

AEW UK REIT plc

Interim Report and Financial Statements for the six months ended 30 September 2018

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Financial Highlights

- Unaudited Net Asset Value ('NAV') of £151.65 million and 100.06 pence per share as at 30 September 2018 (31 March 2018: £146.03 million and 96.36 pence per share).
- Operating profit before fair value changes of £6.86 million for the period (six months to 31 October 2017: £4.96 million).
- Unadjusted profit before tax ('PBT') of £11.68 million and 7.71 pence per share for the period (six months to 31 October 2017: £6.99 million and 5.60 pence per share).
- EPRA Earnings Per Share ('EPRA EPS') for the period were 4.10 pence (six months to 31 October 2017: 3.73 pence). See page 7 for more details.
- Total dividends of 4.00 pence per share have been declared for the period (six months to 31 October 2017: 4.00 pence per share).
- Total shareholder return for the period was 3.56% (six months to 31 October 2017: 5.17%). See page 7 for more details.
- NAV total return for the period was 7.99% (six months to 31 October 2017: 6.06%). See page 49 for definition.
- The price of the Company's Ordinary Shares on the Main Market of the London Stock Exchange was 95.01 pence per share as at 30 September 2018 (31 March 2018: 95.60 pence per share).
- As at 30 September 2018, the Company had a £60.00 million (31 March 2018: £60.00 million) term credit facility with The Royal Bank of Scotland International Limited ('RBSI') and was geared to 25.84% of the Gross Asset Value (31 March 2018: 26.00%).
- Since the period end, the Company has extended the term of its loan facility with RBSI by three years up to 22 October 2023.
- The Company held cash balances totalling £8.15 million as at 30 September 2018 (31 March 2018: £4.71 million), of which £7.40 million (31 March 2018: £3.57 million) was held for the purpose of capital acquisitions.

Property Highlights

- As at 30 September 2018, the Company's property portfolio had a fair value of £193.53 million (31 March 2018: £192.34 million) and a historical cost (including purchase costs and capital expenditure) of £191.92 million (31 March 2018: £196.64 million), representing an increase of £1.61 million (31 March 2018: decrease of £4.30 million), or 0.84% (31 March 2018: decrease of 2.19%).
- The majority of assets that have been acquired are fully let and the portfolio had a vacancy rate of 3.27% as at 30 September 2018 (31 March 2018: 7.10%).
- Rental income generated in the period was £8.46 million (six months to 31 October 2017: £6.50 million). The number of tenants as at 30 September 2018 was 95 (31 March 2018: 104).
- Average portfolio Net Initial Yield of 7.90% (31 March 2018: 7.74%). See page 5 for more details.
- Weighted average unexpired lease term ('WAULT') of 5.00 years (31 March 2018: 5.08 years) to break and 6.18 years (31 March 2018: 6.16 years) to expiry. See pages 5 and 6 for more details.

Chairman's Statement

Overview

I am pleased to present the unaudited interim results of the Company for the six month period from 1 April 2018 to 30 September 2018. As at 30 September 2018, the Company had established a diversified portfolio of 36 commercial investment properties throughout the UK with a value of £193.53 million. On a like-for-like basis, the portfolio valuation increased by 3.10% over the six months.

At the start of the period, the Company was fully invested. As such, the key focus has been on demonstrating the portfolio's ability to deliver income returns to support the Company's dividend target. Dividends of 4.00 pence per share have been declared in relation to the six month period, in line with the target of 8.00 pence per share per annum. These dividends were fully covered by EPRA EPS, which were 4.10 pence, reflecting the high-yielding nature of the portfolio. The Directors believe that this level of earnings can be sustained over the coming quarters, based on the portfolio's current leasing profile and expectations of lease renewals and rent reviews.

Towards the end of 2017 and at the beginning of 2018, the Company deployed the proceeds of the most recent capital raise in October 2017. From the date of the share issue and up to 31 March 2018, the Company made seven acquisitions totalling £49.72 million, which fully utilised the capital raised, as well as an additional £17.50 million of debt. These acquisitions provided a boost to earnings during this reporting period, as the seven assets had a combined Net Initial Yield equating to 9.1% on the purchase price and generated a combined rental income of £2.41 million or 1.59 pence per share to bring our EPRA earnings back in line with the dividend target, having been diluted following the capital raise.

An important factor in achieving such returns from high yielding new investments has been the Investment Manager's implementation of the Company's Investment Strategy through a robust stock selection process. However, active asset management has also played a key role in maximising returns and value from the existing portfolio. The vacancy rate has fallen from 7.10% at 31 March 2018 to 3.27% as at 30 September 2018, partly as a result of new lettings during the period. The most notable of these were the letting of Orion House in Oxford at a contracted rent of £179,410 per annum and the letting of Third Floor, Bath Street, Glasgow at a contracted rent of £88,608 per annum. Lease renewals have also been completed at First Floor, Queen Square, Bristol, increasing the contracted rent from £66,623 to £94,500 per annum and at Cedar House, Gloucester, increasing contracted rent from £300,000 to £321,000 per annum.

The other contributor to the fall in vacancy rate has been the Company's divestment of largely vacant premises. The Company disposed of Floors 1-9, Pearl House, Nottingham, in April 2018, retaining the fully let ground floor accommodation. Further to this, 18-36 Chapel Walk, Sheffield, was sold in August 2018 with the fully let adjoining units, 11-15 Fargate, Sheffield, being retained. This brought in combined gross disposal proceeds of £4.55 million and eliminated c. 26% of the vacant Estimated Rental Value ('ERV') as at 31 March 2018. The Company will benefit from lower void costs and the sales proceeds contributed to £7.40 million cash available for investment as at 30 September 2018, allowing the potential to further enhance earnings in future, should appropriate opportunities arise.

The Company's share price was 95.01 pence per share as at 30 September 2018, representing a 5.05% discount to NAV. The share price has been trading at a discount to NAV since 30 June 2018, having reached a peak for the period at 99.40 pence per share, or a 3.15% premium to NAV, on 9 May 2018. Over the six month period, the Company generated a shareholder total return of 3.56% and a NAV Total Return of 7.99%.

Chairman's Statement (continued)

Financial Results

	6 month period from 1 April 2018 to 30 September 2018 (unaudited) £'000	6 month period from 1 May 2017 to 31 October 2017 (unaudited) £'000	11 month period from 1 May 2017 to 31 March 2018 (audited) £'000
Operating Profit before fair value changes (£'000)	6,859	4,960	9,601
Operating Profit (£'000)	12,334	7,297	10,472
Profit after Tax (£'000)	11,678	6,989	9,820
Earnings Per Share (basic and diluted) (pence)	7.71	5.60	7.17
EPRA Earnings Per Share (basic and diluted) (pence)	4.10	3.73	6.56
Ongoing Charges (%)	1.26	1.30	1.24
Net Asset Value per share (pence)	100.06	97.80	96.36
EPRA Net Asset Value per share (pence)	100.06	97.78	96.34

Financing

There were no drawdowns or repayments of the loan facility during the period and the Company's loan balance remained at £50.00 million as at 30 September 2018 (31 October 2017: £32.50 million; 31 March 2018: £50.00 million), producing a gearing of 25.84% (31 October 2017: 22.0%; 31 March 2018: 26.00%). The amount available under the facility was £60.00 million as at 30 September 2018 (31 October 2017: £40.00 million; 31 March 2018: £60.00 million).

The unexpired term of the facility was 2.1 years as at 30 September 2018 (31 October 2017: 3.0 years; 31 March 2018: 2.6 years). Since the period end, the Company has extended the term of the facility by three years up to 22 October 2023, to mitigate the financing risk ahead of Brexit. The margin remains unchanged, and this attractively priced facility is accretive to the Company's performance.

The loan attracted interest at 3 month LIBOR +1.4%, which equated to an all-in rate of 2.16% as at 30 September 2018 (31 October 2017: 1.69%; 31 March 2018: 2.11%). The Company is protected from a significant rise in interest rates as it has interest rate caps with a combined notional value of £36.51 million (31 October 2017: £26.51 million; 31 March 2018: £36.50 million), resulting in the loan being 73% hedged (31 October 2017: 82%; 31 March 2018: 73%).

The long term gearing target remains 25% or less, however the Company can borrow up to 35% of Gross Asset Value ('GAV') in advance of an expected capital raise or asset disposal. The Board and Investment Manager will continue to monitor the level of gearing and may adjust the target gearing according to the Company's circumstances and perceived risk levels.

Chairman's Statement (continued)

Dividends

The Company has continued to deliver on its target of paying annualised dividends of 8.00 pence per share per annum. During the period, the Company has declared and paid two quarterly dividends of two pence per Ordinary Share, exactly in line with its target.

On 22 October 2018, the Board declared an interim dividend of two pence per Ordinary Share in respect of the period from 1 July 2018 to 30 September 2018. This interim dividend will be paid on 30 November 2018 to shareholders on the register as at 2 November 2018.

