

AEW UK REIT plc

Interim Report and Financial Statements
for the six months ended 31 October 2017

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Financial Highlights

- Unaudited Net Asset Value ('NAV') of £148.22 million and of 97.80 pence per share as at 31 October 2017 (30 April 2017: £118.67 million and 95.98 pence per share).
- Operating profit before fair value changes is £4.96 million for the period (six months to 31 October 2016: £4.99 million).
- Unadjusted profit before tax ('PBT') of £6.99 million and of 5.60 pence per share for the period (six months to 31 October 2016: £0.49 million and of 0.42 pence per share).
- EPRA Earnings Per Share ('EPRA EPS') for the period were 3.73 pence (six months to 31 October 2016: 3.81 pence).
- Total dividends of 4.00 pence per share have been declared for the period (six months to 31 October 2016: 4.00 pence per share).
- Total shareholder return for the period was 5.17% (six months to 31 October 2016: 2.73%).
- AEW UK REIT Plc (the 'Company') raised total gross proceeds of £28.05 million during the period (six months to 31 October 2016: £6.00 million).
- The price of the Company's Ordinary Shares on the Main Market of the London Stock Exchange was 101.50 pence per share as at 31 October 2017 (30 April 2017: 99.56 pence per share).
- As at 31 October 2017, the Company had a £40.0 million (30 April 2017: £40.0 million) term credit facility with The Royal Bank of Scotland International Limited ('RBSi') and was geared to 22.0% of the Gross Asset Value (30 April 2017: 19.31%).
- The Company held cash balances totalling £34.54 million as at 31 October 2017 (30 April 2017: £3.65 million), of which £32.44 million (30 April 2017: £1.31 million) was held for the purpose of capital acquisitions.

Property Highlights

- The Company acquired four properties in the period for a total of £16.99 million (excluding acquisition costs) (six months to 31 October 2016: two for a total of £13.20 million) and disposed of one property for gross sales proceeds of £11.05 million (six months to 31 October 2016: £nil).
- As at 31 October 2017, the Company's property portfolio had a fair value of £147.79 million (30 April 2017: £137.82 million) as compared to the combined purchase price of the portfolio of £142.93 million (30 April 2017: £133.09 million) (excluding purchase costs), representing an increase of £4.86 million (30 April 2017: £4.73 million), or 3.40% (30 April 2017: 3.55%).
- The majority of assets that have been acquired are fully let and the portfolio had a vacancy rate of 8.59% as at 31 October 2017 (30 April 2017: 7.22%).
- Rental income generated in the period under review was £6.50 million (six months to 31 October 2016: £5.85 million). The number of tenants as at 31 October 2017 was 82 (30 April 2017: 79).
- Average portfolio net initial yield of 7.41% (30 April 2017: 7.63%).
- Weighted average unexpired lease term of 4.57 years (30 April 2017: 5.2 years) to break and 5.79 years (30 April 2017: 6.4 years) to expiry.

Chairman's Statement

Overview

I am pleased to present the unaudited interim results of the Company for the period from 1 May 2017 to 31 October 2017.

The Company began the period in May 2017 by completing the sale of the remaining units held in the AEW UK Core Property Fund ('Core Fund'), raising £7.7 million. These proceeds were used to acquire properties in Runcorn and Deeside for a total of £5.2 million. In July 2017, the Company acquired Wyndeham, Peterborough for £5.7 million, partially funded via a £3.5 million drawdown from the Company's loan facility with The Royal Bank of Scotland International Limited ('RBSi') and partially using remaining cash following the Core Fund disposal.

Following these transactions, the Company had fully utilised both cash of £121.3 million raised in share placings since its inception in May 2015, and its loan facility with RBSi of £32.5m. With this being the first quarter with a fully invested portfolio the Company yielded EPRA EPS of 2.10 pence from 1 May 2017 to 31 July 2017, in line with the Company target of a 2 pence quarterly dividend.

The Company has since disposed of Valley Retail Park, Belfast in September 2017 for £11.05 million. This property was acquired in August 2015 for £7.15 million and following extensive asset management, repositioning and implementing the business plan, the property was sold, realising a significant gain against historical cost. The reported loss of £0.22 million compared to the carrying value in the six month period ended 31 October 2017 represents the selling costs.

During the period under review, I am pleased to report that the Company's share price consistently traded at a premium to NAV, ranging from 4.2% to a peak of 8.9%, enabling the Company to raise further capital. In October 2017, the Company issued 27.91 million new Ordinary Shares at 100.5 pence per share, raising gross proceeds of £28.05 million. In a climate of Brexit related uncertainty, this was a positive result and is expected to benefit our shareholders by improving liquidity in the shares and further reducing the ongoing charges ratio. The Initial Issue price represented a premium of 3.76% to NAV, enabling the issuance costs to be absorbed without diluting NAV.

The Initial Issue of the 12 month share issuance programme, together with the sale of Belfast, will have a temporary dilutive impact on EPS until these funds are fully deployed in new property acquisitions. The Company purchased a property in Portsmouth for £6.4 million on 31 October and the Company expects to commit substantially all the net proceeds of the Initial Issue within 3 months. It remains the Company's target to pay a fully covered 2 pence per share dividend once fully invested.

Over the six month period, dividend payments combined with an increase in share price of 0.94% produced a total shareholder return of 5.17%.

As at 31 October 2017, the Company had established a diversified portfolio of 32 commercial investment properties throughout the UK with a weighted average true equivalent yield of 8.2%.

Underlying property valuations have shown like-for-like increases during the two quarterly valuation reviews in July and October 2017 of 1.33% and 1.5% respectively.

Chairman's Statement *(continued)*

Financial Results

	Period from 1 May 2017 to 31 October 2017 (unaudited)	Period from 1 May 2016 to 31 October 2016 (unaudited)	Year ended 30 April 2017 (audited) £'000
Operating Profit before fair value changes (£'000)	4,960	4,989	9,806
Operating Profit (£'000)	7,297	894	6,858
Profit after Tax (£'000)	6,989	493	6,099
Earnings Per Share (basic and diluted) (pence)	5.60	0.42	5.04
EPRA Earnings Per Share (basic and diluted) (pence)	3.73	3.81	7.57
Ongoing Charges (%)	1.30	1.67	1.52
Net Asset Value per share (pence)	97.80	95.47	95.98
EPRA Net Asset Value per share (pence)	97.78	95.41	95.95

Operating profit and profit after tax have seen significant increases in comparison with the six months to 31 October 2016, as a result of changes in the fair value of investment properties, being a £2.48 million increase for the six months to 31 October 2017 (six months to 31 October 2016: decrease of £3.73 million; twelve months to 30 April 2017: decrease of £3.16 million). These movements can be attributed to both the positive effect of asset management initiatives in the current period and positive yield movement, particularly across our portfolio of industrial assets.

The Ongoing Charges ratio has decreased significantly compared with both the six months to 31 October 2016 and the twelve months to 30 April 2017. This comes as the Company continues to raise new capital, but certain overhead costs remain fixed, allowing the Company to benefit from economies of scale.

NAV per share increased by 1.9% over the six months to 31 October 2017, which reflects the aforementioned valuation increases in the property portfolio. 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 31 October 2017, the Company's Portfolio had a Fair Value of £147.8 million, an increase of £4.9 million or 3.4% on the combined purchase price of the Portfolio of £142.9 million (excluding purchase costs).

Financing

During the six month period to 31 October 2017, the Company made utilisation requests totalling £3.5 million, bringing the total drawdown amount under the loan facility to £32.5 million.

On 17 October 2017, the Company amended the terms of its loan facility with RBSi to increase the facility limit from £32.5 million to £40 million.

The loan attracts interest at 3 month LIBOR + 1.4%, making an all-in rate at 31 October 2017 of 1.69% (31 October 2016: 1.92% ; 30 April 2017: 1.74%). The Company is protected from a significant rise in interest rates as it has interest rate CAPs with a combined notional value of £26.5 million and a strike rate of 2.5%.

As at 31 October 2017, the unexpired term of the facility was 3.0 years and the gearing was 22.0% (as calculated on the Gross Asset Value ('GAV') of the investment portfolio).

At the Company's General Meeting on 17 October 2017, a resolution was passed to increase the Company's maximum borrowing limit to 35% of GAV. The long term gearing target remains 25% or less of GAV.

Chairman's Statement *(continued)*

Dividends

The Company has continued to deliver on its target of declaring dividends of two pence per Ordinary Share per quarter.

On 1 December 2017, the Board declared an interim dividend of two pence per Ordinary Share, in respect of the period from 1 August 2017 to 31 October 2017. This interim dividend will be paid on 29 December 2017 to shareholders on the register as at 15 December 2017.

The Directors will declare dividends taking into account the level of the Company's net income and the Directors' view on the outlook for sustainable recurring earnings. As such, the level of dividends paid may increase or decrease from the current annual dividend of 8 pence per share. Based on current market conditions, the Company expects to pay an annualised dividend of 8 pence per share in respect of the financial period ending 31 March 2018 and for the interim period to 30 September 2018.

In order to align dividend payments with the Company's new accounting period, in respect of the 3 month period to 31 October 2017, the Company expects to pay a dividend of 2 pence per share and then, in respect of the 2 month period to 31 December 2017, it currently intends to pay a further dividend at a rate of two-thirds of the 2 pence per share dividend currently being paid for a three month period (reflecting the two month period). With the dividend to the period to 31 October 2017, the Company will have paid 17.5 pence per share since launch.

Outlook

The Board are pleased with the strong total returns delivered to our shareholders to date through the diversified and high-yielding property portfolio that has been established by the Investment Manager. The Company has delivered total shareholder returns of 5.17% over the 6 months to 31 October 2017 and of 10.90% over the 12 months to 31 October 2017.

At the Company's recent General Meeting a resolution was passed to amend the Company's Investment Restrictions so that 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 GAV, compared with NAV previously. This change enables the Company to purchase further properties in the Industrial sector, in which the Investment Manager continues to see significant opportunities. The sector weightings may change in the future in line with the Investment Manager's view of market opportunities at the time.

In the Company's Annual Report for the year ended 30 April 2017, I wrote that *"it is still unknown how the impact of Brexit will unfold and it is likely we will need to wait for some time to know the terms of the UK's exit from the EU and how this will impact on the UK commercial property market"*. As I write, this still remains the case six months later. We await to hear the outcome of further Brexit negotiations and to see if the recent interest rate rise of 0.25% by the Bank of England has any impact on the economy and the property market.

Looking forward, our focus remains on continuing to grow the Company with further share issues as part of the 12 month share issuance programme as set out in the Company's Prospectus, subject to market conditions. The Company has a strategy to raise funds at intervals in order to minimise cash drag.

