tenants increase from £213,812 per annum to £281,550, reflecting a 32% uplift.

The Company has also recently completed a new five-year ex-Act lease to Environmental Resources Limited with a tenant break option at the end of the third year at a rent of £69,230 per annum (£35 per sq ft). The tenant has the benefit of an initial six-month rent-free period, with a further four months incentive if they do not serve their break option.

Arrow Point Retail Park, Shrewsbury (retail warehousing) – the Company has completed a three-year lease to Universal Consumer Products Limited at a rent of £110,000 per annum (£8 per sq ft). The previous passing rent was £95,844 (£7 per sq ft). No lease incentive was given.

Oak Park, Droitwich (industrial) – the Company has completed a new three-year ex-Act lease on units 266-270 to Roger Dyson at a stepped rent starting at £123,000 per annum in year one, £135,000 per annum in year two and £148,000 per annum in year three. There is a mutual break option on the expiry of the second year. The tenant was granted a one-month rent free period.

The Company has also completed a new three-year ex-Act lease to Adam Hewitt Ltd at units 263 and 265 at a rent of £70,000 per annum. There is a tenant break option after the first year. No rent incentive was given.

Lastly, the Company has completed a letting at units 272 and 273 to J Warwick Holdings Ltd for a new 15-year term, with rolling tenant break options every three years at a rent of £79,000 per annum. The tenant has the benefit of a six-month rent-free period. The property is now fully let.

Diamond Business Park, Wakefield (industrial) – in April 2023, the Company completed the settlement of an open market rent review with Tasca Tankers, dating back to June 2022. The review will see the rent received increase from £209,000 to £229,900 per annum, reflecting an uplift of 9.6%.

The Company has settled Compac UK's July 2023 RPI rent review at £53,517 per annum, representing an £11,517 per annum (circa 27%) increase. The unit is still considered under-rented, with an ERV of £4.00 per sq ft, compared to the new passing rent of £3.90 per sq ft.

The Company has also settled Economy Packaging Ltd's August 2023 open market rent review at £79,065 per annum, representing a £26,565 per annum (circa 50%) increase. This letting equates to £3.75 per sq ft and will provide good evidence for further asset management activity.

Northgate House, Bath (retail) – in June 2023, the Manager completed a new five-year ex-Act lease to Dimension Vintage limited at a rent of £40,000 per annum. Four months' rent-free has been granted.

Commercial Road, Portsmouth (retail) – in June 2023, a new 10-year lease was completed to Specsavers at a rent of £60,000 per annum in vacant accommodation previously let to River Island. An incentive of nine months' rent free was granted to the tenant, along with a £40,000 capital contribution to improvement works. There will be a tenant only break option after six years on six months' notice.

Sarus Court, Runcorn (industrial) – The Manager has completed three lease renewals with existing tenant, CJ Services, for their leases at units 1001, 1002 and 1003. The total rent is £276,283 per annum reflecting £6.50 per sq ft, an increase from the previous average passing rent of £5.25 per sq ft. Five-year ex-Act leases were granted, with incentives equal to six months' rent-free.

The Railway Centre, Dewsbury (leisure) – Mecca Bingo, whose lease expires on 24 December 2023, have surrendered their lease early on 29 September 2023, paying all their rent, service charge and insurance to lease expiry. In doing so, the Company has also settled Mecca's dilapidations at £285,000. The full and final combined settlement totals £365,126. The Manager is in the process of agreeing terms with an incoming tenant where landlord enabling works will be required. An early surrender of Mecca's lease will facilitate the new letting completing a quarter earlier than otherwise possible.

Investment Manager's Report *(continued)*

Westlands Distribution Park, Weston-Super-Mare (industrial) – the Company has completed a lease renewal with JN Baker who have extended their occupation of Unit 2A for a further two years from April 2023, with a mutual break option exercisable after nine months. The agreed rent is £159,000 per annum, inclusive of insurance.

The Company has settled three outstanding April 2022 rent reviews with North Somerset Council at units 2, 5 and 6. The combined rental increase is £35,864 per annum (circa 20%).

Carr Coatings, Redditch (industrial) – the Company has settled Carrs Coatings Ltd's August 2023 annual uncapped RPI rent review at £294,348 per annum (£7.75 per sq ft), representing a £24,385 per annum (circa 9%) increase. The unit is single-let to Carrs Coatings Ltd until August 2028. The lease was entered into as a sale and leaseback in 2008 at an initial starting rent of £170,300 per annum (£4.50 psf).

Vacancy – The portfolio's overall vacancy level is 6.98%.

ESG Update

The Company has maintained its two stars Global Real Estate Sustainability Benchmark ('GRESB') rating for 2023, as well as maintaining its score of 67 (GRESB Peer Group Average-65). A large portion of the GRESB score relates to performance data coverage where, due to the high percentage of single-let assets with tenant procured utilities, the Company does not score as well as Funds with a smaller holding of single-let assets and a higher proportion of multi-let assets where the owner is responsible for the utilities and can therefore gather the relevant data.

We continue to implement our plan to improve overall data coverage and data collection for all utilities through increased tenant engagement at our single-let assets and by installing automated meter readers ('AMR') across the portfolio. We currently have thirteen AMR installation projects ongoing, including at single lets and multi-lets such as Central Six Retail Park. Several other AMR installations will be executed during 2024.

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

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

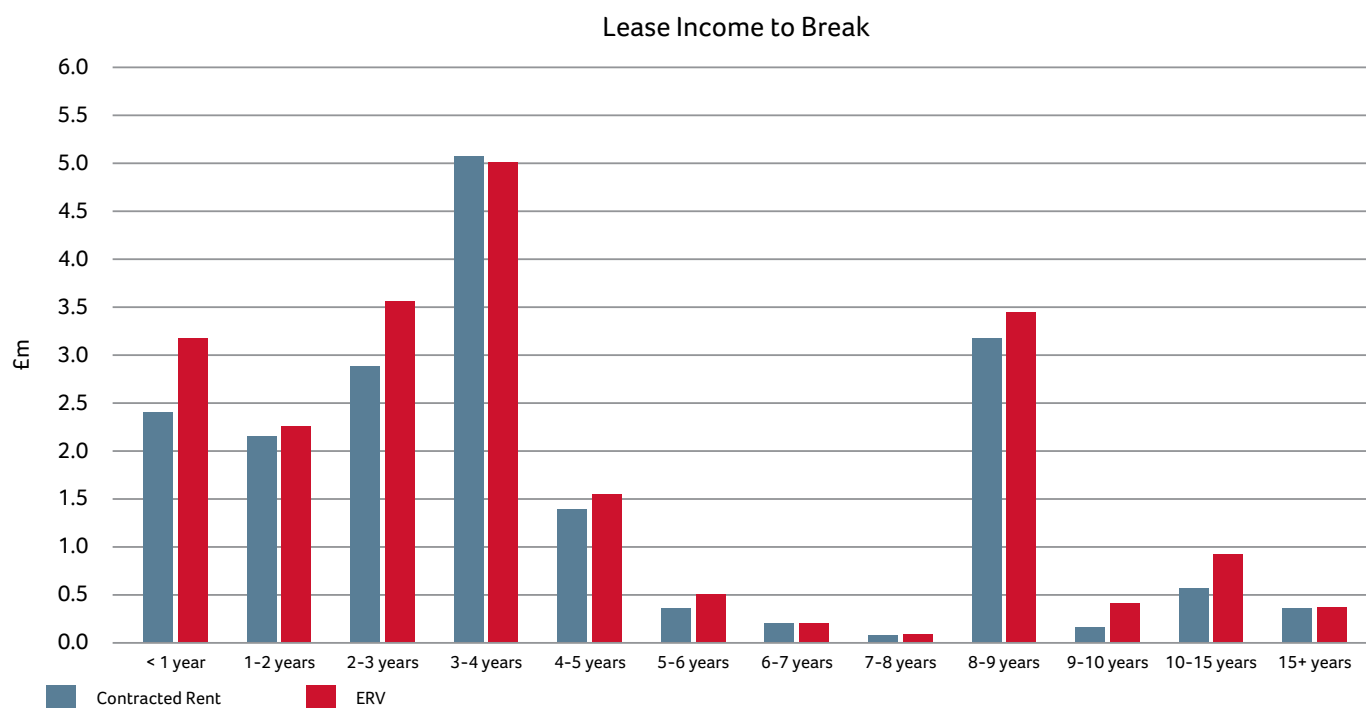
We have an Asset Sustainability Action Plan ('ASAP') initiative, tracking ESG initiatives across the portfolio on an asset-by-asset basis for targeted implementation of ESG improvements. In doing so, we ensure all possible sustainability initiatives are considered and implemented where physically and economically viable.

