

AEW UK REIT plc

Annual Report and Financial Statements
for the period 1 May 2017 to 31 March 2018

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Strategic Report

Financial Highlights

- Net Asset Value ('NAV') of £146.03 million and of 96.36 pence per share as at 31 March 2018 (30 April 2017: £118.67 million and 95.98 pence per share).
- Operating profit before fair value changes of £9.60 million for the period (year ended 30 April 2017: £9.81 million).
- Unadjusted profit before tax ('PBT') of £9.82 million and of 7.17 pence per share for the period (year ended 30 April 2017: £6.10 million and of 5.04 pence per share).
- EPRA Earnings Per Share ('EPRA EPS')* for the period of 6.56 pence (year ended 30 April 2017: 7.57 pence).
- Total dividends of 7.33 pence per share have been declared for the period (year ended 30 April 2017: 8.00 pence per share).
- Total shareholder return* for the period was 3.65% (year ended 30 April 2017: 8.22%).
- The Company raised gross capital proceeds of £28.05 million for the period (year ended 30 April 2017: £6.00 million).
- The price of the Company's Ordinary Shares on the Main Market of the London Stock Exchange was 95.60 pence per share as at 31 March 2018 (30 April 2017: 99.56 pence per share).
- As at 31 March 2018, the Company had a £60.00 million (30 April 2017: £40.00 million) term credit facility with the Royal Bank of Scotland International Limited ('RBSi') and was geared to 26.00% of the Gross Asset Value ('GAV') (30 April 2017: 19.31%).
- The Company held cash balances totalling £4.71 million as at 31 March 2018 (30 April 2017: £3.65 million), of which £3.57 million (30 April 2017: £1.31 million) was held for the purposes of capital acquisitions.

Property Highlights

- The Company acquired ten properties during the period for a combined purchase price of £60.11 million, excluding acquisition costs (year ended 30 April 2017: five properties for £24.70 million), and disposed of one property for gross sales proceeds of £11.05 million (year ended 30 April 2017: one property for gross sales proceeds of £2.05 million).
- As at 31 March 2018, the Company's property portfolio had a fair value of £192.34 million (30 April 2017: £137.82 million) and a historical cost of £196.64 million (30 April 2017: £140.19 million).
- The majority of assets that have been acquired are fully let and the portfolio has a vacancy rate of 7.10% (30 April 2017: 7.22%).
- Rental income generated in the period under review was £12.33 million (year ended 30 April 2017: £12.15 million). The number of tenants as at 31 March 2018 was 104 (30 April 2017: 79).
- Portfolio net initial yield ('NIY') of 7.74% as at 31 March 2018 (30 April 2017: 7.63%).
- Weighted average unexpired lease term ('WAULT') of 5.08 years (30 April 2017: 5.22 years) to break and 6.16 years (30 April 2017: 6.37 years) to expiry.

* See Glossary page 104 for definition of alternative performance measures.

The current period being reported is for the 11 months from 1 May 2017 to 31 March 2018. The prior period ended 30 April 2017 was a 12 month period and so cannot be used as a direct comparator.

Chairman's Statement

Overview

I am pleased to present the audited results of AEW UK REIT plc (the 'Company') for the period from 1 May 2017 to 31 March 2018. This Annual Report covers a period of 11 months following a change in year end from 30 April to 31 March, which was made in order to align the Company's reporting dates with those of its peers in the UK commercial property sector. As at 31 March 2018, the Company had established a diversified portfolio of 36 commercial investment properties throughout the UK with a portfolio value of £192.34 million. On a like-for-like basis (like-for-like being the movement in the valuation provided by the valuer of those properties which have been held for the duration of the period in question), the Company's property portfolio valuation increased by 3.95% over the 11 month period.

The Company's focus during the period remained on growth in a way that is beneficial to its shareholders and this was achieved through the issue of 27.91 million new Ordinary Shares in October 2017. The shares were issued at 100.50 pence per share, raising gross proceeds of £28.05 million. In a climate of continued Brexit related uncertainty, this was a positive result and has allowed the Investment Manager to continue to strengthen and diversify the portfolio of assets. It has also contributed to the fall in the ongoing charges ratio which is 1.24% for the period to 31 March 2018 (year ended 30 April 2017: 1.52%). The Initial Issue price represented a premium of 3.76% to NAV, enabling the 2% issuance costs to be absorbed without diluting the NAV.

In addition to growth, the Company has continued to deliver its target dividend of 8.00 pence per share per annum and the Investment Manager has remained focussed on sourcing assets which can deliver sustainable income streams to support this dividend. During the quarter ended 31 July 2017, preceding the Initial Issue, the Company was fully invested, having utilised its capital proceeds in full, as well as all of its available loan facility. This allowed the Company to achieve EPRA EPS of 2.10 pence per share for the quarter ended 31 July 2017, ahead of the target dividend of 2.00 pence per share, demonstrating the ability of the portfolio to deliver an income yield which can sustain the Company's target dividend when fully invested.

To supplement the high yielding profile of the portfolio, the Investment Manager also continues to add value through active asset management. In September 2017, the Company realised a valuation uplift on Valley Retail Park, Belfast, selling the asset for £11.05 million. The property was acquired in August 2015 for £7.15 million and following extensive asset management and repositioning of the asset, the business plan had been fully implemented and the Investment Manager took the opportunity to realise a gain on historical cost of over £3 million.

This disposal, together with the share issue in October 2017, had a temporary dilutive effect on EPRA EPS until the funds had been fully invested in new acquisitions. During the period of investment following the Initial Issue and up to the period end 31 March 2018, the Company made seven further acquisitions totalling £49.49 million, fully utilising the capital raised as well as an additional £17.50 million of debt, bringing the gearing level up to 26.00% as at 31 March 2018. As at the period end, the Company was again in the position of being fully invested, which should enable it to cover its quarterly dividend target of 2.00 pence per share.

The Company's shares traded at a premium to NAV for the majority of the period and peaked at a premium of 8.88% in May 2017. In the three months to 31 March 2018, the share price fell by 3.92%, which is a reflection of the performance of the wider market, as the FTSE EPRA/NAREIT UK Index fell in value by 4.91% over the same period. As at 31 March 2018, the Company's share price was 95.60 pps, which is a 0.79% discount to NAV. The fall in share price over the 11 month period, offset by total dividend payments of 7.33 pence per share, generated a shareholder total return of 3.65%, compared with a NAV total return (see page 105 for definition) of 8.70%.

During the period, a resolution was passed to amend the Company's investment restrictions so that the value of properties, measured at the time of each investment, in any one of the following sectors: offices; retail warehouses; high street retail and industrial/warehouses will not exceed 50% of the Company's GAV, previously this had been measured against NAV. This has allowed the Company to purchase further properties in the industrial sector, in which the Investment Manager continues to see significant opportunities. The Board and the Investment Manager continually review the investment strategy and investment restrictions in order to maximise potential returns from an appropriate risk profile. Any material change to the investment policy of the Company may only be made with the prior approval of the shareholders.

Chairman's Statement *(continued)*

Financial Results

	Period from 1 May 2017 to 31 March 2018 (audited)	Year ended 30 April 2017 (audited)
Operating Profit before fair value changes (£'000)	9,601	9,806
Operating Profit (£'000)	10,472	6,858
Profit after Tax (£'000)	9,820	6,099
Earnings Per Share (basic and diluted) (pence)	7.17	5.04
EPRA Earnings Per Share (basic and diluted) (pence)	6.56	7.57
Ongoing Charges (%)	1.24	1.52
Net Asset Value per share (pence)	96.36	95.98
EPRA Net Asset Value per share (pence)	96.34	95.95

Operating profit, profit after tax and earnings per share have all increased significantly for the 11 months to 31 March 2018, compared with the 12 months to 30 April 2017. This is largely a result of a positive movement in the fair value of investment properties of £1.01 million (year ended 30 April 2017: decrease of £3.16 million). These movements can be attributed to both the positive effect of asset management initiatives in the current period and positive yield movement, particularly across our portfolio of industrial assets.

On the other hand, EPRA Earnings per Share, which excludes fair value movements on investment property, has fallen to 6.56 pence per share or 7.16 pence per share pro-rated over 12 months (year ended 30 April 2017: 7.57 pence per share). This is largely a reflection of the cash drag from the issue of new equity during the period. During the 11 months ended 31 March 2018, the Company raised gross equity proceeds of £28.05 million (year ended 30 April 2017: £6.00 million).

The small increases in NAV per share and EPRA NAV per share reflect the aforementioned valuation increases in the property portfolio.

Financing

The Company increased its credit facility to £60.00 million in March 2018, following the share issue in October 2017.

The Company made three drawdowns during the period, utilising £3.49 million of the facility in July 2017, £7.50 million in February 2018 and £10.00 million in March 2018. The total balance drawn as at 31 March 2018 was £50.00 million (30 April 2017: £29.01 million).

The loan attracts interest at 3 month LIBOR + 1.4%, making an all-in rate at 31 March 2018 of 2.11% (30 April 2017: 1.74%). The Company is protected from a significant rise in interest rates as it has interest rate caps with a combined notional value of £36.50 million (30 April 2017: £26.50 million), resulting in the loan being 73% hedged. A notional value of £26.50 million is capped at 2.50%, and £10.00 million at 2.00% (30 April 2017: £26.50 million at 2.50%).

As at 31 March 2018, the unexpired term of the facility was 2.6 years (30 April 2017: 3.5 years) and the gearing was 26.00% (30 April 2017: 19.31%) (as calculated on the GAV of the investment portfolio).

Chairman's Statement *(continued)*

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

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 three quarterly dividends of 2.00 pence per Ordinary Share and one dividend of 1.33 pence per Ordinary Share, which relates to the two month period ended December 2017.

On 26 April 2018, the Board declared an interim dividend of 2.00 pence per Ordinary Share in respect of the period from 1 January 2018 to 31 March 2018. This interim dividend was paid on 31 May 2018 to shareholders on the register as at 11 May 2018. Including this dividend, the Company has paid 20.83 pence per share since launch.

The Directors will declare dividends taking into account the level of the Company's net income and the Directors' view on the outlook for sustainable recurring earnings. As such, the level of dividends paid may increase or decrease from the current annual dividend of 8.00 pence per share. Based on current market conditions, the Company expects to pay an annualised dividend of 8.00 pence per share in respect of the financial year ending 31 March 2019 and for the interim period to 30 September 2018.

Outlook

The Board and the Investment Manager are pleased with the strong income returns delivered to our shareholders to date through the diversified and high yielding property portfolio that has been established. Based on annualised dividend payments of 8.00 pence per share, the Company delivers a dividend yield of 8.37% as at 31 March 2018.

The Company has now established a stabilised portfolio and as such, we expect to be able to more frequently deliver a covered dividend, with recent acquisitions giving a significant boost to the initial yield of the portfolio, which was 7.74% as at 31 March 2018.

There is also value to be gained through asset management initiatives. The portfolio had a vacancy rate of 7.10% as at 31 March 2018 and has since achieved sales comprising 1.9% of total vacancy with a further 1.3% under offer to let. There is one planned capex project at Eastpoint Business Park, Oxford, which is expected to increase the ERV and future potential income from the asset once complete.

In the wider economic environment, prospects continue to be dominated by Brexit negotiations, although it seems that some progress has been made towards arriving at a trade deal. The ultimate outcome remains unknown, and it remains difficult to assess the impact on the UK commercial property market. For some businesses it seems this lack of clarity is making it difficult to plan and invest, and it is hoped that negotiations during the remainder of 2018 should bring about more certainty. Our portfolio is relatively defensively positioned with regards to Brexit. We have no central London exposure, where it is anticipated Brexit will have the most significant impact. 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 further share issues as part of the 12 month share issuance programme as set out in the Company's Prospectus, subject to market conditions. The Company has a strategy to raise funds at intervals in order to minimise cash drag. Subject to future fund raising, 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
8 June 2018

Business Model and Strategy

Introduction

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

Investment Objective

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

Investment Policy

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

Within the scope of restrictions set out below (under the heading 'Investment Restrictions') the Company may invest up to 10% of its Net Assets (at the time of investment) in the AEW UK Core Property Fund (the 'Core Fund').

The Company did not hold any investment in the Core Fund as at 31 March 2018 and does not intend to reinvest in the Core Fund, but will keep this under review.

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

Investment Restrictions

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

- the value of no single property, at the time of investment, will represent more than 15% of GAV;
- the Company may commit up to a maximum of 10% of its NAV (measured at the commencement of the project) to development activities;
- the value of properties, measured at the time of each investment, in any one of the following sectors: office properties, retail warehouses, high street retail and industrial/warehouse properties will not exceed 50% of GAV;
- investment in unoccupied and non-income producing assets will, at the time of investment, not exceed 20% of NAV;
- the Company will not invest in other closed-ended investment companies; and
- if the Company invests in derivatives for the purposes of efficient portfolio and cash management, the total notional value of the derivatives at the time of investment will not exceed, in aggregate, 35% of GAV.

Business Model and Strategy *(continued)*

Investment Restrictions (continued)

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

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

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

Our Strategy

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

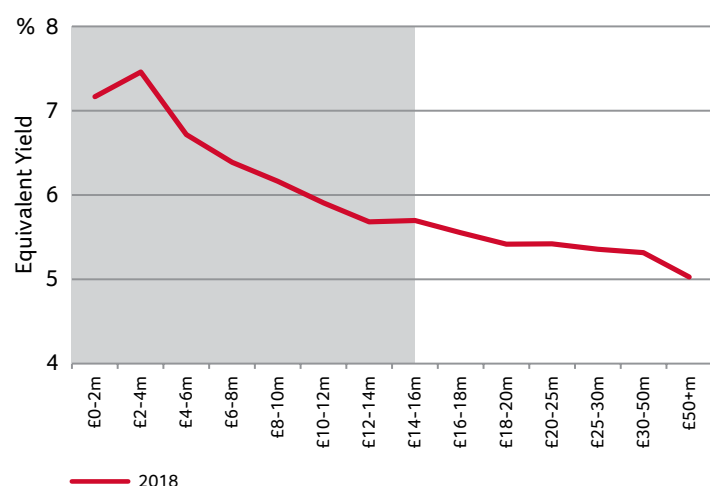
- typically have a value, on investment, of between £2.5 million and £15 million;
- have initial net yields, on investment, of typically between 7.5–10%;
- achieve across the whole Portfolio weighted average lease term of between three to six years remaining;
- achieve, across the whole Portfolio, a diverse and broad spread of tenants; and
- have some potential for asset management initiatives to include refurbishment and re-lettings.

Business Model and Strategy *(continued)*

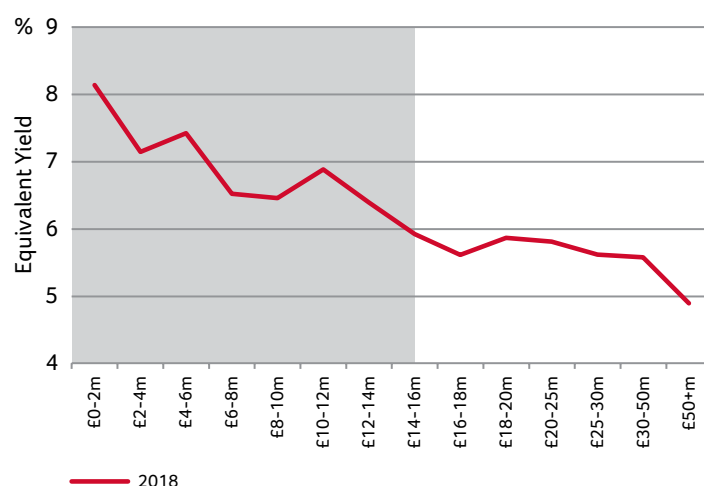
The Company's strategy is focused on delivering enhanced returns from the smaller end (up to £15 million) of the UK commercial property market. The Company believes that there are currently pricing inefficiencies in smaller commercial properties relative to the long term pricing resulting in a significant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

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

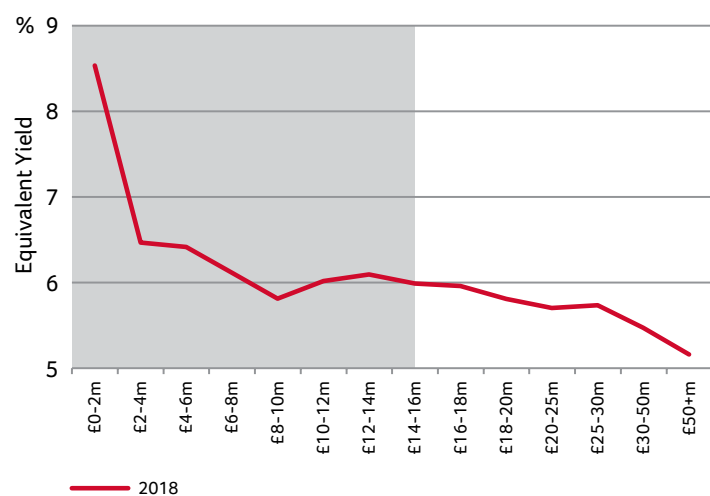
INDUSTRIAL



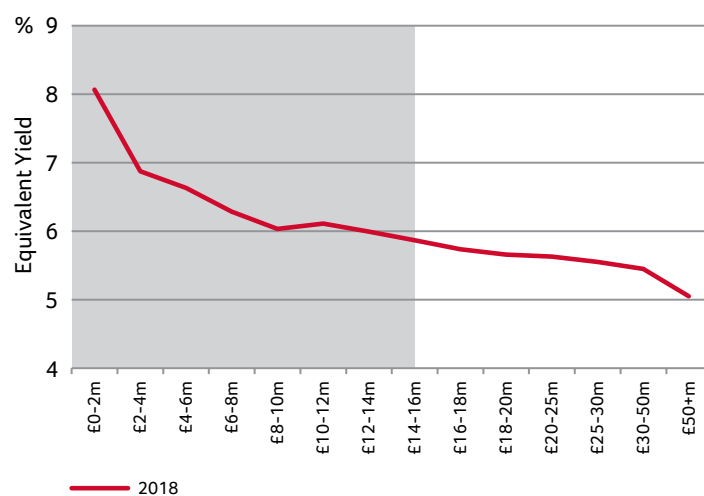
LONDON & SE OFFICES



RETAIL



ALL PROPERTY



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

Source: IPD, 31 March 2018

Business Model and Strategy (continued)

How we add value

An Experienced Team

The investment management team average 19 years working together, reflecting stability and continuity.

