ANNUAL FINANCIAL REPORT

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AEW UK Long Lease REIT PLC
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Annual Report and Financial Statements for the year ended 30 June 2019

AEW UK Long Lease REIT plc ('the Company'), which directly owns a diversified portfolio of commercial investment properties, predominately in the alternative property sectors, is pleased to publish its annual report and financial statements for the year ended 30 June 2019.

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Strategic Report

Financial Highlights

• Net Asset Value* ('NAV') of £76.32 million, and of 94.81 pence per share ('pps') as at 30 June 2019 (30 June 2018: £76.42 million and 94.93 pps).

• Operating profit before fair value changes of £5.58 million for the year (period ended 30 June 2018: £2.45 million).

• Unadjusted profit before tax ('PBT') of £4.23 million and earnings of 5.26 pps for the year (period ended 30 June 2018: loss of £0.89 million 1.25 pps, of which £6.48 million and 8.05 pence related to property acquisition costs written off).

• EPRA Earnings per share* ('EPRA EPS') for the year were 5.47 pps (period ended 30 June 2018: 2.74 pence).

• Adjusted EPS (see note 8) for the year were 4.86 pps (period ended June 2018: 2.30 pps)

• Total dividends of 5.50 pps declared for the year in line with the dividend target as set out in the Initial Public Offering ('IPO') prospectus (period ended 30 June 2018: 3.25 pps).

• The price of the Company's Ordinary Shares on the Main Market of the London Stock Exchange was 78.75 pps as at 30 June 2019 (30 June 2018: 90.24 pps).

• As at 30 June 2019, the Group had a £41 million loan facility with Canada Life Investments and was geared to 34.3% of the Gross Asset Value ('GAV') (30 June 2018: 27.7%).

• EPRA Cost Ratio of 19.2% as at 30 June 2019 (30 June 2018: 35.8%).

Property Highlights

• The Group acquired three properties in the year for a total of £12.65 million, excluding acquisition costs (period ended 30 June 2018: 16 properties for £95.46 million).

• As at 30 June 2019, the Group's property portfolio had a fair value of £112.99 million across 19 properties (30 June 2018: £99.09 million across 16 properties).

• Weighted average unexpired lease term ('WAULT')* of 20.5 years to the earlier of break and expiry (30 June 2018: 21.8 years) and 22.6 years to expiry (30 June 2018: 24.0 years).

• The portfolio was fully let as at 30 June 2019 (30 June 2018: 99.7% occupancy)

• Rental and other income generated in the period was £6.91 million (30 June 2018: £3.60 million). The number of tenants as at 30 June 2019 was 24 (30 June 2018: 21).

• The portfolio had annualised contracted rental income of £6.67 million as at 30 June 2019 (30 June 2018: £5.64 million).

• EPRA Net Initial Yield ('NIY')* of 4.98% as at 30 June 2019 (30 June 2018: 5.28%) equivalent to 5.54% following the expiry of Meridian Steel rent free.

• EPRA Cost Ratio of 19.2% as at 30 June 2019 (30 June 2018: 35.8%).

The current period being reported is for the year ended 30 June 2019. The prior period ended 30 June 2018 was a 14-month period from 18 April 2017 to 30 June 2018 and so cannot be used as a direct comparison.

* See glossary below for definitions and abbreviations and for Key Performance Indicators and their definitions.

Chairman's Statement

Overview

I am pleased to present the second annual audited results of AEW UK Long Lease REIT plc (the 'Company') together with its subsidiaries (the 'Group') for the financial year ended 30 June 2019.

During the financial year the Group has invested the remaining proceeds of the Company's IPO in June 2017, together with £11 million of debt finance drawn in January 2019, in three new investments.

As at 30 June 2019, the Group has invested £108.11 million (excluding purchase costs) in acquiring a portfolio of 19 properties which were independently valued by Knight Frank LLP at 30 June 2019 in accordance with the RICS Valuations - Professional Standards at a fair value of £112.99 million, an aggregate increase of £4.88 million or 4.51% since acquisition.

The Group has delivered the majority of its IPO objectives. The portfolio has a net initial yield of 4.99%, a WAULT to the first break of 20.5 years (22.6 years to expiry) and 92% of the income is inflation linked to Retail Price Index ('RPI') or Consumer Price Index ('CPI'). The Group has made solid progress towards achieving a fully cash covered dividend in line with the target at IPO and it is anticipated that a such a dividend will be delivered for the Group's financial year ending 30 June 2021 through a combination of income growth and cost reduction.

There were no major asset management initiatives during the year. However, following the appointment of Administrators to Meridian Metals Trading Limited, the Group negotiated the assignment of this tenant's leases of our properties in Sheffield and Dudley to Meridian Steel Limited, a newly incorporated, wholly-owned subsidiary of Duferco International Trading Holding SA (which acts as guarantor for Meridian Steel Limited), resulting in limited impairment to the assets' valuation at the Group's year end though the leases are subject to one year's rent free which commenced on 25 June 2019.

On 10 April 2019, the Board announced that it had commenced a Strategic Review of the Group's activities, recognising that although most of its IPO objectives have been delivered, the Group remains sub-scale in a highly competitive specialist REIT investment market. The Board also announced that notice of termination had been served on AEW UK Investment Management LLP (the 'Manager'). The Manager's contract will expire on 9 April 2020.

The Strategic Review concluded on 7 August 2019 following discussions with a variety of parties. A range of proposals were received, including a disposal of the whole Group or parts, merger options and managerial change. Following consultations with a number of the Group's larger shareholders, the Board concluded that none of the proposals truly reflected the value of the Group and therefore proceeding with any of them would not be in the best interests of our shareholders as a whole.

Recognising that the Group remains sub-scale the Board will continue to review proposals as they arise whilst implementing a cost reduction exercise, with the objective of delivering a fully cashcovered dividend for the year ending 30 June 2021.

Financial Results

	Year ended 30 June 2019	18 April 2017 to 30 June 2018
Operating profit before fair value changes (£'000)	5,581	2,445
Operating profit/(loss) (£'000)	5,407	(408)
Profit/(loss) before tax (£'000)	4,233	(895)
Profit/(loss) per share (basic and diluted) (pence)	5.26	(1.25)
EPRA EPS (basic and diluted) (pence)	5.47	2.74
Net Asset Value per share (pence)	94.81	94.93
EPRA Net Asset Value per share (pence)	94.81	94.93

Under International Financial Reporting Standards ('IFRS') as adopted by the European Union, the Group's operating profit before fair value changes for the financial year was £5.58 million (18 April 2017 to 30 June 2018: £2.45 million).

Basic earnings per share ('EPS') for the financial year 5.26 pence (18 April 2017 to 30 June 2018: loss of 1.25 pence). Adjusted EPS, as calculated in Note 8, for the financial year were 4.86 pence (18 April 2017 to 30 June 2018: 2.30 pence).

Under European Public Real Estate Association ('EPRA') methodology, EPS for the financial year was 5.47 pence (18 April 2017 to 30 June 2018: 2.74 pence). A full list of EPRA performance figures can be found in the full Annual Report.

The audited NAV per share as at 30 June 2019 was 94.81 pence (30 June 2018: 94.93 pence), prior to adjusting for the interim dividend for the final quarter to 30 June 2019 of 1.375 pence per Ordinary Share (quarter to 30 June 2018 of 1.25 pence per Ordinary Share).

The Group has Ongoing Charges of 1.50% (18 April 2017 to 30 June 2018: 1.36%) for the financial year, being a measure of annualised fund level operating costs for the year as a percentage of NAV. The EPRA cost ratio for the financial year was 19.2% (18 April 2017 to 30 June 2018: 35.8%).

Financing
In December 2018, the Group agreed an increase of £11 million to the loan facility with its existing lender Canada Life Investments, increasing the loan to £41 million; the additional £11 million was drawn on 11 January 2019 and has been used to fund the acquisitions of Silver Trees, Bristol for £6.65 million and YMCA Nursery, Southampton for £2.06 million.

The weighted average interest cost of the Group's £41 million facility is 3.19% and it is repayable on 20 October 2025. As at 30 June 2019, the unexpired term of the facility was 6.3 years and the gearing was 34.3% (as calculated on the GAV).

Dividends
The Group declared four interim dividends of 1.375 pence per share in relation to the financial year, totalling 5.50 pence per share (18 April 2017 to 30 June 2018 dividends totalling 3.25 pence per share), in line with the stated dividend policy set out in the Company's Prospectus at the IPO.

Outlook
In spite of continuing political uncertainty and the potential for global trade dislocation, the fundamentals for UK real estate remain, selectively, sound. Selectively, because there are clearly segments of the market which are subject to disruption, whether that is the drive for supply chain efficiency that is affecting all retail (and some logistics) property or the impact of new technology on office buildings.

The Group has assembled a sound portfolio of assets, diversified by sector and generally in segments of the market where occupational demand remains firm. The portfolio is well diversified geographically, generates a predictable income stream, which is subject to long leases and increases in line with inflation.

The Group is much closer to delivering a fully cashcovered dividend but the year's rent free on the Meridian Steel Limited sites will delay this being achieved until the year ending June 2021. We are focused on a longer-term solution to the scale issue and in the coming period, the Board will continue to explore opportunities which may deliver the required growth in scale.

I would like to thank my fellow shareholders, Directors, the Manager and advisors who continue to provide professional support and services to the Group.

Steve Smith
Chairman
26 September 2019

Business Model and Strategy

Introduction
AEW UK Long Lease REIT plc is a real estate investment trust listed on the premium segment of the Official List of the Financial Conduct Authority ('FCA') and traded on the Main Market of the London Stock Exchange. As part of its business model and strategy, the Group has and intends to maintain UK REIT status. HM Revenue and Customs has acknowledged that the Group has met UK REIT status.

Investment Objective
The investment objective of the Group is to generate a secure and predictable income return, sustainable in real terms, whilst at least maintaining capital values, in real terms, through investment in a diversified portfolio of UK properties, in alternative and specialist sectors.

Investment Policy
In order to achieve the investment objective, the Group invests in freehold and long leasehold properties across the whole spectrum of the UK property sector, but with a focus on alternative and specialist real estate sectors. Examples of alternative and specialist real estate sectors include, but are not limited to, leisure, hotels, healthcare, education, logistics, automotive, supported living and student accommodation.

In the event of a breach of the investment policy or the investment restrictions set out below, the Investment Manager shall inform the Board upon becoming aware of the same 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 or investment restrictions of the Group may only be made with the prior approval of shareholders.

Investment Strategy
The Group focuses on properties which can deliver a secure income and preserve capital value, with an attractive entry yield. The Group has an emphasis on alternative and specialist property sectors to access the attractive value and capital preservation qualities which such sectors currently offer.

The Group will supplement this core strategy with active asset management initiatives for certain properties.

Subject at all times to the Investment Manager's assessment of their appeal and specific asset investment opportunities, permitted sectors include, but are not limited to the following: Healthcare; Leisure; Hotels and serviced apartments; Education; Automotive; Car parks; Residential; Supported living; Student accommodation; Logistics; Storage; Communications; Supermarkets; and, subject to the limitations on traditional sector exposures below, Offices; Shopping centres; Retail and retail warehouses; and Industrial.

The Group is not permitted to invest in land assets, including development land which does not have a development agreement attached, agriculture or timber.

The focus will be to invest in properties to construct a portfolio with the following minimum targets:

• a WAULT, at the time of investment, in excess of 18 years;

• at least 85% of the gross passing rent will have leases with rent reviews linked to inflation (RPI or CPI) at the time of investment;

• investment in properties which typically have a value, at the time of investment, of between £2 million and £30 million;

• at least 70% of the properties will be in non-traditional sectors;

• less than 30% of the properties will be in the traditional sectors of Retail, Industrial and Offices; and

• over 90% of properties will be freehold or very long leasehold (over 100 years).

Once GAV is £250 million or greater, future investments will be made to target a portfolio with at least 80% of the properties in non-traditional sectors and less than 20% of the properties in traditional sectors.

Whilst each acquisition will be made on a case-by-case basis, it is expected that properties will typically offer the following characteristics:

• existing tenants with strong business fundamentals and profitable operations in those locations;

• depth of tenant/operator demand;

• alternative use value;

• current passing rent close to or below rental value; and

• long-term demand drivers, including demographics, use of technology or built-for-purpose real estate.

The Group may invest in commercial properties or portfolios of commercial property assets which, in addition, include ancillary or secondary utilisations.

The Group does not intend to spend any more than 5% of the NAV in any rolling twelve month period on (a) the refurbishment of previously occupied space within the existing Portfolio, or (b) the refurbishment of new properties acquired with vacant units.

The Group may invest in corporate and other entities that hold property and the Group may also invest in conjunction with third party investors.

The Investment Manager has now invested all of the Group's equity along with two tranches of debt totalling £41 million, in a portfolio that is compliant with and fulfills the above Investment Policy. Further to this, the Investment Manager is currently monitoring a pipeline of attractive opportunities generated by its network of connections across the UK commercial property market that could be acquired if further equity can be raised.