The Investment Manager continues to focus on adding value to the existing portfolio and on finding future acquisitions which will deliver an attractive return as part of a well diversified portfolio. We look forward to announcing new acquisitions and asset management deals in the near future.

Finally, please note that the Company is changing its financial year end from 30 April to 31 March. As a result, our next Annual Report will cover a period of eleven months from 1 May 2017 to 31 March 2018. This change has been made to align the Company's reporting dates with those of its peers in the UK commercial property sector.

Mark Burton
Chairman

6 December 2017

Key Performance Indicators

KPI AND DEFINITION	RELEVANCE TO STRATEGY	PERFORMANCE
1. Triple Net Initial Yield A representation to the investor of what their initial net yield would be at a predetermined purchase price after taking account of all associated costs. E.g. void costs and rent free periods.	The 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.	7.41% at 31 October 2017 (30 April 2017: 7.63%).
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.	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 proposed dividend through property income.	8.24% at 31 October 2017 (30 April 2017: 8.50%).
3. Reversionary Yield The expected return the property will provide once rack rented.	A Reversionary Yield profile that is in line with an Initial Yield profile shows a potentially sustainable income stream that can be used to meet dividends past the expiry of a property's current leasing arrangements.	8.12% at 31 October 2017 (30 April 2017: 8.37%).
4. Weighted Average Unexpired Lease Term ('WAULT') to expiry The average lease term remaining to expiry across the portfolio, weighted by contracted rent.	The Investment Manager believes that current market conditions present an opportunity whereby assets with a shorter unexpired lease term are often mispriced. It is also the Investment Manager's view that a shorter WAULT is useful for active asset management as it allows the Investment Manager to engage in direct negotiation with tenants rather than via rent review mechanisms.	5.79 years at 31 October 2017 (30 April 2017: 6.37 years).

Key Performance Indicators *(continued)*

KPI AND DEFINITION	RELEVANCE TO STRATEGY	PERFORMANCE
5. Weighted Average Unexpired Lease Term to break The average lease term remaining to break, across the portfolio weighted by contracted rent.	The Investment Manager believes that current market conditions present an opportunity whereby assets with a shorter unexpired lease term are often mispriced. As such, it is in line with the Investment Manager's strategy to acquire properties with a WAULT that is generally shorter than the benchmark. It is also the Investment Manager's view that a shorter WAULT is useful for active asset management as it allows the Investment Manager to engage in direct negotiation with tenants rather than via rent review mechanisms.	4.57 years at 31 October 2017 (30 April 2017: 5.22 years).
6. NAV NAV is the value of an entity's assets minus the value of its liabilities.	The NAV reflects the Company's ability to grow the portfolio and add value to it throughout the life cycle of its assets.	£148.22 million at 31 October 2017 (30 April 2017: £118.67 million).
7. Leverage (Loan to Gross Asset Value) The proportion of our property portfolio that is funded by borrowings.	The Company utilises borrowings to enhance returns over the medium term. Borrowings will not exceed 35% of GAV (measured at drawdown) with a long term target of 25% or less of GAV.	22.00% at 31 October 2017 (30 April 2017: 19.31%).
8. Vacant ERV The space in the property portfolio which is currently unlet, as a percentage of the total ERV of the portfolio.	The Company's aim is to minimise vacancy of the properties. A low level of structural vacancy provides an opportunity for the Company to capture rental uplifts and manage the mix of tenants within a property.	8.59% at 31 October 2017 (30 April 2017: 7.22%).
9. Dividend Dividends declared in relation to the year. The Company targets a dividend of 8.0 pence per Ordinary Share per annum.	The dividend reflects the Company's ability to deliver a sustainable income stream from its portfolio.	2.0 pence per share for the quarter to 31 October 2017. This supports an annualised target of 8.0 pence per share.

Key Performance Indicators *(continued)*

KPI AND DEFINITION	RELEVANCE TO STRATEGY	PERFORMANCE
<p>10. Ongoing Charges</p> <p>The ratio of total administration and operating costs expressed as a percentage of average NAV throughout the period.</p>	<p>The Ongoing Charges ratio provides a measure of total costs associated with managing and operating the Company, which includes the management fees due to the Investment Manager. The Investment Manager presents this measure to provide investors with a clear picture of operational costs involved in running the Company.</p>	<p>1.30%</p> <p>for the six months to 31 October 2017 (30 April 2017: 1.52%).</p>
<p>11. Profit before tax</p> <p>PBT is a profitability measure which considers the Company's profit before the payment of income tax.</p>	<p>The PBT is an indication of the Company's financial performance for the period in which its strategy is exercised.</p>	<p>£6.99 million</p> <p>for the six months to 31 October 2017 (six months to 31 October 2016: £0.49 million).</p>
<p>12. Total shareholder return</p> <p>The percentage change in the share price assuming dividends are reinvested to purchase additional Ordinary Shares.</p>	<p>This reflects the return seen by shareholders on their shareholdings.</p>	<p>5.17%</p> <p>for the six months to 31 October 2017 (six months to 31 October 2016: 2.73%).</p>
<p>13. EPRA EPS</p> <p>Earnings from core operational activities. A key measure of a company's underlying operating results from its property rental business and an indication of the extent to which current dividend payments are supported by earnings. See note 7.</p>	<p>This reflects the Company's ability to generate earnings from the portfolio which underpins dividends.</p>	<p>3.73 pps</p> <p>for the six months to 31 October 2017 (six months to 31 October 2016: 3.81 pps).</p>

Investment Manager's Report

MARKET OUTLOOK

UK Economic Outlook

Following a resilient response in the immediate aftermath of the Brexit vote, UK economic growth slowed in the first half of 2017 as inflation rose sharply, squeezing household spending power. There was a slight pick-up in Q3 2017 due to a stronger performance by the industrial sector, but expectations are that growth will remain subdued. The UK is forecast to grow by 1.5% in both 2017 and 2018 (Oxford Economics Country Economic Forecast UK), largely owing to continued uncertainty about the outcome of Brexit negotiations, which are projected to undermine investment decisions.

In November 2017, the Bank of England raised interest rates for the first time in more than 10 years, with the Monetary Policy Committee (MPC) citing the rising inflation, low unemployment levels and stronger global economic growth as reasons behind the increase. Bank of England governor, Mark Carney, has said that the Bank expected the UK economy to grow at about 1.7% per annum over the next few years, which could result in further interest rate increases. The current interest rate rise, which merely reversed the cut after the EU referendum result, is unlikely to have a significant effect on growth, as interest rates are still at the lows seen since the financial crisis. However further rises in the short term could have a greater impact.

Looking ahead, Mr Carney has said: "The biggest determinate of our outlook is going to be those negotiations ongoing on Brexit – both a transition deal to a new arrangement and what is the longer form arrangement with the European Union."

UK Real Estate Outlook

The impact which rising inflation and interest rates have on the gilts curve will ultimately impact the relative pricing of property. For "traditional property", we are a long way through the cycle and property fundamentals are in some sectors relatively weak at this time of uncertainty. However, property is still in the advantageous position of offering one of the highest yields from traditional asset classes and the yield gap is relatively high. Our view is that this is because fixed income yields are low and unattractive, and that the rise in interest rates could see the yield gap start to close.

We do however believe that in an environment of normalising interest rates, rising in response to growing economic activity, it will be real estate strategies that focus more on the underlying value of the property fundamentals that should perform well, where the quality of the asset dictates the sustainability of income and the ability to capture income growth driven by the strength of the real economy. 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. In the Investment Manager's view, it is therefore not as susceptible to capital value erosion as may be experienced by holders of prime asset portfolios.

In terms of sector focus, demand from logistics operators remains strong in a supply constrained market, which is supporting strong investor demand that seems to have spread to all parts of the industrial market. Elsewhere there is strong competition among investors who can only buy long, investment grade income as a proxy for historically low fixed-income yields, but there is still good value to be found in a steady volume of traditional core opportunities being offered to the market. With much focus in the market on longer leased properties, we are seeing some compelling buying opportunities in our strategy which continues to find yield premium by investing in smaller lot size properties, let on shorter than average leases, but with a focus on sustainable locations and replicable income streams.

Pipeline

The Company has £39.9 million (cash for investment and debt facility) for further acquisitions of which £22.9 million is under offer (as 30 November 2017).

Investment Manager's Report *(continued)*

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.

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, industrial/warehouse and alternative properties) to achieve a balanced portfolio with a diversified tenant base.

Investment Strategy

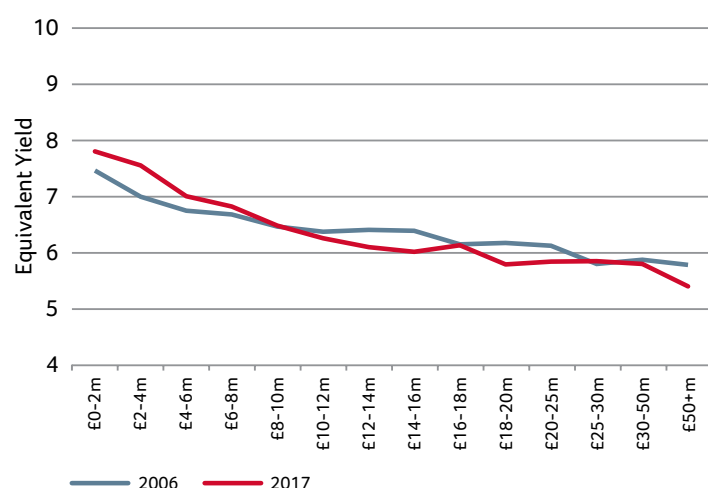
The Company exploits what it believes to be the compelling relative value opportunities offered by pricing inefficiencies in smaller commercial properties let on shorter occupational leases. The Company intends to supplement this core strategy with asset management initiatives to upgrade buildings and 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 £2.5 million and £15 million;
- have initial net yields, on investment, of typically between 7.5-10%;
- achieve across the whole Portfolio weighted average lease term of between three 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.

