

AEW UK REIT plc

Annual Report and Revised Accounts
for the period 1 April 2015 to 30 April 2016

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Strategic Report

Financial Highlights

- Net Asset Value ('NAV') of £116.38 million and of 99.03 pence per share as at 30 April 2016.
- Operating profit before investment property and investment revaluations is £6.31 million for the period from the Initial Public Offering ('IPO') on 12 May 2015 to 30 April 2016.
- Unadjusted profit before tax ('PBT') of £4.64 million and of 4.83 pence per share for the period from IPO to 30 April 2016.
- Total dividends of 5.5 pence per share have been declared for the period from the IPO to 30 April 2016.
- The Company has raised total gross proceeds of £117.68 million for the period from the IPO to 30 April 2016.
- The Company entered into a 5 year £40 million term credit facility with The Royal Bank of Scotland International Limited. The Company has utilised this facility to invest in properties, and is currently geared to 20% of the Gross Asset Value ('GAV') of the Company as at 27 May 2016.
- The price of the Company's Ordinary Shares on the Main Market of the London Stock Exchange was at 100.00 pence per share as at 30 April 2016.
- The Company held cash balances totalling £7.96 million as at 30 April 2016 of which £4.94 million was held for the purpose of capital acquisitions.
- The Company's NAV Total Return for the period from the date of inception, 1 April 2015 to 30 April 2016 is 4.77%.

Property Highlights

- The Company acquired 25 properties between inception of the Company and 30 April 2016.
- As at 30 April 2016, the Company's property portfolio had a fair value of £114.34 million as compared to the combined purchase price of the portfolio of £110.64 million (excluding purchase costs), representing an increase of £3.70 million, or 3.35%.
- The majority of assets that have been acquired are fully let and the portfolio has a vacancy rate of 3.16%.
- Rental income generated in the period under review is £6.15 million. The number of tenants as at 30 April 2016 stands at 56.
- Average portfolio net initial yield of 8.38%.
- Weighted average unexpired lease term of 4.9 years to break and 6.1 years to expiry.
- A further 2 properties have been acquired for £13.20 million (excluding purchase costs) since the period end generating a further £1.41 million per annum in passing rent.

Chairman's Statement

Overview

I am pleased to present the first annual audited results of AEW UK REIT plc (the 'Company') for the period from 1 April 2015 to 30 April 2016. This was a very active period for the Company in which we have implemented our investment policy and met our investment objective to deliver an attractive total return to shareholders from investing predominately in a portfolio of smaller commercial properties in the UK.

In May 2015, the Company's IPO raised gross proceeds of £100.5 million, with the Company's Ordinary Shares admitted to listing on the premium listing segment of the Official List of the UK Listing Authority and to trading on the Main Market of the London Stock Exchange.

Our Investment Manager, AEW UK Investment Management LLP (the 'Investment Manager'), immediately began to invest the net proceeds from the IPO and establish a portfolio of commercial investment properties throughout the UK, together with the acquisition of a £9.63 million holding in the AEW UK Core Property Fund. The Company raised a further £17.18 million during a share issue in December 2015 with the issuance of 17,010,000 new Ordinary Shares at an issue price of 101 pence per share.

As at 30 April 2016, the Company has established a diversified portfolio of 25 commercial investment properties throughout the UK with a weighted average total equivalent yield of 8.36%.

Financial Results

Our financial results reflect the establishment of the property portfolio for the period as we have implemented our investment policy.

Under International Financial Reporting Standards ('IFRS') as adopted by the European Union, our operating profit for the period of the IPO on 12 May 2015 to 30 April 2016 was £4.86 million, with total comprehensive income of £4.64 million. Basic earnings per share ('EPS') for the period were 4.83 pence. This includes net valuation losses of £1.94 million on the revaluation of investment properties across the portfolio (being £5.64 million of transaction costs associated with asset purchases offset by £3.70 million of unrealised valuation gains) and a valuation gain on the investment in the AEW UK Core Property Fund of £0.48 million. Adjusting for these valuation losses and finance costs of £0.23 million, adjusted earnings per share for the period were 6.34 pence.

Under European Public Real Estate Association ('EPRA') methodology, EPS for the period was 6.33 pence and the NAV per share at 30 April 2016 was 98.97 pence. A full list of EPRA performance figures can be found on pages 88 to 90.

The audited NAV per share as at 30 April 2016 was 99.03 pence, prior to adjusting for the fourth interim dividend for the period of 2.00 pence per share. This compares with the Net Asset Value per share of 98.03 pence immediately following the IPO.

The Company has Ongoing Charges of 1.14% for the period under review.

The Company's property portfolio has been independently valued by Knight Frank in accordance with the RICS Valuation – Professional Standards (the 'Red Book'). As at 30 April 2016, the Company's Portfolio had a Fair Value of £114.34 million as compared with the combined purchase price of the Portfolio of £110.64 million (excluding purchase costs), an increase of £3.70 million or 3.35%.

Financing

On 20 October 2015, the Company entered into a 5 year £40 million term loan facility with The Royal Bank of Scotland International Limited. The Company used £14.25 million of this facility to continue to invest in properties once the initial net IPO proceeds had been fully invested. As at 30 April 2016, the unexpired term of the facility was 4.5 years and the gearing was 12.5% (as calculated on the loan to market value of the property portfolio).

The loan attracts interest at LIBOR + 1.4%. The Company is protected from a potential significant rise in interest rates as it has entered into an interest rate CAP with a notional value of £14.25 million and a strike rate of 2.5% for 5 years.

Chairman's Statement *(continued)*

On 18 May 2016 the Company amended the terms of its loan facility with The Royal Bank of Scotland International Limited to increase the facility limit from 20% to 30% of NAV measured at drawdown. This amendment will enable the Company to utilise the facility up to an amount calculated as the equivalent of 25% of the GAV (measured at drawdown) which is the maximum gearing limit as set out in the Company's Prospectus.

Dividends

We have developed our portfolio to provide an income stream to deliver our target of declaring fully covered dividends of 2.00 pence per Ordinary Share per quarter.

During the period from the IPO to 30 April 2016, we have paid three interim dividends. The first, which we paid on 31 December 2015 was 1.50 pence per Ordinary Share and related to the period from the IPO to 31 October 2015. The second interim dividend was 0.75 pence per Ordinary Share and related to the period from 1 November 2015 to 14 December 2015 when we held our second Ordinary Share placement. The third interim dividend was 1.25 pence per Ordinary Share and related to the period from 15 December 2015 to 31 January 2016. The second and third interim dividends totalling 2.00 pence per Ordinary Share were paid on 31 March 2016.

On 31 May 2016, the Board declared a fourth interim dividend of 2.00 pence per Ordinary Share, in respect of the period from 1 February 2016 to 30 April 2016. This fourth interim dividend was paid on 30 June 2016.

Outlook

The Board and the Investment Manager are confident of delivering strong relative returns for our shareholders through the diversified and high income yielding property portfolio that has been established. Active asset management initiatives should also provide opportunities for further capital value enhancement.

In the period since the Statement of Financial Position date at 30 April 2016, the Company has acquired a further 2 properties totalling £13.20 million (net of acquisition costs) and generating a further £1.41 million per annum in passing rent. Following these 2 acquisitions, the Company has now fully invested the equity raised at the IPO and the December fundraising and is geared to 20% of Gross Asset Value. The portfolio should provide the Company with the ability to meet its target dividend of 8% per annum based on the IPO issue price of 100 pence per Ordinary Share with fully covered income.

On 20 May 2016 the Company held a General Meeting at which resolutions to allot up to 11,740,000 Ordinary Shares and to allot up to 250,000,000 Ordinary Shares in connection with a share issuance programme were passed.

At the time of writing our Annual Report, the UK has recently voted in the EU referendum with the Leave campaign securing 51.9% of the vote. In the immediate aftermath we have seen a period of volatility in the financial markets and we enter a period of economic and political uncertainty for the future of the UK.

The Company is keeping a close eye on the situation and our investments but at the current time sees no need to take any immediate action.

The Company's objective is to grow and raise more capital and the Company intends that strategy will be implemented as market conditions allow.

Mark Burton
Chairman
7 July 2016

Business Model and Strategy

Our Business

Introduction

AEW UK REIT plc (the 'Company') is a real estate investment company that was incorporated on 1 April 2015. The Company was admitted to the premium listing segment of the Official List of the UK Listing Authority and to trading on the London Stock Exchange's Main Market on 12 May 2015 following an Initial Public Offering ('IPO'). As part of its business model and strategy, the Company intends to carry on business with a group UK REIT status. With effect from 5 June 2015, HM Revenue and Customs has acknowledged the Company's intention to meet the necessary qualifying conditions to conduct its affairs as a group UK REIT.

Investment Objective

The investment objective of the Company is to deliver an attractive total return to Shareholders from investing predominantly in a portfolio of smaller commercial properties in the United Kingdom.

Investment Policy

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

Within the scope of restrictions set out below (under the heading "Investment Restrictions") the Company may invest up to 10 per cent. of its Net Assets (at the time of investment) in the AEW UK Core Property Fund and up to 10 per cent. of its net assets for investment (measured at the commencement of the project) in development opportunities, with the intention of holding any completed development as an investment.

On 1 June 2015, the Company made a £9.63 million investment in the AEW UK Core Property Fund, representing 9.7% of its Net Assets at the time of investment. The AEW UK Core Property Fund is a property authorised investment fund ('PAIF') managed by AEW UK Investment Management UK LLP which has a similar investment policy to that of the Company. The investment by the Company into the AEW UK Core Property Fund is not subject to management fees or performance fees otherwise charged to investors in the AEW UK Core Property Fund by the Investment Manager.

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

In the event of a breach of the investment policy set out above or the investment restrictions set out below, the Investment Manager shall inform the Board upon becoming aware of the same and if the Board considers the breach to be material, notification will be made to a Regulatory Information Service and the Investment Manager will look to resolve the breach.

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

Business Model and Strategy *(continued)*

Investment Restrictions

The Company will invest and manage its assets with the objective of spreading risk through the following investment restrictions:

- the value of no single property, at the time of investment, will represent more than 15 per cent. of Gross Asset Value;
- the Company may commit up to a maximum of 10 per cent. of its Net Asset Value (measured at the commencement of the project) to development activities;
- the value of properties, measured at the time of each investment, in any one of the following sectors: office properties, retail warehouses, high street retail and industrial/warehouse properties will not exceed 50 per cent. of Net Asset Value;
- investment in unoccupied and non-income producing assets will, at the time of investment, not exceed 20 per cent. of Net Asset Value;
- the Company will not invest in other closed-ended investment companies; and
- if the Company invests in derivatives for the purposes of efficient portfolio and cash management, the total notional value of the derivatives at the time of investment will not exceed, in aggregate, 20 per cent. of Gross Asset Value.

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

Our Strategy

The Company currently intends to exploit what it believes to be the compelling relative value opportunities offered by pricing inefficiencies in smaller commercial properties let on shorter occupational leases. The Company intends to supplement this core strategy with asset management initiatives to upgrade buildings and thereby improve the quality of income streams.

In the current market environment the focus will be to invest in properties which:

- typically have a value, on investment, of between £5 million and £15 million*;
- have initial net yields, on investment, of typically between 8-10 per cent;
- achieve across the whole Portfolio an average weighted lease term of between four to six years remaining;
- achieve, across the whole Portfolio, a diverse and broad spread of tenants; and
- have some potential for asset management initiatives to include refurbishment and re-lettings.

The Company may also invest up to a maximum of 10 per cent. of its Net Asset Value in the AEW UK Core Property Fund. The AEW UK Core Property Fund has an investment policy that is similar to that of the Company although generally it may invest in smaller value properties than those to be purchased by the Company. The Investment Manager has a stock allocation process that determines how property investments are allocated to the Company, AEW UK Core Property Fund and any other funds managed by the Investment Manager.

The Directors, rather than the Investment Manager, will determine when to divest of the Company's holding in the AEW UK Core Property Fund.

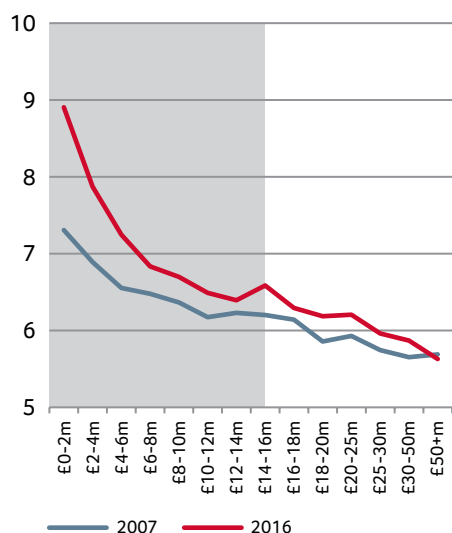
* As at 30 April 2016, the Company has an average property lot size of £4.6 million.

Business Model and Strategy (continued)

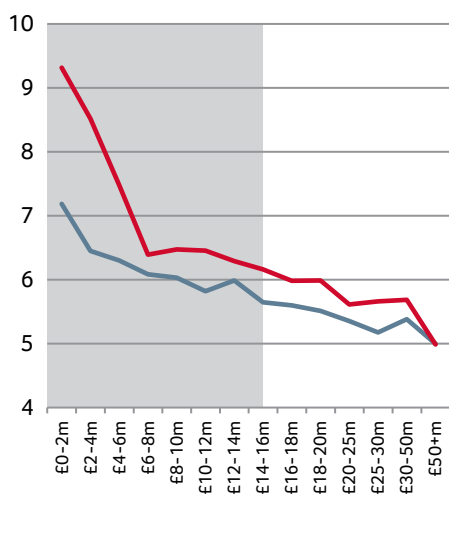
The Company's strategy is focused on delivering enhanced returns from the smaller end (up to £15 million) of the UK property market. The Company believes that there are currently pricing inefficiencies in smaller commercial properties relative to the long term pricing resulting in a significant yield advantage which the Company hopes to exploit. This is demonstrated in the graphs below;

Investing in smaller assets of <£15 million results in significant yield advantage

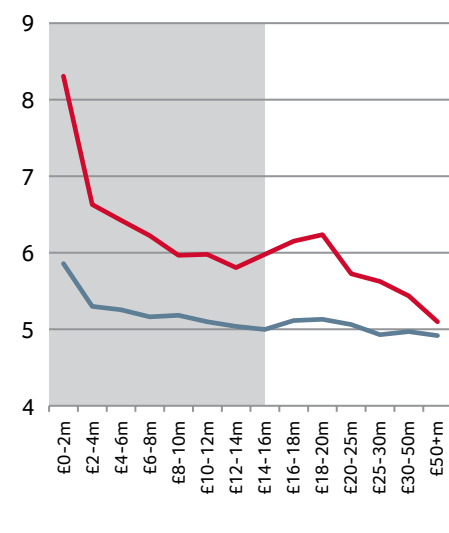
INDUSTRIAL



LONDON & SE OFFICES



RETAIL



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

Source: IPD, 04 May 2016

Business Model and Strategy *(continued)*

How we add value

An experienced team

Alongside an experienced Board, the investment management team has an average of 17 years working together reflecting stability and continuity, which translates to confidence for our shareholders.

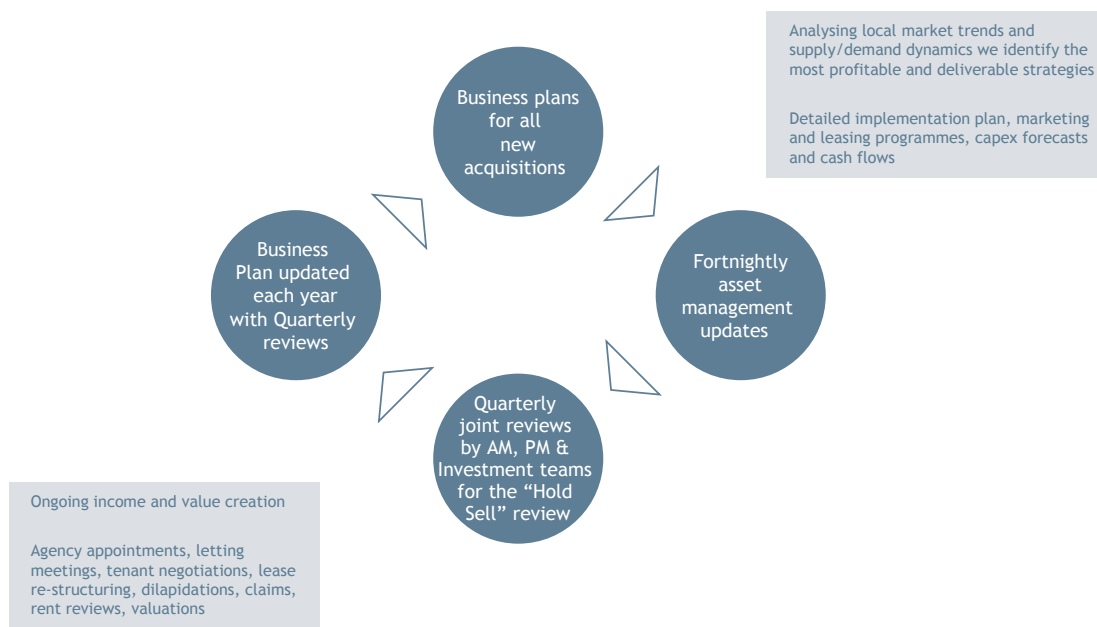
Value investing

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

Active Asset Management

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

Our Asset Management Process

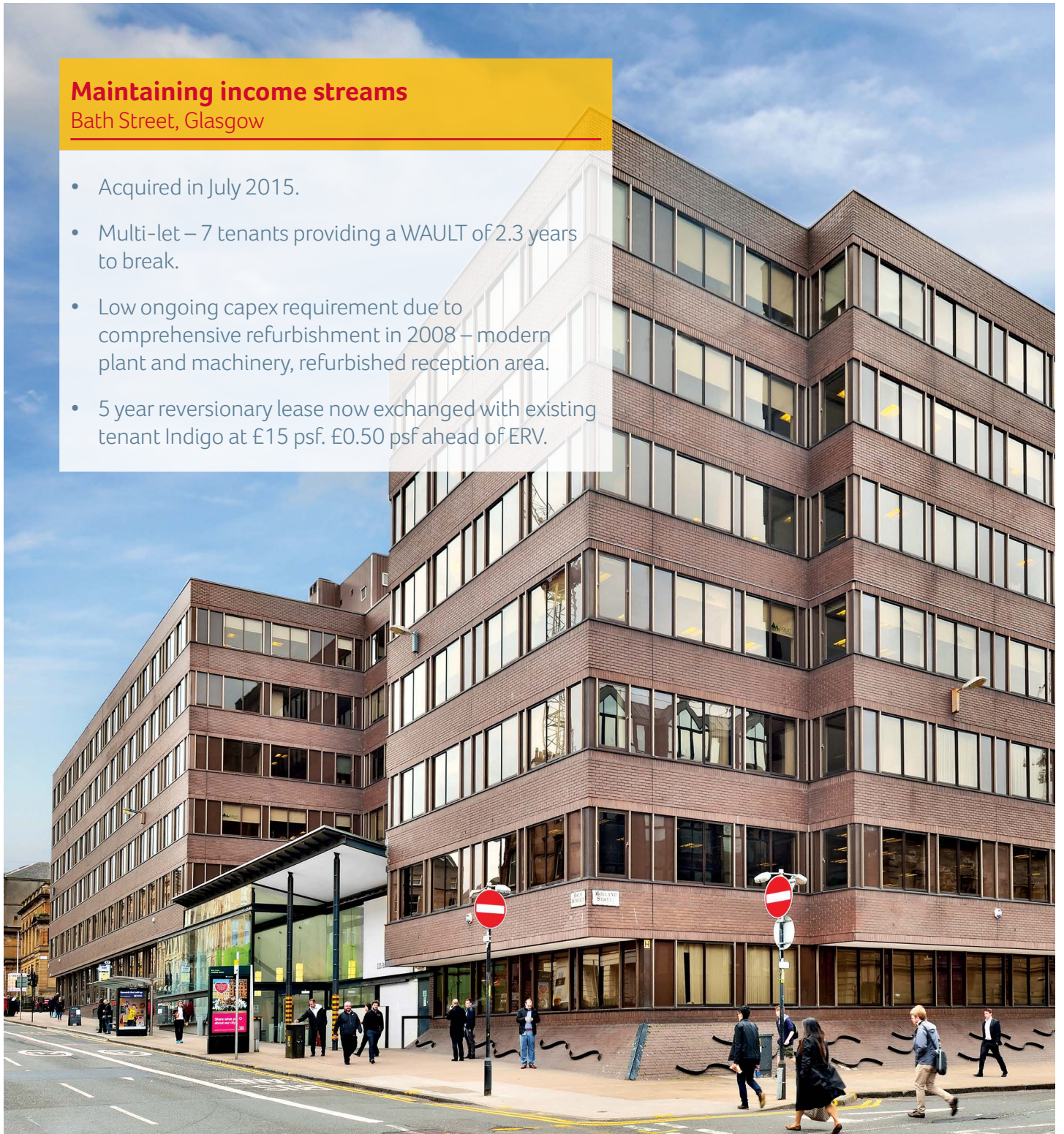


Strategy in Action

Maintaining income streams

Bath Street, Glasgow

- Acquired in July 2015.
- Multi-let – 7 tenants providing a WAULT of 2.3 years to break.
- Low ongoing capex requirement due to comprehensive refurbishment in 2008 – modern plant and machinery, refurbished reception area.
- 5 year reversionary lease now exchanged with existing tenant Indigo at £15 psf. £0.50 psf ahead of ERV.



