



**WARE  
HOUSE  
REIT**

## **Warehouses for e-commerce**

Half-yearly Report for the six months  
ended 30 September 2020

**Warehouse REIT plc invests in and manages urban and ‘last-mile’ industrial warehouse assets that support the continued growth in e-commerce.**

**Our purpose is to own and manage warehouses in economically vibrant urban areas across the UK, providing the space our occupiers need for their businesses to thrive.**

**As we grow, our vision is to become the UK’s warehouse provider of choice.**

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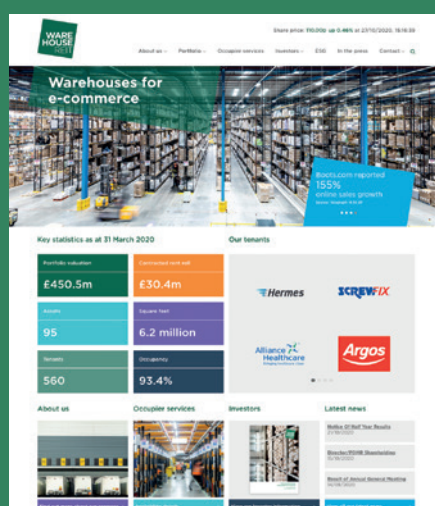
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# FINANCIAL HIGHLIGHTS<sup>1</sup>

## Six months ended 30 September 2020

<b>Revenue</b> <b>£15.7m</b> 30 September 2019: £13.6m	<b>Operating profit before gains<sup>2</sup></b> <b>£10.8m</b> 30 September 2019: £9.7m	<b>IFRS profit before tax</b> <b>£40.4m</b> 30 September 2019: £2.8m
<b>IFRS EPS</b> <b>13.2p</b> 30 September 2019: 1.2p	<b>EPRA EPS</b> <b>2.6p</b> 30 September 2019: 3.0p	<b>Adjusted EPS<sup>3</sup></b> <b>2.6p</b> 30 September 2019: 3.0p
<b>Dividends per share<sup>4</sup></b> <b>3.1p</b> 30 September 2019: 3.0p	<b>Total accounting return<sup>5</sup></b> <b>9.5%</b> 30 September 2019: (1.4)%	<b>Total cost ratio<sup>6</sup></b> <b>29.4%</b> 30 September 2019: 26.5%

## As at 30 September 2020

<b>Portfolio valuation</b> <b>£563.2m</b> 31 March 2020: £450.5m	<b>IFRS NAV</b> <b>£449.0m</b> 31 March 2020: £263.1m	<b>IFRS NAV per share</b> <b>118.4p</b> 31 March 2020: 109.5p
<b>EPRA NTA per share<sup>7</sup></b> <b>118.4p</b> 31 March 2020: 109.5p	<b>LTV ratio</b> <b>20.2%</b> 31 March 2020: 40.2%	

- Strong rent collection performance. As at 29 October 2020, we had collected:
  - quarter to June 2020: 97.4%;
  - quarter to September 2020: 97.1% including 2.4% where staged payments have been agreed but are not yet due; and
  - quarter to December 2020: 92.6% including 4.4% where staged payments have been agreed but are not yet due.
- Paid or declared dividends of 3.1 pence per share in respect of the period, in line with the target for the financial year of 6.2 pence per share
- Successfully raised gross proceeds of £153.0 million through an equity issue in July 2020, with strong support from existing shareholders and new UK and international investors
- Total portfolio valued at £563.2 million at 30 September 2020, representing a 6.6% like-for-like increase. Portfolio valuation comprised £543.7 million in relation to the investment portfolio of completed assets and £19.5 million of development property and land (31 March 2020: £433.5 million and £17.0 million)
- EPRA net tangible assets (“NTA”) per share of 118.4 pence (31 March 2020: 109.5 pence), benefiting from operating profits earned in the period, a revaluation increase of 8.6 pence per share and the timing of the first interim dividend payment, which was paid after the period end, less the impact of the costs associated with the share issue (1.0 pence per share) and acquisitions in the period (0.8 pence per share)
- Bank debt of £157.0 million and cash balances of £43.0 million at the period end, resulting in a loan to value (“LTV”) ratio of 20.2% (31 March 2020: 40.2%)

## OPERATIONAL HIGHLIGHTS<sup>8</sup>

As at 30 September 2020

<b>Contracted rent</b> <b>£34.3m</b> 31 March 2020: £29.7m	<b>Passing rent</b> <b>£31.6m</b> 31 March 2020: £27.8m	<b>WAULT<sup>9</sup> to expiry</b> <b>5.8 years</b> 31 March 2020: 5.2 years
<b>WAULT to first break</b> <b>4.8 years</b> 31 March 2020: 4.0 years	<b>EPRA NIY</b> <b>5.3%</b> 31 March 2020: 5.9%	<b>Occupancy</b> <b>94.3%</b> 31 March 2020: 93.4%

- Market conditions remain highly favourable, with strong occupational demand underpinned by growth in e-commerce and continued constrained supply
- Acquired three assets totalling 996,100 sq ft for £93.1 million, at a blended net initial yield (“NIY”) of 5.5%. These comprised Knowsley Business Park, which was purchased in April 2020 and offers asset management opportunities, and two large single-let assets acquired since the July 2020 equity raise, which increase our exposure to e-commerce businesses, lengthen the WAULT, enhance the portfolio’s income stream and broaden the range of building sizes we can offer to occupiers
- Successfully unlocked further value from the portfolio through asset management
  - Completed 23 lettings of vacant space, generating rent of £0.7 million per annum, 8.5% ahead of 31 March 2020 estimated rental value (“ERV”). ERV across the portfolio has grown by 0.6% on a like-for-like basis
  - Renewed 13 leases, including major renewal with Iron Mountain, securing income of £1.1 million and a 28.2% increase over previously contracted rents
  - Disposed of nine non-core assets for aggregate consideration of £12.3 million, in line with book value
- Capital expenditure on enhancing the investment portfolio of £0.9 million spent or committed in the period (six months ended 30 September 2019: £2.4 million), to drive future rental and capital value growth
- Occupancy of 94.3% (31 March 2020: 93.4%). Effective occupancy, which excludes units undergoing refurbishment and units under offer to let, was 96.6% (31 March 2020: 96.5%)
- Made further progress with generating value from surplus or adjacent land, including submitting a joint planning application with the neighbouring owner for 803,000 sq ft of new warehouse space at Radway Green, Cheshire
- WAULT of 5.8 years at the period end, reflecting the benefits of acquisitions and asset management

### Post period end highlights

- Disposed of one non-core asset for £0.7 million in line with book value



1. The Group presents adjusted earnings per share ("EPS"), dividends per share, total accounting return, total cost ratio, LTV ratio and EPRA Best Practices Recommendations as Alternative Performance Measures ("APMs") to assist stakeholders in assessing performance alongside the Group's statutory results reported under IFRS. APMs are among the key performance indicators used by the Board to assess the Group's performance and are used by research analysts covering the Group.  
EPRA Best Practices Recommendations have been disclosed to facilitate comparison with the Group's peers through consistent reporting of key real estate specific performance measures. Certain other APMs may not be directly comparable with other companies' adjusted measures and are not intended to be a substitute for, or superior to, any IFRS measures of performance. EPRA EPS is set out in note 10. EPRA NTA is set out in note 18. A glossary of terms is shown at the end of this report.
2. Operating profit before gains on investment properties.
3. Adjusted earnings per share is based on IFRS earnings excluding unrealised fair value gains on investment properties, profit on disposal of investment properties and one-off costs. There were no one-off costs in the six months ended 30 September 2020 or in the comparative period.
4. Dividends paid and declared in relation to the period, including the second interim dividend to be paid on 31 December 2020. Dividends paid during the period totalled 1.6 pence per share (six months ended 30 September 2019: 3.0 pence per share), as a result of the first interim dividend of 1.55 pence per share declared on 30 July 2020 being paid on 2 October 2020, just after the period end.
5. Total accounting return based on increase in EPRA NTA per share of 8.9 pence plus dividends paid per share of 1.6 pence, as a percentage of the opening EPRA NTA of 109.5 pence per share.
6. Total cost ratio represents the EPRA cost ratio including direct vacancy cost but excluding one-off costs. There were no one-off costs in the six months ended 30 September 2020 or in the comparative period.
7. Following the October 2019 update to EPRA's Best Practices Recommendations Guidelines, the Group has adopted EPRA NTA, replacing our previously reported EPRA net asset value ("NAV"). A reconciliation of this change is provided within the supplementary notes. The 31 March 2020 EPRA NTA per share measure is unchanged from the previously reported EPRA NAV per share.
8. All references to contracted rent, passing rent, ERV, WAULT, NIY, net reversionary yield ("NRY"), occupancy and capital expenditure in this report relate only to the investment portfolio of completed assets and exclude development property and land. Development property and land is where the whole or a material part of an estate is identified as having potential for development. Such assets are classified as development property and land until development is completed and they have the potential to be fully income generating.
9. Weighted average unexpired lease term.

# CHAIRMAN’S STATEMENT



**We expect to complete the investment of the July equity raise during the remainder of the year, which will be accretive and support continued attractive returns to shareholders.**

**Neil Kirton**  
Chairman



## Strategic progress

These unusual circumstances do not change the objectives we set out at IPO, which are to create value through successful investment and hands-on asset management. We continue to create a portfolio of strategically located warehouse assets, which allow many of our occupiers to access domestic consumers who are increasingly purchasing online. The growth of the digital economy remains a strong driver for our strategy and the selection of your assets.

We remain very active corporately, as we continue to strengthen the foundations and pursue our strategic initiatives. We particularly appreciate the growing support we have seen from investors since our IPO in 2017 and we successfully raised a further £153.0 million of equity during the period. As a result of the equity issue, we welcomed a number of significant new shareholders to our register. We have also been delighted to see a growing geographical spread of shareholders, with ownership of your Company including investors from Switzerland, the US, Germany and the Netherlands, among others.

When raising equity, the Board is always cognisant of balancing the interests of existing shareholders with the benefits of broadening the Company’s ownership and the speed and efficiency of execution, particularly in volatile markets. Employing an open offer alongside a share placing provides a way for existing shareholders to participate.

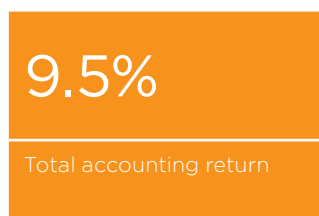
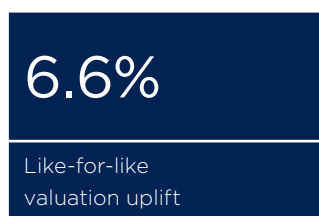
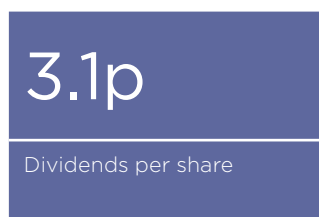
Combining the new equity raised in the period with our debt facilities gives us real balance sheet strength and investment firepower. In September 2020, we announced two acquisitions for a combined £82.3 million. These investments increase our exposure to e-commerce, with Amazon becoming our largest occupier at 11.3% of the rent roll.