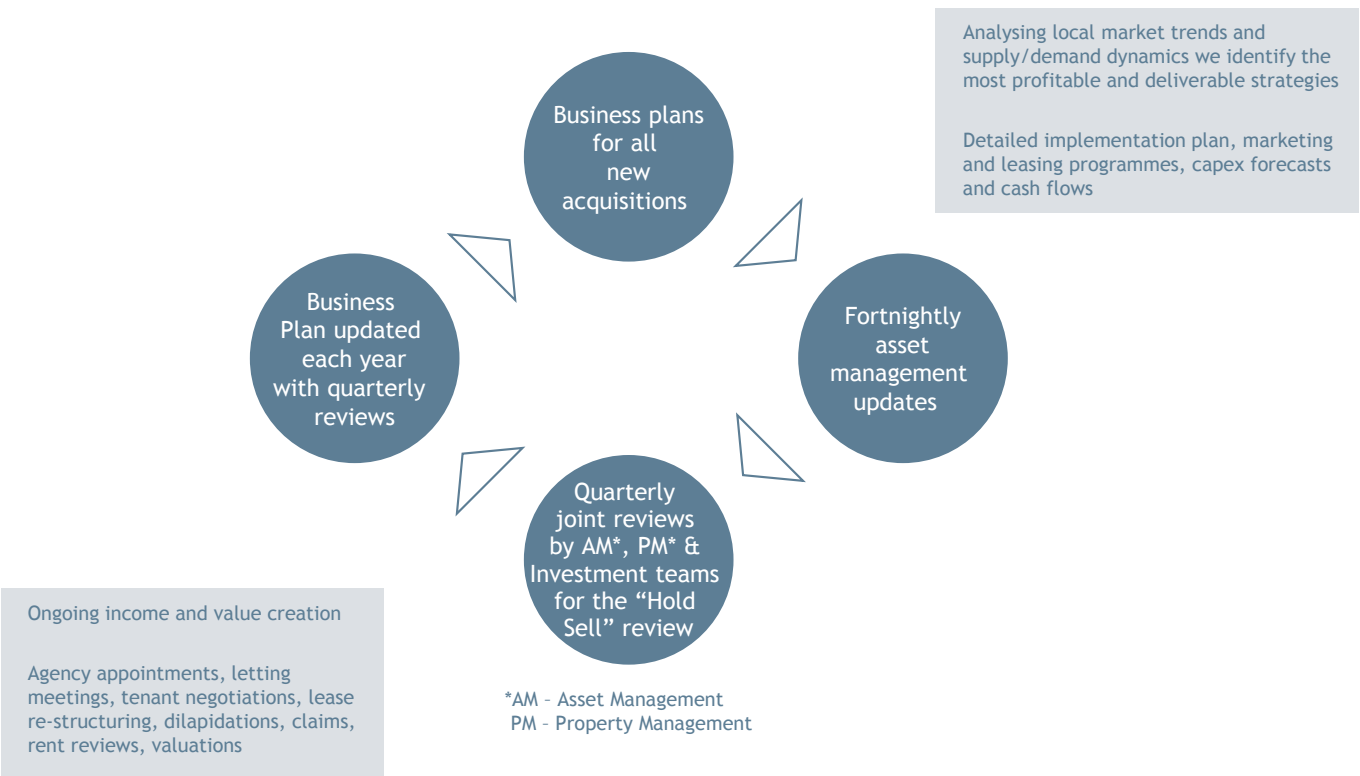
Value Investing

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

Active Asset Management

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

Our Asset Management Process



Strategy in Action

Acquiring a stable income stream on a site with a higher alternative use value

London East Leisure Park, Dagenham

- Acquired March 2018
- A net initial yield of 5.8%, rising to 8% in September 2018
- WAULT of 13 years to break and potential to increase this in the short term with asset management
- Acquisition price is underpinned by residential land values



Strategy in Action *(continued)*

Opportunities to drive rental growth and reduce vacancy

Diamond Business Park, Wakefield

- Acquired February 2018
- Low average passing rent of £2.65 per sq ft on let accommodation creating potential for rental growth
- Reversionary yield of 11% once fully let



Strategy in Action *(continued)*

Repositioning an asset to maximise income

Pearl Assurance House, Nottingham

- Acquired May 2016
- Consent gained for residential conversion of office accommodation and onward sale to a developer in April 2018
- Retention of ground floor accommodation providing an ongoing yield in excess of 9%



Strategy in Action *(continued)*

Extending income streams to maximise value

Langthwaite Industrial Estate, South Kirkby

- Acquired in November 2015
- Leases renewed in July 2017 with no rent free period
- Valuation increase of 14% since purchase



Strategy in Action *(continued)*

Acquiring a strong income stream with potential to renew

Geddington Road, Corby

- Acquired February 2018
- Net initial yield of 10%
- Opportunity to extend the current lease to a global logistics specialist
- Adjoining logistics and residential development creates alternative use value

Strategy in Action *(continued)*

Active asset management driving value in prime locations

Queen Square, Bristol

- Acquired December 2015 with c. 50% vacancy
- Fully let as at March 2018
- Valuation increase of 49% since purchase



Key Performance Indicators

KPI AND DEFINITION	RELEVANCE TO STRATEGY	PERFORMANCE
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.	The Net Initial Yield is an indicator of the ability of the Company to meet its target dividend after adjusting for the upward impacts of leverage and deducting operating costs.	7.74% at 31 March 2018 (30 April 2017: 7.63%)
2. True Equivalent Yield The average weighted return a property will produce according to the present income and estimated rental value assumptions, assuming the income is received quarterly in advance.	An Equivalent Yield profile in line with the Company's target dividend yield shows that, after costs, the Company should have the ability to meet its proposed dividend through property income.	8.20% at 31 March 2018 (30 April 2017: 8.50%)
3. Reversionary Yield The expected return the property will provide once rack rented.	A Reversionary Yield profile that is in line with an Initial Yield profile shows a potentially sustainable income stream that can be used to meet dividends past the expiry of a property's current leasing arrangements.	8.03% at 31 March 2018 (30 April 2017: 8.37%)
4. Weighted Average Unexpired Lease Term ('WAULT') to expiry The average lease term remaining to expiry across the portfolio, weighted by contracted rent.	The Investment Manager believes that current market conditions present an opportunity whereby assets with a shorter unexpired lease term are often mispriced. It is also the Investment Manager's view that a shorter WAULT is useful for active asset management as it allows the Investment Manager to engage in direct negotiation with tenants rather than via rent review mechanisms.	6.16 years at 31 March 2018 (30 April 2017: 6.37 years)

Key Performance Indicators *(continued)*

KPI AND DEFINITION	RELEVANCE TO STRATEGY	PERFORMANCE
5. Weighted Average Unexpired Lease Term to break The average lease term remaining to break, across the portfolio weighted by contracted rent.	The Investment Manager believes that current market conditions present an opportunity whereby assets with a shorter unexpired lease term are often mispriced. As such, it is in line with the Investment Manager's strategy to acquire properties with a WAULT that is generally shorter than the benchmark. It is also the Investment Manager's view that a shorter WAULT is useful for active asset management as it allows the Investment Manager to engage in direct negotiation with tenants rather than via rent review mechanisms.	5.08 years at 31 March 2018 (30 April 2017: 5.22 years)
6. NAV NAV is the value of an entity's assets minus the value of its liabilities.	The NAV reflects the Company's ability to grow the portfolio and add value to it throughout the life cycle of its assets.	£146.03 million at 31 March 2018 (30 April 2017: £118.67 million)
7. Leverage (Loan to Gross Asset Value) The proportion of our property portfolio that is funded by borrowings.	The Company utilises borrowings to enhance returns over the medium term. Borrowings will not exceed 35% of GAV (measured at drawdown) with a long term target of 25% or less of GAV.	26.00% at 31 March 2018 (30 April 2017: 19.31%)
8. Vacant ERV The space in the property portfolio which is currently unlet, as a percentage of the total ERV of the portfolio.	The Company's aim is to minimise vacancy of the properties. A low level of structural vacancy provides an opportunity for the Company to capture rental uplifts and manage the mix of tenants within a property.	7.10% at 31 March 2018 (30 April 2017: 7.22%)
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.	2.00 pps for the quarter ended 31 March 2018 This supports an annualised dividend of 8.00 pps

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. The Investment Manager presents this measure to provide investors with a clear picture of operational costs involved in running the Company.	1.24% for the period ended 31 March 2018 (year ended 30 April 2017: 1.52%)
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.	£9.82 million for the period ended 31 March 2018 (year ended 30 April 2017: £6.10 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.	3.65% for the period ended 31 March 2018 (year ended 30 April 2017: 8.22%)
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 8 of the Financial Statements.	This reflects the Company's ability to generate earnings from the portfolio which underpins dividends.	6.56 pps for the period ended 31 March 2018 (year ended 30 April 2017: 7.57 pps)

Investment Manager's Report



Alex Short – Portfolio Manager

Market Outlook

UK Economic Outlook

In April 2018, Q1 2018 growth was reported at 0.1% by the Office of National Statistics ('ONS'), well below the expected 0.3% and the weakest quarterly growth since 2012. This could trigger a downward revision for the full year 2018 growth forecasts, following on from a weak performance in 2017. UK growth for 2017 was reported at 1.8% by the ONS, the weakest performance of the UK economy in five years, due to a sharp rise in inflation squeezing household spending power.

This left the UK falling behind other major economies, such as the US and Germany, which grew by 2.3% and 2.5% respectively, as the global recovery begins to gather pace. The strength of the global economy, and the competitive value of the pound, should boost growth in export-oriented sectors. However, consumers continue to be squeezed by high inflation, while uncertainty surrounding Brexit is deterring business investment.

The 2017 figures demonstrate the impact on household budgets, with spending growing by 1.7%, which is the slowest rate of annual growth since 2012. This came as a result of inflation outpacing wage growth, driven by the post-Brexit fall in Sterling. However for the

three months to February 2018, ONS figures reported wage inflation (including bonuses) of 2.8%, which exceeded cost inflation as the consumer price index ('CPIH') dipped to 2.5% in February 2018.

Many thought that this, coupled with low unemployment levels, would allow the Bank of England ('BoE') to make a second interest rate rise in May 2018, following a rise of 0.25% in November 2017, which was the first increase in a decade. However, the recent slowdown in economic growth has delayed any such increase, although it is anticipated that the BoE could raise interest rates once or twice during the remainder of 2018 and 2019. It is thought that the pace of rate rises will remain gradual and, with growth now slowing, the prospect of higher interest rates and inflation driven by growth should not be seen as a serious threat. Therefore we anticipate interest rates to remain stable and supportive of the prospects for UK growth.

UK Real Estate Outlook

Despite the economic pressures, we think that the property sector is set for another strong year, primarily due to its relative high yield compared with other sectors. The property market continues to show healthy spreads over 10 year government bond yields, and is still in the advantageous position of offering one of the highest yields from traditional asset classes.

All property total returns were 1.7% for the three months ended 31 March 2018 (IPD Quarterly Index for standing investments) and the 12 month return to 31 March 2018 was 9.3%. Overseas capital was a key feature of the property market in 2017, with overseas buyers accounting for almost half the 2017 UK investment. It is expected that the weight of money targeting the sector will remain high in 2018 from overseas private wealth investors attracted by the relative yield.

One of the main risks to the real estate market outlook will be the possibility of a 'Hard Brexit'. Although a relatively favourable end trading relationship is anticipated, with a transition period likely to last until December 2020 following the UK's exit from the EU in 2019, we still do not have a comprehensive agreement on the UK's long-term future with the EU and there remains a risk that the UK could leave without a trade deal. The outlook should become clearer during the remainder of 2018, but in the event that the future trading relationship includes barriers to trade, the real estate occupier market could weaken.

The wider political landscape in the UK also contains risks, both in terms of political leadership and policy, and specifically for the real estate sector, which could face increased taxation and regulation. The November 2017 Budget proposed measures to end capital gains tax exemption for overseas investors in commercial property from 2019, which could lead to some moderation in overseas investment.

Investment Manager's Report *(continued)*

Sector Outlook

Retail

It has been well documented that the retail sector has weakened in many areas and this has been reflected in financial difficulties for many well-known high street names such as New Look and Toys R Us. Since inception, the Company has positioned its retail purchases to take account of this trend. 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. Indeed, Valley Retail Park, Belfast, has been one of our strongest performing assets, as detailed in the 'Portfolio Activity' section. While we remain cautious on the retail sector, mispriced opportunities can still be found.

Industrial

The industrial sector remains robust and it represents the largest proportion of our portfolio with 42%. We generally focus on assets with low capital value in locations with good accessibility from the national motorway network. In general, with the exception of large regional logistics units, industrial values have not yet reached levels which support the cost of new development, creating a tension between supply and demand often resulting in significant rental growth. Total returns for the industrials market were 19.6% for 2017 (IPD) and rental growth was 5.3%, more than double the all-property average.

This has been demonstrated within the Company's portfolio, for example at Sarus Court Industrial Estate, Runcorn, where new letting deals have moved rental values from £4.50 per sq ft at purchase to £5.50 per sq ft today, which has resulted in a valuation increase of 28% over the 29 months since acquisition of the initial four units. We therefore believe that the portfolio's low average passing rent from industrial property of £3.92 per sq ft make it well placed to benefit from further rental growth and we expect the sector to continue to be an area of opportunity for the Company over the next year.

Offices

Offices represent the Company's second largest sector holding and in some areas we have seen significant value growth. Locations with either high levels of tenant demand or where purchase values are well below that of surrounding residential uses are the focus of our stock selection process. The implementation within the planning regime of permitted development rights ('PDR') allowing for conversion to residential has contributed to a shortage of office stock in some locations and this in turn has led to rental growth in areas of robust occupational demand.

This remains an area where we see interesting opportunities to purchase assets with attractive initial yields. Post purchase, the asset management team work proactively, often implementing initiatives to drive rental value at the same time as working on permitted residential consents to improve the assets residual value ensuring downside protection. For example, the Company's holding in Queen Square, Bristol, has benefited from rental growth as a result of our asset management programme of improvement and refurbishment. The average passing rent at purchase in December 2015 date was under £17 per sq ft, compared to the latest leasing interest at £24 per sq ft. Average rental growth of 44% has contributed to an increase in value from £7.2 million at purchase to £10.7 million as at 31 March 2018.

Alternatives

The alternatives holding in the Company's portfolio works to diversify risk and enhance performance. Alternatives are a growing allocation in most balanced real estate portfolios and this is an area in which we have significant expertise and would like to increase our holding. Our strategy will focus on shorter lease profiles in economically robust areas where tenants are trading profitably from the location. The assets will often provide asset management opportunities, such as the ability to agree longer leases with tenants who often prefer index linked rent reviews. It is a growing sector of the market and presents opportunities to acquire interesting assets at attractive prices, such as London East Leisure Park in Dagenham, which was purchased by the Company in March 2018.

Investment Manager's Report *(continued)*

Pipeline

As demonstrated by the weight of the Company's purchases during the first quarter of 2018, the opportunity persists to purchase assets across all sectors, with attractive and sustainable yield profiles, along with the potential for growth. The Company's investment strategy continues to focus on well located assets, of comparatively small lot size with shorter than average unexpired lease lengths that can be used to actively drive value as part of a business plan. Our stock selection process also closely examines alternative use values for each asset and selects those that provide a strong recovery rate in a downside scenario.

Our pipeline of opportunities remains supportive of our target dividend of 8 pps per annum and our aim of providing an attractive total return from a diversified portfolio of assets. In the short term, purchases will continue to focus on business space and alternatives and will remain opportunistic in the retail sector.

Financial Results

The Company continues to build on a diversified portfolio of properties and as at 31 March 2018 held 36 investment properties (30 April 2017: 29 investment properties). Net rental income earned from the portfolio for the 11 months ended 31 March 2018 was £11.22 million (year ended 30 April 2017: £11.07 million), contributing to an operating profit before fair value changes and disposals of £9.60 million (year ended 30 April 2017: £9.81 million).

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

The portfolio has seen a gain of £1.01 million on revaluation of investment property over the period (year ended 30 April 2017: loss of £3.16 million). Performance was strongly supported by the Company's industrial assets, which saw the greatest like-for-like increase in valuation over the period of each sector. The Company's office and retail warehousing portfolios also increased in valuation during the period on a like-for-like basis. Geographically, performance was strongest in the South West, North West, Eastern and West Midlands regions, while Scotland was the only region with a negative like-for-like valuation movement, highlighting continued uncertainty in occupational markets in this location. That said, we are encouraged by signs of improvement that have been seen here during the first quarter of 2018 and we are hopeful that the current business plan will yield a more positive outcome during the coming 12 months.

The Company reported a loss on disposal of investment properties of £0.22 million (year ended 30 April 2017: gain of £0.73 million), which wholly relates to sales costs for the disposal of Valley Retail Park, Belfast, in September 2017.

Administrative expenses, which include the Investment Manager's fee and other costs attributable to the running of the Company, were £1.62 million for the 11 month period (year ended 30 April 2017: £1.84 million) and Ongoing Charges for the period were 1.24% (year ended 30 April 2017: 1.52%).

The Company incurred finance costs of £0.65 million during the period (year ended 30 April 2017: £0.76 million).

The total profit before tax for the period of £9.82 million (year ended 30 April 2017: £6.10 million) equates to a basic earnings per share of 7.17 pence (year ended 30 April 2017: 5.04 pence).

Investment Manager's Report *(continued)*

The Company's Net Asset Value as at 31 March 2018 was £146.03 million or 96.36 pence per share ("pps") (30 April 2017: £118.67 million or 95.98 pps). This is an increase of 0.38 pps or 0.40%, with the underlying movement in NAV set out in the table below:

	Pence per share	£ million
NAV as at 1 May 2017	95.98	118.67
Change in fair value of investment property	1.11	1.01
Change in fair value of derivatives	(0.02)	(0.02)
Loss on disposal of investment property	(0.17)	(0.22)
Profit on disposal of investments	0.04	0.07
Income earned for the period	9.07	12.33
Expenses and net finance costs for the period	(2.47)	(3.35)
Dividends paid	(7.33)	(9.99)
Issue of equity (net of costs)	0.15	27.53
NAV as at 31 March 2018	96.36	146.03

EPRA earnings per share for the 11 month period was 6.56 pps which, based on dividends paid of 7.33 pps, reflects a dividend cover of 89.50%.

Financing

As at 31 March 2018, the Company had utilised £50.00 million (30 April 2017: £29.01 million) of an available £60.00 million (30 April 2017: £40.00 million) credit facility with RBSi, maturing in October 2020. Gearing as at 31 March 2018 was 26.00% (Loan to GAV) (30 April 2017: 19.31%). The loan attracts interest at LIBOR + 1.4% (30 April 2017: LIBOR + 1.4%). To mitigate the interest rate risk that arises as a result of entering into a variable rate linked loan, the Company holds interest rate caps on £36.51 million (30 April 2017: £26.51 million) of the loan at strike rates of 2.5% on £26.51 million and 2.0% on £10.00 million (30 April 2017: 2.5% on £26.51 million), meaning that the loan is 73% hedged (30 April 2017: 91%).

Portfolio Activity

The Company's objective is to build a diversified portfolio of commercial properties throughout the UK. New acquisitions have been selected to provide a sustainable income return and the potential for growth, whilst also limiting downside risk. The majority of the Company's assets are fully let and as at 31 March 2018, the Company had a vacancy rate of 7.10% (30 April 2017: 7.22%). The following significant investment transactions were made during the period:

- Unit 1005, Sarus Court, Runcorn - In May 2017 the Company acquired Unit 1005 Sarus Court which completes the Company's acquisition of the whole of the Sarus Court industrial estate, where five of the six units were already in the Company's ownership following acquisitions in 2015. Sarus Court forms part of the wider Manor Park industrial estate, strategically located to the west of Runcorn and five kilometres from the Mersey Gateway Project, a new six lane bridge over the River Mersey connecting the towns of Runcorn and Widnes and linking the M56 to M62.

The estate provides well specified, modern industrial units of between 11,000 and 17,000 sq ft, which are let to a number of light-industrial occupiers providing a WAULT of over three years to expiry across the estate. Unit 1005, which is let to Dimension Data until 2020, offers significant reversionary potential, with a passing rent of £4.50 per sq ft which is more than 15% lower than a 2017 letting at 1003 Sarus Court secured at £5.25 per sq ft. The purchase therefore not only offers rental upside but brings the whole estate under the Company's ownership, which will add value from an estate management perspective. The acquisition pricing reflects a Net Initial Yield of 7.8% and a capital value of £55 per sq ft.

Investment Manager's Report *(continued)*

- Deeside Industrial Park – In July 2017 the Company announced the acquisition of a c. 97,000 sq ft single-let industrial building in Deeside, North Wales, for £4.31 million, reflecting a Net Initial Yield of 7.9% and a capital value of £45 per sq ft. The asset, which is located within the established Deeside Industrial Park, is fully let to global enterprise Magellan Aerospace, for a term of four years to break and nine years to expiry. The current passing rent of £3.75 per sq ft is significantly below that seen at other competing centres within the North West, such as in Warrington and Manchester.