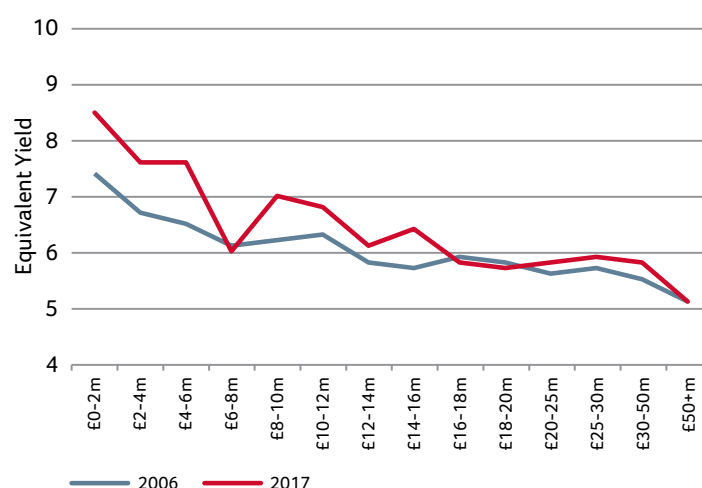
The Company's strategy is focused on delivering enhanced returns from the smaller end (up to £15 million) of the UK property market. The Company believes that there are currently pricing inefficiencies in smaller commercial properties relative to the long term pricing resulting in a significant yield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

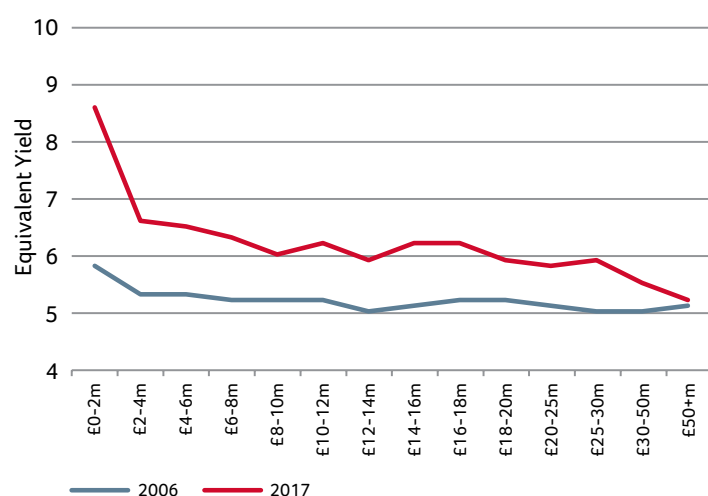


LONDON & SE OFFICES

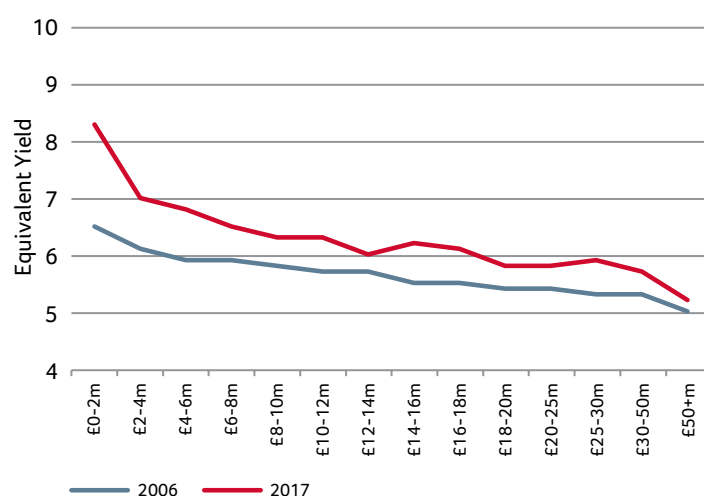


Investment Manager's Report *(continued)*

RETAIL



ALL PROPERTY



Source: MSCI, 30 June 2017.

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 the timing of the income received.

PORTFOLIO ACTIVITY

The Company is invested in a diversified portfolio of commercial properties throughout the UK. New acquisitions have been selected to provide a sustainable income return and the potential for growth, whilst also limiting downside risk. The majority of the Company's assets are fully let and, as at 31 October 2017, the Company had a vacancy rate of 8.59% (30 April 2017: 7.22%). The following significant investment transactions were made during the period:

- Unit 1005, Sarus Court, Runcorn – in May 2017, the Company acquired Unit 1005, Sarus Court for £0.61 million, which completed the Company's acquisition of the whole of the Sarus Court industrial estate. Unit 1005 offers significant reversionary potential, with a passing rent of £4.50 per sq ft which is more than 15% lower than a recent letting at 1003 Sarus Court, secured at £5.25 per sq ft. The purchase therefore offers rental upside and also adds value from an estate management perspective, by bringing the whole estate under the Company's ownership. The acquisition pricing reflects a Net Initial Yield of 7.8% and a capital value of £55 per sq ft.
- Deeside Industrial Park – in July 2017, the Company announced the acquisition of a 97,000 sq ft single-let industrial building in Deeside, North Wales, for £4.31 million, reflecting a Net Initial Yield of 7.9% and a capital value of £45 per sq ft. The asset, which is located within the established Deeside Industrial Park, is fully let to global enterprise, Magellan Aerospace, for a term of just under 5 years to break and just under 10 years to expiry. The current passing rent of £3.75 per sq ft is significantly below that seen at other competing centres within the North West, such as in Warrington and Manchester.
- Wyndeham, Peterborough – in July 2017, the Company announced the acquisition of a c.182,000 sq ft single-let industrial building in Peterborough for £5.7 million, reflecting a Net Initial Yield of 8.64% and a capital value of c.£31 per sq ft. The asset, which is located within the Eastern Industrial Estate, is fully let to Walstead Investments Limited for a term of just under 4 years to expiry. The passing rent of £2.88 per sq ft is low in comparison to some of the recent lettings in the city and the immediate vicinity of the property.

Investment Manager's Report *(continued)*

- Commercial Road, Portsmouth – in October 2017, the Company acquired 208-220 Commercial Road and 7-13 Crasswell Street, Portsmouth, for £6.37 million. The asset provides a Net Initial Yield of 9.6% and is fully let to seven retail tenants and one office tenant, providing a WAULT of 4 years to expiry. The 12,475 sq ft retail property is situated within the prime pedestrianised pitch of Commercial Road within Portsmouth's city centre.
- Valley Retail Park, Belfast – in September 2017, the Company completed the disposal of its retail park in Belfast for a price of £11.05 million. The purchase price in August 2015 was £7.1 million and new lettings to Go Outdoors and Smyths Toys were achieved during the hold period.
- Core Fund – in May 2017, the Company announced the sale of its remaining units in the Core Fund for total proceeds of £7.67 million, comprising a capital element of £7.62 million and an income element of £0.05 million. These units generated a total return of 13% over the hold period.

As at 31 October 2017, the Company's portfolio had a fair value of £147.79 million (30 April 2017: £137.82 million). The increase of £9.97 million is represented by the acquisition of four properties for a combined purchase price of £16.99 million, the disposal of one property with carrying value of £11.05 million and a like-for-like valuation increase of £4.03 million over the period.

ASSET MANAGEMENT

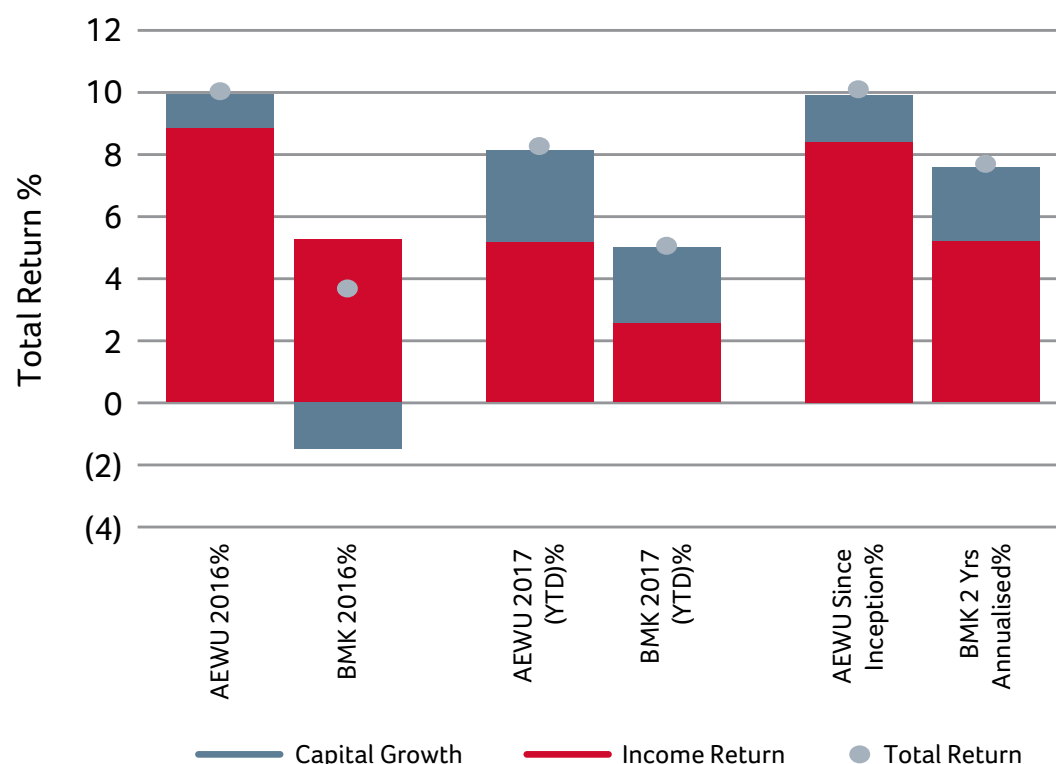
We undertake active asset management to seek opportunities to achieve rental growth, let vacant space and enhance value through initiatives such as refurbishments. During the period, key asset management initiatives included:

- Queen Square, Bristol – the Company announced in July 2017 that its 38,000 sq ft office building located in the prestigious Central Bristol, Queen Square had now been fully let following lettings to six occupiers totalling c.25,000 sq ft within the last 15 months. The building was 46% vacant when it was acquired in December 2015 and has shown strong performance due to the strength of the Bristol office market and the targeted refurbishment programme undertaken. This has resulted in a valuation uplift of 21.6% over the period.
- Langthwaite Industrial Estate, South Kirkby – in October 2017, the Company completed the renewal of two leases with its largest tenant, Ardagh Glass, on two warehouse buildings at the Langthwaite Industrial Estate in South Kirkby, Yorkshire. Ardagh Glass use the premises for storage and distribution serving their nearby factories. The manufacturing group has taken the units for an additional term with around 3 years to expiry resulting in a valuation uplift of the property of 9% from £5.90 million to £6.45 million from 30 April 2017 to 31 October 2017.
- Eastpoint Business Park, Oxford – the Company completed a new letting of 2,800 sq ft of office accommodation to publishing company, Capstone, at Eastpoint Business Park, Oxford. The unit has been let for a term of 5 years with a break option in year 3 at a rent of £15.50 per sq ft, which is in excess of ERV.