## Overview

During the last six months, we and many others have faced a challenge which at the time of writing shows no sign of abating. COVID-19 has had profound effects across society and, regrettably, has had tragic consequences in some cases. The long-term impact remains unclear but we have been determined to manage the situation as sensitively as possible, working closely with all our stakeholders and with increased oversight from both Tilstone and your Board.

The period has shown very clearly the benefits of our commitment to creating strong occupier relationships, which has always been core to our model. We also see evidence that the drivers that make your asset class so attractive have both strengthened and accelerated during lockdown.

The Board’s belief in the resilience of the business remains robust and in April and August we updated the market on our strong rent collection performance. Overall, the Board feels that Tilstone has excelled in an extremely challenging environment, throughout the period under review.



At the same time, the purchases have lengthened the WAULT across the portfolio, improved the quality of our income and given us two larger assets, supporting our ability to offer occupiers a range of asset sizes as they grow. We also acquired a business park at Knowsley in April 2020, which offers scope to apply Tilstone's asset management expertise and increases the holding in this strategic location. As a consequence of the acquisitions in the period, we now own 7.0 million sq ft of warehouse space throughout the UK and have contracted rental income in excess of £34.3 million.

We also made further progress with our asset management programme, securing numerous lettings and lease renewals, most notably a ten-year lease renewal with Iron Mountain. In addition, we sold a number of smaller assets, generating proceeds of around £12.3 million for reinvestment in more attractive opportunities.

In my previous reports to you, I have referred to the emergence of opportunities to create further value from underutilised land within our portfolio. As an example of this, we announced in August that together with an adjoining owner, we had submitted a planning application for 803,000 sq ft of new warehouse space. We will update you in due course on both this and other such opportunities.

## Dividends

Our target for the financial year is to pay a total dividend of 6.2 pence per share. We paid a first interim dividend of 1.55 pence per share in October 2020 and subsequently declared a second interim dividend of 1.55 pence per share, bringing the total dividend in relation to the period to 3.1 pence, in line with our target. The total dividend was 82.4% covered by adjusted earnings per share, reflecting the short-term dilution of our earnings as we invest the capital raised in the period.

## Financial results

EPRA NTA per share at 30 September 2020 was 118.4 pence, up from 109.5 pence per share at 31 March 2020. The primary driver of the 8.1% increase in the period was the strong valuation uplift, which reflected a like-for-like increase of 6.6%, in part reflecting the like-for-like growth in rents and ERV in addition to yield compression, driven by the strong investor demand for the sector. There was also a smaller benefit from the timing of the payment of the first interim dividend, which was paid shortly after the period end.

As a result of the equity raise, at the period end the Group had net debt of £114.0 million (31 March 2020: £181.0 million), giving a LTV ratio of 20.2%. We expect net debt to increase as we make further asset acquisitions but our short-term intention is to have a LTV of around 35%, compared to a previous target range of up to 40%. This recognises the need for prudence in uncertain times.

## Governance

The Board reviewed the Investment Management Agreement, as it came up to the third anniversary since our IPO. The agreement was unchanged as a result and your Company's contract with Tilstone continues, with a rolling two-year notice period. The Board remains strongly committed to its relationship with Tilstone and believes that their execution of our strategy on your behalf has been excellent.

The Board has closely monitored key risks throughout the last six months, particularly in light of the COVID-19 pandemic and its potential impact on our occupiers and the wider market. Where risks have increased, we have implemented additional monitoring routines with Tilstone, to ensure clear visibility of key metrics such as rent collection, debts, void rates and tenancy terminations. Tilstone's close working relationships with occupiers give us early warning of any potential issues and therefore time to work with occupiers to develop plans.

We have not seen a significant increase in tenancy events and our broad spread of occupiers across our geographically diversified portfolio of properties means we are not heavily reliant on a small group of organisations or any particular sector.

As the Group has grown, an increasing number of stakeholders have a non-financial interest in our activities and performance. ESG is firmly on the Board's agenda and our last Annual Report showed the progress we have made with our thinking in this area. During the period, we focused on our future sustainability vision and action plan. This included completing a baseline review with JLL and beginning to develop an appropriate sustainability strategy for the business, which lays out our direction and the overarching goals we want to achieve. We aim to continue to build responsible business foundations, by creating a resilient portfolio, reducing our carbon footprint and supporting our occupiers.

On a different note, we were delighted to receive an EPRA Gold Award for our Annual Report and Financial Statements 2020. The construction of this document is a significant undertaking and the Tilstone team deserve enormous credit for this.

## Outlook

While the economic outlook remains uncertain, your Board is confident that our strategy is well founded and supported by secular change, in the way people acquire goods and their suppliers' need to be close to end consumers. We see only further growth potential and a landscape where investors are actively seeking exposure to the type of assets we own. We expect to complete the investment of the July equity raise during the remainder of the year, which will be accretive and support continued attractive returns to shareholders.

## Neil Kirton

Chairman

2 November 2020

# INVESTMENT ADVISOR'S REPORT



**This was a significant period for the Group, as the business demonstrated its resilience and the strength of its occupier relationships.**

**Tilstone Partners Limited**  
Investment Advisor



Take-up of industrial space in the first nine months of 2020 was 38.6 million sq ft, 3.6% above the total take-up in 2016, the previous highest year on record. There has also been strong preference for longer-term leases, with only 14.0% of take-up in the same period having lease lengths of under five years and just 7.0% having lease lengths of 12 months or less (source: Savills, units >200,000 sq ft). Online retailers have accounted for 37.0% of take-up year-to-date, with 3PLs accounting for a further 20.4%. Supply remains constrained, with overall availability of logistics space declining from 25.7 million sq ft in Q1 2020 to 25.2 million sq ft in Q3 2020 (source: CBRE, units >100,000 sq ft).

With key real estate sectors such as retail being particularly hard hit by the pandemic, the warehouse and logistics sector has become even more appealing to investors, who are attracted by continued strong occupier demand and secure income. This is putting downward pressure on yields, which have hardened since June 2020. According to the CBRE UK Monthly Index, industrial capital values increased by 1.1% in the three months to 30 September 2020, with rental growth of 0.4%. All property capital values declined by 0.9% over the same period, as rental values fell by 0.7%.



### Market overview

Occupational demand remains strong in the UK industrial and warehouse sector, with e-commerce a key driver of this demand. Online sales in the UK surged during the early stages of the pandemic, rising from 20.1% of total retail sales in January 2020 to 32.8% in May (source: ONS). As high street stores have reopened, the proportion has come back to 26.1% in September 2020 but this remains well above previous levels and demonstrates an acceleration of the trend of rising online shopping. In line with this, demand for the Group's vacant space has primarily come from e-commerce and third-party logistics companies ("3PLs"), as well as smaller distribution businesses and manufacturers.



## Acquisitions

On 14 April 2020, the Group acquired Knowsley Business Park, which is located opposite its existing Nexus estate. The asset comprises five units totalling 116,900 sq ft, which are fully let to two strong covenants. The purchase price was £7.9 million, reflecting a NIY of 7.1%. The business park presents asset management opportunities, including the potential for lease extensions.

On 3 September 2020, the Company announced the acquisitions of two single-let warehouse assets for a total consideration of £82.3 million, reflecting a blended NIY of 5.4% and a combined WAULT of nine years. These high-quality assets were both identified as part of the fundraise pipeline. They enhance the overall quality of the portfolio and the income stream that underpins dividends to shareholders. In particular, they further increase the portfolio's focus on e-commerce.

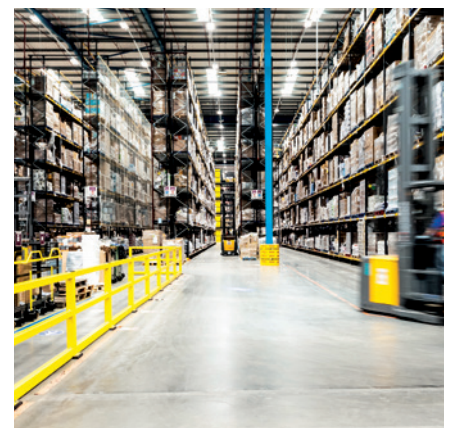
The assets acquired were:

- A prime 500,600 sq ft fulfilment centre in Chesterfield, for consideration of £57.3 million. The asset is let to Amazon UK on a full repairing and insuring lease, with over 13 years remaining on acquisition. The lease benefits from five-yearly upward only rent reviews, with no breaks, and a low passing rent. Amazon now occupies four properties in the Group's portfolio, with a total rent roll of more than £4.0 million per annum, making it the Group's largest occupier.
- A 373,900 sq ft single-let warehouse in Middlewich, Cheshire, for a cash consideration of £25.0 million. The asset is occupied by Wincanton Holdings Limited, the UK's largest third-party logistics operator, and is adjacent to the Group's existing Midpoint 18 multi-let estate. The acquisition increases the Group's total holding at this location to over 550,000 sq ft. The lease had 3.5 years remaining on acquisition and a low passing rent of approximately £5 per sq ft, which compares favourably to lettings that the Company has recently achieved on the wider estate. The asset offers both short and long-term asset management opportunities.

## Pipeline

We have identified a pipeline of suitable acquisitions for the Group with a focus on e-commerce. Over £130.0 million are currently in exclusive or final negotiations or have solicitors instructed.

While yields have reduced as a result of high investor demand, our focus continues to be on acquiring quality assets for the Group, rather than compromising on asset quality in exchange for higher yields. We continue to expect that the Group's available equity and debt financing will be fully deployed in accretive acquisitions by the end of the year.



# INVESTMENT ADVISOR'S REPORT CONTINUED

## Asset management

### Working with occupiers

Establishing and developing close relationships with occupiers is at the heart of our approach to managing the Group's assets. During the COVID-19 pandemic, these close relationships and regular communication have enabled us to effectively support occupiers where needed, for example by allowing some to temporarily pay their rent on a monthly basis rather than quarterly. In other cases, we have also supported occupiers requiring additional space to fulfil surges in demand during lockdown.

In a few instances, we have agreed a three-month rent-free period with smaller occupiers with good business prospects, in exchange for regearing the lease, for example by removing a break clause. This will result in greater certainty of income in the longer term, adding value for the Group while supporting the occupier in the short term.

Our rent collection statistics are testament to the strength of these relationships. As at 29 October 2020, we had collected the following proportions of rent due for each quarter:

- quarter to June 2020: 97.4%;
- quarter to September 2020: 97.1% including 2.4% where staged payments have been agreed but are not yet due; and
- quarter to December 2020: 92.6% including 4.4% where staged payments have been agreed but are not yet due.

We expect to receive further rental payments in respect of these quarters, with the quarter to December 2020 expected to meet collection levels seen in earlier quarters, and continue discussions with the occupiers concerned.

## Disposals

The Group's asset management strategy includes an ongoing programme of disposing of mature, lower-yielding or non-core assets, so it can redeploy the capital to generate further income growth and higher total returns.

The Group disposed of a further nine assets in the period, for gross proceeds of £12.3 million, in line with book value. These assets included retail warehouses, offices and some smaller warehouse units that we assessed as being non-core.

The portfolio remains under constant review to identify further opportunities to increase efficiency and dispose of any assets that are considered non-core.

