

28 November 2019

AEW UK REIT PLC (the "Company")

Interim Report and Financial Statements
for the six months ended 30 September 2019

Financial Highlights

- Unaudited Net Asset Value ("NAV") of £147.55 million and of 97.36 pence per share ("pps") as at 30 September 2019 (31 March 2019: £149.46 million and 98.61 pps).
- Operating profit before fair value changes of £7.26 million for the period (six months ended 30 September 2018: £6.86 million).
- Profit Before Tax ("PBT") of £4.16 million and 2.74 pps (six months ended 30 September 2018: £11.68 million and 7.71 pps). PBT includes a £2.41 million loss arising from changes to fair value of the investment properties in the period (six months ended 30 September 2018: gain of £5.65 million). This change explains the significant fall in PBT for the period.
- Unadjusted EPRA Earnings Per Share ("EPRA EPS") for the period of 4.37 pps (six months ended 30 September 2018: 4.10 pps). See below for the calculation of EPRA EPS.
- Total dividends of 4.00 pps have been declared for the period (six months ended 30 September 2018: 4.00 pps).
- Shareholder Total Return for the period of 5.50% (six months ended 30 September 2018: 3.56%).
- The price of the Company's Ordinary Shares on the Main Market of the London Stock Exchange was 93.90 pps as at 30 September 2019 (31 March 2019: 92.80 pps).
- As at 30 September 2019, the Company had drawn £50.00 million (31 March 2019: £50.00 million) of a £60.00 million (31 March 2019: £60.00 million) term credit facility with the Royal Bank of Scotland International Limited ('RBSi') and was geared to 25.50% of the portfolio valuation (31 March 2019: 25.30%).
- The Company held cash balances totalling £2.01 million as at 30 September 2019 (31 March 2019: £2.13 million). Under the terms of its loan facility, the Company can draw a further £1.64 million (31 March 2019: £2.31 million) up to the maximum 35% loan to NAV at drawdown.

Property Highlights

- As at 30 September 2019, the Company's property portfolio had a fair value of £196.05 million across 35 properties (31 March 2019: £197.61 million across 35 properties) and a historical cost of £197.02 million (31 March 2019: £196.86 million).
- As at 30 September 2019, the Company's property portfolio had an EPRA vacancy rate of 3.96% (31 March 2019: 2.99%).
- Rental income generated during the period was £8.78 million (six months ended 30 September 2018: £8.46 million). The number of tenants as at 30 September 2019 was 92 (31 March 2019: 95).
- EPRA Net Initial Yield ("EPRA NIY") of 7.45% as at 30 September 2019 (31 March 2019: 7.62%).
- Weighted Average Unexpired Lease Term ("WAULT") of 4.33 years to break and 5.82 years to expiry (31 March 2019: 4.87 years to break and 6.10 years to expiry). See below for definition and relevance to strategy.

Chairman's Statement

Overview

I am pleased to present the unaudited interim results of the Company for the six month period from 1 April 2019 to 30 September 2019. As at 30 September 2019, the Company has established a diversified portfolio of 35 commercial investment properties throughout the UK with a value of £196.05 million. On a like-for-like basis, the portfolio valuation decreased by 0.79% over the six months.

The Company achieved EPRA EPS of 4.37 pps for the period, which represents a dividend cover of 109.3%, having paid dividends of 4.00 pps in relation to the period. This is an improvement on the EPRA EPS reported for the year ended 31 March 2019, which produced a dividend cover of 100.9% and reflects the success of key asset management transactions which have boosted rental income and maintained a vacancy rate below 4% by Estimated Rental Value ("ERV") over the six months to September 2019. The portfolio has a short WAULT of 4.33 years to break and 5.82 years to expiry, which we anticipate will provide the opportunity to add further value through an active approach to asset management.

The Company's share price was 93.90 pps as at 30 September 2019, representing a 3.55% discount to NAV. Over the six month period, the Company generated a shareholder total return of 5.50% and a NAV total return of 2.79%.

Financial Results

	6 month period from 1 April 2019 to 30 September 2019 (unaudited)	6 month period from 1 April 2018 to 30 September 2018 (unaudited)	12 month period from 1 April 2018 to 31 March 2019 (audited)
Operating Profit before fair value changes (£'000)	7,264	6,859	13,524

Operating Profit (£'000)	4,901	12,334	17,226
PBT (£'000)*	4,159	11,678	15,544
EPRA EPS (basic and diluted) (pence)	4.37	4.10	8.07
Ongoing Charges (%)	1.34	1.26	1.40
NAV per share (pence)	97.36	100.06	98.61
EPRA NAV per share (pence)	97.32	100.06	98.51

*PBT includes a £2.41 million loss arising from changes to fair value of the investment properties in the period (six months ended 30 September 2018: gain of £5.65 million). This change explains the significant fall in PBT for the period.

Financing

The Company has a £60.00 million loan facility, of which it had drawn a balance of £50.00 million as at 30 September 2019 (31 March 2019: £60.00 million facility; £50.00 million drawn), producing a gearing of 25.50% (31 March 2019: 25.30%) loan to property valuation.

The unexpired term of the facility was 4.1 years as at 30 September 2019 (31 March 2019: 4.6 years). The loan incurs interest at 3 month LIBOR +1.4%, which equated to an all-in rate of 2.17% as at 30 September 2019 (31 March 2019: 2.32%). The Company is protected from a significant rise in interest rates as it currently has effective interest rate caps with a combined notional value of £36.51 million (31 March 2019: £36.51 million), with £26.51 million capped at 2.50% and £10.00 million capped at 2.00%, resulting in the loan being 73% hedged (31 March 2019: 73%). These interest rate caps are effective until 19 October 2020. The Company has entered into additional interest rate caps on a notional value of £46.51 million at 2.00% covering the extension period of the loan from 20 October 2020 to 19 October 2023.

On 9 October 2019, the Company announced that it had completed an amendment to its loan facility, increasing the loan to NAV covenant from 45% to 55% (subject to certain conditions). There are no changes to the margin currently charged under the facility.

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

Dividends

The Company has continued to deliver on its target of paying dividends of 8.00 pps per annum. During the period, the Company declared and paid two quarterly dividends of 2.00 pps, in line with its target.

On 18 October 2019, the Board declared an interim dividend of 2.00 pps in respect of the period from 1 July 2019 to 30 September 2019. This interim dividend will be paid on 29 November 2019 to shareholders on the register as at 1 November 2019.