Investment Restrictions

GAV of less than £250 million	**GAV of £250 million or greater**
Investment in a single property limited to 15% of GAV (measured at the time of investment).	Investment in a single property limited to 10% of GAV (measured at the time of investment).
The value of assets in any sub-sector in one geographical region, at the time of investment, shall not exceed 15% of GAV.	Investments will be made with a view to reducing the maximum exposure to any sub-sector in one geographical region to 10% of GAV.
The value of assets in any one sector and sub-sector, at the time of investment, shall not exceed 50% of GAV and 25% of GAV respectively.	
Exposure to a single tenant covenant will be limited to 15% of GAV.	
The Group may commit up to a maximum of 10% of its GAV (measured at the commencement of the project) in development activities.	
Investment in unoccupied and non-income producing assets will, at the time of investment, not exceed 5% of Estimated Rental Value ('ERV').	
The Group will not invest in other closed-ended investment companies.	
If the Group 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, 20% of GAV.	

The Group will invest and manage its assets with the objective of spreading risk through the above investment restrictions.

When the measure of GAV is used to calculate the restrictions relating to (i) the value of a single property and (ii) the value of assets in any sub-sector in one geographical region, it will reflect an assumption that the Group has drawdown borrowings such that these borrowings are equal to 30% of GAV.

Borrowings
The Group has utilised borrowings to enhance returns over the medium term. Borrowings have been utilised on a limited recourse basis for each investment on all or part of the total Portfolio and will not exceed 40% of GAV (measured at drawdown) of each relevant investment or of the portfolio.

At 30 June 2019 the Group's Loan-to-GAV ratio was 34.3% (2018: 27.7%).

Key Performance Indicators

KPI AND DEFINITION	RELEVANCE TO STRATEGY	PERFORMANCE
1. 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 purchasers' costs estimated by the Group's External Valuers.	The NIY is an indicator of the ability of the Company to meet its target dividend after adjusting for the impacts of leverage and deducting operating costs.	**4.99%** At 30 June 2019 (30 June 2018: 5.29%)
2. Weighted Average Unexpired Lease Term ('WAULT') to break and expiry The average lease term remaining to expiry across the portfolio, weighted by contracted rent.	The WAULT is a key measure of the quality of the portfolio. Long leases underpin the security of our future income.	**20.5 years to break and 22.6 years to expiry** At 30 June 2019 (30 June 2018: 21.8 years to break and 24.0 years to expiry)
3. Net Asset Value ('NAV') NAV is the value of an entity's assets minus the value of its liabilities.	Provides stakeholders with the most relevant information on the fair value of the assets and liabilities of the Group.	**£76.32 million (94.81 pence per share ('pps'))** At 30 June 2019 (30 June 2018: £76.42m, 94.93 pps)
4. Dividend Dividends declared in relation to the period are in line with the stated dividend target as set out in the Prospectus at IPO. The Company targets a dividend of 5.50 pence per Ordinary Share per annum once fully invested and leveraged.	The Company seeks to deliver a sustainable income stream from its portfolio, which it distributes as dividends.	**5.50 pps** For the year ended 30 June 2019 (30 June 2018*: 3.25pps)
5. Adjusted EPS Adjusted EPS from core operational activities, as adjusted for non-cash items. 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 to the Consolidated Financial Statements.	This reflects the Company's ability to generate earnings from the portfolio which underpins dividends.	**4.86 pps** For the year ended 30 June 2019 (30 June 2018*: 2.30pps)
6. Leverage (Loan-to-GAV) The proportion of the Group's property that is funded by borrowings.	The Group utilises borrowings to enhance returns over the medium term. Borrowings will not exceed 40% of GAV (measured at drawdown).	**34.3%** At 30 June 2019 (30 June 2018: 27.7%)

* All references to 2018 are for the period from 18 April 2017 to 30 June 2018.

EPRA Unaudited Performance Measures

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

MEASURE AND DEFINITION	PURPOSE	PERFORMANCE
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 two portfolios compare.	**4.98%** EPRA NIY as at 30 June 2019 (30 June 2018: 5.28%)
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 two portfolios compare.	**6.29%** EPRA 'Topped-Up' NIY as at 30 June 2019 (30 June 2018: 6.50%)
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 real estate investment company with a long-term investment strategy.	**£76.32 million/94.81 pps** EPRA NAV as at 30 June 2019 (30 June 2018: £76.42m/94.93pps)
EPRA Earnings/EPS Earnings from operational activities.	A key measure of a company's underlying operating results and an indication of the extent to which current dividend payments are supported by earnings.	**£4.41 million/5.47 pps** EPRA earnings for the year ended 30 June 2019 (30 June 2018*: £1.96m/ 2.74pps)
EPRA Vacancy Estimated Rental Value ('ERV') of vacant space divided by ERV of the whole portfolio.	A "pure" percentage measure of investment property space that is vacant, based on ERV.	**0.00%** EPRA Vacancy as at 30 June 2019 (30 June 2018: 0.27%)
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.	**19.2%** EPRA Cost Ratio for the year ended 30 June 2019 (30 June 2018*: 35.80%)

Calculations of the above EPRA measures are presented in the full Annual Report.

EPRA NNNAV is equal to EPRA NAV as there are no adjusting items. As such this measure has not been presented.

* All references to 2018 are for the period from 18 April 2017 to 30 June 2018.

Investment Manager's Report

Introduction

Following various acquisitions during the year, which saw the Group invest the remainder of its debt facility, we have now built a well-rounded portfolio of 19 assets that meet the requirements of the Group's Investment Policy. The assets provide a long income stream in excess of 20 years that is over 90% linked to inflationary growth and expected to outperform market rental growth from traditional property sectors over coming years. The assets provide investors with exposure to a diverse range of alternative market sectors.

The assets have been selected not only for their income streams but also for their expected ability to provide high levels of capital protection in the long run. This was put to test during the course of the year as a result of the administration of the portfolio's largest tenant, Meridian Metals. Despite this being a challenging period for the Group, we are comforted by the fact that income was paid in full by the outgoing tenant as a sign of the properties' importance to the continued running of operations. Various expressions of interest in the assets were received and following the assignment of the leases to a stronger group with the backing of a much larger balance sheet, NAV impact has been limited. We also take forward a positive outlook for the Meridian assets being in the low rented, regional, industrial sector, a part of the market in which we are still seeing strong rental growth.

Market Outlook

UK Economic Outlook
In the first half of 2019 inflation slowed to 2% per annum with headline inflation marginally higher than core inflation. The inflation rate is expected to keep in line with the Bank of England (BOE) inflation target rate for the next couple of years. This should enable the Group to grow its rental income stream as 92% of its passing rent as at 30 June 2019 is inflation-linked.

Economic growth in the UK for Q2 2019 is expected to remain flat, down from 0.5% in Q1 2019. This brings the full year 2019 growth estimate to 1.3 %, down from 1.4% in 2018. GDP growth is still forecast to rebound to just below 2% in 2022, implicitly assuming a successful and orderly EU exit transition. However, this outlook seems more unlikely given recent Brexit developments. The new Prime Minister is aiming for a departure on the 31 October, raising the possibility of a "no-deal" scenario, which could have unappealing consequences for consumers and business alike.

The UK labour market remains strong despite the uncertain environment with unemployment remaining at a more than 40-year low of 3.8% in August 2019. The tightening labour market has finally lifted annual pay growth and provides room for some real pay improvement as inflation remains at 2%. Despite real wage growth, consumer spending is expected to slow to 0.9% in 2019 from 1.5% for 2018.

UK Real Estate Outlook
The UK property market continues to deliver healthy spreads over 10 year government bond yields, both in absolute terms and relative to other markets. Amid fears of an economic slowdown, the past six months have seen central banks begin to change views on future interest rate trajectories and keep interest rates lower for longer. Despite this, we expect yield widening in traditional property sectors going forward and therefore a lower yield premium amid bond yield normalisation, albeit not in the short-run.

The long income property sector continues to benefit from strong competition amongst investors looking to buy into long-let inflation-linked income and assets that are akin to social infrastructure. Returns from long income property outperformed traditional commercial real estate in the first half of 2019 and show a total return of 8.2% in the 12 months to June 2019 vs 3.9% from all property. We have seen this first-hand when acquiring properties as well as in our own portfolio which, excluding assets let to Meridian Steel, delivered a capital return of 3.4% over this period in addition to the income derived from the Group's properties.

In our investment pipeline we continue to seek assets that will provide not only the income profile that the portfolio requires, but those that we believe will best protect investor capital in the long run. As such, during the year we have added to the portfolio with acquisitions including a nursery in Southampton, which is a sector in which we currently find value often due to their location amongst affluent residential housing which can help to underpin investment values. This acquisition also sees the Company achieving increased sector diversification.

During the course of the year the portfolio reached full occupancy with a small letting completed at the Pocket Nook Industrial Estate in St Helens achieving contracted income ahead of expected levels. Combined with this, the portfolios income is well placed to achieve strong growth relative to traditional property sectors over coming years due to 92% benefiting from growth linked to inflation, in particular 71% being linked to RPI. Consensus forecasts over the coming three years show an average of 2.8% for RPI, as compared to 0.6% for all property over this period.

Portfolio Activity during the Year
The following acquisitions were made during the year:

Details of each property are set out below.

• The Group acquired an industrial warehousing property located on the Eurolink Industrial Estate, Sittingbourne for £3.94 million. This property comprises two warehouse buildings totalling 43,636 sq ft and is fully let to Dore Metals Services Southern Ltd, which has had its headquarters on the site since 2007. The lease provides a new 15-year term expiring in September 2033 and also has 5 yearly rental uplifts in line with RPI with a minimum uplift level of 1% and a cap at 4%. The transaction reflected an attractive net initial yield of 6.3%.

• The Group acquired a Care Home in Nailsea, Bristol for £6.65 million, reflecting a net initial yield of 5.8%. This property comprises a 62-room, purpose-built care home located in an affluent area approximately eight miles south west of Bristol. A new 30 year fully repairing and insuring lease was granted by the Group from the date of the acquisition providing the Group with annual rental uplifts in line with the RPI, with a minimum uplift level of 1% and a cap of 4%.

• The Group acquired YMCA Nursery in central Southampton for £2.06 million, reflecting a net initial yield of 5.9%. The property at 53 Victoria Road, was purchased by way of a sale and leaseback agreement with YMCA Fairthorne Group, a regional operation of the charity YMCA, the world's largest youth charity. The lease provides the Group with an income stream of 25 years, which will increase annually in line with the CPI with a minimum uplift level of 1% and a cap at 3%. The 8,097 sq ft property comprises a modern, purpose-built nursery facility forming part of the Centenary Quay development, which has seen the addition of some 1,500 new homes since 2012.

The following material asset management transaction was made during the year:

• In May, the Group assigned leases on 3 properties in Dudley and Sheffield, from Meridian Metal Trading Ltd following the appointment of administrators in April, to Meridian Steel Ltd, a newly incorporated wholly owned subsidiary of Duferco International Trading Holding S.A., following the acquisition of the Meridian business. Under the terms of the lease variation deed, the passing rental income for the three industrial assets will remain unchanged at £659,000, following an initial 12-month rent free period. The leases, which will now run for a period of eight years, provide annual uplifts in line with the Retail Price Index, and are all guaranteed by DITH.

Environmental and Sustainability Benchmarks
The Investment Manager believes that environmentally responsible fund management means being active. As part of this process, the Investment Manager submits disclosures to GRESB, the Global Real Estate Sustainability Benchmark. In September 2019, the Groupreceived a score of two Green Stars, an improvement on its 2018 score. The highest results were achieved by the Group in

relation to Management and Policy, Governance and Social measures. Despite this, the Investment Manager is committed to improving further the Group's ESG performance and is undertaking a detailed analysis to identify where and how the Group can improve scoring for the future.

Financial Results

Net rental income earned from the portfolio for the year was £6.91 million (18 April 2017 to 30 June 2018: £3.60 million), contributing to an operating profit before fair value changes of £5.58 million (18 April 2017 to 30 June 2018: £2.45 million).

The portfolio has seen a loss of £0.17 million in fair value of investment property over the period (18 April 2017 to 30 June 2018: loss of £2.85 million).

Administrative and property operations expenses, which include the Investment Manager's fee and other costs attributable to the running of the Group, were £1.33 million for the year (18 April 2017 to 30 June 2018: £1.15 million). Ongoing Charges for the year were 1.50% (18 April 2017 to 30 June 2018: 1.36%).

The Group incurred finance costs of £1.17 million during the year (18 April 2017 to 30 June 2018: £0.49 million). This increase compared with the prior period comes as a result of having a higher balance of the loan drawn over the course of the year.

The total profit before tax for the year of £4.23 million (18 April 2017 to 30 June 2018: loss before tax of £0.89 million) equates to a basic EPS of 5.26 pps (18 April 2017 to 30 June 2018: loss of 1.25 pps).