## Capital expenditure

Carefully targeted capital expenditure is key to enhancing the quality of the Group's assets. It enables us to attract occupiers, increase rental levels and capital values, and support occupiers' growth plans, through value-enhancing improvements or extensions to units, in exchange for higher rents or extended leases.

The Group therefore aims to invest around 0.75% of its gross asset value ("GAV") in capital expenditure each year. This excludes investment in development projects and is calculated based on GAV excluding developments.

Capital expenditure in the period amounted to £0.9 million or 0.2% of GAV (six months ended 30 September 2019: £2.4 million or 0.6% of GAV). We have continued to invest in capital expenditure to support lettings but overall expenditure was lower than in the prior period, when we made a strategic choice to invest more heavily in refurbishing vacant units. This prior-year expenditure has benefited the Group in the first half of this year, helping to generate strong interest in refurbished units from high-quality potential occupiers.

At the period end, approximately 1.4% of the portfolio's ERV was under refurbishment.

## Leasing activity

We have continued to successfully let vacant space and renew leases on the Group's behalf. The Group has maintained its record of leasing outperformance, with new lettings consistently achieving rents ahead of ERV and lease renewals also driving strong rental growth.

## New leases

The Group secured 23 new leases on 102,800 sq ft of space during the period. These will generate annual rent of £0.7 million, which is 8.5% ahead of the 31 March 2020 ERV. On average, new leases continue to lengthen, with six leases of ten years or more signed in the period. The level of incentives is broadly steady.

Key examples of new lettings in the period included:

- a new five-year lease with a break at year three, for a 13,300 sq ft unit, to the Leeds and York Partnership NHS Foundation, to support its expansion at Roseville Business Park. The rent of £100,000 per annum represents a 25.1% premium to the 31 March 2020 ERV. The Foundation also renewed its existing lease at the park (see below); and
- a new ten-year lease with a break at year three, for a 17,600 sq ft unit at Air Cargo Centre in Glasgow, to a large distribution business. The rent of £105,540 per annum represents a 9.1% premium to the 31 March 2020 ERV and confirms the rental tone for the estate.

## Lease renewals

The Group continues to retain the majority of its occupiers, with 70% remaining in occupation at lease expiry and 92% with a break arising in the period.

In total, there were 13 lease renewals on 175,400 sq ft of space during the period. The renewals resulted in an average uplift of 28.2% above the previous passing rent and 0.8% above the ERV.

Examples of notable lease renewals in the period included:

- a ten-year lease renewal, with no breaks, with Iron Mountain, at 1 Stretton Road, Warrington. The agreement reflects a 26.2% uplift to the previous rent paid, with a headline rent of £615,000 per annum or £5.80 per sq ft; and
- a five-year lease renewal, with a break at year three, with Leeds and York Partnership NHS Foundation for 7,000 sq ft of space at Roseville Business Park, at an uplift of 42.5% on the previous rent.

## Development activity

We look to extract value from unused or underutilised land, either on or adjacent to the Group's estates. The Group will not build new accommodation without first achieving a pre-let on at least some of the proposed new space.

During the period, we submitted a planning application in respect of Radway Green, the Group's 25-acre multi-let industrial estate in Cheshire. The application was submitted in collaboration with the adjoining owner, for a combined 803,000 sq ft of new high-bay warehouse units, ranging from 60,000 sq ft to 340,000 sq ft. The application retains some existing space which is currently income producing, while utilising the estate's undeveloped areas. We intend to implement the scheme in a number of phases, to both maximise retained income and meet occupier demand. We expect the application to be determined in the first half of 2021.

At Queenslie Industrial Estate, Glasgow, we have now completed the large majority of work required to clear the pre-commencement planning conditions, despite lockdown delaying our progress at the start of the period. Work is largely complete on highways, landscaping, ecological habitat, drainage and ground conditions across most of the site. We formally re-engaged with the planners during October 2020. Marketing is under way on the roadside and drive-through sites, as well as the possible retail site and the dedicated trade counter site.

At Nexus, Knowsley, we have appointed a design team and full plans are now being created. Ground investigation will begin during November 2020, now that the development site has been cleared. Detailed discussions are ongoing with multiple parties interested in leasing the petrol filling station and drive-through.



# INVESTMENT ADVISOR'S REPORT CONTINUED

## Portfolio analysis

The acquisitions and asset management activity during the year contributed to the portfolio valuation of £563.2 million at the period end, across a total of 7.0 million sq ft of space. The table below analyses the portfolio as at 30 September 2020:

Warehouse sector	Occupancy	Valuation £m	Net initial yield	Reversionary yield	WAULT to expiry Years	WAULT to break Years	Average rent £per sq ft	Average capital value £per sq ft
Warehouse – storage and distribution use	94.6%	466.5	5.7%	6.2%	6.0	5.0	5.42	82.5
Warehouse – light manufacture and assembly use	96.2%	53.3	6.6%	7.1%	4.6	3.6	4.85	65.9
Warehouse – trade use	96.8%	11.9	7.2%	7.7%	6.2	5.0	7.25	89.1
Warehouse – retail use	83.6%	6.3	9.4%	9.5%	4.6	4.6	12.54	107.5
Workspace and office use	75.4%	5.7	6.9%	9.2%	3.3	2.2	12.01	110.4
<b>Total investment portfolio</b>	<b>94.3%</b>	<b>543.7</b>	<b>5.9%</b>	<b>6.4%</b>	<b>5.8</b>	<b>4.8</b>	<b>5.49</b>	<b>81.1</b>
Development property and land	77.7%	19.5	3.2%	1.1%	1.4	0.8	6.71	79.8
<b>Total portfolio</b>	<b>94.2%</b>	<b>563.2</b>	<b>5.8%</b>	<b>6.2%</b>	<b>5.7</b>	<b>4.7</b>	<b>5.51</b>	<b>81.0</b>

At the period end, the contracted rent roll for the Group's investment portfolio, which comprises the completed buildings and excludes development property and land, was £34.3 million, compared with the ERV of £37.2 million. In addition, the Group had contracted rent of £0.7 million from development property. Contracted rents increased by 1.9% on a like-for-like basis, showing the benefits of asset management and the underlying rental growth in the market.

EPRA like-for-like rental income reduced by £0.6 million, resulting in rental income decreasing from £9.7 million to £9.1 million on the like-for-like portfolio, excluding development property and land, of £468.9 million. This 6.6% decrease was primarily the result of a surrender premium and back-dated rents received in the comparator period.

The NIY of the investment portfolio was 5.9% at 30 September 2020, with a reversionary yield of 6.4%. The ERV typically assumes that a unit is re-let in its current condition and does not take account of the potential to increase rents through refurbishment, repositioning or change in permitted planning use. As noted above, the Group's asset management programme is unlocking the portfolio's true reversionary potential.

The WAULT for the investment portfolio stood at 5.8 years at 30 September 2020, against 5.2 years at the start of the period. This reflects the benefits of the acquisitions and asset management in the period.

Occupancy across the investment portfolio increased to 94.3% at the period end, compared with 93.4% at the start of the period, reflecting the strength of occupier demand. Effective occupancy across the investment portfolio, which excludes units under offer to let or undergoing refurbishment, was 96.6% at the period end (31 March 2020: 96.5%), with 0.8% of the investment portfolio under offer to let and a further 1.4% undergoing refurbishment at that date.

## Financial review

### Performance

Rental income for the period was £15.1 million (six months ended 30 September 2019: £12.5 million), up 20.7%. The increase was primarily driven by a full period of ownership of assets acquired in the previous financial year, as well as the benefits of asset management.

Total revenue, which includes insurance recharges, dilapidation income and any surrender premiums, was £15.7 million (six months ended 30 September 2019: £13.6 million). In the six months ended 30 September 2019, the Group received a surrender premium and dilapidations payment of £0.8 million in respect of units taken back at Witney, which is included in total revenue for that period.

The Group's operating costs include its running costs (primarily the management, audit, company secretarial, other professional and Directors' fees), and property-related costs (including legal expenses, void costs and repairs). Total operating costs for the period were £5.0 million (six months ended 30 September 2019: £3.9 million). The Investment Management fee for the period increased by £0.4 million, as a result of the increase in net assets following the equity raise. Given the strong rent collection performance, total bad debt expense remained low at £0.4 million (six months ended 30 September 2019: £0.1 million).

The Group continues to exercise tight control of its costs. The total cost ratio, which is calculated as the EPRA cost ratio including direct vacancy costs but excluding one-off costs, was 29.4% for the period, compared with 26.5% in the six months ended 30 September 2019 and will reduce as capital is fully deployed.

The ongoing charges ratio, representing the costs of running the REIT as a percentage of NAV, was 1.5% (six months ended 30 September 2019: 2.0%).

Assets disposed of during the period were sold for aggregate consideration that was broadly in line with book value, resulting in a modest loss on disposal after associated costs of less than £0.1 million. There was no profit or loss on disposal in the six months ended 30 September 2019.

At the period end, the Group recognised a gain of £32.7 million on the revaluation of its investment properties (six months ended 30 September 2019: loss of £4.3 million). This primarily reflected a revaluation uplift of £35.7 million, less property acquisition costs of £3.0 million.

Net financing costs, which include the interest costs associated with the Group's revolving credit facility ("RCF") and term loan, totalled £3.0 million (six months ended 30 September 2019: £2.5 million). The margin charged on the Group's facilities is 2.0% plus three-month LIBOR. The Group therefore benefited from the reduction in three-month LIBOR from 0.6% at the start of the period to under 0.1%. The Group also repaid the balance outstanding on its £63.0 million RCF following receipt of the proceeds from the equity raise in early July, resulting in a further saving of interest costs in the period.

Statutory profit before tax for the period was £40.4 million (six months ended 30 September 2019: £2.8 million).

As a REIT, the Group's profits and gains from its property investment business are exempt from corporation tax. The corporation tax charge for the period was therefore £nil (six months ended 30 September 2019: £nil).

EPS under IFRS was 13.2 pence (six months ended 30 September 2019: 1.2 pence) and EPRA EPS was 2.6 pence (six months ended 30 September 2019: 3.0 pence). Both EPS measures reflect the short-term dilutive impact of the equity issue, which increased the weighted average number of shares in issue ahead of the full deployment of funds in accretive acquisitions.

### Dividends

The Company has declared the following interim dividends in respect of the six months ended 30 September 2020:

- an interim dividend of 1.55 pence per share in relation to the three months to 30 June 2020, which was paid as a property income distribution ("PID") on 2 October 2020; and
- an interim dividend of 1.55 pence per share in relation to the three months to 30 September 2020, which will be paid in full as a PID on 31 December 2020, to shareholders on the register at 27 November 2020. The ex-dividend date will be 26 November 2020.

The total dividend for the period was therefore 3.1 pence per share (six months ended 30 September 2019: 3.0 pence), in line with the target of 6.2 pence for the full year.

The total dividend was 82.4% covered by EPRA EPS, reflecting the dilutive impact of the equity raise ahead of investing the proceeds.

The cash cost of the total dividend for the period will be £11.8 million (six months ended 30 September 2019: £7.2 million).