Investment Manager's Report *(continued)*

Unlevered components of total return as at 31 July (AEW)/30 June (BMK) 2017

The below graph illustrates the Company's income, capital and total returns against the AREF/IPD UK Quarterly Balanced Fund Index (referred to as BMK below) as at 31 July 2017.



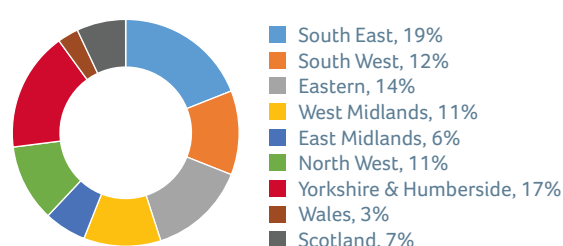
Source: AREF/IPD UK Quarterly Balanced Fund Index as at 30 June 2017, AEW data, calculated by AEW using MSCI methodology as at July 2017. 2016 shows calendar year, 2017 is year to date. Analysis is conducted on a "Standing Investment" basis i.e. exclusive of transaction costs and development activity.

Total returns achieved by the Company have materially exceeded those produced by the benchmark over all the time frames since the Company's inception in May 2015.

The below charts illustrate the sector and geographical weightings of the Company's property portfolio as at 31 October, based on valuations as at that date.

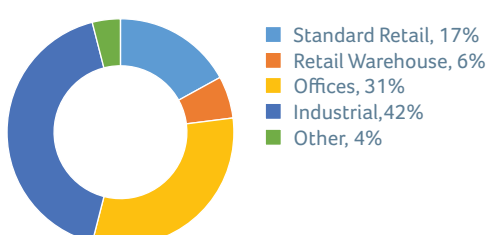
Geographical Allocation

At 31 October 2017



Sector Allocation

At 31 October 2017



Investment Manager's Report *(continued)*

FINANCIAL RESULTS

The Company continues to build on a diversified portfolio of properties and as at 31 October 2017 holds 32 investment properties (30 April 2017: 29 investment properties). Net rental income earned from the portfolio for the six months ended 31 October 2017 was £5.86 million (six months to 31 October 2016: £5.54 million; twelve months to 30 April 2017: £11.07 million), contributing to an operating profit before fair value changes and disposals of £4.96 million (six months to 31 October 2016: £4.99 million; twelve months to 30 April 2017: £9.81 million).

The Company disposed of its remaining holding in the Core Fund on 9 May 2017 for total proceeds of £7.67 million. The Company had held an ownership in the Core Fund since May 2015 and saw a total return of 13% over the hold period. The units were sold at a price in excess of the Core Fund's then most recent published NAV and generated a profit on disposal of £0.07 million.

Administrative expenses, which include the Investment Manager's fee and other costs attributable to the running of the Company, were £0.90 million for the period (six months to 31 October 2016: £0.87 million; twelve months to 30 April 2017: £1.84 million) and Ongoing Charges for the period were 1.30% (six months to 31 October 2016: 1.67%; twelve months to 30 April 2017: 1.52%).

The Company incurred finance costs of £0.31 million during the period (six months to 31 October 2016: £0.40 million; twelve months to 30 April 2017: £0.76 million). Included in these costs is a decrease in fair value of interest rate derivatives of £0.01 million for the six months to 31 October 2017 (six months to 31 October 2016: £0.07 million; twelve months to 30 April 2017: £0.12 million).

The total profit before tax for the period of £6.99 million (six months to 31 October 2016: £0.49 million; twelve months to 30 April 2017: £6.10 million) equates to a basic earnings per share of 5.60 pence (six months to 31 October 2016: 0.42 pence; twelve months to 30 April 2017: 5.04 pence). This increase is largely due to gains in the fair value of investment properties of £2.48 million for the six months to 31 October 2017 compared with losses of £3.73 million for the six months to 31 October 2016.

The Company's NAV as at 31 October 2017 was £148.22 million or 97.80 pence per share ("pps") (31 October 2016: £118.05 million or 95.47 pps; 30 April 2017: £118.67 million or 95.98 pps). This is an increase of 1.82 pps or 1.90%, with the underlying movement in NAV set out in the table below:

	Pence per share	£ million
NAV at 1 May 2017	95.98	118.68
Change in fair value of investment property	2.05	2.48
Change in fair value of derivatives	(0.01)	(0.01)
Loss on disposal of investment property	(0.17)	(0.22)
Profit on disposal of investments	0.05	0.07
Rental and other income earned for the period	5.22	6.50
Expenses and net finance costs for the period	(1.47)	(1.84)
Dividends paid	(4.00)	(4.94)
Issue of equity (net of costs)	0.15	27.50
NAV at 31 October 2017	97.80	148.22

Investment Manager's Report *(continued)*

EPRA EPS for the period was 3.73 pps (six months to 31 October 2016: 3.81 pps) which, based on dividends paid of 4 pps, reflects a dividend cover of 93.25%. As the Company continues to grow, EPRA EPS is adversely impacted by the time lag between raising and investing new capital. However the Company will benefit from a lower ongoing charges ratio and, once the capital proceeds have been fully invested, the Company expects to be able to sustain a fully covered dividend at 8 pps per annum.

FINANCING

As at 31 October, the Company had utilised £32.50 million (30 April 2017: £29.01 million) of an available £40 million credit facility with RBSi, maturing in October 2020. Gearing as at 31 October was 22.0% (Loan to GAV) (30 April 2017: 19.3%). The loan attracts interest at LIBOR + 1.4% (30 April 2017: LIBOR + 1.4%). To mitigate the interest rate risk that arises as a result of entering into a variable rate linked loan, the Company holds interest rate caps on £26.51 million (30 April 2017: £26.51 million) of the loan at a strike rate of 2.5% (30 April 2017: 2.5%), meaning that the loan is 82% hedged (30 April 2017: 91%).

AEW UK Investment Management LLP

6 December 2017

Principal Risks and Uncertainties

The principal risks and uncertainties the Company faces are described in detail on pages 26 to 29 of the 2017 Annual Report, and are summarised below.

The Board considers that the principal risks and uncertainties as presented in the 2017 Annual Report were unchanged during the period.

REAL ESTATE RISKS

- Failure by tenants to pay rental obligations would reduce income and the ability of the Company to pay dividends.
- Cost overruns from asset management initiatives may have a material adverse effect on the Company's profitability, the NAV and the share price.
- Due diligence may not identify all the risks and liabilities in respect of an acquisition.
- A fall in rental rates may have a material adverse effect on the Company's profitability, the NAV and the share price.
- A property market recession or deterioration in the property market could, inter alia (i) cause the Company to realise its investments at lower valuations; (ii) delay the timings of the Company's realisations.
- Properties are inherently difficult to value. There may be a material adverse effect on the Company's profitability, the NAV and the share price where properties are sold that were previously materially overstated.

FINANCIAL RISKS

- Material adverse changes in valuations and net income may lead to breaches in the Loan to Value ('LTV') and interest cover ratio covenants in the Company's borrowings.
- The Company is subject to the risk of rising LIBOR rates on its borrowings. Increases in LIBOR may adversely affect the Company's ability to pay dividends.
- The Company has a credit facility with RBSi which expires in 2020. In the event that RBSi do not renew the facility, the Company may have to sell assets in order to repay the outstanding loan.

CORPORATE RISKS

- The Company has no employees and is reliant upon the performance of third party service providers. Failure by any service provider could have a detrimental impact on the operations of the Company.
- The Company is dependent on the continuance of the Investment Manager.
- Poor relative total return performance may lead to an adverse reputational impact that affects the Company's ability to raise new capital and new funds.

TAXATION RISKS

- The Company has a UK REIT status that provides a tax-efficient corporate structure. Any change to the tax status or in UK legislation could impact on the Company's ability to achieve its investment objectives and provide attractive returns to Shareholders.

POLITICAL / ECONOMIC RISK

- Following the vote to leave the EU in the June 2016 referendum, uncertainty remains surrounding the EU exit process and timing. There could be further political and economic events that adversely impact on the Company's performance.

Responsibility statement of the Directors in respect of the interim financial report

We confirm that to the best of our knowledge:

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

A list of the Directors is maintained on the AEW UK REIT plc website at www.aewukreit.com

By order of the Board

Mark Burton
Chairman

6 December 2017

Independent Review Report to AEW UK REIT plc

Conclusion

We have been engaged by the Company to review the condensed set of financial statements in the half-yearly financial report for the six months ended 31 October 2017 which comprises the Condensed Statement of Comprehensive Income, Condensed Statement of Changes in Equity, Condensed Statement of Financial Position, Condensed Statement of Cash Flows and the related explanatory notes.

Based on our review, nothing has come to our attention that causes us to believe that the condensed set of financial statements in the half-yearly financial report for the six months ended 31 October 2017 is not prepared, in all material respects, in accordance with IAS 34 *Interim Financial Reporting* as adopted by the EU and the Disclosure Guidance and Transparency Rules ("the DTR") of the UK's Financial Conduct Authority ("the UK FCA").

Scope of review

We conducted our review in accordance with International Standard on Review Engagements (UK and Ireland) 2410 *Review of Interim Financial Information Performed by the Independent Auditor of the Entity* issued by the Auditing Practices Board for use in the UK. A review of interim financial information consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. We read the other information contained in the half-yearly financial report and consider whether it contains any apparent misstatements or material inconsistencies with the information in the condensed set of financial statements.

A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (UK) and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Directors' responsibilities

The half-yearly financial report is the responsibility of, and has been approved by, the directors. The directors are responsible for preparing the half-yearly financial report in accordance with the DTR of the UK FCA.

The annual financial statements of the Company are prepared in accordance with International Financial Reporting Standards as adopted by the EU. The directors are responsible for preparing the condensed set of financial statements included in the half-yearly financial report in accordance with IAS 34 as adopted by the EU.

Our responsibility

Our responsibility is to express to the Company a conclusion on the condensed set of financial statements in the half-yearly financial report based on our review.

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

This report is made solely to the Company in accordance with the terms of our engagement to assist the Company in meeting the requirements of the DTR of the UK FCA. Our review has been undertaken so that we might state to the Company those matters we are required to state to it in this 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 for our review work, for this report, or for the conclusions we have reached.

