

HALF-YEAR REPORT

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AEW UK Long Lease REIT PLC
26 February 2020

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AEW UK Long Lease REIT plc (the "Company" or the "Group")

Interim Report and Financial Statements for the six months ended 31 December 2019

The Board of Directors of AEW UK Long Lease REIT plc (ticker: AEWL), the owner of a diversified portfolio of 19 regional UK commercial property assets let on long leases, is pleased to announce that the Company has published its interim report and financial statements for the six months from 1 July 2019 to 31 December 2019.

FINANCIAL HIGHLIGHTS

- Unaudited Net Asset Value ("**NAV**") of £76.17 million and of 94.63 pence per share as at 31 December 2019 (30 June 2019: £76.32 million and 94.81 pence per share).
- Operating profit before fair value changes of £3.03 million for the half year (six months to 31 December 2018: £2.67 million).
- Unadjusted profit before tax* of £2.07 million and 2.57 pence per share for the half year (six months to 31 December 2018: profit of £4.15 million and of 5.15 pence per share for the half year).
- EPRA Earnings per Share** ("**EPRA EPS**") for the half year were 2.87 pence (six months to 31 December 2018: 2.69 pence).
- Total dividends of 2.75 pence per share have been declared for the half year (six months to 31 December 2018: 2.75 pence per share)
- The price of the Company's Ordinary Shares on the Main Market of the London Stock Exchange was 74.68 pence per share as at 31 December 2019 (30 June 2019: 78.75 pence per share).
- As at 31 December 2019, the Group had a £41 million loan facility with Canada Life Investments and was geared to 34.5% of the Gross Asset Value ("**GAV**") (30 June 2019: 34.3%).
- EPRA Cost Ratio** of 16.3% as at 31 December 2019 (30 June 2019:19.2%).

PROPERTY HIGHLIGHTS

- As at 31 December 2019, the Group's property portfolio had a fair value of £112.99 million (30 June 2019: £112.99 million).
- Weighted average unexpired lease term ("**WAULT**") of 20.0 years (30 June 2019: 20.5 years) to the earlier of break and expiry and 22.1 years to expiry (30 June 2019: 22.6 years).
- The assets acquired were fully let as at 31 December 2019 (30 June 2019: fully let).
- Rental and other income recognised in the half year was £3.63 million (six months to 31 December 2018: £3.33 million). The number of tenants as at 31 December 2019 was 24 (30 June 2019: 24).
- The portfolio had annualised contracted rental income of £6.78 million as at 31 December 2019 (30 June 2019: £6.67 million).
- EPRA Net Initial Yield** ("**NIY**") of 5.04% as at 31 December 2019 (30 June 2019: 4.98%).
- EPRA topped-up NIY** of 6.3% as at 31 December 2019 (30 June 2019: 6.3%).

* See glossary on pages 34 to 35 of the Interim Report for definitions and abbreviations and below for Key Performance Indicators and their definitions.

**See note 7 and EPRA Unaudited Performance Measure Calculations below.

Steve Smith, Chairman of AEW UK Long Lease REIT plc, commented:

"The Board welcomes the recent improvement of sentiment in both the economy and the property sector and continues to focus on both generating a progressive cash covered dividend and increasing the capitalisation of the Company.

The Company's recent announcement on service provider changes are expected to maintain previous service levels, whilst achieving a saving in the region of half of the Company's historic level of recurring annual overhead cost. Accordingly, the Company should be well-placed to deliver our shareholders an attractive, fully cash covered dividend which should underpin the Company's returns to our shareholders over the short and longer term, together with the potential for income growth."

ENQUIRIES

AEW UK Long Lease REIT plc	
Steve Smith - Chairman	via Maitland/AMO below
Maitland/AMO (Communications Adviser)	
James Benjamin	james.benjamin@maitland.co.uk +44(0) 20 7379 5151
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The Company's LEI is 213800MPBIJS12Q88F71.

Further information on the Group is available at: www.aewuklreit.com

About the Group

AEW UK Long Lease REIT plc aims to generate a sustainable, secure and attractive income return for shareholders, whilst maintaining capital values in real terms, from a diversified portfolio of UK property investments, predominately in alternative and specialist sectors. The majority of the assets in the Group's portfolio are let on long leases which contain inflation-linked rent review provisions, which help to underpin income distributions to shareholders with the potential for income and capital growth.

Neither the content of the Company's website, nor the content on any website accessible from hyperlinks on its website or any other website, is incorporated into, or forms part of, this announcement nor, unless previously published on a Regulatory Information Service, should any such content be relied upon in reaching a decision as to whether or not to acquire, continue to hold, or dispose of, securities in the Company.

CHAIRMAN'S STATEMENT

Overview & Outlook

I am pleased to present the unaudited interim consolidated results for the Group for the six months ended 31 December 2019.

It is nearly 33 months since the Company's IPO and, by this time last year, the Group had finally invested both the IPO proceeds and the two tranches of term debt borrowed from Canada Life. The near full deployment of the Group's funds into a diversified UK portfolio of long let, index linked properties in the alternative and specialist sectors will generate rents of circa £6.7 million per annum once Meridian Steel's rent free period expires in June 2020.

The Company attempted a second equity raise in early 2018 but encountered an adverse market and was unable to attract new capital. Market conditions and political uncertainty throughout 2019 were also unsupportive of issuing new equity. Without an expansion of the capital base which would have achieved economies of scale, the Board has concentrated on reducing the Group's expenditure to achieve a level of net income to cover its dividend with cash earnings.