Deeside Industrial Park has been established since the 1970s and totals in excess of 600 acres, comprising over 5 million sq ft of industrial and warehouse accommodation attracting a variety of manufacturing and distribution companies. The estate benefits from its close proximity to the national motorway network, being within five miles of both the M56 and M53.

- Storey's Bar Road, Peterborough – During July 2017 the Company announced the acquisition of a c. 184,000 sq ft single-let industrial building in Peterborough, for £5.70 million, reflecting a Net Initial Yield of 8.64% and a capital value of c. £31 per sq ft. The asset, which is located within the Eastern Industrial Estate, is fully let to Walstead Investments Limited for a term of three years to expiry. The passing rent of £2.88 per sq ft is low in comparison to some of the recent lettings in the city and the immediate sub region.
- Core Fund – In May 2017, the Company announced the sale of its remaining units in the Core Fund for total proceeds of £7.67 million.

The Company had held an ownership in the Core Fund since launch in May 2015 for the purpose of expediting its investment period and saw a total return of 13% over the hold period. The units were sold at a price in excess of the Core Fund's latest published NAV.

- Valley Retail Park, Belfast – In September 2017 the Company completed the disposal of the Valley Retail Park in Belfast for £11.05 million. The Company originally purchased the 100,189 sq ft property for £7.15 million in 2015 with a WAULT of only 3 years to break and vacancy in excess of 20%. The Company's proactive asset management activity has added significant value with new lettings to Go Outdoors for a 20 year term and Smyths Toys for a term of 15 years. In 2016, a surrender premium of £1 million was also taken from outgoing tenant, Harvey Norman.

After completion of the asset's business plan, it was felt to be the most beneficial time to dispose in order to maximise shareholder return.

- Commercial Road Portsmouth – In October 2017 the Company acquired 208-220 Commercial Road and 7-13 Crasswell Street, Portsmouth for £6.37m, reflecting a net initial yield of 9.6%. The asset is fully let to seven retail tenants and one office tenant providing a WAULT of 3.6 years to expiry. The 12,475 sq ft retail property is situated within the prime pedestrianised pitch of Commercial Road within Portsmouth's city centre. The property is also directly opposite the main covered shopping centre, The Cascades, which is anchored by Primark, H&M and Next.

As part of the 'Shaping Portsmouth' development initiative, the city is set to receive £1 billion of investment from both public and private sector organisations over the next 20 years.

- Cedar House, Gloucester – In December 2017 the Company announced the acquisition of Cedar House, Spa Road, Gloucester for £3.10 million. The five-storey office block, which is located within the city centre adjacent to Gloucester Park, was acquired for a price reflecting a low capital value of only £80 per sq ft and an attractive net initial yield of 9.1%. The property is currently let to the Secretary of State for Communities & Local Government for use as a Job Centre, with a short unexpired lease term of 0.3 years. However, the tenant has already served a Section 26 notice to renew the lease and as such the Investment Manager has already agreed terms to extend this occupation.

The property is situated within a mixed office and residential area and as such the Investment Manager believes that it provides good long-term alternative use potential. Public transport is easily accessible, with good links to Gloucester Railway Station and a central bus route. The asset provides a total floor area of 38,427 sq ft and includes substantial car parking facilities, with 103 spaces available.

Investment Manager's Report *(continued)*

- Knowles Lane, Bradford – In January 2018, the Company completed the purchase of Knowles Lane, Bradford, for £2.10 million. The asset is fully let to one tenant, Pilkington UK Ltd., who have been in occupation for c. 30 years. The property comprises an industrial warehouse and two storey ancillary offices and was acquired for a price reflecting a low capital value of £45 per sq ft and net initial yield of 7.2%. The property is located two miles south of Bradford and eight miles to the west of Leeds and is well located for the national motorway network.
- Diamond Business Park, Wakefield – During February 2018, the Company acquired Diamond Business Park in Wakefield comprising 205,203 sq ft of multi-let industrial and office accommodation. The property is let to 12 tenants and provides a WAULT of 2.6 years to break and 5.0 years to expiry. The transaction of £4.18 million reflects a net initial yield of 11.5% and low capital value of £22 per sq ft and £430,000 per acre.

The large site of ten acres benefits from being situated in Wakefield, an established industrial location. The business park is strategically located at the intersection of the M1/M62 motorways, providing access to Manchester, Liverpool, Sheffield and beyond to London. The adjoining sites comprise recently developed residential accommodation highlighting potential to add value through change of use in the future.

- 2 Geddington Road, Corby – Also in February 2018 the Company acquired 2 Geddington Road, Corby, an asset of 35 acres fully let to GEFCO UK Ltd, a wholly owned subsidiary of GEFCO SA, a global provider of logistics services to manufacturers, with 3.3 years to expiry. The property comprises a secure fenced site along with a modern industrial property extending to 52,000 sq ft and is used by the tenant for the storage and inspection of vehicles. The transaction of £12.40 million reflects an attractive net initial yield of 10.0%.

A mix of commercial and residential development surrounds the site, including the Eurohub logistics park and a 250-acre development site being brought to the market by Frogmore and Mulberry Developments where Eddie Stobart have recently signed up for a new 844,000 sq ft facility.

- East London Leisure Park, Dagenham – During March 2018 the Company acquired c. 72,000 sq ft of leisure accommodation forming the eastern section of the London East Leisure Park, a purpose built leisure destination, for £11.37 million. The property currently houses Mecca Bingo, McDonalds and Hollywood Bowl and provides a net initial yield of 5.8%, rising to 8% in September 2018 upon expiry of a rent free period, with a WAULT of 12.6 years.

A major attraction of the park is its location, 11 miles east of Central London and being highly accessible both via public transport but also with close links to the A13 and M25. Dagenham is an area due to go through major regeneration over the next ten years with the Council recently setting out plans for the development of thousands of new homes as well as a proposal for the first film studio to be built in London for 25 years. The surrounding area comprises a mix of retail, industrial and residential property.

- Gresford Industrial Estate, Wrexham – During March 2018 the Company acquired a single let industrial unit on the Gresford Industrial Estate, Wrexham for a price of £9.98 million reflecting a low capital value of £35 per sq ft. The property provides 279,541 sq ft leased to Plastipak UK Limited for a further 14 years and comprises three units within a self-contained site. The asset benefits from its location in Gresford Industrial Estate, approximately two miles north of Wrexham town centre, with key motorway links across the North West via the A483. A key feature of the building is its large power supply at 18 megawatts which is rarely seen in buildings of this nature and could therefore be attractive to future tenants. The asset provides a net initial yield today of 8.3% with a fixed rental uplift due in 2022 taking the yield in excess of 9%.

Investment Manager's Report *(continued)*

Acquisitions during the period

Unit 1005, Sarus Court, Runcorn

Purchase Price (£m):	0.61
Sector:	Industrial
Area (sq ft):	11,097
NIY at acquisition (%):	7.8
WAULT to break as at 31 March 2018 (years):	2.5
Occupancy by ERV (%):	100
Constructed:	2002



Excel 95, Deeside

Purchase Price (£m):	4.31
Sector:	Industrial
Area (sq ft):	96,597
NIY at acquisition (%):	7.9
WAULT to break as at 31 March 2018 (years):	4.0
Occupancy by ERV (%):	100
Constructed:	1990s

Storeys Bar Road, Peterborough

Purchase Price (£m):	5.70
Sector:	Industrial
Area (sq ft):	184,114
NIY at acquisition (%):	8.6
WAULT to break as at 31 March 2018 (years):	3.0
Occupancy by ERV (%):	100
Constructed:	1988



Investment Manager's Report *(continued)*

Acquisitions during the period *(continued)*



Commercial Road, Portsmouth

Purchase Price (£m):	6.37
Sector:	Standard Retail
Area (sq ft):	12,475
NIY at acquisition (%):	9.6
WAULT to break as at 31 March 2018 (years):	3.3
Occupancy by ERV (%):	100
Constructed:	1980s

Cedar House, Gloucester

Purchase Price (£m):	3.10
Sector:	Offices
Area (sq ft):	38,427
NIY at acquisition (%):	9.1
WAULT to break as at 31 March 2018 (years):	6.0
Occupancy by ERV (%):	100
Constructed:	1970s



Knowles Lane, Bradford

Purchase Price (£m):	2.10
Sector:	Industrial
Area (sq ft):	51,722
NIY at acquisition (%):	7.2
WAULT to break as at 31 March 2018 (years):	6.5
Occupancy by ERV (%):	100
Constructed:	1970s

Investment Manager's Report *(continued)*

Acquisitions during the period *(continued)*

Diamond Business Park, Wakefield

Purchase Price (£m):	4.18
Sector:	Industrial
Area (sq ft):	205,203
NIY at acquisition (%):	11.5
WAULT to break as at 31 March 2018 (years):	2.6
Occupancy by ERV (%):	82.1
Constructed:	1970s



2 Geddington Road, Corby

Purchase Price (£m):	12.40
Sector:	Other
Area (sq ft):	52,353
NIY at acquisition (%):	10.0
WAULT to break as at 31 March 2018 (years):	3.3
Occupancy by ERV (%):	100
Constructed:	1990s

London East Leisure Park, Dagenham

Purchase Price (£m):	11.37
Sector:	Other
Area (sq ft):	71,720
NIY at acquisition (%):	8.0
WAULT to break as at 31 March 2018 (years):	12.6
Occupancy by ERV (%):	100
Constructed:	1990s



Investment Manager's Report *(continued)*

Acquisitions during the period *(continued)*



Gresford Industrial Estate, Wrexham

Purchase Price (£m):	9.98
Sector:	Industrial
Area (sq ft):	279,541
NIY at acquisition (%):	8.3
WAULT to break as at 31 March 2018 (years):	14.0
Occupancy by ERV (%):	100
Constructed:	1980s

Asset Management

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

- **Langthwaite Industrial Estate, South Kirkby** – In October 2017 the Company completed the renewal of two leases with its largest tenant, Ardagh Glass, on two warehouse buildings at the Langthwaite Industrial Estate in South Kirkby, Yorkshire, located c.4 miles from Junction 38 of the A1M and c.10 miles from Junction 37 of the M1. Ardagh Glass, whose parent group's latest reported full year figures show annual turnover in excess of €6,000 million, use the premises for storage and distribution serving their nearby factories. The manufacturing group has taken the units for an additional term with just under 3 years to expiry resulting in a total valuation uplift for the Company of 14% since acquisition.
- **Eastpoint Business Park, Oxford** – The Company completed a new letting of 2,800 sq ft of office accommodation to publishing company Capstone at the Eastpoint Business Park in Oxford. The unit has been let for a term of 5 years with a break option in year 3 at a rent of £15.50 per sq ft which is in excess of ERV.
- **Queen Square, Bristol** – In late summer 2017 the Company announced that it had let 1,986 sq ft to Kingston Barnes, a construction recruitment firm, at its office building at 40 Queen Square in central Bristol meaning that the 38,301 sq ft Grade-A building is now fully let. We have implemented a significant refurbishment programme at 40 Queen Square which was acquired by the Company with c. 50% vacancy. In line with the Company's strategy of driving rental growth and adding value through active asset management the asset has seen a valuation increase of 49% since purchase. This latest transaction concludes six lettings totalling c. 25,000 sq ft within the last 12 months.
- **Pearl Assurance House, Nottingham** – After the period end, on 5 April 2018, the Company completed the part sale of Pearl Assurance House, which was purchased by the Company in 2016 for £8.15 million. The sale of £3.65 million comprises the first to the ninth floors of the building as well as a ground floor reception and car parking spaces, providing a total area of 41,262 sq ft. The transaction reflected a net initial yield of 6.9% and significantly reduces the overall vacancy level in the portfolio.

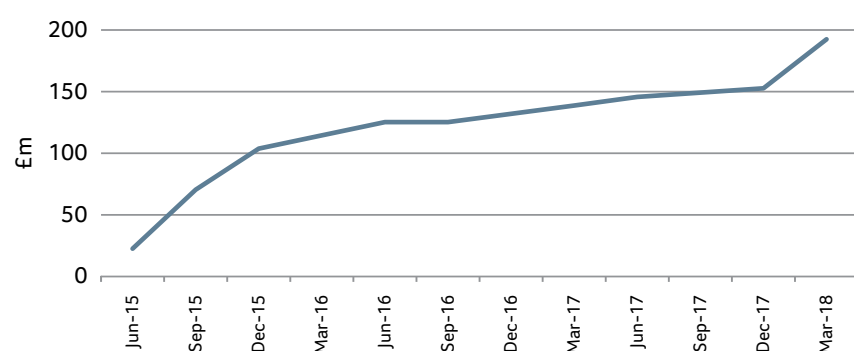
The Company will retain the fully let ground floor accommodation in this busy city centre location, totalling 28,432 sq ft, let to national retail operators including Costa Coffee, Poundland and Lakeland. The retained element will provide the Company with an ongoing yield of 9.5% based on its component value of £5.26 million.

Investment Manager's Report *(continued)*

Property Portfolio

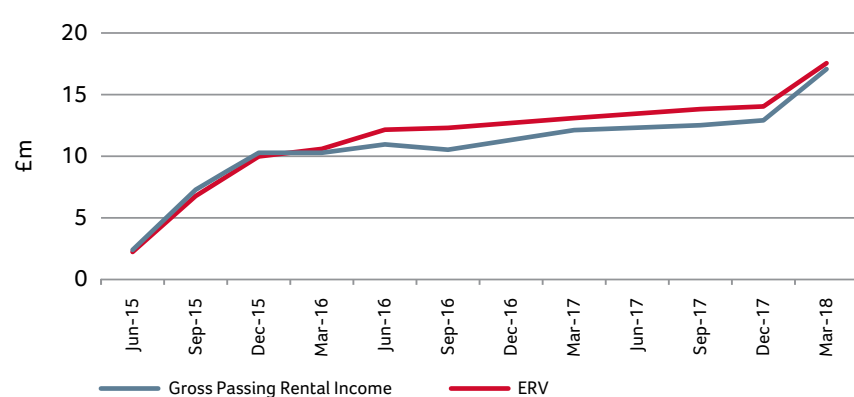
Since Inception

Valuation of Property Portfolio



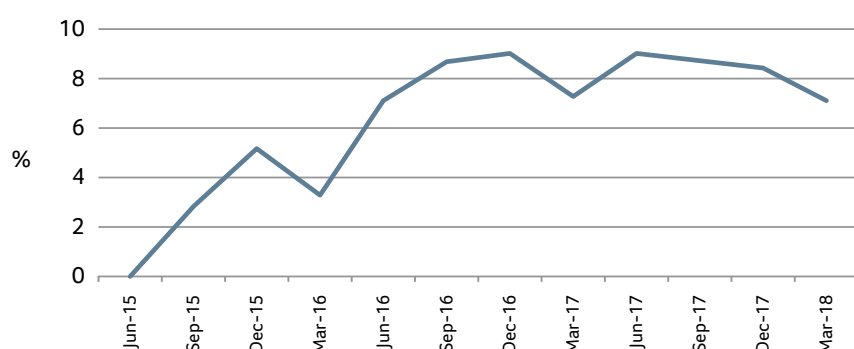
The Company's property portfolio has seen continued steady growth since inception, with a sharp increase in portfolio size coming in the quarter ended March 2018, during which five acquisitions were made.

Annual Passing Rent vs. ERV



There remains reversionary potential in the portfolio and the Company should see opportunities to increase levels of income as lease events arise.

Vacancy by ERV



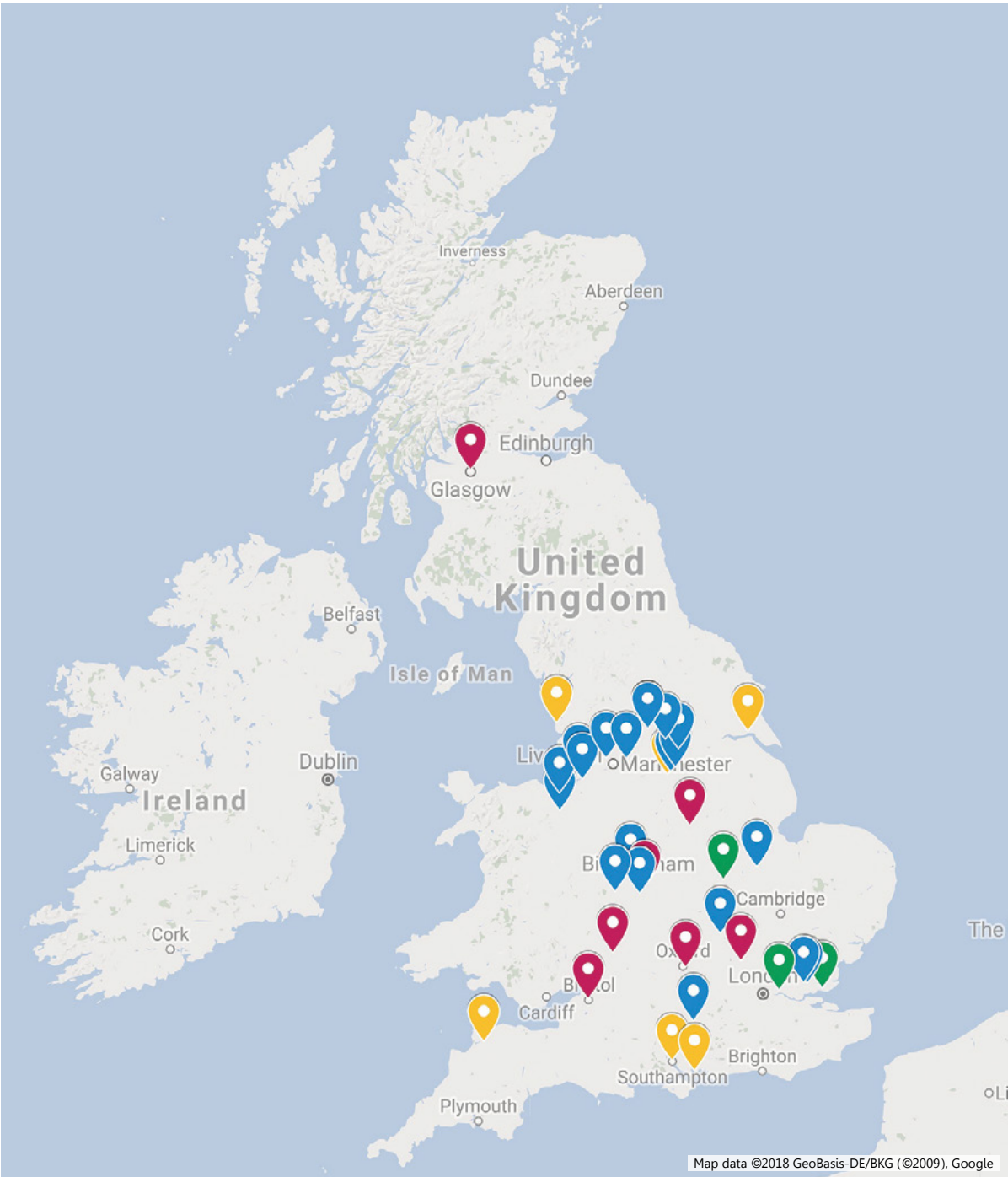
Vacancy has remained lower than 10% of ERV and the high occupancy levels of recent acquisitions has seen vacancy fall to 7.10% as at 31 March 2018. Post period-end, the Company disposed of vacant space at Pearl Assurance House, Nottingham, which has caused vacancy rates to fall further.

