WAREHOUSE REIT

The warehouse provider of choice

Annual Report and
Financial Statements 2023

Warehouse REIT is an investor in UK warehouse assets, focused on multi-let industrial space

Contents

Our purpose

Our purpose is to provide the well-connected, high-quality and sustainable warehouse space our occupiers need to thrive and, by doing this responsibly, we generate positive outcomes for all our stakeholders.

What we do

We provide a range of warehouse accommodation in key locations which meets the needs of a broad range of occupiers. Our focus on multi-let assets means we provide occupiers with greater flexibility so we can continue to match their requirements as their businesses evolve, encouraging them to stay with us for longer.

We invest in our business by selectively acquiring assets with potential and by developing opportunities we have created. Through pro-active asset management we unlock the value inherent in our portfolio, helping to capture rising rents and driving an increase in capital values to deliver strong returns for our investors over the long term.

Sustainability is embedded throughout our business, helping us meet the expectations of our stakeholders today and futureproofing our business for tomorrow.

Our vision

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

Financial highlights

Year ended 31 March

Gross property income

£47.8m

2023	£47.8m
2022	£48.7m
2021	£35.8m

Operating profit before change in value of investment properties

£32.2m

2023	£32.2m
2022	£35.4m
2021	£24.8m

IFRS (loss)/profit before tax

£(182.8)m

2023	£(182.8)m
2022	£191.2m
2021	£123.1m

IFRS earnings per share

(43.0)p

2023	(43.0)p
2022	45.0p
2021	35.2p

EPRA earnings per share

3.9p

2023	3.9p
2022	6.4p
2021	5.3p

Adjusted earnings per share

4.7p

2023	4.7p
2022	6.4p
2021	5.3p

Dividends per share

6.4p

2023	6.4p
2022	6.4p
2021	6.2p

Total accounting return

(25.7)%

2023	(25.7)%
2022	33.2%
2021	27.7%

Total cost ratio

28.4%

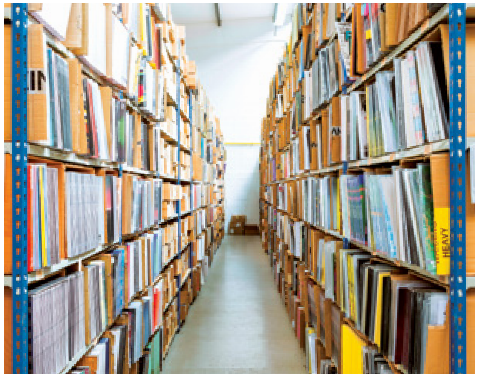
2023	28.4%
2022	27.1%
2021	29.5%

EPRA Net Tangible Assets

122.6p

2023	122.6p
2022	173.8p
2021	135.1p

Operational highlights



Strong operational performance

£3.5 million
new rent generated
(2022: £3.3 million)

£45.3 million
contracted rent (2022: £44.0 million)

23.4%
new rent 23.4% ahead of prior contracted rent

5.3%
like-for-like growth in contracted rents (2022: 3.0%)

95.8%
occupancy (2022: 93.7%)

Macro headwinds impact valuation but underlying rental growth resilient

18.5%
decline in like-for-like portfolio value to £828.8 million driven by sector-wide asset repricing

6.5%
equivalent yield; 131bps yield expansion

6.2%
like-for-like growth in estimated rental values
(2022: 6.0%)

Targeted capital activity

£59.6 million
asset disposals, delivering on our strategy following a sharp increase in borrowing costs

£64.0 million
acquisitions, including Bradwell Abbey, a highly reversionary, multi-let estate

£29.9 million
sales completing post period end, 17.2% ahead of book value

33.9%
LTV at 31 March 2023
(2022: 25.1%)

Progressing our ESG agenda

60.2%
of the portfolio EPC A to C rated following targeted investment in our assets (2022: 60.4%)

Pathway to net zero
advanced, including a target annual reduction of 4.2% in our Scope 1 and 2 emissions on a like for like basis

Reporting
TCFD disclosure, including our climate change impact assessment

EPRA sBPR Gold award for the second year

1. Based on lettings on the investment portfolio.

Our assets

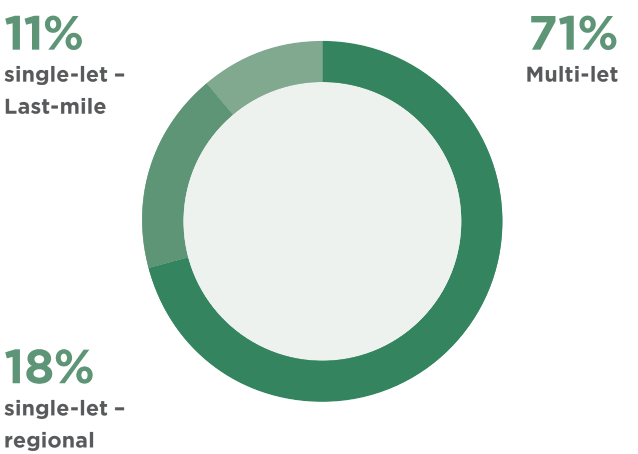
We own 8.2 million sq ft of high-quality, industrial warehouse space across the UK.

Our primary focus is on multi-let estates, which offer the greatest flexibility for occupiers. We offer a range of units by size, enabling occupiers to take one or more to meet their needs and to scale up or down as their businesses evolve.

We balance this with a high-quality single-let estate, comprising our Regional Distribution portfolio, which covers 1.4 million sq ft of big box assets, typically located on major transport routes, and 0.9 million sq ft of Last-mile assets, which are close to major urban centres. These assets are typically let on longer leases, providing a solid income stream.

We recognise that the sustainability credentials are increasingly important to our occupiers and are working with them to minimise their carbon footprint.

Focus on multi-let[1]



1. Investment portfolio only; excludes development land.

Key statistics at 31 March 2023

833
units

76
estates

490
occupiers

35.8%
rent roll accounted for by top 15 occupiers

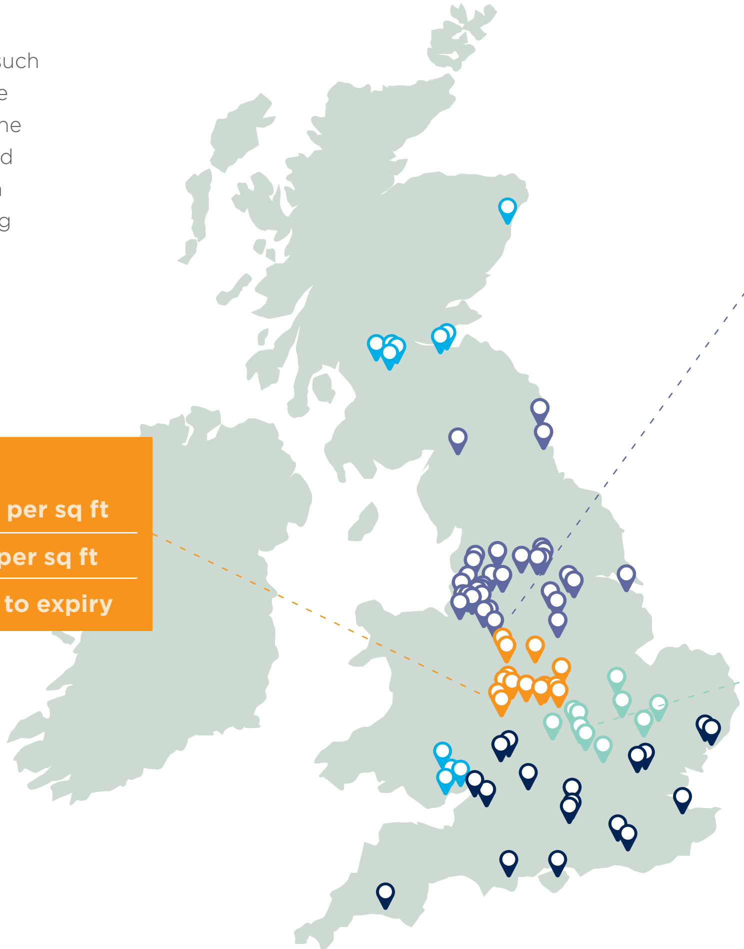
5.5
years – average lease length to expiry

99.0%
of assets within two miles of a town centre, transport hub or motorway junction

Our locations

Location is key for our occupiers because transport is a significant component of their operating costs, meaning proximity to major transport routes or the end customer directly impacts profitability.

Our assets are located in strategically important places, such as the industrial hubs in the Midlands, North West and the Arc centred on Milton Keynes, providing occupiers with the access they need for their businesses to be successful and ensuring demand for our space remains strong. Supply in these locations is constrained due to a restrictive planning environment, creating favourable market dynamics from which we can drive rental growth.



Middlewich

1 Estate	**£5.23** Rent per sq ft
725,000 Area (sq ft)	**£5.92** ERV per sq ft
	4.4 WAULT to expiry

Birmingham

1 Estate	**£6.84** Rent per sq ft
220,000 Area (sq ft)	**£7.42** ERV per sq ft
	2.9 WAULT to expiry

Milton Keynes

2 Estates	**£6.86** Rent per sq ft
482,000 Area (sq ft)	**£9.43** ERV per sq ft
	5.5 WAULT to expiry

Key:

Northern England
Midlands
South England
The Arc
Rest of the UK

Investment case

We operate in a growth market with significant opportunities for long-term value creation through active asset management and development. This drives rental income and supports values, delivering attractive, sustainable returns for our shareholders.

Compelling, long-term market trends

Occupier demand is underpinned by strong and enduring structural themes including the growth of e-commerce and supply chain resilience which have accelerated due to the pandemic, Brexit and the war in Ukraine. Location is key for occupiers and supply of the right type of space in economically attractive places is constrained due to planning restrictions. Together, these dynamics support long-term rental growth.

Read more on pages 11 and 12

Attractive and resilient portfolio

Our portfolio is primarily focused on multi-let assets where we have the flexibility to attract a wider mix of occupiers to create enhanced performance through asset management. Our assets are close to urban centres and major transport routes and we have a significant presence in key industrial hubs in the Midlands, North West and the Arc centred on Milton Keynes.

Read more on pages 3 and 4

Total returns focused strategy

We target an average total accounting return of at least 10.0% per annum through a combination of dividends and NAV growth (average of 10.8% since IPO). We drive like-for-like income growth through active asset management across our portfolio, which is highly reversionary. We deliver future income growth through the selective development of opportunities we have created, and these activities support long-term value creation.

Read more on pages 20 and 21

Sound financial position

Our LTV is at the lower end of our range at 33.9% and we benefit from a range of funding sources and significant headroom to our covenants, providing the flexibility to pursue opportunities in the market and on our portfolio to drive returns.

Read more on page 23

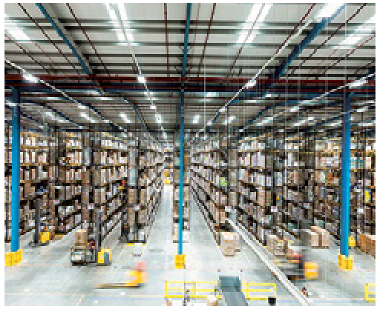
Experienced management team

We have an experienced Board and a highly knowledgeable Investment Advisor in Tilstone, which gives us a deep understanding of the sector and a wide network of industry contacts through which we can source investments.

Read more on pages 70 to 72







Chairman's statement

> We continue to let space significantly ahead of previous rent, demonstrating that occupiers are prepared to pay a premium for the right space in the right locations.

Neil Kirton
Chairman

The operational fundamentals of our business remained strong throughout the year, but this robust performance has been overshadowed by macro events which resulted in a step change in interest rates, driving property yields higher and impacting valuations across the sector.

Amid this volatility, we have maintained our focus on driving the value of our portfolio through active asset management. The long-term trends which have underpinned occupier demand in recent years continue to support our leasing activity, which this year delivered an additional £3.5 million in rent, bringing contracted rent to £45.3 million as at 31 March 2023.

We continue to let space significantly ahead of previous rent, demonstrating the reversionary potential of our portfolio and that occupiers are prepared to pay higher rents for the right space in the right locations. Our activity drove a like-for-like increase in contracted rents of 5.3%, with the like-for-like estimated rental value of our space up 6.2% reflecting sound underlying market fundamentals. In addition, building on our strategic focus on multi-let industrial space, we acquired Bradwell Abbey, a multi-let estate near the gateway city of Milton Keynes. Multi-let assets allow greater flexibility for occupiers because they can take multiple or different-sized units and more easily scale up or down according to their needs, accelerating our ability to capture rental growth.

This also means we are well placed to appeal to a broader range of occupier as demand diversifies in new directions. This year alone we have let space to a software provider to the healthcare industry, an electronic bike and scooter company and an automotive parts. Our multi-let bias also means we can create our own increased rental tone through targeted capital expenditure helping to capture reversion at lease events.

Following the market correction in the second half, we successfully executed on our strategy to reduce the level of variable-rate debt through targeted asset disposals of non-core properties. These totalled £59.6 million over the year and crystallised an unlevered IRR of 8.0%. Encouragingly, there are clear signs that liquidity is returning to the investment markets, with the majority of these transactions completing towards the end of the second half and post year end we have exchanged a further £29.3 million of sales, on average 17.2% ahead of book value.

This activity further focuses the portfolio on our core assets, enabling Tilstone Partners – our Investment Advisor – to concentrate on opportunities which best drive value for shareholders.

Chairman's statement continued

Radway 16 in Crewe is the best example of this and an excellent case study of Tilstone's expertise in site assembly. Initially, it comprised a 250,000 sq ft multi-let estate with surplus land. It was acquired within a portfolio purchase and has grown through careful acquisition of adjacent sites from just 25 acres to be an exciting development site of over 100 acres, strategically located on Junction 16 of the M6. Inevitably, macro conditions have impacted its valuation, but its combination of best-in-class, sustainable space and superb connectivity make it highly attractive to a wide range of occupiers. We are pleased that discussions for a significant pre-let on the first phase of this scheme are well advanced and only subject to legal documentation. We will update stakeholders on any developments in due course.

Financial performance and returns

The dramatic increase in interest rates over the course of the financial year to address levels of inflation not seen since the 1980s significantly reduced liquidity in investment markets. Valuers reacted quickly, increasing yields to reflect the new funding environment, and significantly reducing property valuations across all commercial real estate markets. We have not been immune and as a result of significant yield expansion, the value of the portfolio declined by 18.5% on a like-for-like basis over the 12 months. This was partially offset by an increase in ERV of 6.2% contributing to a fall in EPRA NTA to 122.6 pence per share at the year end (31 March 2022: 173.8 pence) and a negative total accounting return of (25.7%) (31 March 2022: 33.2%). However, reflecting our very strong performance in the years following IPO our five-year total accounting return is 10.8%.

When it became clear that interest rates would trend upwards, in July 2022, two additional interest rate caps of £100.0 million each were acquired for a total premium payable of £10.9 million ahead of significant rate rises. These cap the variable SONIA rate at 1.5% until July 2025 and July 2027 respectively. 75.2% of our total debt of £306.0 million is fixed with the remaining 24.8% subject to variable rates.

However, the increased cost of our variable rate debt had a negative impact on earnings. While we met our target dividend of 6.4 pence per share, adjusted earnings of 4.7 pence per share meant that for the full year, the dividend was uncovered. Following the disposals undertaken during the period, our efforts are now focused on continuing to capture the reversion embedded within the portfolio and reduce the variable rate component of our debt.

As at 31 March 2023, the Group's loan to value remains within our target range of 30% to 40%, at 33.9% as at year end, with £14.0 million of headroom within our new facilities and with additional headroom created following further asset disposals that have exchanged, but not yet completed.

Environmental, social and governance matters

We continued to make significant progress with our ESG agenda under the leadership of my colleague Aimée Pitman, who chairs our Sustainability Committee. We have further strengthened how we integrate ESG factors in everyday decisions, modelled our climate-related risks and formulated a pathway to net zero for our Scope 1 and 2 emissions by 2030.

We continued to improve Energy Performance Certificate ("EPC") ratings across the portfolio. We have eradicated non-compliant F and G ratings ahead of statutory requirements and have a capital expenditure programme aimed at improving the ratings of all D and E rated units in England and Wales to progress meeting expected future legislative requirements for all commercial properties.

In July 2022, the Company transferred from AIM to the Main Market. Given our already robust approach to corporate governance and our comprehensive disclosure, compliance with the requirements of the Listing Rules and related guidance has been straightforward and we now benefit from access to a wider pool of shareholder capital. We continue to follow and comply with the AIC Code of Corporate Governance.

In May 2023, Tilstone Partners Limited, the Investment Advisor, appointed Simon Hope, one of its co-founders, as Executive Chairman and Co-Managing Director alongside Andrew Bird. This follows Simon's move to an executive role at Tilstone.

In a separate announcement today Martin Meech has indicated that he will not stand for re-election at the AGM this September. Martin has served on the Board since 2017 as the Senior Independent Director and has been a hardworking, respected and valued colleague having served on the Audit, Management Engagement and more recently the Sustainability Committees. I would like to thank him for all his efforts on our behalf and wish him well as he takes up an executive position in the real estate industry.

As reported in elsewhere, this year the Board underwent an externally facilitated Board evaluation. It is envisaged that the outputs of that evaluation will be able to assist the Nomination Committee in identifying Martin's successor. The Board have already commenced the process using external consultants to find a successor.

Chairman's statement continued

Outlook

Based on the performance of industry benchmarks and our own experience, there are clear signs that the investment market is stabilising and investors are returning, reflecting the very favourable supply-demand dynamics in our markets. However, as an industry, we are highly sensitive to the future path of interest rates and the outlook remains uncertain, so the Board will continue to manage the business diligently and carefully.

In this context, the ability to drive growth organically is key to delivering returns. Occupier demand for space remains robust and our sector continues to benefit from strong tailwinds, including the growth of online retail and heightened focus on supply chain resilience. In addition, our strong bias towards multi-let space in economically relevant locations means we are well placed to capture demand and drive rents. Selected development opportunities provide further upside and we will commit to these as and when the time is right.

I am confident that the business is well placed to deliver on behalf of shareholders moving forward. Our primary focus in the near term is continuing to optimise the portfolio earnings growth through active asset management. It should be clear that the Board remain very focused on total shareholder returns. As we pay down more variable rate debt, further capture the significant reversionary potential in the portfolio and continue the value creation process at Radway Green we believe we have a clear path to further growth in our adjusted earnings per share and therefore our dividend cover.

Neil Kirton
Chairman

5 June 2023

Daimler Green, Coventry
138,500 sq ft let to an automotive parts manufacturer

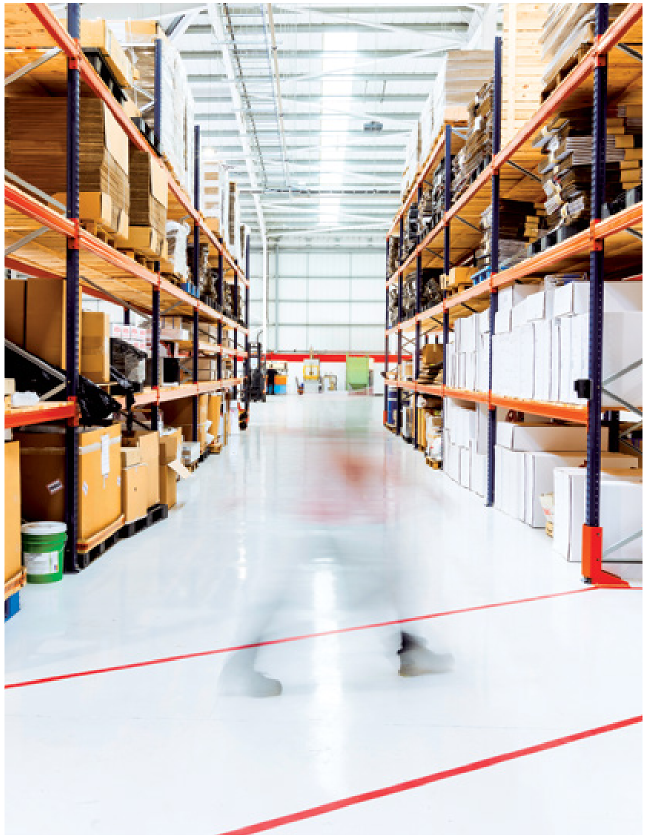
Q&A with Simon Hope

Simon Hope, Co Managing-Director of our Investment Advisor, Tilstone Partners Limited, shares his thoughts on the market, our strategy and the Group's performance and financial position.

Q What's behind your conviction in multi-let?

A It's really about flexibility. Multi-let assets give occupiers more choice over the size of unit they want, and they can take more than one, which means we're well placed to match their requirements. It also means we can attract a broader range of occupier. The average unit size across the Group's multi-let portfolio is just under 9,000 sq ft but we also have units up to 500,000 sq ft in our Regional portfolio. That means we can appeal to small and local businesses as well as global corporations and also keep satisfying occupiers' requirements as they grow.

It is also easier to drive rental growth on multi-let assets. Because we are churning space all the time, there's more evidence that rents are rising and that raises the tone across the asset which can then be captured through lease events.



Q&A with Simon Hope continued

Q How confident are you of driving rent in the current environment?

A We absolutely recognise that we're operating in uncertain times but we're very confident of our ability to drive rents, and that's for a few reasons:

Taking the macro points first, our markets are underpinned by a supply-demand imbalance. There are some strong structural drivers behind demand growth, such as online retail and the growing focus on supply chain resilience. At the same time, the challenging planning environment in the UK means supply is constrained and with input prices still elevated, construction is likely to tail off. Gerald Eve reported speculative development starts of prime logistics space of 3.3 million sq ft in Q1 2023, down from over 6 million sq ft in Q4 2022.

Second, rents are actually a pretty small percentage of occupiers' operating costs. Savills/Hatmill estimate between 8-16% for a range of operators. Whereas transport can be up to 75% for a parcel operator. That means location is key to profitability and it's worth paying a premium to be in the right place.

And third, we have the right portfolio. We are over 70% multi-let, with a range of unit sizes; we focus on key gateway cities and our space is affordable. Importantly, we have flexibility when it comes to rent reviews and renewals. Index linked rent reviews are almost always capped and collared, whereas the vast majority of our leases have open market rent reviews/lease renewals which are unfettered meaning we can drive rents ahead of capped inflation. Less than 9% of our leases are capped or collared.

Q What's next at Radway? Is now the right time to commit to new development?

A Radway is a hugely exciting scheme for us and one that offers a lot of optionality. We would never develop it all in one go and we would not do any of it speculatively so we're very measured in our approach.

At the moment we're in advanced negotiations for a significant pre-let. This is for c.350,000 sq ft and we're relocating an existing occupier which is around 20,000 sq ft, so together, that would be the first phase. It isn't a done deal yet so we're not committing to this today, but we're very well placed to progress this over the coming year.

This is also just the first phase. The scheme has potential for a further 1.4 million sq ft. It is modern, best in class warehouse space with excellent sustainability credentials. We're targeting a BREEAM Excellent rating, the base build is all electric and it has the capacity for 100% PV loading on the roof. It is well located on Junction 16 of M6 in the north west, where rents for prime logistics space are growing faster than in any other region of the UK. It is also one of the few schemes in the UK with the capacity to accommodate a 800,000 sq ft requirement, so we're very confident it will attract a lot of occupier interest.

We have outline consent for the wider scheme, so we still have the ability to evolve our plans to meet occupier demand and we have full optionality over how we progress and fund the build out.

Radway 16, Crewe
1.8m sq ft development opportunity

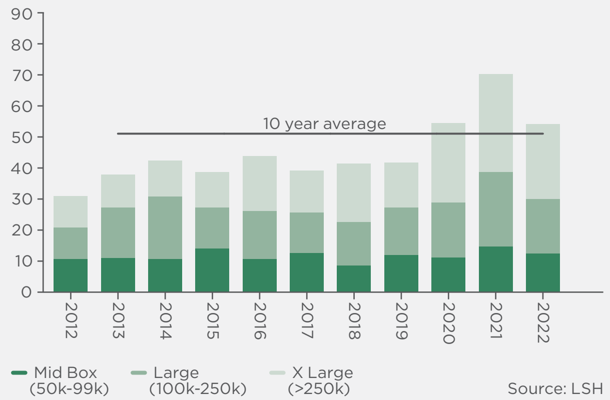
Market overview

The UK economic environment became more challenging over the course of the year, with the steep rise in borrowing costs impacting the investment markets while inflation, and in particular the rapid rise in energy costs, put pressure on occupiers.

In this context, the occupier market has remained resilient and the longer-term outlook is favourable, given strong structural drivers set out below:

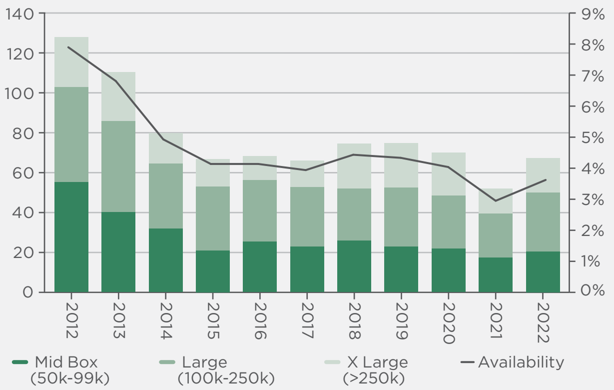
- **Continued growth of online retail.** While online retail in the UK has fallen back from its Covid-induced peak, it still accounted for 26.5% of total retail sales in the UK in March 2023, up from around 19% before the pandemic.
- **Focus on supply chain resilience.** External events such as the pandemic, Brexit and the Ukraine war are encouraging companies to manufacture closer to home and hold more stock as a buffer. At the same time, speed of delivery to the customer is increasingly important, putting a premium on well-located space.
- **Drive towards sustainability and efficiency.** Larger occupiers increasingly want buildings that support their sustainability objectives and are more energy efficient, particularly in the context of higher energy costs.

UK take-up by size band (m sq ft)



Source: LSH

UK availability by size-band (sq ft)



Strong occupier demand

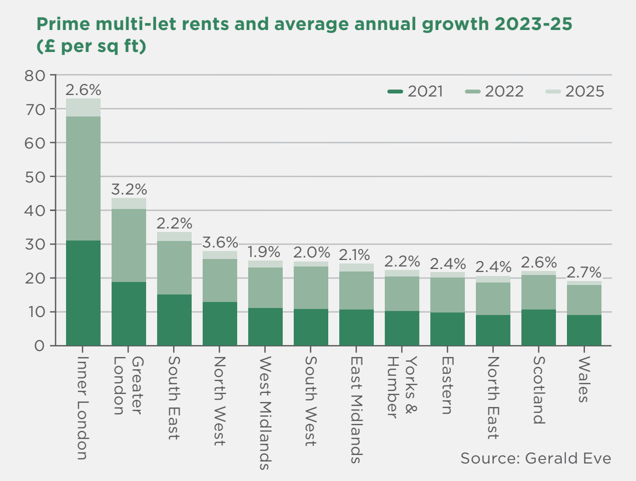
Take-up was down across the market in 2022 following a record year in 2021, but the most resilient sector was the mid-box sub-sector (50k – 99k sq ft) which saw drops of around 15% and take up was still 7% above the ten-year average. Demand was broad based, particularly for mid-boxes which offer greater flexibility. In this sub-sector, manufacturers accounted for 29% of take-up, retailers and wholesalers for 28% and 3PLs 23%. (All data: LSH).

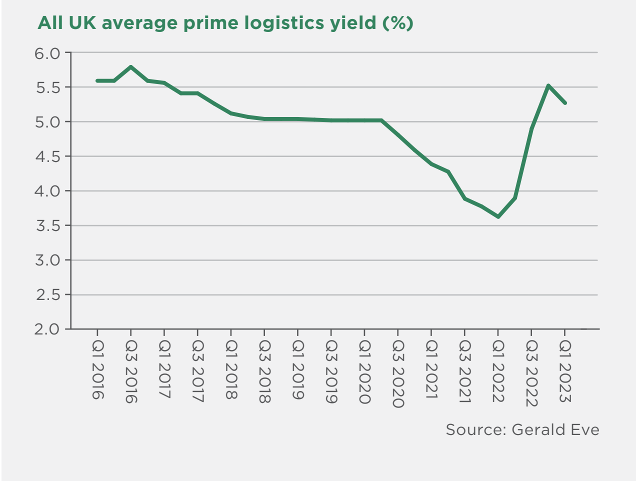
Supply remains constrained

While the volume of available space increased at the end of 2022, vacancy was low by historical standards, at 3.5%, with supply equivalent to only 1.1 years of average take-up. For the mid-box sub-sector, supply rose by just 2%. (All data: LSH).

Recent data from Gerald Eve showed that construction starts were at their lowest in Q1 2023 at 3.3 million sq ft, down 50% on the prior quarter, reflecting the higher cost of raw materials as well as development finance.

Market overview continued





Responding to market conditions

Organic rental growth: benefiting from resilient demand, we are driving rental growth by capturing the reversionary potential of our portfolio through active asset management.

Focusing on multi-let: currently 71% of our portfolio comprises multi-let assets and future sales will target non-core properties, building our presence in this resilient part of the market.

Selective development: progressing the development of best-in-class space which meets the highest sustainability standards but managing our risks appropriately through pre-letting, for example at Radway 16, Crewe.

Rental outlook for prime multi-let industrial

The outlook for rental growth in the industrial sector is positive, reflecting the strong, long-term structural trends which are driving demand. Multi-let assets in particular have a broad appeal, because their flexibility means occupiers can scale up or down according to their needs. The frequency of lettings at a single site also provides stronger evidence on which to base ERVs, making it easier to raise the rental tone. Looking forward, Gerald Eve expect the strongest rental growth for 2023-25 to be in the North West, at 3.6%, where rents are expected to approach £15 per sq ft by 2025.

Investment market stabilising

Investment markets were severely affected by the rapid increase in borrowing costs in the second half of 2022 with volumes for the year of £11.5 billion down 24.0% on 2021's record year.

Prime logistics yields reached levels not seen since 2017 at 5.5% but early evidence suggests that this is starting to pull back as investors returned to the market. This reflects the favourable supply-demand characteristics of the sector although investor appetite is increasingly focused on good-quality assets and, in particular, those with excellent ESG credentials.

Valley Point, Rugby
38,600 sq ft let to PWR Europe

Business model

Our business model is designed to create both economic and social value for our stakeholders. To support this, we have integrated ESG considerations in every step.

Inputs

Our portfolio

- Multi let warehouses
- Strategically located
- Attractive opportunities for development

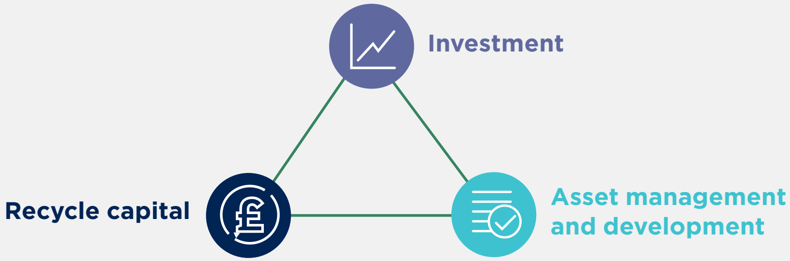
People and relationships

- Experienced Board
- Dedicated Investment Advisor with extensive real estate expertise and strong industry relationships

Financial

- Sound financial position
- Access to a range of funding sources and significant headroom to covenants

How we create value



Investment

We benefit from Tilstone's extensive network to identify attractive opportunities for investment and development which can enable us to secure deals off-market, potentially on better terms.

Asset management and development

We actively manage our assets to drive rental growth and keep occupancy high. We invest in our properties to ensure they meet the needs of occupiers and we develop into markets with potential.

Recycle capital

We are long-term holders of our properties but regularly review our portfolio and look to crystallise value through asset disposals and recycle capital where future returns are lower than target or to pay down debt.

Creating long-term value

Financial

We aim to deliver an average total accounting return of over 10% per annum for our shareholders. For our lenders, we are an attractive covenant with high-quality assets and a robust interest cover.

Occupiers

We provide high-quality, well-located space and our effective retention rate[1] of 82.2% is a strong endorsement of our offer.

Environmental and social

Our asset management initiatives are improving the environmental credentials of our buildings. 60.2% of the portfolio is now EPC A to C rated and introducing green clauses to all new leases.

Operating sustainably

- Creating a resilient portfolio
- Reducing our footprint
- Supporting our occupiers
- Responsible business foundations

Read more on page 37

1. Including vacant units re-let during the period.

Stakeholders

Understanding our stakeholders' views and interests is essential for meeting our responsibilities and creating economic and social value.

Our approach to stakeholder engagement

Tilstone is responsible for most of our day-to-day stakeholder engagement, with the Board receiving regular updates. In addition, the Management Engagement Committee ("MEC") reviews service provider performance each year, including their policies and procedures around ethics and culture and their engagement with our other service providers. The MEC's report can be found on page 90. Further information on ESG-related engagement can also be found in the sustainability section on page 36.

Bradwell Abbey, Milton Keynes
Acquired April 2022

Our stakeholder engagement

Occupiers

Our occupiers are at the heart of our value creation model. Tilstone's approach to building occupier relationships ensures a robust understanding of current and potential occupiers and their needs.

Their material issues

- The size, quality and location of our warehouses
- Rental levels
- Lease length and terms
- Flexibility and the ability to scale-up their operations
- Support for their sustainability targets, including renewable energy sources, energy use/costs, carbon emissions, sustainable transport, climate change adaptation and employee wellbeing

How we engage

- Occupier engagement is a key part of our business model (see page 13)
- Regular communication with existing occupiers via the Tilstone and property management teams
- Occupier surveys, for example on ESG matters (see page 42 in the sustainability section)
- The Board receives regular updates on occupiers from the Tilstone team

Outcomes

- Ongoing engagement with occupiers to determine their strategies and meet their requirements, supporting 22 lease renewals across 0.2 million sq ft
- Agreed 40 new leases across 0.5 million sq ft
- Further developed understanding of occupiers' approach to ESG and our role as a landlord (see page 42) and integration into asset management

Stakeholders continued

Our stakeholder engagement continued

Shareholders

A growing group of supportive and informed shareholders is vital to our business, in particular our ability in the future to raise equity to expand the portfolio and fund developments.

Their material issues

- Market drivers
- Strategy and business model
- Operational and financial performance
- Balance sheet strength
- ESG strategy, compliance and performance
- Climate risk
- Dividends and total returns

How we engage

- Shareholder meetings and roadshows undertaken by Tilstone
- The Board receives regular shareholder updates from Tilstone and our corporate brokers
- All shareholders encouraged to vote at the AGM, during which the Board and the Tilstone team are available to answer questions
- Website/Regulatory News Service ("RNS")

See the shareholder relations section on page 82 for more information.

Outcomes

- Maintained the dividend at 6.4 pence per share
- Completed transfer to the Main Market of the London Stock Exchange
- Continued to develop and communicate our ESG strategy and enhance reporting, including under TCFD, reflecting strong shareholder interest in ESG matters

Lenders

Employing an appropriate level of debt is a key part of generating financial returns. We therefore need strong relationships with lenders, who are committed to providing the lending facilities we need on appropriate terms.

Their material issues

- Quality of security
- Compliance with covenants
- Good working relationships
- Ability to provide the accordion facility when required
- Hedging of interest rates where appropriate

How we engage

- Tilstone engages with lenders through regular meetings to support our relationships
- The Board is kept informed of lender views by Tilstone
- Regular portfolio updates via compliance reporting
- Quarterly reviews of hedging and other funding matters with lenders and advisors

Outcomes

- Agreed two interest rate caps of £100.0 million each (see page 34)
- Refinancing completed with new club of lenders with improved reporting covenants for an additional five years

The Investment Advisor

Tilstone implements our strategy and is responsible for the day-to-day operation of the business, making it a critical stakeholder for the Group.

Their material issues

- The Investment Management Agreement
- Transparency of fee calculations and prompt payment
- Clear investment strategy
- Day-to-day asset management
- Code of conduct and Group policies
- Management of other suppliers
- Open communication and alignment of values

How we engage

- Open, regular and transparent discussions with Tilstone, including attendance at Board meetings
- Tilstone representatives have been appointed to the Board
- Tilstone can draw on Board members' experience to support its work

See the MEC report on page 90 for more information.

Outcomes

- Tilstone continued to execute the Company's strategy in line with the Board's expectations
- The Board has approved Tilstone's continued appointment, on the MEC's recommendation

Stakeholders continued

Our stakeholder engagement continued

Other third-party service providers

Under our business model, third parties provide key services to us. These include G10 (Investment Manager), Savills and Rapleys (Aston Rose) (Property Managers), Link (Administrator, Registrar and Company Secretary), AuditR (risk management and internal audit advisor), BDO (Auditor), Peel Hunt and Jeffries (Corporate Brokers), FTI Consulting (financial PR and IR advisor) and Crestbridge Property Partnerships (Depositary).

Their material issues

- Clear terms of reference
- Clarity of fees
- Open two-way communications and information flow

How we engage

- Quarterly service calls between Tilstone and service providers
- Monthly monitoring calls with the Investment Manager
- The Board maintains regular contact with key service providers via Tilstone, with the aim of building long-term relationships.

See the MEC report on page 90 for more information

Outcomes

- Service providers' advice, needs and views are routinely taken into account
- Commitment to prompt payment
- All suppliers with spend over £100k and with higher risk have a Modern Slavery Statement or signed declaration
- Supplier code of conduct developed
- Checklist for appointment of third parties

Local communities

We are aware of our wider responsibilities to the local communities affected by the Company's investments.

Their material issues

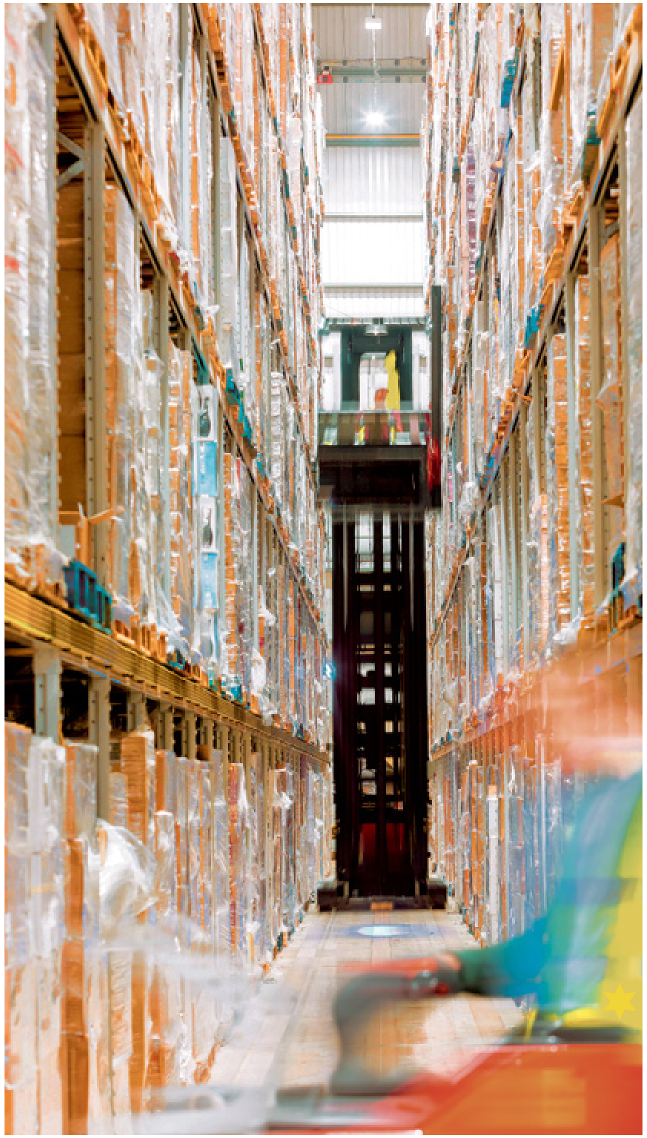
- Noise and traffic
- Health and safety
- Environmental performance
- Employment opportunities

How we engage

- The Board ensures that any key decisions take into account the impact on local communities and the environment
- The Company is pro-active in meeting health and safety requirements, local environmental standards on waste and other regulatory obligations

Outcomes

- Commitment to EPRA sustainability reporting
- Consideration of local government ESG targets
- New lettings/renewals providing additional employment opportunities



Section 172(1) statement

The Directors have had regard for the matters set out in section 172(1)(a)-(f) of the Companies Act 2006 when performing their duty under section 172. They consider that they have acted in good faith in the way that would be most likely to promote the success of the Company for the benefit of its members as a whole, while also considering the broad range of stakeholders who interact with and are affected by our business, especially with regard to major decisions.

On this page are the matters the Board is required to take into account under section 172(1).

Taking account of stakeholder views

Information on stakeholder engagement, including how the Board is kept informed about stakeholder views, can be found on pages 14 to 16. This engagement is an important input to the Board's decision-making. The Directors keep the methods for engaging with stakeholders under review, to ensure they remain effective.

Key Board decisions

The Board's key decisions during the year included approving:

- the four interim dividends in respect of the year, totalling 6.4 pence per share;
- the purchase of two £100.0 million interest rate derivatives, capping SONIA at 1.5%;
- the asset disposal programme, which raised £54.7 million in the second half of the year;
- the Company's plans to reach net zero carbon for Scope 1 and 2 emissions by 2030; and
- the refinancing of the Company's debt facilities, which completed after the year end.

Case study

Asset disposal programme

Link to business model

Recycle capital

Background

The Group has regularly disposed of properties that are or have become non-core, where returns are likely to be below average, or the asset no longer meets income or ESG requirements without significant further capital expenditure. In September 2022, the Board reviewed the Group's strategy and the Investment Advisor, Tilstone, asked the Board to approve a larger asset disposal programme, as part of its plan to reduce the level of variable-rate debt, given the higher interest rate environment.

Stakeholder considerations

In making its decision, the Board considered the impact on the following stakeholders:

- **Shareholders.** The financial benefit of the disposals is the crystallisation of valuation gains accrued over a number of years which will be returned to shareholders via dividends declared during the year and is key to ensuring that the dividend will be covered by adjusted earnings by the end of FY 2024.

  Although asset disposals reduce the Group's short-term rental income, there is a significant saving in interest costs. The Group also saves the capital expenditure that the assets would otherwise require.
- **Occupiers.** To protect occupiers' interests, the decision to sell an asset is discussed with occupiers and in some instances there is the potential to sell some assets to our occupiers.
- **Lenders.** By reducing the level of variable rate debt, keeping total debt at a prudent amount and improving the Group's overall financial performance, the Board considered the disposals would give increased comfort to lenders.
- **Service providers.** The targets are carefully chosen by the Investment Advisor with some input from Property Managers to give time to conclude any ongoing value creating asset management.
- **Local community.** The disposal provided a local charity in Staffordshire with new space to occupy as their headquarters.

Impact of the decision in the long term

The Board noted that as well as improving the Group's financial position and performance in the short term, the disposals would improve the overall quality of the portfolio and reduce future outflows on capital expenditure. Significantly, by assisting with the return to a covered dividend, the disposals would help to protect the Group's long-term relationships with its shareholders.

Conclusion

The Board concluded that the disposals were in the best interests of the Group and its stakeholders, and the programme should go ahead. This resulted in the further disposal of 14 assets for an aggregate consideration of £54.7 million in the second half of the year and two further sales for £29.9 million due to complete post year end.