The Directors will declare dividends taking into account the current level of the Company's earnings and the Directors' view on the outlook for sustainable recurring earnings. As such, the level of dividends paid may increase or decrease from the current annual dividend of 8.00 pps. Based on the current profile of the portfolio, the Company expects to pay an annualised dividend of 8.00 pps in respect of the year ending 31 March 2020, subject to market conditions.

The following shows the dividend paid (in pps) in relation to each quarter from the Company's inception:

Quarter ended	2015	2016	2017
January	2.00	2.00	
April	2.00	2.00	
July	2.00	2.00	
October	1.50	2.00	2.00
Quarter ended	2017	2018	2019
March	2.00	2.00	
June	2.00	2.00	
September	2.00	2.00	
December	*1.33	2.00	

*Note that the Company changed its quarter end dates starting in December 2017 and the dividend payment of 1.33 pps relates to the two month period from 1 November 2017 to 31 December 2017.

Outlook

The Board and the Investment Manager are pleased with the strong income returns delivered to shareholders to date. Based on annualised dividend payments of 8.00 pps, the Company delivered a dividend yield of 8.52% as at 30 September 2019.

The Company was fully invested at the start of the period and achieved returns during the period which fully covered its dividend payments. The Board expects this level of returns to continue, based on the projected income from the portfolio which had a NIY of 7.45% and a Reversionary Yield of 7.82% as at 30 September 2019.

In the wider political and economic environment, the country is preparing for a general election on 12 December 2019. The outcome of this should provide better clarity to the ongoing Brexit debate, for which the deadline to reach an agreement with the EU has been pushed back to 31 January 2020. It is hoped that the coming months will see an end to the continued uncertainty which has hampered the investment markets.

Looking forward, our focus remains on continuing to grow the Company as part of the 12 month share-issuance programme, closing on 28 February 2020, as set out in the Company's Prospectus, subject to market conditions. 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. There will be a continuation vote at the AGM of the Company to be held in 2020, under the provisions of the Articles, at which the Board will propose an ordinary resolution that the Company continue its business as presently constituted.

Board Composition

James Hyslop retired from the Board at the AGM on 12 September 2019. The Board expresses its appreciation for his valuable contribution to the Company since its IPO in 2015. The Board will instigate a search for a replacement independent non-executive Director at an appropriate time.

Mark Burton

Chairman

27 November 2019

Key Performance Indicators

KPI AND DEFINITION	RELEVANCE TO STRATEGY	PERFORMANCE
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1. EPRA NIY* Annualised rental income based on the cash rents passing at the balance sheet date, less non-recoverable property expense, divided by the market value of the property, increased with (estimated) purchasers' costs.	The NIY is in line with the Company's target dividend yield meaning that, after costs, the Company should have the ability to meet its target dividend through property income.	7.45% at 30 September 2019 (31 March 2019: 7.62%).
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.	A True 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.	7.93% at 30 September 2019 (31 March 2019: 7.94%).
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.	7.82% at 30 September 2019 (31 March 2019: 7.75%).
4. WAULT to expiry The average lease term remaining to expiry across the portfolio, weighted by contracted rent.	The Investment Manager believes that current market conditions present an opportunity whereby assets with a shorter unexpired lease term are often mispriced. It is also the Investment Manager's view that a shorter WAULT is useful for active asset management as it allows the Investment Manager to engage in direct negotiation with tenants rather than via rent-review mechanisms.	5.82 years at 30 September 2019 (31 March 2019: 6.10 years).
5. WAULT to break The average lease term remaining to break, across the portfolio weighted by contracted rent.	The Investment Manager believes that current market conditions present an opportunity whereby assets with a shorter unexpired lease term are often mispriced. It is also the Investment Manager's view that a shorter WAULT is useful for active asset management as it allows the Investment Manager to engage in direct negotiation with tenants rather than via rent-review mechanisms.	4.33 years at 30 September 2019 (31 March 2019: 4.87 years).
6. NAV NAV is the value of an entity's assets minus the value of its liabilities.	The change in NAV reflects the Company's ability to grow the portfolio and add value to it throughout the life cycle of its assets.	£147.55 million at 30 September 2019 (31 March 2019: £149.46 million).
7. Leverage (Loan to property valuation) The proportion of the property portfolio that is funded by borrowings.	The Company utilises borrowings to enhance returns over the medium term. Borrowings will not exceed 35% of GAV (measured at drawdown) with a long term target of 25% or less of GAV.	25.50% at 30 September 2019 (31 March 2019: 25.30%).
8. Vacant ERV The space in the property portfolio which is currently unlet, as a percentage of the total ERV of the portfolio.	The Company's aim is to minimise vacancy of the properties. A low level of structural vacancy provides an opportunity for the Company to capture rental uplifts and manage the mix of tenants within a property.	3.96% at 30 September 2019 (31 March 2019: 2.99%).
9. Dividend Dividends declared in relation to the year. The Company targets a dividend of 8.00 pps per annum.	The dividend reflects the Company's ability to deliver a sustainable income stream from its portfolio.	4.00 pps for the six months to 30 September 2019. This supports an annualised target of 8.00 pps (six months to 30 September 2018: 4.00 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. This measure is to provide investors with a clear picture of operational costs involved in running the Company.	1.34% for the six months to 30 September 2019 (six months to 30 September 2018: 1.26%).
11. PBT PBT is a profitability measure which considers the Company's profit including fair value changes 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.	£4.16 million for the six months to 30 September 2019 (six months to 30 September 2018: £11.68 million).
12. Shareholder Total 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 through share price movements and dividends received.	5.50% for the six months to 30 September 2019 (six months to 30 September 2018: 3.56%).
13. EPRA EPS Earnings from core operational activities. A key measure of a company's underlying operating results from its property rental business and an indication of the extent to which current dividend payments are supported by earnings. See note 7.	This reflects the Company's ability to generate earnings from the portfolio which underpins dividends.	4.37 pps for the six months to 30 September 2019 (six months to 30 September 2018: 4.10 pps).

* For the current and comparative reporting dates, the calculation of NIY has been revised to use EPRA methodology to bring consistency with disclosures made elsewhere in the Interim Report and Financial Statements. The difference in output is considered immaterial.