The Directors will declare dividends taking into account the current level of the Company's earnings 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 8.00 pence per share. Based on current market conditions and expected returns on its rental business, the Company expects to pay an annualised dividend of 8.00 pence per share in respect of the year ending 31 March 2019 and for the interim period ending 30 September 2019.

Outlook

The Board and the Investment Manager are pleased with the strong income returns delivered to shareholders to date. Based on annualised dividend payments of 8.00 pence per share, the Company delivered a dividend yield of 8.42% as at 30 September 2018.

The Company was fully invested at the start of the period and achieved returns during the period which fully covered its dividend payments. The Board expects this level of returns to continue, based on the projected income from the portfolio which had a Net Initial Yield of 7.90% and a Reversionary Yield of 7.71% as at 30 September 2018.

Whilst the vacancy rate has been reduced significantly during the period, to 3.27% as at 30 September 2018, there is still further value to be gained through asset management initiatives in the short term. The portfolio has a WAULT of 5.00 years to break and 6.18 years to expiry and those lease events arising in the near future will provide the opportunity to increase and extend income streams from certain assets. A balance of £7.40 million cash for investment as at 30 September 2018 will allow the Company to take advantage of opportunities for acquisitions or capex projects, which could also enhance income streams and add value to the portfolio.

In the wider economic environment, Britain's exit from the European Union ('EU') is approaching and by the end of 2018 it should be clear whether this is to be with or without a trade deal. Whilst the general opinion is that a "no deal" scenario would have a negative impact on the property market, it is hoped that some clarity will make it easier for businesses to plan and invest, regardless of the outcome. We consider the portfolio to be defensively positioned in the event of a no deal Brexit, with no exposure to London offices – the sector most likely to be negatively impacted. The Company's investment is primarily focussed on strong, regional centres and exposure is well diversified both geographically and by sector, which serves to mitigate risk.

Looking forward, our focus remains on continuing to grow the Company with share issues as part of a 12-month share issuance programme, subject to market conditions. The Investment Manager will focus on finding further acquisitions which will deliver an attractive return as part of a well-diversified portfolio.

Mark Burton Chairman

14 November 2018

Key Performance Indicators

KPI AND DEFINITION

1. 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.

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.

3. Reversionary Yield

The expected return the property will provide once rack rented.

4. Weighted Average Unexpired Lease Term to expiry

The average lease term remaining to expiry across the portfolio, weighted by contracted rent.

RELEVANCE TO STRATEGY

The 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.

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.

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.

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.

PERFORMANCE

7.90%

at 30 September 2018 (31 March 2018: 7.74%).

7.92%

at 30 September 2018 (31 March 2018: 8.20%).

7.71%

at 30 September 2018 (31 March 2018: 8.03%).

6.18 years

at 30 September 2018 (31 March 2018: 6.16 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. 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.

5.00 years

at 30 September 2018 (31 March 2018: 5.08 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.

£151.65 million

at 30 September 2018 (31 March 2018: £146.03 million).

7. Leverage (Loan to GAV)

The proportion of the property portfolio that is funded by borrowings.

The Company utilises borrowings to enhance returns over the medium term. Borrowings will not exceed 35% of GAV (measured at drawdown) with a long term target of 25% or less of GAV.

25.84%

at 30 September 2018 (31 March 2018: 26.00%).

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.

3.27%

at 30 September 2018 (31 March 2018: 7.10%).

9. Dividend

Dividends declared in relation to the year. The Company targets a dividend of 8.00 pence per Ordinary Share per annum.

The dividend reflects the Company's ability to deliver a sustainable income stream from its portfolio.

4.00 pence per share

for the six months to 30 September 2018. This supports an annualised target of 8.00 pence per share (six months to 31 October 2017: 4.00 pence per share).

Key Performance Indicators (continued)

KPI AND DEFINITION

RELEVANCE TO STRATEGY

PERFORMANCE

10. Ongoing Charges

The ratio of total administration and operating costs expressed as a percentage of average NAV throughout the period.

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. This measure is to provide investors with a clear picture of operational costs involved in running the Company.

1.26%

for the six months to 30 September 2018 (six months to 31 October 2017: 1.30%).

11. Profit Before Tax

PBT is a profitability measure which considers the Company's profit before the payment of income tax.

The PBT is an indication of the Company's financial performance for the period in which its strategy is exercised.

£11.68 million

for the six months to 30 September 2018 (six months to 31 October 2017: £6.99 million).

12. Total Shareholder Return

The percentage change in the share price assuming dividends are reinvested to purchase additional Ordinary Shares.

This reflects the return seen by shareholders on their shareholdings.

3.56%

for the six months to 30 September 2018 (six months to 31 October 2017: 5.17%).

13. EPRA EPS

Earnings from core operational activities. A key measure of a company's underlying operating results from its property rental business and an indication of the extent to which current dividend payments are supported by earnings. See note 7.

This reflects the Company's ability to generate earnings from the portfolio which underpins dividends.

4.10 pence per share

for the six months to 30 September 2018 (six months to 31 October 2017: 3.73 pence per share).

Investment Manager's Report

MARKET OUTLOOK

UK Economic Outlook

A spell of adverse weather conditions, "the Beast from the East", contributed to a temporary dip in output in the first quarter of 2018. Momentum has recovered and GDP growth is expected to have bounced back to 0.4% for Q2 2018, which saw a rise in consumer spending encouraged by a summer heatwave, the royal wedding and the football World Cup. Unemployment has also remained at its lowest level since the mid-1970s.

This Q2 performance encouraged the Monetary Policy Committee (the "MPC") to vote to increase interest rates from 0.50% to 0.75% in August 2018. This is after rates were increased by 0.25% in November 2017, and came despite concerns about the economic impact if the UK leaves the EU without a trade deal.

The Bank of England governor, Mark Carney, suggested that there would be a further increase in interest rates if economic growth continued to recover, however it was also signalled that there could be a reversal in sentiment in the event of a disorderly Brexit.

The longer term outlook remains uncertain as global economic growth has begun to soften with tariff wars between the US and China having an impact. Although UK unemployment has remained low, wage growth has struggled to keep up with inflation and real wage growth was only 0.1% for the three months to 30 June 2018.

One of the key sources of uncertainty remains that of Brexit and the possibility of the UK leaving the EU without a trade deal. This is a very real possibility after European Council President, Donald Tusk, rejected Theresa May's proposals at an EU summit in September 2018. Although the Irish border issue remains a stumbling block, it is hoped that the outlook will become clearer during the remaining months of 2018. The EU had been considering a special summit in November 2018 to agree the terms of the UK's withdrawal, however a lack of progress during September and October 2018 could mean that December 2018 will be the final opportunity to reach an agreement. If the UK government cannot deliver a Brexit deal, the possibility of a general election could also bring about further uncertainty in terms of political leadership and policy.

However, against this mixed economic outlook, UK property continues to perform well.

UK Real Estate Outlook

The UK commercial property market continues to perform strongly, driven by an annual income return of over 5% for the year to June 2018 (IPD). The yield gap between property and the risk-free rate has remained well above the long-run average during 2018 and the upswing in the property cycle has been extended by a prolonged period of low interest rates and the weight of investment. Although official interest rates were raised during August 2018, expectations are that upward pressure on property yields is not imminent.

The lack of clarity regarding the Brexit terms remains a major concern for the market however, it is generally acknowledged that any impact would be felt most strongly in the office sector, particularly in the City of London. The results of negotiations during the remainder of 2018 should give more clarity as to the final outcome however, we have seen a weakening in investment activity across the market as a whole so far in 2018, compared with the comparative period of 2017. We are seeing notable polarisation between performance delivered by the sectors, with industrials delivering higher total returns and the retail market continuing to struggle with poor sales and numerous company voluntary arrangements ('CVA's).

Sector Outlook

Industrial

The industrial sector continues to outperform other sectors, delivering total returns of 5.1% for Q2 2018 (IPD), and represents the largest proportion of our portfolio with 44% of the valuation and 43% of the total passing rental income. The strong performance is in part due to retailers investing heavily in their supply chains to meet logistics demands but is also as a result of a lack of any significant development activity undertaken in smaller units during the current cycle. As tenant demand is increasing there is limited supply of stock and this is leading to rental growth in strong locations across the country.

Rental growth in the industrial sector has been witnessed in the Company's portfolio with our average industrial Estimated Rental Value ('ERV') increasing from £3.47 per sq ft to £3.53 per sq ft over the six months ended 30 September 2018. Rental growth, either at or above expectations, has been crystallised at units in Runcorn and Wakefield, where lease renewals and new lettings have been achieved at rents higher than ERV. We expect to see continued growth in the industrial sector, both in terms of income and capital value, and are seeing attractive opportunities for acquisitions.