EPRA EPS for the year was 5.47 pps which, based on dividends declared of 5.50 pps, reflects a dividend cover of 99.5% (18 April 2017 to 30 June 2018: EPRA earnings of 2.74 pps, dividends declared of 3.25 pps and dividend cover of 84.3%).

Adjusted earnings per share for the year which equates to cash generated from operations (and therefore excludes movements in fair values) were 4.86 pps which, based on dividends declared of 5.50 pps, reflect a dividend cover of 88.4% (18 April 2017 to 30 June 2018: Adjusted earnings per share of 2.30 pps, dividends declared of 3.25 pps and dividend cover of 70.8%).

The Group's NAV as at 30 June 2019 was £76.32 million or 94.81 pps (18 April 2017 to 30 June 2018: £76.42 million or 94.93 pps). This is a decrease of 0.125 pps or 0.13% over the year, with the underlying movement in NAV set out in the table below:

	Year ended 30 June 2019		**18 April 2017 to 30 June 2018**	
	Pence per share	**£ million**	**Pence per share**	**£ million**
NAV as at beginning of year/period	94.935	76.422	98.047	78.927
Portfolio acquisition costs	(1.125)	(0.906)	(8.053)	(6.483)
Change in fair value of investment property	0.909	0.732	4.509	3.630
Income earned for the year/period	8.580	6.907	4.472	3.600
Finance costs for the year/period	(1.458)	(1.174)	(0.605)	(0.487)
Other expenses for the year/period	(1.656)	(1.333)	(1.435)	(1.155)
Dividends paid during the year/period	(5.375)	(4.327)	(2.000)	(1.610)
NAV as at the end of the year/period	**94.810**	**76.321**	**94.935**	**76.422**

Dividends

Refer to note 9 for details.

Financing

On 14 December 2018, the Group extended the amount of its £30 million loan facility with Canada Life by £11 million to a total of £41 million. The Group drew down this £11 million on 11 January 2019.

As at 30 June 2019, the Group had fully utilised its £41 million loan facility with Canada Life Investments (30 June 2018: £30 million facility fully utilised). This term facility, which is repayable on 20 October 2025, allows up to 35% loan to property value at drawdown and is provided on a portfolio basis and has a loan to value covenant of 60%.

The weighted average interest cost of the Group's £41 million facility is 3.19%.

Acquisitions during the year

The following acquisitions during the period took the Company to full investment of equity and debt resources.

Industrial

Eurolink Industrial Estate, Sittingbourne

Purchase price (£m):	3.94
Sector:	Industrial
Rent review:	RPI

NIY at acquisition (%):	6.3
WAULT to break as at 30 June 2019 (years):	9.2
Date of acquisition:	September 2018

Care Home

Silver Trees, Bristol

Purchase price (£m):	6.65
Sector:	Care Home
Rent review:	RPI
NIY at acquisition (%):	5.8
WAULT to break as at 30 June 2019 (years):	30.0
Date of acquisition:	December 2018 (unconditional exchange)/ January 2019 (completion)

Nursery

YMCA Nursery, Southampton

Purchase price (£m):	2.06
Sector:	Nursery
Rent review:	CPI
NIY at acquisition (%):	5.9
WAULT to break as at 30 June 2019 (years):	24.6
Date of acquisition:	February 2019

Acquisitions during the period ended 30 June 2018

Hotels

Travelodge, Swindon

Purchase price (£m):	6.33
Sector:	Hotel
Rent review:	RPI
NIY at acquisition (%):	5.5
WAULT to break as at 30 June 2019 (years):	21.4
Date of acquisition:	September 2017

Premier Inn, Camberley

Purchase price (£m):	8.47
Sector:	Hotel
Rent review:	CPI
NIY at acquisition (%):	5.0
WAULT to break as at 30 June 2019 (years):	12.7
Date of acquisition:	September 2017

Mercure City Hotel, Glasgow

Purchase price (£m):	8.03
Sector:	Hotel
Rent review:	RPI
NIY at acquisition (%):	6.5
WAULT to break as at 30 June 2019 (years):	17.2
Date of acquisition:	January 2018

Industrial

Pocket Nook, Industrial Estate, St Helens

Purchase price (£m):	9.05
Sector:	Industrial
Rent review:	RPI and open market
NIY at acquisition (%):	5.4
WAULT to break as at 30 June 2019 (years):	55.4
Date of acquisition:	October 2017

Grazebrook Industrial Estate, Dudley

Purchase price (£m):	8.24
Sector:	Industrial
Rent review:	RPI
NIY at acquisition (%):	6.0
WAULT to break as at 30 June 2019 (years):	7.9

Date of acquisition:	January 2018

Provincial Park, Sheffield

Purchase price (£m):	1.90
Sector:	Industrial
Rent review:	RPI
NIY at acquisition (%):	6.2
WAULT to break as at 30 June 2019 (years):	7.9
Date of acquisition:	January 2018

Car Showrooms

Trident Business Park, Huddersfield

Purchase price (£m):	6.29
Sector:	Car Showroom
Rent review:	Open Market
NIY at acquisition (%):	5.9
WAULT to break as at 30 June 2019 (years):	6.0
Date of acquisition:	December 2017

Motorpoint, Birmingham

Purchase price (£m):	8.00
Sector:	Car Showroom
Rent review:	RPI
NIY at acquisition (%):	5.85
WAULT to break as at 30 June 2019 (years):	18.0
Date of acquisition:	December 2017

Petrol Station

Applegreen Petrol Filling Station, Crawley

Purchase price (£m):	3.82
Sector:	Petrol Station
Rent review:	RPI
NIY at acquisition (%):	5.3
WAULT to break as at 30 June 2019 (years):	14.0
Date of acquisition:	February 2018

Student Housing

Bramall Court, Salford

Purchase price (£m):	10.88
Sector:	Student Accommodation
Rent review:	CPI
NIY at acquisition (%):	5.4
WAULT to break as at 30 June 2019 (years):	22.1
Date of acquisition:	December 2017

Care Homes

Lyndon Croft Care Centre, Solihull

Purchase price (£m):	6.24
Sector:	Medical/Care
Rent review:	RPI
NIY at acquisition (%):	5.5
WAULT to break as at 30 June 2019 (years):	29.4
Date of acquisition:	October 2017

Westerlands Care Village, Brough

Purchase price (£m):	4.06
Sector:	Medical/Care
Rent review:	RPI
NIY at acquisition (%):	6.0
WAULT to break as at 30 June 2019 (years):	29.4
Date of acquisition:	October 2017

Leisure

Wet 'n' Wild Water Park, North Shields

Purchase price (£m): 2.92
Sector: Leisure
Rent review: RPI
NIY at acquisition (%): 6.1
WAULT to break as at 30 June 2019 (years): 19.9
Date of acquisition: September 2017

Pure Gym, London

Purchase price (£m): 4.35
Sector: Leisure
Rent review: RPI
NIY at acquisition (%): 5.1
WAULT to break as at 30 June 2019 (years): 8.5
Date of acquisition: October 2017

Snap Fitness, London

Purchase price (£m): 2.22
Sector: Leisure
Rent review: RPI
NIY at acquisition (%): 5.5
WAULT to break as at 30 June 2019 (years): 13.8
Date of acquisition: April 2018

Power Station

Hoddesdon Energy, Hoddesdon

Purchase price (£m): 4.78
Sector: Power Station
Rent review: CPI
NIY at acquisition (%): 5.9
WAULT to break as at 30 June 2019 (years): 12.7
Date of acquisition: December 2017

Summary by Sector as at 30 June 2019

Sector	Number of Properties	Valuation (£m)	Market Value (%)	Occupancy by ERV (%)	WAULT to break (years)	Gross Passing Rental Income (£m)	ERV (£m)	(%)
Hotel	3	24.25	21	100.0	16.9	1.39	1.43	21
Industrial	4	22.30	20	100.0	26.2	1.48	1.44	20
Car showroom	2	14.95	13	100.0	12.7	0.90	0.90	13
Petrol filling station	1	4.45	4	100.0	14.1	0.21	0.22	4
Student Housing	1	12.10	11	100.0	22.1	0.64	0.64	11
Care Home	3	18.13	16	100.0	29.6	1.06	1.06	16
Leisure	3	9.70	9	100.0	13.7	0.56	0.57	9
Power Station	1	5.05	4	100.0	12.7	0.30	0.30	4
Nursery	1	2.06	2	100.0	24.6	0.13	0.13	2
Total/Average	**19**	**112.99**	**100.0**	**100.0**	**20.5**	**6.67**	**6.69**	**100**

Summary by Geographical Area as at 30 June 2019

Geographical Area	Number of Properties	Valuation (£m)	Market Value (%)	Occupancy by ERV (%)	WAULT to break (years)	Gross Passing Rental Income (£m)	ERV (£m)	(%)
West Midlands	3	22.85	20	100.0	17.2	1.41	1.39	20
North West	2	21.45	19	100.0	37.7	1.20	1.16	19
South East	4	19.61	17	100.0	13.6	1.05	1.06	17
Yorkshire and Humberside	3	12.43	11	100.0	14.3	0.79	0.80	11
South West	2	13.20	12	100.0	25.9	0.78	0.81	12
London	2	6.70	6	100.0	10.3	0.37	0.39	6
North East	1	3.00	3	100.0	19.9	0.20	0.19	3
Eastern	1	5.05	4	100.0	12.7	0.30	0.30	4
Scotland	1	8.70	8	100.0	17.2	0.57	0.59	8
Total/Average	**19**	**112.99**	**100.0**	**100.0**	**20.5**	**6.67**	**6.69**	**100**

The below illustrates the weighting of the Group's contracted rental income, based on the type of rent review associated with each lease.

Income Allocation by Type	
Inflation linked - RPI	71%
Open Market Value Reviews	8%
Inflation linked - CPI	21%

Income by Credit Risk (Assessed by Coface as at 30 June 2019)	
b-	7%
bb	26%
bbb-	22%
bbb	27%
bbb+	18%

Assessed by Coface as at 30 June 2019. Expressed in terms of Standard and Poor's credit rating, please see www.standardandpoors.com for more information.

Property Portfolio

Property Portfolio as at 30 June 2019

Property	Sector	Region	Market Value Range (£m)
1. Bramall Court, Salford	Student	North West	10.0-15.0
2. Pocket Nook Industrial Estate, St Helens	Industrial	North West	7.5-10.0
3. Premier Inn, Camberley	Hotel	South East	7.5-10.0
4. Motorpoint, Birmingham	Car Showroom	West Midlands	7.5-10.0
5. Mercure City Hotel, Glasgow	Hotel	Scotland	7.5-10.0
6. Grazebrook Industrial Estate, Dudley	Industrial	West Midlands	5.0-7.5
7. Lyndon Croft Care Centre, Solihull	Medical/Care	West Midlands	5.0-7.5
8. Silver Trees, Bristol	Medical/Care	South West	5.0-7.5
9. Travelodge, Swindon	Hotel	South West	5.0-7.5
10. Trident Business Park, Huddersfield	Car Showroom	Yorkshire & Humberside	5.0-7.5
11. Hoddesdon Energy, Hoddesdon	Power Station	Eastern	5.0-7.5
12. Westerlands Care Village, Brough	Medical/Care	Yorkshire & Humberside	< 5.0

13. Pure Gym, Wandsworth Road	Leisure	London	< 5.0
14. Applegreen Petrol Filing Station, Crawley	Petrol Station	South East	< 5.0
15. Eurolink Industrial Estate, Sittingbourne	Industrial	South East	< 5.0
16. Wet 'n' Wild Water Park, North Shields	Leisure	North East	< 5.0
17. Snap Fitness, London	Leisure	London	< 5.0
18. YMCA Nursery, Southampton	Nursery	South East	< 5.0
19. Provincial Park, Sheffield	Industrial	Yorkshire & Humberside	< 5.0

Tenants as at 30 June 2019

Tenant	Property	Annual Passing Rental Income (£'000)	% of Portfolio Total Passing Rental Income	Expiry date	Break date
Meridian Steel Limited	Grazebrook Industrial Estate, Dudley and Provincial Park, Sheffield	659	9.8	16/05/2027	
Prime Life Limited	Lyndon Croft Care Centre, Solihull and Westerlands Care Village, Brough	651	9.7	21/11/2048	
Mears Group Plc	Bramall Court, Salford	636	9.5	16/08/2041	
Juniper Hotels Limited	Mercure City Hotel, Glasgow	609	9.1	23/08/2036	
Motorpoint Limited	Motorpoint, Birmingham	500	7.4	23/06/2037	
Premier Inn Hotels Limited	Premier Inn, Camberley	449	6.7	24/03/2037	25/03/2032
Handsale Limited	Silver Trees, Bristol	408	6.1	29/06/2049	
Volkswagen Group UK Limited	Trident Business Park, Huddersield	396	5.9	13/07/2025	
Travelodge Hotel Limited	Travelodge, Swindon	350	5.2	01/06/2041	
Hoddesdon Energy Limited	Hoddesdon Energy, Hoddesdon	300	4.5	27/02/2050	28/02/2032
Dore Metals Services Southern Ltd	Eurolink Industrial Estate, Sittingbourne	262	3.9	12/09/2033	12/09/2028
Pure Gym Limited	Pure Gym, Wandsworth Road	236	3.5	10/12/2032	10/12/2027
Petrogas Group UK Limited	Applegreen Petrol Filing Station, Crawley	213	3.2	16/07/2033	
Serco Leisure Operating Ltd	Wet 'n' Wild Water Park, North Shields	200	3.0	24/05/2039	
Biffa Waste Services Ltd (Site 2)	Pocket Nook Industrial Estate, St Helens	156	2.3	24/02/2133	
Secretary of State For Communities & Local	Pocket Nook Industrial Estate, St Helens	154	2.3	29/01/2048	30/01/2023
MSG Life Realty Ltd	Snap Fitness, London	130	1.9	02/04/2033	
YMCA	YMCA Nursery, Southampton	130	1.9	17/02/2044	
Boulting Group Limited	Pocket Nook Industrial Estate, St Helens	123	1.8	22/04/2022	05/04/2020
Biffa Waste Services Ltd (Site 1)	Pocket Nook Industrial Estate, St Helens	111	1.7	31/03/2134	
Salvation Army	Travelodge, Swindon	22	0.3	18/07/2032	
Mr Tox Recovery Specialist Ltd	Pocket Nook Industrial Estate, St Helens	20	0.3	04/12/2033	04/12/2028
Ayrshire Metals Products Plc	Pocket Nook Industrial Estate, St Helens	-	-	28/09/2045	
Westlea Housing Association Limited	Travelodge, Swindon	-	-	17/09/3006	

Alternative Investment Fund Manager ('AIFM')
AEW UK Investment Management LLP is authorised and regulated by the FCA as a full-scope AIFM and provides its services to the Group.