Investment Manager's Report

Market Outlook

The portfolio, now increasingly mature, is offering us numerous opportunities to undertake asset management initiatives which provide various potential routes to add value. Despite the backdrop of ongoing political uncertainty, the Company remains confident in its ability to deliver on its objectives. The value of our assets has remained robust, particularly in the office and industrial sectors, where assets have either been acquired at conservative levels or provide exciting value-add opportunities. There has been some loss of value in retail assets, in line with the structural changes that we are seeing across the retail sector. However, this has been mitigated by the portfolio's light exposure to the sector and also by valuation gains in other parts of the portfolio. Despite our positive outlook for the portfolio, we are conscious of the opportunity to limit downside risk in an uncertain macro environment and, with this in mind, we have recently taken a number of steps to reduce risk associated with the Company's debt facility, details of these are set out below.

Financial Results

The Company's NAV as at 30 September 2019 was £147.55 million or 97.36 pps (31 March 2019: £149.46 million or 98.61 pps). This is a decrease of 1.25 pps or 1.27% over the six months. EPRA EPS for the six month period was 4.37 pps which, based on dividends paid of 4.00 pps, reflects a dividend cover of 109.3%.

Financing

As at 30 September 2019, the Company had a £60.0 million loan facility with RBSi, in place until October 2023, the details of which are presented below:

	30 September 2019	31 March 2019
Facility Drawn	£60.00 million £50.00 million	£60.00 million £50.00 million
Gearing (Loan to Property Value)	25.50%	25.30%
Gearing (Loan to NAV)	33.89%	33.45%
Interest rate	2.17% all-in (LIBOR + 1.4%)	2.32% all-in (LIBOR + 1.4%)
Notional Value of Loan Balance Hedged	73.02%	73.02%

On 9 October 2019, the Company announced that it had completed an amendment to its loan facility to increase the hard loan to NAV covenant from 45% to 55% (subject to certain conditions), although the target gearing remains as set out in the Prospectus. There are no changes to the margin currently charged under the facility.

The Company has not made any acquisitions or disposals during the period. The following tables illustrate the composition of the portfolio in relation to its properties, tenants and income streams:

Summary by Sector as at 30 September 2019

Sector	Number of Properties	Knight Frank Valuation (£m)	Area ('000 sq ft)	Occupancy by ERV (%)	WAULT to break (years)	Gross Passing Rental Income (£m)	Gross ERV (£m)
Industrial	20	93.93	2,335	99.4	4.1	7.55	8.37
Office	6	44.35	287	88.8	2.8	3.42	4.30
Other	3	30.02	165	100.0	5.6	2.82	2.33
Standard Retail	5	21.65	169	92.1	3.8	1.94	2.00
Retail Warehouse	1	6.10	51	100.0	4.5	0.61	0.51
Total	35	196.05	3,007	96.0	4.3	16.34	17.51

Summary by Geographical Area as at 30 September 2019

Geographical Area	Number of Properties	Knight Frank Valuation (£m)	Area ('000 sq ft)	Occupancy by ERV (%)	WAULT to break (years)	Gross Passing Rental Income (£m)	Gross ERV (£m)
Yorkshire and Humber	8	34.80	1,028	98.5	2.8	2.63	3.38
South East	5	28.65	195	89.7	3.5	2.05	2.42
Eastern	5	23.20	345	100.0	3.5	1.90	2.11
South West	3	22.05	125	100.0	3.3	1.73	1.77
West Midlands	4	19.00	397	100.0	3.2	1.69	1.83
East Midlands	2	17.62	81	100.0	2.5	1.85	1.47
North West	4	15.40	302	100.0	3.7	1.45	1.33
Wales	2	14.73	376	100.0	9.6	1.25	1.29
Greater London	1	12.00	72	100.0	12.1	0.96	0.75
Scotland	1	8.60	86	65.8	1.8	0.83	1.16
Total	35	196.05	3,007	96.0	4.3	16.34	17.51

Sector and Geographical Allocation by Market Value as at 30 September 2019

Sector Allocation

Sector	%
Standard Retail	11
Retail Warehouse	3
Offices	23
Industrial	48
Other	15

Geographical Allocation

Geographical	%
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Greater London	6
South East	15
South West	11
Eastern	12
West Midlands	10
East Midlands	9
North West	8
Yorkshire & Humberside	18
Wales	7
Scotland	4

Properties by Market Value

Property	Sector	Region	Market Value Range (£m)
1 2 Geddington Road, Corby	Other (Car parking)	East Midlands	10.0-15.0
2 40 Queen Square, Bristol	Offices	South West	10.0-15.0
3 London East Leisure Park, Dagenham	Other (Leisure)	Greater London	10.0-15.0
4 Eastpoint Business Park, Oxford	Offices	South East	10.0-15.0
5 Gresford Industrial Estate, Wrexham	Industrial	Wales	7.5-10.0
6 225 Bath Street, Glasgow	Offices	Scotland	7.5-10.0
7 Lockwood Court, Leeds	Industrial	Yorkshire and Humberside	5.0-7.5
8 Langthwaite Grange Industrial Estate, South Kirkby	Industrial	Yorkshire and Humberside	5.0-7.5
9 Above Bar Street, Southampton	Standard Retail	South East	5.0-7.5
10 Storeys Bar Road, Peterborough	Industrial	Eastern	5.0-7.5

The Company's top ten properties listed above comprise 48.0% of the total value of the portfolio.

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

Tenancy Profile

Top Ten Tenants by Passing Rent

Tenant	Sector	Property	Passing Rental Income (£'000)	% of Portfolio Total Passing Rental Income
1 GEFCO UK Limited	Logistics	2 Geddington Road, Corby	1,320	8.1
2 Plastipak UK Limited	Manufacturing	Gresford Industrial Estate, Wrexham	883	5.4
3 The Secretary of State	Government Body	Sandford House, Solihull and Cedar House, Gloucester	832	5.1
4 Ardagh Glass Limited	Manufacturing	Langthwaite Industrial Estate, South Kirkby	676	4.1
5 Mecca Bingo Limited	Leisure	London East Leisure Park, Dagenham	625	3.8
6 Egbert H Taylor & Company Limited	Manufacturing	Oak Park, Droitwich	620	3.8
7 Odeon Cinemas	Leisure	Odeon Cinema, Southend	535	3.3
8 Sports Direct	Retail	Barnstaple Retail Park and Bank Hey Street, Blackpool	525	3.2
9 Wyndham Peterborough Limited	Manufacturing	Storeys Bar Road, Peterborough	525	3.2
10 Advance Supply Chain (BFD) Limited	Logistics	Euroway Trading Estate, Bradford	428	2.6

The Company's top ten tenants, listed above, represent 42.6% of the total passing rental income of the portfolio.