Strategy in Action *(continued)*

Driving rental growth

Queen Square, Bristol

- Very little asset management carried out by previous landlord.
- Acquired by AEW in December 2015 with vacancy of 46%, reduced to 26% as at 30 April 2016.
- 10,465 sq ft of accommodation relet since purchase at ERV of c.£22 psf (average passing rent of £16.70 psf).
- Business plan to refurbish accommodation and relet. £825,000 of capex to be incurred as projected at acquisition.
- Refurbish underutilised lower ground floor to provide improved common facilities e.g. bike storage and showers which will help to drive rental growth.

Strategy in Action *(continued)*

Immediate upside with further potential

Fargate, Sheffield

Immediate upside

- Acquired for £5.3m.
- A sale of the vacant office floors has been in excess of valuation to a student housing developer.
- Assumed value of upper floors at purchase £0.25m. Sale price achieved £0.71m.
- Running yield post sale of 10.3%.

Potential further upside

- Prime units fronting Fargate are currently let at low levels so provide good potential for rental growth in the future.
- The letting of two vacant retail units on Chapel Walk will strengthen the income stream further providing yield compression.
- Further prime retail development nearby will help to draw footfall in to the City Centre improving the location.



Strategy in Action *(continued)*

Attracting retailers

Valley Retail Park, Belfast

- Acquisition pricing allows accommodation to be offered at a discount to the surrounding space.
- Rents on nearby park: £15-23 psf, we can offer space at £9-10 psf.
- Planning consent allows for wide range of uses.
- Surrender premium of £1m received from outgoing tenant Harvey Norman.
- New 20 year lease exchanged with Go Outdoors for their first Northern Ireland store.
- Remaining vacant accommodation under offer to Smyths Toys.
- Running yield of c. 15% against the acquisition price once deals complete.



Key Performance Indicators

KPI AND DEFINITION	RELEVANCE TO STRATEGY	PERFORMANCE
<p>1. Triple Net Initial Yield Triple Net Initial Yield is a representation to the investor 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>	<p>The Triple Net Initial Yield is in line with the Company's target dividend yield meaning that, after costs, the Company should have the ability to meet its target dividend through property income.</p>	<p>8.38% at 30 April 2016.</p>
<p>2. True Equivalent Yield The average weighted return a property will produce according to the present income and estimated rental value assumptions, assuming the income is received quarterly in advance.</p>	<p>An Equivalent Yield profile in line with the Company's target dividend yield shows that, after costs, the Company should have the ability to meet its target dividend through property income.</p>	<p>8.36% at 30 April 2016.</p>
<p>3. Reversionary Yield The expected return the property will provide once rack rented.</p>	<p>A Reversionary Yield profile that is in line with an initial yield profile shows a potentially sustainable income stream that can be used to meet dividends past the expiry of a property's current leasing arrangements.</p>	<p>8.27% at 30 April 2016.</p>
<p>4. Weighted Average Unexpired Lease Term to expiry Weighted average unexpired lease term to expiry is the average lease term remaining to expiry, 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. 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>	<p>6.08 years at 30 April 2016.</p>

Key Performance Indicators *(continued)*

KPI AND DEFINITION	RELEVANCE TO STRATEGY	PERFORMANCE
<p>5. Weighted Average Unexpired Lease Term to break</p> <p>Weighted average unexpired lease term to break is 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. 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>	<p>4.94 years at 30 April 2016.</p>
<p>6. NAV</p> <p>Net asset value (NAV) is the value of an entity's assets minus the value of its liabilities.</p>	<p>The NAV reflects the success of the Company's strategy.</p>	<p>£116.38 million at 30 April 2016.</p>
<p>7. Leverage (Loan to Gross Asset Value)</p> <p>The proportion of our property portfolio that is funded by borrowings.</p>	<p>The Company intends to utilise borrowings to enhance returns over the medium term. Borrowings will not exceed 25 per cent. of Gross Asset Value (measured at drawdown). It is currently anticipated that the level of total borrowings will typically be at the level of 20 per cent. of Gross Asset Value (measured at drawdown).</p>	<p>10.5% at 30 April 2016.</p>
<p>8. Vacant ERV</p> <p>The Vacant ERV of the space in the property portfolio which is currently let, 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>	<p>3.16% at 30 April 2016.</p>

Key Performance Indicators *(continued)*

KPI AND DEFINITION	RELEVANCE TO STRATEGY	PERFORMANCE
<p>9. Development Exposure The exposure to real estate development or property development encompassing activities that range from the purchase of land for development to material refurbishments.</p>	<p>By nature of its high yielding strategy, the Company will limit its exposure to property developments which will lead to a temporary reduction in income. It will consider limited or infill development to the extent that this will not detract from a property's income.</p>	<p>0% at 30 April 2016.</p>
<p>10. Dividend Dividends declared in relation to the year. The Company targets a dividend yield of between 8 to 9% per annum on the IPO issue price, when fully invested.</p>	<p>The dividend reflects the Company's ability to deliver a sustainable income stream from its portfolio.</p>	<p>2.0 pence per share for the quarter to 30 April 2016. This supports an annualised target of 8.0 pence per share.</p>
<p>11. Ongoing Charges The ratio of total administration and property operating costs expressed as a percentage of average net asset value 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>5.5 pence per share for the period from inception to 30 April 2016.</p>
<p>12. Profit before tax Profit before tax is a profitability measure which considers the Company's profit before the payment of corporate 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>1.14% at 30 April 2016.</p>
		<p>£4.64 million for the period from inception to 30 April 2016.</p>

Investment Manager's Report



Alex Short – Portfolio Manager

Financial Results

Operating profit before investment property and investment revaluations was £6.31 million for the period of the IPO on 12 May 2015 to 30 April 2016. The Company has built a diversified portfolio of properties since the IPO and as at 30 April 2016 holds 25 investment properties.

Net rental income earned from this portfolio during the period under review amounts to £6.88 million. Net asset value as at 30 April 2016 was £116.38 million.

The Company received dividends during the period totalling £0.65 million from its investment in the AEW UK Core Property Fund (the 'AEW Core Fund'). In the period to 31 October 2015, a dividend of £0.27 million was received in relation to the Company's investment in the AEW Core Fund. A further dividend of £0.38 million was received from the AEW Core Fund in relation to the period 1 October 2015 to 31 March 2016 representing a gross dividend of 4.72 pence per share. In addition, the valuation of the investment of the AEW Core Fund has increased from £9.63 million on acquisition to £10.11 million at 30 April 2016, a rise of 5.01%.

A loss of £1.94 million has arisen on the revaluation of investment properties across the portfolio, mainly driven by £5.64 million of transaction costs associated with asset purchases, although this is partially offset by £3.70 million of unrealised gains across the portfolio.

Administration expenses, which include the Investment Manager's fee and other costs attributable to the running of the Company for the period, were £1.22 million. The Company's Ongoing Charges for the period is 1.14%. The Company has incurred finance costs of £0.23 million during the period under review.

The total profit before tax for the period of £4.64 million, equates to basic earnings per share of 4.83 pence.

Valuation

The Company's property portfolio has been independently valued by Knight Frank in accordance with the RICS Valuation – Professional Standards Global January 2014, including the International Valuations Standards, and RICS Professional Standards UK January 2014 (revised April 2015). References to "the Red Book" refer to either or both of these documents, as applicable. The properties have been valued on the basis of Fair Value in accordance with the RICS Valuation – Professional Standards VVPS4 (1.5) Fair Value and VPGA1 Valuations for Inclusion in Financial Statements, which adopt the definition of Fair Value used by the International Accounting Standards Board.

As at 30 April 2016, the Company's Portfolio had a Fair Value of £114.34 million.

Asset Management

Our objective is to build a diversified portfolio of investment properties throughout the UK to support a target dividend of 8-9 pence per Ordinary Share. New acquisitions have been selected to provide an income return to meet our target. We undertake active asset management to seek opportunities to achieve rental growth, let vacant space and enhance value through initiatives such as refurbishments.

Investment Manager's Report (continued)

The majority of assets that have been acquired are fully let and the portfolio has a vacancy rate (as a % of Estimated Rental Value ('ERV')) of 3.16% as at 30 April 2016. During the reporting period, key asset management initiatives have included:

- Valley Retail Park, Belfast – We negotiated a surrender premium of £1 million from Harvey Norman and immediately let Units 1&2 (46,513 sq ft) to Go Outdoors for 20 years with no break at a rent of £400,000pa. This is Go Outdoors' first store in Northern Ireland. We have also exchanged and completed an agreement for lease with Smyths Toys in respect of Units 5&6 (21,000 sq ft). The park is now fully let and we are currently preparing a planning application to reconfigure the car park to ensure it meets the retailer's requirements.
- 40 Queen Square, Bristol – At Queen Square in Bristol, acquired December 2015, there has been significant letting activity taking the vacancy level from 46% of ERV at acquisition to 26% with 4 letting deals either completed or under offer. These deals have all been agreed in line with ERV and show a shorter void position than anticipated. Further lettings are expected to be announced as the improvement works are undertaken to the remaining accommodation.
- 225 Bath Street, Glasgow – A 5 year reversionary lease has been completed with the tenant Indigo at Bath Street in Glasgow. The letting has been documented at a level £1 psf ahead of the building's previous ERV. The tenant was granted a rent free period of 3 months.

Financing

On 20 October 2015, the Company entered into a 5 year £40 million term credit facility with The Royal Bank of Scotland International Limited ('RBSi').

As at 30 April 2016, the Company had utilised £14.25 million of its £40 million facility with RBSi. Gearing as at 30 April 2016 was 12.5% (Loan to market value of the property portfolio). The loan attracts interest at LIBOR + 1.4%. To mitigate the interest rate risk that arises as a result of entering into a variable rate linked loan, the Company entered into an interest rate cap on £14.25 million of the loan at a strike rate of 2.5% on 4 March 2016 for 5 years.

On 18 May 2016, the Company completed an amendment to the terms of its facility with RBSi. The terms of the facility limit have increased from 20% to 30% of NAV measured at drawdown. This will enable the Company to utilise the facility up to an amount calculated as the equivalent of 25% of the Gross Asset Value (measured at drawdown), the maximum gearing limit as set out in the Company's Prospectus.

Acquisitions after Statement of Financial Position date

On 27 May 2016, the Company acquired two mixed use assets in Nottingham and Blackpool for a total of £13.20 million, net of acquisition costs. With these two acquisitions, the Company has now fully invested its equity capital and is geared to 20% Gross Asset Value, in line with its investment strategy.

Nottingham, acquired for £8.15 million, is located on Wheeler Gate with frontage to Old Market Square within the retailing core of the City Centre. The property provides a total of 71,260 sq ft and is let to 9 office tenants and 6 retail tenants including Poundland, Costa and Lakeland providing a WAULT of approximately 4.5 years to break and 5.2 years to expiry. The acquisition shows an initial yield of 9.0%, a reversionary yield of 9.9% and a capital value of £114 per sq ft.

Blackpool, acquired for £5.05 million, is prominently located directly adjacent to the famous Blackpool Tower. The property extends to 100,079 sq ft and provides 3 retail units at ground floor and basement level let to Poundland, Sports Direct and J D Wetherspoons providing a WAULT of approximately 7.5 years to break and 10 years to expiry. The upper floors of the property are currently vacant and have been de-listed for rating purposes but provide strong potential for alternative uses which the Company is currently investigating. The acquisition shows an initial yield of 9.5%, a reversionary yield of 8.4% and a capital value of £50 per sq ft.

Investment Manager's Report *(continued)*

Market Outlook

UK Economic outlook

On 23 June 2016, the UK held the EU in/out referendum ("Brexit"). On the morning of 24 June 2016 after the votes had been counted, the Leave campaign had ultimately prevailed having gained 51.9% of the vote. The Prime Minister, David Cameron announced his resignation and the financial markets opened to high levels of volatility with Sterling and the FTSE taking big falls, bond yields falling and gold prices rising. In the immediate aftermath, 5 year swap rates have fallen 50bps as the markets anticipate an interest rate cut in the near future to ward off recessionary pressure.

As anticipated in the event of a leave vote, the quoted real estate sector experienced an immediate fall in share prices, especially those with the greatest exposure to London. However, the impact on the smaller, externally managed REITs with limited exposure to London such as the Company, has been less pronounced.

The uncertainty around what happens next with the UK's negotiation to exit its EU membership is likely to prolong caution from investors and tenants alike. A new prime minister is to be appointed at the Conservative Party Conference in October and it is unclear at present when Article 50 will be served to begin the formal proceedings of taking the UK out of the EU. This will trigger a 2 year deadline to negotiate an exit from the EU. Trade deals between the UK and the rest of the world will need to be negotiated and this is likely to take considerable time and create prolonged uncertainty.

It remains to be seen if Scotland will hold a second independence referendum that could lead to Scotland leaving the UK and joining the EU.

UK Real Estate Outlook

Despite recent economic turbulence, the outlook for UK commercial property returns remains positive for the foreseeable future. The real estate sector remains attractive from an economic fundamental view as the yield gap to government bonds remains significant and the supply of available properties remains constricted.

Looking forward to 2016/2017, we expect rental growth to spread beyond Central London and to the rest of the South East and larger regional cities. As a result, income is likely to be the main component of returns as opposed to recent years when total returns have largely been driven by capital growth which we expect to slow down through 2016/2017.

While the property market continues to exhibit positive rental value growth, albeit at slower rates to 2020, the capital growth is predicted to decline, particularly in the prime property sector as suggested by the IPF UK Consensus Forecast. The Company is well positioned to take advantage of increases in rental values throughout the UK given the diversified spread of income producing properties within the portfolio.

The Company aims to deliver an attractive total return to shareholders from investing predominantly in a portfolio of smaller commercial properties in strong commercial locations across the UK. It is therefore not as susceptible to capital value erosion as will be experienced by holders of prime asset portfolios. The yield differential between prime and secondary property continues to narrow which will also be beneficial for shareholders looking for an attractive return with the Company's portfolio.

In terms of sector focus, we foresee the best total returns to be in the industrial/logistics sector. This is driven by online retailers' requirements for distribution hubs around big cities to enable them to deliver goods in an expedient fashion to shoppers' homes. Forecast total returns for industrial property for 2016 are 11.7% (Source: Capital Economics, UK Commercial Property Analyst Q1 2016).

Investment Manager's Report *(continued)*

Alternative Investment Fund Manager ('AIFM')

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

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

Information disclosures under the AIFM Directive

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

Leverage

The AIFM Directive prescribes two methodologies for evaluating leverage, namely the "Gross Method" and the "Commitment Method". The Group's maximum and actual leverage levels at 30 April 2016 are as per below:

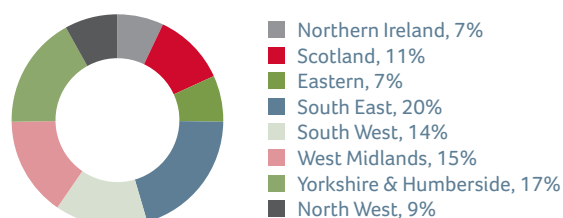
Leverage Exposure	Gross Method	Commitment Method
Maximum Limit	140%	140%
Actual	105%	112%

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

As at 30 April 2016, the Company's portfolio has the following geographical and sector allocations (split by valuation).

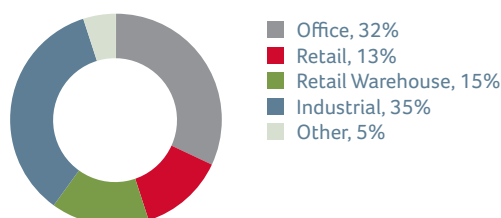
Geographical allocation

At 30 April 2016



Sector allocation

At 30 April 2016



Investment Manager's Report *(continued)*

The Group's top ten properties as at 30 April 2016 as set out below comprise 67.98% of the portfolio value:

Top Ten Properties

Property Name	Market Value Range (£)	Sector
225 Bath Street, Glasgow	10-15m	Office
Valley Retail Park, Belfast	10-15m	Retail Warehouse
69-75 Above Bar Street, Southampton	7.5-10m	Standard Retail
Eastpoint Business Park, Oxford	7.5-10m	Office
40 Queen Square, Bristol	7.5-10m	Office
Barnstaple Retail Park, Barnstaple	0-7.5m	Retail Warehouse
Langthwaite Grange Industrial Estate, South Kirkby	0-7.5m	Industrial
Odeon Cinema, Southend On Sea	0-7.5m	Other
11/15 Fargate & 18/36 Chapel Walk, Sheffield	0-7.5m	Standard Retail
Oak Park Rylands Lane, Droitwich	0-7.5m	Industrial

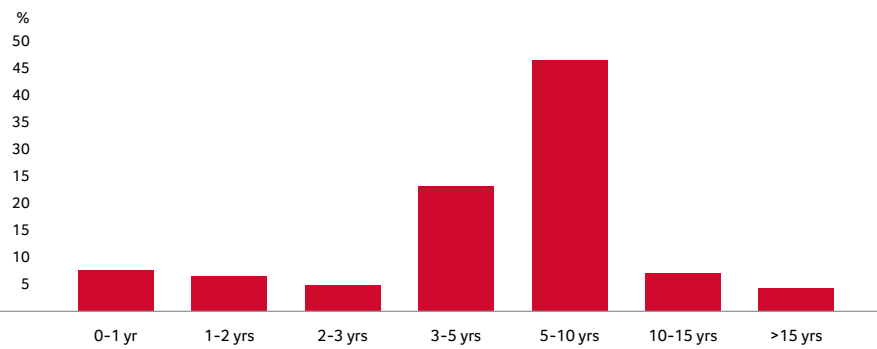
The table below sets out the Group's top ten tenants as at 30 April 2016 that represent 43.04% of the passing rent of the property portfolio:

Top Ten Tenants

Tenant Group	Passing Rent (£'000)	As % of Total Passing Rent
Ardagh Glass Limited	676	6.53
The Secretary of State for Communities and Local Government	625	6.04
Egbert H. Taylor & Company Limited	620	5.99
Odeon Cinemas Limited	505	4.88
Wella (UK) Holdings Limited	410	3.96
Barclays Bank plc	375	3.62
ROM Group Limited	350	3.38
B&Q plc	348	3.36
Waterstones Booksellers Limited	280	2.71
Aecom Limited	266	2.57

Investment Manager's Report *(continued)*

Lease Expiry Profile



The table above shows the lease expiry profile of the portfolio tenants and the percentage of tenants expiring at various intervals.