Following a significant emissions reduction from assets within the portfolio during 2022 (-33.8% vs. the 2018 baseline), we took the decision to increase the reduction target from 15% to 40% by 2030, equating to a planned saving of roughly 76 extra tonnes of carbon. All managed assets and units have been contracted to High Quality Green Tariffs, ensuring that electricity supply is from renewable sources and contributing to the continued reduction in emissions. All void/vacant unit supplies have also been transferred to High Quality Green Tariffs, while gas capping exercises have been undertaken where possible, including several units at Diamond Business Park.

We are currently implementing several biodiversity initiatives across our portfolio, including significant biodiversity improvements to the Railway Centre, Dewsbury. This includes the installation of 20 bird boxes, 10 insect towers & hotels, a hedgehog house, a wildflower meadow and replanting of bushes across the site. Other notable projects include the installation of EV chargers at Central Six and a solar PV feasibility study at London East Leisure Park.

Investment Manager's Report *(continued)*

Lease Expiry Profile



Source: Knight Frank valuation report as at 30 September 2023.

Approximately £2.40 million of the Company's current contracted income stream is subject to an expiry or break within the 12-month period commencing 1 October 2023. We will proactively manage these leases nearing expiry, looking to unlock capital upside, whether that be through lease regears/renewals, or through refurbishment/capex projects and new lettings.

AEW UK INVESTMENT MANAGEMENT LLP

21 November 2023

Principal Risks and Uncertainties

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

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

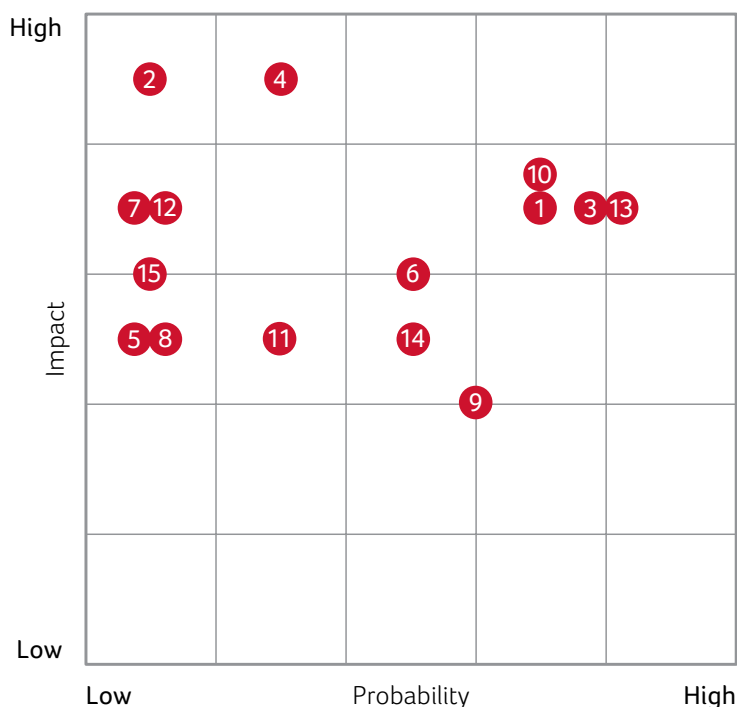
At least twice a year, the Board undertakes a formal risk review with the assistance of the Audit Committee, to assess the adequacy and effectiveness of the Investment Manager and other service providers' risk management and internal control processes. The Audit Committee is responsible for reviewing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

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

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

Principal Risks

Key



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

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

Principal Risks and Uncertainties (continued)

Principal risks and their potential impact	How risk is managed	Risk assessment
REAL ESTATE RISKS		
1. Property market		
<p>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.</p> <p>These risks could have a material adverse effect on the ability of the Company to achieve its investment objective.</p>	<p>The Company has investment restrictions in place to invest and manage its assets with the objective of spreading and mitigating risk.</p>	<p>Probability: High</p> <p>Impact: Moderate to High</p> <p>Movement: No change</p>
2. Property valuation		
<p>Property and property-related assets are inherently difficult to value due to the individual nature of each property.</p> <p>There may be an adverse effect on the Company's profitability, NAV and the price of Ordinary Shares in cases where property valuations have been materially misstated.</p>	<p>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.</p>	<p>Probability: Low</p> <p>Impact: High</p> <p>Movement: No change</p>
3. Tenant default		
<p>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.</p>	<p>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.</p> <p>The asset management team conducts ongoing monitoring and liaison with tenants to manage potential bad debt risk.</p>	<p>Probability: High</p> <p>Impact: Moderate to High</p> <p>Movement: Increase</p>
4. Asset management initiatives		
<p>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.</p>	<p>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.</p>	<p>Probability: Low to Moderate</p> <p>Impact: High</p> <p>Movement: No change</p>

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).

The Company builds a diversified property and tenant base with subsequent monitoring of concentration to individual occupiers (top 10 tenants) and sectors (geographical and sector exposure).

Probability: Moderate

Impact: Moderate to High

Movement: No change

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 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.

BORROWING RISKS

7. Breach of borrowing covenants

Material adverse changes in valuations and net income may lead to breaches in the Loan to Value ('LTV') and interest cover ratio covenants.

The Company monitors the use of borrowings on an ongoing basis through weekly cash flow forecasting and quarterly risk monitoring to monitor financial covenants.

Probability: Low

Impact: Moderate to High

Movement: No change

It is acknowledged that significant headroom currently exists for both loan covenants.

The Investment Manager will maintain a close relationship with its loan finance provider, AgFe, to ensure continuing dialogue around covenants.

Principal Risks and Uncertainties *(continued)*

Principal risks and their potential impact	How risk is managed	Risk assessment
BORROWING RISKS <i>(continued)</i>		
8. Availability and cost of debt		
<p>In tandem with any future growth of the Company, additional debt funding would be considered. It is acknowledged that the current interest rate environment may constrain the availability and financial viability of further debt funding.</p>	<p>The Company maintains a good relationship with the lender providing the term credit facility.</p> <p>The Company monitors the projected usage and covenants of the credit facility on an ongoing basis.</p> <p>The Company actively monitors the loan term and engages in loan extension negotiations far in advance of expiry.</p>	<p>Probability: Low</p> <p>Impact: Moderate</p> <p>Movement: No change</p>
CORPORATE RISKS		
9. Dependence on the Investment Manager		
<p>The Company has no employees and is reliant upon the performance of its Investment Manager and other third party service providers. Failure by the Investment Manager and/or any service provider to carry out its obligations to the Company in accordance with the terms of its appointment could have a materially detrimental impact on the operation of the Company. The future ability of the Company to successfully pursue its investment objective and investment policy may, among other things, depend on the ability of the Investment Manager to retain its existing staff and/or to recruit individuals of similar experience and calibre.</p>	<p>The Investment Manager has endeavoured to ensure that the principal members of its management team are suitably incentivised.</p> <p>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.</p>	<p>Probability: Moderate to High</p> <p>Impact: Moderate</p> <p>Movement: No change</p>

Principal Risks and Uncertainties *(continued)*

Principal risks and their potential impact	How risk is managed	Risk assessment
CORPORATE RISKS <i>(continued)</i>		
10. Failure to meet objectives		
<p>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.</p> <p>Poor relative total return performance may lead to an adverse reputational impact that affects the Company's ability to raise new capital.</p> <p>The Company may not pay its target dividend.</p>	<p>The Company has an investment policy to achieve a balanced portfolio with a diversified asset and tenant base. The Company also has investment restrictions in place to limit exposure to potential risk factors. The Investment Manager has extensive experience in navigating market volatility.</p>	<p>Probability: High</p> <p>Impact: Moderate to High</p> <p>Movement: No change</p>
11. Business interruption		
<p>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.</p>	<p>The Investment Manager and other service providers' staff are capable of working remotely for an extended time period.</p> <p>The Investment Manager's and other service providers' IT systems are protected by anti-virus software and firewalls that are updated regularly.</p> <p>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.</p>	<p>Probability: Low to Moderate</p> <p>Impact: Moderate</p> <p>Movement: No change</p>

Principal Risks and Uncertainties (continued)

Principal risks and their potential impact

How risk is managed

Risk assessment

TAXATION RISKS

12. Company REIT status

The Company has a UK REIT status that provides a tax-efficient corporate structure. If the Company fails to remain a REIT for UK tax purposes, its profits and gains will be subject to UK corporation tax.

Any change to the tax status or UK tax legislation could impact on the Company's ability to achieve its investment objectives and provide attractive returns to shareholders.

The Company monitors REIT compliance through the Investment Manager on acquisitions; the Administrator on asset and distribution levels; the Registrar and Broker on shareholdings and the use of third-party tax advisers to monitor REIT compliance requirements.

Probability: Low

Impact: Moderate to High

Movement: No change

POLITICAL/ECONOMIC RISKS

13. General political/ economic environment

Political and macroeconomic events present risks to the real estate and financial markets that affect the Company and the business of its tenants. The level of uncertainty that such events bring has been highlighted in recent times, most pertinently the effects of the Ukraine war.