Bill Holland

for and on behalf of KPMG LLP

Chartered Accountants

15 Canada Square

London

E14 5GL

6 December 2017

Financial Statements

Condensed Statement of Comprehensive Income

for the six months ended 31 October 2017

		Period from 1 May 2017 to 31 October 2017 (unaudited) £'000	Period from 1 May 2016 to 31 October 2016 (unaudited) £'000	Year ended 30 April 2017 (audited)* £'000
Notes				
Income				
Rental and other income	3	6,496	6,054	12,503
Property operating expenses	4	(641)	(517)	(1,434)
Net rental and other income		5,855	5,537	11,069
Dividend income	3	–	326	576
Net rental and dividend income		5,855	5,863	11,645
Other operating expenses	4	(895)	(874)	(1,839)
Operating profit before fair value changes		4,960	4,989	9,806
Change in fair value of investment properties	9	2,480	(3,726)	(3,159)
(Loss)/profit on disposal of investment properties	9	(216)	410	731
Change in fair value of investments	9	–	(779)	(407)
Profit/(loss) on disposal of investments	9	73	–	(113)
Operating profit		7,297	894	6,858
Finance expense	5	(308)	(401)	(759)
Profit before tax		6,989	493	6,099
Taxation	6	–	–	–
Profit after tax		6,989	493	6,099
Other comprehensive income		–	–	–
Total comprehensive income for the period/year		6,989	493	6,099
Earnings per share (pence per share) (basic and diluted)	7	5.60	0.42	5.04

The notes on pages 23 to 39 form an integral part of these condensed financial statements.

* Although not required by IAS 34, the comparative figures for the preceding year end and related notes have been included on a voluntary basis.

Condensed Statement of Changes in Equity

for the six months ended 31 October 2017

		Share capital £'000	Share premium account £'000	Capital reserve and retained earnings £'000	Total capital and reserves attributable to owners of the Company £'000
For the period 1 May 2017 to 31 October 2017 (unaudited)	Notes				
Balance as at 1 May 2017		1,236	22,514	94,924	118,674
Total comprehensive income		–	–	6,989	6,989
Ordinary shares issued	15,16	279	27,771	–	28,050
Share issue costs	16	–	(546)	–	(546)
Dividends paid	8	–	–	(4,946)	(4,946)
Balance as at 31 October 2017		1,515	49,739	96,967	148,221
		Share capital £'000	Share premium account £'000	Capital reserve and retained earnings £'000	Total capital and reserves attributable to owners of the Company £'000
For the period 1 May 2016 to 31 October 2016 (unaudited)	Notes				
Balance at 1 May 2016		1,175	16,729	98,471	116,375
Total comprehensive income		–	–	493	493
Ordinary shares issued	15,16	61	5,938	–	5,999
Share issue costs	16	–	(120)	–	(120)
Dividends paid	8	–	–	(4,700)	(4,700)
Balance as at 31 October 2016		1,236	22,547	94,264	118,047

The notes on pages 23 to 39 form an integral part of these condensed financial statements.

Condensed Statement of Changes in Equity *(continued)*

for the six months ended 31 October 2017

		Share capital £'000	Share premium account £'000	Capital reserve and retained earnings £'000	Total capital and reserves attributable to owners of the Company* £'000
For the year ended 30 April 2017 (audited)	Notes				
Balance at 1 May 2016		1,175	16,729	98,471	116,375
Total comprehensive income		–	–	6,099	6,099
Ordinary shares issued	15,16	61	5,938	–	5,999
Share issue costs	16	–	(153)	–	(153)
Dividends paid	8	–	–	(9,646)	(9,646)
Balance as at 30 April 2017		1,236	22,514	94,924	118,674

The notes on pages 23 to 39 form an integral part of these condensed financial statements.

* Although not required by IAS 34, the comparative figures for the preceding year end and related notes have been included on a voluntary basis.

Condensed Statement of Financial Position

as at 31 October 2017

		As at 31 October 2017 (unaudited) £'000	As at 31 October 2016 (unaudited)* £'000	As at 30 April 2017 (audited) £'000
Notes				
Assets				
Non-Current Assets				
Investment property	9	147,030	125,734	135,570
Investments	9	–	9,330	–
		147,030	135,064	135,570
Current Assets				
Investments held for sale	9	–	–	7,594
Receivables and prepayments	10	2,204	4,600	3,382
Other financial assets held at fair value	11	24	78	31
Cash and cash equivalents		34,537	10,155	3,653
		36,765	14,833	14,660
Total assets		183,795	149,897	150,230
Non-Current Liabilities				
Interest bearing loans and borrowings	12	(32,259)	(26,201)	(28,740)
Finance lease obligations	14	(591)	(1,582)	(55)
		(32,850)	(27,783)	(28,795)
Current Liabilities				
Payables and accrued expenses	13	(2,677)	(3,949)	(2,756)
Finance lease obligations	14	(47)	(118)	(5)
		(2,724)	(4,067)	(2,761)
Total Liabilities		(35,574)	(31,850)	(31,556)
Net Assets		148,221	118,047	118,674
Equity				
Share capital	15	1,515	1,236	1,236
Share premium account	16	49,739	22,547	22,514
Capital reserve and retained earnings		96,967	94,264	94,924
Total capital and reserves attributable to equity holders of the Company		148,221	118,047	118,674
Net Asset Value per share (pence per share)	7	97.80	95.47	95.98

The financial statements on pages 18 to 39 were approved by the Board of Directors on 6 December 2017 and were signed on its behalf by:

Mark Burton

Chairman

AEW UK REIT plc

Company number: 09522515

The notes on pages 23 to 39 form an integral part of these condensed financial statements.

* Although not required by IAS 34, the comparative figures for the preceding period end and related notes have been included on a voluntary basis.

Condensed Statement of Cash Flows

for the six months ended 31 October 2017

	Period from 1 May 2017 to 31 October 2017 (unaudited) £'000	Period from 1 May 2016 to 31 October 2016 (unaudited) £'000	For the year ended 30 April 2017 (audited)* £'000
Cash flows from operating activities			
Operating profit	7,297	894	6,858
Adjustment for non-cash items:			
(Gain)/loss from change in fair value of investment property	(2,480)	3,726	3,159
Loss from change in fair value of investments	–	779	407
Loss/(profit) on disposal of investment property	216	(410)	(731)
(Profit)/loss on disposal of investments	(73)	–	113
Decrease/(increase) in other receivables and prepayments	666	(1,638)	(438)
(Decrease)/increase in other payables and accrued expenses	(1,178)	981	(283)
Net cash generated from operating activities	4,448	4,332	9,085
Cash flows from investing activities			
Purchase of investment property	(17,939)	(15,587)	(28,062)
Disposal of investment property	10,858	710	2,681
Disposal of investments	7,667	–	1,995
Net cash generated from/(used in) investing activities	586	(14,877)	(23,386)
Cash flows from financing activities			
Proceeds from issue of ordinary share capital	28,050	5,999	5,999
Share issue costs	(453)	(117)	(153)
Loan draw down	3,490	12,260	14,760
Finance costs	(291)	(705)	(969)
Dividends paid	(4,946)	(4,700)	(9,646)
Net cash generated from financing activities	25,850	12,737	9,991
Net increase/(decrease) in cash and cash equivalents	30,884	2,192	(4,310)
Cash and cash equivalents at start of the period/year	3,653	7,963	7,963
Cash and cash equivalents at end of the period/year	34,537	10,155	3,653

The notes on pages 23 to 39 form an integral part of these condensed financial statements.

* Although not required by IAS 34, the comparative figures for the preceding year end and related notes have been included on a voluntary basis.

Notes to the Condensed Financial Statements

for the six months ended 31 October 2017

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 comparative information for the year to 30 April 2017 does not constitute statutory accounts as defined in section 434 of the Companies Act 2006. The auditor reported on those accounts; their report was unqualified, and did not contain a statement under section 498(25) or (23) of the Companies Act 2006.

2. Accounting policies

2.1 Basis of preparation

These interim condensed unaudited financial statements have been prepared in accordance with IAS 34 Interim Financial Reporting, and should be read in conjunction with the Company's last financial statements for the year ended 30 April 2017. These condensed unaudited financial statements do not include all information required for a complete set of financial statements proposed in accordance with IFRS as adopted by the EU ("EU IFRS"), however, selected explanatory notes have been included to explain events and transactions that are significant in understanding changes in the Company's financial position and performance since the last financial statements. A review of the interim financial information has been performed by the Independent Auditor of the Company and was approved for issue on 6 December 2017.

The comparative figures disclosed in the condensed unaudited financial statements and related notes have been presented for both the six month period to 31 October 2016 and year ended 30 April 2017 and as at 31 October 2016 and 30 April 2017.

Although not required by IAS 34, the comparative figures as at 31 October 2016 for the Condensed Statement of Financial Position and for the year ended 30 April 2017 for the Condensed Statement of Comprehensive Income, Condensed Statement of Changes in Equity and Condensed Statement of Cash Flows and related notes have been included on a voluntary basis.

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

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

New standards, amendments and interpretations

There are a number of new standards and amendments to existing standards which have been published and are mandatory for the Company's accounting periods beginning after 1 November 2017 or later periods, but the Company has decided not to adopt them early. The following are the most relevant to the Company and their impact on the financial statements:

- IFRS 7 (Financial Instruments: Disclosures) amendments regarding additional hedge accounting disclosures (applied when IFRS 9 is applied);
- IFRS 9 (Financial Instruments) effective for annual periods beginning on or after 1 January 2018;

Notes to the Condensed Financial Statements

for the six months ended 31 October 2017

2. Accounting policies (*continued*)

- IFRS 15 (Revenue from Contracts with Customers) issued in May 2014 and applies to an annual reporting period beginning on or after 1 January 2018; and
- IFRS 16 (Leases) issued in January 2016 and is effective for annual periods beginning on or after 1 January 2019.

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

2.2 Significant accounting judgements and estimates

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

i) Valuation of investment property

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

ii) Valuation of investments

Investments in collective investment schemes are stated at NAV with any resulting gain or loss recognised in profit or loss. The NAV value is considered by the Directors to be the best reflection of fair value available to the Company.

iii) Segmental information

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

2.3 Going concern

The Directors have made an assessment of the Company's ability to continue as a going concern and are satisfied that the Company has the resources to continue in business for at least 12 months. Furthermore, the Directors are not aware of any material uncertainties that may cast significant doubt upon the 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 consistent with those applied within the Company's Annual Report and Financial Statements for the year ended 30 April 2017.

Notes to the Condensed Financial Statements

for the six months ended 31 October 2017

3. Revenue

	Period from 1 May 2017 to 31 October 2017 (unaudited) £'000	Period from 1 May 2016 to 31 October 2016 (unaudited) £'000	Year ended 30 April 2017 (audited) £'000
Gross rental income received	6,495	5,847	12,147
Dilapidation income received	–	204	301
Other property income	1	3	55
Total rental and other income	6,496	6,054	12,503
Dividend income:			
Property income distribution*	–	313	552
Dividend distribution	–	13	24
	–	326	576
Total Revenue	6,496	6,380	13,079

* Property income distribution ('PID') arose on the investment in the Core Fund which holds property directly.