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

Information Disclosures under the AIFM Directive ('AIFMD')
Under the AIFMD, the Group is required to make disclosures in relation to its leverage under the prescribed methodology of the Directive.

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

	30 June 2019		30 June 2018	
Leverage Exposure	Gross Method	Commitment Method	Gross Method	Commitment Method
Maximum Limit	250%	250%	250%	250%
Actual	146%	153%	129%	138%

In accordance with the AIFMD, leverage is expressed as a percentage of the Group'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 Group'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 Group's position without deducting cash balances and taking into account any hedging and netting arrangements. For the purposes of evaluating the methods above, the Group'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 Alternative Investment Funds 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) awarding 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 2018 to 31 December 2018, which is in line with the most recent financial reporting of the AIFM, and relates to the total remuneration of the entire staff of the AIFM.

	Year ended 31 December 2018
Total remuneration paid to employees during financial year:	
a) remuneration, including, where relevant, any carried interest paid by the AIFM	£2,665,423
b) the number of beneficiaries	24
The aggregate amount of remuneration, broken down by:	
a) senior management	£809,561
b) other staff	£1,855,862

	Fixed remuneration	**Variable remuneration**	**Total remuneration**
Senior management	£759,561	£50,000	£809,561
Other Staff	£1,491,441	£436,241	£1,855,862
Total	**£2,179,002**	**£486,241**	**£2,665,423**

AEW UK Investment Management LLP
26 September 2019

Principal Risks and Uncertainties
The Group'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 overall responsibility for reviewing the effectiveness of the system of risk management and internal control which is operated by the Investment Manager. The Group's ongoing risk management process is designed to identify, evaluate and mitigate the significant risks the Group faces.

Twice each year, the Board undertakes a risk review with the assistance of the Audit Committee, to assess the adequacy and effectiveness of the Investment Manager's risk management and internal control processes.

The Board has carried out a robust assessment of the principal risks facing the Group, including those that would threaten its business model, future performance, solvency or liquidity.

An analysis of the principal risks and uncertainties is set out in the table below. This does not purport to be exhaustive as some risks are not yet known and some risks are currently not deemed material but could turn out to be material in the future.

PRINCIPAL RISKS AND THEIR POTENTIAL IMPACT	HOW RISK IS MANAGED	RISK ASSESSMENT
REAL ESTATE RISKS		
1. Tenant default Failure by tenants to comply with their rental obligations could affect the income that the properties earn and the ability of the Group to pay dividends to its shareholders.	Our investment policy limits our exposure to any one tenant to 15% of gross assets. This prevents significant exposure to a tenant. Our maximum exposure to any one tenant (calculated by contracted rental income) was 9.8% as at 30 June 2019. In the due diligence process prior to acquiring a property, covenant checks are carried out on tenants. Further covenant checks are then carried out where there are concerns as to tenants' creditworthiness. The Investment Manager conducts ongoing monitoring and liaison with tenants to manage potential bad debt risk.	**Probability:** High **Impact:** High **Movement:** Increase in probability from moderate to high and increase in impact from moderate to high to high
2. Portfolio concentration Any downturn in the UK and its economy or regulatory changes in the UK could have a material adverse effect on the Group's operations or financial condition. Greater concentration of investments in any sector or exposure to the creditworthiness of any one tenant or tenants may lead to greater volatility in the value of the Group's investments, NAV and the Company's share price.	The Group has investment restrictions in place to invest and manage its assets with the objective of spreading and mitigating risk.	**Probability:** Low to moderate **Impact:** Low to moderate **Movement:** No change
3. Property defects 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 Group's profitability, the NAV and the Company's share price.	The Group's due diligence relies on the work (such as legal reports on title, property valuations, environmental, building surveys) outsourced to third parties that have appropriate Professional Indemnity cover in place.	**Probability:** Low **Impact:** Moderate **Movement:** No change
4. Rate of inflation Rent review provisions may have contractual limits to the increases that may be made as a result of the rate of inflation. If inflation is in excess of such	The inflation-linked (RPI/CPI) leases in the portfolio have contractual rent review caps in the range of 3% to 5%. These rates are in excess of RPI/CPI	**Probability:** Low **Impact:** Low to moderate **Movement:** No change

contractual limits, the Group may not be able to deliver targeted returns to shareholders.	forecasts during the next five-year rent review cycle and therefore based on forecasts, the risk is somewhat mitigated.	
5. Property market		
Any property market recession or future deterioration in the property market could, inter alia, (i) lead to an increase in tenant defaults, (ii) make it harder for the Group to attract new tenants for its properties, (iii) lead to a lack of finance available to the Group, (iv) cause the Group to realise its investments at lower valuations; and (v) delay the timings of the Group's realisations. Any of these factors could have a material adverse effect on the ability of the Group to achieve its investment objective.	The Group has investment restrictions in place to invest and manage its assets with the objective of spreading and mitigating risk. Most of the leases provide a long unexpired term and contain upward-only rent reviews which are linked to either RPI or CPI. Because of these factors, the Investment Manager expects that the assets held by the Group will show less volatile valuation movement over the long term.	**Probability:** Moderate **Impact:** Moderate to High **Movement:** Increase in probability from low to moderate
6. Property valuation		
Property is inherently difficult to value due to the individual nature of each property. There may be an adverse effect on the Group's profitability, the NAV and the Company's share price in cases where properties are sold whose valuations have previously been materially overstated.	The Group uses an independent valuer (Knight Frank LLP) to value the properties on a quarterly basis at fair value in accordance with accepted RICS appraisal and valuation standards.	**Probability:** Low **Impact:** Moderate to High **Movement:** No change
7. Investments will be illiquid		
The Group invests in commercial properties. Such investments are illiquid; they may be difficult for the Group to sell and the price achieved on any realisation may be at a discount to the prevailing valuation of the relevant property.	The Group aims to hold the properties for long-term income.	**Probability:** Moderate **Impact:** Moderate **Movement:** Increase in probability and impact from low to moderate.
BORROWING RISKS		
8. Breach of borrowing covenants		
The Group has entered into a term loan facility. Material adverse changes in valuations and net income may lead to breaches in the LTV and interest cover ratio covenants. If the Group is unable to operate within its debt covenants, this could lead to default and the loan facility being recalled. This may result in the Group selling properties to repay the loan facility and this is likely to lead to a fall in its NAV.	The Group monitors the use of borrowings on an ongoing basis through weekly cash-flow forecasting and quarterly risk monitoring to monitor financial covenants. The Group's gearing at 30 June 2019 was 34.3%, below our maximum gearing (on a GAV basis on drawdown) of 40% and materially below our default covenant of 60%. There is significant headroom in the LTV and interest cover covenants in the loan agreement.	**Probability:** Low **Impact:** High **Movement:** No change
CORPORATE RISKS		
9. Use of service providers		
The Group 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 Group in accordance with the terms of its appointment could	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. The Management Engagement	**Probability:** Low to moderate **Impact:** Moderate **Movement:** No change

have a materially detrimental impact on the operation of the Group.	and Remuneration Committee reviews the performance and continuing appointment of service providers on an annual basis.	
10. Dependence on the Investment Manager		
The Investment Manager is responsible for providing investment management services to the Group. The future ability of the Group 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.	An Investment Management Agreement ('IMA') is in place between the Investment Manager and the Group. Unless there is a default, insolvency or winding up of the Investment Manager or the Group, either party may terminate the IMA by giving not less than 12 months written notice. The Board meets regularly with the Investment Manager to ensure it maintains a positive working relationship. The Investment Manager has endeavoured to ensure that the principal members of its management team are suitably incentivised.	**Probability:** Moderate **Impact:** High **Movement:** Increase in probability from low to moderate
11. Ability to meet objectives		
The Group 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 UK. Poor relative total return performance may lead to an adverse reputational impact that affects the Group's ability to raise new capital and new funds.	The Group has an investment policy to achieve a balanced portfolio with a diversified tenant base. This is reviewed by the Board at each scheduled Board meeting.	**Probability:** Moderate to high **Impact:** High **Movement:** Increase in probability from low to moderate to high and increase in impact from moderate to high.
TAXATION RISK		
12. Group REIT status		
The Group has UK REIT status that provides a tax-efficient corporate structure. If the Group 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 in UK tax legislation could impact on the Group's ability to achieve its investment objectives and provide attractive returns to shareholders.	The Group monitors REIT compliance through the Investment Manager on acquisitions; the Administrator on asset and distribution levels; the Registrar and Broker on shareholdings and third-party tax advisors to monitor REIT compliance requirements.	**Probability:** Low **Impact:** High **Movement:** No change
13. POLITICAL/ ECONOMIC RISKS		
Political and macroeconomic events present risks to the real estate and financial markets that affect the Group 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 arrangements, or lack of them, that would be put in place	The Group only invests in UK properties with strong alternative use values and long leases so the portfolio is well positioned to withstand any economic downturn.	**Probability:** The overall probability of a political or macroeconomic event occurring, which will have a negative impact on the Group has been assessed as moderate to high. However, specifically in relation to Brexit, the probability of a negative outcome is considered very difficult to assess at present.

between the UK and the EU following the eventual Brexit could impact the health of the UK economy, make it more difficult for the Group to raise capital and/or increase the regulatory compliance burden on the Group.	**Impact:** Moderate to high **Movement:** Increase in both probability and impact to high

Whilst good progress towards reaching the Group's objectives has been made since the IPO, cost-cutting measures as proposed by the Board will allow the Group to attain full cover for the annual target level of dividend of 5.50 pence per share.

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

Steve Smith
Chairman
26 September 2019

Board of Directors

Steve Smith, non-executive Chairman
Jim Prower, non-executive Director
Alan Sippetts, non-executive Director

Extracts from the Directors' Report

Going Concern
The Group has considered its cash flows, financial position, liquidity position and borrowing facilities. The Group's unrestricted cash balance as at 30 June 2019 was £5.52 million, of which £2.1 million was readily available for potential investments. As at 30 June 2019, the Group had substantial headroom against its borrowing covenants. The Group is permitted to utilise up to 40% of GAV measured at drawdown with a Group Loan to GAV of 34.3% as at 30 June 2019.

The Group benefits from a secure, diversified income stream from leases which are not overly reliant on any one tenant or sector. As a result, the Directors believe that the Group is well placed to manage its financing and other business risks. The Directors believe that there are currently no material uncertainties in relation to the Group's and Company's ability to continue for a period of at least 12 months from the date of these financial statements. The Board is, therefore, of the opinion that the going concern basis adopted in the preparation of the financial statements is appropriate.

Viability Statement
In accordance with provision C.1.3 of the UK Code and FRC Guidance on Risk Management, Internal Controls and Related Financial and Business Reporting, the Directors have assessed the prospects of the Group over a period longer than the 12 months required by the 'Going Concern' provisions. The Board has considered the nature of the Group's assets and liabilities and associated cash flows and has determined that five years, up to 30 June 2024, is a realistic timescale over which the performance of the Group can be forecast with a degree of accuracy and so is an appropriate period over which to consider the Group's viability.