AEW UK Investment Management LLP
7 July 2016

Principal Risks and Uncertainties

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

The Board has carried out a robust assessment of the principal risks facing the Group, including those that would threaten its business model, future performance, solvency or liquidity. The Board's assessment identified a number of specific risks that are reviewed by the Board on a quarterly basis. The Group has a limited operating history and therefore some risks are not yet known and some that are currently not deemed material, could turn out to be material in the future. An analysis of the principal risks and uncertainties is set out below:

Principal risks and their potential impact

How risk is managed

REAL ESTATE RISKS

Tenant default

Failure by tenants to comply with their rental obligations could affect the income that the properties earn and the ability of the Group to pay dividends to its Shareholders.

Tenant covenant checks are carried out on new tenants where there are concerns as to their creditworthiness.

Asset management conduct ongoing monitoring and liaison with tenants to manage potential bad debt risk.

Asset management initiatives

Asset management initiatives such as refurbishment works may prove to be more extensive, expensive and take longer than anticipated. Cost overruns may have a material adverse effect on the Group's profitability, the Net Asset Value and the share price.

Costs incurred on asset management initiatives are closely monitored against budgets and reviewed in regular presentations to the Investment Management Committee of the Investment Manager.

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 Group's profitability, the Net Asset Value and the price of Shares.

The Group's due diligence relies on the work (such as legal reports on title, property valuations, environmental, building surveys) outsourced to third parties which have Professional Indemnity cover in place.

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 Group mitigates this risk through building a diversified property and tenant base with subsequent monitoring of concentration to individual occupiers (top 10 tenants) and sectors (geographical and sector exposure).

Any fall in the rental rates for the Group's properties may have a material adverse effect on the Group's profitability, the Net Asset Value, the price of the Shares and the Group's ability to meet interest and capital repayments on any debt facilities.

Quarterly meetings are held with the Investment Strategy Committee of the Investment Manager and Board of Directors to assess whether any changes with the market present risks that should be considered in our strategy.

Principal Risks and Uncertainties *(continued)*

Principal risks and their potential impact

How risk is managed

REAL ESTATE RISKS *(continued)*

Property market

Any property market recession or future deterioration in the property market could, inter alia, (i) cause the Group to realise its investments at lower valuations; (ii) delay the timings of the Group's realisations. These risks could have a material adverse effect on the ability of the Group to achieve its investment objective.

The Group has investment restrictions in place to invest and manage its assets with the objective of spreading and mitigating risk.

Property valuation

Property and property related assets are inherently difficult to value due to the individual nature of each property.

There may be an adverse effect on the Group's profitability, the Net Asset Value and the price of Ordinary Shares in cases where properties are sold whose valuations have previously been materially overstated.

The Group uses an independent valuer (Knight Frank) to value the properties at Fair Value in accordance with accepted RICS appraisal and valuation standards.

FINANCIAL RISKS

Breach of borrowing covenants

The Group has entered into a term credit facility.

Material adverse changes in valuations and net income may lead to breaches in the LTV and interest cover ratio covenants.

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

Interest rate rises

The Group's borrowings through a term credit facility is subject to interest rate risk due to changing LIBOR rates. Any increases in LIBOR rates may have an adverse effect on the Group's ability to pay dividends.

An interest rate cap of 2.5% is in place to mitigate the adverse impact of possible interest rate rises.

Principal Risks and Uncertainties *(continued)*

Principal risks and their potential impact

How risk is managed

CORPORATE RISKS

Use of service providers

The Group has no employees and is reliant upon the performance of third party service providers.

Failure by any service provider to carry out its obligations to the Group in accordance with the terms of its appointment could have a materially detrimental impact on the operation of the Group.

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.

Dependence on the Investment Manager

The Investment Manager is responsible for providing investment management services to the Group.

The future ability of the Group to successfully pursue its investment objective and investment policy may, among other things, depend on the ability of the Investment Manager to retain its existing staff and/or to recruit individuals of similar experience and calibre.

The Investment Manager has endeavoured to ensure that the principal members of its management team are suitably incentivised.

Ability to meet objectives

The Group may not meet its investment objective to deliver an attractive total return to shareholders from investing predominantly in a portfolio of smaller commercial properties in the United Kingdom.

Poor relative total return performance may lead to an adverse reputational impact that affects the wider Group's ability to raise new capital and new funds.

The Group has an investment policy to achieve a balanced portfolio with a diversified tenant base. The Group also has investment restrictions in place to limit exposure to potential risk factors. These factors mitigate the risk of fluctuations in returns.

TAXATION RISKS

Group REIT status

The Group has a UK REIT status that provides a tax-efficient corporate structure.

If the Group 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 in UK tax legislation could impact on the Group's ability to achieve its investment objectives and provide attractive returns to Shareholders.

The Group 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 advisors to monitor REIT compliance requirements.

Our Portfolio

Sarus Court, Runcorn

Attractive yield, improving industrial location



Property characteristics

Property type	Industrial
Area	56,123 sq ft
Purchase price	£3.37m
Purchase yield	8.00%
Vendor	Property Company

Lease

Tenants	Multi-let to two tenants providing a WAULT of 3.2 years to break and 4.6 years to expiry.
Rent	Average passing rent of £5.08 psf.

Adding value

1. The location is set to benefit from the completion of the Mersey Gateway Project in 2017 which will link Runcorn with the M56 to M62.
2. The Company has since acquired a further unit on the same estate, Cleaver House, to provide more efficient control of estate management.

Investment summary

1. Established industrial location.
2. High quality, modern accommodation compared to the competing offer.
3. Fully let.

Cleaver House, Runcorn

Attractive yield, improving industrial location



Property characteristics

Property type	Industrial
Area	16,154 sq ft
Purchase price	£0.91m
Purchase yield	7.92%
Constructed	1990's
Vendor	Private

Lease

Tenants	Single let with an unexpired term of 5 years, 2 years to break.
Rent	Passing rent of £4.71 psf.

Adding value

1. The location is set to benefit from the completion of the Mersey Gateway Project in 2017 which will link Runcorn with the M56 to M62.
2. The unit was acquired following the acquisition by the Company of the wider Sarus Court estate. Cleaver House therefore assists in providing a more efficient control of estate management.

Investment summary

1. Established industrial location.
2. High quality, modern accommodation compared to the competing offer.
3. Fully let.

Our Portfolio *(continued)*

Equinox, Castlegate Business Park, Salisbury

High yielding industrial investment



Property characteristics

Property type	Industrial
Area	43,421 sq ft
Purchase price	£2.00m
Purchase yield	11.34%
Vendor	Standard Life

Lease

Tenants	Equinox International Ltd. £240,000 pa. WAULT of 0.4 year to break and 5.4 years to expiry.
Rent	Passing rent of £5.54 psf.

Adding value

1. Designed to allow easy subdivision to create a multi let terrace leading to increase in ERV.
2. Adjoining residential land uses create long term higher alternative use value, subject to planning.

Investment summary

1. Modern single let industrial warehouse.
2. Attractive yield profile.
3. Embedded tenant – the building was purpose built in 1996.
4. Low capital value per sq ft.

Units 16 and 16a, Langthwaite Business Park, South Kirkby

High yielding industrial units



Property characteristics

Property type	Industrial
Area	230,850 sq ft
Purchase price	£5.80m
Purchase yield	11.00%
Vendor	Onward Holdings

Lease

Tenants	Both units (16 and 16a) let to Ardagh Glass Ltd. Total £682,029 pa. WAULT of 1.54 years to expiry
Rent	Average passing rent of £2.95 psf.

Adding value

1. Negotiate a lease extension with the current tenant due to their requirement to remain within the local area.
2. High yielding industrial units located in Yorkshire, a short distance from the A1(M).
3. 5A1 covenant strength (D&B).

Investment summary

1. Strategically located for tenant due to other nearby facilities.
2. Low capital value.
3. Shortage of availability in the local market.

Our Portfolio *(continued)*

Oak Park, Rylands Lane, Elmley Lovett, Droitwich

Industrial complex let to a strong covenant



Property characteristics

Property type	Industrial
Area	188,555 sq ft
Purchase price	£6.62m
Purchase yield	10.40%
Vendor	Receivership sale

Lease

Tenants	Single let to Taylor Bins (trading name) providing a WAULT of 6.5 years to expiry.
Rent	Average passing rent of £3.29 psf.

Adding value

1. Investment value strongly underpinned by underlying site value.
2. Potential future change to use to residential subject to planning.

Investment summary

1. Established industrial location.
2. Fully let to a strong covenant.
3. Attractive WAULT.
4. High yielding and stable income stream.

Odeon Cinema, Victoria Circus, Southend on Sea

Prominent south east town centre location, strong underlying trade



Property characteristics

Property type	Leisure
Area	40,635 sq ft
Purchase price	£5.70m
Purchase yield	8.40%
Vendor	Institution

Lease

Tenants	Fully let to Odeon Cinemas Ltd providing a WAULT of 6.4 years to expiry.
Rent	Average passing rent of £12.42 psf. ERV of £13.00 psf.

Adding value

1. Instigate outstanding rent review to improve returns.
2. Negotiate lease extension with the tenant. Potential to add significant value through indexation.

Investment summary

1. Prominently located on the High Street and a short distance from the train station.
2. Only cinema within 25 minute drive time.
3. 5A1 covenant strength (D&B).
4. Tenant trading strongly.
5. Reversionary potential.
6. Attractive yield and stable income stream.

Our Portfolio *(continued)*

Brockhurst Crescent, Walsall

Three fully industrial units, strategically located near the M6



Property characteristics

Property type	Industrial
Area	136,171 sq ft
Purchase price	£3.85m
Purchase yield	9.80%
Vendor	Property Company

Lease

Tenants	Multi-let to Tata Steel and Micheldever Tyres providing a WAULT of 5.9 years expiry.
Rent	Average passing rent of £2.96 psf.

Adding value

1. Fixed rental uplifts in 2017 taking the running yield to 11.0%.
2. Opportunity to negotiate a reversionary lease with an existing tenant to extend the income.

Investment summary

1. Established industrial location just off the M6 at Junction 9.
2. Fully let.
3. Attractive net initial yield.
4. Shortage of low rented industrial accommodation within the surrounding area.

40 Queen Square, Bristol

Prime Bristol Office Location, refurbishment potential



Property characteristics

Property type	Office
Area	38,326 sq ft
Purchase price	£7.20m
Purchase yield	8.70%
Vendor	Fund

Lease

Tenants	Multi-let to 6 tenants with 46% vacancy in terms of floor area. WAULT of 1.6 years to break and 2.2 years to expiry.
Rent	Average passing rent of £16.70 psf (on let space).

Adding value

1. Refurbish and let vacant space.
2. Refurbish lower ground floor to provide improved common facilities.
3. Strong rental growth properties.

Investment summary

1. Prime office location in central Bristol.
2. Increasing levels of occupier demand is driving rental growth.
3. Asset management opportunities – regear of existing leases and refurbish vacant space.

Our Portfolio *(continued)*

Barbot Hall Industrial Estate Magham Road, Rotherham

Single let industrial unit in established location, reversionary potential



Property characteristics

Property type	Industrial
Area	81,979 sq ft
Purchase price	£2.17m
Purchase yield	8.50%
Vendor	Property Company

Lease

Tenants	Single let to Sapa Components UK Ltd with a WAULT of 2.7 years to expiry.
Rent	Average passing rent of £2.38 psf.

Adding value

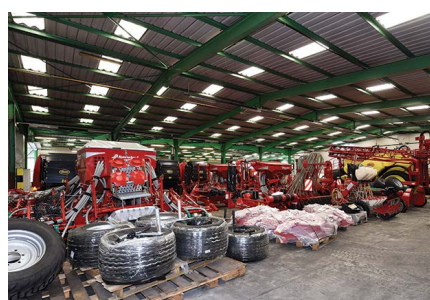
1. Reversionary potential – ERV of c.£3.25 psf.
2. Negotiate lease renewal on expiry of the current lease in December 2018. Sapa are wedded to the location due to their distribution network.
3. Established industrial location.

Investment summary

1. Increasing levels of occupier demand within the surrounding area.
2. Lack of new development has created a shortage of competing stock.
3. Strong tenant covenant.
4. Low passing rent.

Lea Green Industrial Estate, Walkers Lane, St Helen's

Single let industrial unit, long term income stream



Property characteristics

Property type	Industrial
Area	93,588 sq ft
Purchase price	£3.44m
Purchase yield	8.24%
Vendor	Property Company

Lease

Tenants	Single let to Kverneland Group UK Ltd with a WAULT of 9.4 years to expiry with no break option.
Rent	£3.25 psf (ERV). Passing rent is £0 as currently in a rent free period.

Adding value

1. Minimal asset management required due to long lease.
2. Some reversionary potential at review. ERV of £3.25 psf.

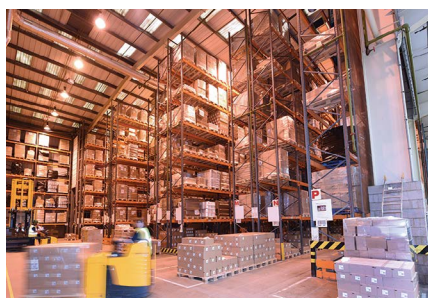
Investment summary

1. Established industrial location.
2. New lease to embedded tenant.
3. Attractive WAULT.
4. Strong tenant covenant.

Our Portfolio (continued)

Cranbourne House, Bessemer Road, Basingstoke

Modern, single let industrial unit in prime South East location



Property characteristics

Property type	Industrial
Area	58,445 sq ft
Purchase price	£3.39m
Purchase yield	10.00%
Vendor	Property Company

Lease

Tenants	Fully let to Wella UK Holdings Ltd with a WAULT of 1.7 years to break and 3.7 years to expiry.
Rent	Average passing rent of £7.01 psf.

Adding value

1. Remove break option to add value through yield compression.
2. Negotiate lease renewal with the current tenant.
3. Should Wella vacate – relet the unit on a new 5 year term at ERV.

Investment summary

1. Established South East industrial location.
2. Modern accommodation.
3. Increasing levels of occupier demand.
4. Lack of new development.
5. Strong tenant covenant.

Eastpoint Business Park, Oxford

Major south east city, improving occupier demand



Property characteristics

Property type	Office
Area	74,266 sq ft
Purchase price	£8.20m
Purchase yield	9.40%
Constructed	1980's
Vendor	Property Company

Lease

Tenants	5 tenants providing a WAULT of 5.1 years to break and 6.9 years to expiry.
Rent	Average passing rent of £10.95 psf.

Adding value

1. Letting of vacant accommodation (12 month vendor guarantee on rent and shortfalls).
2. Capital expenditure of £160,000 spent refreshing vacant accommodation.
3. Marketing campaign now relaunched quoting £15.50 psf, ahead of acquisition ERV of £14.50.
4. Application for conversion to residential under Permitted Development Rights has been submitted.

Investment summary

1. Majority refurbished office park with good road links.
2. Constrained supply and improving occupier demand in a key south east location.
3. Low capital value psf.

Our Portfolio (continued)

69-75 Above Bar Street, Southampton

Top 20 retailing centre, improving occupier demand



Property characteristics

Property type	Retail
Area	21,936 sq ft
Purchase price	£9.25m
Purchase yield	8.75%
Constructed	1993
Vendor	Fund

Lease

Tenants	Fully let to 3 tenants providing a WAULT of 5.2 years to expiry.
Rent	Average passing rent of £197.00 psf In Terms of Zone A ('ITZA').

Adding value

1. Potential to increase rental value in the medium term due to rental growth within the wider area.

Investment summary

1. Top 20 retail centre.
2. Property located just a short walk from the prime pitch and between the two main covered centres.
3. Improving occupier demand and potential for rental growth going forward.

Sandford House, Solihull

Prime office location, tenant wedded to the location



Property characteristics

Property type	Office
Area	34,418 sq ft
Purchase price	£5.40m
Purchase yield	10.90%
Constructed	1988
Vendor	Fund

Lease

Tenants	Government tenant with 2.9 years to break and 4.5 years to expiry.
Rent	Average passing rent of £18.16 psf.

Adding value

1. Potential to regear the lease with the current tenant.
2. Refurbishment potential in the short term could increase rental value.
3. Ability to extend the building, subject to planning.

Investment summary

1. Prime Birmingham office location.
2. Significant improvement in occupier demand over the past 2 years.
3. Government tenant is strongly wedded to the location – Border Force have disclosed a new requirement but are very unlikely to move before break date.
4. Potential to refurbish in the short to medium term to increase rental value.



Our Portfolio (continued)

Stoneferry Retail Park, Hull

Prominent location, attractive yield



Property characteristics

Property type	Retail warehouse
Area	17,656 sq ft
Purchase price	£2.16m
Purchase yield	10.00%
Constructed	1994
Vendor	Fund

Lease

Tenants	Fully let to 3 tenants providing a WAULT of 5.8 years to expiry.
Rent	Average passing rent of £12.95 psf.

Adding value

1. Potential to agree a surrender with Wren kitchens if an alternative tenant can be found.
2. Improve signage and access.

Investment summary

1. Good prominence to a major roundabout junction.
2. Established retail warehousing location.
3. Attractive and stable yield profile in medium to long term.

Bath Street, Glasgow

City centre location, attractive yield profile



Property characteristics

Property type	Office
Area	88,159 sq ft
Purchase price	£12.20m
Purchase yield	10.00%
Constructed	1980's
Vendor	Fund

Lease

Tenants	Fully let to 7 tenants providing a WAULT of 2.1 years to break and 4.3 years to expiry.
Rent	Average passing rent of £14.68 psf.

Adding value

1. The current low passing rents make the building well placed to benefit from future rental growth.
2. Requires minimal capex going forward e.g. improvement of tenant amenity space on the ground floor.

Investment summary

1. Multi-let city centre office building.
2. Comprehensively refurbished in 2008.
3. Shortage of competing stock for this size of floor plate.

Our Portfolio *(continued)*

Valley Retail Park, Newtownabbey, Belfast

Modern scheme, attractive yield profile



Property characteristics

Property type	Retail warehouse
Area	100,189 sq ft
Purchase price	£7.15m
Purchase yield	14.00%
Constructed	2003
Vendor	Asset Manager

Lease

Tenants	Let to 5 tenants providing a WAULT of 10.5 years to break and 13.1 years to expiry.
Rent	Average passing rent of £9.75 psf.

Adding value

1. Agreed surrender with Harvey Norman.
2. Let vacant units.
3. Potential addition of leisure and coffee pod.

Investment summary

1. Modern scheme.
2. Attractive yield profile.
3. Low vacancy level within the surrounding area.
4. Ability to offer space at a discount to surrounding schemes.
5. Halfords trading strongly.
6. Wider interpretation of bulky goods planning consent than rest of UK.

710 Brightside Lane, Sheffield

Long income, higher alternative use potential



Property characteristics

Property type	Industrial
Area	121,733 sq ft
Purchase price	£3.50m
Purchase yield	8.82%
Constructed	1960's
Vendor	Property Company

Lease

Tenants	Single let for a further 13.9 years with a tenant break option in 8.9 years.
Rent	Average passing rent of £2.87 psf.

Adding value

1. Potential to increase rent at review.
2. Potential for medium to long term redevelopment for higher value uses including trade counter and motor dealership.

Investment summary

1. Prominent frontage to busy arterial route.
2. Tenant wedded to the location having significantly invested in the roof.
3. Low capital value psf and low passing rent.
4. Long term income.
5. Surrounding sites currently being redeveloped for higher value uses.

Our Portfolio (continued)

11/15 Fargate, 18/36 Chapel Walk, Sheffield

Prime retailing location, attractive yield profile



Property characteristics

Property type	Retail
Area	34,362 sq ft
Purchase price	£5.30m
Purchase yield	8.90%
Vendor	Fund

Lease

Tenants	Multi-let to 7 tenants providing a WAULT of 2.5 years to break and 5.0 years to expiry.
Rent	Passing rent of £135 psf on the prime units.

Adding value

1. Potential to add value through letting of vacant units and sale of upper parts.
2. Potential for future rental growth.