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

4. Expenses

	Period from 1 May 2017 to 31 October 2017 (unaudited) £'000	Period from 1 May 2016 to 31 October 2016 (unaudited) £'000	Year ended 30 April 2017 (audited) £'000
Property operating expenses	641	517	1,434
Other operating expenses			
Investment management fee	519	526	1,034
Auditor remuneration	41	48	88
Operating costs	292	266	646
Directors' remuneration	43	34	71
Total other operating expenses	895	874	1,839
Total operating expenses	1,536	1,391	3,273

Notes to the Condensed Financial Statements

for the six months ended 31 October 2017

5. Finance expense

	Period from 1 May 2017 to 31 October 2017 (unaudited) £'000	Period from 1 May 2016 to 31 October 2016 (unaudited) £'000	Year ended 30 April 2017 (audited) £'000
Interest payable on loan borrowings	268	244	483
Amortisation of loan arrangement fee	41	39	78
Agency fee payable on loan borrowings	(10)	10	21
Commitment fee payable on loan borrowings	2	38	60
	301	331	642
Change in fair value of interest rate derivatives	7	70	117
Total	308	401	759

6. Taxation

	Period from 1 May 2017 to 31 October 2017 (unaudited) £'000	Period from 1 May 2016 to 31 October 2016 (unaudited) £'000	Year ended 30 April 2017 (audited) £'000
Total tax charge	–	–	–
Analysis of charge in the period/year			
Profit before tax	6,989	493	6,099
Theoretical tax at UK corporation tax standard rate of 19% (31 October 2016: 20%; 30 April 2017: 19.92%)	1,328	98	1,215
Adjusted for:			
Exempt REIT income	(884)	(868)	(1,798)
UK dividends that are not taxable	–	(45)	(5)
Non deductible investment losses	(444)	815	588
Total	–	–	–

Notes to the Condensed Financial Statements

for the six months ended 31 October 2017

7. Earnings per share and NAV per share

	Period from 1 May 2017 to 31 October 2017	Period from 1 May 2016 to 31 October 2016	Year ended 30 April 2017
Earnings per share:			
Total comprehensive income (£'000)	6,989	493	6,099
Weighted average number of shares	124,860,772	118,563,367	121,084,416
Earnings per share (basic and diluted) (pence)	5.60	0.42	5.04
EPRA earnings per share:			
Total comprehensive income (£'000)	6,989	493	6,099
Adjustment to total comprehensive income:			
Change in fair value of investment property (£'000)	(2,480)	3,726	3,159
Loss/(profit) on disposal of investment property (£'000)	216	(410)	(731)
Loss/(gain) from change in fair value of investment (£'000)	–	779	407
(Profit)/loss on disposal of investments (£'000)	(73)	–	113
Change in fair value of interest rate derivatives (£'000)	7	(70)	117
Total EPRA Earnings (£'000)	4,659	4,518	9,164
EPRA earnings per share (basic and diluted) (pence)	3.73	3.81	7.57
NAV per share:			
Net assets (£'000)	148,221	118,047	118,674
Ordinary Shares	151,558,251	123,647,250	123,647,250
NAV per share (pence)	97.80	95.47	95.98
EPRA NAV per share:			
Net assets (£'000)	148,221	118,047	118,674
Adjustments to net assets:			
Other financial assets held at fair value (£'000)	(24)	(78)	(31)
EPRA NAV (£'000)	148,197	117,969	118,643
EPRA NAV per share (pence)	97.78	95.41	95.95

EPS amounts are calculated by dividing profit for the period attributable to ordinary equity holders of the Company by the weighted average number of Ordinary Shares in issue during the period. EPRA NNNAV is equal to IFRS NAV and as such a reconciliation between the two measures has not been performed.

Notes to the Condensed Financial Statements

for the six months ended 31 October 2017

8. Dividends paid

	Period from 1 May 2017 to 31 October 2017 £'000	Period from 1 May 2016 to 31 October 2016 £'000	Year ended 30 April 2017 £'000
Fourth interim dividend paid in respect of the period 1 February 2017 to 30 April 2017 at 2p per Ordinary Share	2,473	–	–
First interim dividend paid in respect of the period 1 May 2017 to 31 July 2017 at 2p per Ordinary Share	2,473	–	–
Fourth interim dividend paid in respect of the period 1 February 2016 to 30 April 2016 at 2p per Ordinary Share	–	2,350	2,350
First interim dividend paid in respect of the period 1 May 2016 to 31 July 2016 at 2p per Ordinary Share	–	2,350	2,350
Second interim dividend paid in respect of the period 1 August 2016 to 31 October 2016 at 2p per Ordinary Share	–	–	2,473
Third interim dividend paid in respect of the period 1 November 2016 to 31 January 2017 at 2p per Ordinary Share	–	–	2,473
Total dividends paid during the period/year	4,946	4,700	9,646
Second interim dividend declared in respect of the period 1 August 2017 to 31 October 2017 at 2p per Ordinary Share*	2,473	–	–
Fourth interim dividend declared in respect of the period 1 February 2017 to 30 April 2017 at 2p per Ordinary Share	(2,473)	–	–
Second interim dividend declared in respect of the period 1 August 2016 to 31 October 2016 at 2p per Ordinary Share*	–	2,473	–
Fourth interim dividend declared in respect of the period 1 February 2017 to 30 April 2017 at 2p per Ordinary Share*	–	–	2,473
Fourth interim dividend declared in respect of the period 1 February 2016 to 30 April 2016 at 2p per Ordinary Share	–	(2,350)	(2,350)
Total dividends in respect of the period/year	4,946	4,823	9,769

* Dividends declared after the period end are not included in the financial statements as a liability.

Notes to the Condensed Financial Statements

for the six months ended 31 October 2017

9. Investments

9.a) Investment property

	Period from 1 May 2017 to 31 October 2017 (unaudited)			Period from 1 May 2016 to 31 October 2016 (unaudited)	Year ended 30 April 2017 (audited)
	Investment properties freehold £'000	Investment properties leasehold £'000	Total £'000	Total £'000	Total £'000
UK Investment property					
As at beginning of period/year	115,845	21,975	137,820	114,340	114,340
Purchases in the period/year	18,309	–	18,309	15,587	28,146
Disposals in the period/year	(11,050)	–	(11,050)	(300)	(1,950)
Revaluation of investment property	956	1,750	2,706	(3,742)	(2,716)
Valuation provided by Knight Frank	124,060	23,725	147,785	125,885	137,820
Adjustment to fair value for rent free debtor			(1,393)	(1,716)	(2,230)
Adjustment to fair value for rent guarantee debtor			–	(135)	(80)
Adjustment for finance lease obligations			638	1,700	60
Total Investment property			147,030	125,734	135,570
Change in fair value of investment property					
Gain/(loss) from change in fair value			2,706	(3,742)	(2,716)
Adjustment for movement in the period/year:					
in fair value for rent free debtor			(306)	(634)	(1,148)
in fair value for rent guarantee debtor			80	650	705
			2,480	(3,726)	(3,159)
(Loss)/profit on sale of the investment property					
Net proceeds from disposals of investment property during the period/year			10,858	710	2,681
Cost of disposal			(11,050)	(300)	(1,950)
Lease incentives amortised in current period/year			(24)	–	–
(Loss)/profit on disposal of investment property			(216)	410	731

Valuation of investment property

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

Notes to the Condensed Financial Statements

for the six months ended 31 October 2017

9. Investments (continued)

9.a) Investment property (continued)

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

The determination of the fair value 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.

9.b) Investment

	Period from 1 May 2017 to 31 October 2017 (unaudited) Total £'000	Period from 1 May 2016 to 31 October 2016 (unaudited) Total £'000	Year ended 30 April 2017 (audited) Total £'000
Investment in AEW UK Core Property Fund			
As at beginning of period/year	7,594	10,109	10,109
Disposals in the period/year	(7,594)	–	(2,108)
Loss from change in fair value	–	(779)	(407)
Total Investment in AEW UK Core Property Fund	–	9,330	7,594
Profit/(loss) on disposal of the investment in AEW UK Core Property Fund			
Proceeds from disposals of investments during the period/year	7,667	–	1,995
Cost of disposal	(7,594)	–	(2,108)
Profit/(loss) on disposal of investments	73	–	(113)

Valuation of investments

Investments in collective investment schemes are stated at NAV with any resulting gain or loss recognised in profit or loss. Fair value is assessed by the Directors based on the best available information.

As at 31 October 2017, the Company had no investment in the Core Fund.

Notes to the Condensed Financial Statements

for the six months ended 31 October 2017

9. Investments (continued)

9.c) Fair value measurement hierarchy

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

31 October 2017			
Quoted prices in active markets (Level 1) £'000	Significant observable inputs (Level 2) £'000	Significant unobservable inputs (Level 3) £'000	Total £'000
Assets measured at fair value			
Investment property	–	147,030	147,030
–	–	147,030	147,030
31 October 2016			
Quoted prices in active markets (Level 1) £'000	Significant observable inputs (Level 2) £'000	Significant unobservable inputs (Level 3) £'000	Total £'000
Assets measured at fair value			
Investment property	–	125,734	125,734
Investment in AEW UK Core Property Fund	–	9,330	9,330
–	–	135,064	135,064
30 April 2017			
Quoted prices in active markets (Level 1) £'000	Significant observable inputs (Level 2) £'000	Significant unobservable inputs (Level 3) £'000	Total £'000
Assets measured at fair value			
Investment property	–	135,570	135,570
Investment in AEW UK Core Property Fund	–	7,594	7,594
–	–	143,164	143,164

Notes to the Condensed Financial Statements

for the six months ended 31 October 2017

9. Investments (continued)

9.c) Fair value measurement hierarchy (continued)

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

1) Estimated Rental Value ('ERV')

2) Equivalent yield

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

The significant unobservable input used in the fair value measurement categorised within Level 3 of the fair value hierarchy of the entity's investment is:

1) NAV

Increases/(decreases) in the NAV would result in a higher/(lower) fair value measurement.