Investment Manager’s Report *(continued)*

Property Portfolio *(continued)*

UK property locations as at 31 March 2018

Industrial (20)	Office (7)	Retail (6)	Other (3)
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Investment Manager's Report *(continued)*

Property Portfolio *(continued)*

Summary by Sector as at 31 March 2018

Sector	Number of Properties	Valuation (£m)	Area ('000 sq ft)	Occupancy by ERV (%)	WAULT to break (years)	Gross Passing Rental Income (£m)	ERV (£m)
Standard Retail	4	23.9	147	96.3	3.9	2.5	1.9
Retail Warehouse	2	9.5	68	100.0	5.4	0.8	0.8
Office	7	48.4	357	79.3	4.0	3.8	5.2
Industrial	20	81.2	2,161	98.4	5.4	7.3	7.5
Other	3	29.4	165	100.0	6.1	2.6	2.3
Total	36	192.4	2,898	92.9	5.1	17.0	17.7

Summary by Geographical Area as at 31 March 2018

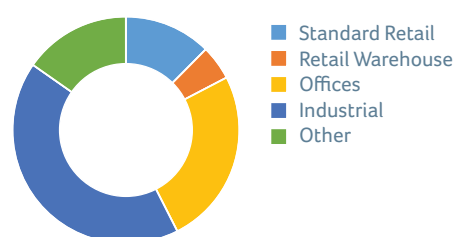
Geographical Area	Number of Properties	Valuation (£m)	Area ('000 sq ft)	Occupancy by ERV (%)	WAULT to break (years)	Gross Passing Rental Income (£m)	ERV (£m)
Greater London	1	11.4	72	100.0	12.6	0.7	0.8
South East	5	28.7	195	89.3	3.6	2.7	2.4
South West	3	21.4	126	100.0	4.8	1.6	1.7
Eastern	5	20.9	345	100.0	4.2	1.8	1.9
West Midlands	4	16.9	397	100.0	4.3	1.8	1.8
East Midlands	2	21.3	122	86.0	3.9	2.0	1.9
North West	5	16.8	315	99.8	5.2	1.5	1.4
Yorkshire and Humberside	8	30.5	864	94.1	3.8	2.9	3.2
Wales	2	14.5	376	100.0	11.1	1.3	1.3
Scotland	1	10.0	86	57.1	3.3	0.7	1.3
Total	36	192.4	2,898	92.9	5.1	17.0	17.7

Investment Manager's Report *(continued)*

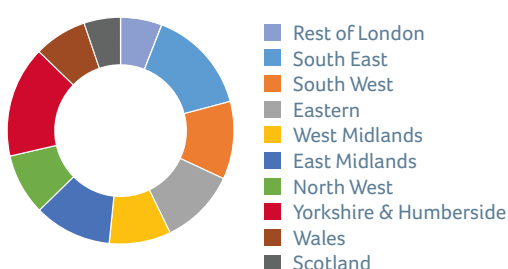
Property Portfolio *(continued)*

Properties by Market Value

Sector Allocation by Market Value



Geographical Allocation by Market Value



Property	Sector	Region	Market Value Range (£m)
<i>Top ten:</i>			
2 Geddington Road, Corby	Other (Sui Generis)	East Midlands	10.0 – 15.0
London East Leisure Park, Dagenham	Other (Leisure)	Greater London	10.0 – 15.0
40 Queen Square, Bristol	Offices	South West	10.0 – 15.0
225 Bath Street, Glasgow	Offices	Scotland	10.0 – 15.0
Gresford Industrial Estate, Wrexham	Industrial	Wales	7.5 – 10
Pearl Assurance House, Nottingham	Offices	East Midlands	7.5 – 10
Eastpoint Business Park, Oxford	Offices	South East	7.5 – 10
Above Bar Street, Southampton	Standard Retail	South East	7.5 – 10
Barnstaple Retail Park	Retail Warehouse	South West	5.0 – 7.5
Lengthwaite Grange Industrial Estate, South Kirkby	Industrial	Yorkshire and Humberside	5.0 – 7.5

The Company's top ten properties listed above comprise 49.1% of the total value of the portfolio.

Investment Manager's Report *(continued)*

Property Portfolio *(continued)*

Property	Sector	Region	Market Value Range (£m)*
Commercial Road, Portsmouth	Standard Retail	South East	5.0 – 7.5
Sarus Court Industrial Estate, Runcorn	Industrial	North West	5.0 – 7.5
Storeys Bar Road, Peterborough	Industrial	Eastern	5.0 – 7.5
Odeon Cinema, Southend	Other (Leisure)	Eastern	5.0 – 7.5
Oak Park, Droitwich	Industrial	West Midlands	5.0 – 7.5
Euroway Trading Estate, Bradford	Industrial	Yorkshire and Humberside	5.0 – 7.5
Apollo Business Park, Basildon	Industrial	Eastern	< 5.0
Bank Hey Street, Blackpool	Standard Retail	North West	< 5.0
Sandford House, Solihull	Offices	West Midlands	< 5.0
Excel 95, Deeside	Industrial	Wales	< 5.0
Fargate and Chapel Walk, Sheffield	Standard Retail	Yorkshire and Humberside	< 5.0
Brockhurst Crescent, Walsall	Industrial	West Midlands	< 5.0
Diamond Business Park, Wakefield	Industrial	Yorkshire and Humberside	< 5.0
Walkers Lane, St. Helens	Industrial	North West	< 5.0
Brightside Lane, Sheffield	Industrial	Yorkshire and Humberside	< 5.0
Wella Warehouse, Basingstoke	Industrial	South East	< 5.0
Cedar House, Gloucester	Offices	South West	< 5.0
Eagle Road, Redditch	Industrial	West Midlands	< 5.0
Pipps Hill Industrial Estate, Basildon	Industrial	Eastern	< 5.0
Vantage Point, Hemel Hempstead	Offices	Eastern	< 5.0
Magham Road, Rotherham	Industrial	Yorkshire and Humberside	< 5.0
Knowles Lane, Bradford	Industrial	Yorkshire and Humberside	< 5.0
Stoneferry Retail Park, Hull	Retail Warehouse	Yorkshire and Humberside	< 5.0
Clarke Road, Milton Keynes	Industrial	South East	< 5.0
Moorside Road, Salford	Industrial	North West	< 5.0
Waggon Road, Mossley	Industrial	North West	< 5.0

* Source: Valuation provided by Knight Frank LLP as at 31 March 2018.

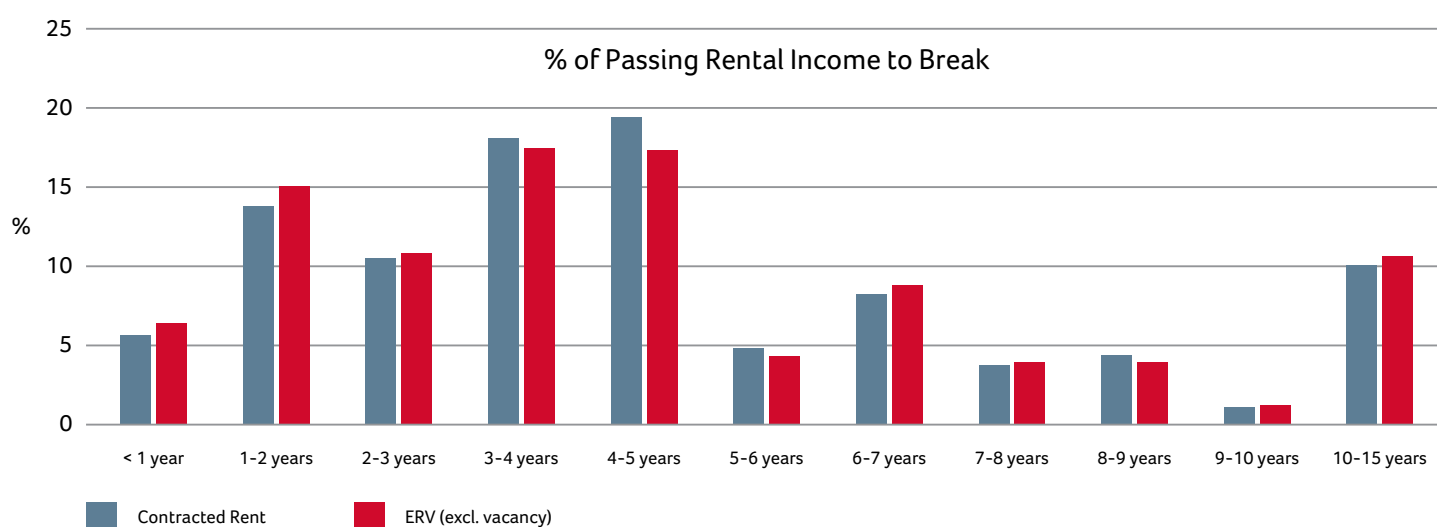
Investment Manager's Report *(continued)*

Top Ten Tenants

Tenant	Property	Passing Rental Income (£'000)	% of Portfolio Total Passing Rental Income
GEFCO UK Limited	2 Geddington Road, Corby	1,320	7.7
Plastipak UK Limited	Gresford Industrial Estate, Wrexham	883	5.2
The Secretary of State	Sandford House, Solihull and Cedar House, Gloucester	811	4.8
Ardagh Glass Limited	Langthwaite Industrial Estate, South Kirkby	676	4.0
Mecca Bingo Limited	London East Leisure Park, Dagenham	625	3.7
Egbert H Taylor & Company Limited	Oak Park, Droitwich	620	3.6
Odeon Cinemas	Odeon Cinema, Southend	535	3.1
Sports Direct	Barnstaple Retail Park and Bank Hey Street, Blackpool	525	3.1
Wyndeham Peterborough Limited	Storeys Bar Road, Peterborough	525	3.1
Advance Supply Chain (BFD) Limited	Euroway Trading Estate, Bradford	428	2.5

The Company's top ten tenants, listed above, represent 40.8% of the total passing rental income of the portfolio.

Lease Expiry Profile



Investment Manager's Report *(continued)*

Alternative Investment Fund Manager ('AIFM')

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

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

Information Disclosures under the AIFM Directive

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

Leverage

The AIFM Directive prescribes two methods for evaluating leverage, namely the 'Gross Method' and the 'Commitment Method'. The Company's maximum and actual leverage levels are as per below:

Leverage Exposure	31 March 2018		30 April 2017	
	Gross Method	Commitment Method	Gross Method	Commitment Method
Maximum Limit	140%	140%	140%	140%
Actual	131%	134%	118%	124%

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

Remuneration

The AIFM has adopted a Remuneration Policy which accords with the principles established by AIFMD.

AIFMD Remuneration Code Staff includes the members of the AIFM's Management Committee, those performing Control Functions, Department Heads, Risk Takers and other members of staff that exert material influence on the AIFM's risk profile or the AIFs it manages.

Staff are remunerated in accordance with the key principles of the firm's remuneration policy, which include (1) promoting sound risk management; (2) supporting sustainable business plans; (3) remuneration being linked to non-financial criteria for Control Function staff; (4) incentivise staff performance over longer periods of time; (5) award guaranteed variable remuneration only in exceptional circumstances; and (6) having an appropriate balance between fixed and variable remuneration.

As required under section 'Fund 3.3.5.R(5)' of the Investment Fund Sourcebook, the following information is provided in respect of remuneration paid by the AIFM to its staff. The information provided below is provided for the year from 1 January 2017 to 31 December 2017, which is in line with the most recent financial reporting period of the AIFM, and relates to the total remuneration of the entire staff of the AIFM.

Investment Manager's Report *(continued)*

	Year ended 31 December 2017		
Total remuneration paid to employees during financial year:			
a) remuneration, including, where relevant, any carried interest paid by the AIFM			£2,342,893
b) the number of beneficiaries			26
The aggregate amount of remuneration, broken down by:			
a) senior management			£604,938
b) members of staff			£1,737,955
	Fixed remuneration	Variable remuneration	Total remuneration
Senior management	£604,938	–	£604,938
Staff	£1,458,955	£279,000	£1,737,955
Total	£2,063,893	£279,000	£2,342,893

AEW UK Investment Management LLP
8 June 2018

Principal Risks and Uncertainties

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

The Board has carried out a robust assessment of the principal risks facing the Company, including those that would threaten its business model, future performance, solvency or liquidity. Twice a year, the Audit Committee reviews the adequacy and effectiveness of the Company's risk management system. Some risks are not yet known and some that are currently not deemed material, could turn out to be material in the future. All principal risks are the same as detailed in the 2017 Annual Report. Financial risk management and objectives and policies are further detailed in Note 20 of the Financial Statements.

An analysis of the principal risks and uncertainties is set out below:

Principal risks and their potential impact

How risk is managed

REAL ESTATE RISKS

Property market

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

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

Property valuation

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

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

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

Tenant default

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

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

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

Asset management initiatives

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

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

Principal Risks and Uncertainties *(continued)*

Principal risks and their potential impact

How risk is managed

REAL ESTATE RISKS *(continued)*

Due diligence

Due diligence may not identify all the risks and liabilities in respect of an acquisition (including any environmental, structural or operational defects) that may lead to a material adverse effect on the Company's profitability, the Net Asset Value and the price of the Company's Ordinary Shares.

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

Fall in rental rates

Rental rates may be adversely affected by general UK economic conditions and other factors that depress rental rates, including local factors relating to particular properties/locations (such as increased competition).

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

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

The Investment Manager holds quarterly meetings with its Investment Strategy Committee and regularly meets the Board of Directors to assess whether any changes in the market present risks that should be addressed in our strategy.

FINANCIAL RISKS

Breach of borrowing covenants

The Company has entered into a term credit facility.

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

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

Interest rate rises

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

The Company uses interest caps on a significant notional value of the loan to mitigate the adverse impact of possible interest rate rises.

The Investment Manager and Board of Directors monitor the level of hedging and interest rate movements to ensure that the risk is managed appropriately.

Availability and cost of the credit facility

The term credit facility expires in October 2020. In the event that RBSi does not renew the facility the Company may need to sell assets to repay the outstanding loan. Any increase in the financing costs of the facility on renewal would adversely impact on the Company's profitability.

The Company maintains a good relationship with the bank providing the term credit facility.

The Company monitors the projected usage and covenants of the credit facility on a quarterly basis.

Principal Risks and Uncertainties *(continued)*

Principal risks and their potential impact

How risk is managed

CORPORATE RISKS

Use of service providers

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

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

The performance of service providers in conjunction with their service level agreements is monitored via regular calls and face to face meetings and the use of Key Performance Indicators, where relevant.

Dependence on the Investment Manager

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

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

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

Ability to meet objectives

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

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

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

Principal Risks and Uncertainties *(continued)*

Principal risks and their potential impact

How risk is managed

TAXATION RISKS

Company REIT status

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

If the Company fails to remain a REIT for UK tax purposes, its profits and gains will be subject to UK corporation tax.

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

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

POLITICAL/ECONOMIC RISKS

Political and macroeconomic events present risks to the real estate and financial markets that affect the Company and the business of our tenants. The level of uncertainty that such events bring has been highlighted in recent times, most pertinently following the EU referendum vote (Brexit) in June 2016.

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

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

Mark Burton
Chairman

8 June 2018

Governance

Board of Directors



***Mark Burton, non-executive Chairman
(aged 70)***

Mr. Burton currently serves as a board member of Value Retail plc. He also sits on the real estate advisory boards for Norges Bank Investment Management and is a member of the Investment Advisory Council of Real Tech Ventures 1 and acts as an advisor to Citic Capital Real Estate. Mr. Burton qualified as a Chartered Surveyor, has been a member of the UK Government Property Advisory Group and was formerly chairman of The Investment Property Forum and Urban Land Institute UK. In 2001, Mr. Burton became Chief Investment Officer of the real estate department at Abu Dhabi Investment Authority, subsequently performing the same role at Abu Dhabi Investment Council in 2007 from where he retired in 2010.

Appointed: 9 April 2015



***James Hyslop, non-executive non-independent Director
(aged 72)***

Mr. Hyslop has 50 years of investment industry experience. He is currently a member of the investment committee of Paloma Real Estate Fund I LP and is a consultant to AEW UK Investment Management LLP. He was until recently a member of the investment committees of Columbus U.K. Real Estate Fund LP and was on the investment committees of Gresham Real Estate Fund I & II and Columbus UK Real Estate Fund II (all Schroders funds). He was also previously a member of the investment committee of ING Lionbrook Property Partnership and CBRE Investors and a consultant to UBS Global Asset Management Limited. He also served as a non-executive director of Raven Mount plc, including being chairman of their main subsidiary's pension fund. From 1998 to 2002 he served as a non-executive director at Saville Gordon Estates plc, latterly as chairman. From 1990 to 1998, Mr. Hyslop was head of property at PDFM Limited (now UBS Global Asset Management Limited). From 1986 to 1990, he was a director of property corporate finance at UBS Phillips & Drew. He joined Phillips & Drew in 1967 where he held various sales and research positions before being appointed a partner in 1981.

Appointed: 9 April 2015



***Bimaljit ("Bim") Sandhu, non-executive Director
(aged 56)***

Mr. Sandhu is chief executive officer and owner of The Santon Group which has developed over £1.4 billion of property. He is an independent non-executive director and chair of the audit committee of Africa Logistics Properties Holdings Limited. Mr. Sandhu was a founder and chief executive officer of Raven Mount plc, a co-founder of Raven Russia Limited, which Mr. Sandhu helped to list on AIM raising over £450m, and chief executive officer of the external fund manager to that company. He was chairman and a co-founder of Audley, an assisted living business operating retirement villages. Mr. Sandhu was a Non-Executive Director of Oriel Securities Limited and Chairman of the Audit Committee.

In the 1990s, Mr. Sandhu was managing director of the UK Operations of the publicly listed Australian developer Hudson Conway and represented their 50 per cent. interest as a director of 5,000 pub unit strong The Courage Pub Company plc. Mr. Sandhu is a Fellow of the Institute of Chartered Accountants having qualified as a Chartered Accountant with KPMG in London. Following qualification, he became secretary of the KPMG UK Property & Construction Group.

Appointed: 9 April 2015



***Katrina Hart, non-executive Director
(aged 44)***

Mrs Hart has spent 14 years in the City advising, analysing and commenting on a broad range of businesses operating in the fund and asset management sectors. During this period, she accumulated an in-depth understanding of the dynamics and operational drivers of fund management and worked very closely with some of the most respected companies in the sector. Latterly, she was a highly rated financial analyst at HSBC, Bridgewell Group Plc and headed up the financial research team at Canaccord Genuity Inc. Mrs Hart is a non-executive director of Polar Capital Global Financials Trust PLC, Miton Group PLC and has most recently been appointed as a non-executive director of Keystone Investment Trust PLC, with effect from 18 January 2018.

Appointed: 5 June 2017

Diversity, Social and Environmental Matters

Diversity

In 2016, the Board approved and adopted a diversity policy. The policy acknowledges the importance of diversity, including gender diversity, for the Company.

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

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

When selecting a new non-executive Director, the Board reviewed a list of candidates from diverse backgrounds and after meeting with several of them, selected Katrina Hart as she was the most qualified candidate. Neither an external search consultancy nor open advertising were used as a list of candidates from diverse backgrounds for the Board to review was presented by the Company's broker. Following Ms Hart's appointment, the Board consists of three male Directors and one female Director.

Social, Community and Employee Responsibility

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

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

The Company is not within the scope of the Modern Slavery Act 2015 because it has not exceeded the turnover threshold and is therefore not obliged to make a slavery and human trafficking statement. The Directors are satisfied that, to the best of their knowledge, the Company's principal suppliers, which are listed on page 103, comply with the provisions of the UK Modern Slavery Act 2015.

Environmental Policy

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

The Investment Manager has a Sustainable and Responsible Investment ('SRI') policy. This can be found on the Investment Manager's website www.aewuk.co.uk.

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

The Investment Manager is in the process of submitting the Company's GRESB assessment for the period from 1 May 2017 to 31 March 2018 and will receive the results of this assessment in September 2018 when it will be made available on the Company's website.

As an investment company, the Company's own direct environmental impact is minimal and greenhouse gas ('GHG') emissions are therefore negligible. Information on the GHG emissions in relation to the Company's property portfolio are disclosed on pages 57 and 58 of the Directors' Report.