Offices

Total returns for the offices sector were 1.6% for Q2 2018 (IPD), with Central London Offices outperforming offices in the rest of the UK. We expect office rents outside London to remain stable in the coming years, as development in most cities has already peaked. Higher residential values and the relaxation of planning controls mean that many towns and cities are losing both office and industrial space. For this reason, our stock selection process often focuses on locations where purchase values are well below that of surrounding residential uses, as well as focusing on locations with high levels of tenant demand.

Our office holding, the second largest with 22% of portfolio valuation, has provided opportunities for asset management initiatives to drive rental value as well as achieve permitted residential consents to improve assets' residual value and ensure downside protection. During the six months ended 30 September 2018, notable lettings were made at Glasgow, Oxford and Gloucester, contributing an additional c. £289,000 contracted rent and helping to increase the valuation of the Company's office portfolio by 9.75% on a like-for-like basis.

Alternatives

There has been a recent trend towards non-mainstream sectors, as investors seek to benefit from greater diversification as well as accessing long-term income trends. The alternatives sector achieved total returns of 2.6% for Q2 2018 (IPD). Indeed, we have taken advantage of opportunities to invest in the alternative sectors at attractive levels of pricing. Two of the Company's most recent acquisitions, being a large secure parking facility in Corby, and a leisure park in Dagenham, acquired in February and March 2018 respectively, provide accretive levels of income as well as capital growth potential. We expect the alternatives sector to grow further as investors seek long income or higher yields. It is a sector in which we have significant expertise and will continue to seek opportunities.

Retail

Structural issues have been seen most notably in the retail sector where a number of administrations, CVA's and store rationalisations by occupiers have turned investor sentiment against the sector and this is reflected in total returns of just 0.5% for Q2 2018 (IPD). The Company has defensively positioned its retail acquisitions to take account of recent trends and our retail assets are located in town and city centres with large catchment populations and in many cases are supported by strong alternative use values and asset management options. As a result, our income streams to date have not been significantly impacted by CVAs.

Financial Results

Net rental income earned from the portfolio for the six months ended 30 September 2018 was £7.83 million (six months ended 31 October 2017: £5.86 million; 11 months ended 31 March 2018: £11.22 million), contributing to an operating profit before fair value changes and disposals of £6.86 million (six months ended 31 October 2017: £4.96 million; 11 months ended 31 March 2018: £9.60 million).

The portfolio has seen a gain of £5.65 million in fair value of investment property over the period (six months ended 31 October 2017: £2.48 million; 11 months ended 31 March 2018; £1.01 million).

The Company reported a loss on disposal of investment properties of £0.18 million (six months ended 31 October 2017: £0.22 million; 11 months ended 31 March 2018: £0.22 million), which relates to the disposals of Floors 1-9, Pearl House, Nottingham and 18-36, Chapel Walk, Sheffield.

Administrative expenses, which include the Investment Manager's fee and other costs attributable to the running of the Company, were £0.97 million for the six month period (six months ended 31 October 2017: £0.90 million; 11 months ended 31 March 2018: £1.62 million).

The Company incurred finance costs of £0.66 million during the period (six months ended 31 October 2017: £0.31 million; 11 months ended 31 March 2018: £0.65 million).

The total profit before tax for the period of £11.68 million (six months ended 31 October 2017: £6.99 million; 11 months ended 31 March 2018: £9.82 million) equates to a basic earnings per share of 7.71 pence (six months ended 31 October 2017: 5.60 pence; 11 months ended 31 March 2018: 7.17 pence).

The Company's NAV as at 30 September 2018 was £151.65 million or 100.06 pence per share ('pps') (31 October 2017: £148.22 million or 97.80 pence per share; 31 March 2018: £146.03 million or 96.36 pence per share). This is an increase of 3.70 pps or 3.84% over the six months, with the underlying movement in NAV set out in the table below:

	Pence per share	£ million
NAV as at 1 April 2018	96.36	146.03
Change in fair value of investment property	3.73	5.65
Change in fair value of derivatives	(0.01)	(0.02)
Loss on disposal of investment property	(0.12)	(0.18)
Income earned for the period	5.58	8.46
Expenses and net finance costs for the period	(1.48)	(2.23)
Dividends paid	(4.00)	(6.06)
NAV as at 30 September 2018	100.06	151.65

EPRA earnings per share for the six month period were 4.10 pps which, based on dividends paid of 4.00 pps, reflects a dividend cover of 102.50%.

Financing

As at 30 September 2018, the Company had utilised £50.00 million (31 March 2018: £50.00 million) of an available £60.00 million (31 March 2018: £60.00 million) credit facility with RBSI, maturing in October 2020. Gearing as at 30 September 2018 was 25.84% (Loan to GAV) (March 2018: 26.00%). The loan attracts interest at LIBOR + 1.4% (31 March 2018: 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 £36.51 million (31 March 2018: £36.51 million) of the loan at strike rates of 2.5% on £26.51 million and 2.0% on £10.00 million (31 March 2018: 2.5% on £26.51 million and 2.0% on £10 million), meaning that the loan is 73% hedged (31 March 2018: 73%).

On 22 October 2018, the Company extended the term of the loan facility by three years up to 22 October 2023. The Company has also entered into additional interest rate caps on a notional value of £46.51 million, effective from 20 October 2020 to 19 October 2023. The interest rate is capped at 2.00% per annum. The Company paid a premium of £512,000.

Portfolio Activity

There were no acquisitions made during the period. The following part disposals were made during the period:

- Pearl Assurance House was purchased by the Company in May 2016 for £8.15 million. On 5 April 2018, the Company completed the sale of its office accommodation for gross proceeds of £3.65 million. The sale comprised the first to ninth floors, a ground floor reception and car parking spaces, providing a total area of 41,262 sq ft.
 - The Company has retained the ground floor accommodation in the busy city centre location, totalling 28,432 sq ft, let to national retail operators including Costa Coffee, Poundland and Lakeland. The retained element provides a Net Initial Yield of 9.63% as at 30 September 2018, based on its valuation of £5.20 million.
- On 6 August 2018, the Company completed the sale of 18-36, Chapel Walk, Sheffield for gross proceeds of £0.90 million. The units sold were 47.10% vacant by floor area. The Company has retained the fully let adjacent units 11/15 Fargate, totalling 5,495 sq ft.

Asset Management

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

- Orion House, Oxford In August 2018, the Company completed the letting of Orion House, Eastpoint Business Park, Oxford, to Genesis Cancer Care UK Limited. The lease is for a term of 25 years, at a rent of £179,410 per annum. There are five-yearly, upward only rent reviews linked to the Retail Price Index ('RPI') measure of inflation and the tenant benefits from a 12 month rent free period, followed by six years at half rent. The valuation of the property increased by 22.7% over the period, largely thanks to this transaction.
- 225 Bath Street, Glasgow In July 2018, the Company completed the letting of Third Floor East, 225 Bath Street, Glasgow, to International Correspondence Schools Limited. The lease is for a term of five years, with a tenant break option at the end of the third year, at a rent of £88,608 per annum. The tenant benefits from a ten month rent free period. Over the six months, the valuation of the property fell by 7.50%, despite the letting, which largely reflects the difficult local market conditions.
- Cedar House, Gloucester In June 2018, the Company completed a lease renewal to the Secretary of State for Communities and Local Government at its Cedar House office building in Gloucester. The property was acquired in December 2017 with the expectation of achieving a new three year lease at the passing rent of £300,000 per annum and this has been significantly exceeded with a 10 year lease at a rent of £321,000 per annum. No rent free incentive was offered to the tenant. As a result of this asset management initiative, the value of the building has risen by 20.3% over the six months.

- 40 Queen Square, Bristol In June 2018, the Company completed a reversionary lease renewal with tenant Ramboll Whitbybird Ltd. A ten year lease was signed to commence at the expiry of the tenant's current lease in November, although the tenant has the option to break at the end of the fifth year. The letting at a rent of £94,500 per annum proved a new high rental tone for unrefurbished space within the building at £23.00 per sq ft, as compared to a passing rent of £16.84 per sq ft. This represents an increase in rental income of 37% and the property saw an overall valuation uplift over the period of 13.08%. The property's valuation as at 30 September 2018 is 68.05% higher than its price at acquisition in December 2015.
- Diamond Business Park, Wakefield During June 2018, a new letting was completed at Diamond Business Park, Wakefield which was acquired by the Company in February 2018. Unit 7, totalling c. 13,700 sq ft, has been let to Wow Interiors Yorkshire Ltd for a six year term with tenant break options in years 2 and 4. Stepped rental increases have been agreed so that, if the tenant remains in occupation for the full term, the average rent received equates to £3.30 per sq ft as compared to an ERV of £3.00 per sq ft. The value of the building rose by 5.39% over the six month period.
- Sarus Court, Runcorn During the quarter the Investment Manager documented two rent reviews with CJ Services, its largest tenant at Sarus Court, Runcorn. The rent reviews at Units 1 and 2 date back to January 2017 and result in a combined rate of £5.25 per sq ft net effective. This supports a headline rent of c. £5.75 per sq ft which is £0.25 ahead of the property's ERV at the time of the letting. The property has seen an increase in valuation of 6.38% over the period.
- Commercial Road, Portsmouth the Company has completed a ten year lease renewal with Greggs Plc at its retail property located on Commercial Road, Portsmouth. The new rent of £20,500 per annum exceeds the unit's ERV at the time of letting by 11%. Greggs have been in occupation of the unit for ten years and have the option to break the lease after five years. Over the six months, the property's valuation fell by 4.24%, which reflects the general sentiment in the retail sector.