Section 172(1) statement continued

Case study

Adoption of net zero pathway

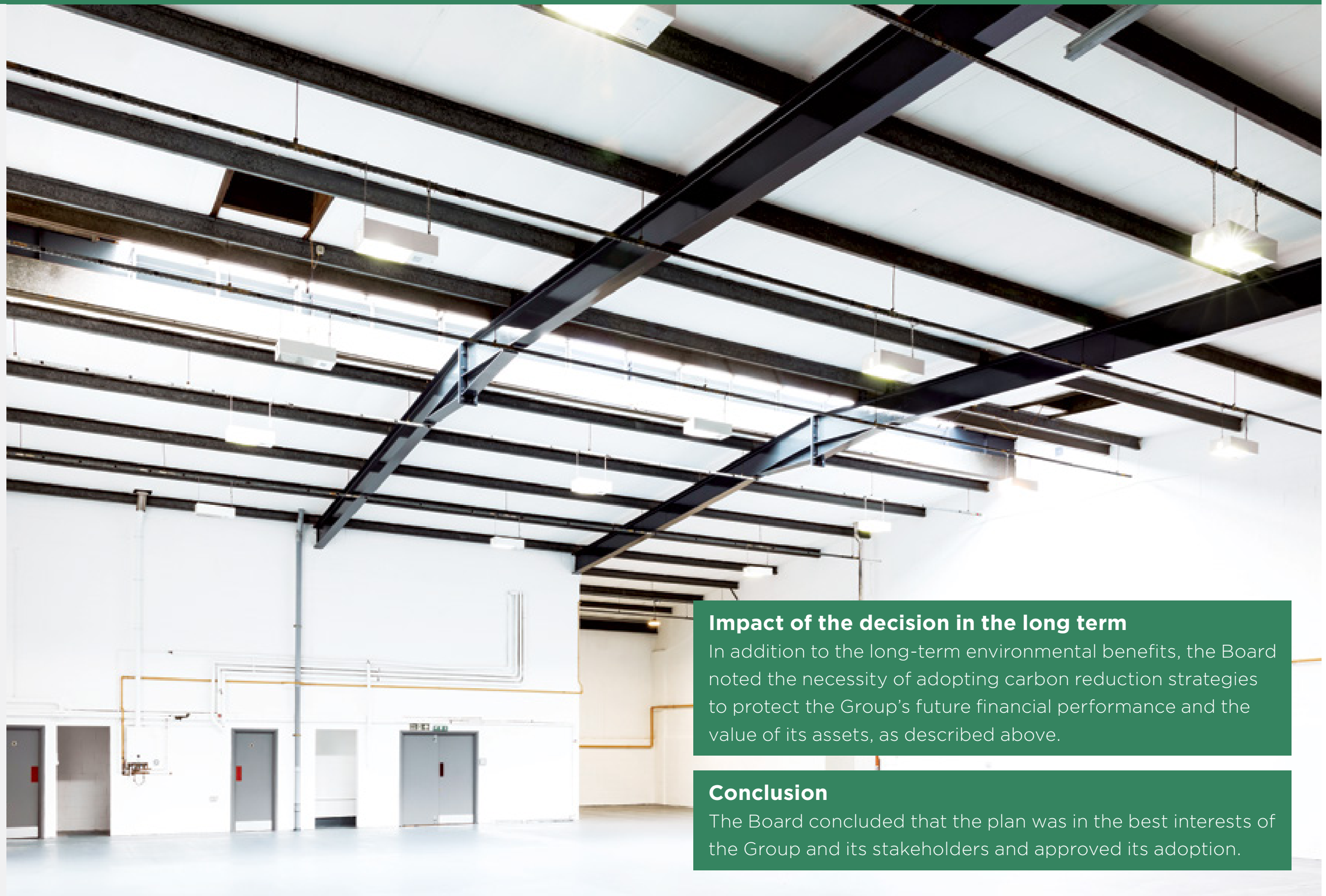
Background

The logistics industry is a significant contributor to global greenhouse gas emissions. The Group needs to play its part in reducing emissions, to help limit the impact of climate change, attract and retain high-quality occupiers and safeguard the portfolio's long-term value. The Board was asked to approve the Group's plan to achieve net zero for its Scope 1 and 2 emissions by 2030. See page 38 in the sustainability report for details on our pathway.

Stakeholder considerations

In making its decision, the Board considered the impact on the following stakeholders:

- **Shareholders.** Occupiers are increasingly focused on the sustainability credentials and energy efficiency of their buildings. Following the pathway to net zero will help the Group to continue to attract occupiers, maintain or improve rental levels and support capital values, all of which benefit shareholders.
- **Occupiers.** Occupiers benefit from potential savings on their energy bills and by reducing the environmental impact of their occupation of the building.
- **Communities.** Communities will benefit from a reduction in carbon emissions, helping to mitigate the impact of climate change.



Impact of the decision in the long term

In addition to the long-term environmental benefits, the Board noted the necessity of adopting carbon reduction strategies to protect the Group's future financial performance and the value of its assets, as described above.

Conclusion

The Board concluded that the plan was in the best interests of the Group and its stakeholders and approved its adoption.

Section 172(1) statement continued

Matter	Response
a) The likely consequence of any decision in the long term.	All Board decisions involve careful consideration of the longer-term consequences and their implications for stakeholders. For example, during the year the Board approved the programme of asset disposals and the adoption of the net zero pathway (see case studies on pages 17 to 18) both of which have important longer-term benefits.
b) The interests of the Company's employees.	The Company is externally managed and therefore does not have any employees.
c) The need to foster the Company's business relationships with suppliers, customers and others.	As described on page 29, the Group's relationships with its occupiers are managed day-to-day by the Investment Advisor, Tilstone, with the Board kept regularly updated. The Board oversees the Group's relationships with all its principal service providers through the Management Engagement Committee. As a result of its oversight and review, during the year the Committee recommended the continuing appointment of Tilstone and the other key service providers.
d) The impact of the Company's operations on the community and environment.	The Board takes a keen interest in the Group's environmental performance and the energy efficiency of its assets, as reflected in the portfolio's EPC ratings. The Sustainability Committee provides a dedicated forum for overseeing and directing our ESG activities, and the Committee Chair Aimée Pitman has been closely involved in the key activities this year, such as the development of our net zero pathway and analysis of climate-related risks. The Board approved the net zero plan at its meeting in January.
e) The desirability of the Company maintaining a reputation for high standards of business conduct.	The Board has a culture statement, setting out its commitment to ethics and high standards of business conduct. All of the key service providers are expected to abide by these standards. Reputational risks are also considered as part of the Group's risk management framework, as described in the risk management and principal risks section on pages 54 to 64. As part of the Board's ongoing review of corporate governance, the Board reviewed and approved updates to the following policies: • anti-bribery and corruption; • health and safety; • anti-money laundering; • whistleblowing; • supplier code of conduct; and • business code of conduct.
f) The need to act fairly between members of the Company.	The Board is aware of the need to treat all shareholders equally. No decisions arose in the year where shareholders could be treated differently. In addition, Board members and members of Tilstone's senior management own a total of 28.6 million shares in the Company between them, aligning their interests with the outcomes delivered for shareholders as a whole.

Objectives and strategy

We aim to create value through a top-down approach to investment, hands-on asset management with best-in-class processes, and an appropriate mix of financing.

Our objectives

We aim to provide shareholders with an attractive total return, underpinned by secure income.

Total accounting return

Our target is 10% per annum, through a combination of dividends and growth in NAV.

Outcome in 2022/23 – Not achieved.

The total accounting return for the year was (25.7%) (see page 1), reflecting the impact of adverse interest rates and market conditions on the portfolio valuation, partially offset by improvements in occupancy during the year and interest rate caps. Our average total accounting return since IPO is on track at 10.8%.

Plan for 2023/24

We continue to target an average return of 10% per annum.

Dividends

Our target for this year was a total dividend of at least 6.4 pence per share.

Outcome in 2022/23 – Achieved.

We declared total dividends of 6.4 pence per share.

Plan for 2023/24

Our target for 2023/24 is to maintain the dividend at 6.4 pence per share.

Sustainability

Our new environmental performance target is a 4.2% annual reduction in our like for like scope 1 and 2 emissions.

Our strategy

To achieve our objectives, we follow the strategy set out below:

Investment strategy

We look for:

- sites close to major transport links and large conurbations, with high occupier demand and a suitable workforce;
- buildings or land with a range of uses and long-term flexibility, including the potential to change permitted use;
- assets that match occupiers' current and future needs, including their ESG objectives; and
- multi-let estates spread risk and offer more asset management opportunities than single-let assets. Rental increases can also be reflected across the estate. We generally target buildings of less than 100,000 sq ft and have an average size of 12,000 sq ft.

Risks:

- poor performance of the Investment Advisor, Tilstone;
- poor returns on portfolio; and
- acquisition of inappropriate assets or unrecognised liabilities, or a breach of the investment strategy.

What we achieved:

- acquired one asset totalling c.335,000 sq ft in the highly attractive location of Milton Keynes (see case study on page 24); and
- disposed of 16 assets for £59.6 million, generating an internal rate of return of 8.0%.

Progress measured by:

- like-for-like valuation change;
- EPRA NAV;
- dividend per share; and
- Total accounting return.

Post year end activity:

- exchanged on a further £29.3m of sales.

Objectives and strategy continued

Our strategy continued

Asset management strategy

We budget to spend 0.75% of our gross asset value ("GAV") on capital expenditure each year, with a target return of at least 10%. We also target a vacancy level of 5-7%, since vacant properties allow us to carry out asset management activities.

Improving the sustainability performance of our assets, for example by improving their energy efficiency, is an important part of maintaining property values and occupier appeal.

Risks:

- poor performance of Tilstone.

During the year we:

- invested £5.0 million, or 0.5% of GAV, in capital expenditure;
- completed 40 new lettings, at rents 13.0% ahead of ERV;
- completed 22 lease renewals, with a 15.8% increase in headline rents;
- completed 21 rent reviews with a 21.5% increase in headline rents;
- continued to progress our development project at Radway 16, Crewe; and
- 18 EV chargers installed.

Progress measured by:

- occupancy;
- like-for-like rental income growth;
- rental increases agreed versus valuer's ERV;
- number of energy efficient initiatives; and
- portfolio EPC performance.

Post year end activity:

- eight new lettings and three renewals, 39.5% ahead of prior rents and 1.6% above March 2023 ERV; and
- two rent reviews, 22.5% ahead of prior rent, 19.5% ahead of ERV at the time of the rent review.

Financial strategy

We fund the business through shareholders' equity, bank debt and any disposal proceeds we generate. We look to raise equity at times when we can make investments that are accretive to shareholders.

Our strategy for debt financing is to maintain a prudent level of debt, with an LTV range of 30-40% in the longer term. We look to hedge the interest on a significant proportion of our debt, to provide greater certainty over our financing costs.

Risks:

- significant volatility in interest rates;
- inability to attract investors; and
- breach of borrowing policy or loan covenants.

During the year we:

- moved the Company's listing to the Premium Segment of the Main Market of the London Stock Exchange, thereby increasing the number of potential investors in the Company's shares, in the UK and overseas;
- took out two interest rate caps of £100.0 million each, for three and five years, capping the SONIA rate in the debt facilities at 1.5%;
- reduced leverage through the disposal programme described above; and
- maintained the LTV ratio in line with our target of c.35%.

Measured by:

- LTV ratio.

Post year end activity:

- refinancing with new club of lenders agreed with improved reporting covenants for a further five years.

Key performance indicators

We use the following key performance indicators ("KPIs") to monitor our performance and strategic progress.

Link to strategy key:

- Investment
- Asset management
- Financial

Occupancy (%)

95.8%

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

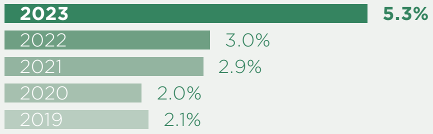
Why is this important?
Shows our ability to retain occupiers at renewal and to let vacant space, which in turn underpins our income and dividend payments.

How we performed
Active asset management, asset disposals and the robust occupational market helped us to increase occupancy during the year to 95.8%.

Link to strategy
Asset management

Like-for-like rental income growth (%)

5.3%



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

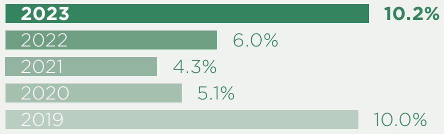
Why is this important?
Shows our ability to identify and acquire attractive properties and grow average rents over time.

How we performed
We delivered further good rental growth, as we continued to capture the reversionary potential in the portfolio through active asset management.

Link to strategy
Asset management

Rental increases agreed versus valuer's ERV (%)

10.2%



Description
The difference between the rent achieved on new lettings and renewals and the ERV assessed by the external valuer, expressed as a percentage above the ERV at the start of the period.

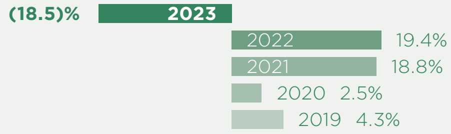
Why is this important?
Shows our ability to achieve rental growth ahead of ERV through asset management and the attractiveness of our assets to potential occupiers.

How we performed
We maintained our track record of achieving rental levels ahead of ERV.

Link to strategy
Asset management

Like-for-like valuation change (%)

(18.5)%



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

Why is this important?
Shows our ability to acquire the right quality of assets at attractive valuations, add value through asset management and drive increased capital values by capturing rental growth.

How we performed
After two years of exceptionally strong valuation increases, investment market conditions led to an 18.5% fall in the like-for-like valuation.

Link to strategy
Asset management, Investment

Key performance indicators continued

Link to strategy key:

Investment · Asset management · Financial

Total cost ratio (%)

28.4%

2023	**28.4%**
2022	27.1%
2021	29.5%
2020	27.1%
2019	29.4%

Description

EPRA cost ratio including direct vacancy costs but excluding one-off costs. The EPRA cost ratio is the sum of property expenses and administration expenses, as a percentage of gross rental income. (See table 6 on page 147 for detail.)

Why is this important?

Shows our ability to effectively control our cost base, which in turn supports dividend payments to shareholders.

How we performed

The total cost ratio increased in the year due to non-recoverable holding costs on larger vacant buildings. Excluding vacancy costs, the EPRA cost ratio was 26.8%.

Link to strategy

Not applicable

EPRA NTA (p)

122.6p

2023	**122.6p**
2022	173.8p
2021	135.1p
2020	109.5p
2019	109.7p

Description

This net asset value measure assumes entities buy and sell assets, thereby crystallising certain levels of deferred tax liability. The measure excludes the fair value of financial instruments that are used for hedging purposes where the Company has the intention of keeping the hedge position until the end of the contract duration (this is regardless of whether hedge accounting under IFRS is applied). (See table 6 on page 147 for detail.)

Why is this important?

Shows our ability to acquire well and to increase capital values through active asset management.

How we performed

The decline in capital values relative to the market contributed to a 29.5% reduction in EPRA NTA per share.

Link to strategy

Dividends per share (p)

6.4p

2023	**6.4p**
2022	6.4p
2021	6.2p
2020	6.2p
2019	6.0p

Description

The total amount of dividends paid or declared in respect of the financial year, divided by the number of shares in issue in the period.

Why is this important?

Shows our ability to construct a portfolio that delivers a secure and growing income, which underpins progressive dividend payments to shareholders.

How we performed

We achieved our dividend target for the year of at least 6.4 pence per share.

Link to strategy

Loan to value ratio (%)

33.9%

2023	**33.9%**
2022	25.1%
2021	24.6%
2020	40.2%
2019	39.7%

Description

Gross debt less cash, short-term deposits and liquid investments, divided by the aggregate value of properties and investments. (See table 10 on page 149 for detail.)

Why is this important?

Shows our ability to balance the additional portfolio diversification and returns that come from using debt, with the need to manage risk through prudent financing.

How we performed

The increase in the LTV primarily reflects our acquisition in the year and the reduction in the value of the portfolio, partially offset by proceeds from asset disposals.

Link to strategy

Strategy in action

Growing our presence in a key location

In line with our purpose (see page 1) we look to own assets in economically vibrant areas with access to major arterial routes.

One of the UK's fastest-growing cities

Milton Keynes is an excellent example of our approach. It is one of the UK's premier distribution and logistics locations. Prime rents in the area range from £10.50 to £11.50 per sq ft and residential growth is putting further pressure on demand, underpinning prospects for higher rents.

Strengthening our presence

The Group has owned Granby Trade Park in Milton Keynes since December 2020. The asset comprises 24 units and has a total area of 147,000 sq ft. In April 2022, we announced the acquisition of Bradwell Abbey Industrial Estate, which has 69 units across 335,000 sq ft (see page 25). This gives us nearly 0.5 million sq ft of space in this key location. With low average rents at Bradwell Abbey of c.£7.83 per sq ft there is good reversionary potential compared to an ERV of £9.89 per sq ft. We see considerable scope to grow income from our Milton Keynes assets.

In December 2022, we announced a new ten-year lease with no break on 20,200 sq ft at Granby Trade Park. This followed a comprehensive refurbishment of the unit, including significant roof works, installing electric vehicle charging points and a lighting upgrade to LED, improving the building's EPC rating from a D to a B. The new occupier, Superbike Factory Ltd, is a large motorbike retailer and will primarily use the unit for its "click and collect" sales. The contracted rent of £201,800 per annum equates to £10.00 per sq ft, 6.6% ahead of the 31 March 2022 ERV.

Our new estate at Bradwell Abbey sets a precedent for the future pipeline of assets as we continuously improve the estate beyond energy efficiency initiatives to create a desirable and sustainable working environment.

To support occupier wellbeing, the Group intends to provide amenities and further landscape the grounds with biodiversity net gain in mind.

Strategy in action continued

Net zero pathway and MEES regulation aligned works completed at Bradwell Abbey to date:

- LED lighting upgrades;
- installation of efficient mechanical ventilation and air conditioning;
- electrification of hot water and heat;
- air source heat pump;
- provision of disabled toilet facilities;
- fabric improvements including improved insulation and door replacements; and
- EPC ratings improved.

Acquiring Bradwell Abbey in July 2022, a 335,000 sq ft industrial estate, provides us with an opportunity to showcase the sustainability policies and procedures we have been developing over the past few years, most notably our EPC improvement activities and Environmental Refurbishment and Development Standards. We have since put asset refurbishment plans in place to improve the estate beyond just energy efficiency to create a desirable, sustainable and pioneering working environment.

The current phase is due to be completed in June 2023 and future phases will continue following lease events and through pro-active occupier engagement. Bradwell Abbey will set a precedent for the future pipeline of assets.

We have completed a programme of external repairs and refurbishment for over 100,000 sq ft of the site, which follows the Group's sustainable asset management approach of transforming and repositioning existing buildings. The EPC upgrades completed in 2022/23 apply to three units and consist of LED lighting upgrades, the installation of efficient mechanical ventilation and air conditioning, and the electrification of hot water and heat.

It is expected that these measures should improve the three units' EPC ratings to a B and are in line with our net zero carbon pathway. Another five buildings on the estate are currently being refurbished with similar EPC improvement aspirations. The main estate lighting for c.40 units has been replaced with LEDs, with an estimated payback period of less than three years and cost and energy savings of 79%.

For a smaller number of units, we provided disabled toilets and decarbonised larger units by installing air source heat pumps to power air conditioning and hot water. We also realised fabric improvements by installing insulated sectional goods doors.

In addition to energy efficiency improvements, the refurbishment works will include the development of public amenities such as a gym and a coffee shop as well as a more strategic approach to the public realm beyond basic landscaping through the introduction of native species.

Strategy in action continued

Swift Valley Industrial Estate, Rugby

What is it?

We acquired Valley Point in December 2020 as part of a portfolio of four single and multi-let distribution warehouse assets. The 39,000 sq ft property is in an excellent strategic location on the Swift Valley Industrial Estate, a prime West Midlands industrial hub in the UK's 'Golden Triangle'. The M6 and M1 can be reached in under ten minutes and 80% of the UK's population is within a four-hour drive time.

How have we added value since purchase?

Following the expiry of the previous occupier's lease, we undertook various improvement works to the unit to strengthen its marketability and energy efficiency.

We invested £0.3 million of capital expenditure, including installing LED lighting across the asset, as well as efficient mechanical ventilation and heat recovery systems, electrifying hot water and heat, and improving the building fabric through increased insulation and air tightness.

What was the outcome?

The refurbishment programme increased the EPC rating from B to A.

In December 2022, we announced that we had completed a 20 year lease to a leading developer and manufacturer of cooling solutions to sectors such as motorsport, renewable energy and aerospace. The unit will serve as its new European headquarters. The contracted rent of £332,400 per annum equates to c.£8.60 per sq ft, 4.3% ahead of previous passing rent and 11.0% above the 31 March 2022 ERV and is subject to five-yearly upward-only rent reviews, to the higher of open market rent or indexation.

Investment Advisor's report

"The UK occupational market remains robust and strong occupier demand has helped us to continue to capture the inbuilt reversion in the portfolio."

Tilstone Partners Limited
Investment Advisor

The Group performed well from an operational perspective, as we continued to successfully implement the strategy, with a particular focus on driving value from the portfolio through active asset management and progressing the development opportunities, notably at Radway 16, Crewe.

On a statutory basis, the Group's earnings per share of (43.0) pence reflected the loss on revaluation of the investment properties at the year end of £193.4 million, as a result of the conditions in the investment market described on page 11. The Group had recognised gains on revaluation of £163.7 million and £105.0 million in the previous two financial years.

On an adjusted basis the Group's results were affected by the increased cost of debt in the year, as a result of rising interest rates, and to a lesser extent by higher vacancy costs during the year. As a result, adjusted earnings per share of 4.7 pence were 26.6% lower than the previous financial year, resulting in dividend coverage of 73.4%.

Investment portfolio

During the year, the Group acquired two assets and disposed of a number of other properties.

Acquisition

The Group acquired Bradwell Abbey Industrial Estate in Milton Keynes for £62.0 million, excluding acquisition costs. The multi-let industrial asset comprises 69 units across c.335,000 sq ft and is let to occupiers including Argos, F&F Stores and Taylor Kerr Engineering. The current rent of c.£7.83 per sq ft offers good reversionary potential compared to an ERV of £9.89 per sq ft. We see clear opportunities to generate upside through strategic capital expenditure, working with the existing occupiers and improving the estate's sustainability credentials, and we have made good progress with our asset management plan since purchase.

For more information on the attractions of Milton Keynes as a location, see the case study on page 24.

Investment Advisor's report continued

Investment portfolio continued

Disposals

The Group's asset management strategy includes an ongoing programme of disposing of mature or non-core assets, so it can redeploy the capital or use the proceeds to pay down debt. We keep the portfolio under constant review to identify assets that are candidates for disposal.

During the first half, the Group disposed of two assets, for gross proceeds of £4.8 million. In the second half, we progressed the Group's short-term strategy to reduce the level of variable-rate debt with the disposal of 14 assets, for headline consideration of £54.7 million, crystallising a profit on cost of £3.3 million and generating an ungeared IRR of 8.9%. This brought the aggregate proceeds for the year to £59.6 million. On a statutory basis, due to the high watermark of March 2022 valuations, a £13.1 million loss was realised for the year ended 31 March 2023.

The sale of the assets demonstrate the liquidity of the portfolio and include:

- Exeter Way, Theale, a vacant 92,000 sq ft warehouse with a high office component, sold to an owner-occupier for £15.0 million; and
- Temple House, Harlow, for £14.5 million. The asset was sold ahead of a potential vacancy and capital expenditure costs, following the receipt of notice to break from the main occupier in March 2023.

The other assets disposed of included a range of smaller properties for £25.2 million with a net initial yield of 6.5% and generating an ungeared IRR of 15.4%. These are assets we had identified as being non-core.

Top 15 tenants by contracted rent

Occupier	% contracted rent
Amazon UK Services Ltd	6.66
John Lewis plc	4.23
Wincanton Holdings Limited	4.17
DFS Ltd	2.94
Direct Wines Ltd	2.54
Argos Ltd	2.23
Alliance Healthcare (Distribution) Ltd	2.08
Magna Exteriors (Liverpool) Limited	1.84
International Automotive Components Limited	1.80
Evtec Aluminium Technologies Ltd	1.38
Emerson Process Management Ltd	1.36
Iron Mountain (UK) Plc	1.36
Colormatrix Europe Ltd	1.09
Magna Exteriors (Banbury) Ltd	1.07
Selco Trade Centres Ltd	1.02

Investment Advisor’s report continued

Asset management

Working with occupiers

The Group has a diverse base of 490 occupiers, with the top 15 occupiers accounting for 35.8% of the contracted rent roll from the investment portfolio. The spread of the Group’s occupiers across different industries and business sizes means it is not reliant on any one occupier or industry. This increases the Group’s resilience and helps to mitigate financial and leasing risks.

We continue to actively monitor the strength of the occupiers’ covenants using credit software such as Dun & Bradstreet, enabling us to keep abreast of the impact of the current economic environment on the Group’s occupiers, in particular those where energy is a high proportion of their costs. However, we have not identified an increase in corporate failures, as reflected in the Group’s rent collection performance and bad debts (see the financial review for more information). As at 2 June 2023, we had collected c.99.0% of the rent due in respect of the year and we expect this to increase as we work with occupiers to collect the outstanding amounts.

Leasing activity

As described on page 11, the UK occupational market remains robust and strong occupier demand has helped us to continue to capture the inbuilt reversion in the portfolio through lease renewals and new lettings. New leases continue to exceed ERVs, while lease renewals and rent reviews are achieving strong average uplifts against previous rental levels. As a result, like-for-like contracted rent increased by 5.3% year on year and ERVs by 6.2%, providing significant opportunities to capture the portfolio reversion in future periods.

New leases

The Group completed 40 new leases on 0.5 million sq ft of space during the year, which will generate annual rent of £3.0 million, 29.1% ahead of previous contracted rent and 13.0% ahead of 31 March 2022 ERV. The level of incentives remains steady on all multi-let estates.

Highlights included new leases for:

- 23,700 sq ft at Midpoint 18, Middlewich, to a leading software provider to the UK healthcare sector, on a ten-year lease with a five-year break, at a rent of £237,000 per annum, 97.5% ahead of previous contracted rent and in line with the 31 March 2022 ERV;
- 138,500 sq ft at Daimler Green, Coventry, to an automotive parts manufacturer, on a ten-year term at a rent of £623,000, 25.9% ahead of previous contracted rent and 16.9% above the 31 March 2022 ERV;
- 38,600 sq ft at Swift Valley Industrial Estate, Rugby, on a 20-year lease at £8.60 per sq ft, 11.0% ahead of ERV (see the case study on page 26);
- 20,200 sq ft at Granby Trade Park, Milton Keynes, on a ten-year lease with no break at £10.00 per sq ft (see the case study on page 24);
- 15,200 sq ft at Gateway Park, Birmingham, to an electronic bike and scooter company, on a five-year term at a rent of £7.65 per sq ft, and 17.7% above the 31 March 2022 ERV; and
- 36,100 sq ft at Carisbrooke Industrial Estate, Isle of Wight, for a headline rent of £185,000 per annum for ten years with a break at five years, equivalent to £5.12 per sq ft, 54.2% above previous contracted rent and 7.7% ahead of the 31 March 2022 ERV. The occupier is a leading manufacturing business.

Lease renewals

The Group continues to retain the majority of its occupiers, with 59.0% remaining in occupation at lease expiry and 67.6% with a break arising in the year, including units that were vacated and re-let in the period, this increased the Group’s effective retention rate on lease renewals to 88.2%.

There were 22 lease renewals on 0.2 million sq ft of space during the year, with an average uplift of 15.8% above the previous passing rent and 2.7% above the ERV.

Highlights included:

- 31,900 sq ft of lease renewals at Queenslie Park, Queenslie, across nine units, securing £196,500 at an average of 22.8% ahead of previous contracted rent and 10.6% ahead of 31 March 2022 ERV;
- a five-year renewal at Linkway Industrial Estate, Middleton. The new lease generates total rent of £67,200 per annum and is c.11.0% ahead of both the previous rent and 31 March 2022 ERV; and
- 22,000 sq ft lease renewal at Gateway Park, Birmingham, securing £176,700, 22.5% ahead of previous contracted rent and 6.6% ahead of 31 March 2022 ERV.

Investment Advisor’s report continued

Asset management continued

Leasing activity continued

Rent reviews

During the year 21 rent reviews were completed, generating an additional £0.3 million per annum, 21.5% ahead of previous rent and 5.2% ahead of the 31 March 2022 ERV.

Highlights included:

- rent reviews on two leases at Air Cargo Centre, Glasgow, which were settled at £440,000, 25.9% ahead of the previous contracted rent and 11.8% ahead of the 31 March 2022 ERV;
- settled a rent review at Tewkesbury Business Park, Tewkesbury, for £330,000, 20.0% ahead of the previous contracted rent and 9.8% ahead of the 31 March 2022 ERV;
- settled a rent review at Austin Drive, Coventry, for £275,000, 14.6% ahead of the previous contracted rent and the ERV at the date of the rent review; and
- rent reviews on two leases at Chittening Industrial Estate, Bristol, which were settled at £210,000, 22.0% ahead of the previous contracted rent and 4.8% ahead of the ERV at the date of the rent review.

Development activity

Since 2017, we have assembled land for a flagship multi-let logistics park development at Radway 16, Crewe. The Group now owns 112 acres in this premier logistics location in the North West, market characterised by low vacancy rates and high take up in the region providing strong opportunities for above-average rental growth. Radway 16 will provide state-of-the-art, sustainable warehouse space that is suitable for a diverse range of occupiers.

As previously reported, the Group has planning approval for more than 1.8 million sq ft of warehousing at Radway 16, having secured unanimous committee approval in July 2022 on phase 2 (1.02 million sq ft), to add to the phase 1 consent for 0.8 million sq ft secured in 2021. Since securing the approval on phase 2, we have now satisfied the pre-commencement planning conditions on phase 1 to enable a start on site.

In Q4 2022, we launched a marketing campaign, generating significant occupier interest. We have also finalised the marketing for phase 2, which can be configured in a number of ways to provide a single 1 million sq ft unit or a number of smaller units.

We continue to make progress with the Group’s other development projects, where we will only commence development once a pre-let agreement has been signed.

Capital expenditure

We deploy carefully targeted capital expenditure to increase rents and capital values and improve the assets’ ESG performance. On average, the Group aims to invest around 0.75% of its gross asset value (“GAV”) in capital expenditure each year. This excludes development projects and is therefore based on GAV excluding developments.

Total capital expenditure in the year was £5.0 million, equivalent to 0.5% of GAV excluding developments. At the year end, approximately 1.3% of the portfolio’s ERV was under refurbishment (31 March 2022: 1.6%). In line with the Group’s ESG strategy, all capital expenditure projects have long-term sustainable features which target an improvement in the Group’s overall EPC rating.

Investment Advisor's report continued

Portfolio analysis

At the year end, the Group's portfolio comprised 833 units across 8.2 million sq ft of space (31 March 2022: 867 units across 8.5 million sq ft). The table below analyses the portfolio as at 31 March 2023:

	Value (£m)	Occupancy by ERV (%)	NIY (%)	NRY (%)	WAULT to expiry (years)	WAULT to break (years)	Average rent (£ per sq ft)	Capital value (£ per sq ft)
Multi-let more than 100k sq ft	384.0	95.2	5.5	6.5	4.6	3.6	5.88	92.13
Multi-let less than 100k sq ft	153.9	92.3	6.4	7.4	5.4	4.0	6.63	89.95
Single let – regional	131.9	100.0	5.1	5.8	7.8	7.6	5.22	95.55
Single let – last-mile	83.3	100.0	5.6	6.9	6.2	5.2	5.74	89.64
Total	**753.1**	**95.8**	**5.6**	**6.6**	**5.5**	**4.5**	**5.90**	**91.97**
Development land	75.7							
Total portfolio	**828.8**							

At the year end, the contracted rent roll for the investment portfolio (excluding developments) was £45.3 million, with the ERV of £53.3 million showing the reversionary potential in the portfolio. Total contracted rents increased by 5.3% on a like-for-like basis during the year.

The NIY of the investment portfolio was 5.6% at 31 March 2023, with an equivalent yield of 6.5% and a reversionary yield of 6.6%. The WAULT for the investment portfolio stood at 5.5 years at 31 March 2023 (31 March 2022: 5.6 years).

Occupancy improved across the investment portfolio and was 95.8% at the year end (31 March 2022: 93.7%). Effective occupancy, which excludes units under offer to let or undergoing refurbishment, was 98.4% at the year end (31 March 2022: 95.8%), with 1.1% of the investment portfolio under offer to let and a further 1.5% undergoing refurbishment at that date.

Investment Advisor's report continued

Financial review

Performance

Rental income for the year was £45.8 million (year ended 31 March 2022: £44.0 million), with the movement reflecting like-for-like rental growth and the initial contribution from the acquisition of Bradwell Abbey Industrial Estate, less revenue foregone from the assets disposed of during the year. EPRA like-for-like rental growth was 6.0%.

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 year were £18.9 million (year ended 31 March 2022: £16.0 million). The Investment Advisor fee for the year increased by £0.5 million, primarily as a result of the significant net asset growth in the second half of the previous financial year. The reduced valuation at 31 March 2023 will result in savings for the Group on the Investment Advisor fee in FY 2024 as this is calculated on net assets.

The Company incurred one-off costs in the year of £1.1 million, in relation to its move from trading on AIM to the Main Market of London Stock Exchange. There were no one-off costs in the period to 31 March 2022.

The net increase in the expected credit loss allowance was £0.2 million (year ended 31 March 2022: £0.3 million). This modest change reflects the diversity and quality of the Group's occupiers and our close relationships with them. The Group also often has rent deposits, giving it additional protection from bad debts.

The total cost ratio, which is the adjusted cost ratio including direct vacancy costs, was 28.4% (year ended 31 March 2022: 27.1%), with the increase driven by holding costs relating to non-recoverable property expenses. Excluding void costs, the adjusted cost ratio is 24.4% (year ended 31 March 2022: 24.3%). The ongoing charges ratio, representing the costs of running the REIT as a percentage of NAV, was 1.3% (year ended 30 March 2022: 1.2%).

The Group disposed of 16 assets in the year, resulting in a net loss on disposal of £13.1 million due to the strong revaluation uplifts since the assets were acquired. Against the assets' purchase price, the Group recorded an internal rate of return of 8.0%. There were no disposals in the prior year.

At 31 March 2023, the Group recognised a loss of £193.4 million on the revaluation of its investment properties (year ended 31 March 2022: gain of £163.7 million).

Financing income in the year was £6.9 million (year ended 31 March 2022: £0.3 million), including £2.0 million interest receipts (year ended 31 March 2022: £nil) from interest rate derivatives held by the Company and £4.9 million change in fair value of interest rate derivatives as at 31 March 2023 (year ended 31 March 2022: £nil).

Financing costs include the interest and fees on the Group's revolving credit facility ("RCF") and term loan (see debt financing and hedging). Total finance expenses were £15.5 million (year ended 31 March 2022: £8.2 million). The increase reflects the higher average debt in the year following the acquisition of Bradwell Abbey and the higher weighted average cost of debt, which was partly mitigated by the interest rate caps taken out in the first half.

Granby Trade Park, Milton Keynes
20,200 sq ft let to Superbike Factory Ltd

Investment Advisor's report continued

Financial review continued

Performance continued

The all-in cost of debt for the year was 4.3% (year ended 31 March 2022: 2.6%). We expect interest costs to reduce in FY 2024, as a result of the reduction in variable-rate debt following the asset disposals in the second half of the year.

The statutory loss before tax was £182.9 million (year ended 31 March 2022: £191.2 million profit).

The Group has continued to comply with its obligations as a REIT and the profits and capital gains from its property investment business are therefore exempt from corporation tax. The corporation tax charge for the year was therefore £nil (year ended 31 March 2022: £nil).

Earnings per share ("EPS") under IFRS was (43.0) pence (year ended 31 March 2022: 45.0 pence). EPRA EPS was 3.9 pence (year ended 31 March 2022: 6.4 pence). Adjusted earnings per share was 4.7 pence (year ended 31 March 2022: 6.4 pence).

Dividends

The Company has declared the following interim dividends in respect of the financial year:

Quarter to	Declared	Paid	Amount (pence)
30 June 2022	17 August 2022	3 October 2022	1.60
30 September 2022	8 November 2022	30 December 2022	1.60
31 December 2022	28 February 2023	3 April 2023	1.60
31 March 2023	6 June 2023	7 July 2023	1.60
Total			**6.40**

The total dividend of 6.40 pence per share met the Group's target for the year and was 72.9% covered by adjusted EPS. All four interim dividends were property income distributions. The cash cost of the total dividend paid during the year was £27.6 million (year ended 31 March 2022: £26.3 million).

Valuation and net asset value

The portfolio was independently valued by CBRE as at 31 March 2023, in accordance with the internationally accepted RICS Valuation – Global Standards 2020 (incorporating the International Valuation Standards) (the "Red Book"), and the RICS Valuation – Global Standards 2017 – UK national supplement.

The portfolio valuation was £828.8 million (31 March 2022: £1,012.0 million). This represented an 18.5% like-for-like valuation decline, after taking account of capital expenditure of £13.3 million, with the outward yield shift in the year being only partly offset by rising rental values. The EPRA NIY was 5.0% (31 March 2022: 4.0%) and the EPRA topped-up NIY was 5.5% (31 March 2022: 4.4%).

The valuation resulted in an EPRA NTA of 122.6 pence per share at the year end (31 March 2022: 173.8 pence per share).

Investment Advisor's report continued

Financial review continued

Debt financing and hedging

At the year end, the Group had a debt facility with a club of four banks: HSBC, Bank of Ireland, Royal Bank of Canada and Barclays. The facility runs until January 2025, with an option to extend for a further two years, and comprises an RCF of £138.0 million and a term loan of £182.0 million, to give a total facility of £320.0 million.

At 31 March 2023, £124.0 million was drawn against the RCF and £182.0 million against the term loan. This gave total debt of £306.0 million (31 March 2022: £271.0 million), with the Group also holding cash balances of £25.1 million (31 March 2022: £16.7 million); the Group's net debt as at 31 March 2023 is £280.9 million (31 March 2022: £254.3 million). The LTV ratio at 31 March 2023 was therefore 33.9% (31 March 2022: 25.1%), with the increase reflecting the acquisition in the year and the lower portfolio valuation, partially offset by the asset disposals.

The Group remains substantially within its covenants in the debt facilities, which place a limit on the LTV of 55% and require minimum interest cover of 2.0 times. Interest cover for the year was 2.9 times.

The Group's debt facilities carry the cost of SONIA plus a lending margin. During the first half of the year, the Group took out two interest rate caps of £100.0 million each, for three and five years respectively at a cost of £10.9 million payable over the term, which cap the SONIA rate in the debt facilities at 1.5%. The Group also has an interest rate cap of £30.0 million, which expires in November 2023 and caps SONIA at 1.75%. A further interest rate cap of £30.0 million expired in November 2022. The Group had hedged approximately 75.0% of its year-end debt against interest rate volatility.

We continue to explore opportunities to diversify the Group's sources of debt funding, hedging requirements, extend the average maturity of its debt and further reduce the average cost of debt.

Post year end activity

Post-year end, the Group entered into a new five-year debt facility totalling £320.0 million, replacing the existing facility. The refinancing consists of £220.0 million term loan and an RCF of £100.0 million, with a club of lenders consisting of HSBC, Bank of Ireland, NatWest and Santander.

The new facility extends the tenure of the of the Group's debt and with improved reporting covenants.

In addition, the Group has exchanged on two further disposals for an aggregate of £29.3 million.

Compliance with the investment policy

The Group's investment policy is summarised below. The Group continued to comply in full with this policy throughout the year.

Investment Advisor's report continued

Investment policy	Status	Performance
The Group will only invest in warehouse assets in the UK.	✓	All of the Group's assets are UK-based urban warehouses.
No individual warehouse will represent more than 20% of the Group's last published gross asset value ("GAV"), at the time it invests.	✓	The largest individual warehouse represents 6.2% of GAV.
The Group will target a portfolio with no one occupier accounting for more than 20% of its gross contracted rents at the time of purchase. No more than 20% of its gross assets will be exposed to the creditworthiness of a single occupier at the time of purchase.	✓	The largest occupier accounts for 6.7% of gross contracted rents and 7.1% of gross assets.
The Group will diversify the portfolio across the UK, with a focus on areas with strong underlying investment fundamentals.	✓	The portfolio is well balanced across the UK.
The Group can invest no more than 10% of gross assets in other listed closed-ended investment funds.	✓	The Group held no investments in other funds during the year.
The Group will consider where appropriate an element of speculative development, provided the exposure to these assets, assessed on a cost basis, shall not exceed 10% of the gross assets of the Company.	✓	Other than refurbishing vacant units, the Group did not undertake any speculative development in the period.
The Group may invest directly, or through forward funding agreements or forward commitments (provided within the overall exposure limited stated above), in developments (including pre-developed land), where: • the structure provides us with investment risk rather than development risk; • the development is at least partially pre-let, sold or de-risked in a similar way; and • we intend to hold the completed development as an investment asset.	✓	The Group's exposure to developments at the year end was 9.1% of GAV.
The Group views an LTV of between 30% and 40% as optimal over the longer term but can temporarily increase gearing up to a maximum of LTV of 50% at the time of an arrangement, to finance value enhancing opportunities.	✓	The LTV at 31 March 2023 was 33.9%.

The Company's full investment objective and policy are set out on page 154.

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 and is authorised and regulated by the Financial Conduct Authority.

Investment Advisor

Tilstone Partners Limited is Investment Advisor to the Company and the Investment Manager.

Tilstone Partners Limited

5 June 2023

Sustainability report

In recent years, we have spent considerable time and effort laying the groundwork for our approach to sustainability, understanding what is required to manage ESG matters effectively and building capabilities, strategies and measurement frameworks into our operations. This includes ensuring accountability and governance are in place, determining our risk exposures and mitigation plans, as well as understanding opportunities.

Through this work, we have been able to take a progressively more holistic approach to ESG issues, moving from achieving compliance to looking to create the most value through each action we take. This is just good business sense. Having a rigorous sustainability strategy is essential for protecting the Group's commercial interests, supporting our ability to attract high-quality occupiers and capitalise on the green premium for sustainable properties, for both rental levels and asset values.

One of our important workstreams this year was developing our net zero carbon pathway to 2030 for our Scope 1 and 2 emissions. We have committed to an annual reduction in Scope 1 and 2 emissions of 4.2% on a like for like basis. This has wide-ranging implications for us, helping to guide our actions across areas such as energy efficiency and supply on the assets we control, asset refurbishments, the sustainability credentials of our developments and the green clauses we incorporate into our leases. As part of this, the Tilstone team has been trained on our new standards for refurbishments and developments so these standards are reflected on our sites. More information on our pathway can be found on page 18.

Our EPC improvement programme is another major focus and the Group continued to drive rating improvements this year, through its ongoing capital expenditure on refurbishing and enhancing its assets. This work is critical to reducing the risks posed by increasingly stringent regulations, which in the coming years are proposed to require each asset to meet minimum EPC standards of C rating by 2027 and B rating by 2030.

We have also modelled our climate-related risks under different scenarios. This insight allows us to reduce the portfolio's exposure through capital expenditure, for example by improving drainage to prevent flooding, and support our evaluation of potential acquisitions and disposals. We know that having insight into climate risk and our response is important to our shareholders and we are therefore voluntarily reporting under the Task Force on Climate-related Financial Disclosures ("TCFD") – see pages 44 to 50. This is part of our commitment to transparent reporting and benchmarking.

As a priority, we will continue to progress our work on climate risk, understanding the impact on the portfolio and upskilling team members. We will also continue our engagement with occupiers, promoting information sharing and working with them to measure and report our Scope 3 emissions. We will continue on our journey towards GRESB participation.