In April 2019, the Board gave notice to the Investment Manager and AIFM under its Investment Management Agreement and in December 2019 also gave notice to both the Administrator and Company Secretary. The appointment of replacement service providers, and a modest rearrangement of their responsibilities, was announced on 25 February 2020. The details are set out under the heading Revised Arrangements below.

The Board welcomes the recent improvement of sentiment in both the economy and the property sector and continues to focus on both generating a progressive cash covered dividend and increasing the capitalisation of the Company.

Financial Results

	1 July 2019 to 31 December 2019 (unaudited)	1 July 2018 to 31 December 2018 (unaudited)	1 July 2018 to 30 June 2019 (audited)
Operating profit before fair value changes (£'000)	3,027	2,670	5,581
Operating profit (£'000)	2,782	4,650	5,407
Profit after tax (£'000)	2,067	4,148	4,233
Profit per share (basic and diluted) (pence)	2.57	5.15	5.26
EPRA earnings per share (basic and diluted) (pence)	2.87	2.69	5.47
NAV per share (pence)	94.63	97.46	94.81
EPRA NAV per share (pence)	94.63	97.46	94.81

The Group incurred (annualised) charges of 1.6% for the period (31 December 2018: 1.5%, 30 June 2019: 1.7%), which is a

measure of the Group's annualised operating costs for the period as a percentage of Net Asset Value. The EPRA cost ratio (see EPRA Unaudited Performance Measures below) was 16.3% (31 December 2018: 19.4%, 30 June 2019: 19.2%).

The overhead savings achieved from the actions set out below under Revised Arrangements should cause significant improvement in both of these measures.

Dividends & Earnings

The Company has paid a 1.375 pence per share dividend in respect of each quarter since the start of its financial year ended 30 June 2019. As shown in Note 7 below, whilst the aggregate dividends of 2.75 pence per share declared in respect of the six months ended 31 December 2019 were covered by EPRA earnings of 2.87 pence per share, the Group's adjusted earnings (representing cash) were 2.22 pence per share, a shortfall compared with the corresponding dividends of 0.53 pence per share.

Revised Arrangements

As announced on 25 February 2020, the following actions have been taken:

- Mason Owen & Partners Limited has been appointed as Investment Adviser with prime responsibility for the Group's property portfolio and will also replace Workman as Property Manager with effect from 1 March 2020. King Capital Consulting has been appointed by the Group as its consultant portfolio manager.
- Langham Hall Fund Management LLP will act as the Company's AIFM and Langham Hall UK Depositary LLP will continue to act as the Group's Depositary.
- Hanway Advisory Limited will become Company Secretary with effect from 5 March 2020.
- Westlake Clark will assume the role of the Company's Administrator.
- AEW UK's tenure as Investment Manager to the Company will cease on 9 April 2020.

Change of name

In the light of the imminent termination of AEW UK's appointment as Investment Manager, it is our intention to change the name of the Company; this should take effect in the near future and an announcement will be made as soon as the name change has been completed.

I thank those service providers who will soon cease their roles for their services and attention to the Group's affairs and also welcome their replacements. As I noted in the recent announcement, these changes are expected to maintain previous service levels, whilst achieving a saving in the region of half of the Company's historic level of recurring annual overhead cost. Accordingly, the Company should be well-placed to deliver our shareholders an attractive, fully cash covered dividend which should underpin the Company's returns to our shareholders over the short and longer term, together with the potential for income growth.

I would also like to thank my fellow Directors for their input and to thank our shareholders for their continued support.

Steve Smith

Chairman

25 February 2020

UNAUDITED KEY PERFORMANCE INDICATORS ("KPIs")

KPI AND DEFINITION	RELEVANCE TO STRATEGY	PERFORMANCE
<p>1. 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' cost estimated by the Group's external valuers</p>	<p>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.</p>	<p>5.04% at 31 December 2019 (30 June 2019: 4.99%).</p>
<p>2. WAULT to break and expiry The average lease term remaining to expiry across the portfolio, weighted by contracted rent.</p>	<p>The WAULT is a key measure of the quality of our portfolio. Long leases underpin the security of our future income.</p>	<p>20.0 years to break and 22.1 years to expiry at 31 December 2019 (30 June 2019: 20.5 years to break and 22.6 years to expiry).</p>
<p>3. NAV NAV is the value of an entity's assets minus the value of its liabilities.</p>	<p>Provides stakeholders with the most relevant information on the fair value of the assets and liabilities of the Group.</p>	<p>£76.17 million/ 94.63 pence per share ("pps") at 31 December 2019 (30 June 2019: £76.32 million).</p>
<p>4. Dividend Dividends declared in relation to the period are in line with the stated dividend target as set out in the Prospectus. The Company targets a dividend of 5.50 pence per</p>	<p>The Company seeks to deliver a sustainable income stream from its portfolio, which it distributes as dividends.</p>	<p>2.75 pps for the six months to 31 December 2019 (six months to 31 December 2018: 2.75 pence per share).</p>

Ordinary Share per annum once fully invested and leveraged.

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 cash earnings. See Note 7 to the Consolidated Financial Statements.

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

2.22pps

For the six months to 31 December 2019
(six months to 31 December 2018: 2.36 pps)

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 should not exceed 40% of GAV (measured at drawdown).