In addition, the current inflationary environment continues to drive-up energy and commodity prices.

This might further damage consumer and investor sentiment as real income and wealth levels are reduced.

The Board considers the impact of political and macroeconomic events when reviewing strategy.

Probability: High

Impact: Moderate to High

Movement: No change

Principal Risks and Uncertainties (continued)

Principal risks and their potential impact

How risk is managed

Risk assessment

POLITICAL/ECONOMIC RISKS (continued)

14. Environmental transition risk

Failure to identify and mitigate the transition risk for climate change could lead to the Company holding stranded assets and lead to a negative impact on its reputation. Failure by the Company to meet required regulatory standards could lead to increased stakeholder concern and negative feedback.

The Company has engaged specialist environmental consultants to advise the Board on compliance with regulatory requirements and adopting best practice where possible. All prospective acquisitions and asset management initiatives are influenced by environmental assessments undertaken by the Company, such as ensuring they are in conformance with the Minimum Energy Efficiency Standard ('MEES') Regulations. All assets have an Asset Sustainability Action Plan ('ASAP') initiative, which tracks environmental initiatives across the portfolio on an asset-by-asset basis for targeted, relevant and specific implementation of environmental improvements.

Probability: Moderate

Impact: Moderate

Movement: No Change

15. Physical risk to properties

The risk of physical damage to properties as a result of environmental factors such as flooding and natural fires. In the long-term, changes in climate and/or weather systems may mean properties become unviable to tenants.

The Company obtains environmental surveys for all acquisitions, which mitigate the short-term risk of climate-related damage to properties owned. The Investment Manager's asset management team perform regular site visits to the Company's properties in order to continually assess the physical risk posed to them. This includes climate resilience assessments.

Probability: Low

Impact: Moderate to High

Movement: No Change

Interim Management Report and Directors' Responsibility Statement

Interim Management Report

The important events that have occurred during the period under review, the key factors influencing the financial statements and the principal risks and uncertainties for the remaining six months of the financial year are set out in the Chairman's Statement on pages 2 to 4, the Investment Manager's Report on pages 8 to 17 and the Principal Risks and Uncertainties on pages 18 to 24.

Responsibility Statement

We confirm that to the best of our knowledge:

- the condensed set of financial statements has been prepared in accordance with IAS 34 Interim Financial Reporting as adopted by the UK;
- the interim management report includes a fair review of the information required by:
 - (a) DTR 4.2.7R, being an indication of important events that have occurred during the first six months of the financial year and their impact on the condensed set of financial statements; and a description of the principal risks and uncertainties for the remaining six months of the year; and
 - (b) DTR 4.2.8R, being related party transactions that have taken place in the first six months of the current financial year and that have materially affected the financial position or performance of the Company during that period; and any changes in the related party transactions described in the last Annual Report that could do so.

On behalf of the Board

Mark Burton
Chairman

21 November 2023

Independent Review Report to AEW UK REIT plc

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the condensed set of financial statements in the half-yearly financial report for the six months ended 30 September 2023 is not prepared, in all material respects, in accordance with UK adopted International Accounting Standard 34 and the Disclosure Guidance and Transparency Rules of the United Kingdom's Financial Conduct Authority.

We have been engaged by the company to review the condensed set of financial statements in the half-yearly financial report for the six months ended 30 September 2023 which comprises the Condensed Statement of Comprehensive Income, the Condensed Statement of Changes in Equity, the Condensed Statement of Financial Position, the Condensed Statement of Cash Flows and related notes.

Basis for conclusion

We conducted our review in accordance with International Standard on Review Engagements (UK) 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" ("ISRE (UK) 2410"). A review of interim financial information consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (UK) and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

As disclosed in note 2, the annual financial statements of the company are prepared in accordance with UK adopted international accounting standards. The condensed set of financial statements included in this half-yearly financial report has been prepared in accordance with UK adopted International Accounting Standard 34, "Interim Financial Reporting".

Conclusions relating to going concern

Based on our review procedures, which are less extensive than those performed in an audit as described in the Basis for conclusion section of this report, nothing has come to our attention to suggest that the directors have inappropriately adopted the going concern basis of accounting or that the directors have identified material uncertainties relating to going concern that are not appropriately disclosed.

This conclusion is based on the review procedures performed in accordance with ISRE (UK) 2410, however future events or conditions may cause the company to cease to continue as a going concern.

Responsibilities of Directors

The Directors are responsible for preparing the half-yearly financial report in accordance with the Disclosure Guidance and Transparency Rules of the United Kingdom's Financial Conduct Authority.

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

Auditor's responsibilities for the review of the financial information

In reviewing the half-yearly report, we are responsible for expressing to the Company a conclusion on the condensed set of financial statement in the half-yearly financial report. Our conclusion, including our Conclusions Relating to Going Concern, are based on procedures that are less extensive than audit procedures, as described in the Basis for Conclusion paragraph of this report.

Use of our report

Our report has been prepared in accordance with the terms of our engagement to assist the Company in meeting the requirements of the Disclosure Guidance and Transparency Rules of the United Kingdom's Financial Conduct Authority and for no other purpose. No person is entitled to rely on this report unless such a person is a person entitled to rely upon this report by virtue of and for the purpose of our terms of engagement or has been expressly authorised to do so by our prior written consent. Save as above, we do not accept responsibility for this report to any other person or for any other purpose and we hereby expressly disclaim any and all such liability.

BDO LLP

Chartered Accountants
London, UK

21 November 2023

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

Financial Statements

Condensed Statement of Comprehensive Income

for the six months ended 30 September 2023

	Notes	Period from 1 April 2023 to 30 September 2023 (unaudited) £'000	Period from 1 April 2022 to 30 September 2022 (unaudited) £'000	Year ended 31 March 2023 (audited) £'000
Income				
Rental and other income	3	11,243	9,418	20,724
Property operating expenses	4	(2,879)	(3,015)	(6,911)
Impairment (loss)/release on trade receivables		(304)	161	(214)
Net rental and other income		8,060	6,564	13,599
Other operating expenses	5	(1,433)	(1,311)	(2,503)
Operating profit before fair value changes		6,627	5,253	11,096
Change in fair value of investment properties	12	(163)	(6,507)	(30,004)
Realised gains on disposal of investment properties	12	1,646	10,830	9,744
Operating profit/(loss)		8,110	9,576	(9,164)
Realised loss on disposal of interest rate derivatives		–	(88)	(88)
Change in fair value of financial assets through profit and loss	6	(6)	28	45
Finance income	7	26	–	–
Finance expense	8	(968)	(1,194)	(2,118)
Profit/(loss) before tax		7,162	8,322	(11,325)
Taxation	9	–	–	–
Profit/(loss) after tax		7,162	8,322	(11,325)
Other comprehensive income		–	–	–
Total comprehensive profit/(loss) for the period		7,162	8,322	(11,325)
Earnings/(loss) per share (pence) (basic and diluted)	10	4.52	5.25	(7.15)

The notes on pages 31 to 49 form an integral part of these condensed financial statements.

Financial Statements

Condensed Statement of Changes in Equity

for the six months ended 30 September 2023

		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
For the period 1 April 2023 to 30 September 2023 (unaudited)	Notes					
Balance as at 1 April 2023		1,587	56,578	109,201	(265)	167,101
Total comprehensive income		–	–	7,162	–	7,162
Dividends paid	11	–	–	(6,337)	–	(6,337)
Balance as at 30 September 2023		1,587	56,578	110,026	(265)	167,926
For the period 1 April 2022 to 30 September 2022 (unaudited)	Notes					
Balance as at 1 April 2022		1,587	56,578	133,200	(265)	191,100
Total comprehensive income		–	–	8,322	–	8,322
Dividends paid	11	–	–	(6,337)	–	(6,337)
Balance as at 30 September 2022		1,587	56,578	135,185	(265)	193,085
For the year ended 31 March 2023 (audited)	Notes					
Balance at 1 April 2022		1,587	56,578	133,200	(265)	191,100
Total comprehensive loss		–	–	(11,325)	–	(11,325)
Dividends paid	11	–	–	(12,674)	–	(12,674)
Balance as at 31 March 2023		1,587	56,578	109,201	(265)	167,101

* 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 31 to 49 form an integral part of these condensed financial statements.