Aimée Pitman
Chair of the Sustainability Committee

5 June 2023

Sustainability report continued

> Our vision is to be an industry-leading sustainable warehouse investor and, ultimately, the UK's warehouse provider of choice.

Aimée Pitman
Chair of the Sustainability Committee

Our sustainability strategy

Integrating environmental, social and governance ("ESG") risks and opportunities into how we do business is increasingly important across our stakeholder groups, in particular helping us attract and retain occupiers and appeal to a broader range of investors. To inform our approach, in 2020 we undertook a materiality assessment to identify the key risks and opportunities most important to our business and our stakeholders and this is set out on our website (**www.warehousereit.co.uk**).

To further structure our approach and deliver on our vision to be the warehouse provider of choice, we have established a clear framework which includes interim and long-term goals, as set out below:

Our vision

Our vision is to create environmental, social and economic value for our shareholders and wider stakeholders by integrating sustainability into the way we grow and manage our portfolio.

Creating a resilient portfolio

Creating a resilient portfolio reduces our risk exposure to current and future legislation, transitional and physical climate risks and changing occupier demand.

Read more on page 38

Reducing our footprint

Reducing our environmental footprint ensures our assets are aligned to a net zero carbon future, while reducing operating costs by minimising utilities consumption including water, energy and waste removal.

Read more on page 40

Supporting our occupiers

Supporting our occupiers strengthens our relationship with them, encourages sustainability knowledge sharing and helps drive the sustainability and broader ESG agenda across the sector.

Read more on page 42

Responsible business foundations

Being a responsible business is critical to managing our sustainability risks while also clearly communicating our ambitions and actions to our investors and wider stakeholders.

Read more on page 43

Sustainability report continued

Creating a resilient portfolio

Long-term goals
- Targeting green building certifications
- Reducing EPC risk
- Reducing climate-related risks in the portfolio
- Defining and implementing net zero carbon pathway

2023 highlights
- Undertook climate risk modelling to better understand our exposure to physical climate hazards
- Developed our net zero carbon pathway
- Continued the roll-out of an EPC improvement programme, with 92% of units now A-D rated across all countries

2024 targets
- All developments to target EPC B or above
- All developments >50,000 sq ft to target BREEAM Excellent/Very Good
- EPC improvement programme to ensure all in-scope properties have a valid EPC and target 25% reduction of D or E rated properties
- Build mitigation plans for assets identified as higher risk of climate change
- Regular Board ESG training on future legislation, occupier demands and climate risk

Our journey to net zero
During the 2022 calendar year, we engaged a third-party consultant to review Warehouse REIT's carbon footprint and formalise a pathway to net zero carbon. This involved setting our baseline performance, identifying key decarbonisation measures and quantifying their impact on the energy and carbon performance of the portfolio. Our pathway is aligned to the UK Green Building Council's ("UKGBC") Net Zero Carbon Framework and includes our Scope 1, 2 and building-related Scope 3 emissions.

Based on the analysis, we have committed to achieve net zero carbon for our Scope 1 and 2 emissions by the 2030 calendar year. In advance of setting long-term climate targets we target a 4.2% annual reduction in our Scope 1 and 2 emissions.

To achieve these targets, our pathway includes eight decarbonisation commitments:

Net zero pathway commitments

2030 net zero for GHG Scope 1 and 2 (UKGBC Net Zero Carbon Framework aligned)

Via the Environmental Refurbishment and Development Standards:
- develop refurbishment plan for each asset assigned capital expenditure, including building fabric, systems, controls and PV deployment;
- remove fossil fuels from landlord-controlled common parts;
- optimise deployment of PV panels on all new developments and major refurbishments; and
- use asset level scorecards to enable progress to be tracked and reported.

100% of directly procured electricity from renewable sources

Engage with occupiers to reduce energy consumption, collect and monitor energy usage across the portfolio

Target 100% of all new leases and amended leases to include green clauses

Conduct energy-related due diligence for new acquisitions

For new developments, target a BREEAM rating of 'Excellent', achieving a minimum rating of 'Very Good'

Monitor and report progress on annual basis

Sustainability report continued

Creating a resilient portfolio continued

Assessing our climate-related risks

In recent years, there has been a significant legislative push for companies to mitigate against climate-related risks and transition to a low-carbon economy. Most notably, in the UK, the Companies Regulations 2022 place requirements on large private companies to incorporate Task Force on Climate-related Financial Disclosures ("TCFD") in their annual reports.

The Group reports annually in line with the TCFD despite no obligation to do so, with this year's disclosure available on page 44. We commissioned an independent third party to conduct a physical climate hazard scenario analysis across three time horizons which found that 61% of our assets have low exposure to physical climate hazards even under the most severe climate scenarios, with 11% of assets that may be at high risk from at least one physical climate hazard by 2050 under an intermediate emissions scenario.

We have extended our existing risk register to include climate-related risks, set a formal process for reviewing climate-related legislation and regulation and improved our internal knowledge of climate risk management. See our TCFD response on page 49 for further details.

Improving the EPC performance of our portfolio

An EPC rating is a regulatory requirement demonstrating the energy efficiency of a building. Currently, all non-domestic rented buildings should be a minimum E rating but MEES (Minimum Energy Efficiency Standard) legislation is expected to become more stringent by 2030, requiring a minimum 'B' rating. In addition, environmental credentials are increasingly important to our occupiers so improving the EPC ratings of our portfolio is essential.

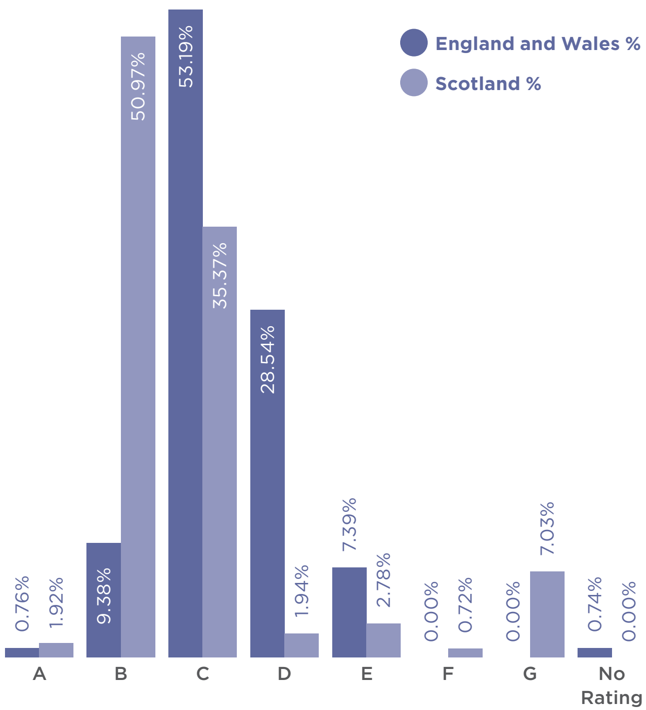
We continued our portfolio-wide EPC improvement programme in the year ending 31 March 2023, with 64% of our units in England and Wales (by sq ft) holding an EPC rating of A to C (2022: 51%). In England and Wales, we no longer have any units with an EPC below E.

In Scotland, where the EPC rating system is different, 70% of our units (by sq ft) have an EPC rating of A to D as of 31 March 2023, a 5% increase from 65% in the previous year. EPC ratings cannot be compared between Scotland and England and Wales due to differences in the methodologies applied.

The improvement to the portfolio's EPC ratings in the year ending 31 March 2023 reflects the benefits of our investment activity where we have acquired higher-rated assets and disposed of poorer-quality buildings, as well as LED lighting replacements and upgraded heating systems.

Looking forward to the year ending 31 March 2024, we have set several targets to drive energy efficiency improvements: zero properties are to have an expired EPC or <2 years to expiry[1], a 25% reduction in D and E-rated properties.

EPC Rating by floor area 1 April 2023



1. This does not include units exempt from having an EPC or units where different Scottish requirements apply.

Sustainability report continued

Reducing our footprint

Long-term goals

- Increasing energy and resource efficiency (landlord and occupier)
- Reducing waste and resource consumption
- 2030 net zero carbon for Scope 1 and 2 carbon emissions
- Disclose Scope 3 carbon emissions

2023 highlights

- All landlord utilities converted to green tariffs (except those under tender)
- 18 EV chargers installed to date
- Applied our Environmental Refurbishment Development Standards to assets

2024 targets

- All new utility contracts to be renewables based
- All landlord-sourced utilities to be on renewable tariffs
- All developments to have a sustainability plan
- All refurbishments to align with TPL ESG Refurbishment Standards
- Occupier/unit scorecard to be developed
- Developments >50,000 sq ft to be BREEAM Excellent/Very Good
- 4.2% reduction in Scope 1 and 2 emissions

Environmental Refurbishment and Development Standards

Wherever possible, we seek to deliver sustainability improvements through refurbishing existing assets. To establish a consistent, effective and value-for-money approach, in the year ended 31 March 2022 we developed the Environmental Refurbishment and Development Standards for our design teams, ensuring all projects are delivered to a high performing standard.

The standards set requirements including:

- **Internal fit-out** – LED lighting throughout, office heating via air source heat pumps and point-of-use water heaters that provide the immediate production of hot water. Other considerations include aerated taps and dual flush toilets to reduce water use as well as carbon neutral carpeting;
- **Renewable energy** – consider the installation of photovoltaic panels when refurbishing assets of more than 30,000 sq ft;
- **Sustainable drainage** – to increase natural surface water drainage, we consider the use of block paving and permeable tarmac in parking areas;
- **EV charging** – all refurbishments above 10,000 sq ft must include the installation of a dual EV charging post, with additional posts depending on the refurbishment size; and
- **Ecology and trees** – we look to install bird, bat and hedgehog boxes as well as log piles and native tree species to support wildlife and improve air quality.

During the year ended 31 March 2023, we completed training with all team members involved in refurbishment and development projects and in the second half, started to integrate these new standards across refurbishment projects.

Our ambition this year is to conduct a photovoltaic panels feasibility study on our portfolio to assist the drive towards renewable power.

Improving energy efficiency

Landlord-obtained electricity consumption on a like-for-like basis decreased by 7% and fuels consumption decreased by 51% compared to the year ended March 2022, resulting in a 20% decrease in the energy intensity of our like-for-like portfolio.

We drive this reduction through our EPC improvement programme, landlord green tariffs and wider energy saving initiatives. Improvements have been achieved through LED lighting upgrades, efficient mechanical ventilation and heat recovery, fabric improvement insulations, efficient air conditioning and electrification of hot water and heat across our assets.

Sustainability report continued

Reducing our footprint continued

Improving energy efficiency continued

We have now converted all our landlord-paid utilities to green tariffs, except those under tender, with plans to make all tariffs green in the year ending 31 March 2024.

Occupier engagement is an important part of our approach given that most of our assets are owner-operated and controlled. Working to enhance our data collection practices is a priority and we are engaging with them to ensure we install features and report our ESG performance in line with their own stakeholders' requirements.

Reducing resource consumption

We are working towards adopting circular economy principles throughout the life cycle of a building. Our Environmental Refurbishment and Development Standards provides guidelines on reducing the proportion of waste sent to landfill and we are looking to develop a guidance handbook for occupiers. To support occupiers to improve their consumption practices, we have added criteria within lease renewals that promote responsible consumption (see page 29).

Embedding green clauses into new leases

During the year ended 31 March 2023, we embedded green clauses into all new leases to ensure the effective management and improvement of the portfolio's environmental performance. The clauses seek to achieve five principles:

1. **Co-operation and data sharing**: this will improve our insight into occupiers' environmental data and therefore our Scope 3 emissions as well as our ability to carry out works to improve the building's environmental performance
2. **Building management**: we want to collaborate with our occupiers to identify and implement appropriate environmental performance strategies
3. **Occupier alterations**: this will protect the building from alterations that could adversely impact its performance
4. **Compliance with regulation and permits**: this will safeguard against non-compliance with legislation and the landlord's reasonable regulations
5. **EPC maintenance and improvement**: this will ensure co-operation from occupiers to support our large-scale EPC improvement programme

Carisbrook, Isle of Wight

The refurbishment of Unit 3 – a 36,000 sq ft factory in Carisbrook, Isle of Wight – included a c.£200,000 investment to strip back the asset to its core, upgrade the lighting and install electric heating and hot water. The works resulted in an EPC upgrade from an E to a B. Following this, the Group obtained planning consent for the unit's use as a warehouse and has let the building to a major occupier on a ten-year lease.

Sustainability report continued

Supporting our occupiers

Long-term goals

- Engagement to understand occupier net zero carbon goals and support wellbeing
- Support occupiers' wellbeing and provide a safe environment for all building users
- Integrating sustainability criteria into lease clauses

2023 highlights

- Rolled out an occupier engagement survey to understand the key drivers behind their environmental initiatives
- Green clauses embedded into all new leases
- Continued our pro-active approach to asset management and occupier engagement

2024 targets

- Launch portfolio-wide occupier engagement, target 20% response rate, to identify:
  - occupier ESG agenda;
  - energy data sharing appetite; and
  - energy efficient knowledge and WHR ESG priorities.
- Implement plan from 2023 occupier survey results
- Inclusion of green clause principles in all new leases

Engaging occupiers

We engage occupiers on a whole spectrum of sustainability aspects from health and wellbeing to energy and carbon and sustainable connectivity. As we progress our own net zero carbon pathway, we will place an increased focus on their environmental data. Occupier emissions account for the majority of our Scope 3 emissions, so collecting and monitoring their emissions and collaborating on decarbonisation measures will be essential for reducing our own carbon footprint.

Following on from last year's occupier survey, we rolled out our annual questionnaire to gain insight into occupiers' outlook on their industry, key challenges and space requirements. Importantly, we sought to understand the environmental initiatives that they have implemented as well as the key drivers for doing so.

The responses covered a range of business sizes from micro (less than ten employees) to larger companies with over 250 employees. Unsurprisingly, some of the biggest challenges facing occupiers emerged as rising supply costs and labour supply. Regarding environmental initiatives, of the occupiers who responded, LED lighting was the mostly widely adopted environmental measure, followed by EV chargers and other transport initiatives such as cycle racks and carpooling.

The themes that emerged as the main drivers behind adoption of environmental initiatives were regulation and compliance, cost saving, business reputation, wider business strategy/ethos and improving the working environment. These results will help shape our agenda for the next financial year.

Responsible business foundations are essential to the Group's success and underpin our sustainability strategy.

Roman Way

At Roman Way, we carried out the refurbishment of two units, 3 and 19, which were originally re-assessed at EPC E rating. Following MEES recommendations, we undertook improvement works, including:

- installation of extractor fans within restroom facilities;
- LED lighting upgrades;
- new double-glazed doors for each unit; and
- removing the heating from the warehouse, Unit 19.

As a result of these upgrades, we achieved an EPC C for Unit 19 and secured an occupier, and an EPC B for Unit 3.

Sustainability report continued

Responsible business foundations

Long-term goals

- Robust governance and oversight of ESG risks
- Transparent disclosure and participation in investor benchmarks and indices

2023 highlights

- Gold award achieved from the EPRA sBPR for the second year
- Gap analysis and improvement plan created to support our journey towards GRESB participation in 2024
- Stand-alone climate risk register created to ensure these risks receive due attention

2024 targets

- Identify data solution for ESG management
- Retain EPRA sBPR Gold award
- Progress on reporting alignment with TCFD recommendations for 2024
- ESOS phase 3 compliance
- Implement recommendations to align with GRESB benchmark

Governing responsibly

The Sustainability Committee, which was formed two years ago, consists of three Non-Executive Directors, who meet a minimum of three times a year, providing a forum to address critical issues and opportunities. For detailed information on the role of the committee, see page 92 in the Sustainability Committee report.

Our sustainability strategy was strengthened this year to further support our suite of policies that enforce the highest standards of ethical behaviour regarding whistleblowing, anti-money laundering, anti-bribery and corruption and health and safety. Our new Business Code of Conduct applies to all employees and contractors working on behalf of the Investment Advisor and sets expectations regarding bribery and corruption, harassment and discrimination, diversity, sustainability and governance, data and conflicts of interest.

Our Supplier Code of Conduct, published in May 2022, outlines the standards that we expect within our supply chain, encompassing the suppliers, partners and contractors we work with. When selecting third parties to work with, we operate a checklist to ensure that we are working with those that share and uphold the same values and responsible business foundations as us.

Enhancing our disclosures

We report our ESG performance in line with the European Public Real Estate Association ("EPRA") Sustainability Best Practices Recommendations ("sBPR") being awarded an EPRA Gold award for the second year (see page 51 for this year's EPRA disclosure).

Despite no obligation to do so, we have also been reporting our climate disclosures in line with the Task Force on Climate-related Financial Disclosures ("TCFD") for three years, enhancing the breadth of our response year-on-year.

Recognising GRESB's value as a widely acknowledged ESG benchmarking tool for real estate, in 2022, with the help of JLL, we completed a gap analysis to identify a series of actions to put in place this year to align our business methods further with the GRESB benchmark.

Sustainability report continued

2022 TCFD disclosure

In line with the recommendations of TCFD dated June 2017, this report complies with nine of the eleven TCFD recommendations and recommended disclosures and partially compliant with recommendation 2b. The Group is developing our quantitative approach to assessing the impact of climate related risks and opportunities on the organisation's business, strategy and financial planning. Furthermore, we have not yet reported our Scope 3 emissions under TCFD Recommended Disclosure – Metrics and Targets b), due to limited data availability.

Pillar	Recommended disclosure	Consistency note
Governance	Board oversight	Consistent
	Management role	Consistent
Strategy	Identified climate-related risks and opportunities	Consistent
	Impact of climate-related risks and opportunities	Developing quantitative approach to impact of risks and opportunities
	Resilience of the Group's strategy	Consistent
Risk management	Process for identifying and assessing climate-related risks	Consistent
	Process for managing climate-related risks	Consistent
	How the processes are integrated into risk management	Consistent
Metrics and targets	Climate-related metrics	Consistent
	Scope 1, 2 and 3 GHG emissions	Developing approach to disclose scope 3
	Climate-related targets	Consistent

Introduction

As part of our vision to be an industry-leading sustainable warehouse investor, we are dedicated to pro-actively managing climate-related risks and publicly reporting climate-related financial information to our stakeholders. Here we disclose the climate-related risks we have identified to the business and set out our overarching risk management approach in line with the recommendations of the TCFD. We are exempt from the amendments to the Listing Rules published by the FCA in 2022 and therefore make our disclosures on a voluntary basis in order to demonstrate our dedication to this highly important topic.

Sustainability report continued

2022 TCFD disclosure continued

1. Governance

1a. The Board's oversight of climate-related risks and opportunities

The Board is ultimately responsible for the Group's approach to risk management and internal control process, including setting the Group's risk appetite, identifying principal risks and determining mitigating controls via regular risk reviews. The Board has fundamental responsibility over wider sustainability matters, including the Group's sustainability strategy. Climate change has been identified as a principal risk to the business in the corporate risk register and is a key component of our sustainability strategy.

The Audit and Risk Committee provides additional oversight of the Group's risk management framework and is involved in identifying, assessing and managing risks. The committee meets twice a year to review the effectiveness of the overall risk management strategy and reviews the impact and related business mitigation strategies of principal risks across the risk register, including the climate-related principal risk.

The Sustainability Committee, chaired by Board member Aimée Pitman, is responsible for developing and implementing the Group's responsible business agenda, sustainability strategy and external ESG reporting. Following the climate risk scenario modelling undertaken this year, the Sustainability Committee will review the Group's climate-related risks and mitigation strategies via the newly formed additional ESG risk register and recommend any required updates to the Audit and Risk Committee. This ESG risk register enables the Sustainability Committee to review climate related risks at a more granular level. The Audit and Risk Committee reviews and monitors the risk management framework.

The Chair of the Sustainability Committee reports to the Board on a quarterly basis and the Sustainability Committee makes recommendations to the Board, as appropriate, to ensure that any material climate-driven macroeconomic, financial and regulatory market changes are escalated and integrated into strategic decision-making. The Sustainability Committee is also responsible for setting and overseeing performance towards climate-related targets and long-term goals, available on page 92. The implementation roadmap and actions towards achieving these goals are then overseen by the Investment Advisor.

1b. Management's role in assessing and managing climate-related risks and opportunities

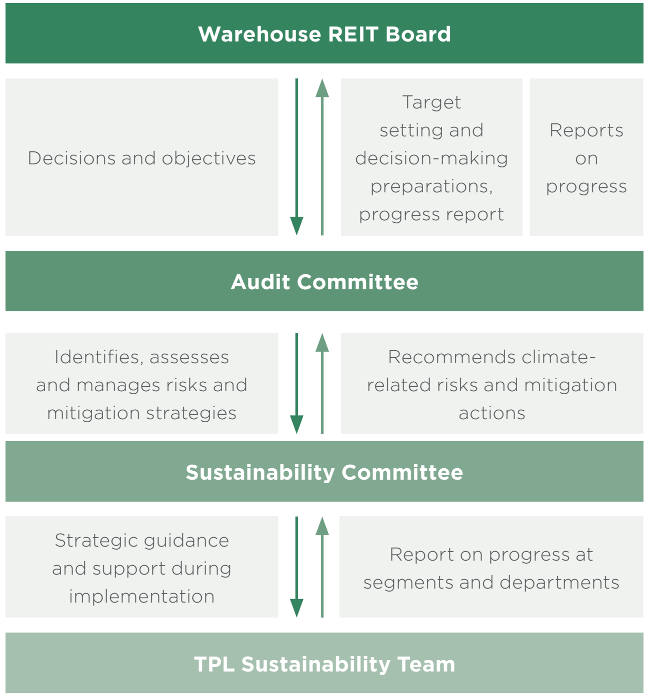
The Investment Advisor supports the Board and Audit and Risk Committee in identifying and evaluating risks and is responsible for forming and implementing the Group's risk management strategy. The Investment Advisor is also responsible for co-ordinating with stakeholders and engaging with occupiers to identify risk and implement mitigating controls at the asset level. The Investment Advisor sits on the Sustainability Committee, alongside Board members, enabling the communication of climate-related risks between operational, management and Board levels.

The Investment Advisor is responsible for day-to-day operational activities and the application of the risk management strategy, including climate risk management. The Investment Advisor, with support from the Property Manager, is responsible for collecting and reporting environmental and climate-related data, enabling Board committees and the Investment Advisor to monitor performance against strategic long-term goals and targets.

The Investment Advisor is well briefed on the Group's sustainability and climate-related ambitions and reports significant risks at the property level to Board committees on an ad-hoc basis, ensuring that there is clear communication between occupiers and the Board.

A detailed overview of our governance structure can be found below.

Overview of roles and responsibilities



Sustainability report continued

2022 TCFD disclosure continued

2. Strategy

2a. Climate-related risks and opportunities identified over the short, medium and long term

We recognise that climate-related risks materialise over the medium to longer term and that the assets we acquire and occupy now will still be here far in the future. Without appropriate risk management, these risks could have severe financial and reputational implications. As such, we conducted climate risk scenario modelling to assess the exposure of our portfolio to physical climate-related risks across the three Intergovernmental Panel on Climate Change ("IPCC") climate scenarios – RCP 2.6, RCP 4.5 and RCP 8.5 – over the short term (present day), medium term (2050) and long term (2080). The time horizons align with the 2050 net zero carbon deadline set by the UK Climate Change Act as well as the associated risks and capture a range of climate-related risks that are expected to materialise in the near and long term.

The climate risk scenario modelling covered a total of five climate-related hazards, covering coastal flooding, river flooding, flash (surface water) flooding, subsidence and coastal erosion and assessed the likelihood of these hazards impacting a total of 803 units within our portfolio across three climate scenarios and time horizons. The assessment was based on trusted climate and natural hazard databases, such as JBA Floodability Index, British Geological Survey and National Coastal Erosion Risk Mapping.

The exposure level to each hazard was ranked across low, moderate and high-risk likelihood bands, based on a simplified classification of the results generated by each risk model, which had individual likelihood ratings. The assessment also revealed the number of assets exposed to each risk level and provided hazard exposure profiles of our top ten largest estates. This provided a clear overview of the impact likelihood that modelled hazards pose to the portfolio, enabling us to make strategic decisions on where to focus mitigation actions and harness opportunities.

The assessment found that 61% of units have a very good resilience to physical climate hazards, continuing to have low exposure to all physical climate hazards even under the most severe climate scenarios. For the units at risk from physical climate hazards, flooding is the most likely risk; 5% of assets exposed to high risk under best-case scenario by mid-century with up to 6% of modelled units found to be at a moderate to high risk in a late century scenario. Up to 11% of assets are exposed to a subsidence hazard in a severe, late century scenario, whereas our portfolio is not exposed to coastal erosion. As expected, the likelihood of flooding and subsidence increases across emission scenarios and time horizons.

Following this, we are planning on enhancing our climate risk assessment by assessing the possible business and portfolio impacts of the likely climate hazards as well as further asset-level climate risk assessments to assess and assign adaptation solutions necessary for mitigating onsite risk, starting with assets identified to have the highest exposure. Overall, the business plans to integrate the findings of the climate risk scenario modelling within the risk management approach under the climate change principal risk.

In addition, we recognise that transition risks are expected to be the most impactful in the short term and likely across scenarios associated with significant policy action and market shifts towards decarbonisation. Transition risks that we have identified which should all be considered relevant for the current time horizon (up to c.2028) include:

- regulatory risks regarding the costs for compliance, as well as costs arising from breach of environmental regulation such as the MEES regulations;
- increasing costs of supplies or disruption to supplies for maintenance and development;
- increasing cost of utilities;
- properties not meeting occupier requirements relating to energy efficiency or logistics;
- impact on property values/rents if assets are not developed or maintained to appropriate modern standards;
- impact on investor interest and our reputation compared to our peers; and
- inability to access funding through green bonds or similar.

Additionally, we have identified opportunities in our sustainability strategy that are climate mitigation actions and improve our resilience. These include improving our energy and carbon data management and investment in low-carbon solutions to increase energy and resource efficiency, with the aim of achieving long-term savings, green building certifications and our net zero carbon ambitions. We believe these initiatives improve our reputation and attract premium occupiers.

Sustainability report continued

2022 TCFD disclosure continued

2. Strategy continued

2b. Impact of climate-related risks and opportunities on the organisation's businesses, strategy and financial planning

Climate-related risks and building resilience are embedded into our business strategy under the creating a resilient portfolio pillar and as an independent principal risk in our risk register. Energy, water and carbon efficiency opportunities are also identified within our sustainability strategy under the reducing our footprint, supporting our occupiers and responsible business foundation pillars. To enable us to mitigate climate risks and harness opportunities, we have included a sustainability budget in our financial modelling processes, informing our investment strategy across the whole property life cycle.

Throughout the acquisition process our investments are informed by energy-related due diligence, ensuring that potential acquisitions align with our net zero carbon pathway and preliminary climate risk assessments assessing flood risk. We are planning on integrating a broader range of climate-related risks into our acquisitions protocol. Our overall investment strategy of recycling and upgrading assets by improving their energy efficiency and building fabric also helps extend the life expectancies of our buildings and reduce our carbon emissions.

Throughout the operational life cycle of assets, we engage with occupiers to understand their ESG needs and aspirations, reduce their energy consumption and collect and monitor energy consumption across the portfolio. We also maintain 100% of electricity procured from renewable sources and ensure all new and amended leases include green clauses in line with our net zero carbon pathway and climate risk management efforts.

We have also developed Environmental Refurbishment and Development Standards covering several sustainability topics including ecology, EV charging, sustainable drainage, onsite renewable energy (solar PV panels), sustainable travel and resource and energy efficient internal fit-outs for all large-scale refurbishments and new developments. The standards help us manage flood, subsidence and erosion risk, as well as transition risks associated with decarbonisation. We are also targeting a BREEAM rating of Excellent where possible, with a minimum rating of Very Good to minimise the embodied carbon emissions associated with our developments and refurbishments. Additionally, while EPC ratings have been integrated into our business already, we are accelerating the process of improving ratings and making sure all buildings have been rated whilst considering the MEES proposed regulations for 2027 and 2030 where all non-domestic rented buildings must hold a 'C' and 'B' EPC rating respectively.

Having conducted physical climate risk scenario modelling, we understand the exposure of our assets to selected climate risks in the UK across the IPCC's RCP 2.6, RCP 4.5 and RCP 8.5 climate scenarios. Throughout our risk review processes, we have also identified transition risks associated with climate change and have developed risk mitigation measures in terms of minimum certification standards, compliance and decarbonisation. While resilience is inherently integrated into our business strategy, we are currently in the process of integrating the results of the recently conducted climate risk assessment into our risk management framework and decision-making, further improving our understanding of the business impacts of physical climate-related risks and mitigation actions to improve our resilience.

Sustainability report continued

2022 TCFD disclosure continued

2. Strategy continued

2c. Resilience of the organisation's strategy, taking into consideration different climate-related scenarios, including a 2°C or lower scenario

The climate scenarios RCP 2.6, RCP 4.5 and RCP 8.5 were selected for our assessment, as they cover a range of possible emissions scenarios.

The RCP 2.6 climate scenario represents a pathway where greenhouse gas emissions are greatly reduced by immediate policy action and market forces, to decarbonise and meet the Paris Agreement. RCP 4.5 is a more moderate climate scenario where emissions peak in 2040 followed by significant decarbonisation policy and market action. The RCP 8.5 scenario is characterised by a large increase in GHG emissions contributing to high temperature rises, significant changes in weather patterns and severe physical risks.

Our resilience to scenarios associated with transition risks is secured by our net zero carbon pathway and related activities described in TCFD Recommended Disclosure – Strategy b). Our resilience against risks associated with the RCP 8.5 climate scenario is currently secured by our Environmental Refurbishment and Development Standards and our pro-active approach to assessing risks.

We are planning on furthering our resilience with additional climate-related KPIs and risk management measures, such as regular legislation and regulation reviews and climate risk upskilling.

Climate scenarios:

Scenario	Average temperature rise	Transition	Impact
Scenario 1 **Low emissions scenario: RCP 2.6**	1.2 – 1.6°C by 2100	Low emissions scenario where there is immediate policy action to meet the Paris Agreement. Transition risks dominate.	**Economic:** Immediate globally co-ordinated decarbonisation efforts to achieve net zero by 2050, associated with significant costs to meet these demands. **Environmental:** Low physical risk.
Scenario 2 **Moderate emissions scenario: RCP 4.5**	1.6 – 3.2°C by 2100	Moderate emissions scenario where there is significant policy action in 2040. Transition risks dominate, but physical risks are still present.	**Economic:** Delayed transition requiring more substantial regulatory and market pressures to decarbonise in the medium term. **Environmental:** Less physical risk, although up to 3.2°C warming still presents substantial physical climate risks.
Scenario 3 **High emissions scenario: RCP 8.5**	3.2 – 5.4°C by 2100	High emissions, business-as-usual scenario where policy action is negligible and global warming rises drastically. Physical risks dominate.	**Economic:** Permanently stunted GDP growth and severe economic and social shifts. **Environmental:** Chronic changes to weather patterns and ecosystems causing severe impacts on a global scale.

Sustainability report continued

2022 TCFD disclosure continued

3. Risk management

3a. Describe the organisation's processes for identifying and assessing climate-related risks

Our risk framework includes four actions to identify, assess and manage risks to the business: identify, evaluate and mitigate and monitor. Our primary tool within the risk framework is the risk register used to record our key corporate risks, including climate-related risks and opportunities, and communicate these to the Board. Principal risks on the risk register are scored on probability and impact and are assessed based on the severity of financial, environmental and brand impacts, pertaining to the underlying value of the assets and the returns for shareholders. These are reviewed throughout the year by the Investment Advisor, with the Audit and Risk Committee reviewing the risk register at each meeting and conducting an overall review of the risk management process annually.

The Investment Advisor also assists in the implementation and measurement of climate-related activities at the operational level, and monitors the business's and portfolio's compliance with those activities. A third-party consultant supports the Investment Advisor with the identification and assessment of risks. The Investment Advisor also reviews emerging and existing regulation requirements, including in relation to climate-related risks.

The Sustainability Committee has more specific responsibilities for overseeing the newly formed separate ESG risk register and makes recommendations to the Audit and Risk Committee regarding inclusion in the Group's risk management practices.

Moving forward, we aim to further integrate the findings of our climate risk scenario modelling into our risk management framework under the climate related risks and use this to enhance mitigation strategies. The Group has also committed to annually reporting against TCFD and regularly conducting climate risk assessments in line with TCFD best practice recommendations, ensuring climate-related risks are consistently integrated into our risk management framework.

3b. Describe the organisation's processes for managing climate-related risks

To manage climate-related risks, the impact of climate change on our portfolio has been recognised as a principal risk in our risk register and risk management process. We also recognise compliance risks associated with climate change in our risk register. This ensures that climate-related risks and opportunities are actively monitored and mitigated by the Board and committees. The risk management process, as well as additional insights gained from third-party consultants, such as the climate risk scenario modelling we conducted this year, help us prioritise climate-related risks and control measures.

Processes for managing climate-related risks and opportunities at a portfolio and asset level are described in TCFD Recommended Disclosure – Strategy b).

3c. Describe how processes for identifying, assessing and managing climate-related risks are integrated into the organisation's overall risk management

All principal risks captured in our corporate risk register, including climate change, are a priority. The corporate risk register lists the material impacts of principal risks, related risk mitigation activities and changes in risk profile. Additionally, each risk is given a probability and impact score based on the impact on asset values and shareholder returns. The corporate risk register is regularly reviewed by the Board, Audit and Risk Committee and Investment Advisor, with the Board having overarching responsibility for determining the most material risks. In the review process, the Audit and Risk Committee reviews corporate risks and risks that the Board considers to be principal. By capturing climate change as a principal risk, it has been fully integrated into our risk management framework.

Sustainability report continued

2022 TCFD disclosure continued

4. Metrics and targets

4a. Disclose the metrics used by the organisation to assess climate-related risks and opportunities in line with its strategy and risk management process

We publicly report on our environmental performance in line with EPRA sBPR for sustainability reporting. Our EPRA tables are available on pages 52 to 53. We use a range of metrics to assess our resource consumption, energy and carbon emissions and determine our exposure to climate-related risks and opportunities. These include:

- scope 1 and 2 carbon emissions in tCO_2e;
- energy consumption in kWh in absolute and like-for-like terms;
- energy intensities for Scope 1 and 2 emissions in $kgCO_2e/m^2/year$;
- water consumption in m^3, including building water intensity in $m^3/m^2/year$; and
- EPC ratings and building certifications as a holistic indicator of the portfolio's performance.

4b. Disclose Scope 1, Scope 2 and, if appropriate, Scope 3 greenhouse gas ("GHG") emissions and the related risks

We report our Scope 1 and 2 GHG emissions data in our EPRA disclosure available on pages 51 to 53. These have been calculated and reported in alignment with the GHG Protocol Corporate Accounting and Reporting Standard. We have yet to disclose our Scope 3 emissions and set related targets due to limited data availability, but plan to improve our data collection to enable disclosure in the coming years in line with our net zero carbon pathway.

4c. Describe the targets used by the organisation to manage climate-related risks and opportunities and performance against targets

As a business we have set the target of reaching net zero carbon for our Scope 1 and 2 emissions by 2030. To help achieve these targets, we developed our net zero carbon pathway in 2022. Under our sustainability strategy we have also set long-term goals for creating a resilient portfolio, targeting green building certifications, reducing EPC risk and reducing climate-related impacts at the portfolio level. These are supported by short-term targets for 2024, which include:

- all developments to target EPC B;
- all developments >50,000 sq ft to target BREEAM Excellent/Very Good;
- roll out EPC improvement programme to ensure all properties in scope have a valid EPC and reduction of D and E rated units;
- apply new Environmental Refurbishment and Development Standards to all new refurbishments;
- assess potential for on-site renewables across the portfolio;
- undertake energy efficiency audits as part of Phase 3 ESOS compliance;
- all new utility contracts and landlord-paid utilities to be on renewable tariffs; and
- continue to roll out EV charging installation.

Having conducted a physical climate risk assessment and developed our net zero carbon pathway this year, we are currently in the process of setting additional decarbonisation and climate-related metrics and targets.

Sustainability report continued

EPRA sBPR

1. Overarching recommendations

Organisational boundaries

Our EPRA sBPR reporting covers the Group's assets for which we exercise operational control. This totalled 30 out of 76 estates across the United Kingdom as at 31 March 2023. The remaining properties are single or multiple occupancy assets with no utilities purchased by the landlord. The actions of our Investment Advisor, who oversees all management and administrative duties, are not covered by this report because it is a separate legal entity from the Group.

Coverage

All absolute performance measures relating to electricity, fuels and associated GHG emissions apply to assets for which we as landlord procure utilities for the common areas, shared services, occupier areas as well as vacant properties, unless indicated otherwise. At 31 March 2023, these account for 30 estates within our portfolio, with 97% coverage, based on 29 assets with available consumption data.

Like-for-like performance indicators include properties within this scope for which we collected data for two consecutive years and excludes properties sold, acquired or under development during 2021/22. Our like-for-like portfolio includes 19 assets with 94% data coverage for these properties, based on 18 assets with available consumption data.

Boundaries

Electricity and fuel consumption which we purchase as landlords for common areas, shared services and occupier areas is what comprises the energy and associated GHG emissions data. Utilities purchased directly by the occupier fall outside of our operational control and are excluded from this data.

Estimation of landlord-obtained utility consumption

Where possible, the data is collected from invoices and/or meter readings. If invoices were not available at the time of publication, consumption estimates were made. These estimates are based on the most recent invoices for the corresponding time period. On this basis, for the year ending 31 March 2023, the following proportion of data was estimated: electricity 42%, gas 14% and water 40%.

Analysis – normalisation

Our calculations for energy and emissions intensity indicators are calculated using floor area (m^2) for whole estates. As our utilities consumption data in certain buildings is limited to common spaces exclusively while in others it includes shared services, outside space and occupier areas where there are no sub-meters, we are aware of mismatches this causes between the numerator and denominator. We are working to better track our consumption as it relates to the space and organisational boundaries at a unit level.

Analysis – segmental analysis (by property type, geography)

The property classification utilised in our financial reporting guides our segmental analysis, classifying our investment portfolio as urban warehouse assets. As all assets are located in the United Kingdom, further segmental analysis by geography is not applicable.

Reporting period

While we report on absolute performance measures and intensity metrics for the most recent reporting year (ending 31 March 2023), the like-for-like performance measures are reported for the last two consecutive years (ending 31 March 2022 and 2023).

Disclosure on own offices

Our Investment Advisor has their own office, and their consumption and employee-related performance measures are outside the scope of our organisational boundaries and are therefore excluded.

Data verification and assurance

Before being entered into the Company reporting database, all generated data is checked for consistency and coherence. A third party does not currently conduct external verification or assurance.

Sustainability report continued

EPRA sBPR continued

1. Overarching recommendations continued

Materiality

In this report we focus on EPRA sBPR measures that are material to our business. Therefore, in accordance with our materiality assessment, we have excluded the following performance measures from our reporting: DH&C-Abs and DH&C-LfL as no district heating or cooling is procured across our portfolio.

Diversity-Emp, Diversity-Pay, Emp-Training, Emp-Dev, Emp-Turnover and H&S-Emp have been excluded as Warehouse REIT plc has no direct employees. The Investment Advisor handles all administrative duties related to the asset management of the portfolio; however, it is a separate legal identity and therefore falls outside the scope of this report.

Waste-Abs and Waste-LfL have been excluded as we have no control over operational waste, which is generated solely by our occupiers. The EPRA sBPR does not apply to waste created by our development operations. Nonetheless, as part of our sustainability strategy, we have set a long-term goal of reducing waste from developments.

Narrative on performance

During the year ended 31 March 2023, absolute landlord-obtained electricity consumption was 2,155 MWh and fuel consumption (natural gas) for the same time period was 791 MWh, equating to an energy intensity (electricity and gas) of 11.17 kWh per m^2 across all included properties.

Landlord-obtained electricity consumption on a like-for-like basis increased by 8% and fuels consumption decreased by 29% compared to the year ended March 2022, resulting in a 0.4% decrease in the energy intensity of our like-for-like portfolio.

The total absolute Scope 1 and 2 emissions from building energy consumption were 604 tonnes of CO2e, resulting in a 2.29 kg/CO_2e/m^2/year intensity. For this reporting period, green tariffs for electricity supply accounted for 99.97% of the reported consumption. Like-for-like Scope 1 decreased by 29% and while Scope 2 increased by 8%.

Absolute water consumption for the year ended 31 March 2023 was 14,052 m^3, representing a water intensity of 0.13 m^3 per m^2. Like-for-like water consumption fell by 92%.

Consumption data from previous reporting periods has been updated as we received more accurate figures from invoices and meter readings that were received after publication of our last report.

Our analysis of Energy Performance Certificates is available on page 7. For the year ended 31 March 2023 there were no properties in our portfolio with green building certification (BREEAM, LEED or similar).

2. Environmental performance measures

EPRA code	Performance measure	Unit	Scope	Absolute 2021/22	Absolute 2022/23	Like-for-like 2021/22	Like-for-like 2022/23	Like-for-like change (%)
Elec-Abs, Elec-LfL	Total electricity consumption	kWh	Total landlord-obtained electricity	2,509,462	2,155,013	1,190,279	1,286,494	8
Fuels-Abs, Fuels-LfL	Fuel consumption	kWh	Total landlord-obtained fuels	1,172,754	791,033	350,768	249,143	-29
Energy-Int	Building energy intensity	kWh/m^2/year	Building energy intensity	17.96	11.17	8.74	8.71	-0.4
GHG-Dir-Abs	Total direct GHG emissions	tCO_2e	Direct – Scope 1	214	145	64	46	-29
GHG-Indir-Abs	Total indirect GHG emissions	tCO_2e	Indirect – Scope 2 (location-based)	533	459	253	274	8
GHG-Int	GHG emissions intensity from building energy consumption	$kgCO_2e/m^2$/year	Scopes 1 & 2 GHG emissions	3.64	2.29	1.80	1.81	1
Water-Abs, Water-LfL	Water consumption (mains supply)	m^3	Total landlord-obtained water	39,143	14,052	35,294	2,654	-92
Water-Int	Building water intensity	m^3/m^2/year	Building water intensity	0.61	0.13	0.25	0.02	-92

Sustainability report continued

EPRA sBPR continued

3. Social and governance performance measures

Health and safety

The health and safety assessment of the assets conducted by our managing agents on an annual basis covers:

- general hazards and risk assessment;
- fire safety;
- water hygiene;
- progress on existing hazards identified; and
- any specific risks related to a particular site.

Community engagement

By meeting health and safety requirements, conducting impact assessments and undertaking wider consultations required as part of the planning approval process for new developments, we ensure that key decisions relating to the portfolio consider our impact on local communities. As there were no new developments for the year ended 31 March 2023, the performance measure Comty-Eng is not applicable. For more information refer to the stakeholder engagement section on page 14.

Governance

Governance performance measures relate to the Board. On page 73 we outline the full background information including the Board profile, the nomination procedures and the process for managing potential conflicts of interest.

EPRA code	Performance metric	Unit of measure	FY2023
H&S-Asset	Asset health and safety assessment	%	100%
H&S-Comp		%	100%
Comty-Eng	Community engagement, impact assessments and development programmes	%	N/A
Gov-Board	Composition of the highest governance body	Number of non-executive Board members	6
		Number of independent non-executive Board members	4
		Average tenure on the governance body (years)	5
		Number of independent/non-executive Board members with competencies relating to environmental and social topics	2
Gov-Select	Nominating and selecting the highest governance body	Please see the Nomination Committee report on pages 83	
Gov-Col	Process for managing conflicts of interest	Please see the corporate governance statement on page 79	

Principal risks and uncertainties

Our ability to identify, understand and manage our risks and uncertainties is key to delivering our strategy and generating returns for investors.