34.5%

at 31 December 2019
(30 June 2019: 34.3%)

EPRA UNAUDITED PERFORMANCE MEASURES

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

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, dividend 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 for themselves, how the valuation of two portfolios compare.	5.04% EPRA NIY as at 31 December 2019 (At 30 June 2019: 4.98%)
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.	6.30% EPRA 'Topped-Up' NIY as at 31 December 2019 (At 30 June 2019: 6.29%)
EPRA NAV		
NAV adjusted to include properties and other investment interests at fair value and to exclude certain items not expected to crystallise in a long-term investment property business	Makes adjustments to IFRS NAV to provide stakeholders with the most relevant information on the fair value of the assets and liabilities within a real estate investment company with a long-term investment strategy.	£76.17 million/94.63 pence per share EPRA NAV as at 31 December 2019 (At 30 June 2019: £76.32 million/ 94.81 pence per share)
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.	£2.31 million/2.87 pence per share EPRA earnings for the six month period ended 31 December 2019 (Period six months to 31 December 2018: £2.17 million/2.69 pence per share)
EPRA Vacancy		
Estimated Market 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 31 December 2019 (At 30 June 2019: 0.00%)
EPRA Cost Ratio		
Administrative and operating costs (including and excluding costs of direct vacancy) divided by gross rental income.	A key measure to enable meaningful measurement of the changes in a company's operating costs.	16.3% EPRA Cost Ratio as at 31 December 2019 (30 June 2019: 19.2%)

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

Calculations of the above EPRA measures are presented under EPRA Unaudited Performance Measures Calculations below.

INVESTMENT MANAGER'S REPORT

Market Outlook

UK Economic Outlook

In the second half of 2019, inflation slowed to 1.4% per annum despite medium term forecasts predicting that it is expected to track 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 31 December 2019 was inflation-linked, the majority of which being to RPI.

Economic growth in the UK is expected to accelerate during the course of the year from 1.5% seen in 2019 to 1.6% in 2020 and we have already begun to see signs of this improvement in sentiment across the real estate market. UK GDP growth is still forecast to rebound to just under 2% in 2022, seeming to imply a successful and orderly EU exit transition and negotiation of a trade deal with the EU being forthcoming. A failure on behalf of parliament to achieve this could therefore still have unappealing consequences for UK consumers and business alike.

The UK labour market remains strong in this uncertain trade environment with unemployment remaining at a more than 40-year low of 3.8% in November 2019. The tightening labour market has triggered annual pay growth and provides room for some real pay improvement as inflation slowed to below 1.5%. Despite real wage growth, consumer spending has been relatively subdued. In the third quarter of 2019, household spending was up 0.3% compared to the second quarter. Compared to third quarter of 2018, it was up 1.1%.

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 the global economic slowdown for the past 12 months, central banks have kept interest rates low and are now expected to do so for at least the short term and as a result, we expect to see yield stability for property sectors as well.

The long income property sector continues to benefit from strong competition amongst investors looking to buy long, inflation-linked income and gain exposure to assets that either create a bond proxy income stream or are akin to social infrastructure.

Financial Results

Net rental income earned from the portfolio for the six months ended 31 December 2019 was £3.63 million (1 July 2018 to 31 December 2018: £3.33 million; 1 July 2018 to 30 June 2019: £6.91 million), contributing to an operating profit before fair value changes of £3.03 million (1 July 2018 to 31 December 2018: £2.67 million; 1 July 2018 to 30 June 2019: £5.58 million).

The portfolio has seen a fall of £0.24 million in fair value of investment property over the period (1 July 2018 to 31 December 2018: gain of £1.98 million; 1 July 2018 to 30 June 2019: fall of £0.17 million).

Administrative expenses, which include the Investment Manager's fee and other costs attributable to the running of the Group, were £0.61 million for the period (1 July 2018 to 31 December 2018: £0.66 million; 1 July 2018 to 30 June 2019: £1.33 million).

The Group incurred finance costs of £0.72 million during the period (1 July 2018 to 31 December 2018: £0.50 million; 1 July 2018 to 30 June 2019: £1.17 million).

The total profit before tax for the period of £2.07 million (1 July 2018 to 31 December 2018: profit before tax of £4.15 million; 1 July 2018 to 30 June 2019: profit before tax of £4.23 million) equates to a basic earnings per share of 2.57 pence per share (1 July 2018 to 31 December 2018: 5.15 pence per share; 1 July 2018 to 30 June 2019: 5.26 pence per share).

The Group's NAV as at 31 December 2019 was £76.17 million or 94.627 pence per share (1 July 2018 to 31 December 2018: £78.46 million or 97.46 pence per share; 1 July 2018 to 30 June 2019: £76.32 million or 94.81 pence per share). This is a decrease of 0.183 pence per share or 0.19% over the six months, with the underlying movement in NAV set out in the table below:

	Pence per share	£ million
NAV as at 1 July 2019	94.810	76.32
Portfolio acquisition costs	(0.027)	(0.02)
Change in fair value of investment property	(0.277)	(0.22)
Income earned for the period	4.514	3.63
Expenses for the period	(0.755)	(0.61)
Net finance costs for the period	(0.888)	(0.72)
Dividends paid during the period	(2.750)	(2.22)
NAV at 31 December 2019	94.627	76.17

EPRA earnings per share for the six-month period were 2.871 pence per share which, based on dividends declared of 2.750 pence per share, reflects dividend cover of 104.4%.

Dividend

On 8 August 2019, the Company 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.

On 4 November 2019, the Company declared an interim dividend of 1.375 pence per share, in respect of the period from 1 July 2019 to 30 September 2019. This was paid on 29 November 2019 to shareholders on the register as at 15 November 2019.

On 6 February 2020, the Company declared an interim dividend of 1.375 pence per share, in respect of the period from 1 October 2019 to 31 December 2019. This interim dividend will be paid on 28 February 2020, to shareholders on the register on 13 February

2020.