Asset Management

Knowles Lane, Bradford - in September 2019, the Company settled a rent review back-dated to September 2018 at this industrial property. The review documents a new passing rent of £182,500, representing a 14% increase on the previous rent and which was also ahead of the valuer's ERV at the date of signing.

Bessemer Road, Basingstoke - in September 2019, a lease extension for a term of six months was completed with HFC Prestige Manufacturing in Basingstoke. Due to the short extension period, a rental level was agreed 46% ahead of the previous passing rent.

Lease Expiry Profile

Approximately £3.36 million of the Company's current contracted income stream is subject to an expiry or break within the 12 month period commencing 1 October 2019. Of this £3.36 million, £940,000 (28%) is already subject to an agreed renewal in principle, either at or above the current level of passing rent. In respect of a further £1.52 million (45%), the Investment Manager is currently engaged in active renewal discussions where tenants are expected to remain in occupation subject to agreeing final lease terms. The Investment Manager expects to engage further tenants in renewal discussion throughout the period. To date, tenants that have served notice to vacate within this period and have made clear that they intend to do so amount to c.£71,000 (2%).

AEW UK Investment Management LLP

27 November 2019

Interim Management Report & Directors' Responsibility Statement

Interim Management Report

The important events that have occurred during the period under review, the key factors influencing the financial statements and the principal risks and uncertainties for the remaining six months of the financial year are set out in the Chairman's Statement and the Investment Manager's Report above.

The principal risks facing the Company are unchanged since the date of the Annual Report and Financial Statements for the year ended 31 March 2019 and continue to be as set out in that report on pages 29 to 34 and Note 20 to the Financial Statements on pages 92 to 95.

Risks faced by the Company include, but are not limited to: property market, property valuation, tenant default, asset management initiatives, due diligence, fall in rental rates, breach of borrowing covenants, interest rate rises, availability and cost of debt, use of service providers, dependence on the Investment Manager, ability to meet objectives, Company REIT status, political/economic risks, market price risk, real estate risk, credit risk and liquidity risk.

Responsibility Statement

We confirm that to the best of our knowledge:

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

On behalf of the Board

Mark Burton

Chairman

27 November 2019

Independent Review Report to AEW UK REIT plc

Conclusion

We have been engaged by the Company to review the condensed set of financial statements in the Interim Report & Financial Statements for the six months ended 30 September 2019 which comprises the Condensed Statement of Comprehensive Income, Condensed Statement of Changes in Equity, Condensed Statement of Financial Position, Condensed Statement of Cash Flows and the related explanatory notes.

Based on our review, nothing has come to our attention that causes us to believe that the condensed set of financial statements in the half-yearly financial report for the six months ended 30 September 2019 are not prepared, in all material respects, in accordance with IAS 34 Interim Financial Reporting as adopted by the EU and the DTR of the UK's Financial Conduct Authority (the "FCA").

Scope of review

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

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

The impact of uncertainties due to the UK exiting the European Union on our review

Uncertainties related to the effects of Brexit are relevant to understanding our review of the condensed financial statements. Brexit is one of the most significant economic events for the UK, and at the date of this report its effects are subject to unprecedented levels of uncertainty of outcomes, with the full range of possible effects unknown. An interim review cannot be expected to predict the unknowable factors or all possible future implications for a company and this is particularly the case in relation to Brexit.

Directors' responsibilities

The Interim Report & Financial Statements is the responsibility of, and has been approved by, the Directors. The Directors are responsible for preparing the Interim Report & Financial Statements in accordance with the DTR of the FCA.

The annual financial statements of the Company are prepared in accordance with International Financial Reporting Standards as adopted by the EU. The Directors are responsible for preparing the condensed set of financial statements included in the Interim Report & Financial Statements in accordance with IAS 34 as adopted by the EU.

Our responsibility

Our responsibility is to express to the Company a conclusion on the condensed set of financial statements in the Interim Report & Financial Statements based on our review.

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

This report is made solely to the Company in accordance with the terms of our engagement to assist the Company in meeting the requirements of the DTR of the FCA. Our review has been undertaken so that we might state to the Company those matters we are required to state to it in this report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company for our review work, for this report, or for the conclusions we have reached.

Henry Todd
for and on behalf of KPMG LLP
Chartered Accountants
15 Canada Square
London
E14 5GL

27 November 2019

Financial Statements

Condensed Statement of Comprehensive Income for the six months ended 30 September 2019

	Notes	Period from 1 April 2019 to 30 September 2019 (unaudited) £'000	Period from 1 April 2018 to 30 September 2018 (unaudited) £'000	Year ended 31 March 2019 (audited) £'000
Income				
Rental and other income	3	8,777	8,459	17,183
Property operating expenses	4	(509)	(630)	(1,462)
Net rental and other income		8,268	7,829	15,721
Other operating expenses	4	(1,004)	(970)	(2,197)
Operating profit before fair value changes		7,264	6,859	13,524
Change in fair value of investment properties	9	(2,407)	5,653	4,184
Gain/(loss) on disposal of investment properties	9	44	(178)	(482)
Operating profit		4,901	12,334	17,226
Finance expense	5	(742)	(656)	(1,682)
Profit before tax		4,159	11,678	15,544
Taxation	6	-	-	-
Profit after tax		4,159	11,678	15,544
Other comprehensive income		-	-	-
Total comprehensive income for the period		4,159	11,678	15,544
Earnings per share (pence per share) (basic and diluted)	7	2.74	7.71	10.26

The notes below form an integral part of these condensed financial statements.