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

Class	Fair value £'000	Valuation technique	Significant unobservable inputs	Range
31 October 2017				
Investment Property	147,785	Income capitalisation	ERV Equivalent yield	£2.50 – £160.00 6.79% – 9.72%
31 October 2016				
Investment Property	125,885	Income capitalisation	ERV Equivalent yield	£2.00 – £160.00 6.99% – 11.03%
Investments	9,330	Market capitalisation	NAV	£1.1612
30 April 2017				
Investment Property	137,820	Income capitalisation	ERV Equivalent yield	£2.00 – £160.00 6.94% – 10.27%
Investments	7,594	NAV	NAV	£1.1942

Notes to the Condensed Financial Statements

for the six months ended 31 October 2017

9. Investments (continued)

9.c) Fair value measurement hierarchy (continued)

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

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

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

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

31 October 2017				
	Change in ERV		Change in equivalent yield	
	£'000	£'000	£'000	£'000
Sensitivity Analysis	+5%	-5%	+5%	-5%
Resulting fair value of investment property	154,000	141,059	139,125	156,441

31 October 2016				
	Change in ERV		Change in equivalent yield	
	£'000	£'000	£'000	£'000
Sensitivity Analysis	+5%	-5%	+5%	-5%
Resulting fair value of investment property	131,540	120,505	118,895	133,605

30 April 2017				
	Change in ERV		Change in equivalent yield	
	£'000	£'000	£'000	£'000
Sensitivity Analysis	+5%	-5%	+5%	-5%
Resulting fair value of investment property	143,606	131,979	129,906	145,906

Notes to the Condensed Financial Statements

for the six months ended 31 October 2017

10. Receivables and prepayments

	31 October 2017 £'000	31 October 2016 £'000	30 April 2017 £'000
Receivables			
Rent debtor	653	2,155	461
Dividend receivable	–	146	110
Other income debtors	–	–	192
Rent agent float account	58	51	57
Other receivables	44	309	213
	755	2,661	1,033
 Rent free debtor	 1,393	 1,716	 2,230
Rent guarantee debtor	–	135	80
	2,148	4,512	3,343
 Prepayments			
Property related prepayments	30	57	10
Capital prepayments	–	–	1
Depository services	7	7	8
Listing fees	4	3	8
Other prepayments	15	21	12
	56	88	39
 Total	 2,204	 4,600	 3,382

Notes to the Condensed Financial Statements

for the six months ended 31 October 2017

11. Interest rate derivatives

	31 October 2017 £'000	31 October 2016 £'000	30 April 2017 £'000
At the beginning of the period/year	31	77	77
Interest rate cap premium paid	–	71	71
Changes in fair value of interest rate derivatives	(7)	(70)	(117)
At the end of the period/year	24	78	31

To mitigate the interest rate risk that arises as a result of entering into variable rate linked loans, the Company entered into an interest rate CAP, with the combined notional value of £26.51 million (2017: £26.51 million) and a strike rate of 2.5% (2017: 2.5%) for the relevant period in line with the life of the loan.

The total premium payable in the period towards securing the interest rate caps was £nil.

Fair Value hierarchy

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

Assets measured at fair value				
Valuation date	Quoted prices in active markets (Level 1) £'000	Significant observable input (Level 2) £'000	Significant unobservable inputs (Level 3) £'000	Total £'000
31 October 2017	–	24	–	24
31 October 2016	–	78	–	78
30 April 2017	–	31	–	31

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

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

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

Notes to the Condensed Financial Statements

for the six months ended 31 October 2017

12. Interest bearing loans and borrowings

	Bank borrowings drawn		
	31 October 2017 £'000	31 October 2016 £'000	30 April 2017 £'000
At the beginning of the period/year	29,010	14,250	14,250
Bank borrowings drawn in the period/year	3,490	12,260	14,760
Interest bearing loans and borrowings	32,500	26,510	29,010
Less: loan issue costs incurred	(400)	(388)	(388)
Plus: amortised loan issue costs	159	79	118
At the end of the period/year	32,259	26,201	28,740
Repayable between 2 and 5 years	32,500	26,510	29,010
Bank borrowings available but undrawn in the period/year	7,500	13,490	10,990
Total facility available	40,000	40,000	40,000

The Company entered into a £40.0 million credit facility with RBSi on 20 October 2015. On 11 May 2017, the Company reduced its available loan facility from £40.0 million to £32.5 million and on 17 October 2017, the Company increased the available facility back to £40.0 million. At the period end, £7.5 million remained undrawn.

Borrowing costs associated with the credit facility are shown as finance costs in note 5 to these financial statements.

The term to maturity as at the period end is 2.97 years.

13. Payables and accrued expenses

	31 October 2017 £'000	31 October 2016 £'000	30 April 2017 £'000
Deferred income	1,223	3,122	1,513
Accruals	532	526	534
Other creditors	922	301	709
Total	2,677	3,949	2,756

Notes to the Condensed Financial Statements

for the six months ended 31 October 2017

14. 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:

	31 October 2017 £'000	31 October 2016 £'000	30 April 2017 £'000
Not later than one year	47	118	5
Later than one year but not later than five years	154	432	15
Later than five years	437	1,150	40
	591	1,582	55
Total	638	1,700	60

15. Issued share capital

For the period 1 May 2017 to 31 October 2017

	£'000	Number of Ordinary Shares
Ordinary Shares issued and fully paid		
At the beginning of the period	1,236	123,647,250
Issued on admission to trading on the London Stock Exchange on 24 October 2017	279	27,911,001
At the end of the period	1,515	151,558,251

On 24 October 2017, the Company issued 27,911,001 Ordinary Shares at a price of 100.5 pence per share pursuant to the Initial Placing, Initial Offer for Subscription and Intermediaries Offer of the Share Issuance Programme, as described in the prospectus published by the Company on 28 September 2017.

For the period 1 May 2016 to 31 October 2016

	£'000	Number of Ordinary Shares
Ordinary Shares issued and fully paid		
At the beginning of the period	1,175	117,510,000
Issued on admission to trading on the London Stock Exchange on 16 September 2016	24	2,450,000
Issued on admission to trading on the London Stock Exchange on 10 October 2016	37	3,687,250
At the end of the period	1,236	123,647,250

Notes to the Condensed Financial Statements

for the six months ended 31 October 2017

15. Issued share capital (continued)

For the year ended 30 April 2017

	£'000	Number of Ordinary Shares
Ordinary Shares issued and fully paid		
At the beginning of the year	1,175	117,510,000
Issued on admission to trading on the London Stock Exchange on 16 September 2016	24	2,450,000
Issued on admission to trading on the London Stock Exchange on 10 October 2016	37	3,687,250
At the end of the year	1,236	123,647,250

16. Share premium account

	Period from 1 May 2017 to 31 October 2017 £'000	Period from 1 May 2016 to 31 October 2016 £'000	Year ended 30 April 2017 £'000
The share premium relates to amounts subscribed for share capital in excess of nominal value:			
Balance at the beginning of the period/year	22,514	16,729	16,729
Share issue costs (paid and accrued)	–	(23)	(23)
Issued on admission to trading on the London Stock Exchange on 16 September 2016	–	2,352	2,352
Share issue cost (paid and accrued)	–	(42)	(42)
Issued on admission to trading on the London Stock Exchange on 10 October 2016	–	3,586	3,586
Share issue cost (paid and accrued)	–	(55)	(88)
Issued on admission to trading on the London Stock Exchange on 24 October 2017	27,771	–	–
Share issue cost	(546)	–	–
Balance at the end of the period/year	49,739	22,547	22,514

Notes to the Condensed Financial Statements

for the six months ended 31 October 2017

17. Transactions with related parties

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

For the six months ended 31 October 2017, the Directors' of the Company are considered to be the key management personnel. Directors' remuneration is disclosed in note 4.

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

Under the Investment Management Agreement the Investment Manager receives a 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.

During the period 1 May 2017 to 31 October 2017, the Company incurred £519,373 (31 October 2016: £525,776; 30 April 2017: £1,033,637) in respect of investment management fees and expenses of which £259,276 was outstanding at 31 October 2017 (31 October 2016: £253,769; 30 April 2017: £252,850).

On 1 May 2017, the Company had a holding of 6,359,440 shares in the Core Fund, which were valued at £7,594,443. The investment was deemed to be with a related party due to the common influence of the Investment Manager over both parties. On 9 May 2017, the Company sold its remaining investment in the Core Fund for proceeds of £7.67 million.

18. Events after reporting date

Dividend

On 1 December 2017, the Board declared its second interim dividend of 2.00 pence per share in respect of the period from 1 August 2017 to 31 October 2017. This is to be paid on 29 December 2017 to shareholders on the register as at 15 December 2017. The ex-dividend date will be 14 December 2017.

EPRA Unaudited Performance Measures

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

MEASURE AND DEFINITION	PURPOSE	PERFORMANCE
1. EPRA Earnings Earnings from operational activities.	A key measure of a company's underlying operating results and an indication of the extent to which current dividend payments are supported by earnings.	£4.66 million/3.73 pps EPRA earnings for the six month period to 31 October 2017 (six month period to 31 October 2016: £4.52 million/3.81 pps)
2. EPRA NAV Net asset value adjusted to include properties and other investment interests at fair value and to exclude certain items not expected to crystallise in a long-term investment property business.	Makes adjustments to IFRS NAV to provide stakeholders with the most relevant information on the fair value of the assets and liabilities within a true real estate investment company with a long-term investment strategy.	£148.20 million/97.78 pps EPRA NAV as at 31 October 2017 (At 30 April 2017: £118.64 million/95.95 pps)
3. EPRA NNNAV EPRA NAV adjusted to include the fair values of: (i) financial instruments; (ii) debt; and (iii) deferred taxes.	Makes adjustments to EPRA NAV to provide stakeholders with the most relevant information on the current fair value of all the assets and liabilities within a real estate company.	£148.22 million/97.80 pps EPRA NNNAV as at 31 October 2017 (At 30 April 2017: £118.67 million/95.98 pps)
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.	A comparable measure for portfolio valuations. This measure should make it easier for investors to judge themselves, how the valuation of portfolio X compares with portfolio Y.	7.39% EPRA NIY as at 31 October 2017 (At 30 April 2017: 7.12%)
4.2 EPRA 'Topped-Up' NIY This measure incorporates an adjustment to the EPRA NIY in respect of the expiration of rent-free periods (or other unexpired lease incentives such as discounted rent periods and step rents).	A comparable measure for portfolio valuations. This measure should make it easier for investors to judge themselves, how the valuation of portfolio X compares with portfolio Y.	7.79% EPRA 'Topped-Up' NIY as at 31 October 2017 (At 30 April 2017: 8.27%)
5. EPRA Vacancy Estimated Market Rental Value ('ERV') of vacant space divided by ERV of the whole portfolio.	A "pure" (%) measure of investment property space that is vacant, based on ERV.	8.59% EPRA vacancy as at 31 October 2017 (At 30 April 2017: 7.22%)
6. EPRA Cost Ratio Administrative and operating costs (including and excluding costs of direct vacancy) divided by gross rental income.	A key measure to enable meaningful measurement of the changes in a company's operating costs.	23.60% EPRA Cost Ratio (including direct vacancy cost) as at 31 October 2017 (At 30 April 2017: 24.20%) 15.54% EPRA Cost ratio excluding direct vacancy costs as at 31 October 2017 (At 30 April 2017: 18.37%)

EPRA Unaudited Performance Measures *(continued)*

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

	31 October 2017 £'000
Investment property – wholly-owned	147,785
Allowance for estimated purchasers' costs	10,049
Gross up completed property portfolio valuation	157,834
Annualised cash passing rental income	12,653
Property outgoings	(984)
Annualised net rents	11,669
Rent expiration of rent-free periods and fixed uplifts	621
'Topped-up' net annualised rent	12,290
EPRA Net Initial Yield	7.39%
EPRA 'topped-up' Net Initial Yield	7.79%

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 31 October 2017, plus an allowance for estimated purchasers' costs. Estimated purchasers' costs are determined by the relevant stamp duty liability, plus an estimate by our valuers of agent and legal fees on notional acquisition. The net rent deduction allowed for property outgoings is based on our valuers' assumptions on future recurring non-recoverable revenue expenditure.

