AEW UK REIT plc (AEWU)

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AEW UK REIT PLC

The Board of AEW UK REIT plc (the 'Company') is pleased to announce results for the 11 month period from 1 May 2017 to 31 March 2018.

The following text is copied from the Annual Report and Financial Statements for the period ended 31 March 2018:

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.

*see Glossary below for definition of alternative performance measures

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.

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 Glossary below 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.

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).

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.

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.

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.

Please refer to Appendix 1 'Investing in smaller assets of <£15 million can result in significant yield advantage', accessible through the link at the end of this announcement.

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.

Please refer to Appendix 2 'Our Asset Management Process', accessible through the link at the end of this announcement.

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

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

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%

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

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

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)
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
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

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.

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.

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).

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.

- 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 £7.15m 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. A surrender premium of £1m 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.

- 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 201,543 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%.

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

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

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

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 EUR6,000 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.

Property Portfolio

Please refer to Appendix 3 'Since Inception', accessible through the link at the end of this announcement.

Please refer to Appendix 4 'UK property locations as at 31 March 2018', accessible through the link at the end of this announcement.

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**

Please refer to Appendix 5 'Properties by Market Value', accessible through the link at the end of this announcement.

Property	Sector	Region	Market Value Range (£m)
Top ten:			
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
Langthwaite Grange Industrial Estate, South Kirby	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.

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.

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.

Please refer to Appendix 6 'Lease Expiry Profile', accessible through the link at the end of this announcement.

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:

	31 March 2018		**30 April 2017**	
Leverage Exposure	**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.

	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.
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.

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.

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.

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 UK 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

Non-statutory Accounts

The financial information set out below does not constitute the Company's statutory accounts for the period ended 31 March 2018 but is derived from those accounts. Statutory accounts for the period ended 31 March 2018 will be delivered to the Registrar of Companies in due course. The Independent Auditor has reported on those accounts; their report was (i) unqualified, (ii) did not include a reference to any matters to which the Independent Auditor drew attention by way of emphasis without qualifying their report and (iii) did not contain a statement under Section 498 (2) or (3) of the Companies Act 2006. The text of the Independent Auditors' Report can be found in the Company's full Annual Report and the Financial Statements on the Company's website.

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 below 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 below 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 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 below 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	(410)	(283)
Net cash flow 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	(165)	-
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**

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 above.

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;

* 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.

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.

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.

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 the 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 shortterm 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.

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 capitalized 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.

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 below.

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**

	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 in the full Annual Report and Financial Statements. The Company had no employees in either period.

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
Charge 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.

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 property (£'000)	(1,014)	3,159

Loss/(profit) on disposal of investment property (£'000)	216	(731)
Change in fair value of investment (£'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 NNNAV was equal to IFRS NAV and as such a reconciliation between the two measures has not been performed.

9. Dividends paid

	For the period 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 ended 31 March 2018.
** The fourth interim dividend declared is not included in the accounts as a liability as at year ended 30 April 2017.

10. Investments

10.a) Investment property

	Investment property freehold £'000	**31 March 2018 Investment property leasehold £'000**	**Total £'000**	30 April 2017 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 property	(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 property		
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)**

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.

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.

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	£1.00 - £145.00
			Equivalent yield	3.14% - 10.72%
30 April 2017				
Investment property*	137,820	Income capitalisation	ERV	£2.00 - £160.00
			Equivalent yield	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.

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

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

30 April 2017

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

11. Receivables and prepayments

	31 March 2018	30 April 2017
	£'000	£'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**
	2,938	**3,382**

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

	31 March 2018	30 April 2017
	£'000	£'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**

12. Interest rate derivatives

	31 March 2018	30 April 2017
	£'000	£'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	**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.

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
	l£'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**

14. Payables and accrued expenses

	31 March 2018	30 April 2017
	£'000	£'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	30 April 2017
	£'000	£'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**

16. Guarantees and commitments

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

Operating lease commitments - as lessor

The Company has entered into commercial property leases on its investment property portfolio. These noncancellable 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.

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**

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
Financial 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:

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.