Condensed Statement of Changes in Equity for the six months ended 30 September 2019

For the period 1 April 2019 to 30 September 2019 (unaudited)	Notes	Share capital £'000	Share premium account £'000	Capital reserve and retained earnings £'000	Total capital and reserves attributable to owners of the Company £'000
Balance as at 1 April 2019		1,515	49,770	98,171	149,456
Total comprehensive income		-	-	4,159	4,159

Dividends paid	-	-	(6,062)	(6,062)
Balance as at 30 September 2019	8	1,515	49,770	96,268

For the period 1 April 2018 to 30 September 2018 (unaudited)	Notes	Share capital £'000	Share premium account £'000	Capital reserve and retained earnings £'000	Total capital and reserves attributable to owners of the Company £'000
		1,515	49,768	94,751	146,034
Total comprehensive income		-	-	11,678	11,678
Share issue costs		-	3	-	3
Dividends paid	8	-	-	(6,062)	(6,062)
Balance as at 30 September 2018		1,515	49,771	100,367	151,653

For the year ended 31 March 2019 (audited)	Notes	Share capital £'000	Share premium account £'000	Capital reserve and retained earnings £'000	Total capital and reserves attributable to owners of the Company £'000
		1,515	49,768	94,751	146,034
Total comprehensive income		-	-	15,544	15,544
Share issue costs		-	2	-	2
Dividends paid	8	-	-	(12,124)	(12,124)
Balance as at 31 March 2019		1,515	49,770	98,171	149,456

The notes below form an integral part of these condensed financial statements.

Condensed Statement of Financial Position
as at 30 September 2019

	Notes	As at 30 September 2018 (unaudited) £'000	As at 31 March 2019 (audited) £'000	
			193,979	196,129
Assets				
Non-Current Assets				
Investment property	9	193,979	192,519	196,129
		193,979	192,519	196,129
Current Assets				
Receivables and prepayments	10	7,621	3,394	4,469
Other financial assets held at fair value	11	58	9	162
Cash and cash equivalents		2,012	8,145	2,131
		9,691	11,548	6,762
Total assets		203,670	204,067	202,891
Non-Current Liabilities				
Interest bearing loans and borrowings	12	(49,528)	(49,714)	(49,476)
Finance lease obligations	14	(636)	(573)	(636)
		(50,164)	(50,287)	(50,112)
Current Liabilities				
Payables and accrued expenses	13	(5,905)	(2,080)	(3,275)
Finance lease obligations	14	(48)	(47)	48
		(5,953)	(2,127)	(3,323)
Total Liabilities		(56,117)	(52,414)	(53,435)
Net Assets		147,553	151,653	149,456
Equity				
Share capital		1,515	1,515	1,515
Share premium account		49,770	49,771	49,770
Capital reserve and retained earnings		96,268	100,367	98,171
Total capital and reserves attributable to equity holders of the Company		147,553	151,653	149,456
Net Asset Value per share (pps)	7	97.36	100.06	98.61

The financial statements were approved by the Board of Directors on 27 November 2019 and were signed on its behalf by:

Mark Burton
Chairman

The notes below form an integral part of these condensed financial statements.

Condensed Statement of Cash Flows
for the six months ended 30 September 2019

	Period from 1 April 2019 to 30 September 2019 (unaudited) £'000	Period from 1 April 2018 to 30 September 2018 (unaudited) £'000	Year ended 31 March 2019 (audited) £'000
Cash flows from operating activities			
Profit after tax	4,159	11,678	15,544
Adjustment for non-cash items:			
Finance expenses	742	656	1,682
Loss/(gain) from change in fair value of investment property	2,407	(5,653)	(4,184)
Realised (gain)/loss on disposal of investment property	(44)	178	482
Increase in other receivables and prepayments	(3,152)	(455)	(1,318)
Increase/(decrease) in other payables and accrued expenses	2,640	(385)	587
Net cash generated from operating activities	6,752	6,019	12,793
Cash flows from investing activities			
Additions to investment property	(257)	(506)	(7,945)
Proceeds from disposal of investment property	44	4,508	6,629
Net cash (used in)/generated from investing activities	(213)	4,002	(1,316)
Cash flows from financing activities			
Share issue costs	-	(31)	(32)
Loan arrangement fees	-	-	(294)
Premiums on interest rate caps	-	-	(531)
Finance costs	(596)	(494)	(1,076)
Dividends paid	(6,062)	(6,062)	(12,124)
Net cash used in financing activities	(6,658)	(6,587)	(14,057)
Net (decrease)/increase in cash and cash equivalents	(119)	3,434	(2,580)
Cash and cash equivalents at start of the period/year	2,131	4,711	4,711
Cash and cash equivalents at end of the period/year	2,012	8,145	2,131

The notes below form an integral part of these condensed financial statements.

Notes to the Condensed Financial Statements
for the six months ended 30 September 2019

1. Corporate information

AEW UK REIT plc (the 'Company') is a closed ended Real Estate Investment Trust ('REIT') incorporated on 1 April 2015 and domiciled in the UK.

The comparative information for the year ended 31 March 2019 does not constitute statutory accounts as defined in section 434 of the Companies Act 2006. The auditor reported on those accounts. Its report was unqualified and did not contain a statement under section 498(2) or (3) of the Companies Act 2006.

2. Accounting policies

2.1 Basis of preparation

These interim condensed unaudited financial statements have been prepared in accordance with IAS 34 Interim Financial Reporting as adopted by the EU, and should be read in conjunction with the Company's last financial statements for the year ended 31 March 2019. These condensed unaudited financial statements do not include all information required for a complete set of financial statements proposed in accordance with IFRS as adopted by the EU ('EU IFRS'). However, selected explanatory notes have been included to explain events and transactions that are significant in understanding changes in the Company's financial position and performance since the last financial statements. A review of the interim financial information has been performed by the Independent Auditor of the Company for issue on 27 November 2019.

The comparative figures disclosed in the condensed unaudited financial statements and related notes have been presented for both the six month period ended 30 September 2018 and year ended 31 March 2019 and as at 30 September 2018 and 31 March 2019.

These condensed unaudited financial statements have been prepared under the historical-cost convention, except for investment property and interest rate derivatives that have been measured at fair value. The condensed unaudited financial statements are presented in Sterling and all values are rounded to the nearest thousand pounds (£'000), except when otherwise indicated.

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

New standards, amendments and interpretations

There were a number of new standards and amendments to existing standards which are required for the Company's accounting periods beginning after 1 April 2019, which have been considered and applied. These being:

- IFRS 16, Leases. In January 2016, the IASB published the final version of IFRS 16 Leases. IFRS specifies how an IFRS reporter will recognise, measure, present and disclose leasing arrangements. The accounting for lessors did not significantly change. For finance lease obligations, the Company is already carrying a right of use asset at fair value so treatment remains in line with prior years in that regard.
- Amendments to IFRS 9 - Prepayment Features with Negative Compensation. This seeks to enable companies to measure at amortised cost some

prepayable financial assets with negative compensation.