Summary by Sector as at 30 September 2018

Total	36	193.53	2,850	96.7	5.0	16.96	16.99
Other	3	29.95	165	100.0	6.2	2.82	2.34
Industrial	20	84.88	2,160	98.9	5.1	7.28	7.62
Office	6	43.40	287	88.5	4.2	3.24	4.09
Retail Warehouse	2	9.35	69	100.0	4.9	0.84	0.78
Standard Retail	5	25.95	169	99.9	3.8	2.78	2.16
Sector	Number of Properties	Valuation (£m)	Area ('000 sq ft)	Occupancy by ERV (%)	WAULT to break (years)	Gross Passing Rental Income (£m)	ERV (£m)

Summary by Geographical Area as at 30 September 2018

Geographical Area	Number of Properties	Valuation (£m)	Area ('000 sq ft)	Occupancy by ERV (%)	WAULT to break (years)	Passing Rental Income (£m)	ERV (£m)
Rest of London	1	11.45	72	100.0	12.1	0.97	0.84
South East	5	30.20	195	97.0	4.3	2.58	2.47
South West	3	23.40	125	100.0	4.3	1.73	1.75
Eastern	5	22.63	345	100.0	3.7	1.83	2.02
West Midlands	4	17.85	397	100.0	4.2	1.69	1.70
East Midlands	2	18.08	81	100.0	3.5	1.85	1.40
North West	5	16.35	315	99.8	4.7	1.47	1.35
Yorkshire and Humberside	8	29.60	858	97.2	3.8	2.86	3.01
Wales	2	14.72	376	100.0	10.6	1.25	1.29
Scotland	1	9.25	86	65.8	2.8	0.73	1.16
Total	36	193.53	2,850	96.7	5.0	16.96	16.99

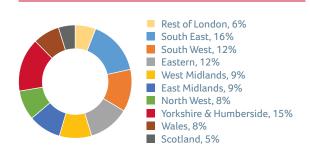
Gross

Sector and Geographical Allocation by Market Value as at 30 September 2018

Sector Allocation

Standard Retail, 13% Retail Warehouse, 5% Offices, 23% Industrial,44% Other, 15%

Geographical Allocation



Properties by Market Value

	Property	Sector	Region	Market Value Range (£m)
1	2 Geddington Road, Corby	Other (Sui Generis)	East Midlands	10.0-15.0
2	40 Queen Square, Bristol	Offices	South West	10.0-15.0
3	Eastpoint Business Park, Oxford	Offices	South East	10.0-15.0
4	London East Leisure Park, Dagenham	Other (Leisure)	Rest of London	10.0-15.0
5	225 Bath Street, Glasgow	Offices	Scotland	7.5-10.0
6	Above Bar Street, Southampton	Standard Retail	South East	7.5–10.0
7	Gresford Industrial Estate, Wrexham	Industrial	Wales	7.5-10.0
8	Apollo Business Park, Basildon	Industrial	Eastern	5.0-7.5
9	Barnstaple Retail Park	Retail Warehouse	South West	5.0-7.5
10	Commercial Road, Portsmouth	Standard Retail	South East	5.0-7.5

The Company's top ten properties listed above comprise 49.0% of the total value of the portfolio.

Properties by Market Value (continued)

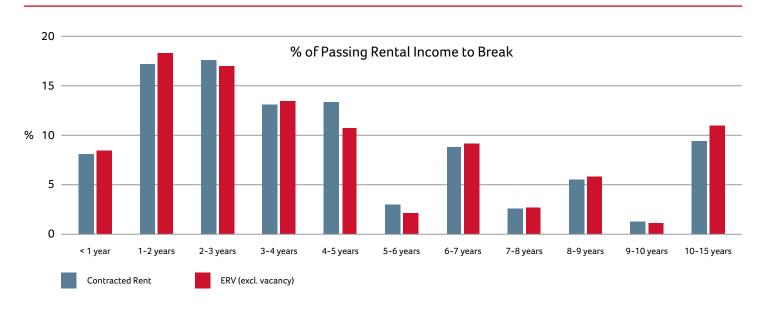
	Property	Sector	Region	Market Value Range (£m)
11	Euroway Trading Estate, Bradford	Industrial	Yorkshire and Humberside	5.0-7.5
12	Langthwaite Grange Industrial Estate, South Kirkby	Industrial	Yorkshire and Humberside	5.0-7.5
13	Oak Park, Droitwich	Industrial	West Midlands	5.0-7.5
14	Odeon Cinema, Southend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

Top Ten Tenants

	Tenant	Property	Passing Rental Income (£'000)	% of Portfolio Total Passing Rental Income
1	GEFCO UK Limited	2 Geddington Road, Corby	1,320	7.8
2	Plastipak UK Limited	Gresford Industrial Estate, Wrexham	883	5.2
3	The Secretary of State	Sandford House, Solihull and Cedar House, Gloucester	832	4.9
4	Ardagh Glass Limited	Langthwaite Industrial Estate, South Kirkby	676	4.0
5	Mecca Bingo Limited	London East Leisure Park, Dagenham	625	3.7
6	Egbert H Taylor & Company Limited	Oak Park, Droitwich	620	3.7
7	Odeon Cinemas	Odeon Cinema, Southend	535	3.2
8	Sports Direct	Barnstaple Retail Park and Bank Hey Street, Blackpool	525	3.1
9	Wyndeham Peterborough Limited	Storeys Bar Road, Peterborough	525	3.1
10	Advance Supply Chain (BFD) Limited	Euroway Trading Estate, Bradford	428	2.5

The Company's top ten tenants, listed above, represent 41.2% of the total passing rental income of the portfolio.

Lease Expiry Profile



Principal Risks and Uncertainties

The principal risks and uncertainties the Company faces are described in detail on pages 36 to 39 of the 2018 Annual Report, and are summarised below.

The Board considers that the principal risks and uncertainties as presented in the 2018 Annual Report were unchanged during the period.

REAL ESTATE RISKS

- 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 or understated.
- 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.

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 of the Company's loan facility.
- 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 2023. 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.

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 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 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

Mark Burton Chairman

14 November 2018

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 30 September 2018 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 30 September 2018 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

14 November 2018

Financial Statements

Condensed Statement of Comprehensive Income

for the six months ended 30 September 2018

	Notes	Period from 1 April 2018 to 30 September 2018 (unaudited) £'000	Period from 1 May 2017 to 31 October 2017 (unaudited) £'000	Period from 1 May 2017 to 31 March 2018 (audited)* £'000
Income				
Rental and other income	3	8,459	6,496	12,330
Property operating expenses	4	(630)	(641)	(1,106)
Net rental and other income		7,829	5,855	11,224
Other operating expenses	4	(970)	(895)	(1,623)
Operating profit before fair value changes		6,859	4,960	9,601
Change in fair value of investment properties	9	5,653	2,480	1,014
Loss on disposal of investment properties	9	(178)	(216)	(216)
Profit on disposal of investments	9	_	73	73
Operating profit		12,334	7,297	10,472
Finance expense	5	(656)	(308)	(652)
Profit before tax		11,678	6,989	9,820
Taxation	6			_
Profit after tax		11,678	6,989	9,820
Other comprehensive income		_	-	_
Total comprehensive income for the period	_	11,678	6,989	9,820
Earnings per share (pence per share) (basic and diluted)	7 =	7.71	5.60	7.17

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

Condensed Statement of Changes in Equity for the six months ended 30 September 2018

For the period 1 April 2018 to 30 September 2018 (unaudited)	Notes	Share capital £'000	Share premium account £'000	Capital reserve and retained earnings £'000	Total capital and reserves attributable to owners of the Company
Balance as at 1 April 2018		1,515	49,768	94,751	146,034
Total comprehensive income Share issue costs	17	-	- 3	11,678 –	11,678 3
Dividends paid	8			(6,062)	(6,062)
Balance as at 30 September 2018		1,515	49,771	100,367	151,653
For the period 1 May 2017 to 31 October 2017 (unaudited)	Notes	Share capital £'000	Share premium account £'000	Capital reserve and retained earnings £'000	Total capital and reserves attributable to owners of the Company £'000
Balance at 1 May 2017		1,236	22,514	94,924	118,674
Total comprehensive income Ordinary shares issued Share issue costs Dividends paid	16,17 17 8	- 279 - -	– 27,771 (546) –	6,989 - - (4,946)	6,989 28,050 (546) (4,946)
Balance as at 31 October 2017		1,515	49,739	96,967	148,221