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

	As at 31 March 2018	As at 30 April 2017

	£'000	£'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:

31 March 2018	**On Demand £'000**	**<3 Months £'000**	**3-12 Months £'000**	**1-5 Years £'000**	**>5 years £'000**	**Total £'000**
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	On Demand £'000	<3 Months £'000	3-12 Months £'000	1-5 Years £'000	>5 years £'000	Total £'000
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**

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.

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 he 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%)

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 period and future contracted rental uplifts.

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 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 below. 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**

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

* independent of the Investment Manager

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

Depositary
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

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.

Copies of the Annual Report and Financial Statements and the Notice of AGM
Printed copies of the Annual Report and Notice of the 201 8 Annual General Meeting will be sent to shareholders shortly and will be available on the Company's website.

National Storage Mechanism
A copy of the Annual Report and Financial Statements will be submitted shortly to the National Storage Mechanism ('NSM') and will be available for inspection at www.morningstar.co.uk/uk/NSM.

Annual General Meeting
The AGM will be held on 12 September 2018 at 12 noon at The Cavendish Hotel, 81 Jermyn Street, St. James', London SW1Y 6JF.

Glossary

AEW UK Core Property Fund
AEW UK Core Property Fund, a property authorised investment fund ('PAIF') and a sub-fund of the (the 'Core Fund') AEW UK Real Estate Fund, an open ended investment company.

AIC
Association of Investment Companies. This is the trade body for closed-end Investment companies (www.theaic.co.uk).

AIFMD
Alternative Investment Fund Managers' Directive.

AIFM
Alternative Investment Fund Manager. The entity that provides portfolio management and risk management services to the Company and which ensures the Company complies with the AIFMD. The Company's AIFM is AEW UK Investment Management LLP.

Company
AEW UK REIT plc.

Company Secretary
Link Company Matters Limited

Company website
www.aewukreit.com

Contracted rent
The annualised rent adjusting for the inclusion of rent subject to rent-free periods.

Covenant strength
The strength of a tenant's financial status and its ability to perform the covenants in the lease.

DTR
Disclosure Guidance and Transparency Rules, issued by the UKLA.

Earnings Per Share ('EPS')
Profit for the period attributable to equity shareholders divided by the weighted average number of Ordinary Shares in issue during the period.

EPC
Energy Performance Certificate.

EPRA
European Public Real Estate Association, the industry body representing listed companies in the real estate sector.

EPRA cost ratio (including direct vacancy costs)
The ratio of net overheads and operating expenses against gross rental income (with both amounts excluding ground rents payable). Net overheads and operating expenses relate to all administrative and operating expenses.

EPRA cost ratio (excluding direct vacancy costs)
The ratio calculated above, but with direct vacancy costs removed from net overheads and operating expenses balance.

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

EPRA NAV
Net Asset Value adjusted to include properties and other investment interests at fair value and to exclude certain items not expected to crystallise in a long-term investment property business.

EPRA NNNAV
EPRA NAV adjusted to reflect the fair value of debt and derivatives and to include deferred taxation on revaluations.

EPRA Net Initial Yield ('NIY')
Annualised rental income based on the cash rents passing at the balance sheet date, less non- recoverable property operating expenses, divided by the fair value of the property, increased with (estimated) purchasers' costs.

EPRA Topped-Up Net Initial Yield
This measure incorporates an adjustment to the EPRA NIY in respect of the expiration of rent-free periods (or other unexpired lease incentives such as discounted rent periods and step rents).

EPRA Vacancy Rate
Estimated Market Rental Value ('ERV') of vacant space as a percentage of the ERV of the whole portfolio.

Equivalent Yield
The internal rate of return of the cash flow from the property, assuming a rise to ERV at the next review or lease expiry. No future growth is allowed for.

Estimated Rental Value ('ERV')
The external valuers' opinion as to the open market rent which, on the date of the valuation, could reasonably be expected to be obtained on a new letting or rent review of a property.

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

Fair Value
The estimated amount for which a property should exchange on the valuation date between a willing buyer and a willing seller in an arm's length transaction after proper marketing and where parties had each acted knowledgeably, prudently and without compulsion.

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

FCA
The Financial Conduct Authority.