Our approach and culture

Our understanding of the potential risks associated with our business activities, and our ability to implement robust management arrangements linked to our risk appetite, are essential for a successful business. Our risk management activities enable us to identify and manage risks arising internally – from our decision-making and strategy; and from external risks – which arise when we are impacted by changes in the external market and environment.

Our culture of practical, pragmatic risk awareness and management has been particularly important during the economic challenges of the last financial year, which include increasing interest rates, rising inflation, and significant increases in energy and utility costs. These financial challenges in particular had an impact on our occupiers and the population of potential occupiers, leading to some changes in our risk profile and risk mitigation plans.

Risk management framework

Our strong culture is underpinned by a structured approach to the understanding and management of risk, with a risk management framework which is reviewed and approved by the Board, via the Audit and Risk Committee, each year.

The framework is clear and focused, setting out the Board's risk appetite, with defined responsibilities; processes for the regular review of risk and consideration of emerging risk; and reporting arrangements. This clarity is designed to enable the Group's Investment Advisor to take advantage of opportunities and make effective business decisions, whilst staying within an agreed set of parameters.

During the year, the risk framework and risk appetite were enhanced to reflect our growing focus on ESG and climate-related risks. We also took the decision to review our risk evaluation matrix, to reflect the increasing size of the business, and our move from AIM to the Main Market.

Risk appetite

Risk management is embedded in our decision-making processes, supported by robust systems, policies, leadership and governance. Our business uses an outsourced model, and we rely on our service providers to make decisions and take risks within agreed parameters in the delivery of our objectives. Those parameters are summarised in our stated risk appetite.

The level of risk considered appropriate to accept in achieving business objectives is determined by the Board:

- the Group has no appetite for risk in areas relating to regulatory compliance, and the health, safety and welfare of our occupiers, stakeholders, and the wider community in which we work;
- appetite for risk relating to climate change is low, and the Group is actively focusing on the identification and mitigation of physical and transitional risks for its portfolio; and
- we have a moderate appetite for risk in relation to activities which are directed towards driving revenues and increased financial returns for its investors.

Principal risks and uncertainties continued

Risk appetite continued

Category	Willingness to accept risk: Low	→	Medium	→	High
Business			✓		
Compliance	✓				
Financial		✓			
Operational		✓			
Climate change		✓			

Responsibilities

Board

- Approves the risk framework
- Articulates the REIT's appetite for risk
- Receives reports and information, via the Audit Committee, on the business key risks and issues

Audit Committee

- Receives and reviews risk information, including a detailed assessment of the corporate risk register at each meeting
- Receives assurance from a range of sources, including the Investment Advisor, Investment Manager, valuers and external audit
- Considers any significant risk issues arising, and agrees the approach to management of the outcome
- Assesses the effectiveness of the risk management process

Investment Advisor

- Reviews business activities and operations to identify, document and evaluate current and emerging risks
- Determines and develops appropriate mitigation strategies to ensure that risks remain within the Board's agreed risk appetite
- Works with other third-party providers to ensure that mitigations and controls are operating effectively
- Provides reports to the Audit Committee and Board

Principal risks and uncertainties continued

The Board

The Board has overall responsibility for the Group's approach to risk management and internal control, including:

- the design and implementation of risk management and internal control systems which identify the risks facing the business and enable the Board to make an assessment of principal risks;
- determining the nature and extent of the principal risks faced, and those risks which the Group is willing to take;
- agreeing how principal risks are managed or mitigated to reduce their likelihood or impact; and
- ensuring that there is sufficient relevant, reliable and valid assurance about the mitigation of risk.

The Audit and Risk Committee

The majority of the operations of the Group are outsourced, and the Audit and Risk Committee relies on risk information from its service providers, primarily the Investment Advisor.

To fulfil its responsibilities, the Audit and Risk Committee:

- monitors key risks and changes in risk throughout the year;
- seeks to identify and consider potential emerging risks to the Group, arising both externally and internally;
- considers each of the principal risks, the business's mitigation strategies, and assurances from both management and independent sources;
- undertakes an annual review of the effectiveness of the risk management process, including:
  - the operation of risk management and control systems;
  - integration of risk management and internal control with strategy and business planning;
  - changes in the nature, likelihood and impact of principal risks;
  - the quality of risk reporting;
  - any issues dealt with in reports reviewed during the year, in particular the incidence of significant control failings or weaknesses that have been identified, and the extent of the impact which they had or could have had;
  - the effectiveness of the Company's public reporting processes; and
- takes advice from the Sustainability Committee with respect to updating climate-related risks and mitigations.

The Sustainability Committee

The Sustainability Committee has oversight of the Group's approach to the management of climate-related risks. It provides the Audit and Risk Committee and Board with updates and information in relation to climate risk generally, and progress with the strategy agreed for the Group to manage risks in this area.

The Investment Advisor

The Investment Advisor supports the Audit and Risk Committee and Board, and is responsible for risk identification, documentation and evaluation, including both current and emerging risks; for the implementation of appropriate controls; and for meaningful reporting to the Audit and Risk Committee.

Documentation and reporting

The corporate risk register is the core of the risk management process. It contains an assessment of the risks faced by the Group together with the controls established to reduce those risks to an acceptable level. It is maintained and reviewed regularly by the Investment Advisor, and formally reviewed at each meeting of the Audit and Risk Committee.

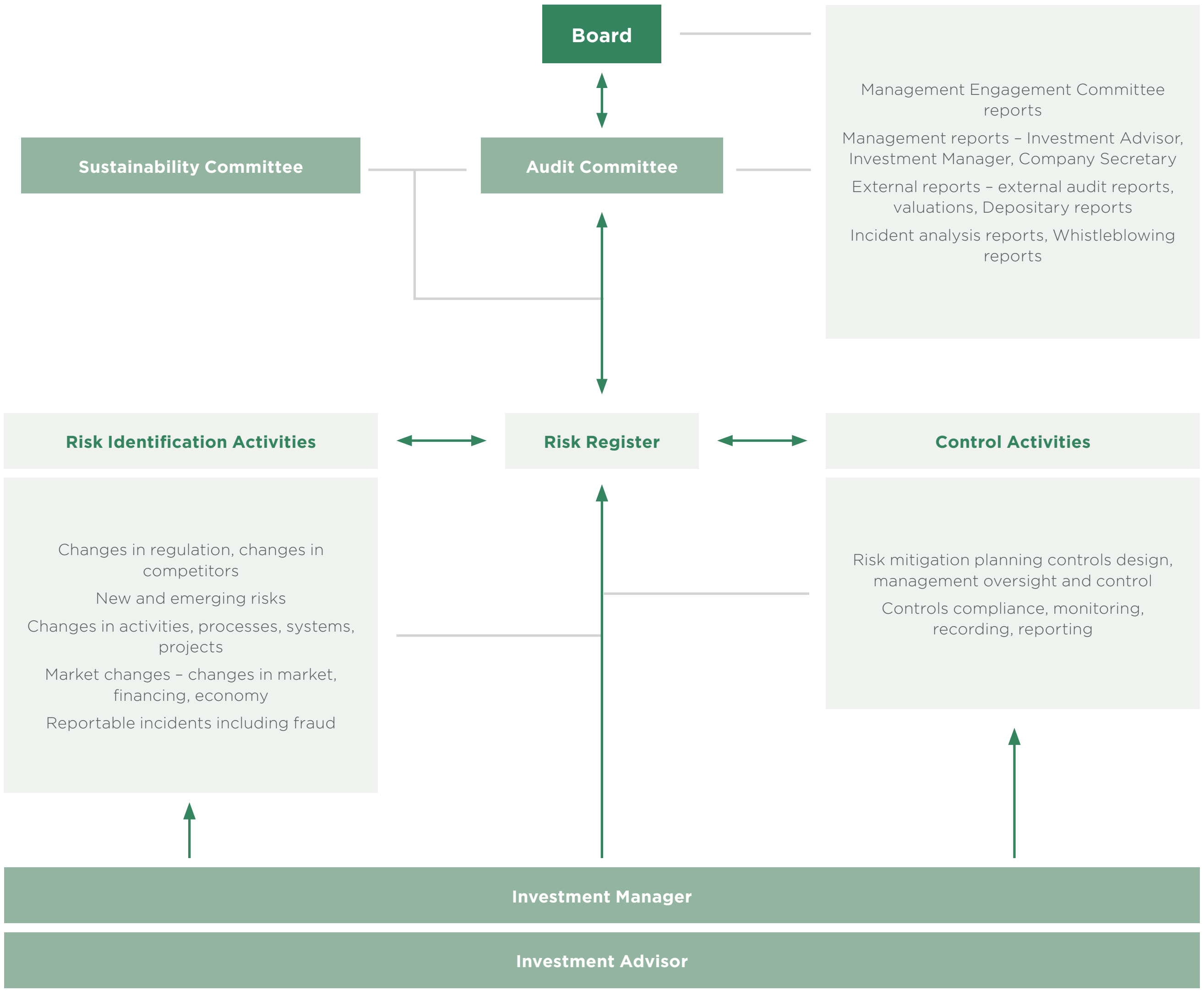
A standard evaluation matrix is used to assess the exposure to risks, and that is reviewed and approved as part of the risk management framework at least annually.

Principal risks and uncertainties continued

Documentation and reporting continued

Risks are categorised into:

- **Business risk** – the risk of making poor business decisions, implementing decisions ineffectively, or being unable to adapt to changes in its environment. In particular, this includes our property investment risk, and our acquisition, disposal and tenancy decision-making processes;
- **Compliance risk** – the risk of legal or regulatory sanctions, financial loss, or loss to reputation a regulated business may suffer as a result of its failure to comply with all applicable laws, regulations, codes of conduct and standards of good practice;
- **Climate-related risk** – risks to the business from the impact of climate change. This includes direct physical impacts such as flooding, or excessive indoor temperatures during periods of extreme heat; and transitional risks such as changes in demand from occupiers, or the cost of complying with changes in building standards;
- **Financial risk** – the risk of financial loss resulting from risks such as market, credit and liquidity risks:
  - Market risk – economic losses resulting from price changes in the capital markets;
  - Credit risk – change in the financial situation of a counterparty, such as an issuer of securities or other debtor with liabilities or arising out of investments and payment transactions with investors;
  - Liquidity risk – not meeting the criteria of the borrowing policy and payment obligations at all times; and
- **Operational risk** – the risk of a loss resulting from inadequate processes, technical failure, human error or external events.



Principal risks and uncertainties continued

Emerging risk

The regular risk reviews undertaken by the Investment Advisor specifically include review of emerging risks, and this is also part of the review by and discussions with the Audit and Risk Committee. The assessment considers internal changes, and external changes trends, and incidents, and considers:

- is this risk relevant to the Group's business activities?
- what is the potential impact, if the risk crystallises?
- what are our potential strategies for the management and mitigation of the risk?
- how could we get assurance that these strategies are effective in practice?
- is this a risk that we should continue to pro-actively monitor?

During the year, we have made some changes to the risks on the register, enhancing risk definitions and the evaluation of some risks, to reflect the challenges being presented by the current cost of financing, and more difficult economic and market conditions.

One new principal risk was agreed during the year, relating to the Group's ability to raise funding – be that equity, loan financing or through asset disposals.

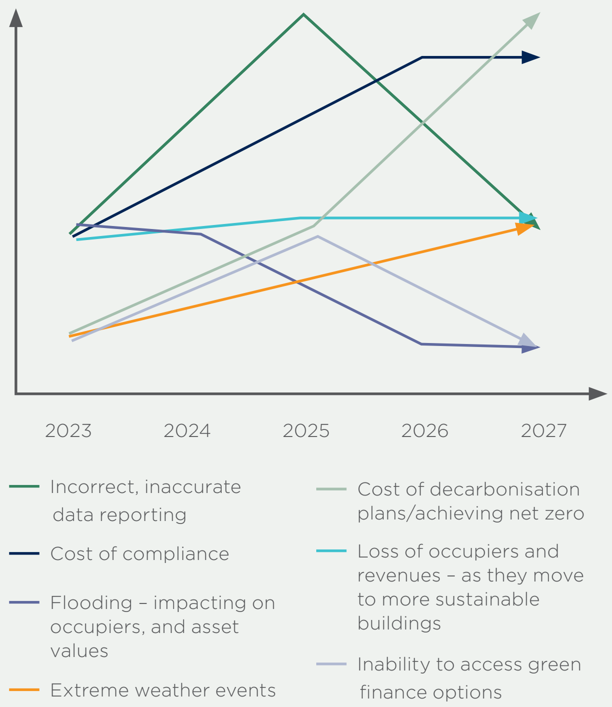
Environmental, social and governance ("ESG") risk

We have continued to invest in and develop our knowledge and plans to manage risk exposure around our sustainable ambitions and climate-related risks. The associated risks are integrated in the Group's risk management process and corporate risk register, and we have also developed an additional, more granular ESG risk register. Climate change risk remains one of the Group's principal risks.

Our governance framework has been enhanced with a Sustainability Committee (a sub-committee of the Board/ Investment Advisor), having regular oversight of the Group's responsible business agenda, sustainability strategy and external ESG reporting plus being provided with regular updates on regulatory requirements and general market expectations. Following the climate risk scenario modelling undertaken this year, the Sustainability Committee will review the Group's climate-related risks and mitigation strategies in detail via the focused ESG risk register and recommend any required updates to the Audit and Risk Committee.

Climate-related risks, particularly physical risks, are incorporated in our decision-making protocols for portfolio changes and capital developments. Costs associated with the Group's sustainability and climate-related ambitions e.g. minimum energy efficiency standards ahead of legislative requirements for properties and net zero carbon pathway, are included in our financial modelling and budgeting. Capital project planning also includes a focus on energy usage reduction and implementing building efficiency measures such as building management systems, replacement of high emission fittings, reduction of water usage and support of sustainable transport initiatives. A climate risk scenario modelling has been completed, to enable us to assess the exposure of our portfolio to physical climate-related risks across certain climate scenarios; see pages 44 to 50 in the TCFD reporting for more detail on the methodology and results. The assessment provided a clear overview of the impact likelihood that modelled hazards pose to the portfolio, enabling us to make strategic decisions on where to focus mitigation actions and harness opportunities. We are introducing targeted surveys of occupiers to understand their challenges and requirements, to enable us to work together to reduce risk and further understand our energy consumption baseline.

Change in risk over time



Further information on our sustainability strategy and progress is included in the sustainability report on pages 37.

Principal risks and uncertainties continued

Our assessment of the changes in key risks over the medium term is summarised below.

Principal risks

Principal risks are those which are considered material to the Group's development, performance, position or future prospects. The principal risks are captured in the corporate risk register and are reviewed by the Board and Audit and Risk Committee, who consider:

- any substantial changes to principal risks;
- material changes to control frameworks in place;
- changes in risk scores; and
- any significant risk incidents arising.

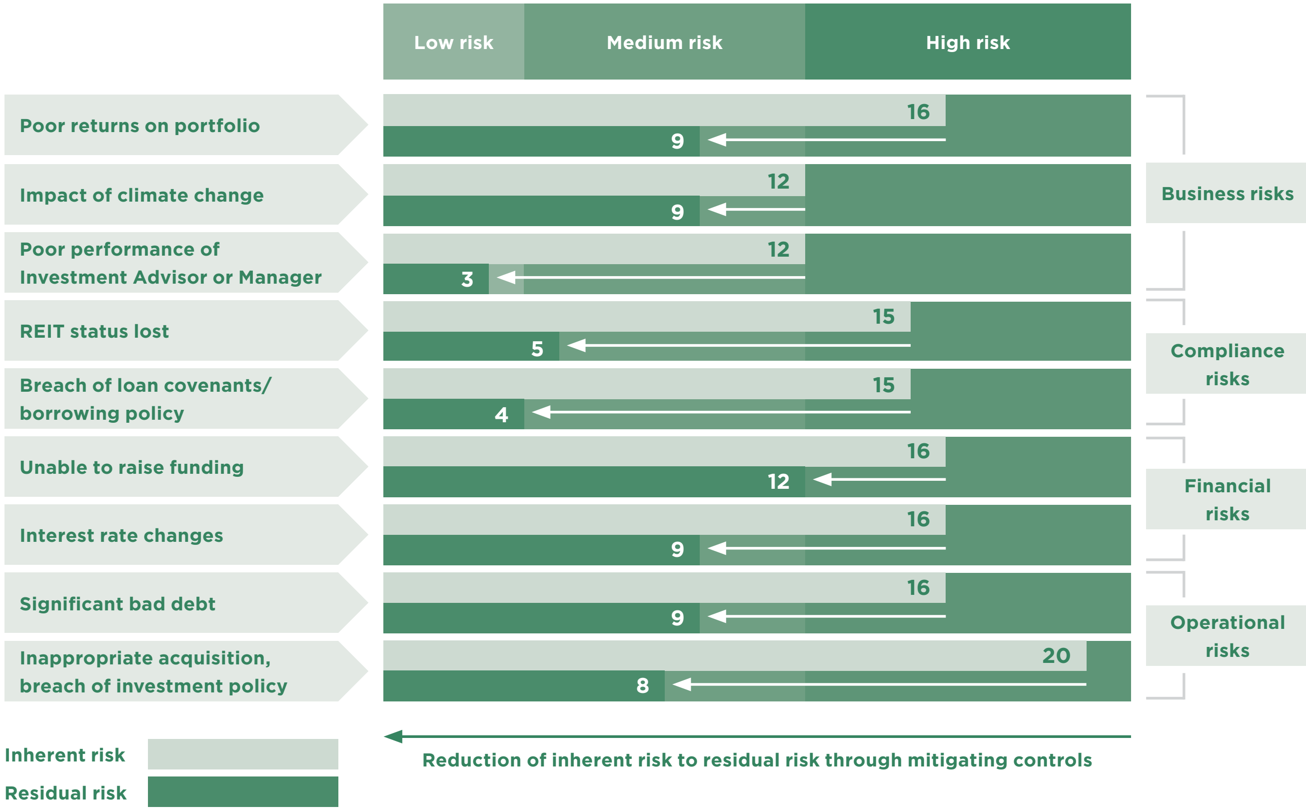
Changes in principal risks during the year

One new principal risk was agreed during the year, relating to the Group's ability to raise funding – be that equity, loan financing or through asset disposals. Previously, risks covering this area were included in the risk register, but were not considered to be significant principal risks. However, the combination of a hardening market for asset disposals, market uncertainties impacting on our share price, the timing of our refinancing, and the increasing cost of capital have all combined to result in an increased exposure.

In some cases the evaluation of principal risks has changed during the year, and the detailed risks section on the following pages shows those changes, with additional information setting out the reasons for changes and risk mitigation plans.

Principal risk heat map as at 31 March 2023

All risks are evaluated on a consistent basis across the Group, which includes both the likelihood of the risk crystallising and the potential impact. Our model evaluates both inherent exposure (i.e. before any mitigating controls or actions) and residual, or current, exposure (i.e. after controls and mitigations). This assessment allows us to see the areas of highest gross risk, and to recognise the positive impact of control on the underlying inherent risk.



Key:

New | Decrease | No change | Increase | Identify assets to acquire | Review and approve transactions | Monitor and manage investments | Create value through asset management | Recycle capital

Principal risks and uncertainties continued

Financial risks

A Interest rate changes

Changes in interest rates could directly impact on our cost of capital, and indirectly may impact on market stability.

Interest rates continued to increase during 2022/23.

Risk mitigation:

Increases in interest rates are not completely within our control, and our focus is therefore primarily on mitigation of the impact. Interest rate caps are in place, and we are revising and renegotiating our funding arrangements.

The Investment Advisor maintains detailed records of the property portfolio, and financial scenario testing is undertaken to assess the potential impact of changes in financing costs.

Whilst we remain comfortable that appropriate new funding arrangements will be put in place, changes in interest rates could have an impact on returns and profitability.

Change and commentary

Interest rates have increased significantly over the last 12 months, and there is still the risk of further increases.

However, during the year we have reduced our exposure, by increasing hedging and reducing debt levels, and our plans and forecasts have taken the current high interest rates into account.

Overall, we consider that the level of risk is therefore unchanged from previous years.

Business model link:

Link to strategy: Financial

B Unable to raise funding through equity, debt or asset disposals sufficient to raise capital and finance the Group's activities

There are three areas of potential risk:

- inability to attract additional equity investment;
- difficulty in securing new loan funding for the business, at an affordable rate; and
- our ability to raise funds through the disposal of assets could be impacted by a hardening market if the economic outlook deteriorates further.

Risk mitigation:

The downturn in the economy during the year has had an impact on each of these potential risk areas. We have a framework of mitigations in place, designed to address the risks, but recognise that market conditions are more challenging.

We have regular investor communications and performance reporting against our strategy, and have the benefit of an enlarged investor base following previous fundraises.

The Investment Advisor completed the refinance of the Group's financing arrangements.

The Investment Advisor maintains close contact with agents to ensure that disposal proceeds and the timing of sales are optimised. The monitoring of financial covenants also enables efficient disposal planning.

Change and commentary

N

This is the first year this has been considered a principal risk, and this decision has been driven by the combination of pressures on each of the three areas.

Business model link:

Link to strategy: Financial

Principal risks and uncertainties continued

Business risks

C Poor portfolio returns

There is a risk that the returns generated by the portfolio may not be in line with our plans and forecasts. There are many factors that could drive this, including:

- inappropriate investment strategy set by the Board;
- poor delivery of the strategy by the Investment Advisor; and
- poor yields from the property portfolio because of reduced capital valuations or rental income.

This would have an impact on the financial performance of the REIT, and returns for our investors.

Risk mitigation:

The investment strategy is set by the Board, and performance against key targets and KPIs is reviewed and reported to the Board on an ongoing basis.

Significant decisions, relating to assets or occupiers, follow established protocols, ensuring there is proper assessment, at the right levels.

Change and commentary

The external economic environment has increased the potential for occupier defaults and liquidations, which in turn may impact both rental income and portfolio valuations.

Business model link:

Link to strategy: Investment

D Poor performance of the Investment Advisor or Investment Manager

The Group outsources it activities and is reliant on the performance of third-party service providers.

In particular, poor performance of the Investment Advisor could have a significant impact on the performance of the Group, as it is fundamental to the management and delivery of all aspects of the business.

Risk mitigation:

There are contracts in place between the Company, the Investment Advisor and the Investment Manager, setting out responsibilities.

Both provide regular quarterly reports to the Board, which include key performance targets and KPIs.

The Management Engagement Committee carries out an annual service review, which is reported to the Board.

Members of the Investment Advisor team have investments in the Group, which reduces the risk of reduced or poor service levels.

Change and commentary

Business model link:

Link to strategy: Investment

Principal risks and uncertainties continued

Business risks continued

E Impact of climate change on our portfolio

Climate change is likely to have an increasing impact across the business, which could include:

- extreme weather events impacting on properties;
- increasing costs of suppliers/disruption to supplies for maintenance and development;
- properties not meeting regulatory/occupier requirements relating to energy efficiency, building standards, or location for logistics;
- increasing costs of compliance as requirements around energy efficient solutions and building standards continue to strengthen. There is also a potentially significant resource requirement for the collection and maintenance of the different data required for reporting (e.g. carbon emissions), because of the size and make up of the portfolio; and
- a reduction in property values and achievable rents, if assets are not developed/maintained to appropriate standards.

It may also impact on investor interest, our reputation compared to our peers, and our ability to access green funding options.

Risk mitigation:

We have a Sustainability Committee, which challenges, approves and monitors our sustainability strategy and progress. The committee members have received training on climate-related risks from MEES, and this training will be rolled out to the Investment Advisor.

During the year we have obtained support from external specialists to assist us with defining our ambitions, including our decarbonisation pathway, climate-related governance and the resulting TCFD reporting.

An environmental specialist completed a climate risk scenario modelling to assess the exposure of our portfolio to physical hazards. We continue to invest in resource and expertise in this area, as we recognise the importance and the challenges ahead.

Our Investment Advisor, along with our Property Managers, are working with occupiers to understand their energy usage, and how we can support them to meet their sustainability objectives and net zero plans.

Capital development and refurbishment works include detailed consideration of energy efficient solutions, emissions management, and options to reduce waste and resource usage through the use of existing or low carbon material.

Although the challenges in this area are increasing, we have made good progress this year towards understanding our climate-related risk and consider the results highlighted to date and our approach to investments and improvements made this year have resulted in no overall change to the current level of risk.

More details of our plans and progress are included in the sustainability report, see pages 36 to 43 and the TCFD reporting on pages 44 to 50.

Change and commentary

Business model link:

Link to strategy: Asset management

Principal risks and uncertainties continued

Operational risks

F Significant rent arrears/irrecoverable bad debt

A substantial increase in our bad debt, or the level of arrears and slow payment, could have a direct impact on cash flow and profitability, and could also have an impact on average lease lengths, and void levels and costs.

Furthermore, poor payment performance would increase the focus required from the Property Managers and Investment Advisor Asset Managers, impacting on resource availability to manage other aspects of the business.

Risk mitigation:

Our diverse portfolio of assets, and wide range of occupiers, is key to maintaining a low risk profile in relation to bad debts.

We have approximately 490 occupiers across our portfolio of around 76 estates, and our top ten occupiers generate less than 30% of our rent roll. This is closely monitored to ensure that we are not at significant risk from any individual tenant.

At an operational level, we have robust processes in place across our tenancy management activities, ensuring that we accurately record, invoice and collect amounts due.

There is a rigorous due diligence process prior to the acceptance of occupiers, with rent guarantees or rent deposits taken where appropriate. Occupier management routines include credit control processes to identify any potential arrears problems and ensure that debt is recovered or actions taken at an early stage. Enhanced automated monitoring on the occupier portfolio has been implemented during the year through subscriptions to credit management software.

In addition, disposals in 2022 targeted those more granular assets with exposure to smaller SMEs, which has also reduced our risk.

Change and commentary

We consider it sensible to increase our assessment of risk in these areas, as whilst our rent collection performance remains good, with bad debts consistently below our level of provisioning, the current economic challenges and high inflation increase the likelihood that some occupier businesses will fail.

Business model link:

Link to strategy: Investment

G Inappropriate acquisitions, breach of the investment policy

Inappropriate acquisitions could increase risk in relation to portfolio returns, as properties may be harder to let, may not generate appropriate revenues, or may require additional costs to support.

Risk mitigation:

We have comprehensive governance procedures supporting acquisition decisions, including an acquisition protocol which is linked to the matters reserved for the Board and the delegated authority matrix.

The protocol sets out detailed due diligence steps which must be completed and fully evidenced as part of the decision-making process. Acquisition decisions are approved by the Investment Advisor Investment Committee and the Investment Manager Investment Committee, and any higher risk acquisition decisions (by value or complexity) are escalated to the Board.

The REIT's Depositary, Crestbridge, is also required to approve acquisition decisions.

Change and commentary

Business model link:

Link to strategy: Investment

Principal risks and uncertainties continued

Compliance risks

H Loss of REIT status

Loss of our REIT status, through failing to meet regulatory requirements or the Listing Rules would have a significant impact on our reputation and the financial returns for our investors.

Risk mitigation:

The Board has approved a clear governance framework which incorporates the matters reserved for the Board and delegated authorities, which are further supported by the clear, contracted allocation of responsibilities to our third-party service providers.

The Investment Advisor reviews the position against REIT legislation with Link quarterly, and this is reported to the Audit and Risk Committee and Board. We are further supported by Deloitte, who complete our PID tracker.

Dividend cover and cash is continuously monitored and forecast forward, and the position reported to the Audit and Risk Committee and Board.

Change and commentary

Business model link:

Link to strategy: Financial

I Breach of loan covenants or our borrowing policy

Our loan funding is subject to conditions, and breach of those could result in restrictions to funding and activities going forward. In addition to the loan covenants, the Board approved and communicated our borrowing policy, and breach of those limits may risk financial and reputation damage.

Risk mitigation:

Our financial position is closely and regularly monitored, and in particular the Investment Advisor monitors LTV % against our loan covenant and borrowing policy on an ongoing basis.

In addition, forward forecasts are prepared and reviewed both to assess the business's position, and to ensure that any acquisition decisions include consideration of the cash and funding impact.

The Board receives a formal update each quarter, and there is a quarterly compliance letter prepared for the bank.

Change and commentary

Business model link:

Link to strategy: Financial

Going concern and viability statement

Going concern

The Board monitors the Group's ability to continue as a going concern. Specifically, at quarterly Board meetings, the Board reviews summaries of the Group's liquidity position and compliance with loan covenants, as well as forecast financial performance and cash flows. Throughout the year, the Board met, in conjunction with the Investment Advisor, Tilstone, to review the uncertainties created by geopolitical tensions and rising inflation and interest rates, and specifically their potential impact on rent collection, cash resources, loan facility headroom, covenant compliance, acquisitions and disposals of investment properties, discretionary and committed capital expenditure and dividend distributions.

The Group ended the year with £19.0 million of unrestricted cash and £14.0 million of headroom readily available under its facilities. Disposals are an important part of our approach to portfolio optimisation and we continually review the portfolio to identify opportunities to increase efficiency and dispose of any assets that are considered ex-growth or non-core, recycling that capital into accretive acquisitions or to reduce debt. The Group made disposals totalling £59.5 million during the year and exchanged on two further disposal for £29.3 million post year end.

The Group has completed a new five year £320.0 million facility with a club of lenders extending the tenure of the previous financing arrangements past 2025. In making this an assessment on going concern, the Board have considered covenant compliance based on the new terms of the facility.

The Group is operating significantly within its covenants and a sensitivity analysis has been performed to identify the decrease in valuations and rental income that would result in a breach of the LTV, market value covenants or interest cover covenants. Valuations would need to fall by 32.9% or rents by 30.5%, when compared with 31 March 2023, before these covenants would be breached, which, based on available market data, is considered unlikely.

As at 5 June 2023, c.99.0% of rents invoiced in relation to the year ended 31 March 2023 have been received. Furthermore, current debt and associated covenants are summarised in note 28, with no covenant breaches during the period.

Tilstone has prepared projections for the Group covering the going concern period to 30 June 2024, which have been reviewed by the Directors. As part of the going concern assessment, and taking the above into consideration, the Directors reviewed a number of scenarios which included extreme downside sensitivities in relation to rental cash collection, making no discretionary capital expenditure, adverse refinancing conditions and minimum dividend distributions under the REIT rules.

Accordingly, based on this information, and in light of mitigating actions available and the recent refinancing, the Directors have a reasonable expectation that the Group and the Company have adequate resources to continue in business for a period of at least 12 months from the date of approval of the Annual Report and Financial Statements.

Assessment of viability

In accordance with the AIC Code of Corporate Governance, the Directors have assessed the Group's prospects over a period greater than the 12 months considered by the going concern provision.

The Directors have conducted their assessment over a three-year period to June 2026, allowing a reasonable level of accuracy given typical lease terms and the cyclical nature of the UK property market.

The principal risks detailed on pages 54 to 64 summarise the matters that could prevent the Group from delivering its strategy. The Board seeks to ensure that risks are kept to a minimum at all times and, where appropriate, the potential impact of such risks is modelled within its viability assessment.

The nature of the Group's business as the owner of a diverse portfolio of UK warehouses, principally located close to urban centres or major highways and let to a wide variety of occupiers, reduces the impact of adverse changes in the general economic environment or market conditions, particularly as the properties are typically flexible spaces, adaptable to changes in occupational demands.

Going concern and viability statement continued

Assessment of viability continued

The Directors' assessment takes into account forecast cash flows, debt maturity and renewal prospects, forecast covenant compliance, dividend cover and REIT compliance. The model is then stress tested for severe but plausible scenarios, individually and in aggregate, along with consideration of potential mitigating factors. The key sensitivities applied to the model are a downturn in economic outlook and restricted availability of finance, specifically:

(i) increased occupier churn and occupier defaults;

(ii) increased void periods following break or expiry;

(iii) decreased rental income;

(iv) decrease in property valuation; and

(v) increased interest rates.

The sensitivity analysis identifies the decrease in valuations and rental income that would result in a breach of the LTV, market value covenants as set out in the Going Concern section above. Taking into account mitigating actions, the results of the sensitivity analysis and stress testing demonstrated that the Group would have sufficient liquidity to meet its ongoing liabilities as they fall due, maintain compliance with banking covenants and maintain compliance with the REIT regime over the period of the assessment.

Furthermore, the Board, in conjunction with the Audit and Risk Committee, carried out a robust assessment of the principal risks and uncertainties facing the Group, including those that would threaten its business model, strategy, future performance, solvency or liquidity over the three-year period. The risk review process provided the Board with assurance that the mitigations and management systems are operating as intended. The Board believes that the Group is well positioned to manage its principal risks and uncertainties successfully, taking into account the current economic and political environment.

The Board's expectation is further supported by regular briefings provided by Tilstone. These briefings consider market conditions, opportunities, changes in the regulatory landscape and the current economic and political risks and uncertainties. Additionally, the trend for increased warehouse space driven by online sales and the need to reinforce supply chains, combined with the shortage of supply nationally, is seen as mitigation. These risks, and other potential risks which may arise, continue to be closely monitored by the Board.

Viability statement

The period over which the Directors consider it is feasible and appropriate to report on the Group's viability is a three-year period to June 2026. This period has been selected because it is the period that is used for the Group's medium-term business plans. Underpinning this plan is an assessment of each individual unit's performance, driving the overall letting assumptions and corresponding forecast cash flows.

Having made an assessment of each individual unit's performance, the forecast cash flows, covenant compliance and the impact of sensitivities in combination, the Directors confirm that, taking account of the Group's current position, the principal risks and in light of the current economic uncertainty, they have a reasonable expectation that the Group will be able to continue in operation and meet its liabilities as they fall due over the three-year period of their assessment.

The strategic report on pages 1 to 66 is approved and signed on behalf of the Board.

Neil Kirton
Chairman

5 June 2023

Chairman's introduction to governance

> "Both the independent Directors and Tilstone have worked hard to ensure that we consider all our stakeholders in our decision-making, as we continue to mature as a public company."

Neil Kirton
Chairman

As Chairman of Warehouse REIT, I am pleased to present the governance report for our financial year ended 31 March 2023.

Our operational results reflect both the experience and decision-making around the opportunities sourced by Tilstone, as well as the strong and cohesive sense of purpose that all the Board have shared since our IPO in 2017.

In addition to the contractual arrangement that exists between the Company and Tilstone, the spirit of this arrangement has been very strong. I am committed to a transparent and open culture and we have constructive and probing dialogue with Tilstone. Both parties have a common agenda, strengthened by the level of equity ownership within the boardroom, which has again grown during the year.

The Board

The Board met regularly during the year, as we transitioned where possible from a virtual or screen-based format to more regular face-to-face interaction, which we have all enjoyed as the Covid-19 related restrictions started to reduce.

In addition to our Board sessions, members of the Board committed significant time to Warehouse REIT business either via their various committee responsibilities, or less formally through dialogue outside the boardroom environment, where we regularly exchange views on many areas of our development, strategy and stakeholder interests.

Strategy day

One particularly important occasion for the Board is the strategy day that we undertake annually, usually in the second quarter of the financial year. The structure of the day entails a detailed set of preparatory notes and a discussion focused on a small number of agreed items with Tilstone. The core areas from the 2022 day included:

- a review of the market for urban warehousing in the UK and its impact on our strategy;
- a detailed discussion of various options to maximise the potential and manage the risks to shareholders of the Radway 16 site in particular;
- the move to a Main Market listing; and
- our capital markets strategy.

Chairman's introduction to governance continued

Strategy day continued

Although the strategy day is not a formal Board meeting, we find it useful to minute this session as a record of our discussions and decision-making. We also find it beneficial from time to time to call upon external professional advisors and ahead of this session we reviewed two reports compiled for the Board on items above.

Board Committees

We made no changes to the Board in personnel terms during the year, but the Nomination Committee – which I continue to chair – regularly reviews the skill sets required to ensure robust governance over the Company. For example, as our marketplace evolves and existing assets continue to be aggressively sought after by many investors, it is likely that development will play an increased role in our future returns.

We conducted a further review of the Group's arrangements with our Investment Advisor, which are enshrined in both the investment policy and the Investment Management Agreement. In so doing, the independent Directors commissioned advice from Reed Smith, Jefferies and Peel Hunt to ensure that any proposed changes were both 'fair and reasonable' and continue to be compliant from a regulatory perspective.

The Sustainability Committee completed its first full year of operation. The Board as a whole fully understands and endorses the importance of ESG to our existing investors, potential shareholders and other stakeholders including occupiers. We discuss ESG in more detail elsewhere but our experience is that the great majority of our stakeholders are continually elevating the importance of ESG.

Our strategy continues to focus on creating a resilient portfolio, reducing our footprint, being able to measure our progress and reinforce that with independent validation, and supporting our occupiers. During 2021, we engaged a number of occupiers in a survey on their views and approaches to ESG, which has been particularly useful in terms of understanding our customers and responding to their needs. This is a cornerstone of what we do.

More generally, the Board continues to take a keen interest in stakeholder views and we ensure we have robust reporting from Tilstone on their day-to-day interactions with stakeholders. Members of the Board are also available to hold discussions with shareholders as necessary. More information on the Group's stakeholder engagement can be found in the strategic report on pages 14 to 16.

Neil Kirton
Chairman

5 June 2023

Statement of compliance

The Board recognises the importance of sound corporate governance, commensurate with the Group's size and nature and the interests of its shareholders. The Board is therefore committed to maintaining high standards of corporate governance.

The Board undertakes an annual review of its compliance with the principles and recommendations of the AIC Code of Corporate Governance (the "AIC Code"). A copy of the AIC Code, which was last updated in 2019, can be obtained via the AIC website, **www.theaic.co.uk**.

During the year ended 31 March 2023, the Company has complied with the AIC Code throughout the year, except where the Board has concluded that adherence or compliance with any particular principle or provision would not have been appropriate to the Company's circumstances, in which case the reasons are fully explained in this statement.

Chairman’s introduction to governance continued

Board leadership and purpose

Principle	Where it is in this report	
Principle A	Strategic report Board of Directors Business model	pages 1 to 66 pages 70 and 71 page 13
Principle B	Strategic report Our culture Our purpose	pages 1 to 66 page 75 page 1 and 75
Principle C	Sustainability report Principal risks and uncertainties Risk management and internal controls	pages 36 to 53 pages 54 to 64 page 87
Principle D	Stakeholders Section 172 statement Shareholder engagement	pages 14 to 16 pages 17 to 19 page 82

Division of responsibilities

Principle	Where it is in this report	
Principle F	Role of the Chairman The Board	pages 74 and 75 page 67
Principle G	Board of Directors Board Committees	pages 70 and 71 pages 68 and 79
Principle H	Board composition and succession Management Engagement Committee report	pages 74 to 77 pages 90 and 91
Principle I	The Board Section 172 statement Induction of new Directors	page 67 pages 17 to 19 N/A

Audit, risk and internal control

Principle	Where it is in this report	
Principle M	Risk management and internal controls Audit and Risk Committee report	page 87 pages 86 to 89
Principle N	Fair, balanced and understandable reporting Strategic report Audit and Risk Committee report Independent Auditor’s report Financial Statements	page 89 pages 1 to 66 pages 86 to 89 pages 102 to 109 pages 101 to 143
Principle O	Principal risks and uncertainties Viability statement Audit and Risk Committee report Management Engagement Committee report Risk management and internal controls	pages 54 to 64 page 66 pages 86 to 89 pages 90 and 91 page 87

Composition, succession and evaluation

Principle	Where it is in this report	
Principle J	Diversity Nomination Committee report Board composition and succession	pages 84 and 85 pages 83 to 85 pages 74 to 77
Principle K	Board of Directors Nomination Committee report Board Committees Board composition and succession	pages 70 and 71 pages 83 to 85 pages 68 and 79 pages 74 to 77
Principle L	Board evaluation	page 76

Remuneration

Principle	Where it is in this report	
Principle P	Strategic report Directors’ remuneration policy Directors’ remuneration report	pages 1 to 66 pages 94 and 95 pages 94 to 96
Principle Q	Directors’ remuneration report	pages 94 to 96
Principle R	Directors’ remuneration report	pages 94 to 96

With regards to Principle E, the AIC and FRC do not require investment trusts to report against this principle.

Board of Directors

Membership of the Board was unchanged during the year. All the Directors are non-executive and the majority are independent of the Investment Advisor.

Neil Kirton
Non-Executive Chairman

Date of appointment
1 August 2017

Skills and experience
Neil has over 25 years of experience working in the securities and investment banking industries, giving him a deep understanding of capital markets and investor needs.

Other current appointments
Neil is also a non-executive director of Ingenta plc and Senior Advisor at Smith Square Partners.

Past appointments
Until December 2021, Neil was a managing director and co-regional head, EMEA, Forensic Investigations and Intelligence at Kroll. Neil was formerly global head of equity distribution at ABN AMRO Bank NV and a member of ABN AMRO's Global Equity Directorate. He was head of UK equity sales and deputy chief executive at Hoare Govett, head of equities at Bridgewell Securities, head of corporate finance and CEO at Arbuthnot Securities and an executive director of Arbuthnot Banking Group plc.

Aimée Pitman
Non-Executive Director

Date of appointment
1 August 2017

Skills and experience
Aimée has over 30 years' experience in strategy development across various sectors, most notably real estate, travel and leisure, and financial services.

Other current appointments
Aimée runs her own strategy consulting business, Pitman & Co. Consulting. As an independent consultant, she works as a client director with Eden McCallum LLP, a London-based consultancy firm. She is also a non-executive director of Native Holdings Ltd and sits on the Advisory Board of McArthurGlen and has recently been appointed a Fellow of Chapter Zero, a not-for-profit organisation focused on helping UK organisations achieve net zero transition plans.

Past appointments
Aimée was a Vice President within MAC Group/Gemini Consulting's strategy practice and went on to work over a number of years with European travel group TUI, supporting it on strategy, distribution and operational excellence.

Lynette Lackey
Non-Executive Director

Date of appointment
15 November 2018

Skills and experience
Lynette is a chartered accountant and experienced non-executive director. She has considerable knowledge of financial matters and of the real estate sector.

Other current appointments
Lynette is also a non-executive director of Centaurea Investment Limited and a member of council at the London Chamber of Commerce & Industry. She is also a partner in her business advisory firm one5two LLP, focused on growing businesses.

Past appointments
Lynette was until recently a non-executive director of Places for People group and chair of its regulated board. She was previously the senior independent director and chair of the group audit and risk committee of the group board.

Lynette was a partner of BDO LLP for ten years, where she was responsible for a portfolio of real estate investor and developer clients. She is a former partner in Greenside Real Estate Solutions, as well as the chair of the Association of Women in Property. She also served on the boards and as chair of the audit and risk committees of the London Chamber of Commerce & Industry and Land Aid Charitable Trust.

Board of Directors continued

Martin Meech
Non-Executive Director

Date of appointment
1 August 2017

Skills and experience
Martin has more than 30 years' operational experience as a property director, gained in a range of major companies. Martin is a Fellow of the Royal Institution of Chartered Surveyors.

Other current appointments
Martin was recently appointed as senior advisor to the Dominvs Group's Board.

Past appointments
Prior to his retirement in December 2021, Martin was the group property director of Travis Perkins plc, the largest supplier of building materials in the UK, and chief executive officer of Travis Perkins (Properties) Ltd. He oversaw the group's freehold portfolio, with a market value in excess of £700 million.

Martin is a former non-executive director of Quintain Estates and Development plc, chairman of the BRC Property Advisory Group and member of the Bank of England Property Forum.