Condensed Statement of Changes in Equity (continued)

for the six months ended 30 September 2018

For the 11 month period 1 May 2017 to 31 March 2018 (audited) Notes	Share capital £'000	Share premium account £'000	Capital reserve and retained earnings £'000	Total capital and reserves attributable to owners of the Company*
Balance at 1 May 2017	1,236	22,514	94,924	118,674
Total comprehensive income	_	_	9,820	9,820
Ordinary shares issued 16,17	279	27,771	_	28,050
Share issue costs 17	-	(517)	-	(517)
Dividends paid 8			(9,993)	(9,993)
Balance as at 31 March 2018	1,515	49,768	94,751	146,034

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

Condensed Statement of Financial Position

as at 30 September 2018

Notes	As at 30 September 2018 (unaudited) £'000	As at 31 October 2017 (unaudited)* £'000	As at 31 March 2018 (audited) £'000
Assets			
Non-Current Assets			
Investment property 9	192,519	147,030	187,751
	192,519	147,030	187,751
Current Assets			
Investment property held for sale 9	-	-	3,650
Receivables and prepayments 10	•	2,204	2,938
Other financial assets held at fair value 11	9	24	26
Cash and cash equivalents	8,145	34,537	4,711
	11,548	36,765	11,325
Total assets	204,067	183,795	199,076
Non-Current Liabilities			
Interest bearing loans and borrowings 12	(49,714)	(32,259)	(49,643)
Finance lease obligations 14	(573)	(591)	(573)
	(50,287)	(32,850)	(50,216)
Current Liabilities	()	()	(0. ==0)
Payables and accrued expenses 13	(2,080)	(2,677)	(2,779)
Finance lease obligations 14		(47)	(47)
	(2,127)	(2,724)	(2,826)
Total Liabilities	(52,414)	(35,574)	(53,042)
Net Assets	151,653	148,221	146,034
Equity			
Share capital 16	1,515	1,515	1,515
Share premium account 17	49,771	49,739	49,768
Capital reserve and retained earnings	100,367	96,967	94,751
Total capital and reserves attributable to			
equity holders of the Company	151,653	148,221	146,034
Net Asset Value per share (pence per share) 7	100.06	97.80	96.36

The financial statements on pages 20 to 42 were approved by the Board of Directors on 14 November 2018 and were signed on its behalf by:

Mark Burton Chairman

AEW UK REIT plc

Company number: 09522515

^{*} Although not required by IAS 34, the comparative figures for the previous interim period and related notes have been included on a voluntary basis.

Condensed Statement of Cash Flows

for the six months ended 30 September 2018

for the six months ended 30 September 2018			
	Period from	Period from	Period from
	1 April 2018 to	1 May 2017 to	1 May 2017 to
	30 September	31 October	31 March
	2018 (unaudited)	2017 (unaudited)	2018
	£'000	(unaudited) £'000	(audited)* £'000
Cash flows from operating activities			
Operating profit	12,334	7,297	10,472
Adjustment for non-cash items:			
Gain from change in fair value of investment property	(5,653)	(2,480)	(1,014)
Loss on disposal of investment property	178	216	216
Profit on disposal of investments	_	(73)	(73)
Decrease/(increase) in other receivables and prepayments	(455)	666	(701)
Decrease in other payables and accrued expenses	(385)	(1,178)	(409)
Net cash generated from operating activities	6,019	4,448	8,491
Cash flows from investing activities			
Purchase of investment property	(506)	(17,939)	(63,896)
Disposal of investment property	4,508	10,858	10,856
Disposal of investments	_	7,667	7,667
Net cash generated from/(used in) investing activities	4,002	586	(45,373)
Cash flows from financing activities			
Proceeds from issue of ordinary share capital	_	28,050	28,050
Share issue costs	(31)	(453)	(483)
Loan draw down	_	3,490	20,990
Loan arrangement fees	_	_	(166)
Finance costs	(494)	(291)	(458)
Dividends paid	(6,062)	(4,946)	(9,993)
Net cash (used in)/generated from financing activities	(6,587)	25,850	37,940
Net increase in cash and cash equivalents	3,434	30,884	1,058
Cash and cash equivalents at start of the period	4,711	3,653	3,653
Cash and cash equivalents at end of the period	8,145	34,537	4,711
•			•

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

for the six months ended 30 September 2018

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 11 month period ended 31 March 2018 does not constitute statutory accounts as defined in section 434 of the Companies Act 2006. The auditor reported on those accounts; its report was unqualified, and did not contain a statement under section 498(2) or (3) of the Companies Act 2006.

2. Accounting policies

2.1 Basis of preparation

These interim condensed unaudited financial statements have been prepared in accordance with IAS 34 Interim Financial Reporting as adopted by the EU, and should be read in conjunction with the Company's last financial statements for the 11 month period ended 31 March 2018. 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 for issue on 14 November 2018.

The comparative figures disclosed in the condensed unaudited financial statements and related notes have been presented for both the six month period ended 31 October 2017 and 11 month period ended 31 March 2018 and as at 31 October 2017 and 31 March 2018.

Although not required by IAS 34, the comparative figures as at 31 October 2017 for the Condensed Statement of Financial Position and for the 11 month period ended 31 March 2018 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 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 were a number of new standards and amendments to existing standards which are required for the Company's accounting periods beginning after 1 January 2018, which have been considered and applied. These being:

- IFRS 7 (Financial Instruments: Disclosures) which will require considerations around additional hedge accounting disclosures in the annual report; and
- IFRS 9 (Financial Instruments). This standard has replaced IAS 39 Financial Instruments and contains two primary measurement categories for financial assets, the effect to the Company's current accounting policies covering the measurement of financial instruments and the estimation of impairment is immaterial; and

for the six months ended 30 September 2018

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, the Company's revenue primarily relates to property rental income which is outside the scope of IFRS 15.

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 April 2018 or later periods. The following are the most relevant to the Company and their impact on the financial statements:

• IFRS 16 (Leases) issued in January 2016 and is effective for annual periods beginning on or after 1 January 2019.

The impact of the adoption of new accounting standards issued and becoming effective for accounting periods beginning on or after 1 April 2018 has been considered and is not considered to be significant. The IFRS 16 disclosure requirements will be considered in due course.

2.2 Significant accounting judgements and estimates

The preparation of financial statements in accordance with IAS 34 requires the Directors of the Company to make judgements, estimates and assumptions that affect the reported amounts recognised in the financial statements. However, uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of the asset or liability in the future.

i) Valuation of investment property

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

2.3 Segmental information

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.

2.4 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.

2.5 Summary of significant accounting policies

The principal accounting policies applied in the preparation of these financial statements are consistent with those applied within the Company's Annual Report and Financial Statements for the 11 month period ended 31 March 2018 except for the changes as detailed in note 2.1.

for the six months ended 30 September 2018

3. Revenue

	Period from	Period from	Period from
	1 April 2018 to	1 May 2017 to	1 May 2017 to
	30 September	31 October	31 March
	2018	2017	2018
	(unaudited)	(unaudited)	(audited)
	£'000	£'000	£'000
Gross rental income received	8,456	6,495	12,330
Other property income	3	1	_
Total rental and other income	8,459	6,496	12,330

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

4. Expenses

	Period from	Period from	Period from
	1 April 2018 to	1 May 2017 to	1 May 2017 to
	30 September	31 October	31 March
	2018	2017	2018
	(unaudited)	(unaudited)	(audited)
	£'000	£'000	£'000
Property operating expenses	630	641	1,106
Other operating expenses			
Investment management fee	648	519	989
Auditor remuneration	43	41	88
Operating costs	226	292	462
Directors' remuneration	53	43	84
Total other operating expenses	970	895	1,623
Total operating expenses	1,600	1,536	2,729

for the six months ended 30 September 2018

5. Finance expense

	Period from 1 April 2018 to 30 September 2018 (unaudited) £'000	Period from 1 May 2017 to 31 October 2017 (unaudited) £'000	Period from 1 May 2017 to 31 March 2018 (audited) £'000
Interest payable on loan borrowings	540	268	540
Amortisation of loan arrangement fee	71	41	79
Agency fee payable on loan borrowings	2	(10)	(11)
Commitment fee payable on loan borrowings	26	2	20
	639	301	628
Change in fair value of interest rate derivatives	17	7	24
Total	656	308	652
Taxation			
	Period from	Pariod from	Pariod from

6.