FRI lease
A lease which imposes full repairing and insuring obligations on the tenant, relieving the landlord from all liability for the cost of insurance and repairs.

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

IASB
International Accounting Standards Board.

IFRS
International Financial Reporting Standards, as adopted by the European Union.

Investment Manager
The Company's Investment Manager is AEW UK Investment Management LLP.

IPD
Investment Property Databank. An organisation supplying independent market indices and portfolio benchmarks to the property industry.

IPO
The admission to trading on the London Stock Exchange's Main Market of the share capital of the Company and admission of Ordinary Shares to the premium listing segment of the Official List on 12 May 2015.

Lease incentives
Incentives offered to occupiers to enter into a lease. Typically this will be an initial rent-free period, or a cash contribution to fit-out. Under accounting rules the value of the lease incentive is amortised through the Statement of Comprehensive Income on a straight-line basis until the lease expiry.

Lease surrender
An agreement whereby the landlord and tenant bring a lease to an end other than by contractual expiry or the exercise of a break option. This will frequently involve the negotiation of a surrender premium by one party to the other.

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

Loan to Value ('LTV')
The value of outstanding loans and borrowings (before adjustments for issue costs) expressed as a percentage of the combined valuation of the property portfolio (as provided by the valuer) and the fair value of other investments.

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

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

NAV Total Return
The percentage change in NAV, assuming that dividends paid to shareholders are reinvested at NAV to purchase additional Ordinary Shares

Net equivalent yield
Calculated by the Company's External Valuers, equivalent yield is the internal rate of return from an investment property, based on the gross outlays for the purchase of a property (including purchase costs), reflecting reversions to current market rent and items as voids and non-recoverable expenditure but ignoring future changes in capital value. The calculation assumes rent is received annually in arrears.

Net initial yield
The initial net rental income from a property at the date of purchase, expressed as a percentage of the gross purchase price including the costs of purchase.

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

Non-PID
Non-Property Income Distribution. The dividend received by a shareholder of the Company arising from any source other than profits and gains of the Tax Exempt Business of the Company.

Ongoing charges
The ratio of total administration and property operating costs expressed as a percentage of average net asset value throughout the period.

Ordinary Shares
The main type of equity capital issued by conventional Investment Companies. Shareholders are entitled to their share of both income, in the form of dividends paid by the Company, and any capital growth.

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

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

PID
Property Income Distribution. A dividend received by a shareholder of the Company in respect of profits and gains of the tax exempt business of the Company.

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

REIT
A Real Estate Investment Trust. A company which complies with Part 12 of the Corporation tax Act 2010. Subject to the continuing relevant UK REIT criteria being met, the profits from the property business of a REIT, arising from both income and capital gains, are exempt from corporation tax.

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

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

Share price
The value of a share at a point in time as quoted on a stock exchange. The Company's Ordinary Shares are quoted on the Main Market of the London Stock Exchange.

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

Total returns
The returns to shareholders calculated on a per share basis by adding dividend paid in the period to the increase or decrease in the Share Price or NAV. The dividends are assumed to have been reinvested in the form of Ordinary Shares or Net Assets.

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

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

UK Corporate Governance Code
A code issued by the Financial Reporting Council which sets out standards of good practice in relation to board leadership and effectiveness, remuneration, accountability and relations with shareholders. All companies with a Premium Listing of equity shares in the UK are required under the Listing Rules to report on how they have applied the Code in their annual report and accounts.

Voids
The amount of rent relating to properties which are unoccupied and generating no rental income. Stated as a percentage of ERV.

Weighted Average Unexpired Lease Term ('WAULT')
The average lease term remaining for first break, or expiry, across the portfolio weighted by contracted rental income (including rent-frees).

Yield compression

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

The content of the Company's web-pages and the content of any website or pages which may be accessed through hyperlinks on the Company's web-pages is neither incorporated into nor forms part of the above announcement.

Attachment

Document title: Appendices
Document: http://n.eqs.com/c/fncls.ssp?u=MKGJVTELWP

ISIN:	GB00BWD24154
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TIDM:	AEWU
LEI Code:	21380073LDXHV2LP5K50
OAM Categories:	1.1. Annual financial and audit reports
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