Simon Hope
Non-Executive Director (non-independent)

Date of appointment
24 July 2017

Skills and experience
Simon has over 35 years' experience in the real estate sector, gained during his career at Savills, one of the world's leading property agents. During this period he was Global Head of Capital Markets.

Other current appointments
Simon is the Non-Executive Chairman of Tilstone and represents Tilstone on the Board. He is the Vice-Chairman of Ironstone Asset Management Limited, the Investment Advisor to Life Science REIT plc, a UK listed company which invests in a diversified portfolio of properties across the UK which typically provide benefit to the life science sector. Simon is also a Senior Advisor at Savills UK ltd.

Simon owns a thoroughbred stud farm called Aston Mullins and is a director of a number of bloodstock syndicates and other horse racing organisations. He is a governor of Magdalen College, Oxford.

Past appointments
Simon was on the Savills Group and plc boards from 1999 to 2021 and led the real estate investment teams until December 2022. As Chairman of Savills Investment Management, he led Savills UK Limited's proprietary trading arm, Grosvenor Hill Ventures Limited, during a five-year period up to 2006, when this fund delivered an internal rate of return in excess of 35%. Simon also chaired the Charities Property Fund from 2002 until 2007.

Stephen Barrow
Non-Executive Director (non-independent)

Date of appointment
24 July 2017

Skills and experience
Stephen is an experienced global equity investor, giving him an in-depth understanding of capital markets and institutional investors.

Other current appointments
Stephen is a member of the advisory board of Glia Ecosystems Limited and a non-employee partner of Absolute Return Partners, where he manages his own portfolio. Stephen is Chairman of Ironstone Asset Management Limited, the Investment Advisor to Life Science REIT plc, a UK listed company which invests in a diversified portfolio of properties across the UK which typically provide benefit to the life science sector.

Past appointments
In his former roles as chief investment officer at IronBridge International and head of global equities at Deutsche Asset Management, Stephen managed over £5 billion of assets for a wide variety of clients, including many large global institutions.

Investment Advisor

The Board has appointed Tilstone Partners Limited to provide day-to-day asset management and advisory services to the Group.

Simon Hope

Non-Executive Chairman/Joint Fund Manager

Simon has been Chairman of Tilstone since its formation in 2010 and was a founding investor. Prior to that he worked with Andrew Bird whilst Andrew was property director at Barlows Plc, trading a number of portfolios including a sale to Westbury Fund Management.

Simon's biography can be found on page 71.

Andrew Bird

Managing Director/Joint Fund Manager

Andrew founded the Tilstone brand in 2010 to focus on commercial property investment and development. After identifying opportunities within the warehouse sector, the focus moved in August 2013 to creating the Tilstone Property Portfolio, which the Company acquired as its seed portfolio as part of the September 2017 initial public offering. As Managing Director of Tilstone, Andrew takes overall responsibility for strategy, direction and business performance.

Prior to founding Tilstone, Andrew was appointed as property director to the board of Barlows plc in 1994, a north-west focused commercial property company with a listing on the Main Market of the London Stock Exchange. He was subsequently part of a consortium that took the company private in 2001. The business created a separate asset management company through which Andrew served on the investment committee of Westbury plc, a quoted property fund (2002-2007). Andrew has also served as a non-executive director of Dee Valley Group plc, at that time a London Stock Exchange quoted water utility company.

Paul Makin

Investment Director

Paul joined Tilstone in 2013 and was part of the original team creating the Tilstone property portfolio and was a co-founder of Tilstone Partners Limited. Paul is Tilstone's Investment Director and is responsible for the sourcing of investment opportunities, asset management and creating positive occupier relationships.

He has extensive investment consultancy experience through his work at CBRE Limited and subsequently at Mapeley Estates Limited (a previously listed property company), where he was head of investment and investment asset management, tasked with extracting value from outsourcing contracts and new acquisitions. Paul expanded his horizons with a senior investment asset management role at Moorfield Group Limited, a real estate private equity company. There he took a key role in the purchase and asset management of projects such as the UK Logistics Fund, in a joint venture with SEGRO plc.

Peter Greenslade

Finance Director

Peter has significant experience in company management, control, reporting and corporate activity, especially in the private equity arena. He qualified as a chartered accountant with Binder Hamlyn, before working in a variety of finance roles for blue chip companies including Grand Metropolitan (Diageo plc), De La Rue plc and ICL plc. During his time as group finance director of Robert Walters plc, the company successfully floated on the Main Market of the London Stock Exchange. While he was at Spectron Group Limited, the company was restructured and eventually sold to a trade buyer.

As part of the management team of Axiom Consulting Limited, Peter was involved in a management buyout from Aon Limited, funded by private equity, and later its trade sale to Charles Taylor plc. He was also part of the team at Kane Group Limited which undertook the private equity-backed acquisition of HSBC Insurance Services Limited. Peter also stood on the board of Leander Club Limited for ten years, stepping down in 2022.

Corporate governance statement

This report explains the key features of the Group's governance structure.

The Board of Directors

Under the leadership of the Chairman, the Board of Directors is collectively responsible for the long-term sustainable success of the Company, generating value for shareholders and contributing to wider society. Each Director recognises that they have a statutory duty to consider and represent the Company's various stakeholders in deliberations and decision-making. More details can be found about how the Directors have fulfilled their duties under section 172 of the Companies Act 2006 on page 17 of this report. The Board establishes the purpose, values and strategic aims of the whole Group and satisfies itself that these and its culture are aligned and ensures that the necessary resources are in place for the Group to meet its objectives and fulfil its obligations to shareholders, within a framework of high standards of corporate governance and effective internal controls. The Directors are responsible for the determination of the Group's investment policy and strategy and have the overall responsibility for the Group's activities, including the control and supervision of the Investment Manager and Investment Advisor.

The Board consists entirely of six Non-Executive Directors, with no individual having unfettered powers of decision. The Directors hold, or have held, senior positions in industry and commerce and possess a wide range of relevant business and financial expertise, and brief biographies, including details of their significant commitments, can be found on pages 70 to 71. During the year, the Board was satisfied that all the Directors were able to commit sufficient time to the Group's affairs and discharge their responsibilities effectively having given due consideration to the Directors' external appointments.

Each Director was appointed for an initial three-year term, subject to re-election annually at each AGM (see page 77). The Board has not stipulated a maximum term of any directorship, except that, subject to ensuring business continuity, the Chairman will remain on the Board for a maximum period of nine years.

None of the Directors has a service contract. Letters of appointment set out the terms of their appointment and copies are available on request from the Company Secretary and will be available at the AGM. The Directors were advised on appointment of the expected time required to fulfil their roles and have confirmed that they remain able to make that commitment.

All material changes in any Director's commitments outside the Group are required to be, and have been, disclosed prior to the acceptance of any such appointment.

Director induction

The Group has established an induction procedure for new Directors, including the provision of an induction pack containing information about the Group, its processes and procedures. New appointees also meet the Chairman and relevant Investment Advisor personnel.

Corporate governance statement continued

Director induction continued

Structure of the Board during the year

	Audit and Risk Committee	Management Engagement Committee	Nomination Committee	Sustainability Committee	Independent/ Non-independent	Male/Female
Neil Kirton[1]		✓	✓		Independent	Male
Aimée Pitman[2]	✓			✓	Independent	Female
Lynette Lackey[3]	✓	✓	✓		Independent	Female
Martin Meech[4]	✓	✓		✓	Independent	Male
Simon Hope			✓		Non-independent	Male
Stephen Barrow				✓	Non-independent	Male

1. Chairman of the Nomination Committee.
2. Chair of the Sustainability Committee.
3. Chair of the Audit and Risk Committee.
4. Chairman of the Management Engagement Committee.

Board size and composition

We consider that a diversity of skills, backgrounds, knowledge, experience, geographic location, nationalities and gender is important to effectively govern the business. The Board and its Nomination Committee will work to ensure that the Board continues to have the right balance of skills, experience, knowledge and independence necessary to discharge its responsibilities in accordance with the highest standards of governance.

As Warehouse REIT plc is now a FTSE 250 company, the Board is mindful of developing diversity at Board level in the Group. Female representation on the Board is at 33%. The Board is also aware of the aims of the Parker Review, for companies to have at least one director from an ethnic minority background by 2024.

As part of the ongoing succession cycle, the Board will take into consideration the need to improve the ethnic diversity of the Board when recruiting new Non-Executive Directors. It is anticipated that this process will satisfy the Parker Review requirements. Our approach to diversity is balanced with the need to appoint directors who can best serve the interests of the Company, having the relevant experience, and its shareholders.

Martin Meech will not be seeking re-election to the Board at the forthcoming AGM and therefore will cease to be a Director of the Company from the conclusion of the AGM.

More information on the Company's Diversity Policy, its objectives, implementation and results can be found on page 84.

Chairman and Senior Independent Director

The independent non-executive Chairman, Neil Kirton, is deemed to have no conflicting relationships. He considers himself to have sufficient time to commit to the Company's affairs.

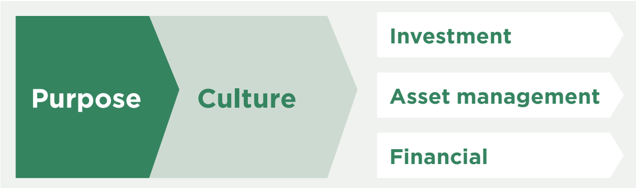
The Board has appointed Martin Meech as the Senior Independent Director. Martin Meech shall continue to serve as the Senior Independent Director until the upcoming AGM. A replacement for the role of Senior Independent Director is currently under consideration by the Nomination Committee. The Senior Independent Director provides a channel for any shareholder with concerns regarding the Chairman and leads the independent Directors' annual evaluation of the Chairman. The Senior Independent Director would consult when necessary with the other Non-Executive Directors without the Chairman being present, if required, for example to consider the Chairman's performance.

The roles and responsibilities of the Chairman and the Senior Independent Director are clearly defined and set out in writing, a copy of which is available on the Company's website at **www.warehousereit.co.uk**.

Corporate governance statement continued

Board size and composition continued

Purpose and culture



The Group's purpose is to provide the well-connected, high-quality and sustainable space our occupiers need to thrive and by doing this responsibly, we generate positive outcomes for all our stakeholders.

The Chairman leads the Board and is responsible for its overall effectiveness in directing the Group. He demonstrates objective judgement, promotes a culture of openness and debate, and facilitates effective contributions by all Directors. In liaison with the Company Secretary, he ensures that the Directors receive accurate, timely and clear information to enable them to discharge their responsibilities.

The Board believes that it has a responsibility to set and demonstrate high standards of ethics and behaviour. We are strongly committed to an ethos and culture that balances both our shareholders' need and desire for financial returns and the process and environment within which we achieve those returns. This obligation begins with the Board of Directors but extends into our engagement with Tilstone. Both parties operate with complete mutuality of trust and transparency embedded in the relationship.

As an externally managed Group we expect all our external service providers, including Tilstone, to fully endorse these values and exercise commercial judgement with due and full consideration of the impact of those decisions on their employees, our customers, the communities in which we operate, and our wider stakeholder base.

Annually, the Management Engagement Committee analyses and systematically reviews all our service providers, including Tilstone – a review which includes an understanding of their policies, procedures and actions around behaviour, ethics and culture and consideration of their own engagement with other third-party service providers. This includes assessing their approach to significant ethical issues such as modern slavery. The Company's Modern Slavery Statement, reviewed by the Board each May, is available from its website **www.warehousereit.co.uk**.

The Group has policies and procedures to assist with maintaining a culture of good governance, including those relating to delegated authorities, diversity and related parties. The Board assesses and monitors compliance with these policies regularly through Board meetings.

Engaging with our stakeholders

Details of how we engaged with our key stakeholders during the year ended 31 March 2023 are set out in the strategic report on pages 14 to 16.

Board operation

The Directors meet at regular Board meetings, held at least four times a year, with additional meetings arranged as necessary. The table below sets out the Directors' attendance at both regular and ad-hoc Board and Committee meetings during the year ended 31 March 2023, against the number of meetings each Board member was eligible to attend:

	Board	Audit and Risk Committee	Management Engagement Committee	Nomination Committee	Sustainability Committee
Neil Kirton	■■■■	—	■	■	—
Aimée Pitman	■■■■	■■■	■	—	■■■
Lynette Lackey	■■■■	■■■	■	■	—
Martin Meech	■■■■	■■■	■	—	■■■
Simon Hope	■■■■	—	—	■	—
Stephen Barrow	■■■■	—	—	—	■■■

Corporate governance statement continued

Board size and composition continued

Board operation continued

As noted above, additional ad-hoc Board meetings were held during the period to discuss strategic matters and approve the release of the annual and half-year results.

The Board has formal arrangements for the Directors, in the furtherance of their duties, to take independent professional advice at the Company's expense. The Company has also taken out a Directors' and Officers' liability insurance policy, which includes cover for legal expenses. In addition, the Company has specific Public Offering of Securities insurance, which began on 20 September 2017 with a six-year run-off period.

Subject to the provisions of UK law, the Company has provided each Director with an indemnity in respect of liabilities which they may incur when discharging their duties as a Director. There are no other qualifying third-party indemnity provisions in place.

Board evaluation

Fidelio Partners, an independent Board Advisory firm, conducted an external Board evaluation of the Warehouse REIT Board in line with the Corporate Governance Code 2018.

Fidelio worked with the Chairman to define the scope and objectives of the evaluation, which focused on providing comfort to shareholders and also enhancing the effectiveness of the Board.

The evaluation included:

- **A tailored questionnaire** which was completed by Board members and selected executives, comprising both a qualitative survey and a quantitative component. The questionnaire focused on overall Board effectiveness, including accountability, risk oversight, strategy, dynamic, composition, Board materials, key Board roles and Committees and shareholder and stakeholder engagement. It also provided a deep dive into three key priorities for the Board and the business. (Fidelio did not have the opportunity to interview Board members but did speak with two external advisors.);
- **A workshop with the Board** in which Fidelio shared initial findings and explored potential next steps and recommendations. This also afforded the opportunity for Fidelio to observe Board dynamic;
- **A review of Board and Committee materials** as well as overall governance; and
- **A report including key findings and recommendations** as well as supporting analysis. This was shared initially with the Chairman and will also subsequently be shared with the Board as a whole.

The evaluation afforded Board members the opportunity to provide open and constructive input and resulted in practical findings and recommendations.

The Board was seen to take its responsibilities and duties seriously. Board members were open to challenge and able to consider both what is working well and also how to increase effectiveness.

Looking ahead, key areas of focus included:

i. Ensuring that the Board continues to contribute fully and effectively to strategy and also to oversee its implementation

ii. Active and forward-looking consideration of Board composition taking account of strategic priorities, diversity and tenure

iii. Maintaining effective shareholder and stakeholder engagement

The Board is adopting and prioritising practical recommendations with a view to further developing its effectiveness, in particular regarding the key areas of focus above. Fidelio remains available as a sounding board to the Chairman and the Board over the year ahead, as the recommendations arising from the evaluation are adopted.

Corporate governance statement continued

Independence of Directors

The Board has reviewed the independence of each Director and the Board as a whole in line with principle G of the AIC Code and is of the opinion that over half the Board members, are considered independent. Most of the Board is independent of the Investment Advisor and free from any business or other relationships that could materially interfere with the exercise of the Directors' independent judgement.

Simon Hope is the Non-Executive Chairman of the Investment Advisor and an ex-employee of Savills (one of the Company's Property Managers); he is therefore considered to be a non-independent Director. Stephen Barrow is also on the Tilstone Board of Directors and is therefore considered to be a non-independent Director. Both Simon Hope and Stephen Barrow have cross-directorships in Tilstone Partners Limited and are both LLP members of Tilstone Investments LLP, Tilstone Halifax LLP and Somersham Coventry LLP.

The Board considers that all other Directors are independent of the Investment Advisor in both character and judgement.

Election/re-election of Directors

Under the Company's Articles of Association, Directors are required to stand for election at the first AGM after their appointment. Thereafter, at each AGM any Director who has not stood for appointment or re-election at either of the two preceding AGMs is required to retire and offer him/herself for re-election, as is any Director who has held office for a continuous period of nine years or more.

Beyond these requirements, and in line with corporate governance best practice, the Board has determined that all Directors will seek annual re-election at the Company's AGMs. Notwithstanding Martin Meech's directorship ceasing at the close of the 2023 AGM, all other Directors will stand for re-election at the forthcoming AGM. The Board considers that, during the year ended 31 March 2023, each Director has performed effectively and demonstrated commitment to the role. It therefore believes that it is in the best interests of shareholders that each Director is re-elected at the AGM.

Board responsibilities and relationship with the Investment Advisor

The Board's main roles are to lead the Group and ensure its long-term sustainable success, generating value for shareholders and contributing to wider society, and to approve the Group's purpose, values and strategic objectives and satisfy itself that these and its culture are aligned. The Board has adopted a schedule of matters reserved for its decision, which is reviewed annually. These specific responsibilities include:

- approving the Company's investment and business strategy;
- approving the gearing policy;
- overseeing cash management;
- approving the Annual and Half-yearly Reports and Financial Statements and accounting policies, prospectuses, circulars and other shareholder communications;
- approving acquisitions and disposals which are within the investment policy but have a value of 20% or more of gross asset value ("GAV") of the Company's portfolio, and any acquisitions or disposals outside the investment policy;
- raising new capital and approving major financing facilities;
- approving the valuation of the Group's portfolio;
- approving and recommending dividends;
- approving Board appointments and removals;
- approving the Company's sustainability strategy;
- appointing or removing the Investment Manager, Investment Advisor, Depositary, Auditor and Company Secretary; and
- ensuring a satisfactory dialogue with shareholders and other key stakeholders.

A copy of the schedule of matters reserved for the Board's decision is available on the Company's website at **www.warehousereit.co.uk**.

The Company has sub-contracted its day-to-day functions to service providers, each engaged under separate legal agreements. For example, portfolio management and risk management of the Group's assets has been delegated to the Investment Manager. The Investment Advisor provides recommendations to the Investment Manager's investment committee.

These recommendations cover acquisitions and sales of Group assets (where this would be in line with the Company's objectives and investment policy) and recommendations on where the Group should incur borrowings and give guarantees and securities (subject to certain investment restrictions imposed by the Board and the Board's overall control and supervision). The Board, the Investment Manager and the Investment Advisor operate in a fully supportive, co-operative and open environment.

At each Board meeting, the Directors follow a formal agenda, which is circulated in advance by the Company Secretary. The Company Secretary and Investment Advisor regularly provide financial information, together with briefing notes and papers in relation to changes in the Group's economic and financial environment, statutory and regulatory changes and corporate governance best practice. Representatives from the Investment Advisor and the Investment Manager attend each Board meeting and communicate with the Board between formal meetings.

Corporate governance statement continued

Key Board activities during the year

A report from the Investment Advisor is reviewed at each meeting, which includes relevant matters to highlight since the previous meeting and details of portfolio activity, the pipeline and health and safety matters. A quarterly report from the Investment Manager is presented at each scheduled Board meeting. The Board also receives and reviews a quarterly share register analysis, as well as a report from the Company Secretary including regulatory and governance updates. In addition to these regular agenda items, the Board dealt with the following matters during the year:

May 2022

- Updates from Management Engagement Committee, Nomination Committee and Audit and Risk Committee Chairs
- Approval of preliminary results for the year ended 31 March 2022 and fourth interim dividend for the 2022 financial year
- Review of going concern and long-term viability statements
- Approval of Annual Report and Financial Statements for the year ended 31 March 2022
- Review of Directors' performance evaluation for the year ended 31 March 2022
- Annual review of Modern Slavery Statement
- Review of Sustainability Policy

July 2022

- Approval of first interim dividend for the 2023 financial year
- Approval of the Notice of Annual General Meeting
- Release of the circular to shareholders in respect of the move from AIM to Main Market
- Review of Directors' fees

September 2022

- Annual General Meeting

October 2022

- Board strategy meeting

November 2022

- Update from Sustainability Committee and Audit and Risk Committee Chairs
- Approval of Half-yearly Report and second interim dividend for the 2023 financial year
- Reviewed performance against revised short-term strategy

January 2023

- Updates from Sustainability Committee and Audit and Risk Committee Chairs
- Approval of third interim dividend for the 2023 financial year
- Review of Board Diversity Policy and Diversity and Inclusion Policy
- Reviewed matters reserved for the Board

March 2023

- Approval of the financial budget and capital expenditure programme for the financial year to 31 March 2024
- Review of the Company's compliance with the AIC Code
- Annual review of the investment policy
- Annual review of the Board, Committees and Chairman through an externally facilitated independent evaluation

Corporate governance statement continued

Conflicts of interest

In accordance with the Companies Act 2006, the Articles of Association permit the Board to consider and, if it sees fit, to authorise situations where a Director has an interest that conflicts, or may possibly conflict, with the Group's interests. The Board has a formal system to consider such conflicts, with the Directors who have no interest in the matter deciding whether to authorise the conflict and any conditions to attach to such authorisation.

Board Committees

The Board has four Committees: the Nomination Committee, the Audit and Risk Committee, the Management Engagement Committee and the Sustainability Committee. Given the Board's size, it is not felt appropriate for the Company to have a separate remuneration committee and the full Board deals with the functions that this committee would normally carry out.

The Committees' terms of reference are available on the Company's website at **www.warehousereit.co.uk**.

Nomination Committee

During the year, the Nomination Committee comprised of Neil Kirton, Lynette Lackey and Simon Hope. The Chairman of the Board is a member of, and chairs, the Nomination Committee. A majority of the members of the Nomination Committee are independent Non-Executive Directors.

A report from the Chair of the Nomination Committee is set out on pages 83 to 85.

Audit and Risk Committee

The members of the Audit and Risk Committee are Lynette Lackey (Chair), Aimée Pitman and Martin Meech. The Chairman of the Board is not a member of the Committee.

The members of the Audit and Risk Committee consider that they collectively have the requisite skills and experience to fulfil the Audit and Risk Committee's responsibilities and competence relevant to the REIT sector. Lynette Lackey is a qualified Chartered Accountant with audit experience in the real estate investor and developer industry.

A report from the Chair of the Audit and Risk Committee is set out on pages 86 to 89.

Management Engagement Committee

During the year, the Management Engagement Committee comprised of Martin Meech (Chairman), Neil Kirton and Lynette Lackey, all of whom are independent Non-Executive Directors. The Chairman of the Board is a member of the Committee.

A report from the Chairman of the Management Engagement Committee is set out on pages 90 to 91.

Sustainability Committee

The Sustainability Committee is comprised of Aimée Pitman (Chair), Martin Meech and Stephen Barrow. Representatives of the Investment Advisor also attend the Committee.

A report from the Chair of the Sustainability Committee is set out on pages 92 to 93.

Company Secretary

The Board has direct access to the advice and services of the Company Secretary, Link Company Matters Limited, which is responsible for ensuring that the Board and Committee procedures are followed and that applicable regulations are complied with. The Company Secretary is also responsible to the Board for ensuring timely delivery of information and reports and for ensuring that the Group meets its statutory obligations.

Corporate governance statement continued

How governance supported the delivery of the Group's strategy during the year ended 31 March 2023

As noted on page 73, approving the strategy and overseeing its implementation is one of the Board's core responsibilities. Set out below are the Board's activities in respect of each element of the strategy set out on pages 20 to 21 of this report. In addition, during the year the Board held a strategy day, which is a key event allowing the Board to examine the strategy and the market context for it. More information can be found in the Chairman's statement on pages 6 to 8.

Strategy	Board governance role	Key activities during the year
Investment strategy	• Overseeing the selection of acquisitions, against the backdrop of current market and economic conditions • Approving acquisitions which are within the investment policy but have a value of 20% or more of the Company's GAV • Approving any acquisitions outside the investment policy	During the year, the Board: • reviewed an acquisition pipeline tracker at each quarterly meeting; • reviewed the details of all acquisitions at its quarterly meetings; and • assessed in detail the ongoing availability of quality stock that could be acquired at the strategy day held during the year (see the Chairman's introduction to governance on pages 67 to 69 for more information). Read more about the acquisitions in the year in the Investment Advisor's report on pages 27 to 35.
Asset management strategy	• Overseeing the portfolio • Overseeing the Investment Advisor's asset management activities • Approving disposals which are within the investment policy but have a value of 20% or more of the GAV of the Company's portfolio • Approving any disposals outside the investment policy	During the year, the Board: • reviewed quarterly portfolio updates from the Investment Advisor, including details of occupancy levels, lease events, rental values and rent collection; • monitored the Investment Advisor's and Investment Manager's adherence to the capital expenditure budget, through quarterly reports from the Investment Advisor; and • approved the annual budget (including capital expenditure) for the year to 31 March 2024. Read more about asset management during the year in the Investment Advisor's report on pages 27 to 35.
Financial strategy	• Approving any changes to the Group's capital structure • Approving the Group's gearing policy, dividend policy and treasury policy	During the year, the Board: • monitored the Group's debt levels and reviewed the hedging strategy. Read more about financing activity during the year in the Investment Advisor's report on page 32.
Sustainability strategy	• Approval of policy, strategy and targets. • Approval of governance policies.	During the year the Board: • reviewed and oversaw progress made against the strategy with particular focus on the key projects; • Set and approved 2023 targets; • Reviewed and oversaw the net zero carbon pathway project through to approving our eight decarbonisation commitments; and • Participated in training on climate risks and received information on ESG legislation, peer reviews, green bonds, benchmarking to enable informed decisions.

Read more on pages 20 to 21

Corporate governance statement continued

Internal control review

The Board is responsible for the systems of internal controls relating to the Group, including the reliability of the financial reporting process and for reviewing their systems' effectiveness.

The Directors have reviewed and considered the Financial Reporting Council's ("FRC's") guidance on risk management, internal control and related finance and business reporting and have established an ongoing process for identifying, evaluating and managing the principal risks faced by the Group. This process, together with key procedures established to provide effective financial control, was in place during the period under review and at the date of the signing of this report. The internal control systems are designed to ensure that proper accounting records are maintained, that the financial information on which business decisions are made and which is issued for publication is reliable, and that the Group's assets are safeguarded. The risk management process and the Group's systems of internal control are designed to manage rather than eliminate the risk of failure to achieve the Group's objectives. It should be recognised that such systems can only provide reasonable, not absolute, assurance against material misstatement or loss.

The Directors have reviewed the effectiveness of the Group's risk management and internal control systems as they have operated over the period and up to the date of approval of the Annual Report and Financial Statements. There were no matters arising from this review that required further investigation and no significant failings or weaknesses were identified.

Internal control assessment process

The Board undertakes regular robust risk assessments and reviews of internal controls, in the context of the Group's overall investment objective. The Board, through the Audit and Risk Committee, has categorised risk management controls under the following headings:

- business risk;
- operational risk;
- reputational risk;
- compliance risk; and
- financial risk.

In arriving at its judgement of what risks the Group faces, the Board has considered the Group's operations mindful of the following factors:

- the nature and extent of risks which the Board regards as acceptable for the Group to bear, within its overall business strategy;
- the threat of such risks becoming reality;
- the Group's ability to reduce the incidence and impact of risk on its performance; and
- the cost to the Group and the benefits related to the Group and third parties operating the relevant controls.

One of the key internal controls which the Group has in place is a corporate risk register, which is maintained by the Investment Advisor, against which the Group monitors the risks identified, the impact of such risks and the controls in place to mitigate them. It also considers and monitors both current and emerging risks to ensure meaningful reporting to the Audit and Risk Committee. Other key internal controls, which the Group has in place during the year, include a procedure to monitor the compliance status of the Company to ensure that it can continue to be approved as a REIT; and the Investment Advisor prepares forecasts and management accounts which allow the Board to assess performance. The risks are assessed based on the likelihood of them happening, the impact on the business if they were to occur and the effectiveness of the controls. The Audit and Risk Committee reviews the risk matrix at least twice in each financial year and at other times as necessary.

The principal and emerging risks that the Board has identified are set out on pages 54 to 64.

Most functions for the Group's day-to-day management are sub-contracted and the Directors therefore obtain regular assurances and information from key third-party suppliers regarding their internal systems and controls.

Corporate governance statement continued

Communication with shareholders is a high priority for both the Board and the Investment Advisor, and the Directors are available to discuss the Group's progress and performance with shareholders.

Shareholder engagement

The Investment Advisor, the Company's Joint Brokers (Peel Hunt LLP and Jefferies International Limited) and Nominated Advisor (Peel Hunt LLP) are in regular contact with the major institutional investors and report the results of meetings and the views of those shareholders to the Board. The Chairman and the other Directors are available to attend these meetings with shareholders if required.

All shareholders are encouraged to attend, either in person when able to or by proxy, and vote at the AGM, during which the Board and representatives of the Investment Advisor are available to discuss issues affecting the Group and answer any questions. Shareholders wishing to communicate directly with the Board or to lodge a question in advance of the AGM should contact the Company Secretary at the address on page 159.

The Company always responds to letters from shareholders. Shareholders are also invited to submit questions ahead of the AGM by email and responses are provided ahead of the proxy voting deadline where practicable.

All resolutions proposed at the 2023 AGM will be voted on separately and the voting results will be announced to the London Stock Exchange and made available on the Company's website as soon as practicable after the meeting. These will include all votes cast for and against and those withheld, together with all proxies lodged prior to the meeting.

The Company is committed to ongoing shareholder dialogue and takes an active interest in voting outcomes. If there are substantial votes against any resolutions, the Company will consult with shareholders to understand the reasons for any such vote. The Company will provide an update on the views received from shareholders and any resulting action will be detailed in the next Annual Report.

The Board and its advisors will prepare the Group's Annual and Half-yearly Reports to present a full and readily understandable review of the Group's performance. Copies will be released through the Regulatory News Service, dispatched to shareholders depending on their communication preference and made available from the Company Secretary or by downloading from the Company's website at **www.warehousereit.co.uk**.

See pages 14 to 16 for further information on shareholder and stakeholder engagement.

Nomination Committee report

The Nomination Committee is responsible for maintaining a balance of skills, experience and perspectives on the Board.

Neil Kirton
Chairman of the Nomination Committee

Dear shareholders

I am pleased to present the report on the activities of the Nomination Committee.

The Board undertook an externally facilitated evaluation of its composition, succession planning, expertise, dynamics, management and focus of meetings, support, culture, and risk management and oversight.

The Nomination Committee has spent time this year considering future appointments and looking at the skills and experience across existing Board members, possible gaps to what we see as necessary for the future development of the business, and other matters including diversity.

We continue to be mindful of the gender diversity on the Board and, to that end, we are looking at opportunities to meet the targets set by the FTSE Women Leaders Review and the Parker Review. We have 33% representation of women on the Board.

The Nomination Committee is responsible for maintaining a balance of skills, experience and perspectives on the Board.

Role of the Nomination Committee

The role of the Nomination Committee is to assist in ensuring that the Board comprises individuals who are best able to discharge the responsibilities of Directors, having regard to the highest standards of governance, the strategic direction of the Group and ambitions of the Board in respect of diversity and inclusion.

In summary, the Committee's primary responsibilities are to:

- keep under review the Board's structure, size and composition, including diversity and the balance of independent and non-independent Non-Executive Directors, and make recommendations to the Board with regard to any changes required;
- consider and formulate succession plans for Directors, giving consideration to the length of service of the Board as a whole and the need for membership to be regularly refreshed;
- identify and nominate candidates to fill any Board vacancies for the Board's approval, giving due regard to the current and recommended future balance of skills, knowledge, experience, independence, diversity and cognitive and personal strengths on the Board;
- review the results of the Board performance evaluation that relate to the Board's composition;
- review annually the time required from Non-Executive Directors;
- make recommendations to the Board regarding membership of the Board's Committees, in consultation with the Chair of each Committee;
- make recommendations to the Board concerning the re-appointment of Non-Executive Directors, at the conclusion of their specified term of office; and
- make recommendations to the Board regarding the re-election of Directors at AGMs.

The Nomination Committee operates within defined terms of reference, which are regularly reviewed and updated as necessary. The terms of reference are available on the Group's website.

Nomination Committee report continued

Composition and meeting attendance

The composition of the Nomination Committee and the meeting attendance for the year are set out in the Board and Committee meeting attendance table on page 75.

Activities

The Nomination Committee met once during the year ended 31 March 2023 and once between the year end and the date of this report. The main activities of the Nomination Committee are set out below.

Re-election of Directors at the AGM

The Nomination Committee considered the re-election of each Director at the AGM. Following consideration of a range of factors, including Directors' other commitments and the results of the recent Board evaluation, the Nomination Committee concluded that each Director on the Board standing for re-election at the AGM continues to demonstrate the necessary skills, experience and commitment to contribute effectively and add value to the Board.

Biographies of each Director are available on pages 70 to 72. It is the Committee's and the Board's view that the Directors' biographies illustrate why each Director's contribution is, and continues to be, important to the Group's long-term sustainable success.

Size, structure and composition of the Board and Committees

During the year, the Committee reviewed the size, structure and composition of the Board and its Committees and agreed that these were appropriate for the Company, including the balance of independent and non-independent Directors. It is the Committee's view that all members of the Board bring differing perspectives and contribute to the overall success of Board meetings and the Group.

When considering the appointment of new Directors, the Committee will actively consider a range of factors including the expertise and experience required in a prospective candidate and the diversity of the Board, as set out in the Company's diversity policy.

Diversity

There have been no appointments to the Board during the year. However, before any appointment is made to the Board, the Committee evaluates the current and recommended future balance of skills, knowledge, experience, independence, diversity and cognitive and personal strengths on the Board. The appointment of any new Director is made on the candidate's merits, measuring his or her skills and experience against the criteria identified by the Board as being desirable to complement the Board's composition and qualifications.

The Board reviewed and approved its diversity policy in January 2023, which mirrors best practice and acknowledges the benefits of greater diversity, including diversity of gender, social and ethnic backgrounds, cognitive and personal strengths, and remains committed to ensuring that the Directors bring a wide range of skills, knowledge, experience, backgrounds and perspectives to the Board.

Whilst the Board does not feel that it would be appropriate to set targets as all appointments are made on merit, the following objectives for the appointment of Directors have been established:

- all Board appointments will be made on merit, in the context of the skills, knowledge and experience that are needed for the Board to be effective; and
- long lists of potential Non-Executive Directors should include diverse candidates of appropriate merit.

As a Board, we are supportive of the ambition shown in recent reviews on diversity, including the FTSE Women Leaders Review (formerly the Hampton-Alexander – gender diversity) and the Parker Review (ethnic diversity). The Nomination Committee will continue to examine ways in which we can become an increasingly diverse Board. This is appropriate as the Board considers diversity in all its forms to be important for the future development of the business.

The Company is not yet compliant with LR 9.8.6(9) and shall endeavour to meet the requirements of this listing rule at the nearest opportunity. Accordingly, the Committee is focused on the new gender and diversity recommendations and FCA rules on diversity and inclusion, effective for financial years beginning on or after 1 April 2022. In accordance with these requirements, the Committee is continuing to develop succession plans to increase diversity on the Board and will consider such recommendations in all future Board appointments and succession planning discussions. As a result of the outputs of the recent externally facilitated board evaluation and the process to be undergone to recruit a successor to Martin Meech, the FCA requirements will be a significant factor in any selection process. The Board will strive to ensure that it continues to comprise individuals with diverse and complementary skills and experience to meet the Company's objectives.

Nomination Committee report continued

Activities continued

Diversity continued

The following tables, in the prescribed format, show the gender and ethnic background of the Directors as of the date of this report, in accordance with Listing Rule 9 Annex 2.1.

Gender identity or sex

	Number of independent Board members[1]	Number of non-independent Board members	Percentage on the Board	Number of senior positions on the Board
Men	2	2	66.6	2
Women	2	0	33.3	0[2]
Not specified/prefer not to say	0	0	0	0

1. The Company does not disclose the number of Directors in executive management as this is not applicable for an externally managed Real Estate Investment Trust.
2. Although not forming part of the FCA's definition of 'senior positions on the Board', Lynette Lackey is Chair of the Audit and Risk Committee and Aimée Pitman is Chair of the Sustainability Committee.

Ethnic background

	Number of Board members	Percentage on the Board	Number of senior positions on the Board
White British or other White (including minority white groups)	6	100	2
Mixed/multiple ethnic groups	0	0	0
Asian/Asian British	0	0	0
Black/African/Caribbean/Black British	0	0	0
Other ethnic group, including Arab	0	0	0
Not specified/prefer not to say	0	0	0

The data in the above tables was collected through self-reporting by the Directors.

External appointments

Prior to accepting any external appointments, Directors are required to seek the Board's approval. The Board believes that other external directorships and positions help provide the Directors with valuable expertise which enhances their ability to act as a Non-Executive Director of the Company. The number of external directorships and positions should, however, be limited, to ensure that Directors are able to dedicate the amount of time necessary to contribute effectively to the Board.

Looking ahead to 2024

In the coming year, the Nomination Committee will spend time on reviewing succession planning and diversity at Board level.

As reported elsewhere, Martin Meech is not putting himself forward for re-election at the 2023 AGM. Accordingly, the Committee is currently considering the composition of the Audit and Risk Committee and the Sustainability Committee following the 2023 AGM. The Committee is also considering a replacement Chair of the Management Engagement Committee and a designated Senior Independent Director. Martin joined the Board in 2017 and his advice and counsel has been highly valued, in particular his chairmanship of the Management Engagement Committee. It is anticipated that the results of the recently conducted external Board evaluation will be able to inform the Committee of the future structure for the Board and its Committees.

Neil Kirton
Chairman of the Nomination Committee

5 June 2023

Audit and Risk Committee report

The Audit Committee is responsible for the effectiveness of internal control, risk management and auditing processes.

Lynette Lackey
Chair of the Audit Committee

Dear shareholders

One of the Committee's key roles is to recommend the financial statements to the Board and review the Group's financial reporting and accounting policies. We also oversee the relationship with BDO LLP ("BDO"), the Group's external Auditor.

The ongoing economic uncertainty for the UK economy and related challenges remained a focus area of the Audit and Risk Committee and the Board during 2022. We have reviewed and challenged the Company's Valuers, CBRE LLP, during the financial year.

The Committee has also continued to focus on the key issues relevant to the Group's financial reporting and worked with the Investment Advisor and the external Auditor to review any changes required in response to the introduction of new accounting or regulatory guidance.

Martin Meech will not be seeking re-election at the 2023 AGM and the composition of the Committee from that date is under consideration by the Nomination Committee. I would like to thank Martin for his invaluable help as a member of this Committee.

Role of the Audit and Risk Committee

The Audit and Risk Committee safeguards high standards of integrity and oversees conduct in financial reporting, internal control and risk management.

The Committee's primary responsibilities are to:

- monitor the integrity of the Group's financial statements and review its financial reporting process and accounting policies;
- keep under review the effectiveness of the Group's internal control environment and risk management systems;
- make recommendations to the Board in relation to the appointment, re-appointment or removal of the external Auditor and to approve its remuneration and terms of engagement, including the provision of any non-audit services;
- review the effectiveness of the audit process;
- review and monitor the Auditor's independence and objectivity;
- review assurances from the Group's service providers regarding their systems and controls for the detection of fraud and the prevention of bribery and receive reports on non-compliance; and
- review the adequacy and security of the Group's arrangements for its contractors, suppliers and other stakeholders (as applicable) to raise concerns, in confidence, about possible wrongdoing in financial reporting or other matters.

The Audit and Risk Committee has direct access to the Group's Auditor, BDO LLP, and provides a forum through which the Auditor reports to the Board. Representatives of the Auditor attend Audit and Risk Committee meetings at least annually.

The Audit and Risk Committee operates within defined terms of reference, which are regularly reviewed and updated as necessary. The terms of reference are available on the Group's website.

Audit and Risk Committee report continued

Composition and meeting attendance

The composition of the Audit and Risk Committee and the meeting attendance for the year are set out in the Board and Committee meeting attendance table on page 75.

The composition of the Audit and Risk Committee complies with the AIC Code, which provides that the Audit and Risk Committee should comprise at least three independent Non-Executive Directors, where all the Audit and Risk Committee members are independent. The Board is satisfied that at least one member of the Audit and Risk Committee has recent and relevant financial experience and believes the Audit and Risk Committee has competence relevant to the sector in which the Company operates and holds the relevant combination of skills and experience to discharge its responsibilities.

The Company Secretary is secretary to the Audit and Risk Committee and attends all meetings. The meetings are also attended by representatives of the Investment Advisor, BDO, the third-party portfolio valuers (CBRE LLP) and the external risk consultants. In addition to the formal meetings of the Audit and Risk Committee, the Audit and Risk Committee members also met throughout the year to discuss the external audit process. In addition, they met ad-hoc to attend an externally facilitated risk workshop.

The Chair of the Audit and Risk Committee will be available at the AGM to respond to any shareholder questions that may be raised on the Audit and Risk Committee's activities.

Meetings with the Auditor

During the year, the Audit and Risk Committee Chair met privately, without the Investment Advisor present, with BDO. The focus of these private meetings was to encourage discussion of any issues of concern in more detail and directly with the external Auditor.

Activities

The Audit and Risk Committee met three times during the year ended 31 March 2023 and twice following the year end. At the meetings, the Committee has:

- reviewed the internal controls and risk management systems of the Group and its third-party service providers;
- agreed the audit plan with the Group's Auditor, BDO LLP, including the principal areas of focus, and agreed the audit fee;
- reviewed the Annual Report and Accounts content and advised the Board on whether the Annual Report was fair, balanced and understandable;
- reviewed the Group's financial statements and discussed the appropriateness of the accounting policies adopted; and
- reviewed the valuation of the Group's investment properties and recommended this to the Board.

Risk management and internal controls

Although the Board assumes the ultimate responsibility for the Group's risk management and internal control framework, its work is supported by the Audit and Risk Committee.

The Audit and Risk Committee assists the Board in fulfilling its responsibility to review the adequacy and effectiveness of the controls over financial reporting and operational risk.

During the year, the Audit and Risk Committee received updates on UK Corporate Governance reform, including on the consultation paper entitled 'Restoring trust in audit and corporate governance' which would apply to all UK Premium-listed entities. The output from the consultation process was expected in spring 2023. An effective date for compliance was anticipated to be 2024. The Audit and Risk Committee has begun to consider the preparations that would be required and will carefully monitor progress of the consultation paper.

With respect to external assurance, the Audit and Risk Committee reviews the external Auditor's reports presented to the Audit and Risk Committee, which include the external Auditor's observations on risk management and internal financial controls identified as part of its audit.

The Audit and Risk Committee has also reviewed and updated, where appropriate, the corporate risk register.

The Audit and Risk Committee reviewed the requirement for an internal audit function and concluded that this would provide minimal added comfort at considerable extra cost to the Group. The Audit and Risk Committee receives reports on internal control and compliance from the Investment Advisor in conjunction with third-party risk and internal audit advisor, AuditR, and discusses these with the Investment Advisor. This report also covers the internal controls of the Group's other key service providers, including the Administrator. No significant matters of concern were identified during the year.

Audit and Risk Committee report continued

Review of external audit effectiveness

The Audit and Risk Committee monitors and reviews the effectiveness of the external audit process for the Annual Report, including: a detailed review of the audit plan, regular communications with the external Auditor, and with the Investment Advisor (without BDO present), to discuss the external audit process and the audit results report and noting key areas of auditor judgement and the reasoning behind the conclusions reached, a formal questionnaire issued to all Audit and Risk Committee members and to the Investment Advisor which covers – among other items – the quality of the audit and audit team, the audit planning approach and execution, the presence and capabilities of the lead audit partner, the audit team's communication with the Audit and Risk Committee and management and the Auditor's independence and objectivity. This review considers the experience and tenure of the audit partner and team, the nature and level of services provided, and confirmation that the Auditor has complied with independence standards. Any concerns with the effectiveness of the external audit process would be reported to the Board.