In total, the Company has declared an aggregate dividend of 2.75 pence per share for the six month financial period to 31 December 2019, in line with dividend target stated in the Prospectus.

Financing

As at 31 December 2019, the Group had fully utilised its £41 million loan facility with Canada Life Investments (30 June 2019: fully utilised). This term facility, which expires in October 2025, allows up to 35% loan to property value, provided on a portfolio basis.

The weighted average interest cost of the Group's £41 million facility is 3.19% and the loan is repayable on the 20 October 2025.

PROPERTY PORTFOLIO AS AT 31 DECEMBER 2019

Summary by Sector

Sector	Number of Properties	Valuation (£m)	WAULT To break (years)	Gross Passing Rental Income (£m)	ERV (£m)	%
Hotel	3	23.85	16.4	1.44	1.43	21.1
Industrial	4	22.60	25.6	1.48	1.44	20.0
Care home	3	18.13	28.9	1.08	1.06	16.1
Car showroom	2	14.80	12.2	0.90	0.90	13.1
Student housing	1	12.15	21.6	0.65	0.65	10.8
Leisure	3	9.70	13.2	0.57	0.58	8.6
Power station	1	5.25	12.2	0.30	0.30	4.6
Petrol filling station	1	4.45	13.5	0.23	0.21	3.9
Nursery	1	2.06	24.1	0.13	0.13	1.8
Total/average	19	112.99	20.0	6.78	6.70	100.0

Summary by Geographical Area

Geographical Area	Number of Properties	Valuation (£m)	WAULT To break (years)	Gross Passing Rental Income (£m)	ERV (£m)	%
West Midlands	3	23.10	16.8	1.42	1.39	20.4
North West	2	21.50	37.1	1.21	1.17	19.0
South East	4	19.46	13.1	1.08	1.06	17.2
South West	2	12.95	25.2	0.78	0.81	11.5
Yorkshire and Humberside	3	12.33	13.9	0.80	0.80	10.9
Scotland	1	8.70	16.7	0.62	0.59	7.7
London	2	6.70	9.8	0.37	0.39	5.9
Eastern	1	5.25	12.2	0.30	0.30	4.7
North East	1	3.00	19.4	0.20	0.19	2.7
Total	19	112.99	20.0	6.78	6.70	100.00

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

Income Allocation by Type

RPI	71%
Open Market Value Reviews	8%
CPI	21%

Income by Credit Risk

b-	6%
bb	22%
bbb-	22%
bbb	41%
bbb+	9%

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.

Top Ten Tenants

Tenant	Property	Annual Passing Rental Income (£'000)	% of Portfolio Total Passing Rental Income
Prime Life Limited	Lyndon Croft Care Centre, Solihull and Westerlands Care Village, Brough	667	9.8
Meridian Metal Trading Limited	Grazebrook Industrial Estate, Dudley and Provincial Park, Sheffield	659	9.7
Mears Group Plc	Bramall Court, Salford	649	9.6
Juniper Hotels Limited	Mercure City Hotel, Glasgow	623	9.2
Motorpoint Limited	Motorpoint, Birmingham	500	7.4
Premier Inn Hotels Limited	Premier Inn, Camberley	449	6.6
Handsale Limited	Silver Trees, Bristol	408	6.0
Volkswagen Group UK Limited	Audi, Huddersfield	396	6.0
Travelodge Hotel Limited	Travelodge, Swindon	350	5.8
Hoddesdon Energy Limited	Hoddesdon Energy, Hoddesdon	300	4.4

The Group's top ten tenants, listed above, represent 73.7% of the total passing rental income of the portfolio.

AEW UK Investments Management LLP

25 February 2020

INTERIM MANAGEMENT REPORT AND DIRECTORS' RESPONSIBILITY STATEMENT

Interim Management Report

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

The principal risks facing the Company are unchanged since the date of the Annual Report and Financial Statements for the year ended 30 June 2019 and continue to be as set out in that report on pages 26 to 31 and Note 19 to the Financial Statements on pages 84 to 87.

Risks faced by the Company include, but are not limited to: tenant default, portfolio concentration, property defects, rate of inflation, property market, property valuation, illiquid investments, breach of borrowing covenants, use of service providers, dependence on the Investment Manager, ability to meet objectives, Group REIT status and political/economic risks.

Responsibility Statement

We confirm that to the best of our knowledge:

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

A list of the Directors is maintained on the Company's website at www.aewukllreit.com.

Steve Smith

Chairman

25 February 2020

FINANCIAL STATEMENTS

Consolidated Condensed Statement of Comprehensive Income for the six months ended 31 December 2019

		Six months from 1 July 2019 to 31 December 2019 (unaudited) £'000	Six months from 1 July 2018 to 31 December 2018 (unaudited) £'000	Year ended 30 June 2019* (audited) £'000
Income	Notes			
Rental and other income	3	3,634	3,330	6,907
Property operating expenses	4	(68)	(75)	(162)
Net rental and other income		3,566	3,255	6,745
Other operating expenses	4	(539)	(585)	(1,164)
Operating profit before fair value changes		3,027	2,670	5,581
Change in fair value of investment properties	9	(245)	1,980	(174)
Operating profit		2,782	4,650	5,407
Finance expense	5	(715)	(502)	(1,174)
Profit before tax		2,067	4,148	4,233
Taxation	6	-	-	-
Profit after tax		2,067	4,148	4,233
Total comprehensive income for the period		2,067	4,148	4,233
Earnings per share (pence per share) (basic and diluted)	7	2.57	5.15	5.26