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

- The current unexpired term under the Group's debt facilities stands at 6.3 years

- The Group's property portfolio had a WAULT to break of 20.5 years and a WAULT to expiry of 22.6 years as at 30 June 2019, representing a secure income stream for the period under consideration;

- A major proportion of the leases contain a five-year rent review pattern and therefore five years allow for the forecasts to include the reversion arising from those reviews.

- The five-year review considers the Company's cash flows, dividend cover, REIT compliance and other key financial ratios over the period.

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

The business model has been subject to a sensitivity analysis, which involves flexing a number of key assumptions underlying the forecasts both individually and in aggregate for normal and stressed conditions.

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

Subsidiary companies
Details of the Company's subsidiaries are set out in note 16 to the Consolidated Financial Statements.

Management Arrangements
AEW UK Investment Management LLP is the Group's Investment Manager and has been appointed as the AIFM. Under the terms of the IMA the Investment Manager is responsible for the day-to-day discretionary management of the Group's investments subject to the investment objective and investment policy of the Group and the overall supervision of the Directors. The Investment Manager is entitled to receive a management fee in respect of its services of 0.75% per annum of NAV (excluding uninvested proceeds from fundraisings). As announced on 10 April 2019, to ensure that all options could be considered during the Strategic Review discussed above, the Board served protective notice of termination of the IMA with the Investment Manager which will expire on 9 April 2020.

Financial Risk Management
The financial risk management objectives and policies can be found in note 19 to the Consolidated Financial Statements.

Share Capital
At 30 June 2019, and as at the date of this report, there are 80,500,000 Ordinary Shares in issue, none of which are held in treasury.

Purchase of Own Shares
At the Company's AGM on 31 October 2018, the Company was granted authority to purchase up to 14.99% of the Company's Ordinary Shares in issue. No shares have been bought back under this authority during the year, which expires at the conclusion of the Company's 2019 AGM. A resolution to renew the Company's authority to purchase (either for cancellation or for placing into Treasury) up to 12,066,950 Ordinary Shares (being 14.99% of the issued Ordinary Share capital as at the date of this report), will be put to shareholders at the 2019 AGM. Any purchase will be made in the market and prices will be in accordance with the terms laid out in the Notice of AGM (enclosed separately and available on the Company's website). The authority will be used where the Directors consider it to be in the best interests of shareholders.

Income entitlement
The profits of the Company available for distribution and determined to be distributed shall be distributed by way of interim or final dividends among the holders of Ordinary Shares.

Capital entitlement
After meeting the liabilities of the Company on a winding-up, the surplus capital and assets shall be paid to the holders of Ordinary Shares and distributed among such holders pro rata according to the nominal capital paid up on their holdings of Ordinary Shares.

Voting entitlement
Each shareholder is entitled to one vote on a show of hands and, on a poll, to one vote for every Ordinary Share held. The Notice of AGM and Form of Proxy stipulate the deadlines for the valid exercise of voting rights and, other than with regard to Directors not being permitted to vote their Ordinary Shares on matters in which they have an interest.

There are no restrictions concerning the transfer of securities in the Company or on voting rights; no special rights with regard to control attached to securities; no agreements between holders of securities regarding their transfer known to the Company; and no agreements which the Company is party to that might affect its control following a successful takeover bid.

Requirements of the Listing Rules
Listing Rule 9.8.4 requires the Company to include specified information in a single identifiable section of the annual report or a cross reference table indicating where the information is set out. The Directors confirm that there are no disclosures required in relation to Listing Rule 9.8.4.

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

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

Company law requires the Directors to prepare Group and parent Company financial statements for each financial year. Under that law they are required to prepare the Group financial statements in accordance with International Financial Reporting Standards as adopted by the European Union (IFRSs as adopted by the EU) and applicable law and have elected to prepare the parent Company financial statements in accordance with UK accounting standards, including FRS 101 Reduced Disclosure Framework.

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 Group and parent Company and of their profit or loss for that period. In preparing each of the Group and parent Company financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;

- make judgements and estimates that are reasonable, relevant, reliable and prudent;

- for the Group financial statements, state whether they have been prepared in accordance with IFRSs as adopted by the EU;

- for the parent Company financial statements, state whether applicable UK accounting standards have been followed, subject to any material departures disclosed and explained in the parent Company financial statements;

- assess the Group and parent 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 Group or the parent 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 parent Company's transactions and disclose with reasonable accuracy at any time the financial position of the parent 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 Group 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 Group'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 Consolidated 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 undertakings included in the consolidation taken as a whole; and

- the Strategic Report includes a fair review of the development and performance of the business and the position of the issuer and the undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties that they face.

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 Group's position and performance, business model and strategy.

On behalf of the Board

Steve Smith
Chairman

26 September 2019

NON-STATUTORY ACCOUNTS
The financial information set out below does not constitute the Company's Annual financial statements for the period ended 30 June 2019. The Annual Report, including the Annual financial statements, for the period ended 30 June 2019 was approved by the Board on 26 September 2019. The Auditor has reviewed those accounts; their report was (i) unqualified, (ii) did not include a reference to any matters to which the 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.

Consolidated Financial Statements
for the year ended 30 June 2019

	Notes	**Year ended 30 June 2019 £'000**	18 April 2017 to 30 June 2018 £'000
Rental and other income	3	6,907	3,600
Property operating expenses	4	(162)	(105)
Net rental and other income		**6,745**	**3,495**
Other operating expenses	4	(1,164)	(1,050)
Operating profit before fair value changes*		**5,581**	**2,445**
Change in fair value of investment properties	10	(174)	(2,853)
Operating profit/(loss)		**5,407**	**(408)**
Finance expense	6	(1,174)	(487)
Profit/(loss) before tax		**4,233**	**(895)**
Taxation	7	-	-
Profit/(loss) after tax		**4,233**	**(895)**
Other comprehensive income		**-**	**-**
Total comprehensive profit/(loss) for the year/period		**4,233**	**(895)**
Profit/ (loss) per share (pence per share) (basic and diluted)	8	**5.26**	**(1.25)**

The notes below form an integral part of these Consolidated Financial Statements.

* This includes a fair value gain of £1.14 million (2018: £3.63 million) on properties held over the period and a writedown of £1.31 million (2018: £6.48 million) of portfolio acquisition costs.

Consolidated Statement of Financial Position
as at 30 June 2019

	Notes	30 June 2019 £'000	30 June 2018 £'000
Assets			
Non-Current Assets	10	112,562	99,243
Investment property		**112,562**	**99,243**
Current Assets			
Receivables and prepayments	11	1,154	1,121
Cash and cash equivalents		5,519	6,594
Restricted cash	2.5e	-	1,362
		6,673	**9,077**
Total Assets		**119,235**	**108,320**
Non-Current Liabilities			
Interest bearing loans and borrowings	13	40,314	29,434
Financial lease obligations	14	482	478
		40,796	**29,912**
Current Liabilities			
Payables and accrued expenses	12	2,083	1,952
Financial lease obligations	14	35	34
		2,118	**1,986**
Total Liabilities		**42,914**	**31,898**
Net Assets		**76,321**	**76,422**
Equity			
Share capital	17	805	805
Share premium account	18	-	-
Capital reserve and retained earnings		75,516	75,617
Total capital and reserve attributable to equity holders of the Group		**76,321**	**76,422**
Net Asset Value per share (pence per share)	8	**94.81**	**94.93**

The notes below form an integral part of these Consolidated Financial Statements.

The financial statements were approved by the Board of Directors on 26 September 2019 and were signed on its behalf by:

Steve Smith
Chairman
AEW UK Long Lease REIT plc
Company number: 10727886

Consolidated Statement of Changes in Equity
for the year ended 30 June 2019

For the year ended 30 June 2019	Notes	Share capital £'000	Share premium account £'000	Capital reserve and retained earnings £'000	Total capital and reserves attributable to owners of the Group £'000
Balance as at 1 July 2018		805	-	75,617	76,422
Total comprehensive profit		-	-	4,233	4,233
Share issue costs		-	-	(7)	(7)
Dividends paid	9	-	-	(4,327)	(4,327)
Balance as at 30 June 2019		**805**	**-**	**75,516**	**76,321**

For the period 18 April 2017 to 30 June 2018	Notes	Share capital £'000	Share premium account £'000	Capital reserve and retained earnings £'000	Total capital and reserves attributable to owners of the Group £'000
Balance as at 18 April 2017		-	-	-	-
Total comprehensive loss		-	-	(895)	(895)
Ordinary Shares issued	17,18	805	79,695	-	80,500
Share issue costs	18	-	(1,573)	-	(1,573)
Cancellation of share premium	18	-	(78,122)	78,122	-
Dividends paid	9	-	-	(1,610)	(1,610)
Balance as at 30 June 2018		**805**	**-**	**75,617**	**76,422**

The notes below form an integral part of these Consolidated Financial Statements.

Consolidated Statement of Cash Flows
for the year ended 30 June 2019

	Year ended 30 June 2019 £'000	18 April 2017 to 30 June 2018 £'000
Cash flows from operating activities		
Profit/(loss) after tax	4,233	(895)
Adjustment for non-cash items:		
Finance expenses	1,174	487
Loss from change in fair value of investment property	174	2,853
Decrease/(increase) in other receivables and prepayments	280	(1,121)
(Decrease)/increase in other payables and accrued expenses	(482)	1,534
Net cash flow generated from operating activities	**5,379**	**2,858**
Cash flows from investing activities		
Purchase of investment property	(13,276)	(101,461)
Net cash used in investing activities	**(13,276)**	**(101,461)**
Cash flows from financing activities		
Proceeds from issue of ordinary share capital	-	80,500
Share issue costs	(7)	(1,573)
Loan draw down	11,000	28,638
Release of restricted cash	1,362	-
Loan arrangement fees	(210)	(609)
Finance costs	(1,012)	(241)
Dividends paid	(4,311)	(1,518)
Net cash generated from financing activities	**6,822**	**105,197**
Net (decrease)/increase in cash and cash equivalents	(1,075)	6,594
Cash and cash equivalents at start of the year/period	6,594	-
Cash and cash equivalents at end of the year/period	**5,519**	**6,594**

The notes below form an integral part of these Consolidated Financial Statements.

Notes to the Consolidated Financial Statements
for the year ended 30 June 2019

1. Corporate information

The Company is a public limited company and a closed ended Real Estate Investment Trust ('REIT') incorporated on 18 April 2017 and domiciled in the UK and registered in England and Wales. The registered office of the Company is located at 6th Floor, Gresham Street, London, EC2V 7NQ.

The Company's Ordinary Shares were listed on the Official List of the FCA and admitted to trading on the Main Market of the London Stock Exchange on 6 June 2017.

The nature of the Group's operations and its principal activities are set out in the Strategic Report above.

2. Accounting policies

2.1 Basis of preparation

These Consolidated 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').

These Consolidated Financial Statements have been prepared under the historical-cost convention, except for investment property that has been measured at fair value.

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

The current period is for a period of 12 months from 1 July 2018 to 30 June 2019. The comparative period is for a period of 14 months from 18 April 2017 to 30 June 2018.

Basis of consolidation

The Consolidated Financial Statements incorporate the financial statements of AEW UK Long Lease REIT plc and its subsidiaries (the 'Group'). Subsidiaries are entities controlled by the Company, being AEW UK Long Lease REIT 2017 Limited and AEW UK Long Lease REIT Holdco Limited. IFRS 10 outlines the requirements for the preparation of Consolidated Financial Statements, requiring an entity to consolidate the results of all investees it is considered to control. Control exists where an entity is exposed to variable returns and has the ability to affect those returns through its power over the investee.

New standards, amendments and interpretations

The following new standards and amendments to existing standards have been published and approved by the EU. The Group has applied the following standards from 1 July 2018 with the year ended 30 June 2019 being the first year end reported under the standards:

• IFRS 9 Financial Instruments (effective for annual periods beginning on or after 1 January 2018). The IFRS 9 requirements represent a change from the existing requirements in IAS 39 in respect of financial assets. The standard contains two primary measurement categories for financial assets: amortised cost and fair value. A financial asset is measured at amortised cost if it is held within a business model whose objective is to hold assets in order to collect contractual cash flows, and the asset's contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal outstanding. All other financial assets are measured at fair value. The standard eliminates the existing IAS 39 categories of held-to-maturity, available-for-sale and loans and receivables.

Trade and other receivables

Under IFRS 9 there is no change to the classification and measurement of trade and other receivables, however there is a requirement to carry out an ongoing assessment of expected credit losses using a general approach. The Group has made an assessment of expected credit losses at each period end, using the simplified approach where a lifetime expected loss allowance is always recognised over the expected life of the financial instrument. Any adjustment is recognised in profit or loss as an impairment gain or loss. Following the adoption of IFRS 9, there is no material impact on the Group financial statements.

• IAS 40 Investment property applies to the accounting for property (land and/or buildings) held to earn rentals or for capital appreciation (or both).