# INVESTMENT ADVISOR'S REPORT CONTINUED

## Financial review continued

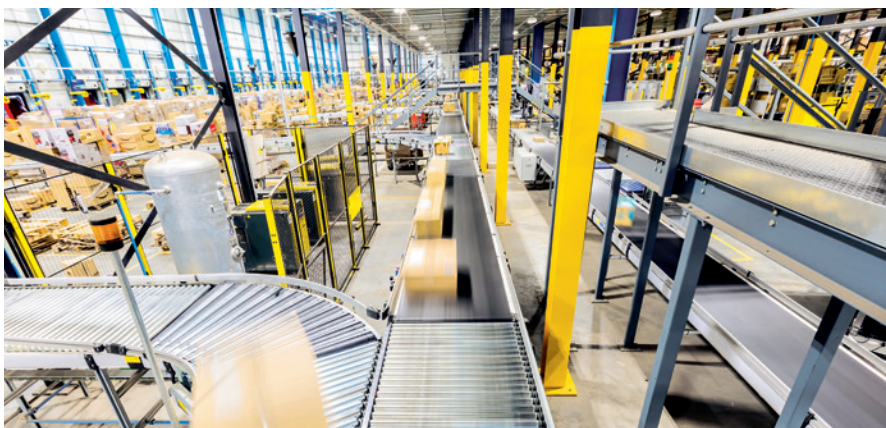
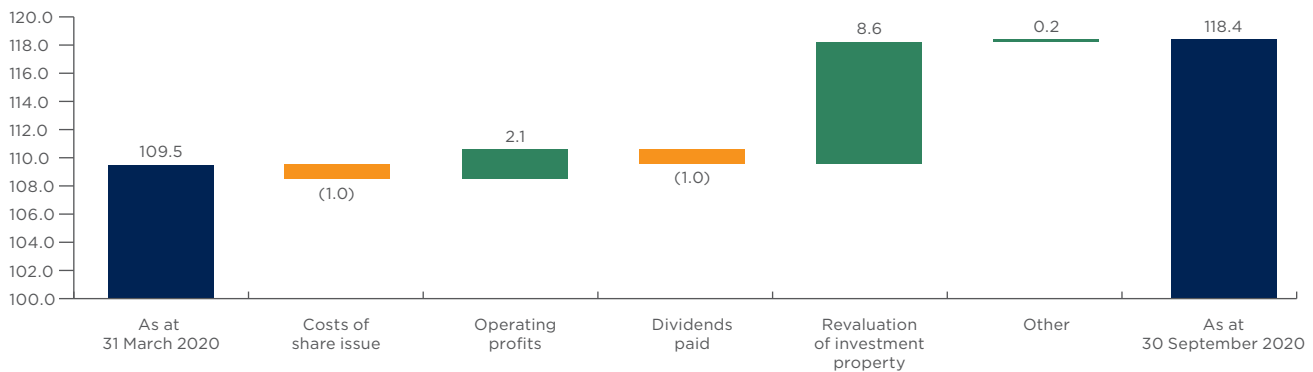
### Valuation and net asset value

The portfolio was independently valued by CBRE as at 30 September 2020, in accordance with the internationally accepted RICS Valuation – Professional Standards January 2020 (incorporating the International Valuation Standards).

The portfolio valuation of £563.2 million (31 March 2020: £450.5 million) represented a 6.6% like-for-like increase on the valuation, taking into account the capital expenditure in the period of £0.9 million. The like-for-like valuation increase was primarily driven by yield compression, as well as benefiting from income growth. The EPRA NIY was 5.3% (31 March 2020: 5.9%).

The valuation resulted in an EPRA NTA of 118.4 pence per share at the period end (31 March 2020: 109.5 pence per share). This primarily reflects operating profits in the period, the revaluation gain noted above, equivalent to 8.6 pence per share, less the costs associated with the share issue and property acquisitions in the period, which were 1.0 pence and 0.8 pence respectively. The NTA at 30 September 2020 also benefited from the payment of the first interim dividend of 1.55 pence per share falling after the period end, on 2 October 2020. The equivalent dividend in the prior financial year of 1.5 pence per share was paid on 27 September 2019.

### Movement in EPRA NTA (pence)



### Equity financing

On 18 June 2020, the Company announced a proposed equity raise through a firm placing, placing, open offer and offer for subscription and intermediaries offer, at 110.0 pence per share, representing a premium of 0.5 pence per share to the EPRA NTA as at 31 March 2020.

On 6 July 2020, the Company announced that it had received valid applications and commitments in respect of 139,090,908 shares. The gross proceeds of the issue were therefore approximately £153.0 million, with net proceeds of £149.3 million after expenses of £3.7 million.

### Debt financing and hedging

The Group has a £220.0 million debt facility with a club of four banks, namely HSBC, Bank of Ireland, Royal Bank of Canada and Barclays, which runs for five years from January 2020. The facility comprises a £157.0 million term loan and a £63.0 million RCF. The facility has an option to extend for a further two years, as well as an accordion of a further £80.0 million.

The term loan was fully drawn throughout the period, while the RCF was repaid on receipt of the proceeds of the share issue. Total debt at the period end was therefore £157.0 million (31 March 2020: £186.5 million) and the Group had cash balances of £43.0 million (31 March 2020: £5.5 million). The LTV ratio at 30 September 2020 was therefore 20.2% (31 March 2020: 40.2%).

The Group has two interest rate caps of £30.0 million each. They run until November 2022 and November 2023 and have respective rates of 1.50% and 1.75%, excluding lending margin. At the period end, the Group had therefore hedged the interest costs on 27.3% of its debt. There were no changes to the Group's interest rate hedging arrangements during the period.

### Post period end activity

Since the period end, the Group has disposed of one small non-core asset, for consideration of £0.7 million.

The sale price was in line with book value.

### Going concern

In preparing the financial statements, we and the Board are required to assess whether the Group remains a going concern. During the period, the Group generated revenues of £15.7 million and operating profits of £10.8 million, showing that rents would have to fall by approximately 70% before the business became loss-making. This is considered highly unlikely, given the strong occupational demand for warehouse assets, our strong relationships with the broad range of occupiers across the portfolio, the high level of rent collection and the fact that the portfolio ERV exceeds the period-end contracted rent roll by 8.5%. At the same time, the Group has a strong balance sheet, with substantial headroom within its facilities and cash at the period end of £43.0 million, as noted above. We and the Board have also carefully reviewed the risk landscape, as discussed in the Chairman's statement, and do not believe that the risks facing the Group have materially increased. We have performed detailed reviews of forecasts and stress tested our models assessing the possible impacts of the COVID-19 pandemic. As a result, we are confident that the Group remains a going concern.

### Investment Manager

The Company is an alternative investment fund for the purposes of the Alternative Investment Fund Managers Directive ("AIFMD") and, as such, is required to have an Investment Manager who is duly authorised to undertake that role. G10 Capital Limited ("G10") is the Company's AIFM and Investment Manager, with Tilstone providing advisory services to both G10 and the Company.

### Tilstone Partners Limited

Investment Advisor

2 November 2020

## CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (UNAUDITED)

For the six months ended 30 September 2020

	Notes	Six months ended 30 September 2020 £'000	Six months ended 30 September 2019 £'000
Continuing operations			
Revenue	3	15,732	13,579
Property operating expenses	4	(2,245)	(1,664)
<b>Gross profit</b>		<b>13,487</b>	11,915
Administration expenses	4	(2,723)	(2,256)
<b>Operating profit before gains on investment properties</b>		<b>10,764</b>	9,659
Loss on disposal of investment properties	11	(48)	—
Fair value gain/(loss) on revaluation of investment properties	11	32,660	(4,283)
<b>Operating profit</b>		<b>43,376</b>	5,376
Finance income	5	24	21
Finance expenses	6	(3,012)	(2,554)
<b>Profit before tax</b>		<b>40,388</b>	2,843
Taxation	7	—	—
<b>Total comprehensive income for the period</b>		<b>40,388</b>	2,843
EPS (basic and diluted) (pence)	10	13.2	1.2

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



# CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (UNAUDITED)

As at 30 September 2020

	Notes	30 September 2020 £'000	31 March 2020 £'000
<b>Assets</b>			
<b>Non-current assets</b>			
Investment property	11	571,527	459,088
Interest rate derivatives	13	10	22
		<b>571,537</b>	459,110
<b>Current assets</b>			
Cash and cash equivalents		42,995	5,483
Trade and other receivables	12	13,480	6,408
		<b>56,475</b>	11,891
<b>Total assets</b>		<b>628,012</b>	471,001
<b>Liabilities</b>			
<b>Non-current liabilities</b>			
Interest-bearing loans and borrowings	14	(154,082)	(183,190)
Other payables and accrued expenses	16	(2,655)	(4,500)
Head lease liability	15	(8,145)	(8,319)
		<b>(164,882)</b>	(196,009)
<b>Current liabilities</b>			
Head lease liability	15	(483)	(488)
Other payables and accrued expenses	16	(7,109)	(6,497)
Deferred income	16	(6,528)	(4,888)
		<b>(14,120)</b>	(11,873)
<b>Total liabilities</b>		<b>(179,002)</b>	(207,882)
<b>Net assets</b>		<b>449,010</b>	263,119
<b>Equity</b>			
Share capital	17	3,793	2,403
Share premium		221,985	74,028
Capital reduction reserve		161,149	161,149
Retained earnings		62,083	25,539
<b>Total equity</b>		<b>449,010</b>	263,119
Number of shares in issue (thousands)		<b>379,345</b>	240,254
NAV per share (pence)	18	<b>118.4</b>	109.5

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

## CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (UNAUDITED)

For the six months ended 30 September 2020

	Notes	Share capital £'000	Share premium £'000	Retained earnings £'000	Capital reduction reserve £'000	Total £'000
<b>Balance at 1 April 2020</b>		<b>2,403</b>	<b>74,028</b>	<b>25,539</b>	<b>161,149</b>	<b>263,119</b>
Total comprehensive income		—	—	40,388	—	40,388
Ordinary shares issued	17	1,390	151,609	—	—	152,999
Share issue costs		—	(3,652)	—	—	(3,652)
Dividends paid	9	—	—	(3,844)	—	(3,844)
<b>Balance at 30 September 2020</b>		<b>3,793</b>	<b>221,985</b>	<b>62,083</b>	<b>161,149</b>	<b>449,010</b>

	Notes	Share capital £'000	Share premium £'000	Retained earnings £'000	Capital reduction reserve £'000	Total £'000
Balance at 1 April 2019		1,660	—	19,518	161,149	182,327
Total comprehensive income		—	—	2,843	—	2,843
Ordinary shares issued	17	743	75,739	—	—	76,482
Share issue costs		—	(1,717)	—	—	(1,717)
Dividends paid	9	—	—	(7,208)	—	(7,208)
Balance at 30 September 2019		2,403	74,022	15,153	161,149	252,727