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

EPRA Unaudited Performance Measures *(continued)*

Calculation of EPRA Vacancy Rate

	31 October 2017 £'000
Annualised potential rental value of vacant premises	1,190
Annualised potential rental value for the completed property portfolio	13,849
EPRA Vacancy Rate	8.59%

Calculation of EPRA Cost Ratios

	31 October 2017 £'000
Administrative/operating expense per IFRS income statement	1,536
Less: Ground rent costs	(4)
EPRA Costs (including direct vacancy costs)	1,532
Direct vacancy costs	(523)
EPRA Costs (excluding direct vacancy costs)	1,009
Gross Rental Income	6,491
EPRA Cost Ratio (including direct vacancy costs)	23.60%
EPRA Cost Ratio (excluding direct vacancy costs)	15.54%

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 44. 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	151,558,251
SEDOL Number	BWD2415
ISIN Number	GB00BWD24154
Ticker/TIDM	AEWU

Share Prices

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

Annual and Interim Reports

Copies of the Annual and Interim Reports are available from the Company's website.

Provisional Financial Calendar

31 March 2018	Year end (the Company is changing its financial year end from 30 April to 31 March. As a result, our next Annual Report will cover a period of eleven months from 1 May 2017 to 31 March 2018)
June 2018	Announcement of annual results
September 2018	Annual General Meeting
30 September 2018	Half-year End
November 2018	Announcement of interim results

Dividends

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

	£
Interim dividend for the period 1 May 2017 to 31 July 2017 (payment made on 30 September 2017)	2,472,945
Dividend for the period 1 August 2017 to 31 October 2017 (payment to be made on 29 December 2017)	3,031,165
Total	5,504,110

Company Information *(continued)*

Directors

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

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AEW UK Investment Management LLP
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Tel: 020 7016 4880

Website: www.aewuk.co.uk

Property Manager

M J Mapp
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W1W 5QZ

Corporate Broker

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EC4Y 0AH

Legal Adviser to the Company

Gowling WLG (UK) LLP
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London
SE1 2AU

* Independent of the Investment Manager.

Depository

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EC4M 7BA

Administrator

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

Company Secretary

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

Registrar

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

Glossary

AEW UK Core Property Fund (the 'Core Fund')	AEW UK Core Property Fund, a property authorised investment fund ('PAIF') and a sub-fund of the AEW UK Real Estate Fund, an open ended investment company.
AIC	Association of Investment Companies. This is the trade body for Closed-end Investment Companies (www.theaic.co.uk).
AIFMD	Alternative Investment Fund Managers Directive.
AIFM	Alternative Investment Fund Manager. The entity that provides portfolio management and risk management services to the Company and which ensures the Company complies with the AIFMD. The Company's AIFM is AEW UK Investment Management LLP.
Company	AEW UK REIT plc.
Company Secretary	Link Company Matters Limited.
Contracted rent	The annualised rent adjusting for the inclusion of rent subject to rent-free periods.
Covenant strength	The strength of a tenant's financial status and its ability to perform the covenants in the lease.
DTR	Disclosure Guidance and Transparency Rules, issued by the UKLA.
Earnings Per Share ('EPS')	Profit for the period attributable to equity shareholders divided by the weighted average number of Ordinary Shares in issue during the period.
EPC	Energy Performance Certificate.
EPRA	European Public Real Estate Association, the industry body representing listed companies in the real estate sector.
EPRA cost ratio (including direct vacancy costs)	The ratio of net overheads and operating expenses against gross rental income (with both amounts excluding ground rents payable). Net overheads and operating expenses relate to all administrative and operating expenses.
EPRA cost ratio (excluding direct vacancy costs)	The ratio calculated above, but with direct vacancy costs removed from net overheads and operating expenses balance.
EPRA Earnings Per Share	Recurring earnings from core operational activities. A key measure of a company's underlying operating results from its property rental business and an indication of the extent to which current dividend payments are supported by earnings.
EPRA NAV	NAV adjusted to include properties and other investment interests at fair value and to exclude certain items not expected to crystallise in a long-term investment property business.
EPRA NNNAV	EPRA NAV adjusted to reflect the fair value of debt and derivatives and to include deferred taxation on revaluations.
EPRA Net Initial Yield ('NIY')	Annualised rental income based on the cash rents passing at the balance sheet date, less non-recoverable property operating expenses, divided by the fair value of the property, increased with (estimated) purchasers' costs.
EPRA Topped-Up Net Initial Yield	This measure incorporates an adjustment to the EPRA NIY in respect of the expiration of rent-free periods (or other unexpired lease incentives such as discounted rent periods and step rents).
EPRA Vacancy Rate	Estimated Market Rental Value of vacant space as a percentage of the ERV of the whole portfolio.

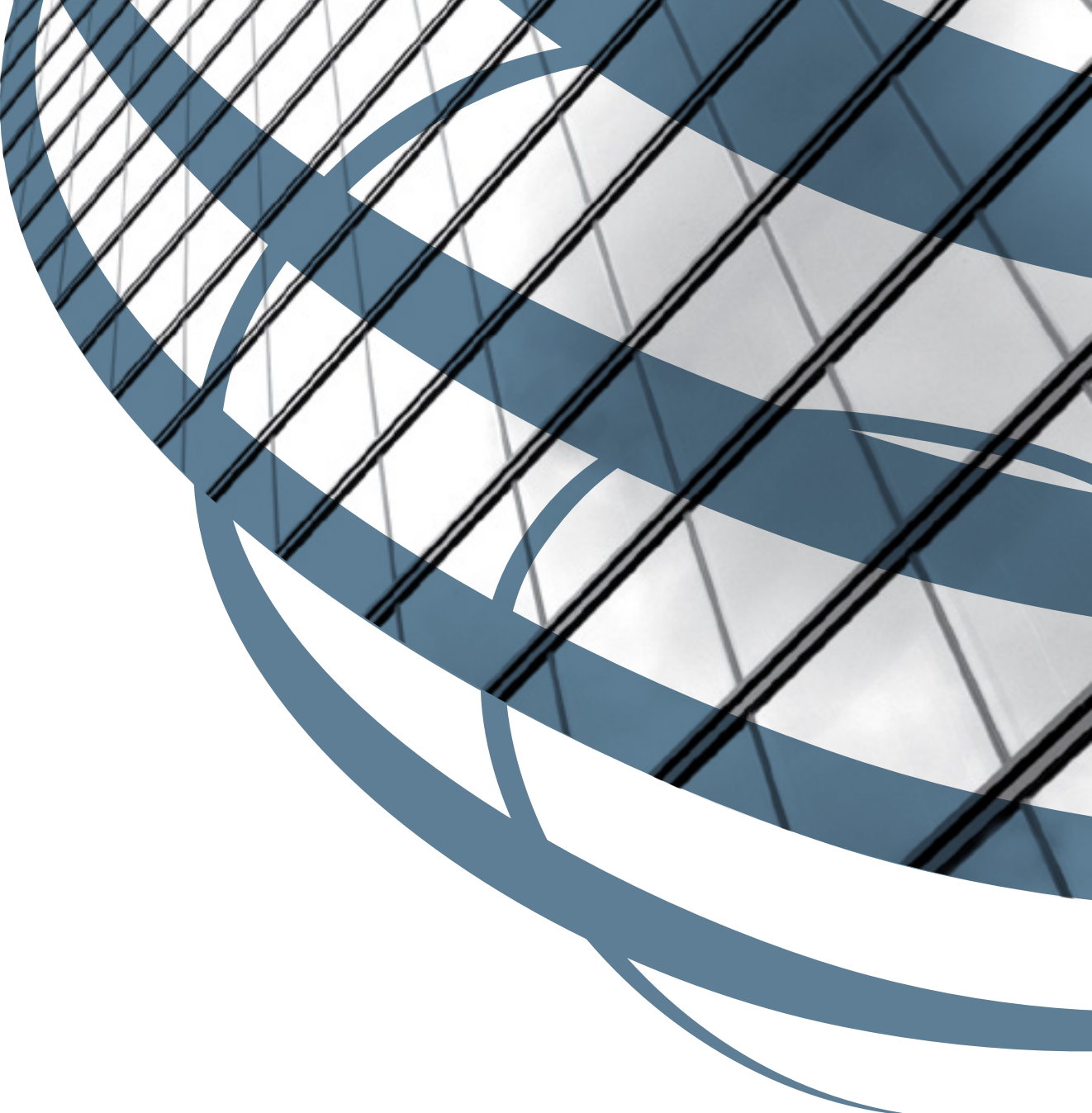
Glossary (continued)

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

Glossary (continued)

<i>Non-PID</i>	Non-Property Income Distribution. The dividend received by a shareholder of the Company arising from any source other than profits and gains of the Tax Exempt Business of the Company.
<i>Ongoing charges</i>	The ratio of total administration and property operating costs expressed as a percentage of average NAV 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 Company.
<i>Rack-rented</i>	Space where passing rent is the same as the ERV.
<i>REIT</i>	A Real Estate Investment Trust. A company which complies with Part 12 of the Corporation tax Act 2010. Subject to the 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 ERV.
<i>Share price</i>	The value of a share at a point in time as quoted on a stock exchange. The Company's Ordinary Shares are quoted on the Main Market of the London Stock Exchange.
<i>Total returns</i>	The returns to shareholders calculated on a per share basis by adding 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>Total Shareholder Return</i>	The percentage change in the share price assuming dividends are reinvested to purchase additional Ordinary Shares.
<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.

Notes



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