Financial Statements

Condensed Statement of Financial Position

as at 30 September 2023

	Notes	As at 30 September 2023 (unaudited) £'000	As at 30 September 2022 (unaudited) £'000	As at 31 March 2023 (audited) £'000
Assets				
Non-Current Assets				
Investment property	12	210,305	211,665	206,240
		210,305	211,665	206,240
Current Assets				
Investment property held for sale	12	5,934	–	4,400
Receivables and prepayments	13	13,011	9,860	8,802
Cash and cash equivalents		6,442	38,912	14,315
Other financial assets held at fair value	14	6	81	12
		25,393	48,853	27,529
Total assets		235,698	260,518	233,769
Non-Current Liabilities				
Interest bearing loans and borrowings	15	(59,609)	(59,505)	(59,553)
Lease obligations	17	(174)	(174)	(174)
		(59,783)	(59,679)	(59,727)
Current Liabilities				
Payables and accrued expenses	16	(7,976)	(7,741)	(6,928)
Lease obligations	17	(13)	(13)	(13)
		(7,989)	(7,754)	(6,941)
Total Liabilities		(67,772)	(67,433)	(66,668)
Net Assets		167,926	193,085	167,101
Equity				
Share capital		1,587	1,587	1,587
Buyback reserve		(265)	(265)	(265)
Share premium account		56,578	56,578	56,578
Capital reserve and retained earnings		110,026	135,185	109,201
Total capital and reserves attributable to equity holders of the Company		167,926	193,085	167,101
Net Asset Value per share (pence)	10	106.00	121.88	105.48
EPRA Net Tangible Assets per share (pence)	10	106.00	121.88	105.48

The financial statements on pages 27 to 49 were approved by the Board of Directors on 21 November 2023 and were signed on its behalf by:

Mark Burton
Chairman

AEW UK REIT plc
Company number: 09522515

The notes on pages 31 to 49 form an integral part of these condensed financial statements.

Financial Statements

Condensed Statement of Cash Flows

for the six months ended 30 September 2023

	Period from 1 April 2023 to 30 September 2023 (unaudited) £'000	Period from 1 April 2022 to 30 September 2022 (unaudited) £'000	Year ended 31 March 2023 (audited) £'000
Cash flows from operating activities			
Profit/(loss) before tax	7,162	8,322	(11,325)
Adjustment for:			
Finance income	(26)	–	–
Finance expenses	968	1,194	2,118
Loss/(gain) from change in fair value of financial assets	6	(28)	(45)
Loss from change in fair value of investment property	163	6,507	30,004
Realised gains on disposal of investment properties	(1,646)	(10,830)	(9,744)
Realised loss on disposal of interest rate derivative	–	88	88
Increase in other receivables and prepayments	(4,481)	(2,927)	(1,884)
Increase in other payables and accrued expenses	1,034	979	608
Net cash generated from operating activities	3,180	3,305	9,820
Cash flows from investing activities			
Purchase of and additions to investment properties	(24,552)	(8,827)	(36,714)
Purchase of financial assets	–	(81)	–
Disposal of investment properties	20,716	39,324	43,652
Net cash (used in)/generated from investing activities	(3,836)	30,416	6,938
Cash flows from financing activities			
Net loan drawdown	–	6,000	6,000
Arrangement loan facility fee paid	–	(499)	(513)
Collateral paid	–	(870)	(870)
(Paid)/received on sale of other financial assets	(6)	771	743
Finance income	26	–	–
Finance costs	(900)	(364)	(1,619)
Dividends paid	(6,337)	(6,616)	(12,953)
Amounts paid on finance lease	–	–	–
Net cash flow generated (used in)/from financing activities	(7,217)	(1,578)	(9,212)
Net (decrease)/increase in cash and cash equivalents	(7,873)	32,143	7,546
Cash and cash equivalents at start of the period/year	14,315	6,769	6,769
Cash and cash equivalents at end of the period/year	6,442	38,912	14,315

The notes on pages 31 to 49 form an integral part of these condensed financial statements.

Notes to the Condensed Financial Statements

for the six months ended 30 September 2023

1. Corporate information

AEW UK REIT plc (the 'Company') is a closed ended Real Estate Investment Trust ('REIT') incorporated on 1 April 2015 and domiciled in the UK.

2. Accounting policies

2.1 Basis of preparation

These interim condensed unaudited financial statements have been prepared in accordance with IAS 34 Interim Financial Reporting as adopted by the UK, and should be read in conjunction with the Company's last financial statements for the year ended 31 March 2023. These condensed unaudited financial statements do not include all information required for a complete set of financial statements proposed in accordance with International Accounting Standards as adopted by the UK. However, selected explanatory notes have been included to explain events and transactions that are significant in understanding changes in the Company's financial position and performance since the last financial statements.

The financial information contained in this Interim Report and Financial Statements for the six months ended 30 September 2023 and the comparative information for the year ended 31 March 2023 does not constitute statutory accounts as defined in sections 435(1) and (2) of the Companies Act 2006. Statutory accounts for the year ended 31 March 2023 have been delivered to the Registrar of Companies. The Auditor reported on those accounts. Its report was unqualified and did not contain a statement under section 498(2) or (3) of the Companies Act 2006.

A review of the interim financial information has been performed by the Auditor of the Company for issue on 21 November 2023. The comparative figures disclosed in the condensed unaudited financial statements and related notes have been presented for both the six month period ended 30 September 2022 and year ended 31 March 2023 and as at 30 September 2022 and 31 March 2023.

These condensed unaudited financial statements have been prepared under the historical-cost convention, except for investment property, interest rate derivatives and other financial assets that have been measured at fair value. The condensed unaudited 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 2023:

- Definition of Accounting Estimates (Amendments to IAS 8);
- Disclosure of Accounting Policies (Amendments to IAS 1);
- Lease Liability in a Sale and Leaseback (Amendments to IFRS 16);
- IFRS 17 Insurance Contracts; and
- Deferred tax related to assets and liabilities arising from a single transaction (Amendments to IAS 12).

Notes to the Condensed Financial Statements

for the six months ended 30 September 2023

2. Accounting policies *(continued)*

2.1 Basis of preparation *(continued)*

New standards, amendments and interpretations *(continued)*

The Company has applied the new standards and there has been no significant impact on the financial statements.

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 2024 or later. The Company has not early adopted any of these new or amended standards.

2.2 Significant accounting judgements and estimates

The preparation of financial statements in accordance with IAS 34 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.

i) Valuation of investment property

The Company's investment property is held at fair value as determined by the independent valuer on the basis of fair value in accordance with the internationally accepted Royal Institution of Chartered Surveyors ('RICS') Appraisal and Valuation Standards.

2.3 Segmental information

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

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

2.4 Going concern

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

The Company's existing AgFe loan is a €60.00 million facility with a five-year term, expiring in May 2027. This is priced as a fixed rate loan with a total interest cost of 2.959% and associated 10% projected debt yield and 60% loan to value hard covenants.

In October 2023, the Company made its loan covenant reporting submission to AgFe, based on the September 2023 Knight Frank valuation, reporting a loan to value of 31% and a debt yield of 27%. There was significant headroom on both covenants.

Notes to the Condensed Financial Statements

for the six months ended 30 September 2023

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 98% of contracted rent either having been collected, or payment plans agreed, for the September 2023 quarter.
- Based on the contracted rent as at 30 September 2023, a reduction of 63% in net rental income could be accommodated before breaching the debt yield covenant in the Company's refinanced debt arrangements.
- Based on the property valuation at 30 September 2023, the Company had room for a £95.69 million (49%) fall in property valuation before reaching the hard 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 20% fall in property valuations; and
- no new acquisitions or disposals.

In the above scenario, the Company is forecasted to generate a positive cash flow before dividend payments.

The forecasts also show compliance with borrowing covenants in the foreseeable future.

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 continued inflation and global economic uncertainty. 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.

Conclusion:

Based on the above, the Directors are not aware of any material uncertainties in relation to the Company's ability to continue in operation for a period of 12 months from the date of approval of these financial statements. Given the Company's headroom against its borrowing covenants, the Directors believe that the Company is well placed to manage its financing and business risks and the Board is of the opinion that the going concern basis adopted in the preparation of the Annual Report is appropriate.

2.5 Summary of significant accounting policies

The principal accounting policies applied in the preparation of these financial statements are consistent with those applied within the Company's Annual Report and Financial Statements for the year ended 31 March 2023 except for the changes as detailed in note 2.1.