	Period from	Period from	Period from
	1 April 2018 to	1 May 2017 to	1 May 2017 to
	30 September	31 October	31 March
	2018	2017	2018
	(unaudited)	(unaudited)	(audited)
	£'000	£'000	£'000
Total tax charge		<u> </u>	
Analysis of charge in the period			
Profit before tax	11,678	6,989	9,820
Theoretical tax at UK corporation tax standard rate of 19% (31 October 2017: 19%; 31 March 2018: 19%)	2,219	1,328	1,866
Adjusted for:			
Exempt REIT income	(1,178)	(884)	(1,700)
Non taxable investment gains	(1,041)	(444)	(166)
Total		<u> </u>	-

for the six months ended 30 September 2018

7. Earnings per share and NAV per share

	Period from 1 April 2018 to 30 September 2018 (unaudited)	Period from 1 May 2017 to 31 October 2017 (unaudited)	Period from 1 May 2017 to 31 March 2018 (audited)
Earnings per share:			
Total comprehensive income (£'000)	11,678	6,989	9,820
Weighted average number of shares	151,558,251	124,860,772	136,894,561
Earnings per share (basic and diluted) (pence)	7.71	5.60	7.17
EPRA earnings per share:			
Total comprehensive income (£'000)	11,678	6,989	9,820
Adjustment to total comprehensive income:			
Change in fair value of investment property (£'000)	(5,653)	(2,480)	(1,014)
Loss on disposal of investment property (£'000)	178	216	216
Profit on disposal of investments (£'000)	_	(73)	(73)
Change in fair value of interest rate derivatives (£'000)	17	7	24
Total EPRA Earnings (£'000)	6,220	4,659	8,973
EPRA earnings per share (basic and diluted) (pence)	4.10	3.73	6.56
NAV per share:			
Net assets (£'000)	151,653	148,221	146,034
Ordinary Shares	151,558,251	151,558,251	151,558,251
NAV per share (pence)	100.06	97.80	96.36
EPRA NAV per share:			
Net assets (£'000)	151,653	148,221	146,034
Adjustments to net assets:			
Other financial assets held at fair value (£'000)	(9)	(24)	(26)
EPRA NAV (£'000)	151,644	148,197	146,008
EPRA NAV per share (pence)	100.06	97.78	96.34

EPS amounts are calculated by dividing profit for the period attributable to ordinary equity holders of the Company by the weighted average number of Ordinary Shares in issue during the period. As at 30 September 2018, EPRA NNNAV was equal to IFRS NAV and as such a reconciliation between the two measures has not been presented.

for the six months ended 30 September 2018

8. Dividends paid

	Period from 1 April 2018 to 30 September 2018 (unaudited)	Period from 1 May 2017 to 31 October 2017 (unaudited)	Period from 1 May 2017 to 31 March 2018 (audited)
Per Ordinary Share	£'000	£'000	£'000
Fourth interim dividend paid in respect of the period 1 January 2018 to 31 March 2018 at 2.00p	3,031	_	_
First interim dividend paid in respect of the period 1 April 2018 to 30 June 2018 at 2.00p	3,031	_	_
Fourth interim dividend paid in respect of the period 1 February 2017 to 30 April 2017 at 2.00p	_	2,473	2,473
First interim dividend paid in respect of the period 1 May 2017 to 31 July 2017 at 2.00p	-	2,473	2,473
Second interim dividend paid in respect of the period 1 August 2017 to 31 October 2017 at 2.00p	-	_	3,031
Third interim dividend paid in respect of the period 1 November 2017 to 31 December 2017 at 1.33p	_	_	2,016
Total dividends paid during the period	6,062	4,946	9,993
Second interim dividend declared in respect of the period 1 July 2018 to 30 September 2018 at 2.00p*	3,031	-	-
Fourth interim dividend declared in respect of the period 1 January 2018 to 31 March 2018 at 2.00p	(3,031)	_	_
Second interim dividend declared in respect of the period 1 August 2017 to 31 October 2017 at 2.00p**	_	2,473	_
Fourth interim dividend declared in respect of the period 1 January 2018 to 31 March 2018 at 2.00p***	_	_	3,031
Fourth interim dividend declared in respect of the period 1 February 2017 to 30 April 2017 at 2.00p	_	(2,473)	(2,473)
Total dividends in respect of the period	6,062	4,946	10,551

^{*} Dividends declared after the period end are not included in the financial statements as a liability as at period end 30 September 2018.

^{**} Dividends declared after the period end are not included in the financial statements as a liability as at period end 31 October 2017.

^{***} Dividends declared after the period end are not included in the financial statements as a liability as at period end 31 March 2018.

for the six months ended 30 September 2018

9. Investments

9.a) Investment property

Period from 1 April 2018 to Period fro 30 September 2018 (unaudited) 1 May 201 to 31 Octob	7 1 May 2017
Investment Investment 201 properties properties (unaudite freehold leasehold Total Total £'000 £'000 £'000 £'000	2018 (audited) al Total
UK Investment property	
As at beginning of period 155,517 36,825 192,342 137,82	20 137,820
Purchases in the period 121 30 151 18,30	09 64,186
Disposals in the period (4,628) – (4,628) (11,05	50) (11,050)
Revaluation of investment property 3,520 2,145 5,665 2,70	1,386
Valuation provided by Knight Frank 154,530 39,000 193,530 147,78	192,342
Adjustment for rent free debtor (1,631) (1,39	93) (1,561)
Adjustment for finance lease obligations 620 63	88 620
Total Investment property 192,519 147,03	191,401
Classified as:	
Investment properties 192,519 147,03	187,751
Investment properties held for sale	_ 3,650
192,519 147,03	191,401
Change in fair value of investment property	
Change in fair value before adjustments for lease incentives 5,665 2,70	1,386
Adjustment for movement in the period:	
in value of rent free debtor (12)	
in value of rent guarantee debtor 8	80 80
5,6532,48	1,014

for the six months ended 30 September 2018

9. Investments (continued)

9.a) Investment property (continued)

Period from	Period from	Period from
1 April 2018 to	1 May 2017 to	1 May 2017 to
30 September	31 October	31 March
2018	2017	2018
(unaudited)	(unaudited)	(audited)
Total	Total	Total
£'000	£'000	£'000
4,508	10,858	10,856
(4,628)	(11,050)	(11,050)
(58)	(24)	(22)
(178)	(216)	(216)
	1 April 2018 to 30 September 2018 (unaudited) Total £'000 4,508 (4,628) (58)	1 April 2018 to 30 September 2018 (unaudited) Total £'000 4,508 1 May 2017 to 31 October 2017 (unaudited) Total £'000 4,508 10,858 (4,628) (11,050) (58) (24)

Valuation of investment property

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

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

The determination of the fair value 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.

for the six months ended 30 September 2018

9. Investments (continued)

9.b) Investment

	Period from 1 April 2018 to 30 September 2018 (unaudited) Total £'000	Period from 1 May 2017 to 31 October 2017 (unaudited) Total £'000	Period from 1 May 2017 to 31 March 2018 (audited) Total £'000
Investment in AEW UK Core Property Fund			
As at beginning of period	_	7,594	7,594
Disposals in the period		(7,594)	(7,594)
Total Investment in AEW UK Core Property Fund			
Profit on disposal of the investment in AEW UK Core Property Fund			
Proceeds from disposals of investments during the period	_	7,667	7,667
Cost of disposal		(7,594)	(7,594)
Profit on disposal of investments		73	73

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 30 September 2018, the Company had no investment in the AEW UK Core Property Fund.

for the six months ended 30 September 2018

9. Investments (continued)

9.c) Fair value measurement hierarchy

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

	30 September 2018			
	Quoted prices in active markets (Level 1) £'000	Significant observable inputs (Level 2) £'000	Significant unobservable inputs (Level 3) £'000	Total £'000
		£ 000		£ 000
Assets measured at fair value				
Investment property	<u> </u>		192,519	192,519
		_	192,519	192,519
		31 Octob	er 2017	
		Significant	Significant	
	Quoted prices in	observable	unobservable	
	active markets	inputs	inputs	
	(Level 1)	(Level 2)	(Level 3)	Total
	£'000	£'000	£'000	£'000
Assets measured at fair value				
Investment property		_	147,030	147,030
		-	147,030	147,030
		31 Marc	h 2018	
		Significant	Significant	
	Quoted prices in	observable	unobservable	
	active markets	inputs	inputs	
	(Level 1)	(Level 2)	(Level 3)	Total
	£'000	£'000	£'000	£'000
Assets measured at fair value				
Investment property			191,401	191,401
			191,401	191,401

for the six months ended 30 September 2018

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 inputs used in the fair value measurement, categorised within Level 3 of the fair value hierarchy of the portfolio of investment property are:

Class	Fair value £'000	Valuation technique	Significant unobservable inputs	Range
30 September 2018 Investment Property	193,530	Income capitalisation	ERV Equivalent yield	£1.00 – £127.00 4.23% – 12.09%
31 October 2017 Investment Property	147,785	Income capitalisation	ERV Equivalent yield	£2.50 – £160.00 6.79% – 9.72%
31 March 2018 Investment Property	192,342	Income capitalisation	ERV Equivalent yield	£1.00 – £145.00 3.14% – 10.72%

for the six months ended 30 September 2018

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.