Corporate Governance Statement

This Corporate Governance Statement comprises pages 43 to 46 and forms part of the Directors' Report.

Statement of Compliance

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

The AIC Code can be viewed at: <http://www.theaic.co.uk>

The UK Code can be viewed at: <https://www.frc.org.uk>

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

Throughout the period ended 31 March 2018, the Company has complied with the recommendations of the AIC Code and the relevant provisions of the UK Corporate Governance Code, except as set out below and on the following pages.

The UK Corporate Governance Code includes provisions relating to:

- the role of the chief executive
- executive directors' remuneration
- the need for an internal audit function

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

Corporate Governance Statement *(continued)*

The Board of Directors

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

Board committees

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

Meeting attendance

The Board's scheduled meetings are quarterly, with an additional meeting dedicated to the review of the financial statements. There were a further seven ad hoc meetings during the year, attended by those Directors available at the time. During the period to 31 March 2018, the number of scheduled Board and Committee meetings attended by each Director were as follows:

	Board meetings	Audit Committee meetings	Management Engagement and Remuneration Committee Meetings
	Number attended	Number attended	Number attended
Mark Burton	4/4	2/2	1/1
Bim Sandhu	4/4	2/2	1/1
James Hyslop	4/4	N/A	N/A
Katrina Hart	4/4	2/2	1/1

Director independence

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

The Board consists of four non-executive Directors. Mark Burton, Bim Sandhu and Katrina Hart are considered independent. James Hyslop is a consultant to AEW UK Investment Management LLP and is therefore not considered independent by the Board.

Director appointment and tenure

The Directors do not have service contracts and all Directors serve on the basis of letters of appointment which are available for inspection upon request. On appointment, non-executive Directors undertake that they will have sufficient time to meet the expectations of the role. The Board's policy on tenure is that continuity and experience are considered to add significantly to the strength of the Board and, as such, no limit on the overall length of service of any of the Directors, including the Chairman, has been imposed.

Corporate Governance Statement *(continued)*

Director induction and training

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

Directors' conflicts of interest

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

Performance evaluation

The Board has a formal process to evaluate its performance annually which involves the completion of anonymous questionnaires followed by a discussion with all Directors, as a group and individually. The Chairman leads the assessment (and the Chairman of the Audit Committee leads the assessment of the Chairman) which covers:

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

The Board seeks to ensure that it has an appropriate balance of skills and experience, and considers that, collectively, it has substantial recent and relevant experience of investment trusts, the UK real estate sector and financial and capital markets. As a result of the performance evaluation process, the Board agreed that in line with the Company's commitment to having a diverse range of experience on the Board, a non-executive director with expertise in asset management and capital markets would complement the balance of skills, experience and knowledge on the Board. Following interviews with a number of candidates, Katrina Hart was selected as the individual most qualified to enhance the Board's capability in this regard. The Board continues to consider that all Directors continue to be effective, committed to their roles and have sufficient time available to perform their duties.

Election and re-election of Directors

James Hyslop, as a non-independent Director, is subject to annual re-election by shareholders and will stand for re-election at the 2018 Annual General Meeting ('AGM'). Mark Burton will also stand for re-election at the 2018 AGM. Katrina Hart (elected at the 2017 AGM), Bim Sandhu (elected at the 2016 AGM) and Mark Burton will stand for re-election at intervals of no longer than three years from the date of their last election/re-election and will stand for annual re-election by shareholders after nine years of service as recommended by the AIC Code and the Company's Articles of Association.

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

Corporate Governance Statement *(continued)*

Internal controls

The Directors have overall responsibility for the Company's systems of internal controls and risk management. An ongoing process is in place for identifying, evaluating and managing the principal risks faced by the Company. The process for identifying, evaluating and managing the principal risks faced by the Company is in line with the FRC's Guidance on Risk Management, Internal Control and Related Financial and Business Reporting published in September 2014 and the FRC's Guidance on Audit Committees published in April 2016. This process has been in place during the year under review and up to the date of approval of this Report. The processes are regularly reviewed by the Board. The Audit Committee believes that the Company does not require an internal audit function as it delegates its day to day operations to third parties which are monitored by the Committee.

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

- a risk register has been produced where identified risks and controls to mitigate them can be monitored;
- a procedure to ensure that the Company can continue to be approved as a REIT;
- the Investment Manager and Administrator prepare forecasts and management accounts which allow the Board to assess performance;
- the controls employed by the Investment Manager and other third party service providers, as evidenced by their ISAE 3402 or similar reports, are periodically reviewed by the Board; and
- there are agreed and defined investment criteria and specified levels of authority and exposure limits in relation to investments, leverage and payments.

The risks of any failure of the internal controls are identified in the risk register, which is regularly reviewed by the Board through the Audit Committee and which also assesses the impact of such risks. The Principal Risks and Uncertainties identified from the risk register can be found in the Strategic Report on pages 36 to 39.

Over and above the ongoing process, as part of the year end reporting process, the Board received letters of comfort from the Investment Manager, Company Secretary and Fund Administrator regarding those service providers' internal controls, accompanied by their ISAE 3402 reports if available. Following the review of these submissions from service providers and in conjunction with the evaluation of the Company's service providers generally, the Board has determined that the effectiveness of the systems of internal control were satisfactory.

During the course of the year under review, no significant failings or weaknesses in the system of internal controls were identified. The internal control systems do not eliminate risk and can only provide reasonable assurance against misstatement or loss.

AGM

The Company's third AGM will take place at noon on 12 September 2018 at The Cavendish Hotel, 81 Jermyn Street, St. James', London SW1Y 6JF. All shareholders have the opportunity to attend and vote, in person or by proxy, at the AGM. The Notice of AGM can be found on the Company's website and in a booklet which is being mailed out at the same time as this Annual Report. The Notice of AGM sets out the business of the meeting and an explanatory note on all resolutions. Separate resolutions are proposed in respect of each substantive issue. The AGM is the Company's principal forum for communication with private shareholders. The Chairman of the Board and the Chairman of the Committees look forward to welcoming shareholders to the AGM and will be available to answer shareholders' questions at that meeting.

Contact with Shareholders

The Board is keen to engage with the Company's shareholders and the Investment Manager and Broker regularly talk to the Company's major shareholders. In addition to the Company's AGM, the Directors are available to speak to or meet with shareholders on request. Any shareholder wishing to contact the Company should address their query to the Company Secretary at the registered office address.

Report of the Audit Committee

Composition

The Committee comprises the independent Directors. It is chaired by Bim Sandhu and its other members are Mark Burton and Katrina Hart. The Board considers that Bim Sandhu has recent and relevant financial experience for the purposes of the Code and the FRC's Guidance on Audit Committees. The Board is satisfied that the combined knowledge and experience of its members is such that the Committee discharges its responsibilities in an effective, informed and challenging manner. All members are considered to have experience relevant to the Company's sector.

Role of the Audit Committee

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

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

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

Matters considered during the year

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

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

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

Report of the Audit Committee (continued)

Significant issues considered by the Audit Committee

After discussion with the Investment Manager and the Auditor, the Committee determined that the key area of risk in relation to the financial statements of the Company was the valuation of the investment properties. The 36 properties in the portfolio as at 31 March 2018 are externally valued by qualified independent valuers (using the internationally accepted RICS Valuation – Professional Standards) and whilst comparable market transactions provide good valuation evidence, there are assumptions which involve significant levels of judgement. The Committee considered the valuations of the Company's portfolio at 31 March 2018 and these were discussed with the Investment Manager and Auditor at the conclusion of the audit of the financial statements. During the period ended 31 March 2018, both the Chairman of the Board and the Chairman of the Audit Committee participated in separate valuation sessions held with the Investment Manager and Knight Frank. Details of the valuation methodology are contained in note 10 to the Financial Statements. Consideration has also been given to new IFRS accounting standards 9, 15 and 16 in preparing the Financial Statements, details of which are contained in note 2 to the Financial Statements.

In addition the Committee considered the Company's short and medium term cash flows, dividend cover and PID and non-PID distributions. The Committee also monitored the Company's compliance with the requirements of HMRC to maintain UK REIT status.

Audit fees and non-audit services

The Committee has sole responsibility for agreeing the audit fee (and it does so following consultation with the Investment Manager) and the scope of the audit. During the year ended 30 April 2017, the Audit Committee approved and implemented a policy on the engagement of the Auditor to supply non-audit services, taking into account the recommendations of the FRC. All non-audit services are reviewed by the Audit Committee which makes recommendations for the provision of each non-audit service, and ensure that the statutory auditor is not engaged to perform work that is prohibited under EU law or exceeds the maximum limit of 70:30 non-audit to audit fees or that would prejudice their independence as auditor. The Auditor is permitted to provide audit-related services where the work involved is closely related to the work performed in the audit. These include:

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

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

	Period ended 31 March 2018	Year ended 30 April 2017
Audit		
Statutory audit of Annual Report and Accounts	£65,000	£66,000
	£65,000	£66,000
Non-audit		
Review of Interim Report	£23,000	£22,000
Renewal of Company's Prospectus	£30,000	£20,500
	£53,000	£42,500
Total fees paid to KPMG LLP	£118,000	£108,500
Percentage of total fees attributed to non-audit services	45%	39%

Report of the Audit Committee *(continued)*

Independence and objectivity of the Auditor

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

Having carried out the review the Committee is satisfied with the Auditor's performance and that the non-audit services were appropriate, and did not compromise their objectivity and independence.

External audit process

The Audit Committee meets at least twice a year with the Auditor, once at the planning stage before the audit (at the Committee's half-year meeting) and once after the audit at the reporting stage. The Auditor provides a planning report in advance of the annual audit, a report on the annual audit and a report on their review of the interim financial statements. The Committee has an opportunity to question and challenge the Auditor in respect of each of these reports. In addition, at least once a year, the Audit Committee has an opportunity to discuss any aspect of the Auditor's work with the Auditor in the absence of the Investment Manager. After each audit, the Audit Committee reviews the audit process and considers its effectiveness. The review of the 2018 audit concluded that the audit process had worked well, and that the significant issues had been adequately addressed.

Re-appointment of the Auditor

Following the completion of the annual review of the performance of the Auditor the Committee has recommended to the Board that the re-appointment of KPMG LLP as the Company's Auditor be proposed to shareholders at the 2018 AGM and the Audit Committee be authorised to determine their remuneration. KPMG LLP were first appointed as Auditor in respect of the period ended 30 April 2016. In accordance with the EU Audit Regulation, the Company will be required to conduct a tender for audit services following the statutory audit for the year ended 31 March 2025 at the latest.

Bim Sandhu
Audit Committee Chairman

8 June 2018

Report of the Management Engagement and Remuneration Committee

Composition

The Management Engagement and Remuneration Committee comprises the independent non-executive Directors, Mark Burton, Katrina Hart and Bim Sandhu. The recommendations of the AIC Code (Principle 5) state that the Chairman may be a member of, but not chair, the Remuneration Committee. Having taken account of the size of the Board and the remit of the Management Engagement and Remuneration Committee, the Board believes that Mark Burton remains the most suitable Director to chair the Management Engagement and Remuneration Committee.

Role of the Management Engagement and Remuneration Committee

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

Matters considered in the period

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

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

- Reviewed the Committee's terms of reference (which are available on the Company's website);
- Considered and approved the Directors' remuneration and agreed that they remained appropriate;
- Reviewed the Remuneration Policy for approval by shareholders at the 2017 AGM;
- Satisfied itself that the Investment Management Agreement is fair and that its terms remain competitive and sensible for shareholders and that matters of compliance are under proper review; and
- Considered the continuing appointment of the Investment Manager and made recommendations to the Board thereon.

Continuing appointment of the Investment Manager

The Committee keeps under review the performance of the Investment Manager and the level and terms of the management fee. In the opinion of the Directors, the continuing appointment of the Investment Manager on the terms agreed is in the interests of shareholders as a whole. This is due to the Investment Manager successfully managing the Company's portfolio, and continuing to apply the Company's Investment Policy, thereby allowing the Company to continue paying dividends in accordance with the targeted investment objective.

Directors' Remuneration Report

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

A resolution to approve this Directors' Remuneration Report (excluding the Directors' Remuneration Policy) will be proposed at the Annual General Meeting of the Company to be held on 12 September 2018.

Directors' Remuneration Policy

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

The Directors' Remuneration Policy was approved at the 2017 AGM and will apply until it is next put to shareholders for renewal, which must be at intervals of not more than three years or if varied, in which event shareholder approval for the new Remuneration Policy will be sought before the three year deadline.

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

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

Table of Directors' Remuneration Components

Component	Director	Rate at 1 April 2018	Rate at 1 July 2018
Annual Fee	All Directors	£20,000	£27,500
Additional Fee	Chairman of the Board	£5,000	£7,500
Additional Fee	Chairman of the Audit Committee	£4,000	£5,000
Additional Fee	All Directors	n/a (see note 4 below)	n/a (see note 4 below)

Notes:

1. The Board only exercises its discretion in setting rates of fees after an analysis of fees paid to directors of other companies having similar profiles to that of the Company.
2. The Company has no employees. Accordingly, there are no differences in policy on the remuneration of Directors and the remuneration of employees.
3. No Director is entitled to receive any remuneration which is performance-related. As a result there are no performance conditions in relation to any elements of the Directors' remuneration in existence to set out in this Remuneration Policy.
4. This is a provision of the Company's Articles of Association, and has therefore been added to the Remuneration Policy. Additional fees would only be paid in exceptional circumstances in relation to the performance of any special duties or services.

Directors' Remuneration Report *(continued)*

Report on Remuneration Implementation

Statement from the Chairman

The remuneration policy of the Board is determined by the Management Engagement and Remuneration Committee and each Director abstains from voting on their own individual remuneration. Directors' fees for the period ended 31 March 2018 were at a level of £25,000 per annum for the Chairman, £24,000 for Audit Committee Chairman and £20,000 per annum for other Directors.

In June 2018, the Committee met to consider the level of Directors' fees and following an analysis of fees paid to directors of other companies with similar profiles to the Company, concluded that it was appropriate to increase the Directors' fees. Accordingly, and with effect from 1 July 2018, the Directors' fee will be increased to £27,500 per annum, the Chairman of the Audit Committee's fee will be increased to £32,500 and the Chairman's fee will be increased to £35,000. The Committee further agreed that future increases to Directors' fees will be up to a maximum of the prevailing Consumer Price Index ('CPI') rate as at the date of any decision.

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

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

Voting at AGM

A binding Ordinary Resolution approving the Directors' Remuneration Policy and a non-binding Ordinary Resolution adopting the Directors' Remuneration Report for the period ended 30 April 2017 were approved by shareholders at the Annual General Meeting held on 12 September 2017. The votes cast by proxy were as follows:

Remuneration Policy 2017

For – % of votes cast	99.99
Against – % of votes cast	0.01
Total votes cast	45,330,580
Number of votes withheld	–

Remuneration Report 2017

For – % of votes cast	99.99
Against – % of votes cast	0.01
Total votes cast	45,330,580
Number of votes withheld	–

Directors' Remuneration Report *(continued)*

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

Single Total Figure Table (audited information)

Name of Director	Fees paid		Taxable benefits		Total	
	11 months 2018	12 months 2017	11 months 2018	12 months 2017	11 months 2018	12 months 2017
Mark Burton	£22,917	£25,000	–	–	£22,917	£25,000
James Hyslop	£18,333	£20,000	–	–	£18,333	£20,000
Bim Sandhu	£22,000	£23,269	–	–	£22,000	£23,269
Katrina Hart	£16,538	–	–	–	£16,538	–
	£79,788	£68,269	–	–	£79,788	£68,269

Directors' & Officers' Liability Insurance

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

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

Sums Paid to Third Parties (audited information)

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

Other Benefits

Expenses – The Company's Articles of Association provide that Directors are entitled to be reimbursed for reasonable expenses incurred by them in connection with the performance of their duties and attendance at Board and General Meetings.

Loss of Office

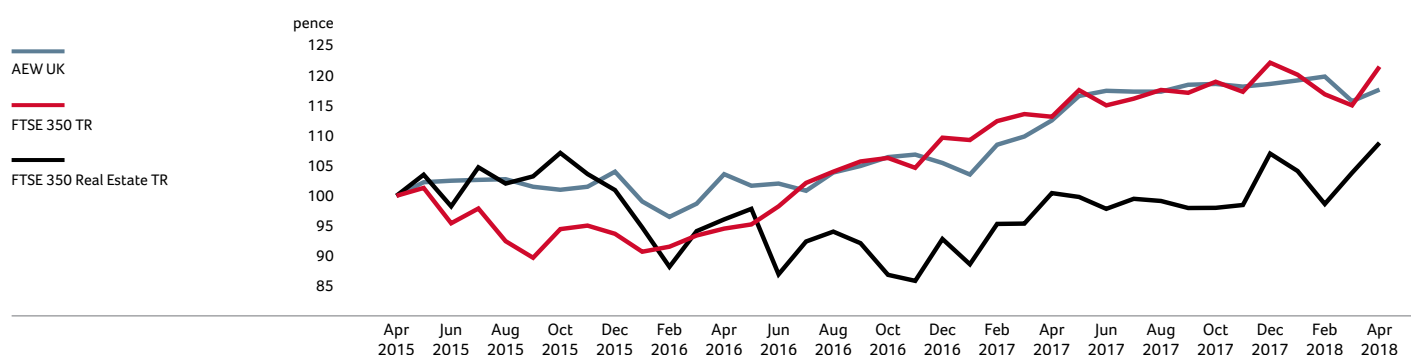
Directors do not have service contracts with the Company but are engaged under Letters of Appointment. These specifically exclude any entitlement to compensation upon leaving office for whatever reason.

Directors' Remuneration Report *(continued)*

Share Price Total Return

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

Cumulative Share Price Total Return



Relative Importance of Spend on Pay

The table below sets out, in respect of the period ended 31 March 2018:

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

	Period ended 31 March 2018	Year ended 30 April 2017
Directors' fees*	£79,788	£68,269
Management fee and expenses	£988,612	£1,033,637
Dividends paid	£9,992,780	£9,646,290

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

Directors' Remuneration Report *(continued)*

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

Neither the Company's Articles of Association nor the Directors' Letters of Appointment require a Director to own shares in the Company. The interests of the Directors and their persons closely associated in the equity and debt securities of the Company at 31 March 2018 are shown in the table below.

Director	Number of Ordinary Shares		% of Total Voting Rights	
	2018	2017	2018	2017
Mark Burton	75,000	75,000	0.05	0.06
James Hyslop	150,000	150,000	0.10	0.12
Bim Sandhu	650,000*	575,000	0.43	0.46
Katrina Hart	19,145	–	0.01	–

* 100,000 Ordinary Shares held in Mr Sandhu's spouse's name, Mrs Pardeep Sandhu, 175,000 Ordinary Shares held in The Santon Pension Fund (a small self-administered pension scheme ('SSAS') for him and his spouse), 250,000 Ordinary Shares held in The Sandhu Charitable Foundation and 125,000 Ordinary Shares held in his own name.

There have been no changes to Directors' interests between 31 March 2018 and the date of this Report.

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

Annual Statement

On behalf of the Board and in accordance with Part 2 of Schedule 8 of the Large and Medium-sized Companies and Groups (Accounts and Reports) (Amendment) Regulations 2013, I confirm that the above Directors' Remuneration Report, including the Directors' Remuneration Policy and the Report on Remuneration Implementation summarises, as applicable, for the period to 31 March 2018:

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

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

Mark Burton
Management Engagement and Remuneration Committee Chairman

8 June 2018

Directors' Report

The Directors' Report, prepared in accordance with the requirements of the Companies Act 2006 and the UK Listing Authority's Listing Rules and Disclosure Guidance and Transparency Rules, comprises pages 56 to 60, and incorporates the Corporate Governance Statement on pages 43 to 46.