Notes to the Condensed Financial Statements

for the six months ended 30 September 2023

3. Rental and other income

	Period from 1 April 2022 to 30 September 2023 (unaudited) £'000	Period from 1 April 2022 to 30 September 2022 (unaudited) £'000	Year ended 31 March 2023 (audited) £'000
Rental income	9,433	8,410	17,709
Service charge income	898	374	1,895
Insurance income	564	543	923
Dilapidation income received	285	–	81
Lease surrender income	55	45	44
Other property income	8	46	72
Total rental and other income	11,243	9,418	20,724

4. Property operating expenses

	Period from 1 April 2023 to 30 September 2023 (unaudited) £'000	Period from 1 April 2022 to 30 September 2022 (unaudited) £'000	Year ended 31 March 2023 (audited) £'000
Other property expenses	1,091	1,748	3,440
Recoverable service charge expense	898	374	1,895
Recoverable insurance expense	564	543	923
Non-recoverable service charge expense	326	350	653
Total property operating expenses	2,879	3,015	6,911

Notes to the Condensed Financial Statements

for the six months ended 30 September 2023

5. Other operating expenses

	Period from 1 April 2023 to 30 September 2023 (unaudited) £'000	Period from 1 April 2022 to 30 September 2022 (unaudited) £'000	Year ended 31 March 2023 (audited) £'000
Investment management fee	680	836	1,548
Operating costs	578	350	639
Audit remuneration	74	46	168
Directors remuneration	67	48	117
ISRE 2410 review (interim review fee)	34	31	31
Total other operating expenses	1,433	1,311	2,503

6. Change in fair value of other financial assets

	Period from 1 April 2023 to 30 September 2023 (unaudited) £'000	Period from 1 April 2022 to 30 September 2022 (unaudited) £'000	Year ended 31 March 2023 (audited) £'000
Change in fair value of other financial assets	(6)	28	45
Total	(6)	28	45

7. Finance income

	Period from 1 April 2023 to 30 September 2023 (unaudited) £'000	Period from 1 April 2022 to 30 September 2022 (unaudited) £'000	Year ended 31 March 2023 (audited) £'000
Income receivable from cash and short-term deposits	26	–	–
Total	26	–	–

Notes to the Condensed Financial Statements

for the six months ended 30 September 2023

8. Finance expense

	Period from 1 April 2023 to 30 September 2023 (unaudited) £'000	Period from 1 April 2022 to 30 September 2022 (unaudited) £'000	Year ended 31 March 2023 (audited) £'000
Interest payable on loan borrowings	890	883	1,729
Amortisation of loan arrangement fee	63	292	355
Commitment fee payable on loan borrowings	–	4	4
Bank charges	1	1	2
	954	1,180	2,090
Interest expense on lease liabilities	14	14	28
Total	968	1,194	2,118

9. Taxation

	Period from 1 April 2023 to 30 September 2023 (unaudited) £'000	Period from 1 April 2022 to 30 September 2022 (unaudited) £'000	Year ended 31 March 2023 (audited) £'000
Analysis of charge in the period			
Profit/(loss) before tax	7,162	8,322	(11,325)
Theoretical tax at UK corporation tax standard rate of 25.00% (30 September 2022: 19.00%; 31 March 2023: 19.00%)	1,791	1,581	(2,152)
Adjusted for:			
Exempt REIT income	(1,420)	(760)	(1,698)
Non taxable investment gains	(371)	(821)	3,850
Total	–	–	–

Notes to the Condensed Financial Statements

for the six months ended 30 September 2023

10. Earnings per share and NAV per share

	Period from 1 April 2023 to 30 September 2023 (unaudited)	Period from 1 April 2022 to 30 September 2022 (unaudited)	Year ended 31 March 2023 (audited)
Earnings per share:			
Total comprehensive income/(loss) (£'000)	7,162	8,322	(11,325)
Weighted average number of shares	158,424,746	158,424,746	158,424,746
Earnings/(loss) per share (basic and diluted) (pence)	4.52	5.25	(7.15)
EPRA earnings per share:			
Total comprehensive income/(loss) (£'000)	7,162	8,322	(11,325)
Adjustment to total comprehensive income:			
Change in fair value of investment property (£'000)	163	6,507	30,004
Realised gain on disposal of investment property (£'000)	(1,646)	(10,830)	(9,744)
Realised loss on disposal of interest rate derivatives (£'000)	–	88	88
Total EPRA earnings (£'000)	5,679	4,087	9,023
EPRA earnings per share (basic and diluted) (pence)	3.58	2.58	5.70
NAV per share:			
Net assets (£'000)	167,926	193,085	167,101
Ordinary Shares	158,424,746	158,424,746	158,424,746
NAV per share (pence)	106.00	121.88	105.48

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

Notes to the Condensed Financial Statements

for the six months ended 30 September 2023

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

As at 30 September 2023	EPRA NTA £'000	EPRA NRV £'000	EPRA NDV £'000
IFRS NAV attributable to shareholders	167,926	167,926	167,926
Real estate transfer tax ¹	–	14,478	–
Adjustment for the fair value of bank borrowings	–	–	(6,100)
At 30 September 2023	167,926	182,404	161,826
Number of Ordinary Shares	158,424,746	158,424,746	158,424,746
NAV per share	106.00p	115.14p	102.15p
As at 30 September 2022	EPRA NTA £'000	EPRA NRV £'000	EPRA NDV £'000
IFRS NAV attributable to shareholders	193,085	193,085	193,085
Real estate transfer tax ¹	–	14,141	–
Adjustment for the fair value of bank borrowings	–	–	(7,187)
At 30 September 2022	193,085	207,226	185,898
Number of Ordinary Shares	158,424,746	158,424,746	158,424,746
NAV per share	121.88p	130.80p	117.34p

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

¹ EPRA Net Tangible Assets ('EPRA NTA') and EPRA Net Disposal Value ('EPRA NDV') as 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.

Notes to the Condensed Financial Statements

for the six months ended 30 September 2023

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

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

¹ EPRA Net Tangible Assets ('EPRA NTA') and EPRA Net Disposal Value ('EPRA NDV') as 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

	Period from 1 April 2023 to 30 September 2023 £'000	Period from 1 April 2022 to 30 September 2022 £'000	Year ended 31 March 2023 £'000
Dividends paid during the period			
Represents two/two/four interim dividends of 2.00 pps each	6,337	6,337	12,674
Dividends relating to the period			
Represents two/two/four interim dividends of 2.00 pps each	6,337	6,337	12,674

Dividends paid relate to Ordinary Shares.

Notes to the Condensed Financial Statements

for the six months ended 30 September 2023

12. Investments

12.a) Investment property

	Period from 1 April 2023 to 30 September 2023 (unaudited)			Period from 1 April 2022 to 30 September 2022 (unaudited)	Year ended 31 March 2023 (audited)
	Investment properties freehold £'000	Investment properties leasehold £'000	Total £'000	Total £'000	Total £'000
UK Investment property					
As at beginning of period	169,325	44,500	213,825	240,175	240,175
Purchases and capital expenditure in the period	23,094	1,458	24,552	8,910	36,732
Disposals in the period	(18,790)	–	(18,790)	(27,862)	(33,212)
Revaluation of investment property	1,681	(1,908)	(227)	(6,973)	(29,870)
Valuation provided by Knight Frank	175,310	44,050	219,360	214,250	213,825
Adjustment to carrying value for lease incentive debtor			(3,308)	(2,772)	(3,372)
Adjustment for lease obligations*			187	187	187
Total Investment property			216,239	211,665	210,640
Classified as:					
Investment property held for sale**			5,934	–	4,400
Investment property			210,305	211,665	206,240
			216,239	211,665	210,640
Change in fair value of investment property					
Change in fair value before adjustments for lease incentives			(227)	(6,973)	(29,870)
Adjustment for movement in the period: in value of lease incentive debtor			64	466	(134)
			(163)	(6,507)	(30,004)
Gains realised on disposal of investment property					
Net proceeds from disposals of investment property during the period***			20,435	38,692	42,956
Fair value at beginning of period			(18,789)	(27,862)	(33,212)
Gains realised on disposal of investment property			1,646	10,830	9,744

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

** Commercial Road, Portsmouth and Pricebusters Building, Blackpool have both been classified as held for sale as at 30 September 2023. Contracts to sell Commercial Road were exchanged in August 2023, with the transaction completed post period-end in October 2023. Pricebusters Building has been actively marketed from September 2023. As at 31 March 2023, Deeside Industrial Park, Deeside was classified as held for sale. On 4 May 2023, the Company disposed of the property for gross proceeds of £5.70 million.

*** Net proceeds include deductions for topped up rents and rent free periods of £279,000 (30 September 2022: £30,000).

Notes to the Condensed Financial Statements

for the six months ended 30 September 2023

12. Investments (continued)

12.a) Investment property (continued)

Valuation of investment property

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

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

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

12.b) Fair value measurement hierarchy

The following table provides the fair value measurement hierarchy for non-current assets:

Assets measured at fair value	Quoted prices in active markets (Level 1) £'000	Significant observable inputs (Level 2) £'000	Significant unobservable inputs (Level 3) £'000	Total £'000
30 September 2023				
Investment property	–	–	216,239	216,239
30 September 2022				
Investment property	–	–	211,665	211,665
31 March 2023				
Investment property	–	–	210,640	210,640

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.