- IFRIC 23, Uncertainty over Income Tax Treatments. This seeks to clarify the application of recognition and measurement requirements in IAS 12, Income Taxes, when there is uncertainty over income tax treatment.
- Amendments to IAS 28 Long Term interests in Associates and Joint Ventures. This seeks to clarify the impact of expected credit loss model in IFRS 9 on any long-term interests in an associate or joint venture to which the equity method is not applied but that, in substance, form part of the net investment in associate or joint venture.
- Amendments to IAS 19 Plan Amendment, Curtailment or Settlement. This seeks to clarify when an entity is required to determine the current service cost and net interest for the remainder of the period after a plan amendment, curtailment or settlement.

The Company has applied the new standards and there has been no impact on the financial statements.

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 on or after 1 April 2020 or later. The following are the most relevant to the Company and their impact on the financial statements is as follows:

- Definition of Material - amendments to IAS 1 and IAS 8.
- Annual improvements to IFRS 2015-2017 Cycle: amendments to IFRS 3 Business Combinations, IFRS 11 Joint Arrangements.

The impact of the adoption of new accounting standards issued and becoming effective for accounting periods beginning on or after 1 April 2020 has been considered and is not considered to be significant.

2.2 Significant accounting judgements and estimates

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

i) Valuation of investment property

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

2.3 Segmental information

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

2.4 Going concern

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

2.5 Summary of significant accounting policies

The principal accounting policies applied in the preparation of these financial statements are consistent with those applied within the Company's Annual Report and Financial Statements for the year ended 31 March 2019 except for the changes as detailed in note 2.1.

3. Revenue

	Period from 1 April 2019 to 30 September 2019 (unaudited) £'000	Period from 1 April 2018 to 30 September 2018 (unaudited) £'000	Year ended 31 March 2019 (audited) £'000
Gross rental income received	8,777	8,456	17,179
Other property income	-	3	4
Total rental and other income	8,777	8,459	17,183

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

4. Expenses

	Period from 1 April 2019 to 30 September 2019 (unaudited) £'000	Period from 1 April 2018 to 30 September 2018 (unaudited) £'000	Year ended 31 March 2019 (audited) £'000
Property operating expenses	509	630	1,462
Other operating expenses			
Investment management fee	665	648	1,302
Auditor remuneration	48	43	98
Operating costs	230	226	675
Directors' remuneration	61	53	122
Total other operating expenses	1,004	970	2,197
Total operating expenses	1,513	1,600	3,659

5. Finance expense

	Period from 1 April 2019 to 30 September 2019 (unaudited) £'000	Period from 1 April 2018 to 30 September 2018 (unaudited) £'000	Year ended 31 March 2019 (audited) £'000
Interest payable on loan borrowings	556	540	1,103
Amortisation of loan arrangement fee	53	71	127
Agency fee payable on loan borrowings	-	2	3
Commitment fee payable on loan borrowings	29	26	54
Change in fair value of interest rate derivatives	638	639	1,287
Total	742	656	1,682

6. Taxation

	Period from 1 April 2019 to 30 September 2019 (unaudited) £'000	Period from 1 April 2018 to 30 September 2018 (unaudited) £'000	Year ended 31 March 2019 (audited) £'000
Analysis of charge in the period			
Profit before tax	4,159	11,678	15,544
Theoretical tax at UK corporation tax standard rate of 19% (30 September 2018: 19%; 31 March 2019: 19%)			
	790	2,219	2,953
Adjusted for:			
Exempt REIT income	(1,239)	(1,178)	(2,249)
Non taxable investment losses/(gains)	449	(1,041)	(704)
Total	-	-	-

7. Earnings per share and NAV per share

	Period from 1 April 2019 to 30 September 2019 (unaudited) £'000	Period from 1 April 2018 to 30 September 2018 (unaudited) £'000	Year ended 31 March 2019 (audited) £'000
EPS:			
Total comprehensive income (£'000)	4,159	11,678	15,544
Weighted average number of shares	151,558,251	151,558,251	151,558,251
EPS (basic and diluted) (pence)	2.74	7.71	10.26
EPRA EPS:			
Total comprehensive income (£'000)	4,159	11,678	15,544
Adjustment to total comprehensive income:			
Change in fair value of investment property (£'000)	2,407	(5,653)	(4,184)
(Gain)/loss on disposal of investment property (£'000)	(44)	178	482
Change in fair value of interest rate derivatives (£'000)	104	17	395
Total EPRA Earnings (£'000)	6,626	6,220	12,237
EPRA EPS (basic and diluted) (pence)	4.37	4.10	8.07
NAV per share:			
Net assets (£'000)	147,553	151,653	149,456
Ordinary Shares	151,558,251	151,558,251	151,558,251
NAV per share (pence)	97.36	100.06	98.61
EPRA NAV per share:			
Net assets (£'000)	147,553	151,653	149,456
Adjustments to net assets:			
Other financial assets held at fair value (£'000)	(58)	(9)	(162)
EPRA NAV (£'000)	147,495	151,644	149,294
EPRA NAV per share (pence)	97.32	100.06	98.51

EPS amounts are calculated by dividing profit for the period attributable to ordinary equity holders of the Company by the weighted average number of Ordinary Shares in issue during the period. As at 30 September 2019, EPRA NNNAV was equal to IFRS NAV and as such a reconciliation between the two measures has not been presented.

8. Dividends paid

Period from 1 April 2019 to 30 September 2019	Period from 1 April 2018 to 30 September 2018	Year ended 31 March 2019
--	--	--------------------------------

	£'000	£'000	£'000
Dividends paid during the period	6,062	6,062	12,124
Represents two/two/four interim dividends of 2.00 pps each			
	Period from 1 April 2019 to 30 September 2019 £'000	Period from 1 April 2018 to 31 October 2018 £'000	Year ended 31 March 2019 £'000
Dividends relating to the period	6,062	6,062	12,124
Represents two/two/four interim dividends of 2.00 pps each			

Dividends paid during the period relate to Ordinary Shares only.