Results and Dividends

The interim dividends paid by the Company are set out in Note 9 of the Financial Statements. A summary of the Company's performance during the period and significant events following the year end and future developments is set out in the Strategic Report on pages 1 to 39. The Board has not proposed the payment of a final dividend.

Directors

The Directors who served during the year were Mark Burton, Bim Sandhu, James Hyslop and Katrina Hart. The biographies of the Directors of the Company at the year end and up to the date of this report can be found on pages 40 and 41.

Power of Directors

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

Indemnity Provisions

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

Going Concern

The Company has considered its cash flows, financial position, liquidity position and borrowing facilities. The Company's cash balance as at 31 March 2018 was £4.71 million, of which £3.57 million was readily available for potential investments.

As at 31 March 2018, the Company had substantial headroom against its borrowing covenants. The Company has the ability to utilise up to 35% of NAV measured at drawdown under the current borrowing facility limits with a Company Loan to NAV of 34.24% as at 31 March 2018.

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

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

Viability Statement

In accordance with the principle 21 of the AIC Code, the Directors have assessed the prospects of the Company over a period longer than the 12 months required by the 'Going Concern' provisions. The Board has considered the nature of the Company's assets and liabilities and associated cash flows and has determined that five years, up to 31 March 2023, is the maximum timescale over which the performance of the Company can be forecast with a material degree of accuracy and so is an appropriate period over which to consider the Company's viability.

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

- The current unexpired term under the Company's debt facilities stands at 2.6 years;

Directors' Report *(continued)*

- The Company's property portfolio has a WAULT of 6.16 years to expiry, representing a secure income stream for the period under consideration;
- The Company's portfolio reflects a diversified strategy that has invested across a broad spectrum of real estate sectors returning a diversified income stream which should spread the risk of any default.
- Most leases contain a five year rent review pattern and therefore five years allows for the forecasts to include the reversion arising from those reviews. The five year review considers the Company's cash flows, dividend cover, REIT compliance and other key financial ratios over the period.

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

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

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

Subsidiary Company

Details of the Company's subsidiary, AEW UK REIT 2015 Limited, can be found in Note 17 to the Financial Statements.

Management Arrangements

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

Financial Risk Management

The financial risk management objectives and policies can be found in Note 20 of the Financial Statements.

Greenhouse Gas Emissions

AEW UK REIT plc has followed UK Government environmental reporting guidelines and used the UK Government 2017 greenhouse gas reporting conversion factors for company reporting to identify and report relevant GHG emissions over which it has operational control for the 12 month period to 31 March 2018. Namely:

- Scope 1 – including direct emissions from owned vehicles, controlled boilers and fugitive emissions from air conditioning systems under landlord control.
- Scope 2 – including indirect emissions from electricity purchased by the Company and consumed within real estate assets owned by the Company.

Directors' Report (continued)

The table below shows relevant GHG emissions (in tonnes carbon dioxide equivalent) that AEW UK REIT plc was responsible for in the 12 month period to 31 March 2018.

Sector	Scope	Absolute Tonnes of Carbon Dioxide Equivalent (tCO ₂ e)		Like-for-like / Degree Day ADJ Tonnes of Carbon Dioxide Equivalent (tCO ₂ e)		Change %	Like-for-like / Degree Day ADJ Carbon Intensity	
		2016/17	2017/18	2016/17	2017/18		2016/17	2017/18
Office*	Scope 1 – Gas	161	90	49	45			
	Scope 2 – Elec	1,005	796	757	540	(27)	83	61
Retail, High Street	Scope 1 – Gas	N/A	N/A	N/A	N/A	N/A	N/A	N/A
	Scope 2 – Elec	45	69	N/A	N/A	N/A	N/A	N/A
Retail, Warehouse*	Scope 1 – Gas	N/A	N/A	N/A	N/A			
	Scope 2 – Elec	27	6	8	6	(20)	20	16
Total	Scope 1 – Gas	161	79	49	45			
	Scope 2 – Elec	1,076	871	765	549	(27)	N/A	N/A

* Offices is calculated on a kgCO₂e/m² basis. Retail, Warehouse is calculated based on a kgCO₂e/car park spaces/yr basis.

Emissions data has been reported for the 12 month period ended 31 March 2018, which differs to the financial period reported in the Annual Report and Financial Statements, being a period of 11 months from 1 May 2017 to 31 March 2018. This is to aid comparability with emissions data reported for the prior period.

Assurance Statement

AEW UK REIT plc GHG emissions have been calculated and verified by an independent third party in accordance with the principles of ISO 14064. A full copy of the methodology used, including scope, source or data and conversion factors, is available upon request.

Share Capital

Ordinary Shares

At the AGM held on 12 September 2017, the Company was granted the authority to allot Ordinary Shares up to an aggregate nominal amount of £123,647 on a non pre-emptive basis. No Ordinary Shares have been allotted under this authority and the authority will expire at the conclusion of the 2018 AGM.

At a general meeting held on 17 October 2017, the Company was granted authority to allot up to an aggregate nominal amount of £2,500,000 on a non pre-emptive basis. On 24 October 2017, the Company issued 27,911,001 Ordinary Shares at a price of 100.50 pence per share in the form of Initial Placing, Initial Offer for Subscription and Intermediaries Offer (the “**Initial Issue**”) of the Share Issuance Programme, as described in the Prospectus published by the Company on 28 September 2017. The authority will expire at the conclusion of the 2018 AGM.

As at 31 March 2018, the Company had 151,558,251 Ordinary Shares in issue.

Directors' Report (continued)

Purchase of own Shares

At the Company's AGM on 12 September 2017, the Company was granted authority to purchase up to 14.99% of the Company's Ordinary Shares in issue. No shares have been bought back under this authority, which expires at the conclusion of the Company's 2018 AGM. A resolution to renew the Company's authority to purchase (either for cancellation or for placing into Treasury) up to 22,718,581 Ordinary Shares (being 14.99% of the issued Ordinary Share capital as at the date of this report), will be put to shareholders at the 2018 AGM. Any purchase will be made in the market and prices will be in accordance with the terms laid out in the Notice of AGM (enclosed separately and available on the Company's website). The authority will be used where the Directors consider it to be in the best interests of shareholders.

Income entitlement

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

Capital entitlement

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

Voting entitlement

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

Requirements of the Listing Rules

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

Substantial Shareholdings

As at 31 March 2018 and 8 June 2018 the Company had been notified under Disclosure Guidance and Transparency Rule ('DTR') 5 of the following significant holdings of voting rights in its Ordinary Shares. These holdings may have changed since notification, however notification of any change is not required until the next applicable threshold is crossed.

Shareholder	As at 31 March 2018		As at 8 June 2018	
	Number of Ordinary Shares held	% of total voting rights	Number of Ordinary Shares held	% of total voting rights
Coutts Multi Asset Fund plc	15,762,994	10.40	15,762,994	10.40
Schroders plc	14,981,358	9.89	14,981,358	9.89
Close Asset Management Limited	13,448,090	8.87	13,448,090	8.87
Old Mutual plc	11,087,801	7.31	11,087,801	7.31
Natixis Global Asset Management SA	7,000,000	4.61	7,000,000	4.61
Investec Wealth & Investment Limited	4,813,400	3.18	4,813,400	3.18

Directors' Report *(continued)*

Related Party Transactions

Related party transactions during the 11 month period to 31 March 2018 can be found in Note 22 of the Financial Statements.

Statement of Disclosure of Information to Auditor

So far as each Director is aware, there is no relevant information, which would be needed by the Company's Auditor in connection with preparing their audit report (which appears on pages 62 to 66), of which the Auditor is not aware; and each Director, in accordance with section 418(2) of the Companies Act 2006, has taken all reasonable steps that he ought to have taken as a Director to make himself aware of any such information and to ensure that the Auditor is aware of such information.

Auditor

KPMG LLP has expressed its willingness to continue as the Company's Auditor. As outlined in the Report of the Audit Committee on page 49, resolutions proposing their reappointment and to authorise the Audit Committee to determine their remuneration will be proposed at the 2018 AGM.

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

Mark Burton
Chairman

8 June 2018

6th Floor
65 Gresham Street
London EC2V 7NQ

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

The Directors are responsible for preparing the Annual Report and Financial Statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare financial statements for each financial period. Under that law they are required to prepare the financial statements in accordance with International Financial Reporting Standards as adopted by the European Union (IFRSs as adopted by the EU) and applicable law.

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

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable, relevant and reliable;
- state whether they have been prepared in accordance with IFRSs as adopted by the EU;
- assess the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that its financial statements comply with the Companies Act 2006. They are responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Company and to prevent and detect fraud and other irregularities.

Under applicable law and regulations, the Directors are also responsible for preparing a Strategic Report, Directors' Report, Directors' Remuneration Report and Corporate Governance Statement that complies with that law and those regulations.

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website. Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Responsibility statement of the Directors in respect of the Annual Report and the Financial Statements

We confirm that to the best of our knowledge:

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

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

On behalf of the Board

Mark Burton
Chairman

8 June 2018

Independent Auditor's Report

to the members of AEW UK REIT plc

1. Our opinion is unmodified

We have audited the financial statements of AEW UK REIT plc (the "Company") for the period 1 May 2017 to 31 March 2018 which comprise the statement of comprehensive income, statement of changes in equity, statement of financial position and statement of cash flows, and the related notes, including the accounting policies in note 2.

In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 March 2018 and of the Company's profit for the period 1 May 2017 to 31 March 2018;
- have been properly prepared in accordance with International Financial Reporting Standards as adopted by the European Union (IFRSs as adopted by the EU); and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities are described below. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion. Our audit opinion is consistent with our report to the audit committee.

We were appointed as auditor by the directors on 4 August 2015. The period of total uninterrupted engagement is for the 3 financial years ended 31 March 2018. We have fulfilled our ethical responsibilities under, and we remain independent of the Company in accordance with, UK ethical requirements including the FRC Ethical Standard as applied to listed public interest entities. No non-audit services prohibited by that standard were provided.

Overview

Materiality:	£1.8m (2017: £1.5m)
Financial statements as a whole	1% (2017: 1%) of total assets
Lower materiality applied to certain items	£0.47m (2017: £0.25m) Applied to rental income, management fees and finance expense
Coverage	100% (2017: 100%) of total assets
Risks of material misstatement	vs 2017
Recurring risks	Valuation of investment property ◀▶

2. Key audit matters: our assessment of risks of material misstatement

Key audit matters are those matters that, in our professional judgement, were of most significance in the audit of the financial statements and include the most significant assessed risks of material misstatement (whether or not due to fraud) identified by us, including those which had the greatest effect on: the overall audit strategy; the allocation of resources in the audit; and directing the efforts of the engagement team. We summarise below the key audit matters (unchanged from 2017), in decreasing order of audit significance, in arriving at our audit opinion above, together with our key audit procedures to address those matters and, as required for public interest entities, our results from those procedures. These matters were addressed, and our results are based on procedures undertaken, in the context of, and solely for the purpose of, our audit of the financial statements as a whole, and in forming our opinion thereon, and consequently are incidental to that opinion, and we do not provide a separate opinion on these matters.

	The risk	Our response
<p>Valuation of investment properties (£191 million (2017: £136 million))</p> <p>Refer to page 48 (Audit Committee Report), page 74 (accounting policy) and page 83 to 87 (financial disclosures).</p>	<p>Subjective valuation Investment properties represent 96% (2017: 90%) of the gross assets of the Company. The portfolio comprises 36 (2017: 29) properties which are externally valued by a qualified independent valuer and held at fair value at the balance sheet date.</p> <p>Each property's fair value will be impacted by a number of factors including location, future potential rental income, quality and condition of the building, tenant covenant and market yields.</p> <p>Whilst comparable market transactions provide good valuation evidence, the individual nature of each property means that a key factor in the property valuations are assumptions which involve significant levels of judgement.</p> <p>Data capture Fair value is also impacted by factors such as contracted rental income and lease length. There is a risk that these inputs are not correctly extracted.</p>	<p>Our procedures included:</p> <ul style="list-style-type: none"> – Assessing valuer's credentials: We assessed the Company's external property valuer's objectivity, professional qualifications and capabilities through discussions with the valuer and reading their valuation report. – Methodology choice: We critically assessed the methodology used by the valuer by using our own property valuation specialist to assist us in checking whether the valuation report is in accordance with the RICS Valuation Professional Standards 'the Red Book', IFRS and that the valuation methodology adopted is appropriate by reference to acceptable valuation practice. – Benchmarking assumptions: With the assistance of our own property valuation specialist, we held discussions with the valuer to assess movements in property values. For a sample of properties selected using various criteria including analysis of the size of a property as well as correlation with movements in market rent, we challenged the key assumptions upon which these valuations were based, including those relating to forecast rents and yields, by making a comparison to our own understanding of the market and to industry benchmarks. – Data comparisons: We compared a sample of details of tenure and tenancies provided by management to the valuer and used in the valuations, such as rental income and lease length to the Company's property database and lease contracts. – Assessing transparency: We considered the adequacy of the Company's disclosures about the degree of estimation and sensitivity to key assumptions made when valuing properties. <p>Our results</p> <ul style="list-style-type: none"> – We found the valuation of investment properties to be acceptable (2017: acceptable).

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

Materiality for the financial statements as a whole was set at £1.8 million (2017: £1.5 million), determined with reference to a benchmark of total assets, of which it represents 1% (2017: 1%).

In addition, we applied a lower materiality of £0.47 million (2017: £0.25 million) to rental income, management fees and finance expense, for which we believe misstatement of lesser amounts than materiality for the financial statements as a whole can be reasonably expected to influence the Company's members' assessment of the financial performance of the Company.

We reported to the Audit Committee any corrected or uncorrected misstatements exceeding £91,000 (2017: £74,000) or £23,000 (2017: £12,000) for misstatements relating to procedures performed to the lower materiality, in addition to other identified misstatements that warranted reporting on qualitative grounds.

Our audit of the Company was undertaken to the materiality level specified above and was performed at the offices in London.

4. We have nothing to report on going concern

We are required to report to you if:

- we have anything material to add or draw attention to in relation to the directors' statement in note 2 to the financial statements on the use of the going concern basis of accounting with no material uncertainties that may cast significant doubt over the Company's use of that basis for a period of at least twelve months from the date of approval of the financial statements; or
- the related statement under the Listing Rules set out on page 56 is materially inconsistent with our audit knowledge.

We have nothing to report in these respects.

5. We have nothing to report on the other information in the Annual Report

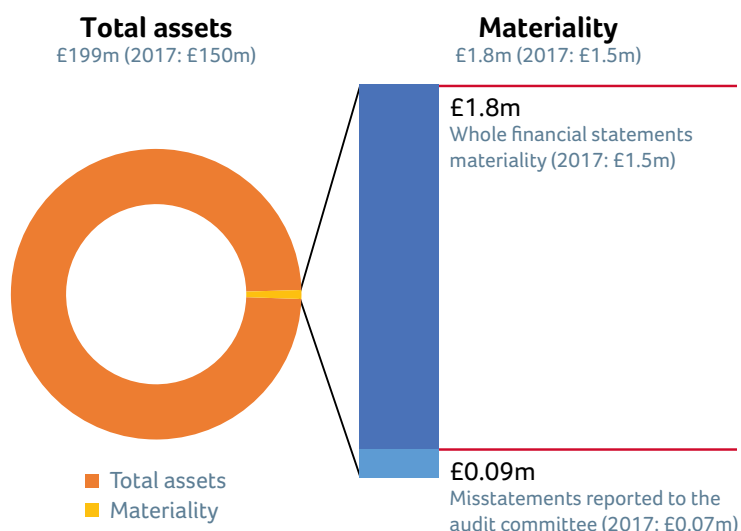
The directors are responsible for the other information presented in the Annual Report together with the financial statements. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except as explicitly stated below, any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on that work we have not identified material misstatements in the other information.

Strategic report and directors' report

Based solely on our work on the other information:

- we have not identified material misstatements in the strategic report and the directors' report;
- in our opinion the information given in those reports for the financial period is consistent with the financial statements; and
- in our opinion those reports have been prepared in accordance with the Companies Act 2006.



Directors' remuneration report

In our opinion the part of the Directors' Remuneration Report to be audited has been properly prepared in accordance with the Companies Act 2006.

Disclosures of principal risks and longer-term viability

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

- the directors' confirmation within the Viability Statement pages 56 and 57 that they have carried out a robust assessment of the principal risks facing the Company, including those that would threaten its business model, future performance, solvency and liquidity;
- the Principal Risks and Uncertainties disclosures describing these risks and explaining how they are being managed and mitigated; and
- the directors' explanation in the Viability Statement of how they have assessed the prospects of the Company, over what period they have done so and why they considered that period to be appropriate, and their statement as to whether they have a reasonable expectation that the Company will be able to continue in operation and meet its liabilities as they fall due over the period of their assessment, including any related disclosures drawing attention to any necessary qualifications or assumptions.

Under the Listing Rules we are required to review the Viability Statement. We have nothing to report in this respect.

Corporate governance disclosures

We are required to report to you if:

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

We are required to report to you if the Corporate Governance Statement does not properly disclose a departure from the eleven provisions of the UK Corporate Governance Code specified by the Listing Rules for our review.

We have nothing to report in these respects.

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

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

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

We have nothing to report in these respects.

7. Respective responsibilities

Directors' responsibilities

As explained more fully in their statement set out on page 61, the directors are responsible for: the preparation of the financial statements including being satisfied that they give a true and fair view; such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting unless they either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities

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

A fuller description of our responsibilities is provided on the FRC's website at www.frc.org.uk/auditorsresponsibilities.

Irregularities –ability to detect

We identified areas of laws and regulations that could reasonably be expected to have a material effect on the financial statements from our sector experience and through discussion with the directors and other management (as required by auditing standards).

We had regard to laws and regulations in areas that directly affect the financial statements including financial reporting (including related company legislation) and taxation legislation. We considered the extent of compliance with those laws and regulations as part of our procedures on the related financial statement items.

We communicated identified laws and regulations throughout our team and remained alert to any indications of non-compliance throughout the audit.

As with any audit, there remained a higher risk of non-detection of non-compliance with relevant laws and regulations (irregularities), as these may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls.

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

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

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

Chartered Accountants
15 Canada Square
London E14 5GL
8 June 2018

Financial Statements

Statement of Comprehensive Income

for the period 1 May 2017 to 31 March 2018

	Notes	For the period 1 May 2017 to 31 March 2018 £'000	Year ended 30 April 2017 £'000
Income			
Rental and other income	3	12,330	12,503
Property operating expenses	4	(1,106)	(1,434)
Net rental and other income		11,224	11,069
Dividend income	3	–	576
Net rental and dividend income		11,224	11,645
Other operating expenses	4	(1,539)	(1,768)
Directors' remuneration	5	(84)	(71)
Operating profit before fair value changes		9,601	9,806
Change in fair value of investment properties	10	1,014	(3,159)
(Loss)/profit on disposal of investment properties	10	(216)	731
Change in fair value of investments	10	–	(407)
Profit/(loss) on disposal of investments	10	73	(113)
Operating profit		10,472	6,858
Finance expense	6	(652)	(759)
Profit before tax		9,820	6,099
Taxation	7	–	–
Profit after tax		9,820	6,099
Other comprehensive income		–	–
Total comprehensive income for the period/year		9,820	6,099
Earnings per share (pence per share) (basic and diluted)	8	7.17	5.04

The notes on pages 71 to 98 form an integral part of these financial statements.

Statement of Changes in Equity

for the period 1 May 2017 to 31 March 2018

For the period 1 May 2017 to 31 March 2018	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		–	–	9,820	9,820
Ordinary Shares issued	18/19	279	27,771	–	28,050
Share issue costs	19	–	(517)	–	(517)
Dividends paid	9	–	–	(9,993)	(9,993)
Balance at 31 March 2018		1,515	49,768	94,751	146,034

Year ended 30 April 2017	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 2016		1,175	16,729	98,471	116,375
Total comprehensive income		–	–	6,099	6,099
Ordinary Shares issued	18/19	61	5,938	–	5,999
Share issue costs	19	–	(153)	–	(153)
Dividends paid	9	–	–	(9,646)	(9,646)
Balance at 30 April 2017		1,236	22,514	94,924	118,674

The notes on pages 71 to 98 form an integral part of these financial statements.