  The amendment in transfers of Investment Property states that any entity shall transfer a property to, or from, investment property when, and only when, there is a change in use. A change of use occurs if property meets, or ceases to meet, the definition of investment property. A change in management's intentions for the use of the property itself does not constitute evidence of a change in use. Following a review of the Group's property transactions in the year the amendment to IAS 40 did not have a material impact on the Group financial statements.

• IFRS 15 Revenue from contracts with customers. IFRS 15 establishes a new framework for revenue recognition and replaces all existing standards and interpretations. IFRS 15 does not apply to lease contracts within the scope of IAS 17 Leases or, from its date of application, IFRS 16 Leases. This standard did not have a material impact on the Group financial statements as presented for the current year as the majority of the Group's revenue consists of rental income from the Group's investment properties, which is outside the scope of IFRS 15.

• IFRS 7 Financial Instruments: Disclosures - amendments regarding additional hedge accounting disclosures (applies when IFRS 9 is applied). The changes did not have a material impact on the financial statements of the Group as hedge accounting is not applied.

• IFRIC 22 Foreign Currency Transactions and Advance Consideration - there is no impact on the Group financial statements.

• Amendments to IFRS 2 Classification and Measurement of Share-based Payment Transactions - there is no impact on the Group financial statements.

• Amendments to IFRS 4 Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts - there is no impact on the Group financial statements.

The following new standards and amendments to existing standards have been published and approved by the EU, and are mandatory for the Company's accounting periods beginning after 1 July 2019 or later periods.

• IFRS 16 Leases. In January 2016, the IASB published the final version of IFRS 16 Leases. IFRS 16 specifies how an IFRS reporter will recognise, measure, present and disclose leasing arrangements. The Group has decided against early adoption of IFRS 16 Leases.

• Annual improvements to IFRS 2015-2017 Cycle: amendments to IFRS 3 Business Combinations, IFRS 11 Joint Arrangements, IAS 12 Income Taxes and IAS 23 Borrowing Costs

• Amendments to IFRS 9 - Prepayment

• Amendments to IAS 28 Long-term Interests in Associates and Joint Ventures.

The Group does not expect the adoption of new accounting standards issued but not yet effective to have a significant impact on its financial statements. The right of use finance lease asset relating to head leases will be required to be measured at the present value of future cash flows, however, the difference from the IAS 17 carrying value is expected to be insignificant in the context of the Group's financial statements.

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

There are not considered to be any judgements which have a significant effect on the amounts recognised in the consolidated financial information.

Estimates
In the process of applying the Group's accounting policies, management has made the following estimates, which have a significant effect on the amounts recognised in the consolidated financial information:

Valuation of investment property
The fair value of investment property is determined, by independent property valuation experts, to be the estimated amount for which a property should exchange on the date of the valuation in an arm's length transaction. Properties have been valued on an individual basis. The valuation experts use recognised valuation techniques, applying the principles of both IAS 40 and IFRS13.

The valuations have been prepared in accordance with the Royal Institution of Chartered Surveyors ('RICS') Valuation - Global Standard January 2017. Factors reflected include current market conditions, annual rentals, lease lengths and location. The significant methods and assumptions used by valuers in estimating the fair value of investment property are set out in note 10.

2.3 Segmental information
In accordance with IFRS 8, the Directors are of the opinion that the Group is engaged into one main operating segment, being investment property in the UK.

2.4 Going concern
The Directors have made an assessment of the Group's ability to continue as a going concern and are satisfied that the Group has the resources to continue in business for at least 12 months from the date of these Consolidated Financial Statements. Furthermore, the Directors are not aware of any material uncertainties that may cast significant doubt upon the Group's ability to continue as a going concern. Therefore, the Consolidated 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 Consolidated Financial Statements are set out below.

a) Presentation currency
These Consolidated Financial Statements are presented in Sterling, which is the functional and presentational currency of the Group. The functional currency of the Group is principally determined by the primary economic environment in which it operates. The Group did not enter into any transactions in foreign currencies during the period.

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. For leases, which contain fixed or minimum uplifts, the rental income arising from such uplifts is recognised on a straight-line basis over the lease term.

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) 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.

d) 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 Consolidated 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.

The profit on disposal is determined as the difference between the net sales proceeds and the carrying amount of the asset at the commencement of the accounting period plus capital expenditure in the period.

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

e) Cash and cash equivalents
Cash and short-term deposits in the Consolidated Statement of Financial Position comprise cash at bank and short-term deposits with an original maturity of three months or less. Cash held also includes amounts held in a restricted account that becomes available upon charging properties as security under the Canada Life Loan.

f) Receivables and prepayments

Accounting policy applicable from 1 July 2018
Rent and other receivables are initially recognised at fair value and subsequently at amortised cost. Impairment provisions are recognised based upon an expected credit loss model. The Group has made an assessment of expected credit losses at each period end, using the simplified approach where a lifetime expected loss allowance is always recognised over the expected life of the financial instrument. Any adjustment is recognised in profit or loss as an impairment gain or loss.

Accounting policy prior to 1 July 2018
Rent and other receivables 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. Rent and other receivables 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.

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

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

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

j) 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.

k) Provisions
A provision is recognised in the Consolidated Statement of Financial Position when the Group 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.

l) Dividend payable to shareholders
Equity dividends are recognised when they become legally payable.

m) 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.

n) 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 Consolidated Statement of Financial Position.

o) 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 Group 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.

p) European Public Real Estate Association
The Group 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 period ended 30 June 2019, audited EPS and NAV calculations under EPRA's methodology are included in note 8 and further unaudited measures are included above.

q) Capital and reserves

Share capital

Share capital is the nominal amount of the Company's ordinary shares in issue.

Share premium
Share premium relates to amounts subscribed for share capital in excess of nominal value less associated issue costs of the subscriptions.

Capital reserve
The capital reserve represents the cancelled share premium less dividends paid from this reserve.

Retained earnings
Retained earnings represent the profits of the Group less dividends paid from revenue profits to date. Unrealised gains on the revaluation of investment properties contained within this reserve are not distributable until they crystallise on the sale of the investment property.

3. Rental and other income

	Year ended 30 June 2019 £'000	18 April 2017 to 30 June 2018 £'000
Gross rental income	6,321	3,226
Spreading of tenant incentives and guaranteed fixed rental uplifts	585	359
Other property income	1	15
Total rental and other income	**6,907**	**3,600**

All rental and other income is derived from the United Kingdom.

4. Expenses

	Year ended 30 June 2019 £'000	18 April 2017 to 30 June 2018 £'000
Property operating expenses	**162**	**105**
Other operating expenses		
Investment management fee	544	363
Auditor remuneration	110	116
Operating costs	431	458
Directors' remuneration	79	113
Total other operating expenses	**1,164**	**1,050**
Total operating expenses	**1,326**	**1,155**
Audit		
Statutory audit of Annual Report and Accounts	72	70
Statutory audit of Subsidiary Accounts	12	12

Statutory audit of Initial Accounts	-	11
	84	**93**
Non-audit		
Review of Interim Report	-	23
Review of Initial prospectus*	-	40
	-	**63**
Total fees paid to KPMG LLP	**84**	**156**
Percentage of total fees attributed to non-audit services	**0%**	**40%**

* charged to share premium account

5. Directors' remuneration

	Year ended 30 June 2019 £'000	18 April 2017 to 30 June 2018 £'000
Directors' fees	75	108
Tax and social security	4	5
Total	**79**	**113**

A summary of the Directors' remuneration is set out in the Directors' Remuneration Report in the full Annual Report. The Group had no employees during the period.

6. Finance expense

	Year ended 30 June 2019 £'000	18 April 2017 to 30 June 2018 £'000
Interest payable on loan borrowings	1,083	419
Amortisation of loan arrangement fee	90	43
Other finance costs	1	25
Total	**1,174**	**487**

7. Taxation

	Year ended 30 June 2019 £'000	18 April 2017 to 30 June 2018 £'000
Tax charge comprises:		
Analysis of tax charge in the period:		
Profit/(loss) before tax	4,233	(895)
Theoretical tax/(tax credit) at UK Corporation tax standard rate of 19.00% (2018: 19.00%)	804	(170)
Adjusted for:		
Change in value of investment properties	33	567
Exempt REIT net (profit)/losses	(837)	(397)
Total	-	-

The Group obtained REIT status on 13 October 2017, at which point any gains or losses arising from property business have been extinguished. As such, no deferred tax asset or liability has been recognised in the current period.

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

8. Earnings/(loss) per share and NAV per share

	Year ended 30 June 2019	18 April 2017 to 30 June 2018
Earnings/(loss) per share:		
Total comprehensive profit/loss (£'000)	4,233	(895)
Weighted average number of shares	80,500,000	71,514,806
Earnings/(loss) per share (basic and diluted) (pence)	**5.26**	**(1.25)**
EPRA EPS:		
Total comprehensive profit/(loss) (£'000)	4,233	(895)
Adjustment to total comprehensive profit/(loss):		
Change in fair value of investment properties (£'000)	174	2,853
EPRA earnings (basic and diluted) (£'000)	4,407	1,958
EPRA EPS (basic and diluted) (pence)	**5.47**	**2.74**
Adjusted EPS:		
EPRA earnings (basic and diluted) (£'000)	4,407	1,958
Adjustments:		
Rental income recognised in respect of tenant incentives and guaranteed fixed rental uplifts (£'000)	(585)	(359)
Amortisation of loan arrangement fee (£'000)	90	43
Adjusted earnings (basic and diluted) (£'000)	3,912	1,642
Adjusted EPS (basic and diluted) (pence)	**4.86**	**2.30**

Adjusted EPS is a measure used by the Board to assess the level of the Group's dividend payments. This metric adjusts EPRA earnings for non-cash items in arriving at an adjusted EPS as supported by cash flows.

NAV per share:		
Net assets (£'000)	76,321	76,422
Ordinary Shares	80,500,000	80,500,000
NAV per share (pence)	**94.81**	**94.93**

EPS amounts are calculated by dividing profit/(loss) for the period attributable to ordinary equity holders of the Company by the weighted average number of Ordinary Shares in issue during the period. EPRA NAV and EPRA NNNAV (refer to Glossary) are equal to the NAV presented in the Consolidated Statement of Financial Position under IFRS and there are no adjusting items. As such, a reconciliation between these measures has not been presented.

9. Dividends paid

	Year ended 30 June 2019 £'000	18 April 2017 to 30 June 2018 £'000
Fourth interim dividend declared in respect of the quarter ended 30 June 2018 at 1.25p per Ordinary Share*	1,006	-
First interim dividend paid in respect of the quarter ended 30 September 2018 at 1.375p per Ordinary Share (period from incorporation to 30 September 2017 at 0.50p per Ordinary Share)	1,107	402
Second interim dividend declared in respect of the quarter ended 31 December 2018 at 1.375p per Ordinary Share (quarter ended 31 December 2017 at 0.50 per Ordinary Share)	1,107	402
Third interim dividend declared in respect of the quarter ended 31 March 2019 at 1.375p per Ordinary Share (quarter ended 31 March 2018 at 1.00p per Ordinary Share)	1,107	806
Total dividends paid during the year/period	**4,327**	**1,610**
Fourth interim dividend declared in respect of the quarter ended 30 June 2018 at 1.25p per Ordinary Share*	(1,006)	1,006
Fourth interim dividend declared in respect of the quarter ended 30 June 2019 at 1.375p per Ordinary Share	1,107	-

Total dividends in respect of the year/period	4,428	2,616

* Dividends declared after the year/period end are not included in the Consolidated Financial Statements as a liability.

10. Investments

10.1) Investment property

	30 June 2019 Investment properties freehold £'000	30 June 2019 Investment properties leasehold £'000	30 June 2019 Total £'000	30 June 2018 Total £'000
UK Investment property				
As at beginning of the year/period	82,990	16,100	99,090	-
Purchases in the year/period	11,286	2,203	13,489	101,591
Revaluation of investment property	4	407	411	(2,501)
Valuation provided by Knight Frank LLP	**94,280**	**18,710**	**112,990**	**99,090**
Adjustment to fair value for rent smoothing			(945)	(359)
Adjustment for finance lease obligations			517	512
Total investment property			**112,562**	**99,243**
Change in fair value of investment property				
Change in fair value before adjustments for lease incentives			411	(2,501)
Movement in finance lease			-	7
Adjustment to fair value for rent smoothing of lease income			(585)	(359)
			(174)	**(2,853)**

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 Group'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.

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

	30 June 2019 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*	-	-	112,990	112,990
	-	**-**	**112,990**	**112,990**

	30 June 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*	-	-	99,090	99,090
	-	**-**	**99,090**	**99,090**

* before adjustments to fair value for straight lining of lease income.

Explanation of the fair value hierarchy:

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

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

Level 3 - Valuation techniques using non-observable data.