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

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

Consolidated Condensed Statement of Changes in Equity for the six months ended 31 December 2019

		Share capital £'000	Share premium account £'000	Capital reserve and retained earnings £'000	Total capital and reserves attributable to owners of the Group £'000
For the six months from 1 July 2019 to 31 December 2019 (unaudited)	Notes				
Balance as at 1 July 2019		805	-	75,516	76,321
Total comprehensive profit		-	-	2,067	2,067
Dividends paid	8	-	-	(2,214)	(2,214)
Balance as at 31 December 2019		805	-	75,369	76,174
For the six months from 1 July 2018 to 31 December 2018 (unaudited)					
Balance as at 1 July 2018		805	-	75,617	76,422
Total comprehensive profit		-	-	4,148	4,148
Dividends paid	8	-	-	(2,113)	(2,113)
Balance as at 31 December 2018		805	-	77,652	78,457
		Share	Share premium account	Capital reserve and retained earnings	Total capital and reserves attributable to owners of the Group
		£'000	£'000	£'000	£'000

For the year ended 30 June 2019 (audited)*	capital £'000	account £'000	earnings £'000	Group £'000
Balance as at 1 July 2018	805	-	75,617	76,422
Total comprehensive loss	-	-	4,233	4,233
Share issue costs	-	-	(7)	(7)
Dividends paid	8	-	(4,327)	(4,327)
Balance as at 30 June 2019	805	-	75,516	76,321

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

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

Consolidated Condensed Statement of Financial Position as at 31 December 2019

Notes	As at 31 December 2019 (unaudited) £'000	As at 31 December 2018 (unaudited)* £'000	As at 30 June 2019 (audited) £'000	
Assets				
Non-Current Assets				
Investment property	9	111,966	112,051	112,562
		111,966	112,051	112,562
Current Assets				
Receivables and prepayments	10	1,980	2,147	1,154
Cash and cash equivalents		4,758	3,112	5,519
		6,738	5,259	6,673
Total Assets		118,704	117,310	119,235
Non-Current Liabilities				
Interest bearing loans and borrowings	12	(40,349)	(29,483)	(40,314)
Finance lease obligations	13	(450)	(480)	(482)
		(40,799)	(29,963)	(40,796)
Current Liabilities				
Payables and accrued expenses	11	(1,683)	(8,856)	(2,083)
Finance lease obligations	13	(48)	(34)	(35)
		(1,731)	(8,890)	(2,118)
Total Liabilities		(42,530)	(38,853)	(42,914)
Net Assets		76,174	78,457	76,321
Equity				
Share capital	16	805	805	805
Capital reserve and retained earnings		75,369	77,652	75,516
Total capital and reserves attributable to equity holders of the Company		76,174	78,457	76,321
Net Asset Value per share (pence per share)	7	94.63	97.46	94.81

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

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

The financial statements were approved by the Board of Directors on 25 February 2020 and were signed on its behalf by:

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

Consolidated Condensed Statement of Cash Flows
 for the six months to 31 December 2019

	Six months from 1 July 2019 to 31 December 2019 (unaudited) £'000	Six months from 1 July 2018 to 31 December 2018 (unaudited) £'000	Year ended 30 June 2019* (audited) £'000
Cash flows from operating activities			
Profit after tax	2,067	4,148	4,233
Adjustment for non-cash items:			
Finance expenses	715	502	1,174
(Gain)/loss from change in fair value of investment property	245	(1,980)	174
(Increase)/decrease in other receivables and prepayments	(828)	(1,030)	280
(Decrease)/increase in other payables and accrued expenses	(39)	14	(482)
Net cash flow generated from operating activities	2,160	1,654	5,379
Cash flows from investing activities			
Expenditure on investment properties	(27)	(3,927)	(13,276)
Net cash used in investing activities	(27)	(3,927)	(13,276)
Cash flows from financing activities			
Share issue costs	-	-	(7)
Loan draw down	-	-	11,000
Release of restricted cash	-	1,362	1,362
Arrangement loan facility fee paid	-	-	(210)
Finance costs	(673)	(458)	(1,012)
Dividends paid	(2,221)	(2,113)	(4,311)
Net cash flow (used in)/generated from financing activities	(2,894)	(1,209)	6,822
Net decrease in cash and cash equivalents	(761)	(3,482)	(1,075)
Cash and cash equivalents at start of the period	5,519	6,594	6,594
Cash and cash equivalents at end of the period	4,758	3,112	5,519

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

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

NOTES TO THE CONSOLIDATED CONDENSED FINANCIAL STATEMENTS

for the six months to 31 December 2019

1. Corporate information

The Company is 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, 65 Gresham Street, London, EC2V 7NQ.

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

The comparative information for the year ended 30 June 2019 does not constitute statutory accounts as defined in Section 434 of the Companies Act 2006. The auditor reported on those accounts. Its report was unqualified and did not contain a statement under section 498(2) or (3) of the Companies Act 2006. The financial statements for the period ended 31 December 2019 have not been audited or reviewed by the Company's Auditors.

2. Accounting policies

2.1 Basis of preparation

These interim consolidated condensed unaudited financial statements have been prepared in accordance with IAS 34 Interim Financial Reporting as adopted by the EU, and should be read in conjunction with the Group's last financial statements for the year ended 30 June 2019. These consolidated condensed unaudited financial statements do not include all information required for a

complete set of financial statements proposed in accordance with IFRS as adopted by the EU ('EU IFRS'). However, selected explanatory notes have been included to explain events and transactions that are significant in understanding changes in the Group's financial position and performance since the last financial statements.