Investment summary

1. Prime retail location within Top 25 retailing city.
2. Low passing rent on the prime units.
3. Further retail development nearby will help to draw more footfall into the city centre.

Vantage Point, Hemel Hempstead

Low capital value psf, strong and improving occupier market



Property characteristics

Property type	Office
Area	18,466 sq ft
Purchase price	£2.18m
Purchase yield	8.40%
Constructed	1980
Vendor	Private vendor

Lease

Tenants	Fully let to 2 tenants providing a WAULT of 4.1 years to break and 8.4 years to expiry.
Rent	Average passing rent of £10.49 psf.

Adding value

1. Refurbishment potential if the first floor tenant breaks their lease and in the medium term ERV could increase to £15 psf on refurbished accommodation.

Investment summary

1. Established south east business park location.
2. Strong south east office occupational market.
3. Low passing rent.
4. Low capital value psf.

Our Portfolio *(continued)*

Barnstaple Retail Park, Station Road, Barnstaple

Fully let on rebased rents, established location



Property characteristics

Property type	Retail warehouse
Area	51,021 sq ft
Purchase price	£6.79m
Purchase yield	8.50%
Constructed	1988
Vendor	Guy & St Thomas' Charitable Foundation

Lease

Tenants	B&Q, Sports Direct and Poundland. WAULT of 7.93 years to expiry.
Rent	Average passing rent of £11.97 psf.

Adding value

1. Low base rents could create potential for future rental growth.

Investment summary

1. Retail warehousing scheme located within an established destination area.
2. Fully let to national occupiers on rebased rents.
3. Average weighted unexpired term of 8.6 years.
4. Attractive and stable yield profile.

349 Moorside Road, Swinton, Salford

Income longer than portfolio level WAULT, strong covenant

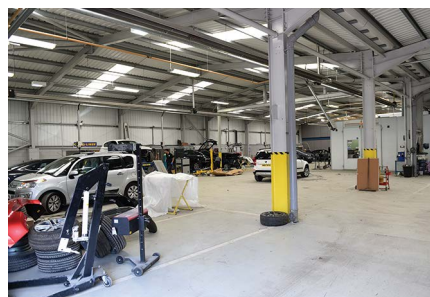


Property characteristics

Property type	Industrial
Area	24,307 sq ft
Purchase price	£1.28m
Purchase yield	7.64%
Constructed	2010
Vendor	Private

Lease

Tenants	Single let with an unexpired term of 7.3 years. Secured against National Crash Repair Centre Ltd.
Rent	Low passing rent of £4.25 psf.



Adding value

1. The current lease provides a strong income stream.

Investment summary

1. Strong covenant.
2. Income longer than portfolio level WAULT.
3. Well located a short distance from the M60 Manchester Ring Motorway.
4. Modern building.

Our Portfolio *(continued)*

Waggon Road, Mossley, Ashton Under Lyne

Income longer than portfolio level WAULT, strong covenant



Property characteristics

Property type	Industrial
Area	12,836 sq ft
Purchase price	£0.28m
Purchase yield	11.1%
Constructed	1980's
Vendor	Private

Lease

Tenants	Single let with an unexpired term of 7.3 years. Secured against National Crash Repair Centre Ltd.
Rent	Low passing rent of £2.50 psf.

Adding value

1. The current lease provides a strong income stream.

Investment summary

1. Strong covenant.
2. Income longer than portfolio level WAULT.
3. Well located a short distance from the M60 Manchester Ring Motorway.

Clarke Road, Milton Keynes

Income longer than portfolio level WAULT, strong covenant



Property characteristics

Property type	Industrial
Area	28,348 sq ft
Purchase price	£1.53m
Purchase yield	7.66%
Constructed	1980's
Vendor	Private

Lease

Tenants	Single let with an unexpired term of 7.3 years. Secured against National Crash Repair Centre Ltd.
Rent	Average passing rent of £4.73 psf.

Adding value

1. The current lease provides a strong income stream.

Investment summary

1. Strong covenant.
2. Income longer than portfolio level WAULT.

Our Portfolio *(continued)*

Carrs Coatings, North Moons Industrial Estate, Redditch

Established industrial location, strong tenant demand



Property characteristics

Property type	Industrial
Area	37,992 sq ft
Purchase price	£2.00m
Purchase yield	9.5%
Vendor	Property Company

Lease

Tenants	Carrs Coatings Limited 12.3 years unexpired term.
Rent	Average passing rent of £5.35 psf.

Adding value

1. The lease provides for annual RPI uplifts.
2. Strong demand from owner occupiers within the wider area due to lack of supply.

Investment summary

1. Attractive initial yield.
2. Long income providing annual fixed uplifts in line with RPI.
3. Located within a very well established industrial location.
4. Purchase price c.85% underpinned by vacant possession value.

Diversity, Social and Environmental Matters

Diversity

During the period the Board approved and adopted the diversity policy. The policy acknowledges the importance of diversity, including gender diversity, for the Company.

The Board has established the following measurable objectives for achieving diversity on the Board:

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

Progress against all of these objectives is ongoing and the Board will report more fully in the next Annual Report.

Social, Community and Employee Responsibility

The Company has no direct social, community or employee responsibilities. The Company has no employees and accordingly no requirement to separately report in this area as the management of the portfolio has been delegated to the Investment Manager.

The Investment Manager is an equal opportunities employer who respect and seek to empower each individual and the diverse cultures, perspectives, skills and experiences within their workforce.

In light of the nature of the Company's business there are no relevant human rights issues and there is thus no requirement for a human rights policy.

There are three male Directors who do not have service contracts.

Environmental Policy

The Investment Manager acquires and manages properties on behalf of the Company. It is recognised that these activities have both direct and indirect environmental impacts.

The Investment Manager has a Sustainable and Responsible Investment ('SRI') policy. This can be found on the Investment Manager's website (<http://www.aeweurope.com/en/Strategies/UK/overview.html>).

The Investment Manager believes environmentally responsible fund management means being active, on the ground every day. As part of this process, the Investment Manager submits to the Global Real Estate Sustainability Benchmark ('GRESB'). GRESB is an industry driven organisation committed to assessing the sustainability of real estate portfolios (public, private and direct) around the globe.

The Investment Manager is in the process of submitting the Company's GRESB assessment and will receive the results of this assessment in September 2016.

As an investment company, the Company's own direct environmental impact is minimal and greenhouse gas ('GHG') emissions are therefore negligible. Information on the GHG emissions in relation to the Company's property portfolio are disclosed on pages 52 and 53 the Directors' Report.

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

Mark Burton
Chairman
7 July 2016

Governance

Board of Directors



***Mark Burton, non-executive Chairman
(aged 68)***

Mr. Burton currently serves as a board member of Value Retail plc. He also sits on the real estate advisory boards for Norges Bank Investment Management and GreenOak; and acts as an advisor to Citic Capital Real Estate. Mr. Burton has qualified as a Chartered Surveyor, has been a member of the UK Government Property Advisory Group and was formerly chairman of The Investment Property Forum and Urban Land Institute UK.



***James Hyslop, non-executive non-independent Director
(aged 70)***

Mr. Hyslop is currently a member of the investment committee of Columbus U.K. Real Estate Fund LP (a Schroders fund), a member of the Investment Committee of Paloma Real Estate Fund I LP and is a consultant to AEW UK Investment Management LLP. He was until recently a member of the investment committees of ING Lionbrook Property Partnership, CBRE Investors, Gresham Real Estate Fund I & II and Columbus UK Real Estate Fund II (all Schroders funds) and a consultant to UBS Global Asset Management Limited.



***Bim Sandhu, non-executive Director
(aged 54)***

Mr. Sandhu is chief executive officer and owner of The Santon Group which has developed over £1 billion of property in the last 8 years. He was a founder and chief executive officer of Raven Mount plc, a co-founder of Raven Russia Limited, which Mr. Sandhu helped to list on AIM raising over £450m, and chief executive officer of the external fund manager to that company. Mr. Sandhu is a Fellow of the Institute of Chartered Accountants having qualified as a Chartered Accountant with KPMG LLP in London. Following qualification, he became secretary of the KPMG UK Property & Construction Group.

Corporate Governance Statement

This Corporate Governance Statement comprises pages 39 to 42 and forms part of the Directors' Report.

Statement of Compliance

The Board of AEW UK REIT plc has considered the principles and recommendations of the AIC Code of Corporate Governance ('AIC Code') by reference to the AIC Corporate Governance Guide for Investment Companies ('AIC Guide'). The AIC Code, as explained by the AIC Guide, addresses all the principles set out in the UK Corporate Governance Code ('UK Code'), as well as setting out additional principles and recommendations on issues that are of specific relevance to the Company. The Financial Reporting Council ('FRC') has confirmed that AIC member companies who report against the AIC Code and who follow the AIC Guide will meet the obligations in relation to the UK Code and associated disclosure requirements of the Disclosure Rules.

The AIC Code can be viewed at:

<http://www.theaic.co.uk/sites/default/files/uploads/files/AICCodeofCorporateGovernanceFeb15.pdf>

The UK Code can be viewed at:

<http://www.frc.org.uk/our-work/Publications/Corporate-Governance/UK-Corporate-Governance-Code-2014.pdf>

The Board considers that reporting against the principles and recommendations of the AIC Code, and by reference to the AIC Guide (which incorporates the UK Corporate Governance Code), will provide better information to shareholders.

Throughout the period ended 30 April 2016, the Company has complied with the recommendations of the AIC Code and the relevant provisions of the UK Corporate Governance Code, except as set out below.

The UK Corporate Governance Code includes provisions relating to:

- the role of the chief executive
- executive directors' remuneration
- the need for an internal audit function
- Chairman of the Remuneration Committee
- a Senior Independent Director
- a Nomination Committee

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

Corporate Governance Statement *(continued)*

The Board of Directors

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

Board Committees

The Company has two Committees, the Audit Committee and the Management Engagement and Remuneration Committee. Having taken account of the size of the Board, it is not felt appropriate for the Company to have a separate Nomination Committee, or a Senior Independent Director.

Meeting attendance

The Directors meet at regular Board meetings, which are held at least four times a year, with additional meetings arranged as necessary. During the period to 30 April 2016, the number of Board and Committee meetings attended by each Director were as follows:

	Board meetings		Audit Committee meetings		Management Engagement and Remuneration Committee Meetings*	
	Number entitled to attend	Number attended	Number entitled to attend	Number attended	Number entitled to attend	Number attended
Mark Burton	8	8	1	1	0	0
Bim Sandhu	8	8	1	1	0	0
James Hyslop	8	8	1	1	0	0

* The Management Engagement and Remuneration Committee did not meet during the period to 30 April 2016 but met for the first time on 29 June 2016.

Director independence

The Board considers and reviews the independence of each non-executive Director on an annual basis as part of the Directors' performance evaluation. In carrying out the review, consideration is given to factors such as their character, judgement, commitment and performance on the Board and relevant committees. The independent Directors will lead the appointment process for any new Directors.

The Board consists of three non-executive Directors. Mark Burton and Bim Sandhu are considered independent. James Hyslop is not considered by the Board to be independent due to the fact that he is a consultant to AEW UK Investment Management LLP.

Director appointment and tenure

All Directors serve on the basis of letters of appointment which are available for inspection upon request. On appointment non-executive Directors undertake that they will have sufficient time to meet what is expected of them. The Board's policy on tenure is that continuity and experience are considered to add significantly to the strength of the Board and, as such, no limit on the overall length of service of any of the Directors, including the Chairman, has been imposed. All Directors were appointed on 9 April 2015.

Corporate Governance Statement *(continued)*

Election of Directors

James Hyslop, as a non-independent Director, will be subject to annual re-election by shareholders. In accordance with the Company's Articles of Association, Mark Burton and Bim Sandhu will stand for election at the 2016 Annual General Meeting, being the first Annual General Meeting following their appointment. Accordingly, all Directors will stand for election at the Company's first Annual General Meeting. In future years Bim Sandhu and Mark Burton will be subject to re-election at intervals of no longer than three years.

As a result of the performance evaluation process the Board considers that all Directors continue to be effective, committed to their roles and have sufficient time available to perform their duties.

Director induction and training

All Directors receive an induction on joining the Board and all Directors receive other relevant training as necessary. As the business environment changes, it is important to ensure the Directors' skills and knowledge are refreshed and updated regularly. Accordingly, the Company Secretary ensures that updates on corporate governance, regulatory and technical matters are provided to Directors at Board meetings. In this way, Directors keep their skills and knowledge relevant so as to enable them to continue to fulfil their duties effectively.

Directors' conflicts of interest

Directors have a statutory duty to avoid situations in which they have or may have interests that conflict with those of the Company, unless that conflict is first authorised by the Board. This includes potential conflicts that may arise when a Director takes up a position with another company. The Company's Articles of Association allow the Board to authorise such potential conflicts, and there is a procedure in place to deal with any actual or potential conflict of interest. The Board deals with each appointment on its individual merit and takes into consideration all the circumstances.

Performance evaluation

The Board has a formal process to evaluate its own performance annually. The Chairman leads the assessment which covered:

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

Auditor

KPMG LLP has expressed its willingness to continue as the Company's Auditor. As outlined in the Report of the Audit Committee on pages 43 and 44 resolutions proposing their reappointment and to authorise the Audit Committee to determine their remuneration will be proposed at the 2016 AGM, as recommended by the Audit Committee.

Corporate Governance Statement *(continued)*

Internal controls

The Directors have overall responsibility for the Company's system of internal controls. A process is in place for identifying, evaluating and managing the risks faced by the Company. This process has been in place since incorporation and up to the date and approval of this Report.

The following are the key components which the Company has in place:

- A risk register has been produced where identified risks and controls to mitigate them can be monitored
- A procedure to ensure that the Company can continue to be approved as an investment Company/REIT
- The Investment Manager and Administrator prepare forecasts and management accounts which allow the Board to assess performance
- The controls at the Investment Manager and the other third party service providers are periodically reviewed by the Board
- There is an agreed and defined investment criteria and specified levels of authority and exposure limits.

The risks of any failure of the internal controls are identified in the risk register which is regularly reviewed by the Board and assesses the probability and impact of such risks. The Principal Risks and Uncertainties identified from the risk register can be found in the Strategic Report on pages 21 to 23.

As part of the year end reporting process the Board received letters of comfort from the Investment Manager, Broker, Registrar, Company Secretary and Fund Administrator regarding those service providers internal controls. Following the review of these submissions from service providers, the Board has determined that the effectiveness of the systems of internal control were satisfactory. The Audit Committee believes that the Company does not require an internal audit function as it delegates its day to day operations to third parties which are monitored by the Committee.

The internal controls systems do not eliminate risk and can only provide reasonable assurance against mis-statement or loss.

Annual general meeting

The Company's first AGM will take place at 12 noon on 7 September 2016 at The Cavendish, 81 Jermyn Street, St. James', London SW1Y 6JF. All shareholders have the opportunity to attend and vote, in person or by proxy, at the AGM. Notice of AGM can be found on our website and in a booklet which is being mailed out at the same time as this Annual Report. The Notice of AGM sets out the business of the meeting and an explanatory note on all resolutions. Separate resolutions are proposed in respect of each substantive issue. The AGM is the Company's principal forum for communication with private shareholders. The Chairman of the Board and the Chairman of the Committees will be available to answer shareholders' questions at the AGM.

Report of the Audit Committee

Composition

The Committee is chaired by Bim Sandhu, and its other member is Mark Burton. The Board considers that Bim Sandhu has recent and relevant financial experience for the purposes of the Code and the FRC's Guidance on Audit Committees. The Board is satisfied that the combined knowledge and experience of its members is such that the Committee discharges its responsibilities in an effective, informed and challenging manner.

Role of the Audit Committee

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

- Monitoring the integrity of the financial statements of the Company, including its annual and half-yearly reports and reviewing significant financial reporting issues and judgements which they contain
- Keeping under review the adequacy and effectiveness of the Company's risk management systems and review and approve the statements to be included in the annual report concerning internal controls and risk management
- Making recommendations to the Board in relation to the re-appointment or removal of the Auditor and to approve its remuneration and terms of engagement
- Reviewing the effectiveness of the audit process
- Reviewing the Auditor's independence and objectivity

The ultimate responsibility for reviewing and approving the annual report and accounts and the half-yearly report remains with the Board. The Committee gives due consideration to laws and regulations, the provisions of the Code and the requirements of the Listing Rules.

Matters Considered during the period

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

The main activities undertaken during the financial period, and to the date of this report, were that the Committee:

- Reviewed financial results for publication
- Reviewed the performance and effectiveness of the Auditor and considered their re-appointment
- Reviewed the non-audit services provided by the Auditor and the associated fees incurred
- Reviewed the Committee's terms of reference (which are available on the Company's website)
- Considered whether an internal audit function is required.

Report of the Audit Committee *(continued)*

Significant issues considered by the Audit Committee

After discussion with the Investment Manager and the Auditor, the Committee determined that the key area of risk in relation to the financial statements of the Company was the valuations of the investment properties. The 25 properties in the portfolio as at 30 April 2016 are externally valued by qualified independent valuers (using the internationally accepted RICS Valuation – Professional Standards) and whilst comparable market transactions provide good valuation evidence, there are assumptions which involve significant levels of judgement. The Committee considered the valuations of the Company's portfolio at 30 April 2016 and these were discussed with the Investment Manager and Auditor at the conclusion of the Audit of the financial statements.

Audit fees and non-audit services

The Auditor is prohibited from providing certain services, including bookkeeping, payroll administration services and management functions amongst others. Total fees for non-audit services provided by KPMG LLP for the period ended 30 April 2016 were £50,000 which is 37.1% of total fees paid to KPMG LLP. This consists of fees of £40,000 for the provision of services as Reporting Accountant in connection with the IPO and fees of £10,000 in relation to the review of the Company's half-yearly accounts.

Independence and objectivity of the Auditor

It is the Committee's responsibility to monitor the performance, objectivity and independence of the Auditor and this is evaluated by the Committee each year. In evaluating KPMG LLP's performance the Committee examines five main criteria – robustness of the audit process, independence and objectivity, quality of delivery, quality of people and service, and value-added advice.

Having carried out the review the Committee is satisfied with the Auditor's performance, objectivity and independence.

External Audit Process

The Audit Committee meets at least twice a year with the Auditor, once at the planning stage before the audit and once after the audit at the reporting stage. The Auditor provides a planning report in advance of the annual audit, a report on the annual audit, and a report on their review of the interim financial statements. The Committee has an opportunity to question and challenge the Auditor in respect of each of these reports. In addition, at least once a year, the Audit Committee has an opportunity to discuss any aspect of the Auditor's work with the Auditor in the absence of the Investment Manager. After each audit, the Audit Committee reviews the audit process and considers its effectiveness. The review of the 2016 audit concluded that the audit process had worked well, and that the significant issues had been adequately addressed.

Re-appointment of the Auditor

Following the completion of the annual review of the performance of the Auditor the Committee has recommended to the Board that the re-appointment of KPMG LLP as the Company's Auditor be proposed to shareholders at the 2016 AGM and the Audit Committee be authorised to determine their remuneration.

Bim Sandhu
Audit Committee Chairman
7 July 2016

Directors' Remuneration Report

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

A resolution to approve this Directors' Remuneration Report (excluding the Directors' Remuneration Policy) will be proposed at the Annual General Meeting of the Company to be held on 7 September 2016.

Report of the Management Engagement and Remuneration Committee

Composition

The Management Engagement and Remuneration Committee comprises the independent non-executive directors, Mark Burton and Bim Sandhu. The recommendations of the AIC Code (Principle 5) state that the Chairman may be a member of, but not chair, the Remuneration Committee. Having taken account of the size of the Board and the remit of the Management Engagement and Remuneration Committee, which extends only to consideration of non-executive remuneration, the Board believes that Mark Burton remains the most suitable Director to chair the Management Engagement and Remuneration Committee. Bim Sandhu is the Committee's other member.