Statement of Financial Position

as at 31 March 2018

	Notes	31 March 2018 £'000	30 April 2017 £'000
Assets			
Non-Current Assets			
Investment property	10	187,751	135,570
		187,751	135,570
Current Assets			
Investment property held for sale	10	3,650	–
Investments held for sale		–	7,594
Receivables and prepayments	11	2,938	3,382
Other financial assets held at fair value	12	26	31
Cash and cash equivalents		4,711	3,653
		11,325	14,660
Total Assets		199,076	150,230
Non-Current Liabilities			
Interest bearing loans and borrowings	13	(49,643)	(28,740)
Finance lease obligations	15	(573)	(55)
		(50,216)	(28,795)
Current Liabilities			
Payables and accrued expenses	14	(2,779)	(2,756)
Finance lease obligations	15	(47)	(5)
		(2,826)	(2,761)
Total Liabilities		(53,042)	(31,556)
Net Assets		146,034	118,674
Equity			
Share capital	18	1,515	1,236
Share premium account	19	49,768	22,514
Capital reserve and retained earnings		94,751	94,924
Total capital and reserves attributable to equity holders of the Company		146,034	118,674
Net Asset Value per share (pence per share)	8	96.36 pps	95.98 pps

The financial statements on pages 67 to 98 were approved by the Board on 8 June 2018 and signed on its behalf by:

Mark Burton
Chairman

AEW UK REIT plc (Company number: 09522515)

The notes on pages 71 to 98 form an integral part of these financial statements.

Statement of Cash Flows

for the period 1 May 2017 to 31 March 2018

	For the period 1 May 2017 to 31 March 2018 £'000	Year ended 30 April 2017 £'000
Cash flows from operating activities		
Operating profit	10,472	6,858
Adjustment for non-cash items:		
Change in fair value of investment properties	(1,014)	3,159
Change in fair value of investments	–	407
Loss/(profit) on disposal of investment properties	216	(731)
(Profit)/loss on disposal of investments	(73)	113
Increase in other receivables and prepayments	(701)	(438)
Decrease in other payables and accrued expenses	(409)	(283)
Net cash generated from operating activities	8,491	9,085
Cash flows from investing activities		
Purchase of investment properties	(63,896)	(28,062)
Disposal of investment properties	10,856	2,681
Disposal of investments	7,667	1,995
Net cash used in investing activities	(45,373)	(23,386)
Cash flows from financing activities		
Proceeds from issue of ordinary share capital	28,050	5,999
Share issue costs	(483)	(153)
Loan draw down	20,990	14,760
Loan arrangement fees	(166)	–
Finance costs	(458)	(969)
Dividends paid	(9,993)	(9,646)
Net cash flow generated from financing activities	37,940	9,991
Net increase/(decrease) in cash and cash equivalents	1,058	(4,310)
Cash and cash equivalents at start of the period/year	3,653	7,963
Cash and cash equivalents at end of the period/year	4,711	3,653

The notes on pages 71 to 98 form an integral part of these financial statements.

Notes to the Financial Statements

for the period 1 May 2017 to 31 March 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 registered office of the Company is 6th Floor, 65 Gresham Street, London, EC2V 7NQ.

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

The nature of the Company's operations and its principal activities are set out in the Strategic Report on pages 1 to 39.

2. Accounting policies

2.1 Basis of preparation

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

The current period is for a period of 11 months, due to a change of the year end of the Company from 30 April to 31 March. As a result the comparative information disclosed is not directly comparable.

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

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

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

New standards, amendments and interpretations

There are a number of new standards and amendments to existing standards which have been published and are mandatory for the Company's accounting periods beginning after 31 March 2018 or later periods. The following are the most relevant to the Company and their impact on the financial statements:

- IFRS 7 (Financial Instruments: Disclosures) amendments regarding additional hedge accounting disclosures (applied when IFRS 9 is applied);
- IFRS 9 Financial Instruments. The standard will replace IAS 39 Financial Instruments and contains two primary measurement categories for financial assets (effective for annual periods beginning on or after 1 January 2018);
- 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;

Notes to the Financial Statements *(continued)*

for the period 1 May 2017 to 31 March 2018

2. Accounting policies *(continued)*

2.1 Basis of preparation *(continued)*

New standards, amendments and interpretations *(continued)*

- IFRS 16 (Leases): issued in January 2016 and is effective for annual periods beginning on or after 1 January 2019; and
- IAS 40 Investment Property: effective for annual periods beginning on or after 1 July 2018.

The adoption of new accounting standards issued and effective is not expected to have a significant impact on the financial statements. 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 EU IFRS requires the Directors of the Company to make judgements, estimates and assumptions that affect the reported amounts recognised in the financial statements. However, uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of the asset or liability in the future.

i) Valuation of investment property

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

ii) Valuation of investments

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

iii) Segmental information

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

2.3 Going concern

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

Notes to the Financial Statements *(continued)*

for the period 1 May 2017 to 31 March 2018

2. Accounting policies *(continued)*

2.4 Summary of significant accounting policies

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

a) Presentation currency

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

b) Revenue recognition

i) Rental income

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

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

ii) Deferred income

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

c) Dividend income

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

d) Financing income and expenses

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

Notes to the Financial Statements *(continued)*

for the period 1 May 2017 to 31 March 2018

2. Accounting policies *(continued)*

2.4 Summary of significant accounting policies *(continued)*

e) Investment property

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

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

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

The determination of the fair value 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 cash flows.

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

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

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

Gains or losses on the disposal of investment property are determined as the difference between net disposal proceeds and the carrying value of the asset at the date of disposal.

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

f) Investments in collective investment schemes

Investments in collective investment schemes are stated at fair value with any resulting gain or loss recognised in profit or loss.

Investments are derecognised when they have been disposed of or the rights to receive cash flow from the investments have expired or the Company has transferred substantially all risks and rewards of ownership.

Notes to the Financial Statements *(continued)*

for the period 1 May 2017 to 31 March 2018

2. Accounting policies *(continued)*

2.4 Summary of significant accounting policies *(continued)*

g) Investments in subsidiaries

AEW UK REIT 2015 Limited is the subsidiary of the Company. The subsidiary was dormant during the reporting period. The investment in the subsidiary is stated at cost less impairment and shown in note 17.

As permitted by Section 405 of the Companies Act 2006, the subsidiary is not consolidated as its inclusion is not material for the purposes of giving a true and fair view.

h) Investment property and investments held for sale

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

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

i) Derivative financial instruments

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

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

j) Cash and cash equivalents

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

k) Receivables and prepayments

Rent and other receivables are initially recognised at fair value and subsequently at amortised cost. Provision is made when there is objective evidence that the Company will not be able to recover balances in full.

Notes to the Financial Statements *(continued)*

for the period 1 May 2017 to 31 March 2018

2. Accounting policies *(continued)*

2.4 Summary of significant accounting policies *(continued)*

l) Capital prepayments

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

m) Other payables and accrued expenses

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

n) Rent deposits

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

o) Interest bearing loans and borrowings

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

p) Impairment of financial assets

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

q) Provisions

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

r) Dividend payable to shareholders

Equity dividends are recognised when they become legally payable.

s) Share issue costs

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

Notes to the Financial Statements *(continued)*

for the period 1 May 2017 to 31 March 2018

2. Accounting policies *(continued)*

2.4 Summary of significant accounting policies *(continued)*

t) Finance leases

Finance leases are capitalised at the lease commencement, at the lower of fair value of the property and present value of the minimum lease payments, and held as a liability within the Statement of Financial Position.

u) Taxes

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

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

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

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

v) European Public Real Estate Association

The Company has adopted European Public Real Estate Association ('EPRA') best practice recommendations, which it expects to broaden the range of potential institutional investors able to invest in the Company's Ordinary Shares. For the 11 month period to 31 March 2018, audited EPS and NAV calculations under EPRA's methodology are included in note 8 and further unaudited measures are included on pages 99 to 101.

Notes to the Financial Statements *(continued)*

for the period 1 May 2017 to 31 March 2018

3. Revenue

	For the period 1 May 2017 to 31 March 2018 £'000	Year ended 30 April 2017 £'000
Gross rental income received	12,330	12,147
Dilapidation income received	–	301
Other property income	–	55
Total rental and other income	12,330	12,503
Dividend income:		
Property income distribution *	–	552
Dividend distribution	–	24
	–	576
Total Revenue	12,330	13,079

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

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

4. Expenses

	For the period 1 May 2017 to 31 March 2018 £'000	Year ended 30 April 2017 £'000
Property operating expenses	1,106	1,434
Other operating expenses		
Investment management fee	989	1,034
Auditor remuneration	88	88
Operating costs	462	646
Total other operating expenses	1,539	1,768
Total operating expenses	2,645	3,202

Notes to the Financial Statements *(continued)*

for the period 1 May 2017 to 31 March 2018

4. Expenses *(continued)*

	For the period 1 May 2017 to 31 March 2018	Year ended 30 April 2017
Audit		
Statutory audit of Annual Report and Accounts	£65,000	£66,000
	£65,000	£66,000
Non-audit		
Review of Interim Report	£23,000	£22,000
Renewal of Company's Prospectus*	£30,000	£20,500
	£53,000	£42,500
Total fees paid to KPMG LLP	£118,000	£108,500
Percentage of total fees attributed to non-audit services	45%	39%

* Charged to share premium account.

5. Directors' remuneration

	For the period 1 May 2017 to 31 March 2018 £'000	Year ended 30 April 2017 £'000
Directors' fees	80	68
Tax and social security	4	3
Total remuneration	84	71

A summary of the Directors' remuneration is set out in the Directors' Remuneration Report on page 53.

The Company had no employees in either period.

Notes to the Financial Statements *(continued)*

for the period 1 May 2017 to 31 March 2018

6. Finance expense

	For the period 1 May 2017 to 31 March 2018 £'000	Year ended 30 April 2017 £'000
Interest payable on loan borrowings	540	483
Amortisation of loan arrangement fee	79	78
Agency fee payable on loan borrowings	(11)	21
Commitment fees payable on loan borrowings	20	60
	628	642
Change in fair value of interest rate derivatives	24	117
Total	652	759

7. Taxation

	For the period 1 May 2017 to 31 March 2018 £'000	Year ended 30 April 2017 £'000
Total tax charge	–	–
Analysis of tax charge in the period/year		
Profit before tax	9,820	6,099
Theoretical tax at UK corporation tax standard rate of 19.00% (2017: 19.92%) ¹	1,866	1,215
Adjusted for:		
Exempt REIT income	(1,700)	(1,798)
UK dividends that are not taxable	–	(5)
Non deductible investment (profit)/losses	(166)	588
Total tax charge	–	–

¹ Standard rate of corporation tax was 19% to 31 March 2018. The corporation tax rate is to reduce to 17% with effect from 1 April 2020.

Factors that may affect future tax charges

At 31 March 2018 the Company has unrelieved management expenses of £8,056 (30 April 2017: £6,826). It is unlikely that the Company will generate sufficient taxable income in the future to use these expenses to reduce future tax charges and therefore no deferred tax asset has been recognised.

Due to the Company's status as a REIT and the intention to continue meeting the conditions required to obtain approval as a REIT in the foreseeable future, the Company has not provided deferred tax on any capital gains and losses arising on the revaluation or disposal of investments.

Notes to the Financial Statements *(continued)*

for the period 1 May 2017 to 31 March 2018

8. Earnings per share and NAV per share

	For the period 1 May 2017 to 31 March 2018	Year ended 30 April 2017
Earnings per share:		
Total comprehensive income (£'000)	9,820	6,099
Weighted average number of shares	136,894,561	121,084,416
Earnings per share (basic and diluted) (pence)	7.17	5.04
EPRA earnings per share:		
Total comprehensive income (£'000)	9,820	6,099
Adjustment to total comprehensive income:		
Change in fair value of investment properties (£'000)	(1,014)	3,159
Loss/(profit) on disposal of investment property (£'000)	216	(731)
Change in fair value of investments (£'000)	–	407
(Profit)/loss on disposal of investments (£'000)	(73)	113
Change in fair value of interest rate derivatives (£'000)	24	117
Total EPRA Earnings (£'000)	8,973	9,164
EPRA earnings per share (basic and diluted) (pence)	6.56	7.57
NAV per share:		
Net assets (£'000)	146,034	118,674
Ordinary Shares	151,558,251	123,647,250
NAV per share (pence)	96.36	95.98
EPRA NAV per share:		
Net assets (£'000)	146,034	118,674
Adjustments to net assets:		
Other financial assets held at fair value (£'000)	(26)	(31)
EPRA NAV (£'000)	146,008	118,643
EPRA NAV per share (pence)	96.34	95.95

Earnings per share (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 31 March 2018, EPRA NNNNAV was equal to IFRS NAV and as such a reconciliation between the two measures has not been performed.

Notes to the Financial Statements *(continued)*

for the period 1 May 2017 to 31 March 2018

9. Dividends paid

	Period from 1 May 2017 to 31 March 2018 £'000	Year ended 30 April 2017 £'000
Fourth interim dividend paid in respect of the period 1 February 2017 to 30 April 2017 at 2.00p per Ordinary Share	2,473	–
First interim dividend paid in respect of the period 1 May 2017 to 31 July 2017 at 2.00p per Ordinary Share	2,473	–
Second interim dividend paid in respect of the period 1 August 2017 to 31 October 2017 at 2.00p per Ordinary Share	3,031	–
Third interim dividend paid in respect of the period 1 November 2017 to 31 December 2017 at 1.33p per Ordinary Share	2,016	–
Fourth interim dividend paid in respect of the period 1 February 2016 to 30 April 2016 at 2.00p per Ordinary Share	–	2,350
First interim dividend paid in respect of the period 1 May 2016 to 31 July 2016 at 2.00p per Ordinary Share	–	2,350
Second interim dividend paid in respect of the period 1 August 2016 to 31 October 2016 at 2.00p per Ordinary Share	–	2,473
Third interim dividend paid in respect of the period 1 November 2016 to 31 January 2017 at 2.00p per Ordinary Share	–	2,473
Total dividends paid during the period/year	9,993	9,646
Fourth interim dividend declared in respect of the period 1 January 2018 to 31 March 2018 at 2.00p per Ordinary Share*	3,031	–
Fourth interim dividend declared in respect of the period 1 February 2017 to 30 April 2017 at 2.00p per Ordinary Share	(2,473)	–
Fourth interim dividend declared in respect of the period 1 February 2017 to 30 April 2017 at 2.00p per Ordinary Share**	–	2,473
Fourth interim dividend declared in respect of the period 1 February 2016 to 30 April 2016 at 2.00p per Ordinary Share	–	(2,350)
Total dividends in respect of the period/year	10,551	9,769

* The fourth interim dividend declared is not included in the accounts as a liability as at period end 31 March 2018.

** The fourth interim dividend declared is not included in the accounts as a liability as at year ended 30 April 2017.

Notes to the Financial Statements *(continued)*

for the period 1 May 2017 to 31 March 2018

10. Investments

10.a) Investment property

	31 March 2018			30 April 2017
	Investment property freehold £'000	Investment property leasehold £'000	Total £'000	Total £'000
UK investment property				
As at beginning of the period/year	115,845	21,975	137,820	114,340
Purchases in the period/year	51,005	13,181	64,186	28,146
Disposals in the period/year	(11,050)	–	(11,050)	(1,950)
Revaluation of investment properties	(283)	1,669	1,386	(2,716)
Valuation provided by Knight Frank	155,517	36,825	192,342	137,820
Adjustment for rent free debtor			(1,561)	(2,230)
Adjustment for rent guarantee debtor			–	(80)
Adjustment for finance lease obligations			620	60
Total investment property			191,401	135,570
Classified as:				
Investment properties			187,751	135,570
Investment properties held for sale			3,650	–
			191,401	135,570
(Loss)/profit on disposal of investment property				
Net proceeds from disposals of investment property during the period/year			10,856	2,681
Cost of disposal			(11,050)	(1,950)
Lease incentives amortised in current period/year			(22)	–
(Loss)/profit on disposal of investment property			(216)	731
Change in fair value of investment properties				
Change in fair value before adjustments for lease incentives			1,386	(2,716)
Adjustment for movement in the period/year:				
in fair value for rent free debtor			(452)	(1,148)
in fair value for rent guarantee debtor			80	705
			1,014	(3,159)

Notes to the Financial Statements *(continued)*

for the period 1 May 2017 to 31 March 2018

10. Investments *(continued)*

10.a) Investment property *(continued)*

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 (based on 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.

10.b) Investment

	For the period 1 May 2017 to 31 March 2018 Total £'000	Year ended 30 April 2017 Total £'000
Investment in AEW UK Core Property Fund		
As at beginning of the period/year	7,594	10,109
Disposals in the period/year	(7,594)	(2,108)
Loss from change in fair value	–	(407)
Total Investment in AEW UK Core Property Fund	–	7,594
Loss on disposal of the investment in AEW UK Core Property Fund		
Proceeds from disposals of investments during the period/year	7,667	1,995
Cost of disposal	(7,594)	(2,108)
Profit/(loss) on disposal of investments	73	(113)

Valuation of investment

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

As at 31 March 2018, the Company had no investment in the Core Fund.

Notes to the Financial Statements *(continued)*

for the period 1 May 2017 to 31 March 2018

10. Investments *(continued)*

10.c) Fair value measurement hierarchy

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

31 March 2018			
Quoted prices in active markets (Level 1) £'000	Significant observable inputs (Level 2) £'000	Significant unobservable inputs (Level 3) £'000	Total £'000
Assets measured at fair value			
Investment property	–	191,401	191,401
	–	191,401	191,401
30 April 2017			
Quoted prices in active markets (Level 1) £'000	Significant observable inputs (Level 2) £'000	Significant unobservable inputs (Level 3) £'000	Total £'000
Assets measured at fair value			
Investment property	–	135,570	135,570
Investment in AEW UK Core Property Fund	–	7,594	7,594
	–	143,164	143,164

Explanation of the fair value hierarchy:

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

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

Level 3 – Valuation techniques using non-observable data.

Notes to the Financial Statements *(continued)*

for the period 1 May 2017 to 31 March 2018

10. Investments *(continued)*

10.c) Fair value measurement hierarchy *(continued)*

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

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

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

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

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

- 1) NAV

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

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

Class	Fair Value £'000	Valuation Technique	Significant Unobservable Inputs	Range
31 March 2018				
Investment property*	192,342	Income capitalisation	ERV Equivalent yield	£1.00 – £145.00 3.14% – 10.72%
30 April 2017				
Investment property*	137,820	Income capitalisation	ERV Equivalent yield	£2.00 – £160.00 6.94% – 10.27%
Investments	7,594	NAV	NAV	£1.1942

* Valuation per Knight Frank LLP.