Notes to the Condensed Financial Statements

for the six months ended 30 September 2023

12. Investments (continued)

12.b) Fair value measurement hierarchy (continued)

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

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

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

- 1) Estimated Rental Value ('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:

Sector	Fair Value £'000	Significant Unobservable Inputs	
		ERV range (per sq ft per annum)	Equivalent Yield range
As at 30 September 2023			
Industrial	78,330	£0.50 – £10.00	6.35% – 10.87%
Retail	84,410	£4.00 – £85.00	6.87% – 11.14%
Office	26,250	£8.50 – £40.00	8.22% – 8.73%
Alternatives	30,370	£8.00 – £41.00	7.63% – 10.68%
Portfolio*	219,360	£0.50 – £85.00	6.35% – 11.14%
As at 30 September 2022			
Industrial	113,325	£0.50 – £10.00	5.36% – 9.72%
Retail	64,400	£4.65 – £75.00	7.06% – 10.68%
Office	19,775	£8.00 – £29.60	7.48% – 10.51%
Alternatives	16,750	£8.50 – £35.00	6.75% – 9.28%
Portfolio*	214,250	£0.50 – £75.00	5.36% – 10.68%
As at 31 March 2023			
Industrial	94,600	£0.50 – £10.00	6.38% – 10.88%
Retail	83,800	£4.00 – £85.00	6.80% – 11.13%
Office	15,300	£8.50 – £40.00	7.74% – 8.73%
Alternatives	20,125	£8.00 – £29.60	7.75% – 9.69%
Portfolio*	213,825	£0.50 – £85.00	6.38% – 11.13%

* Fair value per Knight Frank LLP.

Notes to the Condensed Financial Statements

for the six months ended 30 September 2023

12. Investments (continued)

12.b) Fair value measurement hierarchy (continued)

Where possible, sensitivity of the fair values of Level 3 assets are tested to changes in unobservable inputs to 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 and investments held at the end of the reporting period.

With regards to both investment property and investments, 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 and loss.

The tables below set out a sensitivity analysis for each of the key sources of estimation uncertainty with the resulting increase/(decrease) in the fair value of investment property.

	Fair value £'000	Change in ERV £'000		Change in equivalent yield £'000	
		+5%	-5%	+5%	-5%
Sensitivity Analysis					
30 September 2023	219,360	228,371	211,077	208,926	231,305
30 September 2022	214,250	223,347	205,086	205,121	223,920
31 March 2023	213,825	250,408	230,258	230,818	250,477

	Fair value £'000	Change in ERV £'000		Change in equivalent yield £'000	
		+10%	-10%	+10%	-10%
Sensitivity Analysis					
30 September 2023	219,360	237,196	202,709	199,272	244,369
30 September 2022	214,250	232,643	196,152	196,998	234,879
31 March 2023	213,825	232,439	196,550	194,983	237,533

Notes to the Condensed Financial Statements

for the six months ended 30 September 2023

12. Investments (continued)

	Fair value	Change in ERV		Change in equivalent yield	
	£'000	£'000	£'000	£'000	£'000
Sensitivity Analysis		+15%	-15%	+15%	-15%
30 September 2023	219,360	246,050	194,364	190,464	258,977
30 September 2022	214,250	241,942	187,236	189,581	247,120
31 March 2023	213,825	241,600	187,803	186,663	251,301

13. Receivables and prepayments

	30 September 2023 (unaudited) £'000	30 September 2022 (unaudited) £'000	31 March 2023 (audited) £'000
Receivables			
Rent agent float account	3,663	2,008	1,712
Rent receivable	2,571	2,704	1,437
Recoverable service charge receivable	1,671	794	1,271
Other receivables	974	785	980
Recoverable insurance receivable	519	435	356
Allowance for expected credit losses	(1,273)	(594)	(969)
	8,125	6,132	4,787
Lease incentive debtor	3,308	2,772	3,372
	11,433	8,904	8,159
Property related prepayments	1,529	907	596
Other prepayments	49	49	47
	1,578	956	643
Total	13,011	9,860	8,802

Notes to the Condensed Financial Statements

for the six months ended 30 September 2023

13. Receivables and prepayments *(continued)*

The aged debtor analysis of receivables is as follows:

	30 September 2023 (unaudited) £'000	30 September 2022 (unaudited) £'000	31 March 2023 (audited) £'000
Less than three months due	7,371	4,969	4,091
Between three and six months due	755	1,163	696
Total	8,126	6,132	4,787

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 30 September 2023 was £1.3 million (31 March 2023 was £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.

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

	30 September 2023 (unaudited) £'000	30 September 2022 (unaudited) £'000	31 March 2023 (audited) £'000
At the beginning of the period	969	756	756
Remeasurement of loss allowance	304	(162)	213
At the end of the period	1,273	594	969

Notes to the Condensed Financial Statements

for the six months ended 30 September 2023

14. Other financial assets at fair value

	30 September 2023	30 September 2022	31 March 2023
Other financial assets at FVTPL	6	81	12
	6	81	12

Fair Value hierarchy

The following table provides the fair value measurement hierarchy for the other financial assets.

Valuation date	Assets measured at fair value			Total £'000
	Quoted prices in active markets (Level 1) £'000	Significant observable input (Level 2) £'000	Significant unobservable inputs (Level 3) £'000	
30 September 2023	–	–	6	6
30 September 2022	–	–	81	81
31 March 2023	–	–	12	12

The fair value of these contracts is recorded in the Condensed Statement of Financial Position as at the period end.

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

Notes to the Condensed Financial Statements

for the six months ended 30 September 2023

15. Interest bearing loans and borrowings

	Bank borrowings drawn		
	30 September 2023 (unaudited) £'000	30 September 2022 (unaudited) £'000	31 March 2023 (audited) £'000
At the beginning of the period	60,000	54,000	54,000
Bank borrowings drawn in the period	–	60,000	60,000
Bank borrowings repaid in the period	–	(54,000)	(54,000)
Interest bearing loans and borrowings	60,000	60,000	60,000
Unamortised loan arrangement fees	(391)	(495)	(447)
At the end of the period	59,609	59,505	59,553
Repayable between two and five years	60,000	60,000	60,000
Bank borrowings available but undrawn in the period	–	–	–
Total facility available	60,000	60,000	60,000

The Company has a £60.00 million (31 March 2023: £60.00 million) credit facility with AgFe of which £60.00 million (31 March 2023: £60.00 million) has been utilised as at 30 September 2023. The loan is a fixed rate loan with a total interest cost of 2.959% and has a 5 year term, maturing in May 2027.

The Company has a target gearing of 25% Loan to GAV. As at 30 September 2023, the Company's gearing was 27.35% Loan to GAV (31 March 2023: 28.06%).

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

Notes to the Condensed Financial Statements

for the six months ended 30 September 2023

16. Payables and accrued expenses

	30 September 2023 (unaudited) £'000	30 September 2022 (unaudited) £'000	31 March 2023 (audited) £'000
Deferred income	4,662	3,411	3,739
Accruals	1,433	1,285	1,341
Other creditors	930	2,708	1,138
Recoverable insurance payable	516	24	33
Recoverable service charge payable	435	313	677
Total	7,976	7,741	6,928

17. Lease obligation 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 present value of the minimum lease payments under non-cancellable finance leases:

	30 September 2023 (unaudited) £'000	30 September 2022 (unaudited) £'000	31 March 2023 (audited) £'000
Current	13	13	13
Non Current	174	174	174
Lease liabilities included in the Statement of Financial Position at 30 September 2023	187	187	187

18. Issued share capital

There was no change to the issued share capital during the period. The number of ordinary shares allotted, called up and fully paid remains 158,774,746 of £0.01 each, of which 350,000 ordinary shares are held in treasury.

Notes to the Condensed Financial Statements

for the six months ended 30 September 2023

19. Transactions with related parties

As defined by IAS 24 Related Party 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 six months ended 30 September 2023, the Directors of the Company are considered to be the key management personnel. Directors' remuneration is disclosed in note 5.

The Company is party to an Investment Management Agreement with the Investment Manager, pursuant to which the Company has appointed the Investment Manager to provide investment management services relating to the respective assets on a day-to-day basis in accordance with their respective investment objectives and policies, subject to the overall supervision and direction of the Board of Directors.

Under the Investment Management Agreement, the Investment Manager receives a quarterly management fee which is calculated and accrued monthly at a rate equivalent to 0.9% per annum of NAV (excluding uninvested proceeds from fundraising).

During the period from 1 April 2023 to 30 September 2023, the Company incurred £679,807 (six months ended 30 September 2022: £835,533) of investment management fees and expenses of which £368,314 was outstanding at 30 September 2023 (31 March 2023: £349,351).

20. Events after reporting date

Dividend

On 19 October 2023, the Board declared its second interim dividend of 2.00 pps in respect of the period from 1 July 2023 to 30 September 2023. The dividend payment will be made on 1 December 2023 to shareholders on the register as at 27 October 2023. The ex-dividend date was 26 October 2023.

Property sale

On 6 October 2023, the Company disposed of its asset at Commercial Road, Portsmouth, for gross proceeds of £3.90 million.