The comparative figures disclosed in the consolidated condensed unaudited financial statements and related notes have been presented for both the six-month period ended 31 December 2018 and year ended 30 June 2019.

Although not required by IAS 34, the comparative figures as at 31 December 2018 for the Consolidated Condensed Statement of Financial Position and for the year ended 30 June 2019 for the Consolidated Condensed Statement of Comprehensive Income, Consolidated Condensed Statement of Changes in Equity and Consolidated Condensed Statement of Cash Flows and related notes have been included on a voluntary basis.

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

Basis of consolidation

The consolidated condensed unaudited financial statements for the six months ended 31 December 2019 incorporate the financial statements of the Company 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

There were a number of new standards and amendments to existing standards which are required for the Group's accounting periods beginning on or after 1 July 2019, which have been considered. The Group has applied the new standards and there has been no impact on the financial statements.

These being:

- IFRS 16, Leases. In January 2016, the IASB published the final version of IFRS 16 Leases. IFRS specifies how an IFRS reporter will recognise, measure, present and disclose leasing arrangements. The accounting for lessors did not significantly change. For finance lease obligations, the Group is already carrying a right of use asset at fair value so treatment remains in line with prior years in that regard.
- Amendments to IFRS 9 - Prepayment Features with Negative Compensation. This seeks to enable companies to measure at amortised cost some prepayable financial assets with negative compensation.
- IFRIC 23, Uncertainty over Income Tax Treatments. This seeks to clarify the application of recognition and measurement requirements in IAS 12, Income Taxes, when there is uncertainty over income tax treatment.
- Amendments to IAS 28 Long Term interests in Associates and Joint Ventures. This seeks to clarify the impact of expected credit loss model in IFRS 9 on any long-term interests in an associate or joint venture to which the equity method is not applied but that, in substance, form part of the net investment in associate or joint venture.
- Amendments to IAS 19 Plan Amendment, Curtailment or Settlement. This seeks to clarify when an entity is required to determine the current service cost and net interest for the remainder of the period after a plan amendment, curtailment or settlement.

There are a number of new standards and amendments to existing standards which have been published and are mandatory for the Group's accounting periods beginning on or after 1 July 2020 or later. The following are the most relevant to the Group and their impact on the financial statements is as follows:

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

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

2.2 Significant accounting judgements and estimates

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

i) Valuation of investment property

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

2.3 Segmental information

In accordance with IFRS 8, the Directors are of the opinion that the Group is engaged in 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. 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 condensed unaudited 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 condensed unaudited financial statements are consistent with those applied within the Group's Annual Report and Financial Statements for the year to 30 June 2019 except for the changes as detailed in note 2.1.

3. Rental income

	Six months from 1 July 2019 to 31 December 2019 (unaudited) £'000	Six months from 1 July 2018 to 31 December 2018 (unaudited) £'000	Year ended 30 June 2019 (audited) £'000
Gross rental income	3,056	3,024	6,321
Spreading of tenant rent free incentives	292	32	39
Contracted fixed rental uplifts	286	273	546
Other property income	-	1	1
Total rental and other income	3,634	3,330	6,907

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

4. Expenses

	Six months from 1 July 2019 to 31 December 2019 (unaudited) £'000	Six months from 1 July 2018 to 31 December 2018 (unaudited) £'000	Year ended 30 June 2019 (audited) £'000
Property operating expenses	68	75	162
Other operating expenses			
Investment management fee	270	283	544
Auditor remuneration	42	66	110
Operating costs	189	198	431
Directors' remuneration	38	38	79
Total other operating expenses	539	585	1,164
Total operating expenses	607	660	1,326

5. Finance expense

	Six months from 1 July 2019 to 31 December 2019 (unaudited) £'000	Six months from 1 July 2018 to 31 December 2018 (unaudited) £'000	Year ended 30 June 2019 (audited) £'000
Interest payable on loan borrowings	658	463	1,083
Amortisation of loan arrangement fee	56	39	90
Other finance costs	1	-	1
Total	715	502	1,174

6. Taxation

	Six months from 1 July 2019 to 31 December 2019 (unaudited) £'000	Six months from 1 July 2018 to 31 December 2018 (unaudited) £'000	Year ended 30 June 2019 (audited) £'000
Tax charge comprises:			

Analysis of tax charge in the period

Profit before tax	2,067	4,148	4,233
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Theoretical tax at UK corporation tax standard rate of 19.00% (31 December 2018:19.00%, 2019:19.00%)

	393	788	804
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Adjusted for:

Change in value of investment properties	-	-	33
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Exempt REIT net profit	(393)	(788)	(837)
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 six month period.

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 and losses arising on the revaluation or disposal of investments.

7. Earnings per share and NAV per share

	Six months from 1 July 2019 to 31 December 2019 (unaudited) £'000	Six months from 1 July 2018 to 31 December 2018 (unaudited) £'000	Year ended 30 June 2019 (audited) £'000
Earnings per share			
Total comprehensive income (£'000)	2,067	4,148	4,233
Weighted average number of shares	80,500,000	80,500,000	80,500,000
Earnings per share (basic and diluted) (pence)	2.57	5.15	5.26

EPS amounts are calculated by dividing the profit for the period attributable to ordinary equity holders of the Company by the weighted average number of Ordinary Shares in issue during the period.