The Audit and Risk Committee is satisfied that the relationship between the external Auditor and the Investment Advisor allows for scrutiny of views on both sides and it is pleased that the evaluation paid testament to the ability and willingness of the external Auditor to challenge the Audit and Risk Committee's and Investment Advisor's views in a constructive and proportionate manner.

AIC statement of compliance

For the audit of the Financial Statements in this Annual Report, the Company complied with the mandatory audit processes, including The Statutory Audit Services for Large Companies Market Investigation (Mandatory Use of Competitive Tender Processes and Audit Committee Responsibilities) Order 2014 ("CMA Order"), and the Committee complied with the responsibility provisions set out in the CMA Order relating to: (a) putting the audit services engagement on tender every ten years; and (b) strengthening the accountability of the external auditors to the Committee, including: requiring that only the Committee is permitted to agree to the external auditors' fees and scope of services; influence the appointment of the audit engagement partner; make recommendations regarding the appointment of auditors; and authorise the auditors to carry out non-audit services.

Significant issues

The Audit and Risk Committee considered the following key issues in relation to the Group's financial statements during the year:

Valuation of property assets	The Audit and Risk Committee considered and discussed the valuation of the Group's investment properties as at 31 March 2023. To enable a full discussion of the valuation, and to enable the Directors to challenge the valuations and the underlying assumptions, as appropriate, the Valuer attended the Audit and Risk Committee meeting in May 2023.
Maintenance of REIT status	The UK REIT regime affords the Group a beneficial tax treatment for income and capital gains, provided certain criteria are met. There is a risk that these REIT conditions may not be met and additional tax becomes payable by the Group. The Audit and Risk Committee therefore monitored the Group's compliance status and considered each of the requirements for the maintenance of REIT status throughout the year ended 31 March 2023.
Going concern and long-term viability of the Company	The Audit and Risk Committee considered the Group's financial requirements for the next 12 months and concluded that it has sufficient resources to meet its commitments and any outstanding loan covenants. Consequently, the financial statements have been prepared on a going concern basis. The Audit and Risk Committee also considered the longer-term viability statement within the Annual Report, for the three-year period to June 2026, and the underlying factors and assumptions which contributed to the Committee deciding that three years was an appropriate length of time to consider the Group's long-term viability. The Group's going concern and viability statement, as well as full details of the assessment carried out by the Directors, can be found on pages 65 and 66.
Governance	• Reviewed governance processes • Reviewed the terms of reference of the Audit and Risk Committee • Undertook an externally facilitated effectiveness evaluation

Audit and Risk Committee report continued

Compliance, whistleblowing and fraud

The Audit and Risk Committee ensures that there are effective procedures relating to whistleblowing. The Whistleblowing Policy, which is reviewed annually, allows employees to confidentially raise any concerns about business practices.

Responsibility for the whistleblowing process sits with the Board. The Audit and Risk Committee continues to monitor the whistleblowing processes, procedures and any respective updates.

Audit fees and non-audit services

An audit fee of £191,500 has been agreed in respect of the audit for the year ended 31 March 2023. This incorporates a fee of £170,000 for auditing the Annual Report and consolidated financial statements for the period and £21,500 for auditing the accounts of the Company's subsidiaries for the period.

The Audit and Risk Committee reviews the scope and nature of all proposed non-audit services before engagement, to safeguard auditor independence and objectivity. During the period, BDO non-audit services totalled £110,000, relating to the review of the Company's statement of working capital and Financial Position and Prospects Procedures in relation to the move to the Premium Segment of the Main Market.

We continue to believe that, in some circumstances, the external Auditor's understanding of the Company's business can be beneficial in improving the efficiency and effectiveness of advisory work. The Non-Audit Services Policy requires approval by the Committee before the external Auditor is engaged to provide any permitted non-audit services.

Auditor independence and objectivity

The Audit and Risk Committee has considered the Auditor's independence and objectivity. The Audit and Risk Committee will pre-approve all non-audit services prior to any work commencing and considers safeguards in place, such as the use of separate teams to mitigate the risk of any self-review. The Audit and Risk Committee also receives an annual assurance from the Auditor that its independence is not compromised by the provision of any non-audit services.

The Audit and Risk Committee is satisfied that the Auditor's objectivity and independence is not impaired by performing non-audit services and that the Auditor has fulfilled its obligations to the Group and its shareholders.

Re-appointment of the Auditor

BDO LLP was appointed as Auditor to the Company with effect from 1 April 2021 and Richard Levy has been the Group Engagement Partner since that time. Following a review of the service provided by BDO LLP during the year and a review of value for money, the Audit and Risk Committee has recommended to the Board the re-appointment of BDO LLP as Auditor to the Company. An ordinary resolution for BDO's re-appointment will be put to shareholders at this year's AGM.

The Audit and Risk Committee will regularly consider the need to put the audit out to tender, the Auditor's fees and independence, and the matters raised during each audit.

Fair, balanced and understandable reporting

The Audit and Risk Committee reviewed drafts of this Annual Report and Financial Statements to consider whether it is fair, balanced and understandable and provides the information necessary for shareholders to assess the Group's performance, business model and strategy. We also gained assurance that there is a robust process of review and challenge at different levels within the Group to ensure balance and consistency.

Following the consideration of the above matters and its detailed review, the Audit and Risk Committee was of the opinion that the Annual Report, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the Group's position and performance, business model and strategy.

Looking ahead

The Audit and Risk Committee has agreed several areas of focus, including:

1. ensuring continued integrity and balance in the Group's financial reporting;
2. monitoring proposals for UK Corporate Governance reform and considering appropriate processes;
3. consideration of new and emerging risks; and
4. looking at specific implications of the current UK economic downturn on the Group's portfolio value including macro and regional-specific impacts and assessing financial impacts.

Lynette Lackey
Chair of the Audit and Risk Committee

5 June 2023

Management Engagement Committee report

The Management Engagement Committee ensures that third-party appointments are conducted in shareholders' best interests.

Martin Meech
Chairman of the Management Engagement Committee

I am pleased to present the Management Engagement Committee report on behalf of the Board and to provide details on how the Committee discharged its responsibilities throughout the year ended 31 March 2023.

The Management Engagement Committee is central to the Company's investment process and is also a key part of the Company's corporate governance framework. The Board has delegated the day-to-day running of the Company to the Investment Advisor pursuant to the terms of the Investment Management Agreement ("IMA"). The IMA is reviewed and amended when necessary to ensure it reflects the relationship between the Board and the Investment Advisor.

The Board continues to review all investment and divestment decisions established by the Investment Advisor and remains responsible for ensuring that these decisions are made in accordance with the Company's investment policy.

The Management Engagement Committee ensures that third-party appointments are conducted in shareholders' best interests.

I will not be seeking re-election at the 2023 AGM and the composition of the Management Engagement Committee from that date is under consideration by the Nomination Committee.

Role of the Management Engagement Committee

The Committee's primary responsibilities are to:

- satisfy itself that the terms of the Investment Management Agreement between the Group, the Investment Manager and the Investment Advisor remain fair, competitive and sensible for shareholders, and review and make recommendations on any proposed amendment to the Investment Management Agreement;
- satisfy itself that systems put in place by the Investment Advisor, Administrator and Depositary are adequate to meet relevant legal and regulatory requirements, including the AIFMD;
- satisfy itself that any compliance matters are under proper review;
- consider whether the continuing appointment of the Investment Advisor is in the interests of shareholders as a whole and make recommendations to the Board in this regard;
- keep under review the Investment Advisor's performance and the level of the investment advisory fee; and
- keep under review the performance of other service providers, including compliance with the terms of their respective agreements and their internal controls and policies.

The Management Engagement Committee operates within defined terms of reference, which are regularly reviewed and updated as necessary. The terms of reference are available on the Group's website.

Management Engagement Committee report continued

Composition and meeting attendance

The composition of the Management Engagement Committee and the meeting attendance for the year are set out in the Board and Committee meeting attendance table on page 75.

To ensure open and regular communication between the Investment Advisor and the Board, certain key representatives of the Investment Advisor are invited to attend all Board meetings to update the Board on the Company's portfolio activity and discuss the general market conditions and the financial performance and strategy of the Company.

Activities

The Committee met once during the year ended 31 March 2023 and once following the year end. At these meetings, the Committee has:

- considered the performance of the Investment Advisor against its obligations under the Investment Management Agreement during the year. The Committee's recommendation regarding the continuing appointment of the Investment Advisor is set out on page 15. In reaching its recommendation to the Board, the Committee's deliberations included consideration of the basis of the investment management fee and the execution of the Group's investment strategy by the Investment Advisor during the year. The Board delegates the execution of its investment strategy and business model to the Investment Advisor, subject to the Board being kept informed of all material property acquisitions and disposals, including development projects;
- reviewed the ongoing performance and the continuing appointment of the Group's other key service providers. The review comprised open and closed-ended questions and included a review of the quality of their services and fees to ensure they remained competitive and a review of each service provider's policies and procedures to ensure each service provider had adequate controls and procedures in place. The Committee has concluded that the services provided to the Group were satisfactory and that the contractual relationships with them are operating in the best interests of the shareholders and that each be retained until the next review; and
- reviewed the systems put in place by the Investment Advisor (including both the investment policy and Investment Management Agreement), Administrator and Depositary to meet legal and regulatory requirements, particularly the AIFMD, and concluded that these remain adequate.

Looking ahead

Given the Company's recent admission to the Main Market, the Management Engagement Committee's focus will be to keep all service providers under increased scrutiny, including their terms of engagement and performances, to ensure that they are in the best interests of the Company.

Martin Meech
Chairman of the Management Engagement Committee

5 June 2023

Sustainability Committee report

The landscape for this topic is rapidly changing with respect to legal obligations and market expectation, therefore a key part of the Committee's focus has been to stay educated as well as driving our strategy.

Aimée Pitman
Chair of the Sustainability Committee

The Sustainability Committee has completed its first full year of operation, meeting four times during the year.

Role of the Sustainability Committee

The Committee's primary responsibilities are to:

- oversee the formulation and implementation of the Group's sustainability strategy, review updates on any regulatory changes affecting the strategy and make recommendations to the Board regarding changes to strategy;
- review annually the key sustainability-related policies, ensuring compliance across external reporting;
- review the Group's efficacy in relation to its sustainability reporting;
- review climate-related risk and make recommendations to the Audit and Risk Committee regarding inclusion in the Group's risk management practices; and
- approve the budget provided for sustainability purposes.

Governance

The Board is responsible for approving the Group's sustainability strategy, long-term goals and actively monitoring portfolio performance. In conjunction with the Investment Advisor, the Sustainability Committee oversees the management of the Group's climate-related risks and opportunities.

Risk management

With a growing focus on sustainability, the Board has recognised the importance of identifying the impact of climate change to the Group's business. During the year, the Committee identified the key risks with input from our consultant and added them to the Group's risk register so they are monitored as part of our wider risk management process.

The Board and Investment Advisor are continually developing their understanding of the potential physical impact of climate change and the wider implications associated with increased regulation, occupier requirements and increased focus on sustainable assets.

Activities undertaken during the year

The Committee was established during the year ended 31 March 2021 and met four times in the current year to undertake the following activities:

- review and approve the Group's targets, challenging the Group to report against measurable targets and ensure the focus is prioritised according to the Group's materiality matrix;
- drive progress and provide direction on four key projects: climate change risk, EPC improvement programme, GRESB gap analysis and TCFD improvements;
- receive training and information to inform decisions, examples of topics covered are climate change risks, occupier questionnaire insights, refurbishment standards, green bonds, peer review and EPC proposed regulations;
- recommend a separate risk register is maintained for ESG risks and identification of climate change risks and opportunities plus recommend to the Audit and Risk Committee any updates as they were required;
- constructively consider the merits of market benchmarks and direct our actions accordingly;
- review and approve the Committee's terms of reference and the Committee's composition; and
- ensure transparency and accurate reporting through the Annual Report, RNS, and website.

Sustainability Committee report continued

Our ESG commitments

The Group's commitment to ESG is to ensure its assets are attractive to occupiers in the long term. The Board is committed to driving towards net zero carbon by reviewing current developments and refurbishment standards versus green building certificates standards, as well as reducing EPC risk. The Board will continue to engage with its key occupiers to understand occupiers' decarbonisation priorities, appetite to share data and share vital guidance on energy efficiency.

Aimée Pitman
Chair of the Sustainability Committee

5 June 2023

Directors' remuneration report

Given the size of the Board, it is not considered appropriate for the Company to have a separate remuneration committee and the functions of this committee are therefore carried out by the Board as a whole.

Neil Kirton
Chairman

The Board has prepared this report in partial and proportionate compliance with the requirements of the Large and Medium-sized Companies and Groups (Accounts and Reports) (Amendment) Regulations 2013.

The Board was not advised by remuneration consultants during the financial year.

Statement from the Chairman

Given the size of the Board, it is not considered appropriate for the Company to have a separate remuneration committee and the functions of this committee are therefore carried out by the Board as a whole. The Board consists entirely of Non-Executive Directors and the Company has no employees. We have not, therefore, reported on those aspects of remuneration that relate to Executive Directors. The remuneration report will be presented at the AGM on 12 September 2023 for shareholder consideration and approval.

Following a review of Directors' remuneration during the year and, in recognition of the Company's performance over the period, the Board resolved to maintain Directors' remuneration at the current levels. As a result, fees are set at a level of £48,375 per annum (2022: £48,375) for the Chairman and £37,625 per annum (2022: £37,625) for the independent Non-Executive Directors. No fees are payable to Stephen Barrow or Simon Hope as non-independent Non-Executive Directors.

Directors' remuneration policy

A resolution to approve the Directors' remuneration policy was proposed and passed at the Company's first AGM in 2018. As a binding vote on the policy is necessary every three years, an ordinary resolution to approve the policy was also put to shareholders at the 2021 AGM. There were no changes made to the policy, which is set out below, in advance of the shareholder vote in 2021.

The next time it is intended that shareholders will be asked to approve the Directors' remuneration policy will be at the Company's AGM in 2024 and the remuneration policy approved at the Company's 2021 AGM will continue to apply until such time.

The Company follows the recommendation of the AIC Code that Non-Executive Directors' remuneration should reflect the time commitment and responsibilities of their role. The Board's policy is that the remuneration of Non-Executive Directors should reflect the experience of the Board as a whole, and be determined with reference to comparable organisations and appointments.

All Directors are non-executive, appointed under the terms of letters of appointment that set out the terms and conditions of their directorship, including the fees payable and the expected time commitment. There are no service contracts in place. The terms of their appointment provide that Directors shall retire and be subject to election at the first AGM after their appointment. Thereafter, at each AGM, any Director who has not stood for appointment or re-election at either of the two preceding AGMs is required to retire and offer themselves for re-election. Any Director who has held office for more than nine years is required to retire and offer themselves for re-election on an annual basis. Beyond these requirements, it has been agreed that all Directors will seek annual re-election at the Company's AGMs. The Directors are not entitled to any compensation for loss of office.

The fees for the Non-Executive Directors are determined within the limits (not to exceed in aggregate £300,000 per annum) set out in the Company's Articles of Association, or any greater sum that may be determined by ordinary resolution of the Company. Directors are not eligible for bonuses, share options or long-term incentive schemes or other performance-related benefits, as the Board does not believe that this is appropriate for Non-Executive Directors. There are no pension arrangements in place for the Directors.

Directors' remuneration report continued

Directors' remuneration policy continued

The Board has set two levels of fees: £48,375 per annum for the Chairman and £37,625 per annum for the independent Non-Executive Directors. No additional fees are payable for membership of the Board's Committees or for appointment as a Director to any Group subsidiary. The fee for any new Director appointed to the Board will be determined on the same basis, whilst fees in respect of subsequent periods will be determined following an annual review. The Board would consider any views expressed by shareholders on the fees being paid to Directors.

Under the Company's Articles of Association, if any Director is called upon to perform extra or special services of any kind, he/she may be paid such extra remuneration as the Directors may determine. Directors are also entitled to be paid all expenses properly incurred in attending Board or shareholder meetings or otherwise in the performance of their duties.

Under the Company's Articles of Association, all Directors are entitled to the remuneration determined by the Board. There were no revisions to the policy during the period and there were no deviations from the procedure for the implementation of the remuneration policy.

Statement of implementation of remuneration policy in respect of the financial year ending 31 March 2024

The Board will, as usual, review Directors' fees during the 2023 financial year, including the time required to be committed to the business of the Group, and will consider whether any further changes to remuneration are required.

Remuneration report

Directors' fees for the year

There are no variable elements to the remuneration for the Directors. The Directors who served in the year to 31 March 2023 received the following emoluments:

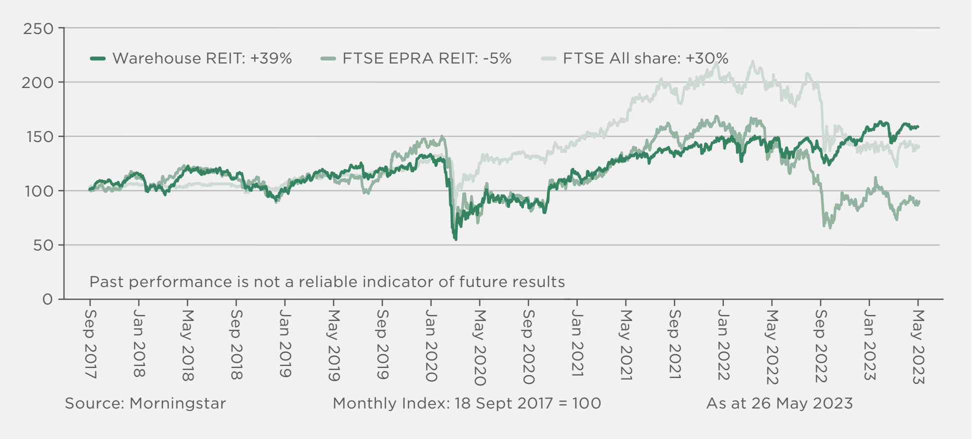
	Year ended 31 March 2023		Year ended 31 March 2022	
	Fees £'000	**Total £'000**	Fees £'000	Total £'000
Neil Kirton	**48.4**	**48.4**	47.5	47.5
Aimée Pitman	**37.6**	**37.6**	36.9	36.9
Lynette Lackey	**37.6**	**37.6**	36.9	36.9
Martin Meech	**37.6**	**37.6**	36.9	36.9
Simon Hope	**—**	**—**	—	—
Stephen Barrow	**—**	**—**	—	—
	161.2	**161.2**	158.2	158.2

Annual change in remuneration

	Year ended 31 March 2023	Year ended 31 March 2022
Neil Kirton	**1.8%**	7.5%
Aimée Pitman	**1.8%**	7.5%
Lynette Lackey	**1.8%**	7.5%
Martin Meech	**1.8%**	7.5%
Simon Hope	**1.8%**	7.5%
Stephen Barrow	**1.8%**	7.5%

Total shareholder return

The graph below shows the total shareholder return (as required by company law) of the Company's ordinary shares relative to a return on a hypothetical holding over the same period in the FTSE 250 and the FTSE All-Share REIT Index.



Directors' remuneration report continued

Remuneration report continued

Directors' beneficial and family interests

There is no requirement under the Company's Articles of Association for Directors to hold shares in the Company.

The Company has adopted a share dealing code in relation to the Company's shares, which is based on the requirements of the Listing Rules and Market Abuse Regulations.

None of the Directors or any persons connected with them had a material interest in the Company's transactions, arrangements or agreements during the year. The Board will continue to monitor the interests of each individual Director.

The interests of the Directors and any connected persons in the ordinary shares of the Company are set out below:

	As at 31 March 2023		As at 31 March 2022	
	Number of shares	Percentage of issued share capital	Number of shares	Percentage of issued share capital
Neil Kirton[1]	390,909	0.09	390,909	0.09
Aimée Pitman[2]	734,908	0.17	689,543	0.16
Lynette Lackey	51,603	0.01	51,603	0.01
Martin Meech[3]	290,909	0.07	290,909	0.07
Simon Hope[4]	12,407,697	2.92	12,407,697	2.92
Stephen Barrow[5]	10,120,307	2.38	10,103,050	2.38

1. 190,909 of these shares are held by Mr Kirton's spouse.
2. 349,080 of these shares are held by Ms Pitman's spouse, whilst 23,487 are held by her children.
3. 190,909 of these shares are held by Mr Meech's spouse.
4. 3,551,971 of these shares are held by Mr Hope's spouse, whilst 391,899 are held by his children.
5. 4,481,525 of these shares are held by Mr Barrow's spouse and 350,000 are held by his child.

Relative importance of spend on pay (unaudited)

The table below sets out significant use of profit and cash in respect of the years ended 31 March 2022 and 31 March 2023:

	2023 £m	2022 £m	Change %
Directors' remuneration	0.18	0.18	0.0
Investment management fees	6.97	6.5	7.2

Voting at Annual General Meeting

The Directors' remuneration report for the year ended 31 March 2022 and the Directors' remuneration policy were approved by shareholders at the AGM held on 13 September 2022. The votes cast by proxy were as follows:

	Directors' remuneration report (2022 AGM voting figures)		Directors' remuneration policy (2021 AGM voting figures)	
	Number of votes	% of votes cast	Number of votes	% of votes cast
For	220,336,218	99.97	203,532,620	99.96
Against	66,906	0.03	77,848	0.04
At Chairman's discretion	—	—	3,102	—
Total votes cast	**220,403,124**	**100.00**	**203,613,570**	**100.00**
Number of votes withheld	131,891		108,118	

Shareholders who wish to see a full copy of the remuneration policy are advised to contact the Company Secretary.

Approval

The Directors' remuneration report was approved by the Board on 5 June 2023.

Neil Kirton
Chairman

5 June 2023

Directors' report

The Directors present their report and the audited financial statements for the year ended 31 March 2023.

Corporate governance

The corporate governance statement on pages 67 to 100 forms part of the Directors' report.

Directors

The Directors in office during the year and at the date of this report and their biographical details are shown on pages 70 and 71.

Details of the Directors' terms of appointment can be found in the corporate governance statement and the Directors' remuneration report. Details of indemnities provided to the Directors can also be found in the corporate governance statement.

Status of Warehouse REIT plc

The Company is an investment company, as defined in section 833 of the Companies Act 2006, and qualifies as a UK Real Estate Investment Trust ("REIT") as defined under section 527(2) of the Corporation Tax Act 2010.

Information about securities carrying voting rights

The following information is disclosed in accordance with The Large and Medium-sized Companies and Groups (Accounts and Reports) (Amendment) Regulations 2013 and DTR 7.2.6 of the Financial Conduct Authority's Disclosure Guidance and Transparency Rules:

- the Company's capital structure and voting rights and details of the substantial shareholders in the Company are set out on page 98;
- the giving of powers to issue or buy back the Company's shares requires an appropriate resolution to be passed by shareholders; and
- there are no restrictions concerning the transfer of securities in the Company or on voting rights, no special rights with regard to control attached to securities, and no agreements between holders of securities regarding their transfer known to the Company.

Share capital

Share issues

At the AGM held on 12 September 2022, the Directors were granted: (i) the authority to allot ordinary shares on a non-pre-emptive basis up to an aggregate nominal amount of £2,832,410 (being 66% of the issued ordinary share capital at the date of the notice) by way of a rights issue; and (ii) in any other case, the authority to allot ordinary shares up to an aggregate nominal amount of £1,416,205 (being 33% of the issued ordinary share capital at the date of the notice). The Directors were also granted the authority to disapply pre-emption rights in respect of the allotment of shares or treasury shares up to 5% of the issued ordinary share capital at the date of the notice and a further 5% of the issued ordinary share capital where the allotment and issue of such shares is for the sole purpose of financing (or refinancing) an acquisition or other capital investment of a kind contemplated by the Pre-Emption Group's Statement of Principles.

These existing authorities will expire at the Company's AGM to be held in September 2023.

Directors' report continued

Share capital continued

Purchase of own shares

At the AGM held on 12 September 2022, the Company was authorised to purchase up to 42,486,165 of its own shares (being 10% of the Company's issued ordinary share capital at the date of the notice). No ordinary shares have been bought back under this authority, which will expire at the AGM to be held in September 2023 where a resolution for its renewal will be proposed.

The Directors will consider repurchasing ordinary shares in the market if they believe it to be in shareholders' interests as a whole and as a means of correcting any imbalance between supply of and demand for the ordinary shares. They will have regard to the Company's REIT status when making any repurchase and will only make such repurchases through the market at prices (after allowing for costs) below the relevant prevailing NAV per ordinary share and otherwise in accordance with guidelines established from time to time by the Board.

Current share capital

As at 31 March 2023 and the date of this report, there were 424,861,650 ordinary shares of £0.01 each in issue, all of which are fully paid up and are quoted on the London Stock Exchange, and none of which are held in treasury. Each ordinary share has one voting right attached to it. The total number of voting rights in the Group at this date was therefore 424,861,650.

At the Company's general meeting held on 11 July 2022, the Company was granted authority to issue up to 175 million ordinary shares on a non-pre-emptive basis with effect from the Company's admission to the Premium Segment of the London Stock Exchange's Main Market.

Further details regarding the Company's issued share capital are set out in note 21 of the financial statements.

Results and dividends

A summary of the Group's performance during the period and the outlook for the forthcoming year is set out in the strategic report on page 20.

Dividends totalling 6.4 pence per ordinary share have been paid or declared in respect of the year ended 31 March 2023, further details of which can be found in the Investment Advisor's report on page 33.

No final dividend is being proposed.

The Company's dividend policy is set out on page 20 in the strategic report.

Substantial shareholdings

As at 31 March 2023, the following held voting rights greater than 3% in the Company (in accordance with DTR 5 (concerning notification of "major shareholdings" or "voting rights arising from the holding of certain financial instruments"):

	Number of ordinary shares held	% of total voting rights at 31 March 2023
Investec Wealth & Investment	82,018,122	19.3
Evelyn Partners	28,812,043	6.78
BlackRock	22,539,133	5.31
Columbia Threadneedle Investments	20,033,111	4.72
Hargreaves Lansdown	17,920,552	4.22

Directors' report continued

Management arrangements

The Company is an alternative investment fund for the purposes of the AIFMD and, as such, is required to have an Investment Manager who is duly authorised to undertake that role. G10 Capital Limited is authorised and regulated by the Financial Conduct Authority ("FCA") as the AIFM of the Company under an agreement dated 22 August 2017 (the "Investment Management Agreement"). The Investment Manager is responsible for overall portfolio management, risk management and compliance with the Group's investment policy and the requirements of the AIFMD that apply to the Group.

The Investment Advisor is an appointed representative of the Investment Manager. As an appointed representative, Tilstone is responsible for working with and advising the Group and the Investment Manager in respect of sourcing investment opportunities which meet the Group's investment policy. As an appointed representative of the Investment Manager, Tilstone is exempt from the requirement to be authorised by the FCA as a pre-requisite to giving investment advice and arranging deals in investments. Tilstone is also responsible for managing the underlying real estate assets within the Group's investment portfolio, which does not constitute a regulated activity. The Investment Manager has, and shall maintain, the necessary expertise and resource to supervise the delegated tasks effectively.

The Investment Advisor receives an annual fee (payable quarterly in arrears) equal to 1.1% of the NAV of the Group's portfolio on the basis of funds being fully invested up to £500 million and 0.9% thereafter. The fee is payable to the Investment Advisor, which pays a quarterly fee of £15,000 to the Investment Manager for the duration of its appointment, in addition to other one-off fees in relation to regulatory reporting services (Annex IV), compliance services and investment committee services. No performance fee or acquisition fee is payable.

In the event that the Investment Management Agreement is terminated following a third party (or third parties acting in concert) acquiring a majority of the Company's ordinary shares, the Investment Advisor would be entitled to receive an exit fee equal to 15% of the total shareholder returns (defined as the price per share paid by such third party plus dividends and other distributions paid) generated since Admission, above a hurdle rate of 10% per annum on a compound basis since Admission. The exit fee will be capped at the amount of the annual management fee paid in the immediately preceding financial year.

Following the expiry of the initial three-year term on 22 August 2020, the Investment Management Agreement is terminable on 24 months' notice in writing by either party. In addition, it is terminable on 30 days' notice by either party in writing in the event of a material breach or insolvency of the other party. The Company is also entitled to terminate the agreement forthwith by notice in writing in the event that the Investment Manager ceases to be able to fulfil its obligations as a result of a change of the FCA's rules.

Continuing appointment of the Investment Advisor

The Board keeps the performance of the Investment Advisor under continual review. The Management Engagement Committee conducts an annual appraisal of the Investment Advisor's performance and makes a recommendation to the Board about the continuing appointment of the Investment Advisor. It is the opinion of the Directors that the continuing appointment of the Investment Advisor is in the interests of shareholders as a whole. The reasons for this view are that the Investment Advisor has continued to execute the investment strategy according to the Board's expectations and on terms which the Board is of the view continue to remain commercial and reasonable.

Auditor

The Directors holding office at the date of this Annual Report confirm that, so far as they are each aware, there is no relevant audit information of which the Company's Auditor is unaware. Each Director has taken all the steps that they ought to have taken as a Director to make themselves aware of any relevant audit information and to establish that the Company's Auditor is aware of that information.

BDO LLP has expressed its willingness to continue as Auditor of the Company and resolutions for its re-election and to authorise the Audit and Risk Committee to determine its remuneration will be proposed at the forthcoming AGM.

Directors' report continued

Financial risk management

Information about the nature of these risks and the Company's financial risk management objectives and policies is set out in note 26 to the financial statements. The work of the Audit and Risk Committee in respect of risk management is described on page 87.

Information to be disclosed in accordance with the Listing Rule 9.8.4R

The following information required to be disclosed in accordance with Listing Rule 9.8.4R is not applicable unless stated otherwise:

1. information in relation to the publication of unaudited financial information;
2. any arrangements under which a Director has waived emoluments, or agreed to waive any future emoluments, from the Group;
3. details of any non-pre-emptive issues of equity for cash by the Group;
4. any non-pre-emptive issues of equity for cash by the Group or by any unlisted major subsidiary undertaking;
5. parent participation in a placing by a listed subsidiary;
6. any contract of significance in which a Director of the Company is or was materially interested;
7. any waiver of dividends by a shareholder; and
8. details of any long-term incentive schemes.

Political donations

No political donations were made by the Company or its subsidiaries during the year or prior year.

Miscellaneous

Further information regarding the future developments and relevant research activities of the Company can be found within the strategic report.

The Company does not have any registered overseas branches.

Post balance sheet events

Post-year end, the Group entered into a new five-year debt facility totalling £320.0 million, replacing the existing facility. The refinancing consists of £220.0 million term loan and an RCF of £100.0 million, with a club of lenders consisting of HSBC, Bank of Ireland, NatWest and Santander.

The new facility extends the tenure of the of the Group's debt and with improved reporting covenants.

In addition, the Group has exchanged on two further disposals for an aggregate of £29.3 million.

Climate-related matters

Information about the Group's greenhouse gas emissions and the Company's voluntary reporting against the Task Force on Climate-related Financial Disclosures ("TCFD") recommendations is set out in the strategic report.

Articles of Association

The Articles of Association of the Company may only be amended by a special resolution at a general meeting of the shareholders.

Powers of Directors

The Directors may exercise all powers of the Company subject to applicable legislation and regulations and the Company's Articles of Association.

Significant agreements

The Company is not party to any significant agreements that take effect, alter or terminate upon a change of control of the Company. The Company is not aware of any agreements between holders of its ordinary shares that may result in restrictions on the transfer of its ordinary shares or on voting rights.

Further details regarding the principal agreements between the Company and its service providers, including the Investment Advisor, are set out in note 29 to the financial statements and on page 16.

Financial instruments

Details of the financial instruments used by the Group and financial risk management policies can be found in notes 18 and 26 of the financial statements and in the principal risks and uncertainties section on pages 54 to 64.

Directors' indemnities and Directors' and Officers' liability insurance

The Company's agreement to indemnify each Director against any liability incurred during their tenure, to the extent permitted by law, remains in place. The Directors were covered throughout the period.

Annual General Meeting ("AGM")

The Company's AGM will be held on 12 September 2023. The Notice of the AGM will be circulated to shareholders separately.

Link Company Matters Limited
Company Secretary

5 June 2023

Company Number 10880317

Statement of Directors' responsibilities

in respect of the Annual Report and Financial Statements

The Directors are responsible for preparing the Annual Report and Financial Statements in accordance with UK adopted international accounting standards and applicable law and regulations. Company law requires the Directors to prepare financial statements for each financial year. Under that law, the Directors have elected to prepare the financial statements of the Group and the Company in accordance with UK adopted international accounting standards. Additionally, the Directors must not approve the financial statements unless they are satisfied that they present fairly the financial position, financial performance and cash flows of the Group and Company for that year.

In preparing the financial statements, the Directors are required to:

- select suitable accounting policies in accordance with IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors and apply them consistently;
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- provide additional disclosures when compliance with specific requirements in IFRS is insufficient to enable users to understand the impact of particular transactions, other events and conditions on the Group's financial position and financial performance;
- state that the Group has complied with UK adopted international accounting standards, subject to any material departures disclosed and explained in the financial statements;
- make judgements and estimates that are reasonable and prudent;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group and the Company will continue in business; and
- prepare a Directors' report, a strategic report and Directors' remuneration report which comply with the requirements of the Companies Act 2006.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Group and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website, including ensuring the Annual Report and Financial Statements are made available. The work carried out by the Auditor does not involve consideration of the maintenance and integrity of this website and, accordingly, the Auditor accepts no responsibility for any changes that have occurred to the financial statements since they were initially presented on the website. As such, the Directors' responsibility also extends to the ongoing integrity of the financial statements contained therein. Financial statements are published on the Company's website in accordance with legislation in the United Kingdom governing the preparation and dissemination of financial statements and visitors to the website need to be aware that legislation in the UK covering the preparation and dissemination of the financial statements may differ from legislation in their jurisdiction.

The Directors confirm that, pursuant to their responsibilities under DTR 4, to the best of their knowledge:

- the financial statements, prepared in accordance with UK adopted international accounting standards and in conformity with the requirements of the Companies Act 2006, give a true and fair view of the assets, liabilities, financial position and profit of the Company (and Group as a whole); and
- this Annual Report includes a fair review of the development and performance of the business and the position of the Company (and Group as a whole), together with a description of the principal risks and uncertainties that it faces.

Having taken advice from the Audit Committee, the Directors consider that the Annual Report and Financial Statements, taken as a whole, are fair, balanced and understandable and provide the information necessary for shareholders to assess the Company's position and performance, business model and strategy.

On behalf of the Board

Neil Kirton
Chairman

5 June 2023

Independent Auditor’s report

to the members of Warehouse REIT plc

Opinion on the financial statements

In our opinion:

- the financial statements give a true and fair view of the state of the Group’s and of the Parent Company’s affairs as at 31 March 2023 and of the Group’s loss for the year then ended;
- the Group financial statements have been properly prepared in accordance with UK adopted international accounting standards;
- the Parent Company financial statements have been properly prepared in accordance with UK adopted international accounting standards and as applied in accordance with the provisions of the Companies Act 2006; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements of Warehouse REIT plc (the ”Parent Company” or the “Company”) and its subsidiaries (the “Group”) for the year ended 31 March 2023 which comprise the consolidated statement of comprehensive income, the consolidated statement of financial position, the consolidated statement of changes in equity, the consolidated statement of cash flows, the Company statement of financial position, the Company statement of changes in equity, the Company statement of cash flows and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and UK adopted international accounting standards and as regards the Parent Company financial statements, as applied in accordance with the provisions of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (“ISAs (UK)”) and applicable law. Our responsibilities under those standards are further described in the Auditor’s responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion. Our audit opinion is consistent with the additional report to the Audit Committee.

Independence

Following the recommendation of the Audit Committee, we were appointed by the Directors in March 2021 to audit the financial statements for the year ended 31 March 2022 and subsequent financial periods.

The period of total uninterrupted engagement including retenders and re-appointments is two years, covering the years ended 31 March 2022 to 31 March 2023. We remain independent of the Group and the Parent Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC’s Ethical Standard as applied to listed public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements. The non-audit services prohibited by that standard were not provided to the Group or the Parent Company.

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the Directors’ use of the going concern basis of accounting in the preparation of the financial statements is appropriate. Our evaluation of the Directors’ assessment of the Group and the Parent Company’s ability to continue to adopt the going concern basis of accounting included:

- using our knowledge of the Group and its market sector together with the current general economic environment to assess the Directors’ identification of the inherent risks to the Group’s business and how these might impact the Group’s ability to remain a going concern for the going concern period, being the period to 31 May 2024, which is at least 12 months from when the financial statements are authorised for issue;
- obtaining an understanding of the Directors’ process for assessing going concern including an understanding of the key assumptions used;
- obtaining the Directors’ going concern assessment and:
  - assessing the Group’s forecast cash flows with reference to historic performance and challenging the Directors’ forecast assumptions in comparison to the current performance of the Group;
  - testing the inputs into the forecasts for reasonableness based on historic activity and corroboration to contractual agreements; and
  - agreeing the Group’s available borrowing facilities and the related terms and covenants to loan agreements;
- obtaining forecast covenant calculations to check for any potential future covenant breaches. We also considered the covenant compliance headroom for sensitivity to both future changes in property valuations and the Group’s future financial performance;
- reviewing the documentation relating to the loan refinancing and assessing the implication of the refinancing on the Group’s forecasts and going concern status;

Independent Auditor's report continued

to the members of Warehouse REIT plc

Conclusions relating to going concern continued

- considering Board minutes, and evidence obtained through the audit, and challenging the Directors on the identification of any contradictory information in the forecasts and the impact on the going concern assessment;
- analysing the Directors' stress testing calculations and challenging the assumptions made using our knowledge of the business and of the current economic climate, to assess the reasonableness of the downside scenarios selected and the appropriateness of the Directors' mitigating actions; and
- reviewing the disclosures in the financial statements relating to going concern to check that the disclosure is consistent with the circumstances.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Group and the Parent Company's ability to continue as a going concern for a period of at least 12 months from when the financial statements are authorised for issue.

In relation to the Parent Company's reporting on how it has applied the UK Corporate Governance Code, we have nothing material to add or draw attention to in relation to the Directors' statement in the financial statements about whether the Directors considered it appropriate to adopt the going concern basis of accounting.

Our responsibilities and the responsibilities of the Directors with respect to going concern are described in the relevant sections of this report.

Overview

Coverage	100% (2022: 100%) of Group profit before tax		
	100% (2022: 100%) of Group revenue		
	100% (2022: 100%) of Group total assets		
Key audit matters		**2023**	2022
	Valuation of investment properties	✔	✔
	Revenue recognition – rental income	✔	✔
Materiality	Group financial statements as a whole		
	£8.9m (2022: £10.5m) based on 1% (2022: 1%) total assets		

An overview of the scope of our audit

Our Group audit was scoped by obtaining an understanding of the Group and its environment, including the Group's system of internal control, and assessing the risks of material misstatement in the financial statements. We also addressed the risk of management override of internal controls, including assessing whether there was evidence of bias by the Directors that may have represented a risk of material misstatement.

The Group operates in one segment, investment property, structured through a number of subsidiary entities and therefore we treated the Group as one significant component. The Group audit engagement team performed all the work necessary to issue the Group and Parent Company audit opinion, including undertaking all of the audit work on the risks of material misstatement identified in the key audit matters section below.

Climate change

Our work on the assessment of potential impacts on climate-related risks on the Group's operations and financial statements included:

- enquiries and challenge of management to understand the actions they have taken to identify climate-related risks and their potential impacts on the financial statements and adequately disclose climate-related risks within the Annual Report;
- our own qualitative risk assessment taking into consideration the sector in which the Group operates and how climate change affects the real estate sector; and
- review of the minutes of Board, Sustainability Committee and Audit Committee meetings and other papers related to climate change and performed a risk assessment as to how the impact of the Group's commitment as set out in the sustainability report on pages 36 to 53 may affect the financial statements and our audit.

We challenged the extent to which climate-related considerations, including the expected cash flows from the initiatives and commitments, have been reflected, where appropriate, in management's going concern assessment and viability assessment.

We also assessed the consistency of management's disclosures included as statutory other information on pages 44 to 50 with the financial statements and with our knowledge obtained from the audit.

Based on our risk assessment procedures, we did not identify there to be any key audit matters materially impacted by climate-related risks and related commitments.

Independent Auditor's report continued

to the members of Warehouse REIT plc

An overview of the scope of our audit continued

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) that we identified, including those which had the greatest effect on: the overall audit strategy, the allocation of resources in the audit, and directing the efforts of the engagement team. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matter		How the scope of our audit addressed the key audit matter
Valuation of investment properties As detailed in note 13 to the consolidated financial statements, the Group owns a portfolio of investment properties which are held at their fair value. The Group's accounting policy for these properties is described in note 13 to the consolidated financial statements. The key judgements and estimates in arriving at the fair values are set out in notes 2.2, 13 and 25 to the consolidated financial statements.	The Group has an investment property portfolio of warehouses and light industrial assets located across the United Kingdom. The properties are independently, externally valued in accordance with RICS methodology and IFRS 13 Fair Value Measurement, This includes completed investment property which is let, or available to let, and is valued using the income capitalisation method; and development property and land which is valued using the comparable method supported, where appropriate, by a residual development appraisal (which estimates the gross development value of the completed project less estimated costs to completion and an appropriate developer's margin). The valuation of investment property requires significant judgement and estimates by the Directors and their independent valuer and is therefore considered a significant risk due to the subjective nature of certain assumptions inherent in each valuation. Any input inaccuracies or unreasonable bases used in the valuation judgements (such as in respect of estimated rental value and yield profile applied) could result in a material misstatement of the Group financial statements.	Our audit procedures included, but was not restricted to, the following: **Experience of the valuer and relevance of its work** We assessed the valuer's competence and capabilities and read their terms of engagement with the Group, to identify any matters that could have affected their independence and objectivity or imposed scope limitations upon them. With the assistance of our real estate specialists, we read the valuation reports and assessed whether the valuations had been prepared in accordance with applicable valuation guidelines and IFRS 13 and they were appropriate for determining the carrying value in the Group's financial statements. **Data provided to the valuer** We checked that the data provided to the valuer by the Investment Advisor was consistent with the information provided to, and tested by, us. This data included inputs such as current rent and lease term, which we have agreed on a sample basis to executed lease agreements. **Assumptions and estimates used by the valuer** We developed yield expectations for each property using available independent industry data, reports and details of relevant comparable transactions in the market around the year-end date. We compared the key valuation assumptions used by the valuers against our independently formed market expectations and challenged the external valuers where significant variances from these expectations were identified. We corroborated their responses to supporting documentation where appropriate. The key valuation assumptions were the equivalent yields, which we evaluated by reference to market data based on the location and specifics of each property. Additionally for development property and land, the key valuation assumptions included land value comparables, construction and other development costs and a developer's margin which were compared to comparable market benchmarks where available and assessed for reasonableness where not readily comparable with published benchmarks.