EPRA Performance Measures

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

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

MEASURE AND DEFINITION	PURPOSE	PERFORMANCE
<p>1. EPRA Earnings Earnings from operational activities.</p>	A key measure of a company's underlying operating results and an indication of the extent to which current dividend payments are supported by current earnings.	£5.68 million/3.58 pps EPRA earnings for the six month period ended 30 September 2023 (six month period ended 30 September 2022: £4.09 million/2.58 pps)
<p>2. EPRA Net Tangible Assets ('NTA') Assumes that entities buy and sell assets, thereby crystallising certain levels of unavoidable deferred tax.</p>	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.	£167.93 million/106.00 pps EPRA NTA as at 30 September 2023 (At 31 March 2023: £167.10 million/105.48 pps)
<p>3. EPRA Net Reinstatement Value ('NRV') Assumes that entities never sell assets and aims to represent the value required to rebuild the entity.</p>	See above	£182.40 million/115.14 pps EPRA NRV as at 30 September 2023 (At 31 March 2023: £181.21 million/114.38 pps)
<p>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.</p>	See above	£161.83 million/102.15 pps EPRA NDV as at 30 September 2023 (As at 31 March 2023: £162.33 million/102.47 pps)
<p>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.</p>	A comparable measure for portfolio valuations. This measure should make it easier for investors to judge themselves, how the valuation of portfolio X compares with portfolio Y.	7.85% EPRA NIY as at 30 September 2023 (At 31 March 2023: 7.65%)
<p>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).</p>	A comparable measure for portfolio valuations. This measure should make it easier for investors to judge themselves, how the valuation of portfolio X compares with portfolio Y.	8.04% EPRA 'Topped-Up' NIY as at 30 September 2023 (At 31 March 2023: 8.07%)

EPRA Performance Measures *(continued)*

MEASURE AND DEFINITION	PURPOSE	PERFORMANCE
<p>7. EPRA Vacancy Estimated Market Rental Value ('EMRV') of vacant space divided by ERV of the whole portfolio.</p>	<p>A 'pure' (%) measure of investment property space that is vacant, based on ERV.</p>	<p>6.98% EPRA vacancy as at 30 September 2023 (At 31 March 2023: 7.83%)</p>
<p>8. EPRA Cost Ratio Administrative and operating costs (including and excluding costs of direct vacancy) divided by gross rental income.</p>	<p>A key measure to enable meaningful measurement of the changes in a company's operating costs.</p>	<p>33.25% EPRA Cost Ratio (including direct vacancy costs) as at 30 September 2023 (At 30 September 2022: 36.67%)</p> <p>26.36% EPRA Cost ratio (excluding direct vacancy costs) as at 30 September 2023 (At 30 September 2022: 24.12%)</p>
<p>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.</p>	<p>A measure used to illustrate change in comparable capital values.</p>	<p>£24.55 million for the period ended 30 September 2023 (31 March 2023: £36.73 million)</p>
<p>10. EPRA Like-for-like Rental Growth Net income 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.</p>	<p>A measure used to illustrate change in comparable income values.</p>	<p>£(0.24) million/(2.97)% for the period ended 30 September 2023 (31 March 2023: £0.12 million/0.98%)</p>
<p>11. EPRA Loan to Value Debt divided by the market value of property.</p>	<p>A measure to assess the gearing of shareholder equity of a real estate company</p>	<p>23.87% for the period ended 30 September 2023 (31 March 2023: 21.18%)</p>

EPRA Performance Measures *(continued)*

Calculation of EPRA NTA, EPRA NRV and EPRA NDV

In line with the European Public Real Estate Association (“EPRA”) published Best Practice Recommendations (“BPR”) for financial disclosures by public real estate companies, the Company presents three measures of net asset value: EPRA net disposal value (“NDV”), EPRA net reinstatement value (“NRV”) and EPRA net tangible assets (“NTA”).

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.

As at 30 September 2023	EPRA NTA £'000	EPRA NRV £'000	EPRA NDV £'000
IFRS NAV attributable to shareholders	167,926	167,926	167,926
Real estate transfer tax ¹	–	14,478	–
Adjustment for the fair value of bank borrowings	–	–	(6,100)
At 30 September 2023	167,926	182,404	161,826
Number of Ordinary Shares (million)	158,424,746	158,424,746	158,424,746
NAV per share	106.00p	115.14p	102.15p
As at 30 September 2022	EPRA NTA £'000	EPRA NRV £'000	EPRA NDV £'000
IFRS NAV attributable to shareholders	193,085	193,085	193,085
Real estate transfer tax ¹	–	14,141	–
Adjustment for the fair value of bank borrowings	–	–	(7,187)
At 30 September 2022	193,085	207,226	185,898
Number of Ordinary Shares (million)	158,424,746	158,424,746	158,424,746
NAV per share	121.88p	130.80p	117.34p

¹ EPRA Net Tangible Assets ('EPRA NTA') and EPRA Net Disposal Value ('EPRA NDV') as 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.

EPRA Performance Measures *(continued)*

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

¹ EPRA NTA and EPRA NDV are calculated using property values in line with IFRS, where values are net of 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 Performance Measures *(continued)*

Calculation of EPRA NIY and 'topped-up' NIY

	30 September 2023 £'000	30 September 2022 £'000	31 March 2023 £'000
Investment property – wholly-owned	219,360	214,250	213,825
Allowance for estimated purchasers' costs at 6.6%	14,478	14,141	14,112
Grossed-up completed property portfolio valuation (B)	233,838	228,391	227,937
Annualised cash passing rental income	19,149	17,030	18,399
Property outgoings	(790)	(952)	(960)
Annualised net rents (A)	18,359	16,078	17,439
Rent from expiry of rent-free periods and fixed uplifts*	439	896	949
'Topped-up' net annualised rent (C)	18,798	16,974	18,388
EPRA NIY (A/B)	7.85%	7.04%	7.65%
EPRA 'topped-up' NIY (C/B)	8.04%	7.43%	8.07%

* Rent-free periods expire by September 2024.

EPRA NIY basis of calculation

EPRA NIY is calculated as the annualised net rent, divided by the gross value of the completed property portfolio.

The valuation of grossed up completed property portfolio is determined by our external valuers as at 30 September 2023, plus an allowance for estimated purchasers' costs. Estimated purchasers' 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 our valuers' assumptions on future recurring non-recoverable revenue expenditure.

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

EPRA Performance Measures *(continued)*

Calculation of EPRA Vacancy Rate

	30 September 2023 £'000	30 September 2022 £'000	31 March 2023 £'000
Annualised potential rental value of vacant premises (A)	1,499	1,613	1,671
Annualised potential rental value for the completed property portfolio (B)	21,486	19,019	21,343
EPRA Vacancy Rate (A/B)	6.98%	8.48%	7.83%

Calculation of EPRA Cost Ratios

	30 September 2023 £'000	30 September 2022 £'000	31 March 2023 £'000
Administrative/operating expense per IFRS income statement	3,154	3,248	6,810
Less: ground rent costs	(27)	(259)	(282)
EPRA costs (including direct vacancy costs) (A)	3,127	2,989	6,528
Direct vacancy costs	(648)	(1,023)	(1,918)
EPRA costs (excluding direct vacancy costs) (B)	2,479	1,966	4,610
Gross Rental Income less ground rent costs – per IFRS	9,405	8,151	17,427
Gross rental income less ground rent costs (C)	9,405	8,151	17,427
EPRA Cost Ratio (including direct vacancy costs) (A/C)	33.25%	36.67%	37.46%
EPRA Cost Ratio (excluding direct vacancy costs) (B/C)	26.36%	24.12%	26.45%

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

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

EPRA Performance Measures *(continued)*

Like-for-like rental growth

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

Sector	Rental income from like-for- like portfolio for period 1 April 2023 to 30 September 2023 £m	Rental income from like-for- like portfolio for period 1 October 2022 to 31 March 2023 £m	Like-for like rental growth £m	Like-for-like rental growth %
Industrial	3.28	3.36	(0.08)	(2.31)
Retail warehouses	1.74	1.93	(0.19)	(9.67)
Standard retail	1.27	1.24	0.03	1.98
Alternatives	0.96	1.00	(0.04)	(3.91)
Offices	0.60	0.55	0.05	8.14
Total	7.85	8.08	(0.23)	(2.89)

The like-for-like rental growth is based on changes in rental income for those properties which have been held for the duration of both the current and comparative reporting. This represents a portfolio valuation, as assessed by the valuer of £173.39 million (31 March 2023: £174.68 million).