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

## CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS (UNAUDITED)

For the six months ended 30 September 2020

	Notes	Six months ended 30 September 2020 £'000	Six months ended 30 September 2019 £'000
<b>Cash flows from operating activities</b>			
Operating profit		43,376	5,376
<b>Adjustments to reconcile profit for the period to net cash flows:</b>			
(Gains)/loss from change in fair value of investment properties	11	(32,660)	4,283
Realised loss on disposal of investment properties		48	—
Head lease depreciation	4	57	47
<b>Operating cash flows before movements in working capital</b>		<b>10,821</b>	9,706
Increase in other receivables and prepayments		(7,030)	(3,084)
Increase in other payables and accrued expenses		2,806	6,500
Movement in property and acquisition provision		—	(839)
<b>Net cash flows generated from operating activities</b>		<b>6,597</b>	12,283
<b>Cash flows from investing activities</b>			
Acquisition of investment properties		(93,267)	(129,293)
Capital expenditure		(1,040)	(2,571)
Disposal of investment properties		12,067	—
<b>Net cash used in investing activities</b>		<b>(82,240)</b>	(131,864)
<b>Cash flows from financing activities</b>			
Proceeds from issue of ordinary shares		152,999	76,482
Share issuance costs paid		(3,652)	(1,717)
Bank loans drawn down	14	8,300	57,000
Bank loans repaid	14	(37,800)	—
Interest received	5	24	21
Loan interest and other finance expenses paid		(2,543)	(1,933)
Head lease payments		(329)	(275)
Dividends paid in the period		(3,844)	(7,131)
<b>Net cash flows generated from financing activities</b>		<b>113,155</b>	122,447
<b>Net increase in cash and cash equivalents</b>		<b>37,512</b>	2,866
Cash and cash equivalents at start of the period		5,483	4,866
<b>Cash and cash equivalents at end of the period</b>		<b>42,995</b>	7,732

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

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

For the six months ended 30 September 2020

### 1. General information

Warehouse REIT plc (the "Company") is a closed-ended Real Estate Investment Trust ("REIT") incorporated in England and Wales on 24 July 2017. The Company began trading on 20 September 2017. The registered office of the Company is Beaufort House, 51 New North Road, Exeter EX4 4EP. The Company is admitted to trading on AIM, a market operated by the London Stock Exchange.

### 2. Basis of preparation

These interim condensed consolidated unaudited financial statements have been prepared in accordance with IAS 34 Interim Financial Reporting and International Financial Reporting Standards ("IFRS") and interpretations issued by the International Accounting Standards Board ("IASB") as adopted by the European Union.

These interim condensed consolidated unaudited financial statements should be read in conjunction with the Company's last financial statements for the year ended 31 March 2020. These interim condensed consolidated unaudited financial statements do not include all of the information required for a complete set of annual financial statements proposed in accordance with IFRS as adopted by the EU, however, they have been prepared using the accounting policies adopted in the audited financial statements for the year ended 31 March 2020 and selected explanatory notes have been included to explain events and transactions that are significant in understanding changes in the Company's financial position and performance since the last financial statements.

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

The financial information contained within these interim results does not constitute full statutory accounts as defined in section 434 of the Companies Act 2006. The financial statements for the six months ended 30 September 2020 have not been either audited or reviewed by the Company's Auditor. The information for the year ended 31 March 2020 has been extracted from the latest published Annual Report and Financial Statements, which has been filed with the Registrar of Companies. 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 Directors have made an assessment of the Group's ability to continue as a going concern, including stress testing models for the potential impacts of the COVID-19 pandemic, and are satisfied that the Group has the resources to continue in business for the foreseeable future, for a period of not less than 12 months from the date of this report. 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.

#### 2.1 Changes to accounting standards and interpretations

There were a number of new standards and amendments to existing standards which are required for the Group's accounting period beginning on 1 April 2020, which have been considered and applied.

The following have been considered, but have had no impact on the Group for the reporting period:

- amendments to IFRS 3 Business Combinations, definition of a business;
- amendments to IAS 1 Presentation of Financial Statements and IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors, definition of material;
- revised Conceptual Framework for Financial Reporting; and
- Interest Rate Benchmark Reform (Amendments to IFRS 9, IAS 39 and IFRS 7).

There are other new standards and amendments to standards and interpretations which have been issued that are effective in future accounting periods and which the Group has decided not to adopt early. None of these are expected to have a material impact on the condensed consolidated financial statements of the Group.

#### 2.2 Significant accounting judgements and estimates

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

## Judgements

In the course of preparing the financial statements, no judgements have been made in the process of applying the Group's accounting policies, other than those involving estimations, that have had a significant effect on the amounts recognised in the financial statements.

## Estimates

In the process of applying the Group's accounting policies, management has made the following estimate, which has the most significant effect on the amounts recognised in the consolidated financial statements:

### Valuation of property

The valuations of the Group's investment property are at fair value as determined by the external valuer on the basis of market value in accordance with the internationally accepted RICS Valuation – Professional Standards January 2020 (incorporating the International Valuation Standards) and the UK National Supplement 2020 (the "Red Book") and in accordance with IFRS 13. The report of the external valuer as at 31 March 2020 included a material valuation uncertainty clause due to COVID-19 and its unknown impact on property valuations at that point in time. This valuation uncertainty clause has been removed in the valuation provided by the external valuer as at 30 September 2020. See notes 11 and 19 for further details.

The key estimates made by the valuer are the ERV and equivalent yields of each investment property.

## 2.3 Summary of significant accounting policies

The principal accounting policies applied in the preparation of these financial statements are consistent with those applied within the Company's Annual Report and Financial Statements for the year ended 31 March 2020.

## Basis of consolidation

The Company does not meet the definition of an investment entity and therefore does not qualify for the consolidation exemption under IFRS 10. The consolidated financial statements comprise the financial statements of the Group and its subsidiaries as at 30 September 2020. Subsidiaries are consolidated from the date of acquisition, being the date on which the Group obtained control, and will continue to be consolidated until the date that such control ceases. An investor controls an investee when the investor is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. In preparing these financial statements, intra-group balances, transactions and unrealised gains or losses have been eliminated in full. All subsidiaries have the same year end as the Company. Uniform accounting policies are adopted in the financial statements for like transactions and events in similar circumstances.

## Functional and presentation currency

The objective of the Group is to generate returns in Pound Sterling and the Group's performance is evaluated in Pound Sterling. Therefore, the Directors consider Pound Sterling as the currency that most faithfully represents the economic effects of the underlying transactions, events and conditions and have therefore adopted it as the functional and presentation currency.

## Segmental reporting

The Directors are of the opinion that the Group is engaged in a single segment of business, being the investment in and provision of UK urban warehouses.

## 3. Revenue

	Six months ended 30 September 2020 £'000	Six months ended 30 September 2019 £'000
Rental income	15,054	12,452
Insurance recharged	531	463
Dilapidation income	147	664
<b>Total</b>	<b>15,732</b>	<b>13,579</b>

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) CONTINUED

For the six months ended 30 September 2020

### 4. Property operating and administration expenses

	Six months ended 30 September 2020 £'000	Six months ended 30 September 2019 £'000
Premises expenses	1,193	1,035
Insurance	482	368
Rates	121	155
Utilities	62	56
Loss allowance	387	50
<b>Property operating expenses</b>	<b>2,245</b>	1,664
Investment management fees	1,835	1,407
Directors' remuneration	81	81
Head lease asset depreciation	57	47
Other administration expenses	750	721
<b>Administration expenses</b>	<b>2,723</b>	2,256
<b>Total</b>	<b>4,968</b>	3,920

### 5. Finance income

	Six months ended 30 September 2020 £'000	Six months ended 30 September 2019 £'000
Income from cash and short-term deposits	24	21
<b>Total</b>	<b>24</b>	21

### 6. Finance expenses

	Six months ended 30 September 2020 £'000	Six months ended 30 September 2019 £'000
Loan interest	2,345	1,879
Head lease interest	303	241
Loan arrangement fees amortised	352	261
	<b>3,000</b>	2,381
Change in fair value of interest rate derivatives	12	173
<b>Total</b>	<b>3,012</b>	2,554

## 7. Taxation

Corporation tax has arisen as follows:

	Six months ended 30 September 2020 £'000	Six months ended 30 September 2019 £'000
Corporation tax on residual income for current period	—	—
<b>Total</b>	<b>—</b>	<b>—</b>

Reconciliation of tax charge to profit before tax:

	Six months ended 30 September 2020 £'000	Six months ended 30 September 2019 £'000
Profit before tax	40,388	2,843
Corporation tax at 19.0% (2019: 19.0%)	7,674	540
Change in value of investment properties	(6,197)	814
Tax exempt property rental business	(1,477)	(1,354)
<b>Total</b>	<b>—</b>	<b>—</b>

## 8. Operating leases

### 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 up to 13 years.

Future minimum rentals receivable under non-cancellable operating leases as at 30 September 2020 are as follows:

	30 September 2020 £'000	31 March 2020 £'000
Within one year	32,609	27,868
Between one and five years	81,799	63,500
More than five years	54,445	31,528
<b>Total</b>	<b>168,853</b>	<b>122,896</b>

## 9. Dividends

Six months ended 30 September 2020	Pence per share	£'000
Fourth interim dividend for year ended 31 March 2020 paid on 3 July 2020	1.60	3,844
<b>Total dividends paid during the period</b>	<b>1.60</b>	<b>3,844</b>
Paid as:		
Property income distributions	1.60	3,844
Ordinary dividends	—	—
<b>Total</b>	<b>1.60</b>	<b>3,844</b>

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) CONTINUED

For the six months ended 30 September 2020

### 9. Dividends continued

Six months ended 30 September 2019	Pence per share	£'000
Fourth interim dividend for year ended 31 March 2019 paid on 28 June 2019	1.50	3,604
First interim dividend for year ended 31 March 2020 paid on 27 September 2019	1.50	3,604
<b>Total dividends paid during the period</b>	<b>3.00</b>	<b>7,208</b>
Paid as:		
Property income distributions	3.00	7,208
Ordinary dividends	—	—
<b>Total</b>	<b>3.00</b>	<b>7,208</b>

As a REIT, the Company is required to pay PIDs equal to at least 90% of the property rental business profits of the Group.

The Company declared a first interim dividend for the year ending 31 March 2021 of 1.55 pence per share on 30 July 2020 which was paid on 2 October 2020. The dividend was paid in full as a property income distribution.

### 10. Earnings per share

Basic EPS is calculated by dividing profit for the period attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares during the period. As there are no dilutive instruments in issue, basic and diluted EPS are identical.