Independent Auditor's report continued

to the members of Warehouse REIT plc

An overview of the scope of our audit continued

Key audit matters continued

Key audit matter		How the scope of our audit addressed the key audit matter
Valuation of investment properties continued	There is also a risk that management may influence the judgements and estimates in respect of property valuations in order to achieve property valuations and other performance targets to meet market expectations. The valuation of investment properties was therefore considered to be a key audit matter.	**Assumptions and estimates used by the valuer** continued Alongside our real estate specialists, we met with the Group's external valuers to discuss and challenge the valuation methodology and key assumptions and considered if there were any indicators of undue Directors' influence on the valuations. **Key observations:** Based on the procedures performed, we did not identify any indicators to suggest that the judgements and estimates made in the valuation of the Group's investment properties were inappropriate.
Revenue recognition – rental income Refer to note 3 for details of the Group's revenue, including the accounting policy.	The Group has multiple occupiers across its property portfolio. Rental income is recognised on a straight-line basis over the lease term for the Group's properties based upon rental agreements that are in place. Judgement is required to determine the term over which incentives should be recognised. There is a risk that rental income is not supported by underlying tenancy agreements or is inappropriately recognised as a result of errors in recording lease details in the tenancy schedules or inappropriate judgements being applied by management. For these reasons we consider the recognition of revenue from rental income to be a key audit matter.	We obtained the tenancy schedule and the Investment Advisor's analysis of revenue recognised for each property and performed the following: • for a sample of occupiers we reviewed the underlying leases to confirm the accuracy of the tenancy schedule inputs. We also agreed one rental receipt for each of those occupiers to bank statements; • we developed an expectation of rental income to be invoiced for the year in respect of each property based on the tenancy schedule and compared this to the Investment Advisor's analysis of the rental income recognised prior to lease incentive adjustments, corroborating explanations provided by the Investment Advisor in respect of variances identified; and • we obtained the Investment Advisor's schedule of lease incentive adjustments, including rent-free periods and other rent concessions, and, for a sample, we recalculated the adjustment and agreed the inputs to the underlying lease documentation. We considered the completeness of the schedule based on information included in the tenancy schedule and the underlying lease information obtained. Where applicable we assessed the Investment Advisor's judgements against past and current occupier behaviour in respect of the lease term over which the incentives are recognised. **Key observations:** We did not identify any indicators to suggest that revenue has been recognised inappropriately.

Our application of materiality

We apply the concept of materiality both in planning and performing our audit, and in evaluating the effect of misstatements. We consider materiality to be the magnitude by which misstatements, including omissions, could influence the economic decisions of reasonable users that are taken on the basis of the financial statements.

In order to reduce to an appropriately low level the probability that any misstatements exceed materiality, we use a lower materiality level, performance materiality, to determine the extent of testing needed. Importantly, misstatements below these levels will not necessarily be evaluated as immaterial as we also take account of the nature of identified misstatements, and the particular circumstances of their occurrence, when evaluating their effect on the financial statements as a whole.

Independent Auditor's report continued

to the members of Warehouse REIT plc

Our application of materiality continued

Based on our professional judgement, we determined materiality for the financial statements as a whole and performance materiality as follows:

	Group financial statements		Parent company financial statements	
	2023 £m	2022 £m	**2023 £m**	2022 £m
Materiality	**8.9**	10.5	**3.4**	3.7
Basis for determining materiality	1% of total assets			
Rationale for the benchmark applied	We determined that total assets would be the most appropriate basis for determining overall materiality as we consider it to be one of the principal considerations for users of the financial statements in assessing the financial performance of the Group and the Parent Company.			
Performance materiality	**6.7**	7.35	**2.5**	2.59
Basis for determining performance materiality	Overall performance materiality for the Group and Parent Company has been set at 75% (2022: 70%) of materiality. This was on the basis of our risk assessment, together with our assessment of the Group's and Parent Company's overall control environment and our past experience of the audit which has indicated a low number of corrected and uncorrected misstatements in the prior period and management's willingness to investigate and correct these.			

Specific materiality

We also determined that for any items that could affect the calculation of the Group's European Public Real Estate ("EPRA") earnings, a misstatement of less than materiality for the financial statements as a whole, specific materiality, could influence the economic decisions of users. We consider EPRA earnings to be a key performance measure of the Group. EPRA earnings excludes the impact of the net surplus on revaluation of investment properties, profit on disposal of investment properties and changes in the fair value of interest rate derivatives. As a result, we determined materiality for these items based on 5% of EPRA earnings, amounting to £0.83 million (2022: £1.38 million) for the Group. We further applied a performance materiality level of 75% (2022: 70%) of specific materiality to ensure that the risk of errors exceeding specific materiality was appropriately mitigated.

Reporting threshold

We agreed with the Audit and Risk Committee that we would report to them all individual audit differences in excess of £445,000 (2022: £525,000) for items audited to financial statement materiality, and £40,000 (2022: £70,000) for items audited to specific materiality. We also agreed to report differences below these thresholds that, in our view, warranted reporting on qualitative grounds.

Other information

The Directors are responsible for the other information. The other information comprises the information included in the Annual Report and Financial Statements other than the financial statements and our Auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon. Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit, or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Independent Auditor's report continued

to the members of Warehouse REIT plc

Corporate governance statement

The Listing Rules require us to review the Directors' statement in relation to going concern, longer-term viability and that part of the corporate governance statement relating to the Parent Company's compliance with the provisions of the UK Corporate Governance Code specified for our review.

Based on the work undertaken as part of our audit, we have concluded that each of the following elements of the corporate governance statement is materially consistent with the financial statements or our knowledge obtained during the audit.

Going concern and longer-term viability	• The Directors' statement with regard to the appropriateness of adopting the going concern basis of accounting and any material uncertainties identified (set out on page 65) • The Directors' explanation as to their assessment of the Group's prospects, the period this assessment covers and why the period is appropriate (set out on page 65 and 66)
Other Code provisions	• The Directors' statement on fair, balanced and understandable (set out on page 101) • The Board's confirmation that it has carried out a robust assessment of the emerging and principal risks (set out on page 81) • The section of the Annual Report that describes the review of effectiveness of risk management and internal control systems (set out on page 81) • The section describing the work of the Audit and Risk Committee (set out on page 86 to 89)

Other Companies Act 2006 reporting

Based on the responsibilities described below and our work performed during the course of the audit, we are required by the Companies Act 2006 and ISAs (UK) to report on certain opinions and matters as described below.

Strategic report and Directors' report	In our opinion, based on the work undertaken in the course of the audit: • the information given in the strategic report and the Directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and • the strategic report and the Directors' report have been prepared in accordance with applicable legal requirements. In the light of the knowledge and understanding of the Group and Parent Company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or the Directors' report.
Directors' remuneration	In our opinion, the part of the Directors' remuneration report to be audited has been properly prepared in accordance with the Companies Act 2006.
Matters on which we are required to report by exception	We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion: • adequate accounting records have not been kept by the Parent Company, or returns adequate for our audit have not been received from branches not visited by us; or • the Parent Company financial statements and the part of the Directors' remuneration report to be audited are not in agreement with the accounting records and returns; or • certain disclosures of Directors' remuneration specified by law are not made; or • we have not received all the information and explanations we require for our audit.

Independent Auditor's report continued

to the members of Warehouse REIT plc

Responsibilities of Directors

As explained more fully in the statement of Directors' responsibilities, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Directors are responsible for assessing the Group's and the Parent Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Group or the parent company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Extent to which the audit was capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud, is detailed below:

- through our knowledge of the Company and the Group and its sector we gained an understanding of the legal and regulatory framework applicable to the Company and the Group and the industry in which it operates, and considered the risk of acts by the Group that were contrary to applicable laws and regulations, including fraud;
- we considered the Company's and the Group's compliance with laws and regulations that have a direct impact on the financial statements, including UK company law, the applicable accounting framework, tax legislation (including the UK REIT regime requirements) and the relevant Listing Rules, and we considered the extent to which non-compliance might have a material effect on the Group financial statements;
- we designed audit procedures to identify instances of non-compliance with such laws and regulations. Our procedures included reviewing the financial statement disclosures and accounting policies to identify instances of management bias, and agreeing to underlying supporting documentation where necessary. We reviewed minutes of Board meetings held during and subsequent to the year for any indicators of non-compliance and made enquiries of management and of the Directors as to the risks of non-compliance and any instances thereof;
- we assessed the susceptibility of the financial statements to material misstatement, including fraud, and considered the fraud risk areas to be investment property valuations, revenue recognition and management override of controls. Our responses to the valuation of investment properties and revenue recognition risks are set out in the key audit matters section above;
- we addressed the risk of management override of internal controls by testing a sample of journal entries processed during the year, agreeing to supporting documentation and evaluating whether there was evidence of bias by management or the Directors that represented a risk of material misstatement due to fraud; and
- we communicated relevant identified laws and regulations and potential fraud risks to all engagement team members and remained alert to any indications of fraud or non-compliance with laws and regulations throughout the audit.

Independent Auditor's report continued
to the members of Warehouse REIT plc

Auditor's responsibilities for the audit of the financial statements continued

Extent to which the audit was capable of detecting irregularities, including fraud continued

The engagement partner has assessed and confirmed that the engagement team collectively had the appropriate competence and capabilities to identify or recognise non-compliance with laws and regulations.

Our audit procedures were designed to respond to risks of material misstatement in the financial statements, recognising that the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery, misrepresentations or through collusion. There are inherent limitations in the audit procedures performed and the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely we are to become aware of it.

A further description of our responsibilities is available on the Financial Reporting Council's website at: **www.frc.org.uk/auditorsresponsibilities**. This description forms part of our auditor's report.

Use of our report

This report is made solely to the Parent Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Parent Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Parent Company and the Parent Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Richard Levy (Senior Statutory Auditor)
For and on behalf of BDO LLP, Statutory Auditor

London, UK

5 June 2023

BDO LLP is a limited liability partnership registered in England and Wales (with registered number OC305127).

Consolidated statement of comprehensive income

For the year ended 31 March 2023

All items in the statement derive from continuing operations. No operations were acquired or discontinued during the year.

There is no other comprehensive income and therefore the profit for the year after tax is also the total comprehensive income.

Continuing operations	Notes	**Year ended 31 March 2023 £'000**	Year ended 31 March 2022 £'000
Gross property income	3	**47,845**	48,714
Service charge income	3	**3,340**	2,682
Service charge expenses	4	**(3,767)**	(3,011)
Net property income		**47,418**	48,385
Property operating expenses	4	**(5,454)**	(4,789)
Gross profit		**41,964**	43,596
Administration expenses	4	**(9,716)**	(8,244)
Operating profit before (losses)/gains on investment properties		**32,248**	35,352
Fair value (losses)/gains on investment properties	13	**(193,367)**	163,685
Realised (loss) on disposal of investment properties	13	**(13,105)**	–
Operating (loss)/profit		**(174,224)**	199,037
Finance income	7	**2,039**	321
Finance expenses	8	**(15,528)**	(8,154)
Changes in fair value of interest rate derivatives	18	**4,850**	–
(Loss)/profit before tax		**(182,863)**	191,204
Taxation	9	**–**	–
Total comprehensive (loss)/income for the period		**(182,863)**	191,204
(Loss)/Earnings per share (basic and diluted) (pence)	12	**(43.0)**	45.0

The accompanying notes on pages 114 to 138 form an integral part of these financial statements.

Consolidated statement of financial position

As at 31 March 2023

These financial statements were approved by the Board of Directors of Warehouse REIT plc on 5 June 2023 and signed on its behalf by:

Neil Kirton

Company number: 10880317

	Notes	**31 March 2023 £'000**	31 March 2022 £'000
Assets			
Non-current assets			
Investment property	13	**842,269**	1,026,066
Interest rate derivatives	18	**11,228**	337
		853,497	1,026,403
Current assets			
Investment property held for sale	14	**625**	—
Cash and cash equivalents	15	**25,053**	16,706
Trade and other receivables	16	**9,258**	9,849
		34,936	26,555
Total assets		**888,433**	1,052,958
Liabilities			
Non-current liabilities			
Interest-bearing loans and borrowings	17	**(304,093)**	(268,216)
Other payables and accrued expenses	20	**(11,300)**	(16,550)
Head lease liability	19	**(14,320)**	(14,200)
		(329,713)	(298,966)
Current liabilities			
Interest rate derivatives	18	**(3,841)**	—
Other payables and accrued expenses	20	**(18,584)**	(6,855)
Deferred income	20	**(7,115)**	(7,487)
Head lease liability	19	**(705)**	(696)
		(30,245)	(15,038)
Total liabilities		**(359,958)**	(314,004)
Net assets		**528,475**	738,954
Equity			
Share capital	21	**4,249**	4,249
Share premium	22	**275,648**	275,648
Retained earnings	23	**248,578**	459,057
Total equity		**528,475**	738,954
Number of shares in issue (thousands)		**424,862**	424,862
Net asset value per share (basic and diluted) (pence)	24	**124.4**	173.9

The accompanying notes on pages 114 to 138 form an integral part of these financial statements.

Consolidated statement of changes in equity

For the year ended 31 March 2023

	Notes	Share capital £'000	Share premium £'000	Retained earnings £'000	Total £'000
Balance at 31 March 2021		4,249	275,648	294,194	574,091
Total comprehensive income		—	—	191,204	191,204
Dividends paid	11	—	—	(26,341)	(26,341)
Balance at 31 March 2022		**4,249**	**275,648**	**459,057**	**738,954**
Total comprehensive income		**—**	**—**	**(182,863)**	**(182,863)**
Dividends paid	11	**—**	**—**	**(27,616)**	**(27,616)**
Balance at 31 March 2023		**4,249**	**275,648**	**248,578**	**528,475**

Further details of retained earnings are presented in note 23.

The accompanying notes on pages 114 to 138 form an integral part of these financial statements.

Consolidated statement of cash flows

For the year ended 31 March 2023

	Notes	Year ended 31 March 2023 £'000	Year ended 31 March 2022 £'000
Cash flows from operating activities			
Operating (loss)/profit		**(174,224)**	199,037
Adjustments to reconcile profit for the period to net cash flows:			
Losses/(gains) from change in fair value of investment properties	13	**193,367**	(163,685)
Realised loss on disposal of investment properties	13	**13,105**	—
Head lease movement in asset value		**(42)**	181
Operating cash flows before movements in working capital		**32,206**	35,533
Decrease/(increase) in other receivables and prepayments		**329**	(6,318)
Increase/(decrease) in other payables and accrued expenses		**2,788**	(970)
Net cash flow generated from operating activities		**35,323**	28,245
Cash flows from investing activities			
Acquisition of investment properties		**(66,053)**	(45,178)
Capital expenditure		**(4,628)**	(7,536)
Development expenditure		**(7,141)**	(1,133)
Purchase of interest rate caps		**(2,200)**	—
Interest received		**989**	—
Disposal of investment properties		**58,101**	—
Net cash flow used in investing activities		**(22,932)**	(53,847)
Cash flows from financing activities			
Bank loans drawn down	17	**65,000**	49,000
Bank loans repaid	17	**(30,000)**	—
Loan interest and other finance expenses paid		**(11,810)**	(5,288)
Other finance expenses paid		**(390)**	(799)
Recurrent loan fees		**(396)**	(392)
Head lease payments		**(832)**	(1,057)
Dividends paid in the period	11	**(27,616)**	(26,341)
Net cash flow (used in)/generated from financing activities		**(5,648)**	15,123
Net increase/(decrease) in cash and cash equivalents		**8,347**	(10,479)
Cash and cash equivalents at start of the period		**16,706**	27,185
Cash and cash equivalents at end of the period	15	**25,053**	16,706

The accompanying notes on pages 114 to 138 form an integral part of these financial statements.

Notes to the consolidated financial statements

For the year ended 31 March 2023

1. General information

Warehouse REIT plc is a closed-ended Real Estate Investment Trust ("REIT") with an indefinite life incorporated in England and Wales on 24 July 2017. The Company began trading on 20 September 2017. The registered office of the Company is located at 65 Gresham Street, London EC2V 7NQ. The Company's shares are admitted to trading on the Premium Listing Segment of the Main Market, a market operated by the London Stock Exchange.

The Group's consolidated financial statements for the year ended 31 March 2023 comprise the results of the Company and its subsidiaries (together constituting the "Group") and were approved by the Board and authorised for issue on 5 June 2023. The nature of the Group's operations and its principal activities are set out in the strategic report on pages 1 to 66.

2. Basis of preparation

These financial statements are prepared in accordance with UK adopted international accounting standards and in conformity with the requirements of the Companies Act 2006. The financial statements have been prepared under the historical cost convention, except for the revaluation of investment properties and financial instruments that are measured at revalued amounts or fair values at the end of each reporting period, as explained in the accounting policies below. Historical cost is generally based on the fair value of the consideration given in exchange for goods and services. The audited financial statements are presented in Pound Sterling and all values are rounded to the nearest thousand pounds (£'000), except when otherwise indicated.

Going concern

The Directors have made an assessment of the Group's ability to continue as a going concern. They carefully considered areas of potential financial risk and reviewed cash flow forecasts, evaluating a number of scenarios which included extreme downside sensitivities in relation to rental cash collection, making no acquisitions or discretionary capital expenditure and minimum dividend distributions under the REIT rules.

Accordingly, based on this information, and in light of mitigating actions available and the recent refinancing, the Directors have a reasonable expectation that the Group and the Company have adequate resources to continue in business for a period of at least 12 months from the date of approval of the Annual Report and Financial Statements.

Furthermore, the Directors are not aware of any material uncertainties that may cast significant doubt upon the Group's ability to continue as a going concern. Therefore, the financial statements have been prepared on the going concern basis.

2.1 Changes to accounting standards and interpretations

New standards and interpretations effective in the current period

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 2022, which have been considered and applied as follows:

- Onerous Contracts – Cost of Fulfilling a Contract (Amendments to IAS 37);
- Property, Plant and Equipment: Proceeds before Intended Use (Amendments to IAS 16);
- Annual Improvements to IFRS Standards 2018-2020 (Amendments to IFRS 1, IFRS 9, IFRS 16 and IAS 41); and
- References to Conceptual Framework (Amendments to IFRS 3).

There was no material effect from the adoption of the above-mentioned amendments to IFRS effective in the period. They have no significant impact to the Group as they are either not relevant to the Group's activities or require accounting which is already consistent with the Group's current accounting policies.

Notes to the consolidated financial statements continued

For the year ended 31 March 2023

2. Basis of preparation continued

2.1 Changes to accounting standards and interpretations continued

New and revised accounting standards not yet effective

There are a number of new standards and amendments to existing standards which have been published and are mandatory for the Group's accounting periods beginning on or after 1 April 2023 or later. The Group is not adopting these standards early. The following are the most relevant to the Group:

Amendments to IAS 1 Presentation of Financial Statements clarifies that liabilities are classified as either current or non-current, depending on the rights that exist at the end of the reporting period and not expectations of, or actual events after, the reporting date. The amendments also give clarification to the definition of settlement of a liability.

Amendments to IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors clarifies the distinction between accounting policies and accounting estimates and also replaces the definition of accounting estimates. Under the new definition, estimates are "monetary amounts in financial statements that are subject to measurement uncertainty".

The amendments are not expected to have a significant impact on the preparation of the financial statements.

2.2 Significant accounting judgements and estimates

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

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 detailed below, 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, the Investment Advisor has made the following estimates which have the most significant risk of material change to the carrying value of assets 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 independent 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 in accordance with IFRS 13. The key estimates made by the valuer are the ERV and equivalent yields of each investment property and land values per acre for development properties. The valuers have considered the impact of climate change and that this has not had a material impact on the valuation at the current time. See notes 13 and 25 for further details.

2.3 Summary of significant accounting policies

The principal accounting policies applied in the preparation of these financial statements are stated in the notes to the financial statements.

a) 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 31 March 2023. 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.

Notes to the consolidated financial statements continued

For the year ended 31 March 2023

2. Basis of preparation continued

2.3 Summary of significant accounting policies continued

b) Functional and presentation currency

The overall 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.

c) 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. Property income

	Year ended 31 March 2023 £'000	Year ended 31 March 2022 £'000
Rental income	**45,750**	44,020
Insurance recharged	**1,592**	1,507
Dilapidation income	**503**	3,187
Gross property income	**47,845**	48,714
Service charge income	**3,340**	2,682
Total property income	**51,185**	51,396

No occupier accounts for more than 10% of rental income.

Accounting policy

Rental income arising from operating leases on investment property is accounted for on a straight-line basis over the lease term and is included in gross property income in the Group statement of comprehensive income. Initial direct costs incurred in negotiating and arranging an operating lease are recognised as an expense over the lease term on the same basis as the lease income. Rental income is invoiced in advance and for all rental income that relates to a future period, this is deferred and appears with current liabilities on the Group statement of financial position.

For leases which contain fixed or minimum uplifts, the rental income arising from such uplifts is recognised on a straight-line basis over the lease term. A rental adjustment is recognised from the rent review date in relation to unsettled rent reviews, once the rental uplifts are agreed.

Occupier lease incentives are recognised as an adjustment of rental revenue on a straight-line basis over the term of the lease. The lease term is the non-cancellable period of the lease together with any further term for which the occupier has the option to continue the lease where, at the inception of the lease, the Directors are reasonably certain that the occupier will exercise that option.

Insurance income is recognised in the accounting period in which the services are rendered.

Amounts received from occupiers to terminate leases or to compensate for dilapidations are recognised in the Group statement of comprehensive income when the right to receive them arises, typically at the cessation of the lease.

Service charge income is recognised when the related recoverable expenses are incurred. The Group acts as the principal in service charge transactions as it directly controls the delivery of the services at the point at which they are provided to the occupier.

Notes to the consolidated financial statements continued

For the year ended 31 March 2023

4. Property operating and administration expenses

	Year ended 31 March 2023 £'000	Year ended 31 March 2022 £'000
Service charge expenses	**3,767**	3,011
Premises expenses	**2,481**	2,313
Insurance	**1,735**	1,558
Rates	**716**	490
Utilities	**335**	87
Loss allowance on trade receivables	**187**	341
Property operating expenses	**5,454**	4,789
Investment Advisor fees	**6,970**	6,484
Costs associated with the transfer to the Main Market	**1,069**	—
Directors' remuneration (including social security costs)	**179**	175
Head lease asset depreciation	**189**	181
Other administration expenses	**1,309**	1,404
Administration expenses	**9,716**	8,244
Total	**18,937**	16,044

Main Market expenses are costs associated with the transfer to the Premium Segment of the Main Market of the London Stock Exchange. On 12 July 2022, Warehouse REIT transferred the trading of its ordinary shares to the Premium Segment of the Main Market of the London Stock Exchange.

Details of how the Investment Advisor fees are calculated are disclosed in note 29.

Accounting policy

All property operating expenses and administration expenses are charged to the consolidated statement of comprehensive income and are accounted for on an accruals basis.

Property expenses are costs incurred by the Group that are not directly recoverable from an occupier, as well as professional fees relating to the letting of our estates.

5. Directors' remuneration

	Year ended 31 March 2023 £'000	Year ended 31 March 2022 £'000
Neil Kirton	**48**	47
Lynette Lackey	**38**	37
Martin Meech	**38**	37
Aimée Pitman	**38**	37
Total	**162**	158

A summary of the Directors' emoluments, including the disclosures required by the Companies Act 2006, is set out in the Directors' remuneration report. The Group had no employees in either period.

6. Auditor's remuneration

	Year ended 31 March 2023 £'000	Year ended 31 March 2022 £'000
Audit fee	**192**	148
Total	**192**	148

The Group reviews the scope and nature of all proposed non-audit services before engagement, to ensure that the independence and objectivity of the Auditor are safeguarded. Audit fees are comprised of the following items:

	Year ended 31 March 2023 £'000	Year ended 31 March 2022 £'000
Group year-end Annual Report and Financial Statements	**172**	130
Subsidiary accounts	**20**	18
Total	**192**	148

Notes to the consolidated financial statements continued

For the year ended 31 March 2023

6. Auditor's remuneration continued

Non-audit fees payable to the Group's Auditor comprised of the following:

	Year ended 31 March 2023 £'000	Year ended 31 March 2022 £'000
Services as reporting accountant relating to Main Market move	**110**	—
Total	**110**	—

There were no non-audit services provided by the Auditor in the year to 31 March 2022. The Audit Committee receives assurance from the Auditor that its independence is not compromised. The Group's Auditor for the year ended 31 March 2023 was BDO LLP.

7. Finance income

	Year ended 31 March 2023 £'000	Year ended 31 March 2022 £'000
Interest from cash and short-term deposits	**12**	—
Interest from derivatives	**2,027**	—
Total	**2,039**	—

Accounting policy

Interest income is recognised on an effective interest rate basis and shown within the Group statement of comprehensive income as finance income. See note 18 for details on the accounting policy for interest rate derivatives.

8. Finance expenses

	Year ended 31 March 2023 £'000	Year ended 31 March 2022 £'000
Loan interest	**14,057**	5,816
Head lease interest	**961**	1,030
Loan arrangement fees amortised	**1,052**	898
Recurrent loan fees	**607**	392
Bank charges	**5**	18
	16,682	8,154
Less: amounts capitalised on the development of properties	**(1,154)**	—
Total	**15,528**	8,154

The interest capitalisation rates for the year ended 31 March 2023 ranged from 3.2% to 4.3% (31 March 2022: £nil).

Accounting policy

Any finance costs that are separately identifiable and directly attributable to an asset which takes a period of time to complete are capitalised as part of the cost of the asset. Ongoing services fees relating to the maintenance of the loan are expensed in the period in which they occur. All other finance costs are expensed in the period in which they occur. Finance costs consist of interest and other costs that the Group incurs in connection with bank and other borrowings. Fair value movements on derivatives are recorded in finance expenses or in finance income depending on the fair value movement during the year. See note 19 for the accounting policy on head lease interest expensed.

Notes to the consolidated financial statements continued

For the year ended 31 March 2023

9. Taxation

Corporation tax has arisen as follows:

	Year ended 31 March 2023 £'000	Year ended 31 March 2022 £'000
Corporation tax on residual income	–	–
Total	**–**	–

Reconciliation of tax charge to profit before tax:

	Year ended 31 March 2023 £'000	Year ended 31 March 2022 £'000
(Loss)/profit before tax	**(182,863)**	191,204
Corporation tax at 19.0% (2022: 19.0%)	**(34,744)**	36,329
Change in value of investment properties	**36,740**	(31,092)
Realised loss on disposal of investment properties	**2,490**	–
Tax-exempt property rental business	**(4,486)**	(5,237)
Total	**–**	–

Accounting policy

Corporation tax is recognised in the consolidated statement of comprehensive income except where in certain circumstances corporation tax may be recognised in other comprehensive income.

As a REIT, the Group is exempt from corporation tax on the profits and gains from its property rental business, provided it continues to meet certain conditions as per the REIT regulations.

Non-qualifying profits and gains of the Group continue to be subject to corporation tax. Therefore, current tax is the expected tax payable on the non-qualifying taxable income for the period, if applicable, using tax rates enacted or substantively enacted at the balance sheet date.

The United Kingdom Government has announced an increase to the main rate of corporation tax from 19% to 25% from April 2023. As the Company is a REIT, it is not anticipated that the change in the corporate tax rate will have a material impact on the Group, however tax charges on any non-property income will increase.

10. 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 15 years.

Future minimum rentals receivable under non-cancellable operating leases as at 31 March 2023 are as follows:

	31 March 2023 £'000	31 March 2022 £'000
Within one year	**42,033**	42,364
Between one and two years	**33,340**	35,838
Between two and three years	**26,998**	27,002
Between three and four years	**22,360**	21,154
Between four and five years	**18,457**	17,058
Between five and ten years	**34,394**	35,641
More than ten years	**19,607**	22,578
Total	**197,189**	201,635

Notes to the consolidated financial statements continued

For the year ended 31 March 2023

11. Dividends

For the year ended 31 March 2023	Pence per share	£'000
Third interim dividend for year ended 31 March 2022 paid on 1 April 2022	1.55	6,585
Fourth interim dividend for year ended 31 March 2022 paid on 30 June 2022	1.75	7,435
First interim dividend for year ended 31 March 2023 paid on 3 October 2022	1.60	6,798
Second interim dividend for year ended 31 March 2023 paid on 30 December 2022	1.60	6,798
Total dividends paid during the year	**6.50**	**27,616**
Paid as:		
Property income distributions	6.50	27,616
Non-property income distributions	—	—
Total	**6.50**	**27,616**

For the year ended 31 March 2022	Pence per share	£'000
Third interim dividend for year ended 31 March 2021 paid on 1 April 2021	1.55	6,585
Fourth interim dividend for year ended 31 March 2021 paid on 30 June 2021	1.55	6,586
First interim dividend for year ended 31 March 2022 paid on 1 October 2021	1.55	6,585
Second interim dividend for year ended 31 March 2022 paid on 30 December 2021	1.55	6,585
Total dividends paid during the year	6.20	26,341
Paid as:		
Property income distributions	6.20	26,341
Non-property income distributions	—	—
Total	6.20	26,341

As a REIT, the Group is required to pay property income distributions ("PIDs") equal to at least 90% of the property rental business profits of the Group.

A third interim property income dividend for the year ended 31 March 2023 of 1.60 pence per share was declared on 28 February 2023 and paid on 3 April 2023.

Accounting policy

Dividends due to the Company's shareholders are recognised when they become payable.

12. 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.

The European Public Real Estate Association ('EPRA') publishes guidelines for calculating adjusted earnings on a comparable basis. EPRA EPS is a measure of EPS designed by EPRA to enable entities to present underlying earnings from core operating activities, which excludes fair value movements on investment properties.

The Company has also included an additional earnings measure called "Adjusted Earnings" and "Adjusted EPS." Adjusted Earnings and Adjusted EPS is based on EPRA's Best Practices Recommendations and recognises finance income earned from derivatives held at fair value through profit and loss used to hedge the Company's floating interest rate exposure. Also included in adjusted earnings is the add back of the costs associated with the transfer to the Premium Segment of the Main Market of the London Stock exchange, as these costs will not be reoccurring.

The Board deems this a more relevant indicator of core earnings as it reflects our ability to generate earnings from our portfolio.

Notes to the consolidated financial statements continued

For the year ended 31 March 2023

12. Earnings per share continued

	Year ended 31 March 2023 £'000	Year ended 31 March 2022 £'000
IFRS earnings	**(182,863)**	191,204
EPRA earnings adjustments:		
Loss on disposal of investment properties	**13,105**	—
Fair value losses/(gains) on investment properties	**193,367**	(163,685)
Interest from derivatives	**(2,027)**	—
Changes in fair value of interest rate derivatives	**(4,850)**	(321)
EPRA earnings	**16,732**	27,198
Group-specific earnings adjustments:		
Interest from derivatives	**2,027**	—
Costs associated with the transfer to the Premium Segment of the Main Market of the London Stock Exchange	**1,069**	—
Adjusted earnings	**19,828**	27,198

	Year ended 31 March 2023 pence	Year ended 31 March 2022 pence
Basic IFRS EPS	**(43.0)**	45.0
Diluted IFRS EPS	**(43.0)**	45.0
EPRA EPS	**3.9**	6.4
Adjusted EPS	**4.7**	6.4

	Year ended 31 March 2023 Number of shares	Year ended 31 March 2022 Number of shares
Weighted average number of shares in issue (thousands)	**424,862**	424,862

13. 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 2022	**913,035**	**98,950**	**1,011,985**
Transferred in the period	**5,449**	**(5,449)**	**—**
Acquisition of properties	**64,512**	**2,216**	**66,728**
Capital expenditure	**5,035**	**8,295**	**13,330**
Movement in rent incentives	**1,272**	**28**	**1,300**
Disposal of properties	**(71,206)**	**—**	**(71,206)**
Assets transferred to held for sale	**(625)**	**—**	**(625)**
Fair value losses on revaluation of investment property	**(164,987)**	**(28,380)**	**(193,367)**
Total portfolio valuation per valuer's report	**752,485**	**75,660**	**828,145**
Adjustment for head lease obligations	**14,124**	**—**	**14,124**
Carrying value at 31 March 2023	**766,609**	**75,660**	**842,269**

	Completed investment property £'000	Development property and land £'000	Total investment property £'000
Investment property valuation brought forward as at 1 April 2021	751,930	40,870	792,800
Acquisition of properties	30,027	13,364	43,391
Capital expenditure	6,467	1,103	7,570
Movement in rent incentives	4,545	(6)	4,539
Fair value gains on revaluation of investment property	120,066	43,619	163,685
Total portfolio valuation per valuer's report	913,035	98,950	1,011,985
Adjustment for head lease obligations	14,081	—	14,081
Carrying value at 31 March 2022	927,116	98,950	1,026,066

Notes to the consolidated financial statements continued

For the year ended 31 March 2023

13. UK investment property continued

Included within the carrying value of investment properties as at 31 March 2023 is £10.4 million (31 March 2022: £9.1 million) in respect to rent incentives as a result of the IFRS treatment of leases with rent-free periods, which require recognition on a straight-line basis over the lease term. The difference between this and cash receipts change the carrying value of the property on which revaluations are measured.

During March 2023, the Group reached practical completion of the development at Valley Court, Middlewich, at which point the asset became income-producing. The transfer between development property and land and completed investment property reflects the completion of this development.

During the period the Group capitalised £1.2 million (31 March 2022: nil) of interest paid in development properties. Please see note 8 for details on the capitalisation rate used.

Realised loss on disposal of investment properties

	Year ended 31 March 2023 £'000	Year ended 31 March 2022 £'000
Net proceeds from disposals of investment property during the year	**58,101**	—
Carrying value of disposals	**(71,206)**	—
Realised loss on disposal of investment properties	**(13,105)**	—

Accounting policy

Investment property comprises property held to earn rental income or for capital appreciation, or both. Investment properties are recognised upon legal completion of the contract, where costs are reliably measured and future economic benefits that are associated with the property flow to the entity. Investment properties are measured initially at cost including transaction costs. Transaction costs include transfer taxes and professional fees to bring the property to the condition necessary for it to be capable of operating. The carrying amount also includes the cost of replacing part of an existing investment property at the time that cost is incurred, if the recognition criteria are met.

Development property and land is where the whole or a material part of an estate is identified as having potential for development. Assets are classified as such until development is completed and they have the potential to be fully income-generating. Development property and land is measured at fair value if the fair value is considered to be reliably determinable. Where the fair value cannot be determined reliably but where it is expected that the fair value of the property will be reliably determined when construction is completed, the property is measured at cost less any impairment until the fair value becomes reliably determinable or construction is completed, whichever is earlier. It is the Group's policy not to capitalise overheads or operating expenses for assets with approved planning permission. In addition, it is the Group's policy to capitalise finance costs relating to the development of the assets with planning permission, see note 8 for details.

Subsequent to initial recognition, investment property is stated at fair value (see note 25). Gains or losses arising from changes in the fair values are included in the consolidated statement of comprehensive income in the period in which they arise under IAS 40 Investment Property.

Investment properties cease to be recognised when they have been disposed of or withdrawn permanently from use and no future economic benefit is expected. Gains or losses on the disposal of investment property are determined as the difference between net disposal proceeds and the carrying value of the asset.

Movements in rent incentives are presented within the total portfolio valuation.

Where an investment property is held under a leasehold interest, the headlease is initially recognised as an asset at cost plus the present value of minimum ground rent payments and is subsequently measured at fair value. The corresponding rental liability to the head leaseholder is included in the balance sheet as a finance lease obligation (see note 19).

Notes to the consolidated financial statements continued

For the year ended 31 March 2023

14. Investment properties held for sale

	Completed investment property £'000	Development property and land £'000	Total investment property £'000
Investment property held for sale	**625**	**—**	**625**
Carrying value at 31 March 2023	**625**	**—**	**625**
Carrying value at 31 March 2022	—	—	—

As at 31 March 2023, Ellesmere Port, Burnell Road is designated as held for sale, as sales contracts were exchanged on 3 March 2023 and will be completed during the year ended 31 March 2024.

Accounting policy

An asset will be classified as held for sale in line with IFRS 5 Non-Current Assets Held for Sale and Discontinued Operations if its carrying value is expected to be recovered through a sale transaction rather than continuing use. An asset will be classified in this way only when a sale is highly probable, management are committed to selling the asset at the year-end date, the asset is available for immediate sale in its current condition and the asset is expected to be disposed of within 12 months after the date of the consolidated statement of financial position.

15. Cash and cash equivalents

	31 March 2023 £'000	31 March 2022 £'000
Unrestricted cash and cash equivalents	**18,990**	10,787
Restricted cash and cash equivalents	**6,063**	5,919
Total	**25,053**	16,706

Restricted cash comprises £6.1 million (31 March 2022: £5.9 million) of cash held by the Company's Registrar to fund the shareholder dividend, less withholding tax, which was paid on 3 April 2023 as disclosed in note 11.

Accounting policy

Cash and cash equivalents comprise cash at bank and short-term deposits with banks and other financial institutions, with an initial maturity of three months or less.

16. Trade and other receivables

	31 March 2023 £'000	31 March 2022 £'000
Rent and insurance receivables	**3,952**	5,445
Payments in advance of property completion	**2,080**	2,090
Interest receivable on derivatives	**1,050**	—
Occupier deposits	**698**	535
Prepayments	**191**	198
Other receivables	**1,287**	1,581
Total	**9,258**	9,849

The rent and insurance receivables balance represents gross receivables of £4.2 million (31 March 2022: £6.2 million), net of a provision for doubtful debts of £0.2 million (31 March 2022: £0.8 million).

Payments in advance of property completion represent the deposits paid to vendors upon exchange of purchase contracts.

Accounting policy

Rent and other receivables are recognised at their original invoiced value and become due based on the terms of the underlying lease or at the date of invoice.

The Group applies the IFRS 9 simplified approach to measuring expected credit losses using a lifetime expected credit loss provision for trade receivables. To measure expected credit losses on a collective basis, trade receivables are grouped based on similar credit risk and ageing.

The expected loss rates are based on the Group's historical credit losses experienced over the two-year period prior to the year end. The historical loss rates are then adjusted for current and forward-looking information on macroeconomic factors affecting the Group's customers.

Notes to the consolidated financial statements continued

For the year ended 31 March 2023

17. Interest-bearing loans and borrowings

	31 March 2023 £'000	31 March 2022 £'000
At the beginning of the year	**271,000**	222,000
Drawn in the year	**65,000**	49,000
Repaid in the year	**(30,000)**	–
Interest-bearing loans and borrowings	**306,000**	271,000
Unamortised fees at the beginning of the year	**(2,784)**	(2,901)
Loan arrangement fees paid in the year	**(175)**	(781)
Amortisation charge for the year	**1,052**	898
Unamortised loan arrangement fees	**(1,907)**	(2,784)
Loan balance less unamortised loan arrangement fees	**304,093**	268,216

At the year end, the Group had a debt facility with a club of four banks: HSBC, Bank of Ireland, Royal Bank of Canada and Barclays. The facility runs until January 2025, with an option to extend for a further two years (subject to lender consent), and comprises an RCF of £138.0 million and a term loan of £182.0 million, to give a total facility of £320.0 million.

At 31 March 2023, £124.0 million was drawn against the RCF and £182.0 million against the term loan. This gave total debt of £306.0 million (31 March 2022: £271.0 million); with the Group also holding cash balances of £25.1 million (31 March 2022: £16.7 million), the Group's net debt as at 31 March 2023 is £280.9 million (31 March 2022: £254.3 million). The LTV ratio at 31 March 2023 was therefore 33.9% (31 March 2022: 25.1%), with the increase reflecting the acquisition in the year and the lower portfolio valuation, partially offset by the asset disposals. All borrowings under these agreements attract a margin of 2.0% – 2.2% per annum above SONIA, plus a credit adjustment spread equal to 11.93 bps.

As at 31 March 2023, there is £14.0 million (31 March 2022: £49.0 million) available to draw.

The debt facility includes interest cover and market value covenants that are measured at a Group level. The Group has complied with all covenants throughout the financial period.

Accounting policy

Loans and borrowings are initially recognised at the proceeds received net of directly attributable transaction costs. Loans and borrowings are subsequently measured at amortised cost with interest charged to the consolidated statement of comprehensive income at the effective interest rate, and shown within finance costs. Transaction costs are spread over the term of the loan.

18. Interest rate derivatives

	31 March 2023 £'000	31 March 2022 £'000
At the start of the period	**337**	16
Additional premiums paid and accrued	**10,926**	–
Changes in fair value of interest rate derivatives	**4,850**	321
Interest rate derivative premium payable	**(8,726)**	–
Balance at the end of the period	**7,387**	337
Current	**(3,841)**	–
Non-current	**11,228**	337
Balance at the end of the period	**7,387**	337

On 20 July 2022, the Group entered into interest rate caps with a premium of £2.2 million paid in the year ending 31 March 2023. The remaining premium of £8.7 million is due in quarterly instalments with the final payment due in January 2025.

This isn't recognised as a separate liability because together with the derivative asset it is considered to be one instrument.

The instruments have a combined notional value of £230.0 million with £200.0 million at a strike rate of 1.50% and the remaining £30.0 million at a strike rate of 1.75%. The £30.0 million instrument has a termination date of 20 November 2023, £100.0 million has a termination date of 20 July 2025 and £100.0 million has a termination date of 20 July 2027.

Notes to the consolidated financial statements continued

For the year ended 31 March 2023

18. Interest rate derivatives continued

Accounting policy

Interest rate derivatives are initially recognised at fair value and are subsequently measured at fair value, being the estimated amount that the Group would receive or pay to terminate the agreement at the period end date, taking into account current interest rate expectations and the current credit rating of the Group and its counterparties. Premiums paid are recognised within the fair value of the derivative in the Statement of Financial Position.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data is available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs significant to the fair value measurement as a whole. Changes in fair value of interest rate derivatives are recognised within finance expenses in profit or loss in the period in which they occur.

All receipts of income from the instrument are recognised as finance income in note 8 of the financial statements separate from the fair value measurement recorded.

19. Head lease obligations

The following table analyses the present value of minimum lease payments under non-cancellable head leases using an average discount rate of 6.91% for each of the following periods:

	31 March 2023 £'000	31 March 2022 £'000
Current liabilities		
Within one year	**705**	696
Non-current liabilities		
After one year but not more than five years	**2,975**	2,931
Later than five years	**11,345**	11,269
	14,320	14,200
Total head lease obligations	**15,025**	14,896

No discounting is applied to deferred consideration on the grounds of materiality.

	31 March 2023 £'000	31 March 2022 £'000
Head lease liability – opening balance	**14,896**	14,897
Cash flows		
Non-cash movements	**(832)**	(1,057)
Interest	**961**	1,030
Head lease accrual	**—**	26
Head lease obligations – closing balance	**15,025**	14,896

The following table analyses the minimum undiscounted lease payments under non-cancellable head leases for each of the following periods:

	31 March 2023 £'000	31 March 2022 £'000
Current liabilities		
Within one year	**1,052**	1,053
Non-current liabilities		
After one year but not more than five years	**4,219**	4,211
Later than five years	**85,530**	85,526
Total	**90,801**	90,790

The fair value of the Group's lease obligations is estimated to be equal to its carrying value.

Accounting policy

At the commencement date, head lease obligations are recognised at the present value of future lease payments using the discount rate implicit in the lease, if determinable, or, if not, the property-specific incremental borrowing rate.

Notes to the consolidated financial statements continued

For the year ended 31 March 2023

20. Other liabilities – other payables and accrued expenses, provisions and deferred income

	31 March 2023 £'000	31 March 2022 £'000
Administration expenses payable	**2,170**	2,576
Deferred consideration payable	**4,500**	—
Capital expenses payable	**3,864**	2,042
Loan interest payable	**3,691**	1,444
Property operating expenses payable	**855**	465
Other expenses payable	**3,504**	328
Total other payables and accrued expenses – current	**18,584**	6,855

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

	31 March 2023 £'000	31 March 2022 £'000
Capital expenses payable	**11,300**	16,550
Total other payables and accrued expenses – non-current	**11,300**	16,550

During the year ended 31 March 2021, the Group exchanged contracts to acquire land for £15.0 million. The first three instalments were paid for a total of £2.5 million to the year ended 31 March 2022 with an additional £1.5 million paid during the year ended 31 March 2023. The final instalment of £11.3 million is due to be paid on 1 September 2024.

Deferred consideration payable of £4.5 million is 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. The consideration is secured on a second ranking charge over the asset.