9. Investments

9.a) Investment property

	Period from 1 April 2019 to 30 September 2019 (unaudited)			Period from 1 April 2018 to 31 September 2018 (unaudited)	Year ended 31 March 2019 (audited)
	Investment properties freehold £'000	Investment properties leasehold £'000	Total £'000	Total £'000	Total £'000
UK Investment property					
As at beginning of period	159,080	38,525	197,605	192,342	192,342
Additions in the period	262	(5)	257	151	7,590
Disposals in the period	-	-	-	(4,628)	(7,053)
Revaluation of investment property	(2,617)	805	(1,812)	5,665	4,726
Valuation provided by Knight Frank	156,725	39,325	196,050	193,530	197,605
Adjustment for rent free debtor			(2,755)	(1,631)	(2,160)
Adjustment for finance lease obligations*			684	620	684
Total Investment property	193,979	192,519	196,129		
Change in fair value of investment property					
Change in fair value before adjustments for lease incentives			(1,812)	5,665	4,726
Adjustment for movement in the period: in value for rent free debtor			(595)	(12)	(542)
	(2,407)	5,653	4,184		
Gain/(loss) on disposal of the investment property					
Net proceeds from disposals of investment property during the period			44	4,508	6,629
Cost of disposal			-	(4,628)	(7,053)
Lease incentives amortised in current period/year			-	(58)	(58)
Gain/(loss) on disposal of investment property	44	(178)	(482)		

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

Valuation of investment property

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

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

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

9.b) Fair value measurement hierarchy

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

	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				
30 September 2019				
Investment property	-	-	193,979	193,979
30 September 2018				
Investment property	-	-	192,519	192,519
31 March 2019				
Investment property	-	-	196,129	196,129

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.

There have been no transfers between Level 1 and Level 2 during either period, nor have there been any transfers in or out of Level 3.

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

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

1) 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 yield in isolation would result in a lower/(higher) fair value measurement.

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

Class	Fair value £'000	Valuation technique	Significant unobservable inputs	Range
30 September 2019				
Investment Property	196,050	Income capitalisation	ERV Equivalent yield	£0.50 - £127.00 5.95% - 9.69%
30 September 2018				
Investment Property	193,530	Income capitalisation	ERV Equivalent yield	£1.00 - £127.00 4.23% - 12.09%
31 March 2019				
Investment Property	197,605	Income capitalisation	ERV Equivalent yield	£1.00- £127.00 5.87% - 10.25%

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

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

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

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

The tables below sets out a sensitivity analysis for each of the key sources of estimation uncertainty with the resulting increase/(decrease) in the fair value of investment property.

	Fair value £'000	Change in ERV £'000	Change in equivalent yield £'000	
Sensitivity Analysis		+5%	-5%	+5% -5%
30 September 2019	196,050	204,427	187,935	185,802 207,198
30 September 2018	193,530	200,241	183,820	181,321 203,387
31 March 2019	197,605	205,803	189,720	187,352 208,707

	Fair value £'000	Change in ERV £'000	Change in equivalent yield £'000	
Sensitivity Analysis		+10%	-10%	+10% -10%
30 September 2019	196,050	213,858	179,153	178,444 217,351
30 September 2018	193,530	208,704	175,911	173,762 213,834
31 March 2019	197,605	215,108	181,156	179,876 219,000

10. Receivables and prepayments

	30 September 2019 (unaudited) £'000	30 September 2018 (unaudited) £'000	31 March 2019 (audited) £'000
Receivables			
Rent debtor	2,789	1,283	1,477
Allowance for expected credit losses	(51)	-	(39)

Rent agent float account	1,363	184	92
Other receivables	481	221	381
	4,582	1,688	1,911
Rent free debtor	2,755	1,631	2,160
Prepayments	284	75	398
Total	7,621	3,394	4,469

The aged debtor analysis of receivables as follows:

	30 September 2019 £'000	30 September 2018 £'000	31 March 2019 £'000
Less than three months due	4,257	1,688	1,911
Between three and six months due	325	-	-
Total	4,582	1,688	1,911

11. Interest rate derivatives

	30 September 2019 (unaudited) £'000	30 September 2018 (unaudited) £'000	31 March 2019 (audited) £'000
At the beginning of the period	162	26	26
Interest rate cap premium paid	-	-	531
Changes in fair value of interest rate derivatives	(104)	(17)	(395)
At the end of the period	58	9	162

The Company is protected from a significant rise in interest rates as it has interest rate caps with a combined notional value of £36.51 million (31 March 2019: £36.51 million), resulting in the loan being 73% hedged (31 March 2019: 73%). These interest rate caps are effective until 19 October 2020. In October 2018, the Company entered into additional interest rate caps on a notional value of £46.51 million at 2.00% covering the extension period of the loan from October 2020 to October 2023.

Fair Value hierarchy

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

Valuation date	Assets measured at fair value			Total £'000
	Quoted prices in active markets (Level 1) £'000	Significant observable input (Level 2) £'000	Significant unobservable inputs (Level 3) £'000	
30 September 2019	-	58	-	58
30 September 2018	-	9	-	9
31 March 2019	-	162	-	162

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

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

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

12. Interest bearing loans and borrowings

	Bank borrowings drawn		
	30 September 2019 (unaudited) £'000	30 September 2018 (unaudited) £'000	31 March 2019 (audited) £'000
At the beginning of the period	50,000	50,000	50,000
Bank borrowings drawn in the period	-	-	-
Interest bearing loans and borrowings	50,000	50,000	50,000
Unamortised loan arrangement fees	(472)	(286)	(524)
At the end of the period	49,528	49,714	49,476
Repayable between two and five years	50,000	50,000	50,000
Bank borrowings available but undrawn in the period	10,000	10,000	10,000
Total facility available	60,000	60,000	60,000

The Company has a £60.00 million (31 March 2019: £60.00 million) credit facility with RBSi of which £50.00 million (31 March 2019: £50.00 million) has been utilised as at 30 September 2019.

Under the terms of the Prospectus, the Company has a target gearing of 25% loan to GAV, but can borrow up to 35% loan to GAV in advance of a capital raise or asset disposal. As at 30 September 2019, the Company's gearing was 25.50% loan to property valuation (31 March 2019: 25.30%).

Under the terms of the loan facility, the Company can draw up to 35% loan to NAV at drawdown. On 9 October 2019, the Company announced that it had completed an amendment to its loan facility, increasing the loan to NAV covenant from 45% to 55% (subject to certain conditions). There are no changes to the margin currently charged under the facility.