	Six months ended 30 September 2020 £'000	Six months ended 30 September 2019 £'000
<b>IFRS earnings</b>	<b>40,388</b>	<b>2,843</b>
EPRA earnings adjustments:		
Loss on disposal of investment properties	48	—
Fair value gains on investment properties	(32,660)	4,283
Changes in fair value of interest rate derivatives	12	173
<b>EPRA earnings</b>	<b>7,788</b>	<b>7,299</b>
<b>Adjusted earnings</b>	<b>7,788</b>	<b>7,299</b>

	Six months ended 30 September 2020 Pence	Six months ended 30 September 2019 Pence
Basic IFRS EPS	13.2	1.2
Diluted IFRS EPS	13.2	1.2
EPRA EPS	2.6	3.0
Adjusted EPS	2.6	3.0

	30 September 2020 Number of shares	30 September 2019 Number of shares
Weighted average number of shares in issue (thousands)	304,859	239,848



## 11. UK investment property

	Completed investment property £'000	Development property and land £'000	Total investment property £'000
Investment property valuation brought forward as at 1 April 2020	433,550	16,970	450,520
Acquisition of properties	93,128	—	93,128
Capital expenditure	948	395	1,343
Adjustment for capital expenses payable <sup>1</sup>	(2,321)	—	(2,321)
Disposal of properties	(12,120)	—	(12,120)
Fair value gains on revaluation of investment property	30,555	2,105	32,660
<b>Total portfolio valuation per valuer's report</b>	<b>543,740</b>	<b>19,470</b>	<b>563,210</b>
Adjustment for head lease obligations	8,317	—	8,317
<b>Carrying value at 30 September 2020</b>	<b>552,057</b>	<b>19,470</b>	<b>571,527</b>

1. Refer to note 16 for detail of capital expenses payable.

	Completed investment property £'000	Development property and land £'000	Total investment property £'000
Investment property valuation brought forward as at 1 April 2019	304,185	3,200	307,385
Transfer to development property and land	(11,700)	11,700	—
Acquisition of properties	149,665	—	149,665
Capital expenditure	3,549	238	3,787
Disposal of properties	(15,421)	—	(15,421)
Fair value gains on revaluation of investment property	3,272	1,832	5,104
<b>Total portfolio valuation per valuer's report</b>	<b>433,550</b>	<b>16,970</b>	<b>450,520</b>
Adjustment for head lease obligations	8,568	—	8,568
<b>Carrying value at 31 March 2020</b>	<b>442,118</b>	<b>16,970</b>	<b>459,088</b>

### Gains realised on disposal of investment property

	30 September 2020 £'000	31 March 2020 £'000
Net proceeds from disposals of investment property during the period	12,072	16,355
Carrying value of disposals	(12,120)	(15,421)
<b>(Loss)/gains realised on disposal of investment property</b>	<b>(48)</b>	<b>934</b>

## 12. Trade and other receivables

	30 September 2020 £'000	31 March 2020 £'000
Rent and insurance receivables	4,474	3,075
Prepayments	134	229
Dividend transferred to Registrar	4,943	—
Other receivables	3,929	3,104
<b>Total</b>	<b>13,480</b>	<b>6,408</b>

The Company transferred £4.9 million to the Registrar on 24 September 2020 to fund the shareholder dividend less withholding tax, which was paid on 2 October 2020 as disclosed in note 9.

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) CONTINUED

For the six months ended 30 September 2020

### 13. Interest rate derivatives

	30 September 2020 £'000	31 March 2020 £'000
At the start of the period	22	249
Changes in fair value of interest rate derivatives	(12)	(227)
<b>Balance at the end of the period</b>	<b>10</b>	<b>22</b>

### 14. Interest-bearing loans and borrowings

	30 September 2020 £'000	31 March 2020 £'000
At the beginning of the period	186,500	127,000
Drawn in the period	8,300	320,000
Repaid in the period	(37,800)	(260,500)
<b>Total loans drawn down at the end of the period</b>	<b>157,000</b>	<b>186,500</b>
Unamortised fees at the beginning of the period	(3,310)	(1,490)
Loan arrangement fees paid in the period	(10)	(2,761)
Amortisation charge for the period	402	941
Unamortised loan arrangement fees	(2,918)	(3,310)
<b>Loan balance less unamortised loan arrangement fees</b>	<b>154,082</b>	<b>183,190</b>

As at 30 September 2020, £63.0 million of the RCF remained available to be drawn. The term loan was fully drawn. Credit facilities are secured on all properties within the portfolio and expire on 22 January 2025.

The debt facilities include loan to value and interest cover covenants that are measured at Group level. The Group has maintained significant headroom against all measures throughout the financial period and is in full compliance with all loan covenants at 30 September 2020.

### 15. Head lease obligations

The following table analyses the minimum lease payments under non-cancellable finance leases using an average discount rate of 6.91%:

	30 September 2020 £'000	31 March 2020 £'000
<b>Current liabilities</b>		
Within one year	483	488
<b>Non-current liabilities</b>		
After one year but not more than five years	1,813	1,892
Later than five years	6,332	6,427
Non-current head lease obligations	8,145	8,319
<b>Total</b>	<b>8,628</b>	<b>8,807</b>

## 16. Other liabilities – other payables and accrued expenses and deferred income

	30 September 2020 £'000	31 March 2020 £'000
Property operating expenses payable	1,228	1,500
Administration expenses payable	1,769	2,404
Loan interest payable	742	980
Capital expenses payable	1,636	377
Other expenses payable	1,734	1,236
<b>Other payables and accrued expenses – current</b>	<b>7,109</b>	<b>6,497</b>

	30 September 2020 £'000	31 March 2020 £'000
Capital expenses payable	2,655	4,500
<b>Other payables and accrued expenses – non-current</b>	<b>2,655</b>	<b>4,500</b>

	30 September 2020 £'000	31 March 2020 £'000
Deferred income	6,528	4,888
<b>Deferred income</b>	<b>6,528</b>	<b>4,888</b>

Non-current capital expenses payable includes net deferred consideration of up to £4,500,000 in relation to a property acquired during the year ended 31 March 2020. The deferred consideration is due in September 2023, or earlier if the property is sold before that date. Non-current capital expenses payable and the carrying value of the property have been adjusted to reflect the net consideration due following a sale and leaseback arrangement with the vendor. The consideration is secured on a second ranking charge over the asset.

## 17. Share capital

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

	30 September 2020		31 March 2020	
	Number	£'000	Number	£'000
Ordinary shares of £0.01 each				
Authorised, issued and fully paid:				
At the start of the period	240,254,043	2,403	166,000,000	1,660
Shares issued	139,090,908	1,390	74,254,043	743
Balance at the end of the period	379,344,951	3,793	240,254,043	2,403

The share capital comprises one class of ordinary shares. At general meetings of the Company, ordinary shareholders are entitled to one vote on a show of hands and on a poll, to one vote for every share held. There are no restrictions on the size of a shareholding or the transfer of shares, except for the UK REIT restrictions.

On 8 July 2020, the Company raised gross proceeds of £153.0 million through a firm placing, placing, open offer and offer for subscription and intermediaries offer. In total, the Company issued 139,090,908 new ordinary shares at 110.0 pence each.

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) CONTINUED

For the six months ended 30 September 2020

### 18. Net asset value per share

Basic NAV per share is calculated by dividing net assets attributable to ordinary equity holders of the Company in the statement of financial position by the number of ordinary shares outstanding at the end of the period. As there are no dilutive instruments in issue, basic and diluted NAV per share are identical.

Following the October 2019 update to EPRA's Best Practices Recommendations Guidelines, the Group has adopted EPRA NTA, replacing our previously reported EPRA NAV. A reconciliation of this change is provided within the supplementary notes.

The 31 March 2020 EPRA NTA per share measure is unchanged from the previously reported EPRA NAV per share.

	<b>30 September 2020 £'000</b>	31 March 2020 £'000
IFRS net assets attributable to ordinary shareholders	449,010	263,119
IFRS net assets for calculation of NAV	449,010	263,119
Adjustment to net assets:		
Fair value of interest rate derivatives (see note 13)	(10)	(22)
<b>EPRA NTA</b>	<b>449,000</b>	<b>263,097</b>
	<b>30 September 2020 £'000</b>	31 March 2020 £'000
<b>IFRS basic and diluted NAV per share (pence)</b>	<b>118.4</b>	109.5
<b>EPRA NTA per share (pence)</b>	<b>118.4</b>	109.5
	<b>30 September 2020 Number of shares</b>	31 March 2020 Number of shares
Number of shares in issue (thousands)	379,345	240,254

### 19. Fair value

IFRS 13 defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The following methods and assumptions were used to estimate the fair values.

The fair value of cash and short-term deposits, trade receivables, trade payables and other current liabilities approximate their carrying amounts due to the short-term maturities of these instruments.

Interest-bearing loans and borrowings are disclosed at amortised cost. The carrying value of the loans and borrowings approximate their fair value due to the contractual terms and conditions of the loan. The loans are at a variable interest rate of 2.00% above LIBOR.

Six-monthly valuations of the investment properties are performed by CBRE, 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 valuations are the ultimate responsibility of the Directors, however, who appraise these every six months.

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 January 2020 (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), the 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 assets.

The following tables show an analysis of the fair values of investment properties recognised in the statement of financial position by level of the fair value hierarchy<sup>1</sup>:

Assets and liabilities measured at fair value	30 September 2020			
	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
Investment properties	—	—	563,210	563,210
Interest rate derivatives	—	10	—	10
<b>Total</b>	<b>—</b>	<b>10</b>	<b>563,210</b>	<b>563,220</b>

Assets and liabilities measured at fair value	31 March 2020			
	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
Investment properties	—	—	450,520	450,520
Interest rate derivatives	—	22	—	22
<b>Total</b>	<b>—</b>	<b>22</b>	<b>450,520</b>	<b>450,542</b>

1. Explanation of the fair value hierarchy:

- Level 1 - quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 - use of a model with inputs (other than quoted prices included in Level 1) that are directly or indirectly observable market data; and
- Level 3 - use of a model with inputs that are not based on observable market data.

## Sensitivity analysis to significant changes in unobservable inputs within the valuation of investment properties

The following table analyses:

- the fair value measurements at the end of the reporting period;
- a description of the valuation techniques applied;
- the inputs used in the fair value measurement, including the ranges of rent charged to different units within the same building; and
- for Level 3 fair value measurements, quantitative information about significant unobservable inputs used in the fair value measurement.

30 September 2020	Fair value £'000	Valuation technique	Key unobservable inputs	Range
<b>Completed investment property</b>	<b>£543,740</b>	<b>Income capitalisation</b>	<b>ERV Equivalent yield</b>	<b>£68,500 – £2,505,000 per annum 3.8% – 13.1%</b>
<b>Development property and land</b>	<b>£19,470</b>	<b>Comparable method/ residual method</b>	<b>Various</b>	
	<b>£563,210</b>			

31 March 2020	Fair value £'000	Valuation technique	Key unobservable inputs	Range
Completed investment property	£433,550	Income capitalisation	ERV Equivalent yield	£22,000 – £1,880,000 per annum 5.1% – 12.9%
Development property and land	£16,970	Comparable method/ residual method	Various	
	£450,520			

Significant increases/decreases in the ERV (per sq ft per annum) and rental growth per annum in isolation would result in a significantly higher/lower fair value measurement. Significant increases/decreases in the long-term vacancy rate and discount rate (and exit yield) in isolation would result in a significantly higher/lower fair value measurement.

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) CONTINUED

For the six months ended 30 September 2020

### 19. Fair value continued

#### Sensitivity analysis to significant changes in unobservable inputs within the valuation of investment properties continued

Generally, a change in the assumption made for the ERV (per sq ft per annum) is accompanied by:

- a similar change in the rent growth per annum and discount rate (and exit yield); and
- an opposite change in the long-term vacancy rate.

Gains and losses recorded in profit or loss for recurring fair value measurements categorised within Level 3 of the fair value hierarchy amount to £32,660,000 (six months to 30 September 2019: loss £4,283,000) and are presented in the condensed consolidated statement of comprehensive income in line item 'fair value gains/(losses) on investment properties'.

All 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 Group's assets and liabilities is considered to be the same as their fair value.

### 20. Related party transactions

#### Directors

The Directors (all Non-Executive Directors) of the Company and its subsidiaries are considered to be the key management personnel of the Group. Directors' remuneration for the period totalled £80,499 (six months to 30 September 2019: £80,585) and at 30 September 2020, a balance of £nil (31 March 2020: £nil) was outstanding.