	30 September 2018				
	Fair value	Change in ERV		Change in equivalent yield	
	£'000	£'000	£'000	£'000	£'000
Sensitivity Analysis		+5%	-5%	+5%	-5%
Resulting fair value of investment property	193,530	200,241	183,820	181,321	203,387
		31 0	ctober 2017		
	Fair value	Change in ERV		Change in equivalent yield	
	£'000	£'000	£'000	£'000	£'000
Sensitivity Analysis		+5%	-5%	+5%	-5%
Resulting fair value of investment property	147,785	154,000	141,059	139,125	156,441
		31 /	March 2018		
	Fair value	Chang	ge in ERV	Change in equiv	valent yield
	£'000	£'000	£'000	£'000	£'000
Sensitivity Analysis		+5%	-5%	+5%	-5%
Resulting fair value of investment property	192,342	203,903	188,297	185,985	206,943

for the six months ended 30 September 2018

10. Receivables and prepayments

	30 September	31 October	31 March
	2018	2017	2018
	(unaudited)	(unaudited)	(audited)
5	£'000	£'000	£'000
Receivables			
Rent debtor	1,283	653	1,074
Rent agent float account	184	58	81
Other receivables	221	44	179
	1,688	755	1,334
Rent free debtor	1,631	1,393	1,561
	3,319	2,148	2,895
Prepayments			
Property related prepayments	47	30	13
Depositary services	_	7	_
Listing fees	4	4	16
Other prepayments	24	15	14
	75	56	43
Total	3,394	2,204	2,938
The aged debtor analysis of receivables as follows:			
	30 September	31 October	31 March
	2018	2017	2018
	£'000	£'000	£,000
Less than three months due	1,688	755	1,334
Between three and six months due	_	_	_
Between six and twelve months due	_	_	_
Total	1,688	755	1,334

for the six months ended 30 September 2018

11. Interest rate derivatives

	30 September	31 October	31 March
	2018	2017	2018
	(unaudited)	(unaudited)	(audited)
	£'000	£'000	£'000
At the beginning of the period	26	31	31
Interest rate cap premium paid	_	-	19
Changes in fair value of interest rate derivatives	(17)	(7)	(24)
At the end of the period	9	24	26

To mitigate the interest rate risk that arises as a result of entering into variable rate linked loans, the Company has entered into interest rate caps. The facilities have a combined notional value of £36.51 million with £10.00 million at a strike rate of 2.0% and £26.51 million at a strike rate of 2.5% (31 March 2018: £10.00 million at a strike rate of 2.0% and £26.51 million at a strike rate of 2.5%) for the relevant period in line with the life of the loan.

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
30 September 2018		9		9
31 October 2017	_	24	-	24
31 March 2018		26		26

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.

for the six months ended 30 September 2018

12. Interest bearing loans and borrowings

Bank borrowings drawn		
30 September	31 October	31 March
2018	2017	2018
(unaudited)	(unaudited)	(audited)
£'000	£'000	£'000
50,000	29,010	29,010
	3,490	20,990
50,000	32,500	50,000
(554)	(400)	(554)
268	159	197
49,714	32,259	49,643
50,000	32,500	50,000
10,000	7,500	10,000
60,000	40,000	60,000
	30 September 2018 (unaudited) E'000 50,000 - 50,000 (554) 268 49,714 50,000 10,000	30 September 2018 (unaudited) (unaudited) (unaudited) (unaudited) (2017) (unaudited) (2000) (

The Company has a £60.0 million (31 March 2018: £60.0 million) credit facility with RBSI of which £50.0 million (31 March 2018: £50.0 million) has been utilised as at 30 September 2018.

Under the terms of the Prospectus, the Company has a target gearing of 25% loan to GAV, but can borrow up to 35% loan to GAV in advance of a capital raise or asset disposal. As at 30 September 2018, the Company's gearing was 25.84% loan to GAV (31 March 2018: 26.00%).

Under the terms of the loan facility, the Company can draw up to 35% loan to NAV at drawdown.

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

13. Payables and accrued expenses

	30 September	31 October	31 March
	2018	2017	2018
	(unaudited)	(unaudited)	(audited)
	£'000	£'000	£'000
Deferred income	929	1,223	993
Accruals	467	532	831
Other creditors	684	922	955
Total	2,080	2,677	2,779

for the six months ended 30 September 2018

14. Finance lease obligations

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

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

	30 September 2018 (unaudited) £'000	31 October 2017 (unaudited) £'000	31 March 2018 (audited) £'000
Not later than one year	47	47	47
Later than one year but not later than five years	152	154	152
Later than five years	421	437	421
	573	591	573
Total	620	638	620

15. Guarantees and commitments

Operating lease commitments – as lessor

The Company has entered into commercial property leases on its investment property portfolio. These non-cancellable leases have a remaining term of between zero and 24 years.

Future minimum rentals receivable under non-cancellable operating leases as at 30 September 2018 are as follows:

	30 September 2018 (unaudited) £'000	31 October 2017 (unaudited) £'000	31 March 2018 (audited) £'000
Within one year	16,133	12,965	16,932
After one year but not more than five years	41,730	35,313	47,858
More than five years	27,663	11,524	37,574
Total	85,526	59,802	102,364

During the period ended 30 September 2018, there were contingent rents totalling £53,564 (31 October 2017: £113,953, 31 March 2018: £149,492).

for the six months ended 30 September 2018

16. Issued share capital

For the period 1 April 2018 to 30 September 2018

			£'000	Number of Ordinary Shares
	Ordinary Shares issued and fully paid			
	At the beginning and end of the period		1,515	151,558,251
	For the period 1 May 2017 to 31 October 2017			
				Number of
			£'000	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 2	4 October 2017	279	27,911,001
	At the end of the period		1,515	151,558,251
	For the period 1 May 2017 to 31 March 2018			
			£'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 2	24 October 2017	279	27,911,001
	At the end of the period		1,515	151,558,251
17.	Share premium account			
		Period from 1 April 2018 to 30 September 2018 (unaudited) £'000	Period from 1 May 2017 to 31 October 2017 (unaudited) £'000	Period from 1 May 2017 to 31 March 2018 (audited) £'000
	Balance at the beginning of the period	49,768	22,514	22,514
	Issued on admission to trading on the London Stock Exchange on 24 October 2017	_	27,771	27,771
	Share issue costs	3	(546)	(517)
	Balance at the end of the period	49,771	49,739	49,768

for the six months ended 30 September 2018

18. Transactions with related parties

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

For the six months ended 30 September 2018, 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 April 2018 to 30 September 2018, the Company incurred £648,247 (six months ended 31 October 2017: £519,373; eleven months ended 31 March 2018: £988,612) in respect of investment management fees and expenses of which £327,990 was outstanding at 30 September 2018 (31 October 2017: £259,276; 31 March 2018: £469,239).

19. Events after reporting date

Dividend

On 22 October 2018, the Board declared its second interim dividend of 2.00 pence per share in respect of the period from 1 July 2018 to 30 September 2018. The dividend payment will be made on 30 November 2018 to shareholders on the register as at 2 November 2018. The ex-dividend date was 1 November 2018.

The dividend of 2.00 pence per share was designated 1.50 pence per share as an interim property income distribution ("PID") and 0.50 pence per share as an interim ordinary dividend ("non-PID"). Unless shareholders have elected to receive the PID gross, 20% tax will be deducted at source, while the non-PID is paid gross.

Financing

On 22 October 2018, the Company extended the term of the loan facility by three years up to 22 October 2023. Further details on the extension are included in the Chairman's Statement on financing on page 3.

EPRA Unaudited Performance Measures

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

MEASURE AND DEFINITION

1. EPRA Earnings

Earnings from operational activities.

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.

3. EPRA NNNAV

EPRA NAV adjusted to include the fair values of:
(i) financial instruments;

(ii) debt; and

(iii) deferred taxes.

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.

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).

5. EPRA Vacancy

Estimated Market Rental Value ('ERV') of vacant space divided by ERV of the whole portfolio.

6. EPRA Cost Ratio

Administrative and operating costs (including and excluding costs of direct vacancy) divided by gross rental income.

PURPOSE

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.

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.

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.

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.

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.

A "pure" (%) measure of investment property space that is vacant, based on ERV.

A key measure to enable meaningful measurement of the changes in a company's operating costs.