Role of the Management Engagement and Remuneration Committee

The Management Engagement and Remuneration Committee is responsible for reviewing the appropriateness of the continuing appointment of the Investment Manager, ensuring the terms and conditions of the Investment Manager's continuing appointment align with the investment policy and investment objective of the Company and setting Director's remuneration. The remuneration of the Chairman will be considered by the Management Engagement and Remuneration Committee in his absence.

Matters Considered in the period

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

The main activities undertaken during the financial period, and to the date of this report, were that the Committee:

- Drafted a Remuneration Policy for approval by shareholders at the Annual General Meeting
- Considered and approved the Committee's terms of reference (which are available on the Company's website)
- Considered Directors' remuneration
- Agreed the policy for authorising claims for expenses from the Directors
- Satisfied itself that the Investment Management Agreement is fair and that its terms remain competitive and sensible for shareholders and that matters of compliance are under proper review
- Considered the continuing appointment of the Investment Manager and made recommendations to the Board thereon.

Performance of Investment Manager

The Committee keeps under review the performance of the Investment Manager and the level and terms of the management fee. In the opinion of the Directors, the continuing appointment of the Investment Manager on the terms agreed is in the interests of shareholders as a whole.

Directors' Remuneration Report *(continued)*

Directors' Remuneration Policy

This Policy provides details of the remuneration policy for the Directors of the Company. All Directors are non-executive, appointed under the terms of Letters of Appointment, and none have a service contract. The Company has no employees.

A resolution to approve this Directors' Remuneration Policy is proposed at the Annual General Meeting of the Company to be held on 7 September 2016.

If the resolution is passed, the Remuneration Policy provisions set out below will apply until they are next put to shareholders for renewal of that approval, which must be at intervals of not more than three years, or if the Remuneration Policy is varied, in which event shareholder approval for the new Remuneration Policy will be sought.

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

Table of Directors Remuneration Components

Component	Director	Rate
Annual Fee	All Directors	£20,000
Additional Fee	Chairman of the Board	£5,000
Additional Fee	Chairman of the Audit Committee	£4,000*

Notes:

1. The Board only exercises its discretion in setting rates of fees after an analysis of fees paid to Directors of other companies having similar profiles to that of the Company.
2. The Company has no employees. Accordingly, there are no differences in policy on the remuneration of Directors and the remuneration of employees.
3. No Director is entitled to receive any remuneration which is performance-related. As a result there are no performance conditions in relation to any elements of the Directors' remuneration in existence to set out in this Remuneration Policy.

* From 7 July 2016, the Chairman of the Audit Committee will be entitled to an additional fee of £4,000 per annum.

Directors' Remuneration Report (continued)

Report on Remuneration Implementation

Statement from the Chairman

The remuneration policy of the Board is determined by the Management Engagement and Remuneration Committee and each Director abstains from voting on their own individual remuneration. Directors' fees for the period ended 30 April 2016 were at a level of £25,000 per annum for the Chairman and £20,000 per annum for other Directors. The Chairman of the Audit Committee received no additional fee. However, from 7 July 2016, the Chairman of the Audit Committee will be entitled to an additional fee of £4,000 per annum making his annual fee £24,000. There were no changes relating to Directors' remuneration made during the period and the only change proposed in the annual review of Directors' fees for the year to 30 April 2017 was to entitle the Audit Committee Chairman to an additional annual fee of £4,000.

Article 109 permits the Company to provide pensions or similar benefits for Directors and employees of the Company. However, no pension schemes or other similar arrangements have been established and no Director is entitled to any pension or similar benefits. No Director is entitled to any other monetary payment or any assets of the Company. Accordingly the Single Total Figure table below does not include columns for any of these items or their monetary equivalents.

As the Company does not have a Chief Executive Officer or any executive Directors, there are no percentage increases to disclose in respect of their total remuneration, and it has not reported on these aspects of remuneration that relate to executive directors.

The Directors who served during the period received the following emoluments:

Single Total Figure Table (audited information)

Name of Director	Fees paid	Taxable benefits	Total
Mark Burton	£26,528	–	£26,528
James Hyslop	£21,222	–	£21,222
Bim Sandhu	£21,222	–	£21,222
Kristian Rogers*	–	–	–
Elliot Weston*	–	–	–

* Kristian Rogers and Elliot Weston were appointed as Directors upon incorporation of the Company on 1 April 2015 and resigned on 9 April 2015 after the current Board members had been appointed.

Directors' & Officers' liability insurance is maintained and paid for by the Company on behalf of the Directors.

In line with market practice, the Company has agreed to indemnify the Directors in respect of costs, charges, losses, liabilities, damages and expenses, arising out of any claims or proposed claims made for negligence, default, breach of duty, breach of trust or otherwise, or relating to any application under Section 1157 of the Companies Act 2006, in connection with the performance of their duties as Directors of the Company. The indemnities would also provide financial support from the Company should the level of cover provided by the Directors' & Officers' liability insurance maintained by the Company be exhausted.

Directors' Remuneration Report *(continued)*

Sums Paid to Third Parties (audited information)

None of the fees referred to in the above table were paid to any third party in respect of the services provided by any of the Directors.

Other Benefits

Taxable Benefits – Article 117 of the Company's Articles of Association provides that Directors are entitled to be reimbursed for reasonable expenses incurred by them in connection with the performance of their duties and attendance at Board and General Meetings. Pensions related benefits – Article 118 permits the Company to provide pension or similar benefits for Directors and employees of the Company. However, no pension schemes or other similar arrangements have been established and no Director is entitled to any pension or similar benefits.

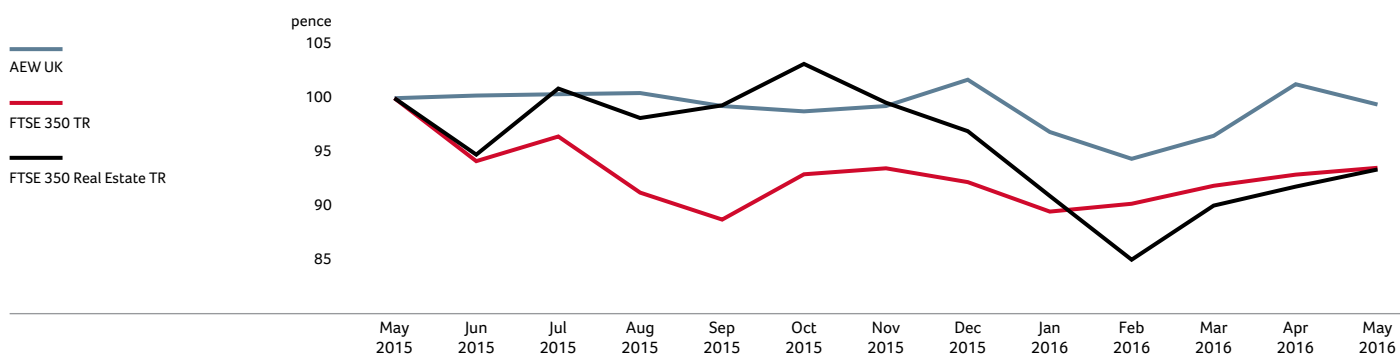
Loss of Office

Directors do not have service contracts with the Company but are engaged under Letters of Appointment. These specifically exclude any entitlement to compensation upon leaving office for whatever reason.

Share Price Total Return

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

Cumulative Share Price Total Return



Directors' Remuneration Report *(continued)*

Relative Importance of Spend on Pay

The table below sets out, in respect of the period ended 30 April 2016:

- (a) the remuneration paid to the Directors;
- (b) the management fee and expenses which have been included to give shareholders a greater understanding of the relative importance of spend on pay; and
- (c) distributions to shareholders by way of dividend.

	Period ended 30 April 2016
Directors' fees*	£68,972
Management fee and expenses	£652,706
Dividends paid to 30 April 2016	£3,730,125

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

Statement of Directors' Shareholding and Share Interests (audited information)

Neither the Company's Articles of Association nor the Directors' Letters of Appointment require a Director to own shares in the Company. The interests of the Directors and their connected persons in the equity and debt securities of the Company at 30 April 2016 are shown in the table below:

Director	Number of Ordinary Shares	% of Total Voting Rights
Mark Burton	75,000	0.064
James Hyslop	100,000	0.085
Bim Sandhu	400,000*	0.340

* 100,000 Ordinary Shares held in Mr Sandhu's spouse's name, Mrs Pardeep Sandhu, 150,000 Ordinary Shares held in The Santon Pension Fund (a SSAS for him and his spouse) and 150,000 Ordinary Shares held in The Sandhu Charitable Foundation.

There have been no changes to Directors' interests between 30 April 2016 and the date of this Report.

Directors' Remuneration Report *(continued)*

Dialogue with Shareholders

No views in respect of Directors' remuneration have been expressed to the Company by shareholders. However, the Company is committed to ongoing shareholder dialogue and any views which are expressed by shareholders on the fees being paid to Directors would be taken into consideration by the Management Engagement and Remuneration Committee when reviewing the Directors' Remuneration Policy and in the annual review of Directors fees. A binding resolution is being put to shareholders on the Remuneration Policy at the Annual General Meeting on 7 September 2016.

Annual Statement

On behalf of the Board and in accordance with Part 2 of Schedule 8 of the Large and Medium-sized Companies and Groups (Accounts and Reports) (Amendment) Regulations 2013, I confirm that the above Directors' Remuneration Report including Directors' Remuneration Policy and Report on Remuneration Implementation summarises, as applicable, for the period to 30 April 2016:

- (a) the major decisions on Directors' remuneration;
- (b) any substantial changes relating to Directors' remuneration made during the period; and
- (c) the context in which the changes occurred and decisions have been taken.

Mark Burton
Chairman

7 July 2016

Directors' Report

The Directors' Report, prepared in accordance with the requirements of the Companies Act 2006 and the UK Listing Authority's Listing Rules, and Disclosure and Transparency rules, comprises pages 39 to 55.

Results and Dividends

The interim dividends paid by the Company are set out in Note 9 of the Financial Statements. A summary of the Company's performance during the period is set out in the Strategic Report on pages 1 to 37.

Directors

The Directors who served during the period were Mark Burton, Bim Sandhu, James Hyslop, Kristian Rogers and Elliot Weston. Kristian Rogers and Elliot Weston were appointed as Directors upon incorporation of the Company on 1 April 2015 and resigned on 9 April 2015 after the current Board members had been appointed. The biographies of the Directors of the Company at the period end and up to the date of this report can be found on page 38.

Power of directors

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

Indemnity provisions

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

Viability Statement

The Group has considered its cash flows, financial position, liquidity position and borrowing facilities. The Group's cash balance as at 30 April 2016 was £7.96 million, of which £4.94 million was readily available for potential investments.

As at 30 April 2016, the Group has substantial headroom against its borrowing covenants. The Group has the ability to utilise up to 30% of NAV measured at drawdown under the current borrowing facility limits with a current Group LTV of 12.2% as at 30 April 2016.

The Group benefits from a secure diversified income stream from leases which are not overly reliant on any one tenant or sector.

As a result, the Directors believe that the Group is well placed to manage its financing and other business risks. The Directors believe that there are currently no material uncertainties in relation to the Group's ability to continue for a period of at least 12 months from the date of the Group's financial statements. The Board is, therefore, of the opinion that the going concern basis adopted in the preparation of the Annual Report is appropriate.

In accordance with the provision C.2.2 of the revised UK Corporate Governance Code, the Directors have assessed the prospects of the Group over a period longer than the 12 months required by the "Going Concern" provisions. The Board has considered the nature of the Group's assets and liabilities and associated cash flows and has determined that five years, up to 30 April 2021, is the maximum timescale over which the performance of the Group can be forecast with a material degree of accuracy and so is an appropriate period over which to consider the Group's viability.

Considerations in support of the Group's viability over this five year period include:

- The current unexpired term under the Group's debt facilities stands at 4.5 years;

Directors' Report (continued)

The Group has a WAULT of 6.08 years, representing a secure income stream for the period under consideration;

- The Group's portfolio reflects a diversified strategy that has invested across a broad spectrum of real estate sectors returning a diversified income stream which should spread the risk of any default.
- Most leases contain a five year rent review pattern and therefore five years allows for the forecasts to include the reversion arising from those reviews. The five year review considers the Group's cash flows, dividend cover, REIT compliance and other key financial ratios over the period.

In assessing the Group's viability, the Board has carried out a thorough review of the Group's business model, including future performance, liquidity, dividend cover and banking covenant tests for a five year period.

The business model was subject to a sensitivity analysis, which involves flexing a number of key assumptions underlying the forecasts both individually and in aggregate for normal and stressed conditions. The five year review also considers whether financing facilities will be renewed as required.

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

Subsidiary Company

Details of the Company's subsidiary, AEW UK REIT 2015 Limited, can be found in Note 1 to the Financial Statements.

Management Arrangements

AEW UK Investment Management LLP is the Company's Investment Manager. Under the terms of the Investment Management Agreement the Investment Manager is responsible for the day to day discretionary management of the Company's investments subject to the investment objective and investment policy of the Company and the overall supervision of the Directors. The Investment Manager is entitled to receive a management fee in respect of its services of 0.9 per cent. per annum of NAV (excluding uninvested proceeds from fundraisings). Any investment by the Company into the AEW UK Core Property Fund will not be subject to management fees or performance fees otherwise charged to investors in the AEW UK Core Property Fund by the Investment Manager. The Investment Management Agreement may be terminated by the Company or the Investment Manager giving 12 months' notice, such notice not to be given earlier than the first anniversary of Admission.

Financial Risk management

The financial risk management objectives and policies can be found in Note 22 of the Financial Statements on pages 84 to 86.

Greenhouse Gas Emissions

AEW UK REIT plc has followed UK Government environmental reporting guidelines and used the UK Government 2016 greenhouse gas reporting conversion factors for company reporting to identify and report relevant GHG emissions over which it has operational control for the period ended 30 April 2016. Namely:

- Scope 1 – including direct emissions from controlled boilers. There have been no fugitive emissions from air conditioning systems under landlord control and there are no emissions from company vehicles to report within Scope 1.
- Scope 2 – including indirect emissions from electricity purchased and used within common areas, shared services and void space within owned assets.

Directors' Report (continued)

Table 1 shows relevant GHG emissions (in tonnes carbon dioxide equivalent) that AEW UK REIT plc was responsible for in the period ended 30 April 2016.

Table 1: AEW UK REIT plc Tonnes Carbon Dioxide Equivalent for the period ended 30th April 2016

GHG Scope	Tonnes of Carbon Dioxide Equivalent (tCO₂e)
Scope 1	86.4
Scope 2	744.6

GHG Intensity

AEW UK REIT plc has chosen to not to state a GHG intensity value in their first GHG emissions statement. The Company launched in May 2015 and through acquiring assets, where it was counterparty to energy supplies, took responsibility for GHG emissions from August 2015. All GHG emissions relating to the entity arise through assets owned by the Company. As such, AEW UK REIT plc has chosen to defer identification of a GHG intensity value until GHG emissions covering the full reporting year are available. It is therefore expected that a GHG intensity value will be reported in the 2017 GHG emissions statement. This approach will ensure that the reported GHG intensity value reflects an accurate baseline from which future performance can be measured against.

Assurance Statement

AEW UK REIT plc GHG emissions have been calculated and verified by an independent third party. A full copy of the methodology used, including scope, source or data and conversion factors, is available upon request.

Share capital

Ordinary Shares

At a general meeting held on 9 April 2015, the Company was granted the authority to allot Ordinary Shares up to an aggregate nominal amount of £2,500,000 on a non pre-emptive basis pursuant to a Placing Programme. On 12 May 2015, gross proceeds of £100,500,000 were raised and 100,500,000 Ordinary Shares were allotted and admitted to trading on the main market of the London Stock Exchange.

On 10 December 2015, the Company raised gross proceeds of £17,180,000 pursuant to the Placing Programme which closed on 9 December 2015 at an issue price of 101p per share. A total of 17,010,000 Ordinary Shares with an aggregate nominal value of £170,100 were issued and admitted to trading on the London Stock Exchange on 15 December 2015. Following this issue, there were 117,510,000 Ordinary Shares of 1 pence each in issue. Each Ordinary share is entitled to one vote; accordingly, the total voting rights attaching to Ordinary Shares in issue is 117,510,000. No shares were held in treasury during the period or at the period end.

At a general meeting held on 20 May 2016, the Company was granted authority to allot up to 11,740,000 Ordinary Shares on a non pre-emptive basis and to allot up to 250,000,000 Ordinary Shares in connection with a share issuance programme on a non pre-emptive basis. No Ordinary Shares have been issued under these authorities. The authority to allot up to 11,740,000 Ordinary Shares on a non pre-emptive basis will expire at the end of the Company's AGM on 7 September 2016. The authority to allot up to 250,000,000 Ordinary Shares in connection with a share issuance programme will expire at the end of the Company's AGM in 2017 unless the programme is closed before this time.

Directors' Report (*continued*)

Purchase of Own Shares

At the Company's General Meeting held on 9 April 2015, the Company was granted authority to purchase up to 14.99% of the Company's Ordinary Shares in issue immediately following completion of the share issue. No shares have been bought back under this authority which expires at the earlier of the completion of the Company's first Annual General Meeting or 31 October 2016.

A resolution to renew the Company's authority to purchase (either for cancellation or for placing into Treasury) up to 17,614,749 Ordinary Shares (being 14.99% of the issued Ordinary Share capital as at the date of this report), will be put to shareholders at the 2016 AGM. Any purchase will be made on the market and prices will be in accordance with the terms laid out in the Notice of AGM. The authority will be used where the Directors consider it to be in the best interests of shareholders.

Requirements of the Listing Rules

Listing Rule 9.8.4 requires the Company to include specified information in a single identifiable section of the annual report or a cross reference table indicating where the information is set out. The information required under Listing Rule 9.8.4(7) in relation to allotments of shares is set out above. The Directors confirm that no additional disclosures are required in relation to Listing Rule 9.8.4.

Restricted Shares

On incorporation, one Share was issued at £1.00 (fully paid) for the purposes of incorporation to the subscriber to the Company's memorandum of association. On 9 April 2015 the subscriber Share was transferred to the Investment Manager and 50,000 Restricted Shares were issued at par (fully paid) to the Investment Manager. The Restricted Shares were redeemed immediately following Admission out of the proceeds of the issue on 12 May 2015.

Income entitlement

The profits of the Company (including accumulated revenue reserves) available for distribution and resolved to be distributed shall be distributed by way of interim and (where applicable) special dividends among the holders of Ordinary Shares.

Capital entitlement

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

Voting entitlement

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

Directors' Report (continued)

Substantial shareholdings

As at 30 April 2016 and 5 July 2016 the Company had been notified under Disclosure and Transparency Rule ('DTR') 5 of the following significant holdings of voting rights in its Ordinary Shares. These holdings may have changed since notification, however notification of any change is not required until the next applicable threshold is crossed.

Shareholder	As at 30 April 2016		As at 5 July 2016	
	Number of Ordinary Shares held	% of total voting rights	Number of Ordinary Shares held	% of total voting rights
Close Asset Management Limited	15,322,693	13.04	14,883,249	12.670
Old Mutual plc	11,779,945	10.02	–	–
Schroder plc	17,286,555	14.71	17,847,129	15.188
Natixis Global Asset Management	10,000,000	9.95*	–	–
Coutts Multi Asset Fund plc	6,000,000	5.97*	7,400,000	6.297
Investec Wealth & Investment Limited	4,813,400	4.79*	–	–
Kames Capital Plc	3,500,000	2.97	–	–

* before increase of total voting rights following share issue and admission on 15 December 2015.

Related party transactions

Related party transactions during the period to 30 April 2016 can be found in Note 24 of the Financial Statements on page 87.

Statement of Disclosure of Information to Auditor

So far as each Director is aware, there is no relevant information, which would be needed by the Company's Auditor in connection with preparing their audit report (which appears on pages 57 to 60), of which the Auditor is not aware; and each Director, in accordance with section 418(2) of the Companies Act 2006, has taken all reasonable steps that he ought to have taken as a director to make himself aware of any such information and to ensure that the Auditor is aware of such information.