#### Investment Advisor

The Company is party to an Investment Management Agreement with the Investment Manager, pursuant to which the Investment Manager has appointed the Investment Advisor to provide investment advisory 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 by the Investment Manager and the Board of Directors.

For its services to the Group, the Investment Advisor receives an annual fee at a rate of 1.1% of the NAV of the Company's portfolio.

During the period, the Group incurred £1,835,497 (30 September 2019: £1,407,000) in respect of the Investment Advisor's fees. £1,319,753 (31 March 2020: £810,230) was outstanding as at the period end date.

#### Subsidiaries

As at 30 September 2020, the Company owned a 100% controlling stake in Tilstone Holdings Limited, Tilstone Warehouse Holdco Limited, Tilstone Industrial Warehouse Limited, Tilstone Retail Warehouse Limited, Tilstone Industrial Limited, Tilstone Retail Limited, Tilstone Trade Limited, Tilstone Basingstoke Limited, Tilstone Glasgow Limited, Tilstone Radway Limited (previously Quantum North Limited), CHIP (One) Limited, CHIP (Four) Limited, CHIP (Five) Limited, CHIP (Ipswich) One Limited, CHIP (Ipswich) Two Limited, Glashen Services Limited, Tilstone Chesterfield Limited, Warehouse 18 Limited and Warehouse 1234 Limited.

CHIP (Two) Limited and CHIP (Three) Limited were dissolved on 28 April 2020.

### 21. Ultimate controlling party

It is the view of the Directors that there is no ultimate controlling party.

### 22. Post balance sheet events

A second interim dividend of 1.55 pence per share in respect of the year ending 31 March 2021 will be paid in full as a PID on 31 December 2020, to shareholders on the register at 27 November 2020. The ex-dividend date will be 26 November 2020.

## SUPPLEMENTARY NOTES

For the six months ended 30 September 2020

The Group is a member of the European Public Real Estate Association (“EPRA”). EPRA has developed and defined the following performance measures to give transparency, comparability and relevance of financial reporting across entities which may use different accounting standards. The following measures are calculated in accordance with EPRA guidance.

**Table 1: EPRA performance measures summary**

	Notes	Six months ended 30 September 2020	Six months ended 30 September 2019
EPRA EPS (pence)	Table 2	2.6	3.0
EPRA cost ratio (including direct vacancy cost)	Table 6	29.4%	26.5%
EPRA cost ratio (excluding direct vacancy cost)	Table 6	27.6%	22.5%

	Notes	30 September 2020	31 March 2020
EPRA NDV per share (pence)	Table 3	118.4	109.5
EPRA NRV per share (pence)	Table 3	128.5	122.3
EPRA NTA per share (pence)	Table 3	118.4	109.5
EPRA NIY	Table 4	5.3%	5.9%
EPRA ‘topped-up’ net initial yield	Table 4	5.8%	6.3%
EPRA vacancy rate	Table 5	5.7%	6.6%

**Table 2: EPRA income statement and earnings performance measures**

	Six months ended 30 September 2020 £'000	Six months ended 30 September 2019 £'000
Revenue	15,732	13,579
Less insurance recharged	(531)	(463)
<b>Revenue excluding insurance recharged</b>	<b>15,201</b>	13,116
Property operating expenses	(2,245)	(1,664)
Add back insurance recharged	531	463
<b>Gross profit</b>	<b>13,487</b>	11,915
Administration expenses	(2,723)	(2,256)
<b>Adjusted operating profit before interest and tax</b>	<b>10,764</b>	9,659
Finance income	24	21
Finance expenses	(3,012)	(2,554)
Less change in fair value of interest rate derivatives	12	173
<b>Adjusted profit before tax</b>	<b>7,788</b>	7,299
Tax on adjusted profit	—	—
<b>Adjusted earnings</b>	<b>7,788</b>	7,299
Weighted average number of shares in issue (thousands)	304,859	239,848
<b>Adjusted EPS (pence)</b>	<b>2.6</b>	3.0

## SUPPLEMENTARY NOTES CONTINUED

For the six months ended 30 September 2020

**Table 2: EPRA income statement and earnings performance measures** continued

	Six months ended 30 September 2020 £'000	Six months ended 30 September 2019 £'000
Adjusted earnings	7,788	7,299
<b>EPRA earnings</b>	<b>7,788</b>	<b>7,299</b>
Weighted average number of shares in issue (thousands)	304,859	239,848
<b>EPRA EPS (pence)</b>	<b>2.6</b>	<b>3.0</b>

EPRA earnings represents earnings from operational activities. It is a key measure of the Group's underlying operating results and an indication of the extent to which current dividend payments are supported by earnings.

**Table 3: EPRA balance sheet and net asset value performance measures**

In October 2019, EPRA published new best practices recommendations ("BPR") for financial disclosures by public real estate companies. The BPR introduced three new measures of net asset value: EPRA net disposal value ("NDV"), EPRA net reinvestment value ("NRV") and EPRA net tangible assets ("NTA"). These recommendations are effective for accounting periods starting on 1 January 2020 and have been adopted by the Group in reporting the 30 September 2020 position. EPRA NTA is considered to be the most relevant measure for Warehouse REIT's operating activities. A reconciliation of the three new EPRA NAV metrics from IFRS NAV is shown in the table below. The previously reported EPRA NAV and EPRA NNNAV have also been included for comparative purposes. Total accounting return will now be calculated based on EPRA NTA.

	New measures			Previously reported measures	
	EPRA NDV £'000	EPRA NRV £'000	EPRA NTA £'000	EPRA NAV £'000	EPRA NNNAV £'000
<b>As at 30 September 2020</b>					
Total properties <sup>1</sup>	563,210	563,210	563,210	563,210	563,210
Net borrowings <sup>2</sup>	(114,005)	(114,005)	(114,005)	(114,005)	(114,005)
Other net liabilities	(195)	(195)	(195)	(195)	(195)
<b>IFRS NAV</b>	<b>449,010</b>	<b>449,010</b>	<b>449,010</b>	<b>449,010</b>	<b>449,010</b>
Exclude: fair value of interest rate derivatives	—	(10)	(10)	(10)	—
Include: real estate transfer tax <sup>3</sup>	—	38,298	—	—	—
<b>NAV used in per share calculations</b>	<b>449,010</b>	<b>487,298</b>	<b>449,000</b>	<b>449,000</b>	<b>449,010</b>
Number of shares in issue (thousands)	379,345	379,345	379,345	379,345	379,345
<b>NAV per share (pence)</b>	<b>118.4</b>	<b>128.5</b>	<b>118.4</b>	<b>118.4</b>	<b>118.4</b>
<b>Loan to value ratio<sup>4</sup></b>					<b>20.2%</b>



As at 31 March 2020	New measures			Previously reported measures	
	EPRA NDV £'000	EPRA NRV £'000	EPRA NTA £'000	EPRA NAV £'000	EPRA NNNAV £'000
Total properties <sup>1</sup>	450,520	450,520	450,520	450,520	450,520
Net borrowings <sup>2</sup>	(181,017)	(181,017)	(181,017)	(181,017)	(181,017)
Other net liabilities	(6,384)	(6,384)	(6,384)	(6,384)	(6,384)
<b>IFRS NAV</b>	263,119	263,119	263,119	263,119	263,119
Exclude: fair value of interest rate derivatives	—	(22)	(22)	(22)	—
Include: real estate transfer tax <sup>3</sup>	—	30,635	—	—	—
<b>NAV used in per share calculations</b>	263,119	293,732	263,097	263,097	263,119
Number of shares in issue (thousands)	240,254	240,254	240,254	240,254	240,254
<b>NAV per share (pence)</b>	109.5	122.3	109.5	109.5	109.5
<b>Loan to value ratio<sup>4</sup></b>					40.2%

1. Professional valuation of investment property.

2. Comprising interest-bearing loans and borrowings (excluding unamortised loan arrangement fees) of £157,000,000 (31 March 2020: £186,500,000) net of cash of £42,995,000 (31 March 2020: £5,483,000).

3. EPRA NTA and EPRA NDV reflect IFRS values which are net of real estate transfer tax. Real estate transfer tax is added back when calculating EPRA NRV.

4. Net borrowings divided by the aggregate fair value of properties.

EPRA NDV details the full extent of liabilities and resulting shareholder value if company assets are sold and/or if liabilities are not held until maturity. Deferred tax and financial instruments are calculated as to the full extent of their liability, including tax exposure not reflected in the statement of financial position, net of any resulting tax.

EPRA NTA assumes entities buy and sell assets, thereby crystallising certain levels of deferred tax liability.

EPRA NRV highlights the value of net assets on a long-term basis and reflects what would be needed to recreate the company through the investment markets based on its current capital and financing structure. Assets and liabilities that are not expected to crystallise in normal circumstances, such as the fair value movements on financial derivatives and deferred taxes on property valuation surpluses are excluded. Costs such as real estate transfer taxes are included.

## SUPPLEMENTARY NOTES CONTINUED

For the six months ended 30 September 2020

**Table 4: EPRA net initial yield**

	<b>30 September 2020 £'000</b>	31 March 2020 £'000
Total properties per external valuers' report	<b>563,210</b>	450,520
Less development property and land	<b>(19,470)</b>	(16,970)
<b>Net valuation of completed properties</b>	<b>543,740</b>	433,550
Add estimated purchasers' costs <sup>5</sup>	<b>36,974</b>	29,481
<b>Gross valuation of completed properties including estimated purchasers' costs (A)</b>	<b>580,714</b>	463,031
Gross passing rents <sup>6</sup> (annualised)	<b>31,577</b>	27,829
Less irrecoverable property costs <sup>6</sup>	<b>(811)</b>	(742)
<b>Net annualised rents (B)</b>	<b>30,766</b>	27,087
Add notional rent on expiry of rent-free periods or other lease incentives <sup>7</sup>	<b>2,738</b>	1,875
<b>'Topped-up' net annualised rents (C)</b>	<b>33,504</b>	28,962
<b>EPRA NIY (B/A)</b>	<b>5.3%</b>	5.9%
<b>EPRA 'topped-up' net initial yield (C/A)</b>	<b>5.8%</b>	6.3%

5. Estimated purchasers' costs estimated at 6.8%.

6. Gross passing rents and irrecoverable property costs assessed as at the balance sheet date for completed investment properties excluding development property and land.

7. Adjustment for unexpired lease incentives such as rent-free periods, discounted rent period and step rents. The adjustment includes the annualised cash rent that will apply at the expiry of the lease incentive. Rent-frees expire over a weighted average period of nine months.

EPRA NIY represents 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. It is a comparable measure for portfolio valuations designed to make it easier for investors to judge themselves, how the valuation of portfolio X compares with portfolio Y.

EPRA 'topped-up' NIY 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).

NIY as stated in the Investment Advisor's report calculates net initial yield on topped-up annualised rents but does not deduct non-irrecoverable property costs.