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

13. Payables and accrued expenses

	30 September 2019 (unaudited) £'000	30 September 2018 (unaudited) £'000	31 March 2019 (audited) £'000
Deferred income	3,312	929	1,137
Accruals	1,037	467	1,189
Other creditors	1,556	684	949
Total	5,905	2,080	3,275

14. Finance lease obligations

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

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

	30 September 2019 (unaudited) £'000	30 September 2018 (unaudited) £'000	31 March 2019 (audited) £'000
Not later than one year	48	47	48
Later than one year but not later than five years	160	152	160
Later than five years	476	421	476
	636	573	636
Total	684	620	684

15. Issued share capital

There was no change to the issued share capital during the period. The number of ordinary shares in issue and fully paid remains 151,558,251 of £0.01 each.

16. Transactions with related parties

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

For the six months ended 30 September 2019, the Directors of the Company are considered to be the key management personnel. Directors' remuneration is disclosed in note 4.

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

rate equivalent to 0.9% per annum of NAV (excluding uninvested proceeds from fundraising).

which

During the period from 1 April 2019 to 30 September 2019, the Company incurred £665,344 (six months ended 30 September 2018: £648,247) in respect of investment management fees and expenses of which £664,962 was outstanding at 30 September 2019 (31 March 2019: £328,323).

17. Events after reporting date

Dividend

On 18 October 2019, the Board declared its second interim dividend of 2.00 pps in respect of the period from 1 July 2019 to 30 September 2019. The dividend payment will be made on 29 November 2019 to shareholders on the register as at 1 November 2019. The ex-dividend date was 31 October 2019.

The dividend of 2.00 pps was designated as an interim property income distribution ("PID"). Unless shareholders have elected to receive the PID gross, 20% tax will be deducted at source.

Financing

On 9 October 2019, the Company announced that it had completed an amendment to its loan facility, increasing the loan to NAV covenant from 45% to 55% (subject to certain conditions).

EPRA Performance Measures

Detailed below is a summary table showing the EPRA performance measures of the Company. All EPRA performance measures have been calculated in line with EPRA Best Practices Recommendations Guidelines which can be found at www.epra.com.

MEASURE AND DEFINITION	PURPOSE	PERFORMANCE
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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.

£6.63 million/4.37 pps
EPRA earnings for the six month period ended 30 September 2019 (six month period ended 30 September 2018: £6.22 million/4.10 pps)

2. EPRA NAV

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

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.

£147.50 million/97.32 pps EPRA NAV as at 30 September 2019 (At 31 March 2019: £149.29 million/ 98.51 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.

£147.55 million/97.36 pps EPRA NNNAV as at 30 September 2019
(At 31 March 2019: £149.46 million/98.61 pps)

4.1 EPRA NIY

Annualised rental income based on the cash rents passing at the balance sheet date, less non-recoverable property operating expenses, divided by the 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.

7.45%
EPRA NIY
as at 30 September 2019
(At 31 March 2019: 7.62%)

4.2 EPRA 'Topped-Up' NIY

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

A comparable measure for portfolio valuations. This measure should make it easier for investors to judge themselves, how the valuation of portfolio X compares with portfolio Y.

8.27%
EPRA 'Topped-Up' NIY
as at 30 September 2019
(At 31 March 2019: 8.58%)

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.

3.96%
EPRA vacancy
as at 30 September 2019
(At 31 March 2019: 2.99%)

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.

16.93%
EPRA Cost Ratio (including direct vacancy cost)
as at
30 September 2019
(At 30 September 2018: 18.68%)
13.76%
EPRA Cost ratio excluding direct vacancy costs
as at
30 September 2019
(At 30 September 2018: 14.96%)

Calculation of EPRA NIY and 'topped-up' NIY

	30 September 2019 £'000
Investment property - wholly-owned	196,050
Allowance for estimated purchasers' costs	13,331
Gross up completed property portfolio valuation	209,381
Annualised cash passing rental income	16,335
Property outgoings	(738)
Annualised net rents	15,597
Rent expiration of rent-free periods and fixed uplifts	1,716
'Topped-up' net annualised rent	17,313
EPRA NIY	7.45%
EPRA 'topped-up' NIY	8.27%

EPRA NIY basis of calculation

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

The valuation of grossed up completed property portfolio is determined by our external valuers as at 30 September 2019, plus an allowance for estimated purchasers' costs. Estimated purchasers' costs are determined by the relevant stamp duty liability, plus an estimate by our valuers of agent and legal fees on notional acquisition. The net rent deduction allowed for property outgoings is based on our valuers' assumptions on future recurring non-recoverable revenue expenditure.

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

Calculation of EPRA Vacancy Rate

	30 September 2019 £'000
Annualised potential rental value of vacant premises	694
Annualised potential rental value for the completed property portfolio	<u>17,512</u>
EPRA Vacancy Rate	3.96%
	30 September 2019 £'000
Administrative/operating expense per IFRS income statement	1,513
Less: Ground rent costs	(33)
EPRA Costs (including direct vacancy costs)	1,480
Direct vacancy costs	<u>(277)</u>
EPRA Costs (excluding direct vacancy costs)	1,203
Gross Rental Income less ground rent costs	<u>8,744</u>
EPRA Cost Ratio (including direct vacancy costs)	16.93%
EPRA Cost Ratio (excluding direct vacancy costs)	13.76%

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

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

Annual and Interim Reports

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

Provisional Financial Calendar

31 March 2020	Year end
June 2020	Announcement of annual results
September 2020	Annual General Meeting
30 September 2020	Half-year end
November 2020	Announcement of interim results

Dividends

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

	£
Interim dividend for the period 1 April 2019 to 30 June 2019 (payment made on 30 August 2019)	3,031,165
Interim dividend for the period 1 July 2019 to 30 September 2019 (payment to be made on 29 November 2019)	3,031,165
Total	6,062,330

Independent Directors

Mark Burton (Non-executive Chairman)
Bim Sandhu (Non-executive Director)
Katrina Hart (Non-executive Director)

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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.

National Storage Mechanism

A copy of the Interim Report will be submitted shortly to the National Storage Mechanism ('NSM') and will be available for inspection at the NSM, which is situated at www.morningstar.co.uk/uk/NSM.

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