Important events after the period end

Details of property acquisitions, dividends announced, loans drawn down and interest rate derivatives entered into after the period end can be found on page 16 of the Investment Manager's Report and Note 26 on page 88 of the Notes to the Financial Statements.

On behalf of the Board

Mark Burton
Chairman

7 July 2016

40 Dukes Place
London EC3A 7NH

Directors' Responsibilities Statement

The Directors are responsible for preparing the Annual Report and Accounts in accordance with applicable United Kingdom law and regulations.

Company law requires the Directors to prepare Group and Parent Company financial statements for each financial period. Under that law they are required to prepare the group financial statements in accordance with International Financial Reporting Standards as adopted by the EU ('IFRS') and have elected to prepare the Parent Company financial statements on the same basis.

Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and Parent Company and of their profit or loss for that period. In preparing each of the Group and Parent Company financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether they have been prepared in accordance with IFRSs as adopted by the EU; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group and the Parent Company will continue in business.

Under section 454 of the Companies Act 2006 the Directors have the authority to revise the financial statements if they do not comply with the Act. The revised financial statements must be amended in accordance with the Companies (Revision of Defective Accounts and Reports) Regulations 2008. These require that the revised financial statements show a true and fair view as if they were prepared and approved by the Directors as at the date of the original financial statements and accordingly do not take account of events which have taken place after the date on which the original financial statements were approved.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Parent Company's transactions and disclose with reasonable accuracy at any time the financial position of the Parent Company and enable them to ensure that the financial statements and the Directors' Remuneration Report comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Under applicable law and regulations, the Directors are also responsible for preparing a Strategic Report, Directors' Report, Directors' Remuneration Report and Corporate Governance Statement that comply with that law and those regulations, and for ensuring that the Annual Report includes information required by the Listing Rules and Disclosure and Transparency Rules of the Financial Conduct Authority.

Declaration under DTR4.1.12

The Directors listed on page 38, being the persons responsible, hereby confirm to the best of their knowledge:

- that the financial statements have been prepared in accordance with applicable accounting standards and give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company and the undertakings included in the consolidation taken as a whole; and
- the Strategic Report includes a fair review of the development and performance of the business and the position of the Company and the undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties that they face.

In the opinion of the Board, the Annual Report and Accounts taken as a whole, is fair, balanced and understandable and it provides the information necessary to assess the group's position and performance, business model and strategy.

On behalf of the Board

Mark Burton
Chairman

30 November 2016

Independent Auditor's Report

to the members of AEW UK REIT plc only

Opinions and conclusions arising from our audit

1. Our opinion on the revised financial statements is unmodified

We have audited the revised financial statements of AEW UK REIT PLC for the 13 month period 1 April 2015 (date of incorporation) to 30 April 2016 set out on pages 61 to 88. These revised financial statements replace the original financial statements approved by the directors on 7 July 2016. The revised financial statements have been prepared under the Companies (Revision of Defective Accounts and Reports) Regulations 2008 ("the Regulations") and accordingly do not take account of events which have taken place after the date on which the original financial statements were approved.

In our opinion:

- the revised financial statements give a true and fair view, seen as at the date the original financial statements were approved, of the state of the Group's and of the Parent Company's affairs as at 30 April 2016 and of the Group's and of the Parent Company's profit for the 13 month period from 1 April 2015 (date of incorporation) to 30 April 2016;
- the revised financial statements have been properly prepared in accordance with International Financial Reporting Standards as adopted by the European Union seen as at the date the original financial statements were approved;
- the revised financial statements, seen as at the date the original financial statements were approved, have been prepared in accordance with the requirements of the Companies Act 2006 and, as regards the Group financial statements, Article 4 of the IAS Regulation, as they have effect under the Regulations; and
- the original financial statements for the 13 month period ended 30 April 2016 failed to comply with the requirements of the Companies Act 2006 in the respects identified by the directors in the statement contained on page 65 of the revised financial statements.

Emphasis of matter – revision of financial statements

In forming our opinion on the revised financial statements, which is not modified we have considered the adequacy of the disclosures made on page 65 of the revised financial statements concerning the need to revise the financial statements. The original financial statements were approved on 7 July 2016 and our previous report was signed on that date. We have not performed a subsequent events review for the period from the date of our previous report to the date of this report.

2. Our assessment of risks of material misstatement

In arriving at our audit opinion above on the revised financial statements the risk of material misstatement that had the greatest effect on our audit was as follows:

Valuation of investment properties (£114.4 million)

Refer to pages 43 and 44 (Report of the Audit Committee), pages 66 to 71 (Accounting Policies) and pages 75 to 77 (Notes to the Financial Statements).

- The risk – Investment Properties represent 84% of the gross assets of the Group.

The portfolio comprises 25 properties which are externally valued by qualified independent valuers and held at fair value at the statement of financial position date. Each property is individual and its fair value will be impacted by a number of factors including location, contracted and future potential rental income, quality and condition of the building, tenant covenant, and market yields. Whilst comparable market transactions provide good valuation evidence, the individual nature of each property means that a key factor in the property valuations are assumptions which involve significant levels of judgement.

As a result, there is a significant risk over the valuation of these investment properties and this is one of the key judgemental areas that our audit focused on.

- Our response – In this area our procedures included, discussions with the Group's external property valuers to understand movements in property values within the portfolio and to determine the valuation methodology used.

Independent Auditor's Report *(continued)*

2. Our assessment of risks of material misstatement *(continued)*

In addition, with assistance from our own property valuation specialist we:

- critically assessed the independence, competence and experience of the external property valuers used by the Group by assessing their objectivity, professional qualifications and resources;
- critically assessed the results of their report by checking whether the valuations were in accordance with the RICS Valuation Professional Standards 'the Red Book' and IFRS and that the methodology adopted was appropriate by reference to acceptable valuation practice;
- challenged the key assumptions upon which the valuations were based including those relating to forecast rents, yields, vacant periods and irrecoverable expenditure by making a comparison to our own understanding of the market; and
- sought to understand the reasons for significant or unusual movements in property values by forming our own view on the general market conditions with reference to the key assumptions noted above.

We compared the information provided by the Group to its external valuers, such as lease data, rental income and property costs, to supporting documents including lease agreements and purchase agreements.

We also considered the adequacy of the Group's disclosures about the degree of estimation made when valuing these properties as disclosed in note 10.

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

The materiality for the revised financial statements was set at £1.3 million. This has been determined with reference to a benchmark of Consolidated Gross Assets of £135.5 million of which it represents just under 1%. In light of the importance of the level of dividends paid to investors, we have determined that a lower level of materiality should be applied to items in the Statement of Comprehensive Income impacting the dividend, being Profit after tax excluding unrealised valuation movements on investments and investment properties and associated tax movements. Materiality of £0.3 million being just under 5% of Consolidated profit after tax of £6.1 million calculated on this basis has been used in the audit of these amounts. We reported to the Audit Committee any corrected or uncorrected identified misstatement exceeding £3,500.

Of the group's 2 reporting components, we subjected 1 to an audit for group reporting purposes. This 1 component comprised 100% of group revenue, 100% of group profit before tax and 100% of group total assets.

4. Our opinion on other matters prescribed by the companies Act 2006 is unmodified

In our opinion:

- the part of the Directors' Remuneration Report to be audited has been properly prepared in accordance with the Companies Act 2006;
- the information given in the Strategic Report and the Directors' Report for the financial year for which the revised financial statements are prepared is consistent with the revised financial statements; and
- the information given in the corporate governance statement set out on pages 39 to 42 with respect to internal control and risk management systems in relation to financial reporting processes and about share capital structures is consistent with the revised financial statements.

Independent Auditor's Report *(continued)*

5. We have nothing to report on the disclosures of principal risks

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

- the Viability Statement on pages 51 to 52, concerning the principal risks, their management, and, based on that, the Directors' assessment and expectations of the Company's continuing in operation over the 5 years to 2021; or
- the disclosures in Note 2.3 of the revised financial statements concerning the use of the going concern basis of accounting.

6. We have nothing report in respect of the matters on which we are required to report by exception

Under ISAs (UK and Ireland) we are required to report to you if, based on the knowledge we acquired during our audit, we have identified other information in the annual report that contains a material inconsistency with either that knowledge or the revised financial statements, a material misstatement of fact, or that is otherwise misleading.

In particular, we are required to report to you if:

- we have identified material inconsistencies between the knowledge we acquired during our audit and the directors' statement that they consider that the annual report and financial statements taken as a whole is fair, balanced and understandable and provides the information necessary for shareholders to assess the Group's position and performance, business model and strategy; or
- the Audit Committee Report does not appropriately address matters communicated by us to the audit committee.

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the revised financial statements and the part of the Directors' Remuneration Report to be audited are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit; or
- a Corporate Governance Statement has not been prepared by the Company.

Under the Listing Rules we are required to review:

- the directors' statements, set out on pages 51 and 52 and page 67, in relation to going concern and longer-term viability; and
- the part of the Corporate Governance Statement on page 39 relating to the Company's compliance with the eleven provisions of the 2014 UK corporate governance code specified for our review.

We have nothing to report in respect of the above responsibilities.

Independent Auditor's Report *(continued)*

Respective responsibilities of directors and auditor

As explained more fully in the directors' responsibilities statement set out on page 56, the directors are responsible for the preparation of the revised financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the revised financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the UK Ethical Standards for Auditors.

Scope of an audit of revised financial statements performed in accordance with ISAs (UK and Ireland)

A description of the scope of an audit of financial statements is provided on our website at www.kpmg.com/uk/auditscopeother2014. In addition the audit of revised financial statements includes the performance of procedures to assess whether the revisions made by the directors are appropriate and have been properly made. This report is made subject to important explanations regarding our responsibilities, as published on that website, which are incorporated into this report as if set out in full and should be read to provide an understanding of the purpose of this report, the work we have undertaken and the basis of our opinions.

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

This report is made solely to the company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and as required by paragraph 7 of the Regulations. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in such an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Bill Holland (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor

Chartered Accountants
15 Canada Square
London
E14 5GL

30 November 2016

Financial Statements

Statements of Comprehensive Income

for the period 1 April 2015 to 30 April 2016

	Notes	Group for the period 1 April 2015 to 30 April 2016 £'000	Parent Company for the period 1 April 2015 to 30 April 2016 £'000
Income			
Rental and other income	3	7,185	7,185
Property operating expenses	4	(300)	(300)
Net rental and other income		6,885	6,885
Dividend income	3	653	653
Net rental and dividend income		7,538	7,538
Investment management fees	4	(653)	(653)
Auditor remuneration	4	(95)	(95)
Operation costs	4	(403)	(403)
Directors' remuneration	5	(72)	(72)
Operating profit before fair value changes		6,315	6,315
Change in fair value of investment properties	10	(1,935)	(1,935)
Change in fair value of investments	10	482	482
Operating profit		4,862	4,862
Finance expense	6	(226)	(226)
Profit before tax		4,636	4,636
Taxation	7	–	–
Profit after tax		4,636	4,636
Other comprehensive income		–	–
Total comprehensive income for the period		4,636	4,636
Earnings per share (pence per share) (basic and diluted)	8	4.83	4.83

The notes on pages 65 to 88 form an integral part of these financial statements.

Statements of Changes in Equity

for the period 1 April 2015 to 30 April 2016

Group	Share capital £'000	Share premium account £'000	Capital reduction reserve £'000	Retained earnings £'000	Total equity attributable to owners of the Group £'000
Balance at beginning of the period	-	-	-	-	-
Profit for the period	-	-	-	4,636	4,636
Other comprehensive income	-	-	-	-	-
Total comprehensive income	-	-	-	4,636	4,636
Ordinary Shares issued	1,175	116,505	-	-	117,680
Share issue costs	-	(2,211)	-	-	(2,211)
Cancellation of share premium	-	(97,565)	97,565	-	-
Dividends paid	-	-	-	(3,730)	(3,730)
Balance at 30 April 2016	1,175	16,729	97,565	906	116,375

Parent Company	Share capital £'000	Share premium account £'000	Capital reduction reserve £'000	Retained earnings £'000	Total equity attributable to owners of the Parent Company £'000
Balance at beginning of the period	-	-	-	-	-
Profit for the period	-	-	-	4,636	4,636
Other comprehensive income	-	-	-	-	-
Total comprehensive income	-	-	-	4,636	4,636
Ordinary Shares issued	1,175	116,505	-	-	117,680
Share issue costs	-	(2,211)	-	-	(2,211)
Cancellation of share premium	-	(97,565)	97,565	-	-
Dividends paid	-	-	-	(3,730)	(3,730)
Balance at 30 April 2016	1,175	16,729	97,565	906	116,375

The notes on pages 65 to 88 form an integral part of these financial statements.

Statements of Financial Position

as at 30 April 2016

	Note	Group as at 30 April 2016 £'000	Parent Company as at 30 April 2016 £'000
Assets			
Non-Current Assets			
Investment property	10	114,387	114,387
Investments	10	10,109	10,109
		124,496	124,496
Current Assets			
Receivables and prepayments	11	2,962	2,962
Cash and cash equivalents	12	7,963	7,963
Other financial assets held at fair value	13	77	77
		11,002	11,002
Total assets		135,498	135,498
Non-Current Liabilities			
Interest bearing loans and borrowings	14	(14,250)	(14,250)
Finance lease obligations	16	(1,791)	(1,791)
		(16,041)	(16,041)
Current Liabilities			
Payables and accrued expenses	15	(2,959)	(2,959)
Finance lease obligations	16	(123)	(123)
		(3,082)	(3,082)
Total Liabilities		(19,123)	(19,123)
Net Assets		116,375	116,375
Equity			
Share capital	19	1,175	1,175
Share premium account	20	16,729	16,729
Capital reduction reserve	21	97,565	97,565
Retained earnings		906	906
Total capital and reserves attributable to equity holders of the Group/Parent Company		116,375	116,375
Net Asset Value per share (pence per share)	8	99.03 pps	99.03 pps

The revised financial statements on pages 61 to 88 were approved by the Board of Directors on 30 November 2016 and signed on its behalf by:

Mark Burton
Chairman

AEW UK REIT plc
Company number: 09522515

The notes on pages 65 to 88 form an integral part of these financial statements.

Statements of Cash Flows

for the period 1 April 2015 to 30 April 2016

	Group for the period 1 April 2015 to 30 April 2016 £'000	Parent Company for the period 1 April 2015 to 30 April 2016 £'000
Cash flows from operating activities		
Operating profit	4,862	4,862
Adjustment for non-cash items:		
Loss from change in fair value of investment property	1,935	1,935
Gain from change in fair value of investments	(482)	(482)
Changes in fair value of interest rate derivatives	(14)	(14)
Increase in receivables and prepayments	(2,962)	(2,962)
Increase in payables and accrued expenses	2,936	2,936
Net cash flow generated from operating activities	6,275	6,275
Cash flows from investing activities		
Purchase of investment properties	(114,408)	(114,408)
Purchase of investments	(9,627)	(9,627)
Net cash used in investing activities	(124,035)	(124,035)
Cash flows from financing activities		
Proceeds from issue of ordinary share capital	117,680	117,680
Share issue costs	(2,211)	(2,211)
Loan draw down	14,250	14,250
Finance costs	(266)	(266)
Dividends paid	(3,730)	(3,730)
Net cash flow generated from financing activities	125,723	125,723
Net increase in cash and cash equivalents	7,963	7,963
Cash and cash equivalents at start of the period	–	–
Cash and cash equivalents at end of the period	7,963	7,963

The notes on pages 65 to 88 form an integral part of these financial statements.

Notes to the Financial Statements

for the period 1 April 2015 to 30 April 2016

These revised financial statements for the 13 month period ended 30 April 2016 replace the original financial statements for that period, which had been approved on 7 July 2016. These revised financial statements are now the statutory financial statements for that year.

The financial statements have been prepared as at the date on which the original financial statements were approved by the board of directors and not as at the date of the revision and accordingly do not deal with events between those dates.

In the original financial statements a single column/table had been presented in respect of the Statement of Comprehensive Income, Statement of Changes in Equity, Statement of Financial Position and Statement of Cash Flows in respect of both the Parent Company and the Group financial statements on the basis that to the £'000 level of rounding all amounts were the same for both sets of financial statements.

The Registrar of Companies has refused to accept for filing the original financial statements so presented as in their view such formats meant that they failed to comply with the Companies Act 2006, and as a consequence these revised financial statements have been prepared.

These revised financial statements present two columns or tables, one for the Parent Company financial statements and one for the Group financial statements, in each of the statements of comprehensive income, changes in equity, financial position and cash flows. The amounts in each pair of columns/tables are exactly the same amounts, because, as explained in note 2.1 to the original and revised financial statements, the Parent Company's only subsidiary is dormant and has no balances material for consolidation. Hence the effect of this revision is not to change any reported amounts but is confined to duplicating the presentation of those amounts in order to make clearer that those amounts represent the Parent Company as well as the Group.

Consequential amendments in respect of these financial statement captions and of other minor wording have been made.

1. Corporate information

AEW UK REIT plc (the 'Company') is a closed ended Real Estate Investment Trust ('REIT') incorporated on 1 April 2015 and domiciled in the UK. The registered office of the Company is located at 40 Dukes Place, London, EC3A 7NH.

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

AEW UK REIT 2015 Limited is a subsidiary of the Company incorporated in the UK on 2 April 2015. At 30 April 2016, the Company held 1 share being 100% of the issued share capital. AEW UK REIT 2015 Limited is wholly owned by the Company (together known as the 'Group') and is currently dormant.

The consolidated financial statements of the Group for the 13-month period ended 30 April 2016 comprise the results of the Company and its subsidiary.

The nature of the Group's operations and its principal activities are set out in the Strategic Report on pages 1 to 37.

Notes to the Financial Statements *(continued)*

for the period 1 April 2015 to 30 April 2016

2. Accounting policies

2.1 Basis of preparation

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

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

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

As the subsidiary AEW UK REIT 2015 Limited is dormant and has no balances material for consolidation, these consolidated financial statements are representative of the accounts of the Group and Company. Therefore notes 2 to 17 and notes 19 to 26 represent items in respect of both the Group and the Parent Company financial statements.

Basis of consolidation

The consolidated financial statements for the period ended 30 April 2016 incorporate the financial statements of AEW UK REIT plc (the 'Company') and its subsidiary undertaking together (the 'Group'). Subsidiary undertaking refers to the entity controlled by the Company, being the entity AEW UK REIT 2015 Limited.

IFRS 10 outlines the requirements for the preparation of consolidated financial statements. The Company has control over an investee if all three of the following elements are present: power over the investee, exposure or rights to variable returns from the investee and the ability of the investor to use its power to affect those variable returns.

Changes to accounting standards and interpretations

The following accounting standards and their amendments were in issue at the period end but will not be in effect until after this financial period and are not expected to have any material impact on the financial statements.

- IAS 1 Presentation of Financial Statements – amendments resulting from the disclosure initiative (effective for annual periods beginning on or after 1 January 2016)
- IFRS 9 Financial Instruments (effective for annual periods beginning on or after 1 January 2018)
- IFRS 15 Revenue from contracts (effective for annual periods beginning on or after 1 January 2018)
- IFRS 16 Leases (effective for annual periods beginning on or after 1 January 2019)

2.2 Significant accounting judgements and estimates

The preparation of financial statements in accordance with EU IFRS requires the Directors of the Group 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 property

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

Notes to the Financial Statements *(continued)*

for the period 1 April 2015 to 30 April 2016

2. Accounting policies *(continued)*

2.2 Significant accounting judgements and estimates *(continued)*

ii) Valuation of investments

The valuations of the Group's investment in securities will be the last announced unit price for collective investment schemes as at the Statement of Financial Position date.

iii) Valuation of interest rate derivatives

In accordance with IAS 39, the Group carries its interest rate derivatives at fair value. The fair values are estimated by the loan counterparty with revaluation occurring on a quarterly basis. The counterparties will use a number of assumptions in determining the fair values including estimations over future interest rates and therefore future cash flows. The fair value represents the net present value of the difference between the cash flows produced by the contracted rate and the valuation rate.