EPRA earnings per share:

Total comprehensive income (£'000)	2,067	4,148	4,233
Adjustment to total comprehensive income:			
Decrease/(increase) in fair value of investment properties (£'000)	245	(1,980)	174
Total EPRA earnings (£'000)	2,312	2,168	4,407
EPRA earnings per share (basic and diluted) (pence)	2.87	2.69	5.47

Adjusted earnings per share:

EPRA earnings (basic and diluted) (£'000)	2,312	2,168	4,407
Adjustments:			
Rental income recognised in respect of tenant incentives and guaranteed fixed rental uplifts (£'000)	(578)	(305)	(585)
Amortisation of loan arrangement fee (£'000)	56	39	90
Adjusted earnings (basic and diluted) (£'000)	1,790	1,902	3,912
Adjusted earnings per share (basic and diluted) (pence)	2.22	2.36	4.86

Adjusted EPS is a measure used 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)	76,174	78,457	76,321
Ordinary shares in issue	80,500,000	80,500,000	80,500,000
NAV per share (pence)	94.63	97.46	94.81

EPRA NAV and EPRA NNNNAV are equal to the NAV presented in the Consolidated Condensed Statement of Financial Position under IFRS and there are no adjusting items. As such, a reconciliation between these measures has not been presented.

8. Dividends paid

	Six months from 1 July 2019 to 31 December 2019 (unaudited) £'000	Six months from 1 July 2018 to 31 December 2018 (unaudited) £'000	Period from 1 July 2018 to 30 June 2019 (audited) £'000
Fourth interim dividend declared in respect of the quarter ended 30 June			

2018 at 1.25p per Ordinary Share	-	1,006	1,006
First interim dividend declared in respect of the quarter ended 30 September 2018 at 1.375p per Ordinary Share	-	1,107	1,107
Second interim dividend paid in respect of the quarter ended 31 December 2018 at 1.375p per Ordinary Share	-	-	1,107
Third interim dividend declared in respect of the quarter ended 31 March 2019 at 1.375p per Ordinary Share	-	-	1,107
Fourth interim dividend paid in respect of the quarter ended 30 June 2019 at 1.375p per Ordinary Share	1,107	-	-
First interim dividend paid in respect of the quarter ended 30 September 2019 at 1.375p per Ordinary Share (quarter ended 30 September 2018 at 1.375p per Ordinary Share)	1,107	-	-
Total dividends paid during the period	2,214	2,113	4,327

9. Investments

9.1) Investment property

	Six months from 1 July 2019 to 31 December 2019 (unaudited)			Six months from 1 July 2018 to 31 December 2018 (unaudited)	Year ended 30 June 2019 (audited)
	Investment properties freehold £'000	Investment properties leasehold £'000	Total £'000	Total £'000	Total £'000
UK Investment property					
As at beginning of year/period	94,280	18,710	112,990	99,090	99,090
Purchases and capital expenditure in the period	(333)	-	(333)	10,855	13,489
Revaluation of investment property	333	-	333	2,285	411
Valuation	94,280	18,710	112,990	112,230	112,990
Adjustment to fair value for rent smoothing			(1,522)	(693)	(945)
Adjustment for finance lease obligations			498	514	517
Total Investment property			111,966	112,051	112,562
Change in fair value of investment property					
Change in fair value before adjustments for lease incentives			333	2,285	411
Movements in finance lease			-	(1)	-
Adjustment to fair value for tenant incentives			(292)	(32)	(39)
Adjustment to fair value for guaranteed fixed rental uplifts			(286)	(272)	(546)
			(245)	1,980	(174)

Valuation of investment property

Valuation of investment property is performed by Knight Frank LLP, accredited independent external valuers 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.

9.2) Fair value measurement hierarchy

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

Asset measured at fair value	Quoted prices in active markets (Level 1) £'000	Significant observable inputs (Level 2) £'000	Significant unobservable inputs (Level 3) £'000	Total £'000
31 December 2019				
Investment property*	-	-	112,990	112,990
31 December 2018				
Investment property*	-	-	112,230	112,230
30 June 2019				
Investment property*	-	-	112,990	112,990

* 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
31 December 2019				
Investment property	112,990	Income capitalisation	ERV Equivalent yield	£3.74-£21.96 5.08%-8.65%
31 December 2018				
Investment property	112,230	Income capitalisation	ERV Equivalent yield	£3.74-£21.96 4.75%-6.89%
30 June 2019				
Investment property	112,990	Income capitalisation	ERV Equivalent yield	£3.74-£21.96 4.81%-8.66%

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

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

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

Sensitivity Analysis	Fair Value £'000	Change in ERV		Change in equivalent yield	
		£'000	£'000	£'000	£'000
		+5%	-5%	+5%	-5%
31 December 2019	112,990	114,041	111,901	109,063	117,293
31 December 2018	112,230	113,199	111,480	108,497	116,383
30 June 2019	112,990	113,721	112,158	108,914	117,391

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

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

10. Receivables and prepayments

	31 December 2019 (unaudited) £'000	31 December 2018 (unaudited) £'000	30 June 2019 (audited) £'000
Receivables			
Rent debtor	424	526	136
Other receivables	-	888	3
	424	1,414	139
Prepayments			
Rent smoothing debtor	1,522	693	944
Other prepayments	34	40	71
	1,556	733	1,015
Total	1,980	2,147	1,154

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:

	31 December 2019 (unaudited) £'000	31 December 2018 (unaudited) £'000	30 June 2019 (audited) £'000
Less than three months due	424	1,414	139
Between three and six months due	-	-	-
Between six and twelve months due	-	-	-
Total	424	1,414	139

11. Payables and accrued expenses

	31 December 2019 (unaudited) £'000	31 December 2018 (unaudited) £'000	30 June 2019 (audited) £'000
Deferred income	1,018	1,010	990
Accruals	237	276	313
Property acquisition costs*	-	7,076	-
Other creditors	428	494	780
Total	1,683	8,856	2,083

*Represents amount payable (including purchase costs) for Nailsea, Bristol. This property exchanged unconditionally on 21 December 2018 and completed on 17 January 2019.