Capital Expenditure

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

Sector	30 September 2023 £'000	30 September 2022 £'000	31 March 2023 £'000
Acquisitions	23,183	7,723	34,147
Investment properties – no incremental lettable space	1,369	1,187	2,585
Total purchases and capital expenditure	24,552	8,910	36,732

EPRA Performance Measures *(continued)*

EPRA Loan to Value

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

	30 September 2023 £'000	30 September 2022 £'000	31 March 2023 £'000
Borrowings from financial institutions	60,000	60,000	60,000
Cash and cash equivalents	(6,442)	(38,912)	(14,315)
EPRA Net debt (A)	53,558	21,088	45,685
Investment properties at fair value	219,360	214,250	213,825
Net receivables	5,035	2,119	1,874
Total property value (B)	224,395	216,369	215,699
EPRA LTV (A/B)	23.87%	9.75%	21.18%
Net receivables comprises			
Receivables and prepayments	13,011	9,860	8,802
Payables and accrued expenses	(7,976)	(7,741)	(6,928)
Total	5,035	2,119	1,874

Company Information

Shareholder 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: shareholderenquiries@linkgroup.co.uk.

Changes of name and/or address must be notified in writing to the Registrar, at the address shown on page 59. 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

Ordinary £0.01 Shares (excluding treasury shares)	158,424,746
SEDOL Number	BWD2415
ISIN Number	GB00BWD24154
Ticker/TIDM	AEWU

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

Annual and Interim Reports

Copies of the Annual and Interim Reports are available from the Company's website: www.aewukreit.com.

Provisional Financial Calendar

31 March 2024	Year end
June 2024	Announcement of annual results
September 2024	Annual General Meeting
30 September 2024	Half-year end
November 2024	Announcement of interim results

Dividends

The following table summarises the dividends declared in relation to the period:

	£
Interim dividend for the period 1 April 2023 to 30 June 2023 (payment made on 31 August 2023)	3,168,495
Interim dividend for the period 1 July 2023 to 30 September 2023 (payment to be made on 1 December 2023)	3,168,495
Total	6,336,990

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.

Company Information *(continued)*

Independent Directors

Mark Burton (Non-executive Chairman)
Mark Kirkland (Non-executive Director and Chairman of the Audit Committee)
Katrina Hart (Non-executive Director)
Robin Archibald (Non-executive Director and Chairman designate)
Liz Peace (Non-executive Director)

Registered Office

6th Floor
65 Gresham Street
London
EC2V 7NQ

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
Ropemaker Place
25 Ropemaker Street
London
EC2Y 9LY

Legal Adviser

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

Company Website

www.aewukreit.com

Depository

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

Administrator

Link Alternative Fund Administrators Limited
(A Waystone Group Company)
Broadwalk House
Southernhay West
Exeter
EX1 1TS

Company Secretary

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

Registrar

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

Auditor

BDO LLP
55 Baker Street
London
W1U 7EU

Valuer

Knight Frank LLP
55 Baker Street
London
W1U 8AN

Glossary

AIC	Association of Investment Companies. This is the trade body for closed-ended Investment companies (www.theaic.co.uk).
AIC Code	The AIC Code of Corporate Governance, as published in February 2019. A framework of best practice guidance for investment companies.
AIFMD	Alternative Investment Fund Managers Directive.
AIFM	Alternative Investment Fund Manager. The entity that provides portfolio management and risk management services to the Company and which ensures the Company complies with the AIFMD. The Company's AIFM is AEW UK Investment Management LLP.
AIF	Alternative Investment Fund. Alternative Investment Funds are funds that are not regulated at EU level by the UCITS Directive.
Company	AEW UK REIT plc.
Company Secretary	Link Company Matters Limited.
Company website	www.aewukreit.com
Contracted rent	The annualised rent adjusting for the inclusion of rent subject to rent-free periods.
Covenant strength	The strength of a tenant's financial status and its ability to perform the covenants in the lease.
Direct vacancy costs	Property expenses that are directly related to the property including the following: rates/property taxes; service charge; insurance premiums; carbon tax; any other costs directly billed to the unit.
DTR	Disclosure Guidance and Transparency Rules, issued by the FCA.
Earnings Per Share ('EPS')	Profit for the period attributable to equity shareholders divided by the weighted average number of Ordinary Shares in issue during the period.
EPC	Energy Performance Certificate.
EPRA	European Public Real Estate Association, the industry body representing listed companies in the real estate sector.
EPRA cost ratio (including direct vacancy costs)	The ratio of net overheads and operating expenses against gross rental income (with both amounts excluding ground rents payable). Net overheads and operating expenses relate to all administrative and operating expenses.
EPRA cost ratio (excluding direct vacancy costs)	The ratio calculated above, but with direct vacancy costs removed from net overheads and operating expenses balance.
EPRA Earnings Per Share	Recurring earnings from core operational activities. A key measure of a company's underlying operating results from its property rental business and an indication of the extent to which current dividend payments are supported by earnings.
EPRA Loan to Value ('EPRA LTV')	The ratio of net debt (including net payables) divided by the market value of property operating (including net receivables).
EPRA NAV	Net Asset Value adjusted to include properties and other investment interests at fair value and to exclude certain items not expected to crystallise in a long-term investment property business.
EPRA NNAV	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)

<i>EPRA Net Disposal Value ('EPRA NDV')</i>	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.
<i>EPRA Net Reinstatement Value ('EPRA NRV')</i>	NAV adjusted to assume that entities never sell assets and aims to represent the value required to rebuild the entity.
<i>EPRA Net Tangible Asset ('EPRA NTA')</i>	NAV adjusted to assume that entities buy and sell their assets, thereby crystallising certain levels of unavoidable deferred tax.
<i>EPRA Topped-Up Net Initial Yield</i>	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).
<i>EPRA Vacancy Rate</i>	Estimated Rental Value ('ERV') of vacant space as a percentage of the ERV of the whole portfolio.
<i>Equivalent Yield</i>	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.
<i>Estimated Rental Value ('ERV')</i>	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.
<i>External Valuer</i>	An independent external valuer of a property. The Company's external valuer is Knight Frank LLP.
<i>Fair Value</i>	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.
<i>Fair value movement</i>	An accounting adjustment to change the book value of an asset or liability to its fair value.
<i>FCA</i>	The Financial Conduct Authority.
<i>FRI lease</i>	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.
<i>Gross Asset Value</i>	The aggregate value of the total assets of the Company as determined in accordance with IFRS.
<i>Gross passing rental income</i>	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.
<i>IASB</i>	International Accounting Standards Board.
<i>IFRS</i>	UK adopted International Accounting standards in conformity with the requirements of the Companies Act 2006 ('Adopted IFRSs').
<i>Investment Manager</i>	The Company's Investment Manager is AEW UK Investment Management LLP.
<i>IPD</i>	Investment Property Databank. An organisation supplying independent market indices and portfolio benchmarks to the property industry.
<i>IPO</i>	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.
<i>Lease incentives</i>	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.
<i>Lease surrender</i>	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.

Glossary (continued)

<i>Like-for-like</i>	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.
<i>Loan to NAV</i>	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.
<i>Loan to GAV (also Gross Loan to GAV)</i>	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.
<i>Loan-to-Value ('LTV')</i>	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.
<i>Net Asset Value ('NAV')</i>	Net Asset Value is the equity attributable to shareholders calculated under IFRS.
<i>NAV per share</i>	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.
<i>NAV total return</i>	The percentage change in NAV, assuming that dividends paid to shareholders are reinvested at NAV to purchase additional Ordinary Shares.
<i>Net equivalent yield</i>	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.
<i>Net initial yield ('NIY')</i>	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.
<i>Net Loan to GAV</i>	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.
<i>Net Operating Income ('NOI')</i>	The Company's gross operating income minus its operating expenses.
<i>Net rental income</i>	Rental income receivable in the period after payment of ground rents and net property outgoings.
<i>Non-PID</i>	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.
<i>Ongoing charges</i>	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.
<i>Ordinary Shares</i>	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.
<i>Over-rented</i>	Space where the passing rent is above the ERV.
<i>Passing rent</i>	The gross rent, less any ground rent payable under head leases.
<i>PID</i>	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)

<i>Projected debt yield</i>	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.
<i>Rack-rented</i>	Space where passing rent is the same as the ERV.
<i>REIT</i>	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.
<i>RETT</i>	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.
<i>Reversion</i>	Increase in rent estimated by the Company's external valuer, where the passing rent is below the ERV.
<i>Reversionary yield</i>	The anticipated yield, which the initial yield will rise (or fall) to once the rent reaches the ERV.
<i>sBPR</i>	The EPRA Sustainability Best Practices Recommendations
<i>Share price</i>	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.
<i>Total returns</i>	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.
<i>Shareholder total return</i>	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.
<i>SONIA</i>	Sterling Overnight Index Average.
<i>Under-rented</i>	Space where the passing rent is below the ERV.
<i>UK Corporate Governance Code</i>	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.
<i>Voids</i>	The amount of rent relating to properties which are unoccupied and generating no rental income. Stated as a percentage of ERV.
<i>Weighted Average Unexpired Lease Term ('WAULT')</i>	The average lease term remaining for first break, or expiry, across the portfolio weighted by contracted rental income.
<i>Yield compression</i>	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
Elements Building
43 Avenue Pierre Mendès
75013 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