2.3 Going concern

The Directors have made an assessment of the Group's and the Parent Company's ability to continue as a going concern and are satisfied that the Group has the resources to continue in business for at least 12 months from 7 July 2016 being the date of approval of the original financial statements by the directors. Furthermore, the Directors are not aware of any material uncertainties that may cast significant doubt upon the Group's and the Parent Company's ability to continue as a going concern. Therefore, the financial statements have been prepared on the going concern basis.

2.4 Summary of significant accounting policies

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

a) Presentation currency

The primary objective of the Group is to generate returns in Sterling, its capital-raising currency. The Group's performance is evaluated in Sterling. Therefore, the Directors consider Sterling as the currency that most faithfully represents the economic effects of the underlying transactions, events and conditions and it has therefore been adopted as the presentation currency.

b) Revenue recognition

i) Rental income

Rental income receivable under operating leases is recognised on a straight-line basis over the term of the lease, except for contingent rental income, which is recognised when it arises.

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

ii) Deferred income

Deferred income is rental income received in advance during the accounting period.

Notes to the Financial Statements *(continued)*

for the period 1 April 2015 to 30 April 2016

2. Accounting policies *(continued)*

2.4 Summary of significant accounting policies *(continued)*

c) Dividend income

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

d) Financing income and expenses

Financing income comprises interest receivable on funds invested. Financing expenses comprise interest and other costs incurred in connection with the borrowing of funds. All other financing expenses are expensed in the period in which they occur.

Interest income and interest payable are recognised in profit or loss as they accrue, using the effective interest method.

e) Investment property

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

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

Investment properties are valued by the Valuation Agent on the basis of a full valuation with physical inspection at least once a year. Any valuation of an Immovable by the Valuation Agent must be undertaken in accordance with the current issue of RICS Valuation – Professional Standards (the 'Red Book'), or in the case of overseas immovables, on an appropriate basis, but guided by the FCA Rules.

The determination of the fair value of investment property requires the use of estimates such as future cash flows from assets (such as lettings, tenants' profiles, future revenue streams, capital values of fixtures and fittings, plant and machinery, any environmental matters and the overall repair and condition of the property) and discount rates applicable to those assets.

For the purposes of these financial statements, in order to avoid 'double counting', the assessed fair value is:

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

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

Gains or losses on the disposal of investment property are determined as the difference between net disposal proceeds and the carrying value of the asset in the previous full period financial statements.

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

Notes to the Financial Statements *(continued)*

for the period 1 April 2015 to 30 April 2016

2. Accounting policies *(continued)*

2.4 Summary of significant accounting policies *(continued)*

f) Investments in collective investment schemes

Investments in collective investment schemes are stated at the latest share price for dealing purposes with any resultant gain or loss recognised in profit or loss.

g) Derivative financial investments

Derivative financial instruments, comprising interest rate caps and swaps for hedging purposes, are initially recognised at fair value and are subsequently measured at fair value being the estimated amount that the Group would receive or pay to terminate the agreement at the period end date, taking into account current interest rate expectations and the current credit rating of the Company and its counterparties. The gain or loss at each fair value remeasurement date is recognised in profit or loss and hedge accounting is not applied. Premiums payable under such arrangements are initially capitalised into the Statement of Financial Position.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data is available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs significant to the fair value measurement as a whole.

h) Cash and cash equivalents

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

i) Receivables and prepayments

Rent and other receivables are recognised at their original invoiced value. Where the time value of money is material, receivables are discounted and then held at amortised cost. Provision is made when there is objective evidence that the Group will not be able to recover balances in full. Balances are written off when the probability of recovery is assessed as being remote.

j) Capital prepayments

Capital prepayments are made for the purpose of acquiring future property assets. When the asset is acquired, the prepayments are capitalised as a cost of purchase. Where a purchase is not successful, these costs are reclassified as abortive costs and written off to profit or loss in the period they arise.

k) Other payables and accrued expenses

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

l) Rent deposits

Rent deposits represents cash received from tenants at inception of a lease and are consequently transferred to the rent agent to hold on behalf of the Group. These balances are held as creditors in the Statement of Financial Position.

Notes to the Financial Statements *(continued)*

for the period 1 April 2015 to 30 April 2016

2. Accounting policies *(continued)*

2.4 Summary of significant accounting policies *(continued)*

m) Interest bearing loans and borrowings

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

n) Impairment of financial assets

A financial asset not carried at fair value through profit or loss is assessed at each reporting date to determine whether there is objective evidence that it is impaired. A financial asset is impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the asset, and that the loss event had a negative effect on the estimated future cash flows of that asset that can be estimated reliably.

o) Provisions

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

p) Dividend payable to shareholders

Equity dividends are recognised when they become legally payable.

q) Share issue costs

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

r) Taxes

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

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

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

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

Notes to the Financial Statements *(continued)*

for the period 1 April 2015 to 30 April 2016

2. Accounting policies *(continued)*

2.4 Summary of significant accounting policies *(continued)*

s) European Public Real Estate Association

The Group has adopted European Public Real Estate Association ('EPRA') best practice recommendations, which it expects to broaden the range of potential institutional investors able to invest in the Group's Ordinary Shares. Under EPRA's methodology, EPS and NAV calculations for the period ended 30 April 2016 are presented in note 8 to these financial statements.

3. Revenue

	Group and Parent Company for the period 1 April 2015 to 30 April 2016 £'000
Gross rental income received	6,153
Surrender premium received	1,000
Dilapidation income received	19
Other property income	13
Total rental and other income	7,185
Dividend income:	
Property income distribution*	629
Dividend distribution	24
	653
Total Revenue	7,838

* Property income distribution ('PID') is received from the investment in the AEW UK Core Property Fund which holds property directly.

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

Notes to the Financial Statements *(continued)*

for the period 1 April 2015 to 30 April 2016

4. Expenses

	Group and Parent Company for the period 1 April 2015 to 30 April 2016 €'000
Property operating expenses	300
Investment management fee	653
Auditor remuneration	95
Operation costs	403
Total	1,451

During the period ended 30 April 2016, KPMG LLP as the independent auditor of the Group received €20,000 in relation to the statutory audit of the initial accounts and €65,000 in relation to the statutory audit of the year end accounts. KPMG LLP also received €10,000 in relation to the review of the Company's half-yearly accounts and €40,000, which is included in equity, in relation to work performed as reporting accountant in connection with the IPO.

There are no employees employed by the Group.

5. Directors' remuneration

	Group and Parent Company for the period 1 April 2015 to 30 April 2016 €'000
Directors' fees	69
Tax and social security	3
Total remuneration	72

A summary of the Directors' remuneration is set out in the Directors' Remuneration Report on page 45.

Notes to the Financial Statements *(continued)*

for the period 1 April 2015 to 30 April 2016

6. Finance expense

	Group and Parent Company for the period 1 April 2015 to 30 April 2016 £'000
Interest payable on loan borrowings	110
Amortisation of loan arrangement fee	40
Agency fee payable on loan borrowings	11
Commitment fees payable on loan borrowings	51
	<hr/> 212
Change in fair value of interest rate derivatives	14
	<hr/> 14
Total	226

On 20 October 2015, the Group entered into a 5 year £40 million term credit facility with The Royal Bank of Scotland International Limited.

The Group and Parent Company has used this facility to continue to invest in properties once the net IPO proceeds had been fully invested. The facility can be used up to 30% loan to Net Asset Value measured at drawdown.

7. Taxation

	Group and Parent Company for the period 1 April 2015 to 30 April 2016 £'000
Analysis of charge in the period	
Profit before tax	4,636
	<hr/> 927
Theoretical tax at UK corporation tax standard rate of 20%	927
Adjusted for:	
Exempt REIT income	(1,119)
UK dividend not taxable	(99)
Non taxable investment losses	291
	<hr/> 291
Total	-

Notes to the Financial Statements *(continued)*

for the period 1 April 2015 to 30 April 2016

8. Earnings per share and NAV per share

	Group and Parent Company		
	Profit after tax £'000	Weighted average number of shares	Pence per share
Earnings per share (basic and diluted) for the period 1 April 2015 to 30 April 2016	4,636	96,022,424	4.83
Adjustments to revenue:			
Loss from change in fair value of investment property	1,935	–	2.02
Gain from change in fair value of investments	(482)	–	(0.50)
Change in fair value of interest rate derivatives	(14)	–	(0.02)
EPRA earnings per share (basic and diluted)	6,075	96,022,424	6.33

The ordinary number of shares is based on the time weighted average number of shares throughout the period.

The earnings per share calculation above is from the date of incorporation. From the date of incorporation of 1 April 2015 to the Initial Public Offering ('IPO'), 1 founder share was in existence.

	Group and Parent Company		
	Net assets £'000	Ordinary Shares in issue	NAV per share (pence)
NAV per share at 30 April 2016	116,375	117,510,000	99.03
Other financial assets held at fair value	(77)	–	(0.06)
EPRA NAV per share at 30 April 2016	116,298	117,510,000	98.97

9. Dividends paid

	Group and Parent Company for the period 1 April 2015 to 30 April 2016 £'000
First dividend paid in respect of the period ended 31 October 2015 at 1.5p per Ordinary Share	1,507
Second dividend paid in respect of the period 1 November 2015 to 14 December 2015 at 0.75p per Ordinary Share	754
Third dividend paid in respect of the period 15 December 2015 to 31 January 2016 at 1.25p per Ordinary Share	1,469
Total dividends paid during the period	3,730
Fourth dividend declared for the period 1 February 2016 to 30 April 2016 at 2p per Ordinary Share	2,350
Total dividends declared in respect of the period	6,080

The fourth dividend is not included in the accounts as a liability as at 30 April 2016.

Notes to the Financial Statements *(continued)*

for the period 1 April 2015 to 30 April 2016

10. Non-current assets

	Group and Parent Company		Total £'000
	Freehold £'000	Long Leasehold £'000	
UK Investment property			
Purchases in the period	88,798	25,610	114,408
Revaluation of investment property	247	(315)	(68)
Valuation provided by Knight Frank	89,045	25,295	114,340
Adjustment to fair value for rent free debtor			(1,082)
Adjustment to fair value for rent guarantee debtor			(785)
Adjustment for finance lease obligations†			1,914
Total investment property			114,387
Investment in AEW UK Core Property Fund			
Purchases in period			9,627
Gain from change in fair value			482
Total Investment in AEW UK Core Property Fund			10,109
Change in fair value of investment property			
Loss from change in fair value			(68)
Adjustment to fair value for rent free debtor			(1,082)
Adjustment to fair value for rent guarantee debtor			(785)
			(1,935)

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

Fair value

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

The valuation of the Group's and Parent 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).

Notes to the Financial Statements *(continued)*

for the period 1 April 2015 to 30 April 2016

10. Non-current assets *(continued)*

The determination of the fair value of investment property requires the use of estimates such as future cash flows from assets (such as lettings, tenants' profiles, future revenue streams, capital values of fixtures and fittings, plant and machinery, any environmental matters and the overall repair and condition of the property) and discount rates applicable to those flows.

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

	Group and Parent Company			Total £'000
	Quoted prices in active markets (Level 1) £'000	Significant observable inputs (Level 2) £'000	Significant unobservable inputs (Level 3) £'000	
Assets measured at fair value				
Investment properties	–	–	114,387	114,387
Investment in AEW UK Core Property Fund	–	–	10,109	10,109
As at 30 April 2016	–	–	124,496	124,496

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.

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

The Group has considered sensitivity analysis for assets measured at fair value and recognises the significant unobservable inputs relating to investment property and investments.

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 property are:

- 1) Estimated Rental Value ('ERV')
- 2) Equivalent yield

Increases (decreases) in the ERV (per sq ft p.a.) in isolation would result in a higher (lower) fair value measurement. Increases (decreases) in the discount rate/yield (and exit or 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 entity's investment is:

- 1) Single swinging price

Increase (decreases) in the single swinging price would result in a higher (lower) fair value measurement.

Notes to the Financial Statements *(continued)*

for the period 1 April 2015 to 30 April 2016

10. Non-current assets *(continued)*

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

The significant unobservable inputs used in the fair value measurement categorised within Level 3 of the fair value hierarchy of the Group and Parents Company's portfolio of investment property and investments are:

Class	Fair Value £'000	Valuation Technique	Significant Unobservable Inputs	Range £/psf
Investment Property	£114,340	Income capitalisation	ERV Equivalent yield	£21.81 – £426.24 6.70% – 11.90%
Investments	£10,109	Market capitalisation	Single swinging price	£1.2581

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

All 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 investment property, 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, are recorded in profit and loss.

With regards to investments, the single swinging price of the AEW UK Core Property Fund can swing to a lower price in the event that the net redemptions in the AEW UK Core Property Fund are over 1% of NAV. This pricing mechanism can be exercised by the managers of the AEW UK Core Property Fund at their discretion when the abovementioned condition is met and is known as the 'single swinging price'.

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

Sensitivity analysis	Change in single swinging price		Change in ERV		Change in equivalent yield	
	£'000 +5%	£'000 -5%	£'000 +5%	£'000 -5%	£'000 +5%	£'000 -5%
Resulting fair value of investment properties	–	–	119,303	109,166	107,815	121,126
Resulting fair value of investments	10,615	9,604	–	–	–	–

Notes to the Financial Statements *(continued)*

for the period 1 April 2015 to 30 April 2016

11. Receivables and prepayments

	Group and Parent Company 30 April 2016 £'000
Receivables	
Dividend receivable	193
Rent free debtor	1,082
Rent guarantee debtor	785
Rent debtor	622
Rent agent float account	92
Other receivables	29
	2,803
Prepayments	
Property related prepayments	149
Depositary services	8
Listing fees	2
	159
Total	2,962

As at 30 April 2016, the aged debtor analysis of receivables was as follows:

	Group and Parent Company 30 April 2016 £'000
Less than three months due	573
Between three and six months due	331
Between six and twelve months due	32
Total	936

Notes to the Financial Statements *(continued)*

for the period 1 April 2015 to 30 April 2016

12. Cash and cash equivalents

	Group and Parent Company 30 April 2016 £'000
Cash at Bank	7,963
Total	7,963

13. Interest rate derivatives

	Group and Parent Company 30 April 2016 £'000
Interest rate cap premium paid	91
Changes in fair value of interest rate derivatives	(14)
Total	77

To mitigate the interest rate risk that arises as a result of entering into variable rate linked loans, the Group entered into an interest rate cap during the period.

The interest rate cap has a strike price of 2.50% and a notional amount of £14.25 million.

The total premium payable in the period towards securing the interest rate cap was £91,000.

Fair Value hierarchy

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

	Group and Parent Company				
	Valuation date	Quoted prices in active markets (Level 1) £'000	Significant observable input (Level 2) £'000	Significant unobservable inputs (Level 3) £'000	Total £'000
Assets measured at fair value	30 April 2016	–	77	–	77

The fair value of these contracts are recorded in the 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.

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

Notes to the Financial Statements *(continued)*

for the period 1 April 2015 to 30 April 2016

14. Interest bearing loans and borrowings

	Group and Parent Company		
	Bank borrowings drawn £'000	Bank borrowings undrawn £'000	Total £'000
As at 1 April 2015	–	–	–
Bank borrowings drawn in the period	14,250	–	14,250
Bank borrowings available but undrawn in the period	–	25,750	25,750
As at 30 April 2016	14,250	25,750	40,000

The Group and Parent Company entered into a £40 million credit facility with the Royal Bank of Scotland on 20 October 2015, of which £25.75 million remained undrawn as at the period end.

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

The term to maturity as at the period end is 4.47 years as further represented below:

	Group and Parent Company 30 April 2016 £'000
Repayable between 1 and 2 years	–
Repayable between 2 and 5 years	14,250
Repayable in over 5 years	–
Total	14,250

15. Payables and accrued expenses

	Group and Parent Company 30 April 2016 £'000
Deferred income	1,675
Accruals	1,008
Other creditors	276
Total	2,959

Notes to the Financial Statements *(continued)*

for the period 1 April 2015 to 30 April 2016

16. Finance lease obligations

Finance leases are capitalised at the lease's commencement at the lower of the fair value of the property and the present value of the minimum lease payments. The present value of the corresponding rental obligations are included as liabilities.

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

	Group and Parent Company 30 April 2016 £'000
Not later than one year	123
Later than one year but not later than five years	372
Later than five years	1,419
Total	1,914

17. Guarantees and commitments

Operating lease commitments – as lessor

The Group and Parent Company has entered into commercial property leases on its investment property portfolio. These noncancellable leases have a remaining term of between 0 and 20 years.

Future minimum rentals receivable under non-cancellable operating leases as at 30 April 2016 are as follows:

	Group and Parent Company 30 April 2016 £'000
Within one year	9,902
After one year but not more than 5 years	31,651
More than five years	23,401
Total	64,954

Notes to the Financial Statements *(continued)*

for the period 1 April 2015 to 30 April 2016

18. Investment in subsidiary

The company listed below is part of the Group as at 30 April 2016:

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

19. Issued share capital

	Group and Parent Company	
	£'000	Number of Ordinary Shares
Ordinary Shares issued and fully paid		
At 1 April 2015	–	1
Issued on admission to trading on the London Stock Exchange on 12 May 2015	1,005	100,499,999
Issued on admission to trading on the London Stock Exchange on 15 December 2015	170	17,010,000
At 30 April 2016	1,175	117,510,000

On 12 May 2015, AEW UK REIT Plc announced that it had raised £100.5 million through its initial public offering and the Ordinary Shares had been admitted to the Official List and to trading on the Main Market of the London Stock Exchange.

The Company ticker is AEWU. The initial raising by the Company involved the issue of Ordinary Shares to relevant subscribers at 100 pence per Ordinary Share.

On 15 December 2015, the Company issued a further 17,010,000 Ordinary Shares at a price of 101 pence per share in the form of a placing as part of the Company's share issuance programme.

Notes to the Financial Statements *(continued)*

for the period 1 April 2015 to 30 April 2016

20. Share premium account

	Group and Parent Company £'000
The share premium relates to amounts subscribed for share capital in excess of nominal value:	
At 1 April 2015	–
Issued on admission to trading on the London Stock Exchange on 12 May 2015	99,495
Share issue costs (Paid and accrued)	(1,930)
Transfer to capital reduction account	(97,565)
Issued on admission to trading on the London Stock Exchange on 15 December 2015	17,010
Share issue costs (Paid and accrued)	(281)
At 30 April 2016	16,729

21. Capital reduction reserve

	Group and Parent Company £'000
At 1 April 2015	–
Transferred from share premium reserve	97,565
At 30 April 2016	97,565

On 17 September 2015, the Company by way of Special Resolution cancelled the value of its share premium account, by an Order of the High Court of Justice, Chancery Division.

As a result of this cancellation £97.5 million has been transferred from the share premium account into the capital reduction reserve account. The capital reduction reserve account is classed as a distributable reserve.

Notes to the Financial Statements *(continued)*

for the period 1 April 2015 to 30 April 2016

22. Financial risk management and objectives and policies

22.1 Financing instruments

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

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

	Book Value 30 April 2016 £'000	Fair Value 30 April 2016 £'000
Financial Assets		
Investment in AEW UK Core Property Fund	10,109	10,109
Receivables and prepayments	936	936
Cash and cash equivalents	7,963	7,963
Other financial assets held at fair value	77	77
Financial Liabilities		
Interest bearing loans and borrowings	14,250	14,250
Payables and accrued expenses	2,712	2,712
Finance lease obligations	1,914	1,914

22.2 Financing management

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

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

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

Notes to the Financial Statements *(continued)*

for the period 1 April 2015 to 30 April 2016

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

22.3 Market price risk

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

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

22.4 Real Estate risk

The Group is exposed to the following risks specific to its investments in investment property:

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

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

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

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

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

Notes to the Financial Statements *(continued)*

for the period 1 April 2015 to 30 April 2016

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

22.5 Credit risk

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

It is the Group's policy to enter into financial instruments with reputable counterparties. All cash deposits are placed with an approved counterparty, The Royal Bank of Scotland.