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

1) Estimated Rental Value ('ERV')

2) Equivalent yield

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

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

Class	Fair value £'000	Valuation technique	Significant unobservable inputs	Range
30 June 2019		Income	ERV	£3.74 - £21.96
Investment Property*	112,990	capitalisation	Equivalent yield	4.81% - 8.66%
30 June 2018				
Investment Property*	99,090	Income	ERV	£3.50 - £21.96
		capitalisation	Equivalent yield	4.9% - 7.06%

* Valuation per Knight Frank LLP

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

	30 June 2019			
	Change in ERV		Change in equivalent yield	
	£'000	£'000	£'000	£'000
Sensitivity Analysis	**+5%**	**-5%**	**+5%**	**-5%**
Resulting fair value of investment property	113,721	112,158	108,914	117,391

	30 June 2018			
	Change in ERV		Change in equivalent yield	
	£'000	£'000	£'000	£'000
Sensitivity Analysis	**+5%**	**-5%**	**+5%**	**-5%**
Resulting fair value of investment				

property	100,194	98,288	94,152	104,744

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 held at the end of the reporting period.

11. Receivables and prepayments

	30 June 2019 £'000	30 June 2018 £'000
Receivables		
Rent debtor	136	304
Other debtors	3	425
Total Receivables	**139**	**729**
Rent smoothing debtor	944	359
Other prepayments	71	**33**
Total	**1,154**	**1,121**

The fair value of receivables and prepayments approximates their carrying value above. This is a Level 3 valuation under IFRS 13.

The aged debtor analysis of receivables which are past due but not impaired is as follows:

	30 June 2019 £'000	30 June 2018 £'000
Less than three months due	139	304
Between three and six months due	-	425
Between six and twelve months due	-	-
Total	**139**	**729**

12. Payables and accrued expenses

	30 June 2019 £'000	30 June 2018 £'000
Deferred income	990	657
Accruals	313	262
Other creditors	780	1,033
Total	**2,083**	**1,952**

13. Interest bearing loans and borrowings

	30 June 2019 £'000	30 June 2018 £'000
At the beginning of the year/period	30,000	-
Bank borrowings drawn in the year/period	11,000	30,000
Total facility drawn	**41,000**	**30,000**
Less: loan issue costs incurred	(776)	(609)
Plus: amortised loan issue costs	90	43
At end of period	**40,314**	**29,434**
Repayable between 1 and 2 years	-	-
Repayable between 2 and 5 years	-	-
Repayable in over 5 Years	41,000	30,000
Total	**41,000**	**30,000**

On 11 January 2019, the Group increased its loan facility by £11 million with its existing lender, Canada Life Investments, taking the total loan drawn down to £41 million. As at 30 June 2019, the Group had utilised all of its £41 million fixed interest loan facility with Canada Life Investments and at that date was geared at a loan to Gross Asset Value ('GAV') of 34.3%. The weighted average interest cost of the Group's increased facility is 3.19% and the facility is repayable on the 20 October 2025.

	30 June 2019	30 June 2018
	£'000	£'000
Reconciliation to cash flows from financing activities		
Balance at the beginning of the year/period	28,029	-
Loan drawn down	12,362	28,638
Loan arrangement fees	(167)	(609)
Total changes from financing cash flows	**40,224**	**28,029**
Other changes		
Restricted cash	-	1,362
Amortisation of loan issue costs	90	43
Total other changes	90	1,405
Balance at 30 June 2019	**40,314**	**29,434**

14. Finance lease obligations

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

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

	30 June 2019	30 June 2018
	£'000	£'000
Within one year	35	34
After one year but more than five years	170	150
More than five years	312	328
Subtotal of non-current	482	478
Total	**517**	**512**

15. Guarantees and commitments

Operating lease commitments - as lessor

The Group has entered into commercial property leases on its investment property portfolio. These non-cancellable leases have a remaining term of between 4 and 116 years.

Future minimum rentals receivable under non-cancellable operating leases as at 30 June 2019 are as follows:

	30 June 2019	**30 June 2018**
	£'000	**£'000**
Within one year	6,075	5,738
After one year but more than five years	34,042	23,187
More than five years	116,679	102,427
Total	**156,796**	**131,352**

During the year ended 30 June 2019 there were nil contingent rents recognised as income.

16. Investment in subsidiaries

The Company has two wholly owned subsidiaries disclosed below:

Name and company number	**Country of registration and incorporation**	**Date of incorporation**	**Principal activity**	**Ordinary Shares held**
AEW UK Long Lease REIT Holdco Limited (Company number 11052186)	England and Wales	7 November 2017	Real Estate Company	73,158,502*

AEW UK Long Lease REIT 2017 Limited (Company number 10754641)	England and Wales	4 May 2017	Real Estate Company	73,158,501*

* Ordinary shares of £1.00 each.

AEW UK Long Lease REIT plc as at 30 June 2019 owns 100% controlling stake of AEW UK Long Lease REIT Holdco Limited.

AEW UK Long Lease REIT Holdco Limited holds 100% of AEW UK Long Lease REIT 2017 Limited.

Both AEW UK Long Lease REIT Holdco Limited and AEW UK Long Lease REIT 2017 Limited are registered at 6th Floor, 65 Gresham Street, London, England, EC2V 7NQ.

17. Issued share capital

	For the year ended 30 June 2019		For the period 18 April 2017 to 30 June 2018	
	£'000	**Number of Ordinary Shares**	£'000	Number of Ordinary Shares
Ordinary Shares issued and fully paid				
At the beginning of the year/period	805	80,500,000	-	1
Issued on admission to trading on the London Stock Exchange on 6 June 2017	-	-	805	80,499,999
At the end of the year/period	**805**	**80,500,000**	**805**	**80,500,000**

On 6 June 2017, the Company issued 80,499,999 Ordinary Shares with a nominal value of 1 pence at a price of 100.00 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 31 May 2017.

18. Share premium account

	30 June 2019 £'000	**30 June 2018 £'000**
The share premium relates to amounts subscribed for share capital in excess of nominal value:		
Balance at the beginning of the period	-	-
Issued on admission to trading on the London Stock Exchange on 6 June 2017	-	79,695
Share issue costs	-	(1,573)
Cancellation of share premium	-	(78,122)
Balance at the end of the year/period	**-**	**-**

19. Financial risk management and policies

The Group's activities expose it to a variety of financial risks: market risk, credit risk, liquidity risk and further risks inherent to investing in investment property. The Group's objective in managing risk is the creation and protection of shareholder value. Risk is inherent in the Group'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 Group in the management of its portfolio are as follows:

19.1 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 Group diversifies its portfolio geographically in the UK 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 monthly and reserves the ultimate decision with regards to investment purchases or sales. In order to monitor property valuation fluctuations, the IMC and the Portfolio Management Team of the Investment Manager meet 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.

19.2 Real estate risk

The Group 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 Group. 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 Group.

19.3 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 Group by failing to meet a commitment it has entered into with the Group.

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

In respect of property investments, in the event of a default by a tenant, the Group 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 Group's exposure to credit risk:

	30 June 2019 £'000	**30 June 2018 £'000**
Debtors (excluding straight lining and prepayments)	139	729
Cash and cash equivalents	5,519	6,594
Total	**5,658**	**7,323**

19.4 Liquidity risk

Liquidity risk arises from the Group's management of working capital and the finance charges and principal repayments on its borrowings. It is the risk the Group will encounter difficulty in meeting its financial obligations as they fall due as the majority of the Group's assets are investment properties and therefore not readily realisable. The Group'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 the Investment Manager and Board of Directors.

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

30 June 2019	**On demand £'000**	**< 3 months £'000**	**3 - 12 months £'000**	**1 - 5 years £'000**	**> 5 years £'000**	**Total £'000**
Interest bearing loans and borrowings	-	-	-	-	41,000	41,000
Interest payable	251	329	981	5,229	1,689	8,479
Payables and accrued expenses	376	107	360	-	-	843
Finance lease obligations	-	9	26	198	609	842
Total	**627**	**445**	**1,367**	**5,427**	**43,298**	**51,164**

30 June 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	-	-	-	-	30,000	30,000
Interest payable						

	178	231	684	3,487	2,276	6,856
Payables and accrued expenses	600	92	425	-	-	1,117
Finance lease obligations	-	9	26	185	711	931
Total	**778**	**332**	**1,135**	**3,672**	**32,987**	**38,904**

19.5 Fair value of financial instruments
There is no material difference between the carrying amount and fair value of the Group's financial instruments.

19.6 Interest rate risk
Interest rate risk is the risk that future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group's exposure to the risk of changes in market interest rates is minimal as it has taken out a fixed rate bank loan.

20. Capital management
The primary objectives of the Group's capital management is to ensure that it qualifies for the UK REIT status and remains within its quantitative banking covenants.

To enhance returns over the medium term, the Group utilises borrowings on a limited recourse basis for each investment or all or part of the total portfolio. The Group's policy is to borrow up to a maximum of 40% loan to GAV (both are measured at drawdown). Alongside the Group's borrowing policy, the Directors intend, at all times, to conduct the affairs of the Group so as to enable the Group to qualify as a REIT for the purposes of Part 12 of the Corporation Tax Act 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 Group remained compliant with in this reporting period.

The monitoring of the Group's level of borrowing is performed primarily using a Loan to GAV ratio. The Loan to GAV ratio is calculated as the amount of outstanding debt divided by the total assets of the Group, which includes the valuation of the investment property portfolio. The Group Loan to GAV ratio at the period end was 34.3%.

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

21. 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.

Subsidiaries
AEW UK Long Lease REIT plc as at 30 June 2018 owns 100% controlling stake of AEW UK Long Lease REIT Holdco Limited and AEW UK Long Lease REIT Holdco Limited holds 100% of AEW UK Long Lease REIT 2017 Limited.

Directors
For the period 1 July 2018 to 30 June 2019, the Directors of the Group are considered to be the key management personnel. Directors' remuneration is disclosed in note 5.

Investment Manager
The Group is party to an Investment Management Agreement with the Investment Manager, pursuant to which the Group 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 0.75% per annum of NAV (excluding un-invested fund raising proceeds) and paid quarterly. During the period 1 July 2018 to 30 June 2019, the Group incurred £544,371 (18 April 2017 to 30 June 2018: £362,589) in respect of investment management fees and expenses of which £133,356 (30 June 2018: £128,793) was outstanding at 30 June 2019.

22. Events after reporting date
Dividend
On 8 August 2019, the Board declared an interim dividend of 1.375 pence per share in respect of the period from 1 April 2019 to 30 June 2019. This was paid on 30 August 2019 to shareholders on the register as at 16 August 2019. The ex-dividend date was 15 August 2019.

Company Financial Statements

Company Statement of Financial Position
as at 30 June 2019

	Notes	**30 June 2019 £'000**	**30 June 2018 £'000**
Assets			
Non-Current Assets			
Investment in subsidiary companies	3	73,158	71,309

	Notes		
Investment property	3	8,675	-
		81,833	**71,309**
Current Assets			
Receivables and prepayments	4	294	412
Cash and cash equivalents		1,485	2,987
		1,779	**3,399**
Total Assets		**83,612**	**74,708**
Current Liabilities			
Payables and accrued expenses	5	15,454	664
Total Liabilities		**15,454**	**664**
Net Assets		**68,158**	**74,044**
Equity			
Share capital		805	805
Share premium account		-	-
Capital reserve and retained earnings		67,353	73,239
Total capital and reserves attributable to equity holders of the Company		**68,158**	**74,044**
Net Asset Value per share (pence per share)		**84.67**	**91.98**

As permitted by s408 Companies Act 2006, the Company's profit and loss account has not been presented in these financial statements. The Company's loss for the period was £1,552,000 (30 June 2018: £3,273,000).

The financial statements were approved by the Board of Directors on 26 September 2019 and were signed on its behalf by:

Steve Smith
Chairman
AEW UK Long Lease REIT plc
Company number: 10727886

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

Company Statement of Changes in Equity
for the year ended 30 June 2019

For the year ended 30 June 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 as at 1 July 2018		805	-	73,239	74,044
Total comprehensive loss		-	-	(1,552)	(1,552)
Share issue costs		-	-	(7)	(7)
Dividends paid	6	-	-	(4,327)	(4,327)
Balance as at 30 June 2019		**805**	**-**	**67,353**	**68,158**

For the period 18 April 2017 to 30 June 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 as at 18 April 2017		-	-	-	-

Total comprehensive loss		-	-	(3,273)	(3,273)
Ordinary shares issued	7	805	79,695	-	80,500
Share issue costs		-	(1,573)	-	(1,573)
Cancellation of share premium	8	-	(78,122)	78,122	-
Dividends paid	6	-	-	(1,610)	(1,610)
Balance as at 30 June 2018		**805**	**-**	**73,239**	**74,044**

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

Notes to the Company Financial Statements

for the year ended 30 June 2019

1. Corporate information

AEW UK Long Lease REIT plc (the 'Company') is a closed ended Real Estate Investment Trust ('REIT') incorporated on 18 April 2017 and domiciled in the UK and is registered in England and Wales. The registered office of the Company is located at 6th Floor, 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 6 June 2017.