12. Interest bearing loans and borrowings

	31 December 2019 (unaudited) £'000	31 December 2018 (unaudited) £'000	30 June 2019 (audited) £'000
Bank borrowings drawn			
At the beginning of the period	41,000	30,000	30,000
Bank borrowings drawn in the period	-	-	11,000
Interest bearing loans and borrowings	41,000	30,000	41,000
Less: loan issue costs brought forward	(686)	-	(556)
Less: loan issue costs incurred in the period	(21)	(556)	(220)
Less: loan issue costs carried forward	(707)	(556)	(776)
Plus: amortised loan issue costs	56	39	90
At the end of the period	40,349	29,483	40,314
Repayable between 1 and 2 years	-	-	-
Repayable between 2 and 5 years	-	-	-
Repayable over 5 Years	41,000	30,000	41,000

Total facility available	41,000	30,000	41,000
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The weighted average interest cost of the Group's increased facility is 3.19% and is repayable on 20 October 2025.

As at 31 December 2019, the Group had utilised all of its £41 million fixed interest facility with Canada Life Investments and at that date was geared at a loan to Gross Asset Value ("GAV") of 34.5%.

Borrowing costs associated with the credit facility are shown as finance costs in Note 5 to these Consolidated Condensed Financial Statements.

13. 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 for each of the following periods:

	31 December 2019 (unaudited) £'000	31 December 2018 (unaudited) £'000	30 June 2019 (audited) £'000
Within one year	48	34	35
After one year but not more than five years	167	150	170
More than five years	283	330	312
Subtotal over one year	450	480	482
Total	498	514	517

14. Commitments

Operating lease commitments - as lessor

The Group has entered into commercial property leases on its investment property portfolio. These noncancelable leases have a remaining term of between 3 and 114 years.

Future minimum rentals receivable under non-cancellable operating leases as at 31 December 2019 are as follows:

	31 December 2019 (unaudited) £'000	31 December 2018 (unaudited) £'000	30 June 2019 (audited) £'000
Within one year	6,473	6,142	6,075
After one year but not more than five years	34,147	24,590	34,042
More than five years	115,420	116,763	116,679
Total	156,040	147,495	156,796

During the six months ended 31 December 2019 there were no contingent rents recognised as income (six months ended 31 December 2018: £nil, year ended 30 June 2019: £nil).

15. 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 31 December 2019 holds 100% 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.

16. Issued share capital

There were no changes to the issued share capital during the period. The number of ordinary shares in issue and fully paid remains 80,500,000 of £0.01 each.

17. 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 31 December 2019 owns 100% controlling stake in 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 six months ended 31 December 2019, the Directors of the Group are considered to be the key management personnel. Directors' remuneration is disclosed in Note 4.

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 six months ended 31 December 2019, the Group incurred £269,584 (six months ended 31 December 2018: £282,952, year to 30 June 2019: £544,371) in respect of investment management fees and expenses of which £134,576 was outstanding at 31 December 2019 (31 December 2018: £143,511, 30 June 2019: £133,356).

18. Events after reporting date

Dividend

On 6 February 2020, the Board declared its second interim dividend of 1.375 pence per share in respect of the period from 1 October 2019 to 31 December 2019. This will be paid on 28 February 2020 to shareholders on the register as at 14 February 2019. The ex-dividend date was 13 February 2020.

EPRA UNAUDITED PERFORMANCE MEASURES CALCULATIONS

Calculation of EPRA NIY and 'topped-up' NIY

	31 December 2019 £'000
Investment property - wholly-owned	112,990
Allowance for estimated purchasers' costs	7,683
Gross up completed property portfolio valuation	120,673
Annualised cash passing rental income	6,117
Property outgoings	(40)
Annualised net rents	6,077
Expiration of rent-free periods and fixed rent uplifts	1,531
'Topped-up' net annualised rent	7,608
EPRA NIY	5.04%
EPRA 'topped-up' NIY	6.30%

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 31 December 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

	31 December 2019 £'000
Annualised potential rental value of vacant premises	-
Annualised potential rental value for the completed property portfolio	6,698
EPRA Vacancy Rate	0.00%

Calculation of EPRA Cost Ratios

	31 December 2019 £'000
Administrative/operating expenses per IFRS income statement	607
Less: Ground rent costs	(18)
EPRA Costs (including direct vacancy costs)	589
Direct vacancy costs	-
EPRA Costs (excluding direct vacancy costs)	589
Gross Rental Income	3,616

EPRA Cost Ratio (including direct vacancy costs)
EPRA Cost Ratio (excluding direct vacancy costs)

16.3%
16.3%

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

Share Prices

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

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

Annual and Interim Reports

Copies of the Interim Report will be available from the Group's website at www.aewukllreit.com.

Provisional Financial Calendar

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

Directors

Steve Smith (Independent Non-executive Chairman)
Jim Prower (Independent Non-executive Director)
Alan Sippetts (Independent Non-executive Director)

Depositary

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Registered Office

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Investment Manager

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Company Secretary

Link Company Matters Limited
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Property Manager

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Registrar

Computershare Investor Services PLC
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Corporate Broker

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Auditor

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Legal Adviser to the Company

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Valuer

Knight Frank LLP
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Company Website
www.aewukllreit.com

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