PERFORMANCE

£6.22 million/4.10 pps EPRA earnings for the six month period ended 30 September 2018 (six month period ended 31 October 2017: £4.66 million/3.73 pps)

£151.64 million/100.06 pps EPRA NAV as at 30 September 2018 (At 31 March 2018: £146.01 million/ 96.34 pps)

£151.65 million/100.06 pps EPRA NNNAV as at 30 September 2018 (At 31 March 2018: £146.03 million/ 96.36 pps)

7.89% EPRA NIY as at 30 September 2018 (At 31 March 2018: 7.73%)

8.06% EPRA 'Topped-Up' NIY as at 30 September 2018 (At 31 March 2018: 8.52%)

3.27% EPRA vacancy as at 30 September 2018 (At 31 March 2018: 7.10%)

18.68%

EPRA Cost Ratio (including direct vacancy cost) as at 30 September 2018 (At 31 October 2017: 23.60%) 14.96% EPRA Cost ratio excluding direct vacancy costs as at 30 September 2018 (At 31 October 2017: 15.54%)

EPRA Unaudited Performance Measures (continued)

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

	30 September 2018 £'000
Investment property – wholly-owned	193,530
Allowance for estimated purchasers' costs	13,160
Gross up completed property portfolio valuation	206,690
Annualised cash passing rental income Property outgoings	16,975 (659)
Annualised net rents	16,316
Rent expiration of rent-free periods and fixed uplifts	345
'Topped-up' net annualised rent	16,661
EPRA Net Initial Yield	7.89%
EPRA 'topped-up' Net Initial Yield	8.06%

EPRA Net Initial Yield (NIY) basis of calculation

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

The valuation of grossed up completed property portfolio is determined by our external valuers as at 30 September 2018, 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

Carcaration of Livit vacancy hade	
	30 September 2018 £'000
Annualised potential rental value of vacant premises	556
Annualised potential rental value for the completed property portfolio	16,988
EPRA Vacancy Rate	3.27%
Calculation of EPRA Cost Ratios	
	30 September 2018 £'000
Administrative/operating expense per IFRS income statement	1,600
Less: Ground rent costs	(25)
EPRA Costs (including direct vacancy costs)	1,575
Direct vacancy costs	(314)
EPRA Costs (excluding direct vacancy costs)	1,261
Gross Rental Income	8,430
EPRA Cost Ratio (including direct vacancy costs)	18.68%
EPRA Cost Ratio (excluding direct vacancy costs)	14.96%

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 47. 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

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

Annual and Interim Reports

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

Provisional Financial Calendar

31 March 2019 Year end

June 2019 Announcement of annual results

September 2019 Annual General Meeting

30 September 2019 Half-year end

November 2019 Announcement of interim results

Dividends

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

Interim dividend for the period 1 April 2018 to 30 June 2018 (payment made on 31 August 2018)
Interim dividend for the period 1 July 2018 to 30 September 2018 (payment to be made on 30 November 2018)

Total 6,062,330

£

3,031,165

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)

Registered Office

6th Floor 65 Gresham Street London EC2V 7NQ

Investment Manager

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

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

Property Manager

M J Mapp 180 Great Portland Street London W1W 5QZ

Corporate Broker

Liberum Ropemaker Place 25 Ropemaker Street London EC2Y 9LY

Legal Adviser to the Company

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

* Independent of the Investment Manager.

Depositary

Langham Hall UKLLP 5 Old Bailey London 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.

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 rentThe 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

('EPRA NIY')

Annualised rental income based on the cash rents passing at the balance sheet date, less non-recoverable property operating expenses, divided by the fair value of the property, increased with

(estimated) purchasers' costs.

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)

Equivalent Yield The internal rate of return of the cash flow from the property, assuming a rise to ERV at the next review or

lease expiry. No future growth is allowed for.

Estimated Rental Value ('ERV') The external 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.

External Valuer An independent external valuer of a property. The Company's External Valuer is Knight Frank LLP.

Fair value The estimated amount for which a property should exchange on the valuation date between a willing

buyer and a willing seller in an arm's length transaction after proper marketing and where parties had

each acted knowledgeably, prudently and without compulsion.

Fair value movement An accounting adjustment to change the book value of an asset or liability to its fair value.

FCA The Financial Conduct Authority.

FRI lease A lease which imposes full repairing and insuring obligations on the tenant, relieving the landlord from

all liability for the cost of insurance and repairs.

Gross Asset Value The aggregate value of the total assets of the Company as determined in accordance with IFRS.

International Accounting Standards Board.

International Financial Reporting Standards, as adopted by the European Union.Investment ManagerThe Company's Investment Manager is AEW UK Investment Management LLP.

IPD Investment Property Databank. An organisation supplying independent market indices and portfolio

benchmarks to the property industry.

IPO The admission to trading on the London Stock Exchange's Main Market of the share capital of the

Company and admission of Ordinary Shares to the premium listing segment of the Official List on

12 May 2015.

Lease incentives Incentives offered to occupiers to enter into a lease. Typically this will be an initial rent-free period, or a

cash contribution to fit-out. Under accounting rules the value of the lease incentive is amortised through

the Statement of Comprehensive Income on a straight-line basis until the lease expiry.

Lease Surrender An agreement whereby the landlord and tenant bring a lease to an end other than by contractual expiry

or the exercise of a break option. This will frequently involve the negotiation of a surrender premium by

one party to the other.

LIBOR The London Interbank Offered Rate, the interest rate charged by one bank to another for lending money.

Loan to Value ('LTV')

The value of outstanding loans and borrowings (before adjustments for issue costs) expressed as a

percentage of the combined valuation of the property portfolio (as provided by the valuer) and the fair

value of other investments.

Net Asset Value ('NAV')Net Asset Value is the equity attributable to shareholders calculated under IFRS.

Net Asset Value per share Equity shareholders' funds divided by the number of Ordinary Shares in issue.

Net Asset Value Total Return The percentage change in NAV from the start of a period to the end of a period, assuming that dividends

paid to shareholders are reinvested at NAV.

Net equivalent yield 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.

Net Initial Yield ('NIY') The initial net rental income from a property at the date of purchase, expressed as a percentage of the

gross purchase price including the costs of purchase.

Net rental incomeRental income receivable in the period after payment of ground rents and net property outgoings.

Non-PID Non-Property Income Distribution. The dividend received by a shareholder of the Company arising from

any source other than profits and gains of the Tax Exempt Business of the Company.

Ongoing charges The ratio of total administration and property operating costs expressed as a percentage of average NAV

throughout the period.

Ordinary Shares

The main type of equity capital issued by conventional Investment Companies. Shareholders are entitled

to their share of both income, in the form of dividends paid by the Company, and any capital growth.

Over-rented Space where the passing rent is above the ERV.

Passing rent The gross rent, less any ground rent payable under head leases.

PID Property Income Distribution. A dividend received by a shareholder of the Company in respect of profits

and gains of the tax exempt business of the Company.

Rack-rented Space where passing rent is the same as the ERV.

REIT A Real Estate Investment Trust. A company which complies with Part 12 of the Corporation tax Act 2010.

Subject to the 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.

Reversion Increase in rent estimated by the Company's External Valuers, where the passing rent is below the ERV.

Reversionary yield The anticipated yield, which the initial yield will rise (or fall) to once the rent reaches the ERV.

Share price The value of a share at a point in time as quoted on a stock exchange. The Company's Ordinary Shares

are quoted on the Main Market of the London Stock Exchange.

Total returns

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

Total Shareholder Return The percentage change in the share price assuming dividends are reinvested to purchase additional

Ordinary Shares.

Under-rented Space where the passing rent is below the ERV.

UK Corporate Governance Code A code issued by the Financial Reporting Council which sets out standards of good practice in relation

to board leadership and effectiveness, remuneration, accountability and relations with shareholders. All companies with a Premium Listing of equity shares in the UK are required under the Listing Rules to

report on how they have applied the Code in their annual report and accounts.

VoidsThe amount of rent relating to properties which are unoccupied and generating no rental income.

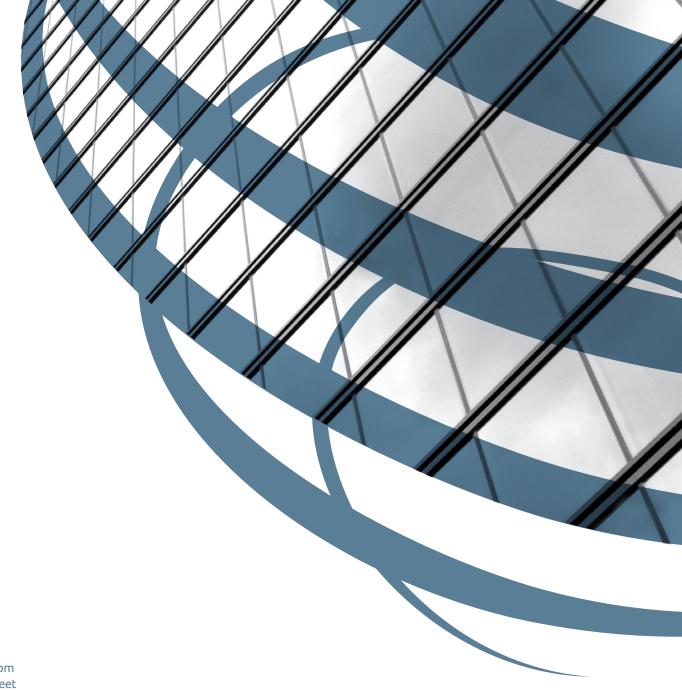
Stated as a percentage of ERV.

Weighted Average Unexpired
Lease Term ('WAULT')

The average lease term remaining for first break, or expiry, across the portfolio weighted by contracted

rental income (including rent-frees).

Yield compression Occurs when the net equivalent yield of a property decreases, measured in basis points.



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