**Table 5: EPRA vacancy rate**

	<b>30 September 2020 £'000</b>	31 March 2020 £'000
Annualised ERV of vacant premises (D)	<b>2,111</b>	2,201
Annualised ERV for the investment portfolio (E)	<b>37,217</b>	33,141
<b>EPRA vacancy rate (D/E)</b>	<b>5.7%</b>	6.6%

EPRA vacancy rate represents ERV of vacant space divided by ERV of the completed investment portfolio, excluding development property and land. It is a pure measure of investment property space that is vacant, based on ERV.

**Table 6: Total cost ratio/EPRA cost ratio**

	Six months ended 30 September 2020 £'000	Six months ended 30 September 2019 £'000
Property operating expenses	2,245	1,664
Add back insurance recharged	(531)	(463)
Net property operating expenses	1,714	1,201
Administration expenses	2,723	2,256
Less ground rents <sup>8</sup>	(57)	(47)
<b>Total cost including direct vacancy cost (F)</b>	<b>4,380</b>	3,410
Direct vacancy cost	(271)	(513)
<b>Total cost excluding direct vacancy cost (G)</b>	<b>4,109</b>	2,897
Revenue excluding insurance recharged	15,201	13,116
Less ground rents paid	(329)	(259)
<b>Gross rental income (H)</b>	<b>14,872</b>	12,857
Less direct vacancy cost	(271)	(513)
<b>Net rental income</b>	<b>14,601</b>	12,344
<b>Total cost ratio including direct vacancy cost (F/H)</b>	<b>29.4%</b>	26.5%
<b>Total cost ratio excluding direct vacancy cost (G/H)</b>	<b>27.6%</b>	22.5%
	Six months ended 30 September 2020 £'000	Six months ended 30 September 2019 £'000
Total cost including direct vacancy cost (F)	4,380	3,410
<b>EPRA total cost (I)</b>	<b>4,380</b>	3,410
Direct vacancy cost	(271)	(513)
<b>EPRA total cost excluding direct vacancy cost (J)</b>	<b>4,109</b>	2,897
<b>EPRA cost ratio including direct vacancy cost (I/H)</b>	<b>29.4%</b>	26.5%
<b>EPRA cost ratio excluding direct vacancy cost (J/H)</b>	<b>27.6%</b>	22.5%

8. Ground rent expenses included within administration expenses such as depreciation of head lease assets.

EPRA cost ratios represent administrative and operating costs (including and excluding costs of direct vacancy) divided by gross rental income. They are a key measure to enable meaningful measurement of the changes in the Group's operating costs.

It is the Group's policy not to capitalise overheads or operating expenses and no such costs were capitalised in either the six months ended 30 September 2020 or the year ended 31 March 2020.

## SUPPLEMENTARY NOTES CONTINUED

For the six months ended 30 September 2020

**Table 7: Lease data**

As at 30 September 2020	Year 1 £'000	Year 2 £'000	Years 3 to 5 £'000	Year 5+ £'000	Head rents payable £'000	Total £'000
Passing rent of leases expiring in:	4,226	2,247	11,624	14,044	(564)	31,577
ERV of leases expiring in:	7,131	2,415	12,322	15,978	(629)	37,217
Passing rent subject to review in:	10,334	4,068	15,785	1,954	(564)	31,577
ERV subject to review in:	13,767	4,190	17,228	2,661	(629)	37,217

WAULT to expiry is 5.8 years and to break is 4.8 years.

As at 31 March 2020	Year 1 £'000	Year 2 £'000	Years 3 to 5 £'000	Year 5+ £'000	Head rents payable £'000	Total £'000
Passing rent of leases expiring in:	2,876	3,098	11,127	11,310	(582)	27,829
ERV of leases expiring in:	5,662	3,135	12,173	12,833	(662)	33,141
Passing rent subject to review in:	9,820	5,619	11,797	1,175	(582)	27,829
ERV subject to review in:	13,178	5,660	13,754	1,211	(662)	33,141

WAULT to expiry is 5.2 years and to break is 4.0 years.

**Table 8: Capital expenditure**

	Six months ended 30 September 2020 £'000	Year ended 31 March 2020 £'000
Acquisitions	93,128	149,665
Development spend	395	238
Completed investment properties:		
No incremental lettable space – like-for-like portfolio	618	2,942
No incremental lettable space – other	—	107
Tenant incentives	330	500
<b>Total capital expenditure</b>	<b>94,471</b>	<b>153,452</b>
Conversion from accruals to cash basis	(164)	(5,138)
<b>Total capital expenditure on a cash basis</b>	<b>94,307</b>	<b>148,314</b>

# GLOSSARY

## Adjusted earnings per share (“Adjusted EPS”)

EPRA EPS adjusted to exclude one-off costs, divided by the weighted average number of shares in issue during the year

## Admission

The admission of Warehouse REIT plc onto the AIM market of the London Stock Exchange on 20 September 2017

## AGM

Annual General Meeting

## AIC

The Association of Investment Companies

## AIFM

Alternative Investment Fund Manager

## AIFMD

Alternative Investment Fund Managers Directive

## AIM

A market operated by the London Stock Exchange

## Contracted rent

Gross annual rental income currently receivable on a property plus rent contracted from expiry of rent-free periods and uplifts agreed at the balance sheet date less any ground rents payable under head leases

## Development property and land

Whole or a material part of an estate identified as having potential for development. Such assets are classified as development property and land until development is completed and they have the potential to be fully income generating

## Effective occupancy

Total open market rental value of the units leased divided by total open market rental value excluding assets under development, units undergoing refurbishment and units under offer to let

## EPRA

The European Public Real Estate Association, the industry body for European REITs

## EPRA cost ratio

The sum of property expenses and administration expenses as a percentage of gross rental income calculated both including and excluding direct vacancy cost

## EPRA earnings

IFRS profit after tax excluding movements relating to changes in fair value of investment properties, gains/losses on property disposals, changes in fair value of financial instruments and the related tax effects

## EPRA earnings per share (“EPRA EPS”)

A measure of EPS on EPRA earnings designed to present underlying earnings from core operating activities based on the weighted average number of shares in issue during the year

## EPRA guidelines

The EPRA Best Practices Recommendations Guidelines October 2019

## EPRA like-for-like rental income growth

The growth in rental income on properties owned throughout the current and previous year under review. This growth rate includes revenue recognition and lease accounting adjustments but excludes development property and land in either year and properties acquired or disposed of in either year

## EPRA NAV/ EPRA NDV/ EPRA NNAV/ EPRA NRV/ EPRA NTA per share

The EPRA net asset value measures figures divided by the number of shares outstanding at the balance sheet date

## EPRA net asset value (“EPRA NAV”)

The value of net assets, adjusted to include properties and other investment interests at fair value and to exclude items not expected to be realised in a long-term property business, such as the fair value of any financial derivatives and deferred taxes on property valuation surpluses (only applicable to previous financial periods)

## EPRA net disposal value (“EPRA NDV”)

The net asset value measure detailing the full extent of liabilities and resulting shareholder value if company assets are sold and/or if liabilities are not held until maturity. Deferred tax and financial instruments are calculated as to the full extent of their liability, including tax exposure not reflected in the statement of financial position, net of any resulting tax

## EPRA net initial yield (“EPRA NIY”)

The annualised passing rent generated by the portfolio, less estimated non-recoverable property operating expenses, expressed as a percentage of the portfolio valuation (adding notional purchasers' costs), excluding development property and land

## EPRA net reinstatement value (“EPRA NRV”)

The net asset value measure to highlight the value of net assets on a long-term basis and reflect what would be needed to recreate the company through the investment markets based on its current capital and financing structure. Assets and liabilities that are not expected to crystallise in normal circumstances, such as the fair value movements on financial derivatives and deferred taxes on property valuation surpluses, are excluded. Costs such as real estate transfer taxes are included

## EPRA net tangible assets (“EPRA NTA”)

The net asset value measure assuming entities buy and sell assets, thereby crystallising certain levels of deferred tax liability

## EPRA ‘topped-up’ net initial yield

The annualised passing rent generated by the portfolio, topped up for contracted uplifts, less estimated non-recoverable property operating expenses, expressed as a percentage of the portfolio valuation (adding notional purchasers' costs), excluding development property and land

## EPRA triple net assets (“EPRA NNAV”)

The value of net assets, adjusted to include properties and other investment interests at fair value and to include the fair value of any financial derivatives and deferred taxes on property valuation surpluses (only applicable to previous financial periods)

## EPRA vacancy rate

Total open market rental value of vacant units divided by total open market rental value of the portfolio excluding development property and land

## EPS

Earnings per share

## GLOSSARY CONTINUED

### Equivalent yield

The weighted average rental income return expressed as a percentage of the investment property valuation, plus purchasers' costs, excluding development property and land

### ERV

The estimated annual open market rental value of lettable space as assessed by the external valuer

### FCA

Financial Conduct Authority

### GAV

Gross asset value

### Group

Warehouse REIT plc and its subsidiaries

### IASB

International Accounting Standards Board

### IFRS

International Financial Reporting Standards adopted by the European Union

### IFRS earnings per share ("EPS")

IFRS earnings after tax for the year divided by the weighted average number of shares in issue during the year

### IFRS NAV per share

IFRS net asset value divided by the number of shares outstanding at the balance sheet date

### Investment portfolio

Completed buildings and excluding development property and land

### IPO

Initial public offering

### LIBOR

The basic rate of interest used in lending between banks on the London interbank market and also used as a reference for setting the interest rate on other loans

### Like-for-like rental income growth

The increase in contracted rent of properties owned throughout the period under review, expressed as a percentage of the contracted rent at the start of the period, excluding development property and land and units undergoing refurbishment

### Like-for-like valuation increase

The increase in the valuation of properties owned throughout the period under review, expressed as a percentage of the valuation at the start of the period, net of capital expenditure

### Loan to value ratio ("LTV")

Gross debt less cash, short-term deposits and liquid investments, divided by the aggregate value of properties and investments

### NAV

Net asset value

### Net initial yield ("NIY")

Contracted rent at the balance sheet date, expressed as a percentage of the investment property valuation, plus purchasers' costs, excluding development property and land

### Net rental income

Gross annual rental income receivable after deduction of ground rents and other net property outgoings including void costs and net service charge expenses

### Net reversionary yield ("NRY")

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

### Occupancy

Total open market rental value of the units leased divided by total open market rental value excluding development property and land, equivalent to one minus the EPRA vacancy rate

### Passing rent

Gross annual rental income currently receivable on a property as at the balance sheet date less any ground rents payable under head leases

### Property income distribution ("PID")

Profits distributed to shareholders which are subject to tax in the hands of the shareholders as property income. PIDs are usually paid net of withholding tax (except for certain types of tax-exempt shareholders). REITs also pay out normal dividends called non-PIDs

### RCF

Revolving credit facility

### Real Estate Investment Trust ("REIT")

A listed property company which qualifies for, and has elected into, a tax regime which is exempt from corporation tax on profits from property rental income and UK capital gains on the sale of investment properties

### RPI

Retail price index

### Total accounting return

The movement in EPRA NTA over a period plus dividends paid in the period, expressed as a percentage of the EPRA NTA at the start of the period

### Total cost ratio

EPRA cost ratio excluding one-off costs calculated both including and excluding vacant property costs

### Weighted average unexpired lease term ("WAULT")

Average unexpired lease term to first break or expiry weighted by contracted rent across the portfolio, excluding development property and land

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