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

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

Notes to the Financial Statements *(continued)*

for the period 1 May 2017 to 31 March 2018

10. Investments *(continued)*

10.c) Fair value measurement hierarchy *(continued)*

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

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

31 March 2018

Sensitivity analysis	Change in ERV		Change in equivalent yield	
	£'000 +5%	£'000 -5%	£'000 +5%	£'000 -5%
Resulting fair value of investment property	203,903	188,297	185,985	206,943

30 April 2017

Sensitivity analysis	Change in Single Swinging Price		Change in ERV		Change in equivalent yield	
	£'000 +5%	£'000 -5%	£'000 +5%	£'000 -5%	£'000 +5%	£'000 -5%
Resulting fair value of investment property	–	–	143,606	131,979	129,906	145,906
Resulting fair value of investments	7,974	7,214	–	–	–	–

Notes to the Financial Statements *(continued)*

for the period 1 May 2017 to 31 March 2018

11. Receivables and prepayments

	31 March 2018 £'000	30 April 2017 £'000
Receivables		
Rent debtor	1,074	461
Dividend receivable	–	110
Other income debtors	–	192
Rent agent float account	81	57
Other receivables	179	213
	1,334	1,033
Rent free debtor	1,561	2,230
Rent guarantee debtor	–	80
	2,895	3,343
Prepayments		
Property related prepayments	13	10
Capital prepayments	–	1
Depositary services	–	8
Listing fees	16	8
Other prepayments	14	12
	43	39
Total	2,938	3,382

The aged debtor analysis of receivables which are past due is as follows:

	31 March 2018 £'000	30 April 2017 £'000
Less than three months	1,334	910
Between three and six months	–	1
Between six and twelve months	–	122
Total	1,334	1,033

Notes to the Financial Statements *(continued)*

for the period 1 May 2017 to 31 March 2018

12. Interest rate derivatives

	31 March 2018 £'000	30 April 2017 £'000
At the beginning of the period/year	31	77
Interest rate cap premium paid	19	71
Changes in fair value of interest rate derivatives	(24)	(117)
At the end of the period/year	26	31

To mitigate the interest rate risk that arises as a result of entering into variable rate linked loans, the Company 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% (30 April 2017: £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:

Valuation date	Quoted prices in active markets (Level 1) £'000	Significant observable input (Level 2) £'000	Significant unobservable inputs (Level 3) £'000	Total £'000
31 March 2018	–	26	–	26
30 April 2017	–	31	–	31

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

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

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

Notes to the Financial Statements *(continued)*

for the period 1 May 2017 to 31 March 2018

13. Interest bearing loans and borrowings

	Bank borrowings	
	31 March 2018	30 April 2017
	£'000	£'000
At the beginning of the period/year	29,010	14,250
Bank borrowings drawn in the period/year	20,990	14,760
Interest bearing loans and borrowings	50,000	29,010
Less: loan issue costs incurred	(554)	(388)
Plus: amortised loan issue costs	197	118
At the end of the period/year	49,643	28,740
Repayable between two and five years	50,000	29,010
Bank borrowings available but undrawn at the period/year end	10,000	10,990
Total facility available	60,000	40,000

The Company has a £60.00 million (30 April 2017: £40.00 million) credit facility with RBSi of which £50.00 million (30 April 2017: £29.01 million) has been utilised as at 31 March 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 31 March 2018, the Company's gearing was 26.00% Loan to GAV (30 April 2017: 19.31%).

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 6 to these Financial Statements.

Reconciliation to cash flows from financing activities

	Bank borrowings
	£'000
Balance at 1 May 2017	28,740
Changes from financing cash flows	
Loan draw down	20,990
Loan arrangement fees	(166)
Total changes from financing cash flows	20,824
Other changes	
Amortisation of loan issue costs	79
Total other changes	79
Balance at 31 March 2018	49,643

Notes to the Financial Statements *(continued)*

for the period 1 May 2017 to 31 March 2018

14. Payables and accrued expenses

	31 March 2018 £'000	30 April 2017 £'000
Deferred income	993	1,513
Accruals	831	534
Other creditors	955	709
Total	2,779	2,756

15. Finance lease obligations

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

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

	31 March 2018 £'000	30 April 2017 £'000
Within one year	47	5
After one year but not later than five years	152	15
Later than five years	421	40
	573	55
Total	620	60

Notes to the Financial Statements *(continued)*

for the period 1 May 2017 to 31 March 2018

16. Guarantees and commitments

As at 31 March 2018, there were capital commitments of Enil (30 April 2017: £48,628).

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 31 March 2018 are as follows:

	31 March 2018 £'000	30 April 2017 £'000
Within one year	16,932	11,878
After one year but not more than five years	47,858	37,936
More than five years	37,574	27,640
Total	102,364	77,454

During the period ended 31 March 2018 there were contingent rents totalling £149,192 (30 April 2017: £169,724) recognised as income.

17. Investment in subsidiary

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

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

AEW UK REIT 2015 Limited is a subsidiary of the Company incorporated in the UK on 2 April 2015. At 31 March 2018, the Company held one share being 100% of the issued share capital. AEW UK REIT 2015 Limited is wholly owned by the Company and is dormant. The cost of the subsidiary is £0.01 (30 April 2017: £0.01). The registered office of AEW UK REIT 2015 Limited is 6th Floor, 65 Gresham Street, London, EC2V 7NQ.

Notes to the Financial Statements *(continued)*

for the period 1 May 2017 to 31 March 2018

18. Issued share capital

	31 March 2018		30 April 2017	
	£'000	Number of Ordinary Shares	£'000	Number of Ordinary Shares
Ordinary Shares (nominal value £0.01) authorised, issued and fully paid				
At the beginning of the period/year	1,236	123,647,250	1,175	117,510,000
Issued on admission to trading on the London Stock Exchange on 16 September 2016	–	–	24	2,450,000
Issued on admission to trading on the London Stock Exchange on 10 October 2016	–	–	37	3,687,250
Issued on admission to trading on the London Stock Exchange on 24 October 2017	279	27,911,001	–	–
At the end of the year/period	1,515	151,558,251	1,236	123,647,250

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

19. Share premium account

	31 March 2018 £'000	30 April 2017 £'000
The share premium relates to amounts subscribed for share capital in excess of nominal value:		
Balance at the beginning of the period/year	22,514	16,729
Share issue costs (paid and accrued)	–	(23)
Issued on admission to trading on the London Stock Exchange on 16 September 2016	–	2,352
Share issue cost (paid and accrued)	–	(42)
Issued on admission to trading on the London Stock Exchange on 10 October 2016	–	3,586
Share issue cost (paid and accrued)	–	(88)
Issued on admission to trading on the London Stock Exchange on 24 October 2017	27,771	–
Share issue cost (paid and accrued)	(517)	–
Balance at the end of the period/year	49,768	22,514

Notes to the Financial Statements *(continued)*

for the period 1 May 2017 to 31 March 2018

20. Financial risk management and objectives and policies

20.1 Financial assets and liabilities

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

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

	31 March 2018		30 April 2017	
	Book Value £'000	Fair Value £'000	Book Value £'000	Fair Value £'000
Financial Assets				
Investment in AEW UK Core Property Fund	–	–	7,594	7,594
Receivables and prepayments ¹	1,334	1,334	1,033	1,033
Cash and cash equivalents	4,711	4,711	3,653	3,653
Other financial assets held at fair value	26	26	31	31
Financial Liabilities				
Interest bearing loans and borrowings	49,643	50,000	28,740	29,010
Payables and accrued expenses ²	1,683	1,683	643	643
Finance lease obligations	620	620	60	60

¹ Excludes VAT, certain prepayments and other debtors

² Excludes tax, VAT liabilities and deferred income

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

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

20.2 Financing management

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

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

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

Notes to the Financial Statements *(continued)*

for the period 1 May 2017 to 31 March 2018

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

20.3 Market price risk

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

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

20.4 Real estate risk

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

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

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

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

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

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

20.5 Credit risk

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

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

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

Notes to the Financial Statements *(continued)*

for the period 1 May 2017 to 31 March 2018

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

20.5 Credit risk *(continued)*

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

	As at 31 March 2018 £'000	As at 30 April 2017 £'000
Debtors (excluding incentives and prepayments)	1,334	1,033
Cash and cash equivalents	4,711	3,653
Total	6,045	4,686

20.6 Liquidity risk

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

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

	On demand £'000	< 3 months £'000	3–12 months £'000	1–5 years £'000	> 5 years £'000	Total £'000
31 March 2018						
Interest bearing loans and borrowings	–	–	–	50,000	–	50,000
Interest payable	–	228	678	1,422	–	2,328
Payables and accrued expenses	–	1,638	–	–	–	1,638
Finance lease obligation	–	–	51	205	3,128	3,384
	–	1,866	729	51,627	3,128	57,350
30 April 2017						
Interest bearing loans and borrowings	–	–	–	29,010	–	29,010
Interest payable	–	134	395	1,306	–	1,835
Payables and accrued expenses	–	643	–	–	–	643
Finance lease obligation	–	–	5	20	425	450
	–	777	400	30,336	425	31,938

Notes to the Financial Statements *(continued)*

for the period 1 May 2017 to 31 March 2018

21. Capital management

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

To enhance returns over the medium term, the Company utilises borrowings on a limited recourse basis for each investment or all or part of the total portfolio. The Company's policy is to target a borrowing level of 25% loan to GAV and can borrow up to a maximum of 35% loan to GAV in advance of a capital raise or asset disposal. It is currently anticipated that the level of total borrowings will typically be at the level of 25% of GAV (measured at drawdown).

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

The monitoring of the Company's level of borrowing is performed primarily using a Loan to GAV ratio, which is calculated as the amount of outstanding debt divided by the total valuation of investment property and property related investments. The Company Loan to GAV ratio at the period end was 26.00% (30 April 2017: 19.31%).

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

22. Transactions with related parties

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

For the period ended 31 March 2018, the Directors of the Company are considered to be the key management personnel. Details of amounts paid to Directors for their services can be found within note 5, Directors' remuneration.

The 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, the Company incurred £988,612 (30 April 2017: £1,033,637) in respect of investment management fees and expenses of which £469,239 (30 April 2017: £252,850) was outstanding as at 31 March 2018.

On 1 May 2017, the Company had a holding of 6,359,440 shares in the Core Fund, which were valued at £7,594,443. The investment is deemed to be with a related party due to the common influence of the Investment Manager over both parties. On 9 May 2017, the Company sold all of its holding in the Core Fund for proceeds of £7,667,796.

Notes to the Financial Statements *(continued)*

for the period 1 May 2017 to 31 March 2018

23. Segmental information

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

24. Events after reporting date

Dividend

On 27 April 2018, the Board declared its fourth interim dividend of 2.00 pence per share, in respect of the period from 1 January 2018 to 31 March 2018. This was paid on 31 May 2018, to shareholders on the register as at 11 May 2018. The ex-dividend date was 10 May 2018.

Property sales

On 5 April 2018, the Company completed the part disposal of Pearl Assurance House, Nottingham. The Company sold the first to ninth floors of the building, as well as a ground floor reception and car park spaces, for gross proceeds of £3.65 million. The Company retains the fully let ground floor accommodation.

EPRA Unaudited Performance Measures

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

MEASURE AND DEFINITION	PURPOSE	PERFORMANCE
1. EPRA Earnings Earnings from operational activities.	A key measure of a company's underlying operating results and an indication of the extent to which current dividend payments are supported by earnings.	£8.97 million/6.56 pps EPRA earnings for the 11 month period to 31 March 2018 (30 April 2017: £9.16 million/7.57 pps)
2. EPRA NAV Net asset value adjusted to include properties and other investment interests at fair value and to exclude certain items not expected to crystallise in a long-term investment property business.	Makes adjustments to IFRS NAV to provide stakeholders with the most relevant information on the fair value of the assets and liabilities within a true real estate investment company with a long-term investment strategy.	£146.01 million/96.34 pps EPRA NAV as at 31 March 2018 (30 April 2017: £118.64 million/95.95 pps)
3. EPRA NNNAV EPRA NAV adjusted to include the fair values of: (i) financial instruments; (ii) debt and; (iii) deferred taxes.	Makes adjustments to EPRA NAV to provide stakeholders with the most relevant information on the current fair value of all the assets and liabilities within a real estate company.	£146.03 million/96.36 pps EPRA NNNAV as at 31 March 2018 (30 April 2017: £118.67 million/95.98 pps)
4.1 EPRA Net Initial Yield (NIY) Annualised rental income based on the cash rents passing at the balance sheet date, less non-recoverable property operating expenses, divided by the market value of the property, increased with (estimated) purchasers' costs.	A comparable measure for portfolio valuations. This measure should make it easier for investors to judge themselves, how the valuation of portfolio X compares with portfolio Y.	7.73% EPRA NIY as at 31 March 2018 (30 April 2017: 7.12%)
4.2 EPRA 'Topped-Up' NIY This measure incorporates an adjustment to the EPRA NIY in respect of the expiration of rent-free periods (or other unexpired lease incentives such as discounted rent periods and step rents).	A comparable measure for portfolio valuations. This measure should make it easier for investors to judge themselves, how the valuation of portfolio X compares with portfolio Y.	8.52% EPRA 'Topped-Up' NIY as at 31 March 2018 (30 April 2017: 8.27%)
5. EPRA Vacancy Estimated Market Rental Value (ERV) of vacant space divided by ERV of the whole portfolio.	A 'pure' (%) measure of investment property space that is vacant, based on ERV.	7.10% EPRA ERV as at 31 March 2018 (30 April 2017: 7.22%)
6. EPRA Cost Ratio Administrative and operating costs (including and excluding costs of direct vacancy) divided by gross rental income.	A key measure to enable meaningful measurement of the changes in a company's operating costs.	21.89% EPRA Cost Ratio (including direct vacancy costs) as at 31 March 2018 (30 April 2017: 24.20%) 14.89% EPRA Cost Ratio (excluding direct vacancy costs) as at 31 March 2018 (30 April 2017: 18.37%)

EPRA Unaudited Performance Measures *(continued)*

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

	For the period 1 May 2017 to 31 March 2018 £'000	Year ended 30 April 2017 £'000
Investment property – wholly-owned	192,342	137,820
Allowance for estimated purchasers' costs	13,079	8,242
Gross up completed property portfolio valuation	205,421	146,062
Annualised cash passing rental income	17,046	11,283
Property outgoings	(1,174)	(884)
Annualised net rents	15,872	10,399
Rent from expiry of rent-free periods and fixed uplifts	1,626	1,685
'Topped-up' net annualised rent	17,498	12,084
EPRA Net Initial Yield	7.73%	7.12%
EPRA 'topped-up' Net Initial Yield	8.52%	8.27%

EPRA Net Initial Yield (NIY) basis of calculation

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

The valuation of grossed up completed property portfolio is determined by our external valuers as at 31 March 2018, plus an allowance for estimated purchaser's costs. Estimated purchaser's costs are determined by the relevant stamp duty liability, plus an estimate by our valuers of agent and legal fees on notional acquisition. The net rent deduction allowed for property outgoings is based on our valuers' assumptions on future recurring non-recoverable revenue expenditure.

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

EPRA Unaudited Performance Measures *(continued)*

Calculation of EPRA Vacancy Rate

	For the period 1 May 2017 to 31 March 2018 £'000	Year ended 30 April 2017 £'000
Annualised potential rental value of vacant premises	1,254	951
Annualised potential rental value for the complete property portfolio	17,677	13,164
EPRA Vacancy Rate	7.10%	7.22%

Calculation of EPRA Cost Ratios

	For the period 1 May 2017 to 31 March 2018 £'000	Year ended 30 April 2017 £'000
Administrative/operating expense per IFRS income statement	2,729	3,272
Less: Net service charge costs	–	(335)
Ground rent costs	(38)	(104)
EPRA Costs (including direct vacancy costs)	2,691	2,833
Direct vacancy costs	(861)	(682)
EPRA Costs (excluding direct vacancy costs)	1,830	2,151
Gross Rental Income less ground rent costs	12,292	12,044
Less: service charge costs of rental income	–	(335)
Gross Rental Income	12,292	11,709
EPRA Cost Ratio (including direct vacancy costs)	21.89%	24.20%
EPRA Cost Ratio (excluding direct vacancy costs)	14.89%	18.37%

Company Information

Share Register Enquiries

The register for the Company's 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 103. You can check your shareholding and find practical help on transferring shares or updating your details at www.investorcentre.co.uk. Shareholders eligible to receive dividend payments gross of tax may also download declaration forms from that website.

Share Information

Ordinary £0.01 Shares	151,558,251
SEDOL Number	BWD2415
ISIN Number	GB00BWD24154
Ticker/TIDM	AEWU

Share Prices

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

Annual and Half-Yearly Reports

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

Financial Calendar

12 September 2018	Annual General Meeting
30 September 2018	Half-year end
December 2018	Announcement of half-yearly results
31 March 2019	Year end
June 2019	Announcement of annual results

Dividends

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

	£
Interim dividend for the period 1 May 2017 to 31 July 2017 (payment made on 29 September 2017)	2,472,945
Interim dividend for the period 1 August 2017 to 31 October 2017 (payment made on 29 December 2017)	3,031,165
Interim dividend for the period 1 November 2017 to 31 December 2017 (payment made on 28 February 2018)	2,015,725
Interim dividend for the period 1 January 2018 to 31 March 2018 (payment made on 31 May 2018)	3,031,165
Total	10,551,000

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 and AIFM

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

Tel: 020 7016 4880

Website: www.aewuk.co.uk

Property Manager

MJ 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

Depository

Langham Hall UK LLP
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

* independent of the Investment Manager

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

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

Glossary (continued)

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

Glossary (continued)

<i>Non-PID</i>	Non-Property Income Distribution. The dividend received by a shareholder of the Company arising from any source other than profits and gains of the Tax Exempt Business of the Company.
<i>Ongoing charges</i>	The ratio of total administration and property operating costs expressed as a percentage of average net asset value throughout the period.
<i>Ordinary Shares</i>	The main type of equity capital issued by conventional Investment Companies. Shareholders are entitled to their share of both income, in the form of dividends paid by the Company, and any capital growth.
<i>Over-rented</i>	Space where the passing rent is above the ERV.
<i>Passing rent</i>	The gross rent, less any ground rent payable under head leases.
<i>PID</i>	Property Income Distribution. A dividend received by a shareholder of the Company in respect of profits and gains of the tax exempt business of the Company.
<i>Rack-rented</i>	Space where passing rent is the same as the ERV.
<i>REIT</i>	A Real Estate Investment Trust. A company which complies with Part 12 of the Corporation tax Act 2010. Subject to the continuing relevant UK REIT criteria being met, the profits from the property business of a REIT, arising from both income and capital gains, are exempt from corporation tax.
<i>Reversion</i>	Increase in rent estimated by the Company's External Valuers, where the passing rent is below the ERV.
<i>Reversionary yield</i>	The anticipated yield, which the initial yield will rise (or fall) to once the rent reaches the ERV.
<i>Share price</i>	The value of a share at a point in time as quoted on a stock exchange. The Company's Ordinary Shares are quoted on the Main Market of the London Stock Exchange.
<i>Share Price Total Return</i>	The percentage change in the share price assuming dividends are reinvested to purchase additional Ordinary Shares.
<i>Total returns</i>	The returns to shareholders calculated on a per share basis by adding dividend paid in the period to the increase or decrease in the Share Price or NAV. The dividends are assumed to have been reinvested in the form of Ordinary Shares or Net Assets.
<i>Total Shareholder Return</i>	The percentage change in the share price assuming dividends are reinvested to purchase additional Ordinary Shares.
<i>Under-rented</i>	Space where the passing rent is below the ERV.
<i>UK Corporate Governance Code</i>	A code issued by the Financial Reporting Council which sets out standards of good practice in relation to board leadership and effectiveness, remuneration, accountability and relations with shareholders. All companies with a Premium Listing of equity shares in the UK are required under the Listing Rules to report on how they have applied the Code in their annual report and accounts.
<i>Voids</i>	The amount of rent relating to properties which are unoccupied and generating no rental income. Stated as a percentage of ERV.
<i>Weighted Average Unexpired Lease Term ('WAULT')</i>	The average lease term remaining for first break, or expiry, across the portfolio weighted by contracted rental income (including rent-frees).
<i>Yield compression</i>	Occurs when the net equivalent yield of a property decreases, measured in basis points.

Notes

Notes



AEW Offices

United Kingdom
33 Jermyn Street
London
SW1Y 6DN

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

France
8-12 rue des Pirogues de Bercy
75012 Paris
France

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

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

+1 617 261 9334
www.aew.com