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

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

	As at 30 April 2016 £'000
Debtors (excluding incentives and prepayments)	936
Cash and cash equivalents	7,963
Total	8,899

22.6 Liquidity risk

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

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

30 April 2016	On demand	< 3 months	3–12 months	1–5 years	> 5 years	Total
Interest bearing loans and borrowings	–	–	–	14,250	–	14,250
Interest payable	–	102	301	1,400	–	1,803
Payables and accrued expenses	–	2,712	–	–	–	2,712
Finance lease obligation	–	–	123	372	1,419	1,914
	–	2,814	424	16,022	1,419	20,679

Notes to the Financial Statements *(continued)*

for the period 1 April 2015 to 30 April 2016

23. Capital management

The primary objectives of the Group's capital management is to ensure that it qualifies for the UK REIT status and remains within its quantitative banking covenants.

To enhance returns over the medium term, the Group intends to utilise borrowings on a limited recourse basis for each investment or all or part of the total portfolio. The Group's policy is such that its borrowings will not exceed 25% of Gross Asset Value (measured at drawdown) of each investment or Portfolio. It is currently anticipated that the level of total borrowings will typically be at the level of 20% of Gross Asset Value (measured at drawdown).

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

The monitoring of the Group's level of borrowing is performed primarily using a Loan to Gross Asset Value ('GAV') ratio. The Loan to GAV Ratio is calculated as the amount of outstanding debt divided by the total assets of the Group, which includes the valuation of the investment property portfolio. The Group Loan to GAV ratio at the period end was 10.51%

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

24. Transaction 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 period ended 30 April 2016, the Directors of the Company are considered to be the key management personnel. Details of amounts paid to Directors for their services can be found within note 5, Directors' remuneration.

The Group 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 Boards of Directors.

Under the Investment Management Agreement the Investment Manager receives a management fee which is calculated and accrued monthly at a rate equivalent to 0.9% per annum of NAV (excluding un-invested fund raising proceeds) and paid quarterly. The investment by the Group into the AEW UK Core Property Fund is not subject to management fees or performance fees otherwise charged to investors in the AEW UK Core Property Fund by the Investment Manager. During the period 1 April 2015 to 30 April 2016, the Company incurred £652,706 in respect of investment management fees and expenses of which £230,631 was outstanding at 30 April 2016.

On 1 June 2015, the Company purchased 8,035,272 shares (share class E) in the AEW UK Core Property Fund for a cost of £9,627,000 (net of equalisation). The investment is deemed to be with a related party due to the common influence of the Investment Manager has with both parties. As at 30 April 2016, the Company held a 4.1% shareholding in the AEW UK Core Property Fund.

Notes to the Financial Statements *(continued)*

for the period 1 April 2015 to 30 April 2016

25. Segmental information

Management has considered the requirements of IFRS 8 'operating segments'. The source of the Group's diversified revenue is from the ownership of investment properties across the UK. Financial information on a property by property basis is provided to senior management of the Investment Manager and Directors, which collectively comprise the chief operating decision maker. Responsibilities are not defined by type or location, each property being managed individually and reported on for the Group as a whole directly to the Board of Directors. Therefore, the Group is considered to be engaged in a single segment of business, being property investment and in one geographical area, United Kingdom.

26. Events after reporting date

Dividend

On 31 May 2016, the Board declared its fourth interim dividend of 2.00 pence per share, in respect of the period from 1 February 2016 to 30 April 2016. This was paid on 30 June 2016, to shareholders on the register as at 10 June 2016. The ex-dividend date was 9 June 2016.

Loan Drawdown

On 16 May 2016, the Group made a drawdown request of £12.26 million against its £40 million credit facility with Royal Bank of Scotland giving a drawdown total of £26.51 million and a Loan to Gross Asset Value of 20.0%. The proceeds of the drawdown received were used to finance the acquisition of Nottingham and Blackpool as noted in Property Acquisitions note below.

Property Acquisitions

On 27 May 2016, the Group made a further 2 acquisitions totalling £13.20 million (net of acquisition costs).

Nottingham, acquired for £8.15m, is located on Wheeler Gate with frontage to Old Market Square within the retailing core of the City Centre. The property provides a WAULT of approximately 4.5 years to break and 5.2 years to expiry. The acquisition provides an initial yield of 9.0%, a reversionary yield of 9.9% and a capital value per sq ft of £114.

Blackpool, acquired for £5.05m, is prominently located directly adjacent to the famous Blackpool Tower. The property provides a WAULT of approximately 7.5 years to break and 10 years to expiry. The acquisition provides an initial yield of 9.5%, a reversionary yield of 8.4% and a capital value per sq ft of £50.

Interest Rate Derivatives

On 9 June 2016, to mitigate the interest rate risk that arises as a result of entering into variable rate linked loans, the Group entered into an interest rate cap. The interest rate cap has a strike price of 2.50% and a notional amount of £12.26 million. The total premium payable in the period towards securing the interest rate cap was £66,000.

EPRA Unaudited Performance Measures

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

MEASURE AND DEFINITION	PURPOSE	PERFORMANCE
<p>1. EPRA Earnings Earnings from operational activities.</p>	<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 earnings.</p>	<p>£6.08 million/6.33 pps EPRA earnings for the period to 30 April 2016</p>
<p>2. EPRA NAV Net asset value adjusted to include properties and other investment interests at fair value and to exclude certain items not expected to crystallise in a long-term investment property business.</p>	<p>Makes adjustments to IFRS NAV to provide stakeholders with the most relevant information on the fair value of the assets and liabilities within a true real estate investment company with a long-term investment strategy.</p>	<p>£116.30 million/98.97 pps EPRA NAV as at 30 April 2016</p>
<p>3. EPRA NNNAV EPRA NAV adjusted to include the fair values of: (i) financial instruments; (ii) debt and; (iii) deferred taxes.</p>	<p>Makes adjustments to EPRA NAV to provide stakeholders with the most relevant information on the current fair value of all the assets and liabilities within a real estate company.</p>	<p>£116.38 million/99.03 pps EPRA NNNAV as at 30 April 2016</p>
<p>4.1 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>	<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.</p>	<p>8.01% EPRA NIY as at 30 April 2016</p>
<p>4.2 EPRA 'Topped-Up' NIY This measure incorporates an adjustment to the EPRA NIY in respect of the expiration of rent-free periods (or other unexpired lease incentives such as discounted rent periods and step rents).</p>	<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.</p>	<p>8.56% EPRA 'Topped-Up' NIY as at 30 April 2016</p>
<p>5. EPRA Vacancy Estimated Market Rental Value (ERV) 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>3.16% EPRA ERV as at 30 April 2016</p>
<p>6. 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>Including direct vacancy costs EPRA Cost Ratio 12.23% as at 30 April 2016 10.90% EPRA Cost ratio excluding direct vacancy costs as at 30 April 2016</p>

EPRA Unaudited Performance Measures *(continued)*

Calculation of EPRA Net Initial Yield and 'topped-up' Net Initial Yield

	Group and Parent Company 2016 €'000
Investment property – wholly-owned	114,340
Allowance for estimated purchasers' costs	6,632
Gross up completed property portfolio valuation	120,972
Annualised cash passing rental income	9,842
Property outgoings	(148)
Annualised net rents	9,694
Rent expiration of rent-free periods and fixed uplifts	655
'Topped-up' net annualised rent	10,349
EPRA Net Initial Yield	8.01%
EPRA 'topped-up' Net Initial Yield	8.56%

EPRA Net Initial Yield (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 April 2016, plus an allowance for estimated purchaser's costs. Estimated purchaser's costs are determined by the relevant stamp duty liability, plus an estimate by our valuers of agent and legal fees on notional acquisition. The net rent deduction allowed for property outgoings is based on 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 where defined as not in lieu of growth. Overall 'topped-up' NIY is calculated by adding any other contracted future uplift to the 'topped-up' net annualised rent.

EPRA Unaudited Performance Measures *(continued)*

Calculation of EPRA Vacancy Rate

	Group and Parent Company 2016 £'000/%
Annualised potential rental value of vacant premises	342
Annualised potential rental value for the completed property portfolio	10,821
EPRA Vacancy Rate	3.16

Calculation of EPRA Cost Ratios

	2016 £'000/%
Administrative/operating expense per IFRS income statement	1,523
Less: Performance & management fees	(653)
Other fees and commission	(70)
Ground rent costs	(64)
EPRA Costs (including direct vacancy costs)	736
Direct vacancy costs	(80)
EPRA Costs (excluding direct vacancy costs)	656
Gross Rental Income less ground rent costs	6,089
Less: service charge costs of rental income	(70)
Gross rental income	6,019
EPRA Cost Ratio (including direct vacancy costs)	12.23%
EPRA Cost Ratio (excluding direct vacancy costs)	10.90%

Company Information

Share Register Enquiries

The register for the Ordinary Shares is maintained by Computershare Investor Services PLC. In the event of queries regarding your holding, please contact the Registrar on 0370 889 4069 or email: web.queries@computershare.co.uk

Changes of name and/or address must be notified in writing to the Registrar, at the address shown on page 93. You can check your shareholding and find practical help on transferring shares or updating your details at www.investorcentre.co.uk.

Share Information

Ordinary £0.01 Shares	117,510,000
SEDOL Number	BWD2415
ISIN Number	GB00BWD24154

Share Prices

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

Annual and Half-Yearly Reports

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

Provisional Financial Calendar

7 September 2016	Annual General Meeting
31 October 2016	Half-year End
December 2016	Announcement of half-yearly results
30 April 2017	Year end
July 2017	Announcement of annual results

Dividends

The following table summarises the amounts recognised as distributions to equity shareholders in the period:

	£
Dividend for the period 1 April 2015 to 31 October 2015	1,507,500
Dividend for the period 1 November 2015 to 14 December 2015	753,750
Dividend for the period 15 December 2015 to 31 January 2016	1,468,875
Total	3,730,125

Company Information *(continued)*

Directors

Mark Burton (Non-executive Chairman)
James Hyslop (Non-executive Director)
Bimaljit ("Bim") Sandhu (Non-executive Director)

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Tel: 020 7016 4800

Website: www.aeweurope.com

Property Manager

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Corporate Broker

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Legal Adviser to the Company

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SE1 2AU

Depository

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EC4M 7BA

Administrator

Capita Sinclair Henderson Limited
Beaufort House
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EX4 4EP

Company Secretary

Capita Company Secretarial Services Limited
40 Dukes Place
London
EC3A 7NH

Registrar

Computershare Investor Services PLC
The Pavilions
Bridgwater Road
Bristol
BS13 8AE

Auditor

KPMG LLP
15 Canada Square
London
E14 5GL

Valuer

Knight Frank LLP
55 Baker Street
London
W1U 8AN

Frequency of NAV publication:

The Group's NAV is released to the London Stock Exchange on a quarterly basis and is published on the Group's website.

Glossary

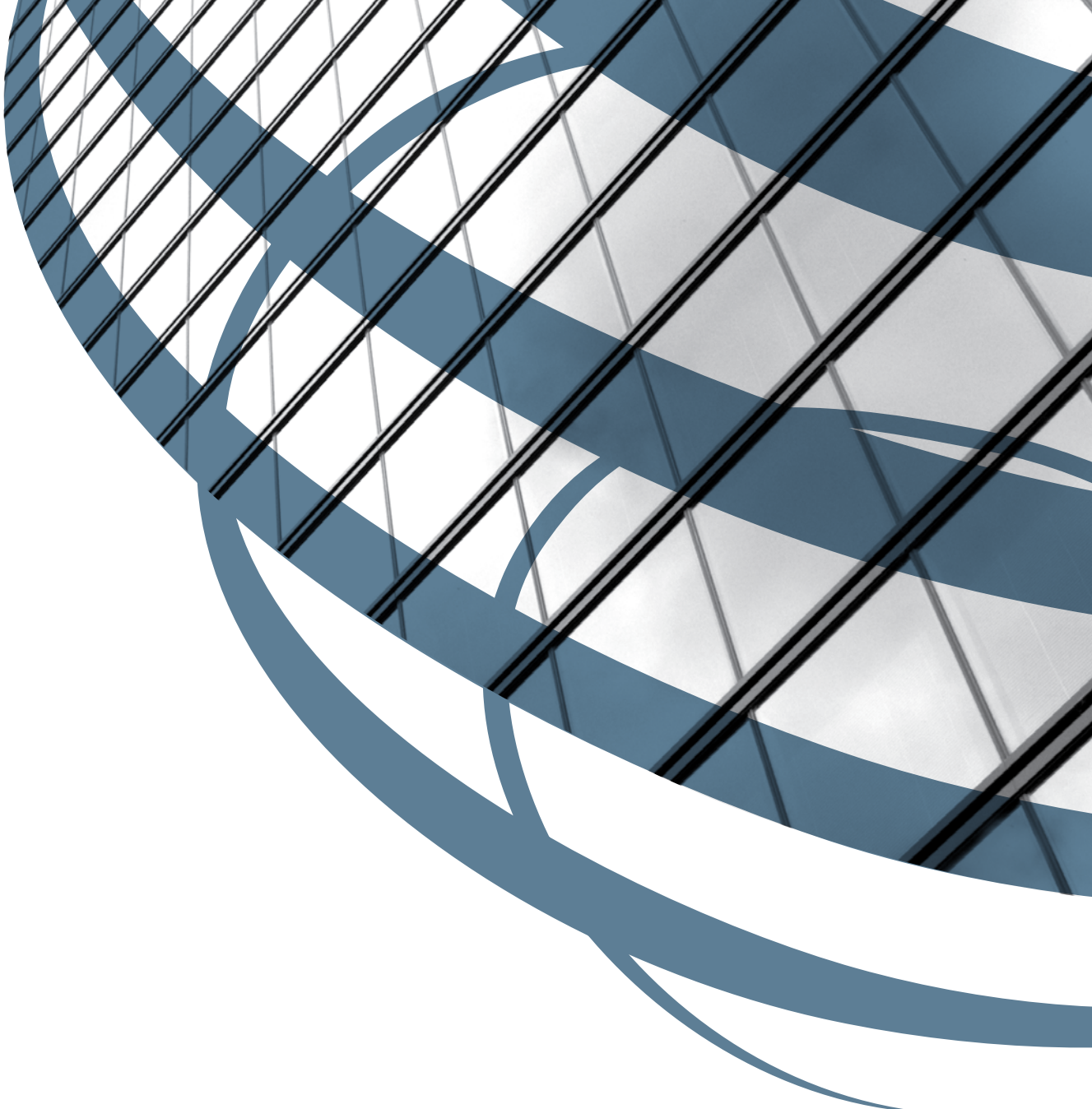
<i>AEW UK Core Property Fund</i>	AEW UK Core Property Fund, a property authorised investment fund ('PAIF') and a sub-fund of the AEW UK Real Estate Fund, an open ended investment company.
<i>AIC</i>	Association of Investment Companies. This is the trade body for Closed-end Investment Companies (www.theaic.co.uk).
<i>AIFMD</i>	Alternative Investment Fund Managers Directive.
<i>AIFM</i>	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 UK LLP.
<i>Company</i>	AEW UK REIT plc.
<i>Company Secretary</i>	Capita Company Secretarial Services Limited.
<i>Contracted rent</i>	The annualised rent adjusting for the inclusion of rent subject to rent-free periods.
<i>Covenant strength</i>	The strength of a tenant's financial status and its ability to perform the covenants in the lease.
<i>DTR</i>	Disclosure and Transparency Rules, issued by the United Kingdom Listing Authority.
<i>Earnings Per Share (EPS)</i>	Profit for the period attributable to equity shareholders divided by the weighted average number of Ordinary Shares in issue during the period.
<i>EPC</i>	Energy Performance Certificate.
<i>EPRA</i>	European Public Real Estate Association, the industry body representing listed companies in the real estate sector.
<i>EPRA cost ratio (including direct vacancy costs)</i>	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.
<i>EPRA cost ratio (excluding direct vacancy costs)</i>	The ratio calculated above, but with direct vacancy costs removed from net overheads and operating expenses balance.
<i>EPRA Earnings Per Share</i>	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.
<i>EPRA NAV</i>	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.
<i>EPRA NNNAV</i>	EPRA NAV adjusted to reflect the fair value of debt and derivatives and to include deferred taxation on revaluations.
<i>EPRA Net Initial Yield ('NIY')</i>	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.
<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 Market Rental Value ('ERV') of vacant space as a percentage of the ERV of the whole portfolio.

Glossary (continued)

Equivalent Yield	The internal rate of return of the cash flow from the property, assuming a rise to ERV at the next review or lease expiry. No future growth is allowed for.
Estimated Rental Value (ERV)	The external valuers' opinion as to the open market rent which, on the date of the valuation, could reasonably be expected to be obtained on a new letting or rent review of a property.
External Valuer	An independent external valuer of a property. The Company's External Valuer is Knight Frank LLP.
Fair value	The estimated amount for which a property should exchange on the valuation date between a willing buyer and a willing seller in an arm's length transaction after proper marketing and where parties had each acted knowledgeably, prudently and without compulsion.
Fair value movement	An accounting adjustment to change the book value of an asset or liability to its fair value.
FCA	The Financial Conduct Authority.
FRI lease	A lease which imposes full repairing and insuring obligations on the tenant, relieving the landlord from all liability for the cost of insurance and repairs.
Gross Asset Value	The aggregate value of the total assets of the Company as determined in accordance with IFRS.
Group	AEW UK REIT plc and its subsidiary, AEW UK REIT 2015 Limited.
IASB	International Accounting Standards Board.
IFRS	International Financial Reporting Standards, as adopted by the European Union.
Investment Manager	The Company's Investment Manager is AEW UK Investment Management UK LLP.
IPD	Investment Property Databank. An organisation supplying independent market indices and portfolio benchmarks to the property industry.
IPO	The admission to trading on the London Stock Exchange's Main Market of the share capital of the Company and admission of Ordinary Shares to the premium listing segment of the Official List on 12 May 2015.
Lease incentives	Incentives offered to occupiers to enter into a lease. Typically this will be an initial rent-free period, or a cash contribution to fit-out. Under accounting rules the value of the lease incentive is amortised through the Income Statement on a straight-line basis until the lease expiry.
Lease Surrender	An agreement whereby the landlord and tenant bring a lease to an end other than by contractual expiry or the exercise of a break option. This will frequently involve the negotiation of a surrender premium by one party to the other.
LIBOR	The London Interbank Offered Rate, the interest rate charged by one bank to another for lending money.
Net Asset Value ('NAV')	Net Asset Value is the equity attributable to shareholders calculated under IFRS.
Net Asset Value per share	Equity shareholders' funds divided by the number of Ordinary Shares in issue.
Net equivalent yield	Calculated by the Group's External Valuers, equivalent yield is the internal rate of return from an investment property, based on the gross outlays for the purchase of a property (including purchase costs), reflecting reversions to current market rent and items as voids and non-recoverable expenditure but ignoring future changes in capital value. The calculation assumes rent is received annually in arrears.
Net initial yield	The initial net rental income from a property at the date of purchase, expressed as a percentage of the gross purchase price including the costs of purchase.
Net rental income	Rental income receivable in the period after payment of ground rents and net property outgoings.
Non-PID	Non-Property Income Distribution. The dividend received by a shareholder of the Company arising from any source other than profits and gains of the Tax Exempt Business of the Group.

Glossary (continued)

<i>Ongoing charges</i>	The ratio of total administration and property operating costs expressed as a percentage of average net asset value throughout the period.
<i>Ordinary Shares</i>	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 Group.
<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 continuing relevant UK REIT criteria being met, the profits from the property business of a REIT, arising from both income and capital gains, are exempt from corporation tax.
<i>Reversion</i>	Increase in rent estimated by the Company's External Valuers, 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 Estimated Rental Value.
<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>Share Price Total Return</i>	The percentage change in the share price assuming dividends are reinvested to purchase additional Ordinary Shares.
<i>Total returns</i>	The returns to shareholders calculated on a per share basis by adding dividend paid in the period to the increase or decrease in the Share Price of NAV. The dividends are assumed to have been reinvested in the form of Ordinary Shares or Net Assets.
<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 (including rent-frees).
<i>Yield compression</i>	Occurs when the net equivalent yield of a property decreases, measured in basis points.



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