The Company is the ultimate parent company of the AEW UK Long Lease REIT Group. Its primary activity is to hold shares in subsidiary companies and invest in direct property investments.

2. Accounting policies

Basis of preparation
These financial statements are prepared and approved by the Directors in accordance with Financial Reporting Standard 101 Reduced Disclosure Framework (FRS 101) and in accordance with applicable accounting standards. As permitted by FRS 101, the Company has taken advantage of the disclosure exemptions available under that standard in relation to capital management, presentation of cash flow statement, standards not yet effective, impairment of assets and related party transactions.

These financial statements have been prepared under the historical-cost convention, except for investment property that has 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 financial statements of the Company follow the accounting policies of the Group laid out above.

For an assessment of going concern refer to accounting policy 2.4 of the Group above and note 16 of the Group above.

The current period is for a period of 12 months from 1 July 2018 to 30 June 2019. The comparative period is for a period of 14 months from 18 April 2017 to 30 June 2018.

Investments in Subsidiary Companies
Investments in subsidiary companies which are all 100% owned by the Company are included in the statement of financial position at cost less provision for impairment.

Impairment of non-financial assets
The carrying amounts of the Company's investment in subsidiaries are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. The recoverable amount of an asset is the greater of its value in use and its fair value less costs to sell.

An impairment loss is recognised if the carrying amount of an asset exceeds its estimated recoverable amount. Impairment losses are recognised in profit or loss.

Impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

3. Investments

3a. Investments in Subsidiary Companies

	30 June 2019 £'000	30 June 2018 £'000

At the beginning of the year/period	71,309	-
Investment in subsidiary companies	1,849	71,309
At the end of the year/period	**73,158**	**71,309**

A list of subsidiary undertakings at 30 June 2019 is included above.

3b. Investment property

	30 June 2019 £'000	30 June 2018 £'000
At the beginning of the year/period	-	-
Purchases in the year/period	9,304	44,065
Disposals in the year/period	-	(44,065)
Revaluation of investment property	(594)	
Adjustment for rent free debtor	(35)	
	8,675	-
Loss on disposal of investment property		
Net proceeds from disposal of investment property during the year/period	-	41,367
Cost of disposal	-	(44,065)
Loss on disposal of investment property	**-**	**(2,698)**

4. Receivables and prepayments

	30 June 2019 £'000	30 June 2018 £'000
Receivables		
Amounts due from subsidiary companies	-	247
Lease incentive debtor	35	-
VAT receivable	251	157
	286	404
Prepayments		
Other prepayments	8	8
	8	8
Total	**294**	**412**

5. Payables and accrued expenses

	30 June 2019 £'000	30 June 2018 £'000
Due to subsidiaries	14,927	-
Deferred income	125	-
Accruals	295	262
Other creditors	107	402
Total	**15,454**	**664**

6. Dividends paid

	Year ended 30 June 2019 £'000	18 April 2017 to 30 June 2018 £'000
Fourth interim dividend declared in respect of the quarter ended 30 June 2018 at 1.25p per Ordinary Share*	1,006	-
First interim dividend paid in respect of the quarter ended 30 September 2018 at 1.375p per Ordinary Share (period from incorporation to 30 September 2017 at 0.50p per Ordinary Share)	1,107	402
Second interim dividend declared in respect of the		

quarter ended 31 December 2018 at 1.375p per Ordinary Share (quarter ended 31 December 2017 at 0.50p per Ordinary Share)	1,107	402
Third interim dividend declared in respect of the quarter ended 31 March 2019 at 1.375p per Ordinary Share (quarter ended 31 March 2018 at 1.00p per Ordinary Share)	1,107	806
Fourth interim dividend declared in respect of the quarter ended 30 June 2018 at 1.25p per Ordinary Share*	1,006	-
Total dividends paid during the period	**4,327**	**1,610**
Fourth interim dividend declared in respect of the quarter ended 30 June 2018 at 1.25p per Ordinary Share*	(1,006)	1,006
Fourth interim dividend declared in respect of the quarter ended 30 June 2019 at 1.375p per Ordinary Share*	1,107	-
Total dividends in respect of the period	**4,428**	**2,616**

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

7. Issued share capital

	Year ended 30 June 2019		For the period 18 April 2017 to 30 June 2018	
	£'000	**Number of Ordinary Shares**	**£'000**	**Number of Ordinary Shares**
Ordinary Shares issued and fully paid				
At the beginning of the year/period	805	80,500,000	-	1
Issued on admission to trading on the London Stock Exchange on 6 June 2017	-	-	805	80,499,999
At the end of the year/period	**805**	**80,500,000**	**805**	**80,500,000**

8. Share premium account

	30 June 2019 £'000	**30 June 2018 £'000**
The share premium relates to amounts subscribed for share capital in excess of nominal value:		
Balance at the beginning of the year/period	-	-
Issued on admission to trading on the London Stock Exchange on 6 June 2017	-	79,695
Share issue costs	-	(1,573)
Cancellation of share premium	-	(78,122)
Balance at the end of the year/period	**-**	**-**

9. Capital reserve

On 26 July 2017, the Company by way of a Special Resolution, cancelled the value of its share premium account, by an Order of the High Court of Justice, Chancery Division. As a result of this cancellation, £78,122,172 was transferred from the share premium account into the capital reserve. The capital reserve is classed as a distributable reserve.

EPRA Unaudited Performance Measure Calculations

Calculation of EPRA NIY and 'Topped-Up' NIY

	30 June 2019 £'000	**30 June 2018 £'000**

Investment property - wholly-owned	112,990	99,090
Allowance for estimated purchasers' costs	7,683	6,738
Gross up completed property portfolio valuation	**120,673**	**105,828**
Annualised cash passing rental income	6,055	5,638
Property outgoings	(40)	(48)
Annualised net rents	**6,015**	**5,590**
Rent expiration of rent-free periods and fixed uplifts	1,578	1,284
'Topped-up' net annualised rent	**7,593**	**6,874**
EPRA NIY	**4.98%**	**5.28%**
EPRA 'topped-up' NIY	**6.29%**	**6.50%**

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 June 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 June 2019 £'000	30 June 2018 £'000
Annualised potential rental value of vacant premises	-	16
Annualised potential rental value for the completed property portfolio	6,686	5,841
EPRA Vacancy Rate	**0.00%**	**0.27%**

Calculation of EPRA Cost Ratios

	30 June 2019 £'000	30 June 2018 £'000
Administrative/operating expense per IFRS income statement	1,326	1,155
EPRA Costs (including and excluding direct vacancy costs)	**1,326**	**1,155**
Gross Rental Income	6,907	3,226
EPRA Cost Ratio (including direct vacancy costs)	**19.20%**	**35.80%**
EPRA Cost Ratio (excluding direct vacancy costs)	**19.20%**	**35.80%**

As this is the first operating period, the EPRA Cost Ratio may be artificially high. Certain fund-level operating costs have been incurred over the whole period, whereas rental income has only been earned for part of the period, in line with the timings of the acquisitions. The EPRA Cost Ratio is expected to better reflect the Group's level of operating costs in future periods, with a stable income stream having been established.

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 707 1874 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	80,500,000
SEDOL Number	BDVK708
ISIN Number	GB00BDVK7088
Ticker/TIDM	AEWL

Frequency of NAV publication:
The Group's NAV is released to the London Stock Exchange on a quarterly basis and is published on the Company's website www.aewukllreit.com.

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

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

Financial Calendar

5 November 2019	Annual General Meeting
31 December 2019	Half-year end
February/March 2020	Announcement of interim results
30 June 2020	Year end
September 2020	Announcement of annual results

Directors
Steve Smith (independent non-executive Chairman)
Jim Prower (independent non-executive Director)
Alan Sippetts (independent non-executive Director)

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Investment Manager and AIFM
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Tel: 020 7016 4880
Website: www.aewuk.co.uk

Property Manager
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Corporate Broker
Cenkos Securities plc
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EC2R 7AS

Legal Adviser to the Company
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4 More London Riverside
London
SE1 2AU

Depositary
Langham Hall UK Depositary LLP
8th Floor
1 Fleet Place
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EC4M 7RA

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

Company Website
www.aewukllreit.com

Glossary

Company	AEW UK Long Lease REIT plc.
Company Secretary	Link Company Matters Limited.
Contracted rent	The annualised rent adjusting for the inclusion of rent subject to rent-free periods.
DTR	Disclosure Guidance and Transparency Rules, issued by the FCA.
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.
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	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.
EPRA NAV	NAV adjusted to include properties and other investment interests at fair value and to exclude certain items not expected to crystallise in a long-term investment property business.
EPRA NNNAV	EPRA NAV adjusted to reflect the fair value of debt and derivatives and to include deferred taxation on revaluations.
EPRA Net Initial Yield ('NIY')	Annualised rental income based on the cash rents passing at the balance sheet date, less nonrecoverable property operating expenses, divided by the market value of the property, increased with (estimated) purchasers' costs.
EPRA Vacancy Rate	Estimated Rental Value of vacant space as a percentage of the Estimated Rental Value of the whole portfolio.
Equivalent Yield	The internal rate of return of the cash flow from the property, assuming a rise to Estimated Rental Value at the next review or lease expiry. No future growth is allowed for.
Estimated Rental Value ('ERV')	The external valuer's opinion as to the open market rent which, on the date of the valuation, could reasonably be expected to be obtained on a new letting or rent review of a property.
External Valuer	An independent external valuer of a property. The Group'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.
Gross Asset Value ('GAV')	The aggregate value of the total assets of the Group 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 Group's Investment Manager is AEW UK Investment Management LLP.
Initial Accounts	The accounts prepared in respect of the Company for the period from 18 April 2017 to 31 August 2017. Company law requires the directors of a public company to prepare initial accounts when that company wishes to make a distribution prior to its first statutory accounts having been laid before its members.
Initial Prospectus	The prospectus prepared in accordance with the prospectus rules made by the Financial Conduct Authority under Section 73A of FSMA, comprising the Registration Document, the Securities Note and the Summary, each dated 17 May 2017.
Interim Report	The accounts prepared in respect of the Group for the six months ended 31 December 2018 in accordance with IAS 34 Interim Financial Reporting as adopted by the EU and the Disclosure Guidance and Transparency Rules (the 'DTR') of the FCA
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 6 June 2017.
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 Consolidated Statement of Comprehensive Income on a straight-line basis until the lease expiry.
Loan to Value ('LTV')	The value of loans and borrowings utilised (excluding amounts held as restricted cash and before adjustments for issue costs) expressed as a percentage of the combined valuation of the property portfolio (as provided by the valuer) and the fair value of other investments.
Net Asset Value ('NAV')	Net Asset Value is the equity attributable to shareholders calculated under IFRS.
Net Asset Value per share	Equity shareholders' funds divided by the number of Ordinary Shares in issue.
Net equivalent yield	Calculated by the Group's External Valuers, net equivalent yield is the internal rate of return from an investment property, based on the gross outlays for the purchase of a property (including purchase costs), reflecting reversions to current market rent and items as voids and non-recoverable expenditure but ignoring future changes in capital value. The calculation assumes rent is received annually in arrears.
Net Initial Yield ('NIY')	The initial net rental income from a property at the date of purchase, expressed as a percentage of the gross purchase price including the costs of purchase.
Net rental income	Rental income receivable in the period after payment of ground rents and net property outgoings.
Ongoing Charges	The ratio of annualised total administration and property operating costs expressed as a percentage of average NAV throughout the period.
Ordinary Shares	The main type of equity capital issued by conventional Investment Companies. Shareholders are entitled to their share of both income, in the form of dividends paid by the Company, and any capital growth.
Passing rent	The gross rent, less any ground rent payable under head leases.
Rack-rented	Space where passing rent is the same as the ERV.
REIT	A Real Estate Investment Trust. A company which complies with Part 12 of the Corporation Tax Act 2010. Subject to the continuing relevant UK REIT criteria being met, the profits from the property business of a REIT, arising from both income and capital gains, are exempt from corporation tax.
Reversion	Increase in rent estimated by the Company's External Valuers, where the passing rent is below the ERV.
Reversionary yield	The anticipated yield, which the initial yield will rise (or fall) to once the rent reaches the ERV.
Share price	The value of a share at a point in time as quoted on a stock exchange. The Company's Ordinary Shares are quoted on the Main Market of the London Stock Exchange.
Total returns	The returns to shareholders calculated on a per share basis by adding dividend paid in the period to the increase or decrease in the share price 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.
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.

National Storage Mechanism
A copy of the full Annual Report and Financial Statements will shortly be submitted 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

ANNUAL GENERAL MEETING

The Company's Annual General Meeting will be held at the offices of AEW UK Investment Management LLP, 33 Jermyn Street, London, SW1Y 6DN on Tuesday, 5 November 2019 at 11.00 AM.

END

Neither the contents of the Group's website nor the contents of any website accessible from hyperlinks on this announcement (or any other website) is incorporated into, or forms part of, this announcement.