	31 March 2023 £'000	31 March 2022 £'000
Total deferred income	**7,115**	7,487

Deferred income is rental income received in advance during the accounting period. The income is deferred and is unwound to revenue on a straight-line basis over the period in which it is earned.

21. Share capital

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

	31 March 2023		31 March 2022	
Ordinary shares of £0.01 each	Number	£'000	Number	£'000
Authorised, issued and fully paid:				
At the start of the period	**424,861,650**	**4,249**	424,861,650	4,249
Shares issued	**—**	**—**	—	—
Balance at the end of the period	**424,861,650**	**4,249**	424,861,650	4,249

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.

Notes to the consolidated financial statements continued

For the year ended 31 March 2023

22. Share premium

Share premium comprises the following amounts:

	31 March 2023 £'000	31 March 2022 £'000
At the start of the period	**275,648**	275,648
Shares issued	**—**	—
Share premium	**275,648**	275,648

Share premium represents the excess over nominal value of the fair value of the consideration received for equity shares net of direct issue costs.

23. Retained earnings

Retained earnings comprise the following cumulative amounts:

	31 March 2023 £'000	31 March 2022 £'000
Capital reduction reserve	**161,149**	161,149
Total unrealised gains on investment properties	**96,011**	289,378
Total unrealised gain on interest rate caps	**5,046**	196
Total realised profits	**82,208**	76,554
Dividends paid from revenue profits	**(95,836)**	(68,220)
Retained earnings	**248,578**	459,057

Retained earnings represent the profits of the Group less dividends paid from revenue profits to date. Unrealised gains on the revaluation of investment properties and interest rate caps contained within this reserve are not distributable until any gains crystallise on the sale of the investment property and settlement of the interest rate caps. The capital reduction reserve is a distributable reserve established upon cancellation of the share premium of the Company on 17 November 2017.

As at 31 March 2023, the Group had distributable reserves available of £147,521,000 (31 March 2022: £169,483,000).

24. Net asset value per share

Basic NAV per share amounts are 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.

	31 March 2023 £'000	31 March 2022 £'000
IFRS net assets attributable to ordinary shareholders	**528,475**	738,954
IFRS net assets for calculation of NAV	**528,475**	738,954
Adjustment to net assets:		
Fair value of interest rate derivatives (note 18)	**(7,387)**	(337)
EPRA NTA	**521,088**	738,617

	31 March 2023 Pence	31 March 2022 Pence
IFRS basic and diluted NAV per share (pence)	**124.4**	173.9
EPRA NTA per share (pence)	**122.6**	173.8

	31 March 2023 Number of shares	31 March 2022 Number of shares
Number of shares in issue (thousands)	**424,862**	424,862

Notes to the consolidated financial statements continued

For the year ended 31 March 2023

25. 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 variable interest rates of 2.0% to 2.2% above SONIA.

Interest rate derivatives

The fair value of the interest rate cap contracts is recorded in the statement of financial position and is revalued quarterly by an independent valuations specialist, Chatham Financial.

The fair value is determined by forming an expectation that interest rates will exceed strike rates and discounting these future cash flows at the prevailing market rates as at the year end.

Investment properties

Six-monthly valuations of investment property are performed by CBRE, accredited independent external valuers with recognised and relevant professional qualifications and recent experience of the location and category of the investment property being valued. The 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 independent 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).

Completed investment properties are valued by adopting the 'income capitalisation' method of valuation. This approach involves applying capitalisation yields to current and future rental streams, net of income voids arising from vacancies or rent-free periods and associated running costs. These capitalisation yields and future rental values are based on comparable property and leasing transactions in the market using the valuer's professional judgement and market observations. Other factors taken into account in the valuations include the tenure of the property, tenancy details and ground and structural conditions.

Development property and land has been valued by adopting the 'comparable method' of valuation and where appropriate supported by a 'residual development appraisal'. The comparable method involves applying a sales rate per acre to relevant sites supported by comparable land sales. Residual development appraisals have been completed where there is sufficient clarity regarding planning and an identified or indicative scheme. In a similar manner to 'income capitalisation', development inputs include the capitalisation of future rental streams with an appropriate yield to ascertain a gross development value. The costs associated with bringing a scheme to the market are then deducted, including construction costs, professional fees, finance and developer's profit, to provide a residual site value.

The following tables show an analysis of the fair values of investment properties and interest rate derivatives recognised in the statement of financial position by level of the fair value hierarchy[1]:

	31 March 2023			
Assets and liabilities measured at fair value	**Level 1 £'000**	**Level 2 £'000**	**Level 3 £'000**	**Total £'000**
Investment properties and assets held for sale	**—**	**—**	**828,770**	**828,770**
Interest rate derivatives	**—**	**7,387**	**—**	**7,387**
Total	**—**	**7,387**	**828,770**	**836,157**

	31 March 2022			
Assets and liabilities measured at fair value	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
Investment properties	—	—	1,011,985	1,011,985
Interest rate derivatives	—	337	—	337
Total	—	337	1,011,985	1,012,322

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.

Notes to the consolidated financial statements continued

For the year ended 31 March 2023

25. Fair value continued

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.

31 March 2023	Fair value £'000	Valuation technique	Key unobservable inputs	Range
			ERV	**£2.38 per sq ft – £17.50 per sq ft**
Completed investment property	**753,110**	**Income capitalisation**	**Equivalent yield**	**5.03% – 19.77%**
Development property and land	**75,660**	**Comparable method**	**Sales rate per acre**	**£200,000 – £925,000**
	828,770			

31 March 2022	Fair value £'000	Valuation technique	Key unobservable inputs	Range
			ERV	£3.00 per sq ft – £17.50 per sq ft
Completed investment property	913,035	Income capitalisation	Equivalent yield	3.5% – 13.23%
Development property and land	98,950	Comparable method		£300,000 – £1,750,000
	1,011,985			

The weighted average ERV and equivalent yield for completed investment property is 6.8% and £7.26 per sq ft respectively (31 March 2022: 5.3% and £6.49 per sq ft). The weighted average sales rate per acre for development property and land is £622,000 (31 March 2022: £846,000).

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 equivalent yield) in isolation would result in a significantly higher/lower fair value measurement.

Notes to the consolidated financial statements continued

For the year ended 31 March 2023

25. 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 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.

The table below sets out a sensitivity analysis for each of the key sources of estimation uncertainty with the resulting increase/(decrease) in the fair value of completed investment property and derivatives:

As at 31 March 2023

Completed investment property	Increase in sensitivity £'000	Decrease in sensitivity £'000
Change in ERV of 5%	37,656	(37,656)
Change in net equivalent yields of 25 basis points	28,012	(30,341)

Development property and land	Increase in sensitivity £'000	Decrease in sensitivity £'000
Change in sales rate per acre of 5%	3,756	(3,756)

As at 31 March 2022

Completed investment property	Increase in sensitivity £'000	Decrease in sensitivity £'000
Change in ERV of 5%	45,652	(45,652)
Change in net equivalent yields of 25 basis points	(48,513)	43,630

Development property and land	Increase in sensitivity £'000	Decrease in sensitivity £'000
Change in sales rate per acre of 5%	4,751	(4,751)

Interest rate derivatives	Increase in sensitivity £'000	Decrease in sensitivity £'000
Change in SONIA by 50 basis points	1,359	(1,360)

The sensitivity analysis for a change in SONIA has not been prepared for the year ended 31 March 2022 on the basis that the movements are immaterial.

Losses recorded in profit or loss for recurring fair value measurements categorised within Level 3 of the fair value hierarchy amount to £193,367,000 (31 March 2022: gain of £163,685,000) and are presented in the consolidated statement of comprehensive income in line item 'fair value (losses)/gains 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.

Notes to the consolidated financial statements continued

For the year ended 31 March 2023

26. Financial risk management objectives and policies

The Group's principal financial liabilities are loans and borrowings. The main purpose of the Group's loans and borrowings is to finance the acquisition of the Group's property portfolio. The Group has trade and other receivables, trade and other payables and cash and short-term deposits that arise directly from its operations.

The Group is exposed to market risk, interest rate risk, credit risk and liquidity risk. The Board of Directors reviews and agrees policies for managing each of these risks, which are summarised below.

Market risk

The Group's activities expose it primarily to the financial risks of changes in interest rates. The Group enters into a variety of derivative financial instruments to manage its exposure to interest rate risk. There has been no change to the Group's exposure to market risks or the manner in which these risks are managed and measured.

Interest rate risk

Interest rate risk is the risk that future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group's exposure to the risk of changes in market interest rates relates to its variable rate bank loans. In order to address interest rate risk, the Group has entered into interest rate cap instruments.

The instruments have a combined notional value of £230.0 million, with £200.0 million at a strike rate of 1.50% and the remaining £30.0 million at a strike rate of 1.75%.

The £30.0 million instrument has a termination date of 20 November 2023, £100.0 million has a termination date of 20 July 2025 and £100.0 million has a termination date of 20 July 2027.

As at 31 March 2023, the unhedged exposure to changes in interest rates is £76.0 million (31 March 2022: £211.0 million).

Changes in interest rates may have an impact on consolidated earnings over the longer term. The table below provides indicative sensitivity data.

	2023		2022	
Effect on profit before tax:	**Increase in interest rates by 1% £'000**	**Decrease in interest rates by 1% £'000**	Increase in interest rates by 1% £'000	Decrease in interest rates by 1% £'000
Increase/(decrease)	**(760)**	**760**	(2,498)	2,498

Credit risk

Credit risk is the risk that a counterparty or occupier will cause a financial loss to the Group by failing to meet a commitment it has entered into with the Group.

All cash deposits are placed with approved counterparties, currently HSBC Bank plc. In respect of property investments, in the event of a default by a occupier, the Group will suffer a shortfall and additional costs concerning re-letting of the property. The Investment Advisor monitors the occupier arrears in order to anticipate and minimise the impact of defaults by occupational occupiers.

Credit risk is not considered material due to the diverse number of occupiers in the investment property portfolio.

The following table analyses the Group's exposure to credit risk:

	31 March 2023 £'000	31 March 2022 £'000
Cash and cash equivalents	**18,990**	10,787
Restricted cash	**6,063**	5,919
Trade and other receivables[1]	**6,987**	7,561
Total	**32,040**	24,267

1. Excludes prepayments.

Notes to the consolidated financial statements continued

For the year ended 31 March 2023

26. Financial risk management objectives and policies continued

Liquidity risk

Liquidity risk is defined as the risk that the Group will encounter difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset. Exposure to liquidity risk arises because of the possibility that the Group could be required to pay its liabilities earlier than expected. The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of bank deposits and loans.

Set out below is a comparison by class of the carrying amounts and fair value of the Group's financial instruments that are carried in the financial statements:

		2023		2022	
	Fair value hierarchy	**Carrying value £'000**	**Fair value £'000**	Carrying value £'000	Fair value £'000
Held at amortised cost					
Cash and cash equivalents	n/a	**18,990**	**18,990**	10,787	10,787
Restricted cash	n/a	**6,063**	**6,063**	5,919	5,919
Trade and other receivables[1]	n/a	**6,987**	**6,987**	7,561	7,561
Other payables and accrued expenses[2]	n/a	**(26,629)**	**(26,629)**	(23,209)	(23,209)
Head lease liabilities	n/a	**(15,025)**	**(15,025)**	(14,896)	(14,896)
Interest-bearing loans and borrowings	n/a	**(304,093)**	**(304,093)**	(268,216)	(268,216)
Held at fair value					
Interest rate derivatives (assets)	2	**7,387**	**7,387**	337	337

1. Excludes prepayments and payments in advance of completion.
2. Excludes VAT liability and deferred income.

Notes to the consolidated financial statements continued

For the year ended 31 March 2023

26. Financial risk management objectives and policies continued

Liquidity risk continued

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

Year ended 31 March 2023	**Less than three months £'000**	**Three to 12 months £'000**	**One to two years £'000**	**Two to five years £'000**	**More than five years £'000**	**Total £'000**
Interest-bearing loans and borrowings	**—**	**13,993**	**321,112**	**—**	**—**	**335,105**
Other payables and accrued expenses	**10,829**	**4,500**	**11,300**	**—**	**—**	**26,629**
Head lease obligations	**263**	**789**	**1,055**	**3,164**	**85,530**	**90,801**
Total	**11,092**	**19,282**	**333,467**	**3,164**	**85,530**	**452,535**

Year ended 31 March 2022	Less than three months £'000	Three to 12 months £'000	One to two years £'000	Two to five years £'000	More than five years £'000	Total £'000
Interest-bearing loans and borrowings	—	5,329	7,098	276,776	—	289,203
Other payables and accrued expenses	6,159	500	4,875	11,675	—	23,209
Head lease obligations	263	790	1,052	3,159	85,526	90,790
Total	6,422	6,619	13,025	291,610	85,526	403,202

Notes to the consolidated financial statements continued

For the year ended 31 March 2023

27. Subsidiaries

Company	Country of incorporation and operation	Number and class of share held by the Group	Group holding
Tilstone Holdings Limited	UK	63,872 ordinary shares	100%
Tilstone Warehouse Holdco Limited	UK	94,400 ordinary shares	100%
Tilstone Property Holdings Limited	UK	9,102 ordinary shares	100%
Tilstone Industrial Warehouse Limited[1]	UK	23,600 ordinary shares	100%
Tilstone Retail Warehouse Limited[1]	UK	20,000 ordinary shares	100%
Tilstone Industrial Limited[1]	UK	20,000 ordinary shares	100%
Tilstone Retail Limited[1]	UK	200 ordinary shares	100%
Tilstone Trade Limited[1]	UK	20,004 ordinary shares	100%
Tilstone Basingstoke Limited[1]	UK	1,000 ordinary shares	100%
Tilstone Glasgow Limited[1]	UK	1 ordinary share	100%
Tilstone Radway Limited[1]	UK	100 ordinary shares	100%
Tilstone Oxford Limited[1]	UK	1,000 ordinary shares	100%
Tilstone Liverpool Limited[1]	UK	100 ordinary shares	100%
Warehouse 1234 Limited[1]	UK	100 ordinary shares	100%
Tilstone Chesterfield Limited[1]	UK	15,000,001 ordinary shares	100%

1. Indirect subsidiaries.

The registered office of all subsidiaries is located at 65 Gresham Street, London EC2V 7NQ.

Notes to the consolidated financial statements continued

For the year ended 31 March 2023

27. Subsidiaries continued

Accounting policy

Where property is acquired, via corporate acquisitions or otherwise, management considers the substance of the assets and activities of the acquired entity in determining whether the acquisition represents the acquisition of a business.

Under the Definition of a Business (Amendments to IFRS 3 Business Combinations), to be considered a business an acquired set of activities and assets must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create outputs. The optional 'concentration test' is also applied; where substantially all of the fair value of gross assets acquired is concentrated in a single asset (or a group of similar assets), the assets acquired would not represent a business.

The Group accounts for an acquisition as a business combination where an integrated set of activities is acquired in addition to the property. Where an acquisition is considered to be a business combination the consolidated financial statements incorporate the results of business combinations using the acquisition method.

In the Group statement of financial position, the acquiree's identifiable assets, liabilities and contingent liabilities are initially recognised at their fair values at the acquisition date. Any excess of the cost of a business combination over the Group's interest in the fair value of identifiable assets, liabilities and contingent liabilities acquired is treated as goodwill.

Where the fair value of identifiable assets, liabilities and contingent liabilities acquired exceeds the fair value of the purchase consideration, the difference is treated as a gain on bargain purchase and credited to the Group profit or loss.

The results of acquired operations are included in the Group profit or loss from the date on which control is obtained until the date on which control ceases.

Where such acquisitions are not judged to be the acquisition of a business, they are not treated as business combinations. Rather, the cost to acquire the corporate entity is allocated between the identifiable assets and liabilities of the entity based upon their relative fair values at the acquisition date. Accordingly, no goodwill or additional deferred tax arises.

Contingent consideration is deemed to be equity or a liability in accordance with IAS 32. If the contingent consideration is classified as equity, it is not re-measured and its subsequent settlement shall be accounted for within equity. If the contingent consideration is classified as a liability, subsequent changes to the fair value are recognised either in profit or loss or as a change to other comprehensive income.

Notes to the consolidated financial statements continued
For the year ended 31 March 2023

28. Capital management
The Group's capital is represented by share capital, reserves and borrowings.

The primary objective of the Group's capital management is to ensure that it remains within its quantitative banking covenants and maintains a strong credit rating. The Group's capital policies are as follows:

- the Group will keep sufficient cash for working capital purposes with excess cash, should there be any, deposited at the best interest rate available whilst maintaining flexibility to fund the Group's investment programme;
- borrowings will be managed in accordance with the loan agreements and covenants will be tested quarterly and reported to the Directors. Additionally, quarterly lender reporting will be undertaken in line with the loan agreement; and
- new borrowings are subject to Director approval. Such borrowings will support the Group's investment programme but be subject to a maximum 50% LTV. The intention is to maintain borrowings at an LTV of between 30% and 40%.

The Group is subject to banking covenants in regard to its debt facility and these include a prescribed methodology for interest cover and market value covenants that are measured at a Group level.

The Group has complied with all covenants on its borrowings up to the date of this report. All of the targets mentioned above sit comfortably within the Group's covenant levels, which include loan to value ("LTV"), interest cover ratio and loan to projected project cost ratio. The Group LTV at the year end was 33.9% (2021: 25.1%) and there is substantial headroom within existing covenants.

29. 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 (including social security costs) for the period totalled £179,000 (31 March 2022: £175,000) and at 31 March 2023, a balance of £nil (31 March 2022: £nil) was outstanding. During the year the Directors who served during the year received £1.6 million in dividend payments (31 March 2022: £1.5 million). Further information is given in note 5 and in the Directors' remuneration report on pages 94 to 96.

Investment Advisor
The Company is party to an Investment Management Agreement with the Investment Manager and the Investment Advisor, pursuant to which the Company 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 Company, the Investment Advisor receives an annual fee at the rate of 1.1% of the NAV of the Company up to £500 million and at a lower rate of 0.9% thereafter. Refer to page 99 of the Directors' report for further information.

During the year, the Group incurred £6,970,000 (31 March 2022: £6,484,000) in respect of investment management fees. As at 31 March 2023, £1,529,000 (31 March 2022: £1,715,000) was outstanding.

During the year, the Group reimbursed £86,900 (31 March 2022: £nil) in respect of direct costs incurred by the Investment Advisor relating to the movement to the Premium Segment of the Main Market, as well as £16,665 (31 March 2022: £16,192) of incidental travel related costs.

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

Notes to the consolidated financial statements continued

For the year ended 31 March 2023

31. Notes to the statement of cash flows

Reconciliation of changes in liabilities to cash flows generated from financing activities

	Interest payable £'000	Interest-bearing loans and borrowings £'000	Head lease liability £'000	Total £'000
Balance as at 1 April 2022	**1,444**	**268,216**	**14,896**	**284,556**
Changes from financing cash flows:				
Bank loans drawn down	–	65,000	–	65,000
Bank loans repaid	–	(30,000)	–	(30,000)
Loan arrangement fees paid in the year	–	(175)	–	(175)
Loan interest paid	(11,810)	–	–	(11,810)
Head lease payments	–	–	(832)	(832)
Total changes from financing cash flows	**(11,810)**	**34,825**	**(832)**	**22,183**
Amortisation charge for the year	–	1,052	–	1,052
Head lease interest	–	–	961	961
Interest and commitment fee	14,057	–	–	14,057
Accrued head lease expense	–	–	–	–
Balance as at 31 March 2023	**3,691**	**304,093**	**15,025**	**322,809**

Notes to the consolidated financial statements continued

For the year ended 31 March 2023

31. Notes to the statement of cash flows continued

Reconciliation of changes in liabilities to cash flows generated from financing activities continued

	Interest payable £'000	Interest-bearing loans and borrowings £'000	Head lease liability £'000	Total £'000
Balance as at 1 April 2021	916	219,099	14,897	234,912
Changes from financing cash flows:				
Bank loans drawn down	—	49,000	—	49,000
Bank loans repaid	—	—	—	—
Loan arrangement fees paid in the year	—	(781)	—	(781)
Interest and commitment fees paid	(5,288)	—	—	(5,288)
Head lease payments	—	—	(1,057)	(1,057)
Total changes from financing cash flows	(5,288)	48,219	(1,057)	41,874
Amortisation charge for the year	—	898	—	898
Head lease interest	—	—	1,030	1,030
Interest and commitment fee	5,816	—	—	5,816
Accrued head lease expense	—	—	26	26
Balance as at 31 March 2022	1,444	268,216	14,896	284,556

32. Post balance sheet events

A third interim dividend in respect of the year ended 31 March 2023 of 1.6 pence per share was paid to shareholders on 3 April 2023.

A fourth interim dividend in respect of the year ended 31 March 2023 of 1.6 pence per share will be payable to shareholders on the register on 16 June 2023. The ex-dividend date will be 15 June 2023.

On 2 June 2023, the Group entered into a new five-year debt facility totalling £320.0 million, replacing the existing facility. The refinancing consists of £220.0 million term loan and an RCF of £100.0 million, with a club of lenders consisting of HSBC, Bank of Ireland, NatWest and Santander.

The new facility extends the tenure of the of the Group's debt and with improved reporting covenants.

In addition, the Group has exchanged on two further disposals for an aggregate of £29.3 million.

Company statement of financial position

As at 31 March 2023

The Company reported a profit for the year ended 31 March 2023 of £2,495,000 (year ended 31 March 2022: loss of £1,515,000).

These financial statements were approved by the Board of Directors of Warehouse REIT plc on 5 June 2023 and signed on its behalf by:

Neil Kirton

Company number: 10880317

	Notes	31 March 2023 £'000	31 March 2022 £'000
Assets			
Non-current assets			
Investment in subsidiary companies	35	**66,477**	66,477
Amount due from subsidiaries	37	**242,750**	268,323
		309,227	334,800
Current assets			
Cash and cash equivalents	36	**6,245**	5,945
Amount due from subsidiaries	37	**27,000**	27,000
Trade and other receivables	37	**697**	1,053
		33,942	33,998
Total assets		**343,169**	368,798
Liabilities			
Current liabilities			
Other payables and accrued expenses	38	**(1,793)**	(2,353)
Amount due to subsidiaries	38	**(5,042)**	—
Total liabilities		**(6,835)**	(2,353)
Net assets		**336,334**	366,445
Equity			
Share capital		**4,249**	4,249
Share premium		**275,648**	275,648
Retained earnings		**56,437**	86,548
Total equity		**336,334**	366,445
Number of shares in issue (thousands)		**424,862**	424,862
Net asset value per share (basic and diluted) (pence)		**79.2**	86.3

The accompanying notes on pages 142 to 143 form an integral part of these Company financial statements.

Company statement of changes in equity

For the year ended 31 March 2023

	Share capital £'000	Share premium £'000	Retained earnings £'000	Total £'000
Balance at 31 March 2021	4,249	275,648	114,404	394,301
Total comprehensive expense	—	—	(1,515)	(1,515)
Dividends paid	—	—	(26,341)	(26,341)
Balance at 31 March 2022	**4,249**	**275,648**	**86,548**	**366,445**
Total comprehensive expense	**—**	**—**	**(2,495)**	**(2,495)**
Dividends paid	**—**	**—**	**(27,616)**	**(27,616)**
Balance at 31 March 2023	**4,249**	**275,648**	**56,437**	**336,334**

Retained earnings represent distributable profits available to the members of the Company.

The accompanying notes on pages 142 to 143 form an integral part of these Company financial statements.

Company statement of cash flows

For the year ended 31 March 2023

	Year ended 31 March 2023 £'000	Year ended 31 March 2022 £'000
Cash flows from operating activities		
Operating loss	**(2,495)**	(1,515)
Adjustments to reconcile profit for the period to net cash flows:		
Decrease/(increase) in other receivables and prepayments	**356**	(336)
Increase in amounts due from subsidiary companies	**(12,365)**	(6,432)
(Decrease)/increase in other payables	**(560)**	535
Net cash flow used in operating activities	**(15,064)**	(7,748)
Cash flows from investing activities		
Loans repaid by subsidiary companies	**43,780**	34,252
Loans advanced to subsidiary companies	**(800)**	(5,701)
Net cash flow generated from investing activities	**42,980**	28,551
Cash flows from financing activities		
Dividends paid in the period	**(27,616)**	(26,341)
Net cash flow utilised in financing activities	**(27,616)**	(26,341)
Net increase/(decrease) in cash and cash equivalents	**300**	(5,538)
Cash and cash equivalents at the start of the period	**5,945**	11,483
Cash and cash equivalents at the end of the period	**6,245**	5,945

The accompanying notes on pages 142 to 143 form an integral part of these Company financial statements.

Notes to the Company financial statements

For the year ended 31 March 2023

33. General information

Warehouse REIT plc is a closed-ended 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 located at 6th Floor, 65 Gresham Street, London, England, EC2V 7NQ. The Company's shares are admitted to trading on the Premium Segment of the Main Market, a market operated by the London Stock Exchange.

34. Basis of preparation

These financial statements are prepared in accordance with UK adopted international accounting standards in conformity with the requirements of the Companies Act 2006. The financial statements have been prepared under the historical cost convention. The audited financial statements are presented in Pound Sterling and all values are rounded to the nearest thousand pounds (£'000), except when otherwise indicated.

The Company has taken advantage of the exemption in section 408 of the Companies Act 2006 not to present its own statement of comprehensive income.

The financial statements of the Company follow the accounting policies laid out on pages 114 to 143.

In the course of preparing the financial statements, no judgements or estimates have been made in the process of applying the accounting policies that have had a significant effect on the amounts recognised in the financial statements.

35. Investment in subsidiary companies

	31 March 2023 £'000	31 March 2022 £'000
Investment in subsidiary companies		
Total carrying value	**66,477**	66,477
Total	**66,477**	66,477

	31 March 2023 £'000	31 March 2022 £'000
Investments in subsidiary companies		
Tilstone Holdings Limited	**21,017**	21,017
Tilstone Warehouse Holdco Limited	**4,227**	4,227
Tilstone Property Holdings Limited	**41,233**	41,233
	66,477	66,477

Accounting policy

Investments in subsidiary companies are included in the statement of financial position at cost less impairment.

Where the carrying value of the investment exceeds its recoverable amount (the higher of value-in-use and fair value less costs to sell), the investment is impaired accordingly.

Impairment charges are included in Company profit or loss.

Notes to the Company financial statements continued

For the year ended 31 March 2023

36. Cash and cash equivalents

	31 March 2023 £'000	31 March 2022 £'000
Cash and cash equivalents	**182**	26
Restricted cash	**6,063**	5,919
Total	**6,245**	5,945

Restricted cash comprises £6.1 million (31 March 2022: £5.9 million) of cash held by the Company's Registrar to fund the shareholder dividend, less withholding tax, which was paid on 3 April 2023 as disclosed in note 11.

37. Trade and other receivables

	31 March 2023 £'000	31 March 2022 £'000
Prepayments	**22**	37
Other receivables	**675**	1,016
Amount due from subsidiaries	**27,000**	27,000
Current receivables	**27,697**	28,053
Amount due from subsidiaries	**242,750**	268,323
Non-current receivables	**242,750**	268,323

Loans due from subsidiary companies are unsecured, interest free and repayable on demand. The Directors have reviewed the Company's cash flow forecast and presented the amount expected to fall due within 12 months as current. The Directors do not expect any further amounts to be paid within 12 months and as such the remaining balance has been classified as non-current assets.

The amounts due from subsidiaries are not considered to carry any material credit risk, being from related parties that remain trading in their normal capacity.

38. Other payables and accrued expenses

	31 March 2023 £'000	31 March 2022 £'000
Other expenses payable	**1,793**	2,353
Amounts due to subsidiaries	**5,042**	—
Total	**6,835**	2,353

Unaudited supplementary notes not part of the consolidated financial information

For the year ended 31 March 2023

The Group is a member of the European Public Real Estate Association ("EPRA"). EPRA has developed and defined performance measures to give transparency, comparability and relevance of financial reporting across entities which may use different accounting standards.

The Group presents adjusted earnings per share ("EPS"), dividends per share, total accounting return, total cost ratio, LTV ratio and EPRA Best Practices Recommendations, calculated in accordance with EPRA guidance, 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.

Table 1: EPRA performance measures summary

	Notes	2023	2022
EPRA EPS (pence)	Table 2	**3.9**	6.4
EPRA cost ratio (including direct vacancy cost)	Table 6	**30.8%**	27.1%
EPRA cost ratio (excluding direct vacancy cost)	Table 6	**26.8%**	24.3%
EPRA NDV per share (pence)	Table 3	**124.4**	173.9
EPRA NRV per share (pence)	Table 3	**135.9**	190.0
EPRA NTA per share (pence)	Table 3	**122.6**	173.8
EPRA NIY	Table 4	**5.0%**	4.0%
EPRA 'topped-up' net initial yield	Table 4	**5.5%**	4.4%
EPRA vacancy rate	Table 5	**5.0%**	6.3%
EPRA LTV	Table 10	**36.1%**	26.8%

Table 2: EPRA income statement

	Notes	Year ended 31 March 2023 £'000	Year ended 31 March 2022 £'000
Total property income	3	**51,185**	51,396
Less: service charge income	3	**(3,340)**	(2,682)
Less: dilapidation income	3	**(503)**	(3,187)
Less: insurance recharged	3	**(1,592)**	(1,507)
Rental income		**45,750**	44,020
Property operating expenses	4	**(5,454)**	(4,789)
Service charge expenses	4	**(3,767)**	(3,011)
Add back: service charge income	3	**3,340**	2,682
Add back: dilapidation income	3	**503**	3,187
Add back: insurance recharged	3	**1,592**	1,507
Gross profit		**41,964**	43,596
Administration expenses	4	**(9,716)**	(8,244)
Operating profit before interest and tax		**32,248**	35,352
Interest from cash and short-term deposits	7	**12**	—
Finance expenses	8	**(15,528)**	(8,154)
Profit before tax		**16,732**	27,198
Tax on adjusted profit		**—**	—
EPRA earnings		**16,732**	27,198
Weighted average number of shares in issue (thousands)		**424,862**	424,862
EPRA EPS (pence)		**3.9**	6.4

Unaudited supplementary notes not part of the consolidated financial information continued

For the year ended 31 March 2023

Table 2: EPRA income statement continued

	Year ended 31 March 2023 £'000	Year ended 31 March 2022 £'000
EPRA earnings	**16,732**	27,198
Add: interest from derivatives	**2,027**	—
Add: costs associated with the transfer to the Premium Segment of the Main Market of the London Stock Exchange	**1,069**	—
Adjusted earnings	**19,828**	27,198
Weighted average number of shares in issue (thousands)	**424,862**	424,862
Adjusted EPS (pence)	**4.7**	6.4

The Company has also included an additional earnings measure called "Adjusted Earnings" and "Adjusted EPS." Adjusted Earnings and Adjusted EPS is based on EPRA's Best Practices Recommendations and recognises finance income earned from derivatives held at fair value through profit and loss used to hedge the Company's floating interest rate exposure. Also included in adjusted earnings is the add back of the costs associated with the transfer to the Premium Segment of the Main Market of the London Stock exchange, as these costs will not be reoccurring and has been adjusted for as a 'company-specific adjustment'.

The Board deems this a more relevant indicator of core earnings as it reflects our ability to generate earnings from our portfolio.

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

In line with the European Public Real Estate Association ("EPRA") published Best Practice Recommendations ("BPR") for financial disclosures by public real estate companies, the Group presents three measures of net asset value: EPRA net disposal value ("NDV"), EPRA net reinstatement value ("NRV") and EPRA net tangible assets ("NTA").

EPRA NTA is considered to be the most relevant measure for Warehouse REIT's operating activities.

As at 31 March 2023	EPRA NDV £'000	EPRA NRV £'000	EPRA NTA £'000
Total properties[1]	**828,770**	**828,770**	**828,770**
Net borrowings[2]	**(280,947)**	**(280,947)**	**(280,947)**
Other net liabilities	**(19,348)**	**(19,348)**	**(19,348)**
IFRS NAV	**528,475**	**528,475**	**528,475**
Exclude: fair value of interest rate derivatives	**—**	**(7,387)**	**(7,387)**
Include: real estate transfer tax[3]	**—**	**56,356**	**—**
NAV used in per share calculations	**528,475**	**577,444**	**521,089**
Number of shares in issue (thousands)	**424,862**	**424,862**	**424,862**
NAV per share (pence)	**124.4**	**135.9**	**122.6**

As at 31 March 2022	EPRA NDV £'000	EPRA NRV £'000	EPRA NTA £'000
Total properties[1]	1,011,985	1,011,985	1,011,985
Net borrowings[2]	(254,294)	(254,294)	(254,294)
Other net liabilities	(18,737)	(18,737)	(18,737)
IFRS NAV	738,954	738,954	738,954
Exclude: fair value of interest rate derivatives	—	(337)	(337)
Include: real estate transfer tax[3]	—	68,815	—
NAV used in per share calculations	738,954	807,432	738,617
Number of shares in issue (thousands)	424,862	424,862	424,862
NAV per share (pence)	173.9	190.0	173.8

1. Professional valuation of investment property (including assets held for sale).
2. Comprising interest-bearing loans and borrowings (excluding unamortised loan arrangement fees) of £306,000,000 (31 March 2022: £271,000,000) net of cash of £25,053,000 (31 March 2022: £16,706,000).
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.

Unaudited supplementary notes not part of the consolidated financial information continued

For the year ended 31 March 2023

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

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.

Table 4: EPRA net initial yield

	31 March 2023 £'000	31 March 2022 £'000
Total properties per external valuers' report	**828,770**	1,011,985
Less development property and land	**(75,660)**	(98,950)
Net valuation of completed investment property	**753,110**	913,035
Add estimated purchasers' costs[4]	**51,211**	62,086
Gross valuation of completed property including estimated purchasers' costs (A)	**804,321**	975,121
Gross passing rents[5] (annualised)	**41,241**	40,605
Less irrecoverable property costs[5]	**(1,279)**	(1,478)
Net annualised rents (B)	**39,962**	39,127
Add notional rent on expiry of rent-free periods or other lease incentives[6]	**4,068**	3,376
'Topped-up' net annualised rents (C)	**44,030**	42,503
EPRA NIY (B/A)	**5.0%**	4.0%
EPRA 'topped-up' net initial yield (C/A)	**5.5%**	4.4%

4. Estimated purchasers' costs estimated at 6.8%.
5. Gross passing rents and irrecoverable property costs assessed as at the balance sheet date for completed investment properties excluding development property and land.
6. 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 three months' passing rents. Irrecoverable property costs assessed as at the balance sheet date for completed investment properties excluding development property and land.

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 for 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-recoverable property costs.

Table 5: EPRA vacancy rate

	31 March 2023 £'000	31 March 2022 £'000
Annualised ERV of vacant premises (D)	**2,537**	3,241
Annualised ERV for the investment portfolio (E)	**50,736**	51,479
EPRA vacancy rate (D/E)	**5.0%**	6.3%

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.

Unaudited supplementary notes not part of the consolidated financial information continued

For the year ended 31 March 2023

Table 6: Total cost ratio/EPRA cost ratio

	Year ended 31 March 2023 £'000	Year ended 31 March 2022 £'000
Property operating expenses	**5,454**	4,789
Service charge expenses	**3,767**	3,011
Add back service charge income	**(3,340)**	(2,682)
Add back insurance recharged	**(1,592)**	(1,507)
Net property operating expenses	**4,289**	3,611
Administration expenses	**9,716**	8,244
Costs associated with the transfer to the Premium Segment of the Main Market of the London Stock Exchange	**(1,069)**	—
Less ground rents[7]	**(189)**	(181)
Total cost including direct vacancy cost (F)	**12,747**	11,674
Direct vacancy cost	**(1,774)**	(1,224)
Total cost excluding direct vacancy cost (G)	**10,973**	10,450
Rental income	**45,750**	44,020
Less ground rents paid	**(832)**	(1,058)
Gross rental income less ground rents (H)	**44,918**	42,962
Less direct vacancy cost	**(1,774)**	(1,224)
Net rental income less ground rents	**43,144**	41,738
Total cost ratio including direct vacancy cost (F/H)	**28.4%**	27.1%
Total cost ratio excluding direct vacancy cost (G/H)	**24.4%**	24.3%

	Year ended 31 March 2023 £'000	Year ended 31 March 2022 £'000
Total cost including direct vacancy cost (F)	**12,745,**	11,674
Costs associated with the transfer to the Premium Segment of the Main Market of the London Stock Exchange	**1,069**	—
EPRA total cost (I)	**13,814**	11,674
Direct vacancy cost	**(1,774)**	(1,224)
EPRA total cost excluding direct vacancy cost (J)	**12,040**	10,450
EPRA cost ratio including direct vacancy cost (I/H)	**30.8%**	27.1%
EPRA cost ratio excluding direct vacancy cost (J/H)	**26.8%**	24.3%

7. 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 less ground rents. 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 year ended 31 March 2023 or the year ended 31 March 2022.

Unaudited supplementary notes not part of the consolidated financial information continued

For the year ended 31 March 2023

Table 7: Lease data

As at 31 March 2023	Year 1 £'000	Year 2 £'000	Years 3-10 £'000	Year 10+ £'000	Head rents payable £'000	Total £'000
Passing rent of leases expiring in:	**5,812**	**4,327**	**27,533**	**4,773**	**(1,204)**	**41,241**
ERV of leases expiring in:	**9,239**	**5,062**	**33,716**	**6,460**	**(1,204)**	**53,273**
Passing rent subject to review in:	**15,782**	**8,522**	**18,139**	**2**	**(1,204)**	**41,241**
ERV subject to review in:	**21,055**	**10,280**	**23,140**	**2**	**(1,204)**	**53,273**

WAULT to expiry is 5.5 years and to break is 4.5 years.

As at 31 March 2022	Year 1 £'000	Year 2 £'000	Years 3-10 £'000	Year 10+ £'000	Head rents payable £'000	Total £'000
Passing rent of leases expiring in:	2,725	5,380	28,818	4,873	(1,191)	40,605
ERV of leases expiring in:	10,529	6,018	30,600	5,523	(1,191)	51,479
Passing rent subject to review in:	5,960	5,176	25,828	4,832	(1,191)	40,605
ERV subject to review in:	10,529	6,018	30,600	5,523	(1,191)	51,479

WAULT to expiry is 5.6 years and to break is 4.5 years.

Table 8: EPRA capital expenditure

	Year ended 31 March 2023 £'000	Year ended 31 March 2022 £'000
Acquisitions[8]	**66,728**	43,391
Development spend[9]	**8,295**	1,103
Completed investment properties:[10]		
No incremental lettable space – like-for-like portfolio	**5,035**	6,467
No incremental lettable space – other	**—**	—
Occupier incentives	**—**	—
Total capital expenditure	**80,058**	50,961
Conversion from accruals to cash basis	**(1,082)**	2,886
Total capital expenditure on a cash basis	**78,976**	53,847

8. Acquisitions include £64,512,000 completed investment property and £2,216,000 development property and land (2022: £30,027,000 and £13,364,000 respectively).
9. Expenditure on development property and land.
10. Expenditure on completed investment properties.

Unaudited supplementary notes not part of the consolidated financial information continued

For the year ended 31 March 2023

Table 9: EPRA like-for-like rental income

	Note	Year ended 31 March 2023 £'000	Year ended 31 March 2022 £'000	% change
EPRA like-for-like rental income[11]		**40,722**	38,400	6.1
Other[12]		**(815)**	—	
Adjusted like-for-like rental income		**39,907**	38,400	3.9
Development lettings		**306**	483	
Properties acquired		**3,155**	863	
Properties sold		**2,382**	4,274	
Rental income		**45,750**	44,020	
Service charge income		**3,340**	2,682	
Dilapidation income		**503**	3,187	
Insurance recharged		**1,592**	1,507	
Total property income	3	**51,185**	51,396	

11. Like-for-like portfolio valuation as at 31 March 2023: £679.9 million (31 March 2022: £814.1 million).
12. Includes rent surrender premiums, back rent and other items.

Table 10: Loan to value ("LTV") ratio and EPRA LTV

Gross debt less cash, short-term deposits and liquid investments, divided by the aggregate value of properties and investments. The Group has also opted to present the EPRA loan to value, which is defined as net debt divided by total property market value. This measure was included as a new measure in EPRA's Best Practices Recommendations (issued in February 2022). The year ended 31 March 2023 is the first year this measure has been adopted and published.

	Note	Year ended 31 March 2023 £'000	Year ended 31 March 2022 £'000
Interest-bearing loans and borrowings	17	**306,000**	271,000
Cash	15	**(25,053)**	(16,706)
Net debt (A)		**280,947**	254,294
Total portfolio valuation per valuer's report (B)	13,14	**828,770**	1,011,985
LTV ratio (A/B)		**33.9%**	25.1%

EPRA LTV

	Note	Year ended 31 March 2023 £'000	Year ended 31 March 2022 £'000
Interest-bearing loans and borrowings[13]	17	**306,000**	271,000
Net payables[14]		**29,352**	21,044
Cash	15	**(25,053)**	(16,706)
Net borrowings (A)		**310,299**	275,338
Investment properties at fair value	13,14	**828,770**	1,011,985
Interest rate derivatives	18	**7,387**	337
Head lease obligation		**14,124**	14,081
Total property value (B)		**850,281**	1,026,403
EPRA LTV (A/B)		**36.5%**	26.8%

13. Excludes unamortised loan arrangement fees asset of £1.9 million (2022: £2.8 million) (see note 17).
14. Net payables includes trade and other receivables, and other payables and accrued expenses.

Unaudited supplementary notes not part of the consolidated financial information continued

For the year ended 31 March 2023

Table 11: 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.

	Note	**Year ended 31 March 2023 Pence per share**	Year ended 31 March 2022 Pence per share
Opening EPRA NTA (A)		**173.8**	135.1
Movement (B)		**(51.2)**	38.7
Closing EPRA NTA	24	**122.6**	173.8
Dividends per share (C)	11	**6.5**	6.2
Total accounting return (B+C)/A		**(25.7%)**	33.2%

Table 12: Ongoing charges ratio

Ongoing charges ratio represents the costs of running the REIT as a percentage of NAV as prescribed by the Association of Investment Companies.

	Note	**Year ended 31 March 2023 £'000**	Year ended 31 March 2022 £'000
Administration expenses	4	**9,716**	8,244
Less: costs associated with moving to Main Market		**(1,069)**	–
Less: head lease asset depreciation		**(189)**	(181)
Annualised ongoing charges (A)		**8,458**	8,063
Opening NAV as at 1 April		**738,954**	574,091
NAV as at 30 September		**678,578**	647,366
Closing NAV as at 31 March		**528,475**	738,954
Average undiluted NAV during the period (B)		**648,669**	653,470
Ongoing charges ratio (A/B)		**1.3%**	1.2%

Property portfolio

As at 31 March 2023

Estate	Town	Postcode	Area
Air Cargo Centre	Glasgow	PA3 2AY	149,000
Ashmead Industrial Estate	Keynsham	BS31 1TU	38,000
Austin Drive	Coventry	CV6 7NS	33,000
Barlborough Links	Chesterfield	S43 4PZ	501,000
Birkenshaw Retail Park	Uddingston	G71 5PR	67,000
Boulevard Industrial Park	Speke	L24 9PL	390,000
Brackmills Industrial Estate	Northampton	NN4 7PN	335,000
Bradwell Abbey	Milton Keynes	MK13 9HA	335,000
Cairn Court	East Kilbride	G74 4NB	87,000
Carisbrooke Retail Park	Newport	PO30 5LG	54,000
Celtic Business Park	Newport	NP19 4QZ	48,000
Chittening Industrial Estate	Bristol	BS11 0YB	199,000
Crown Street	Carlisle	CA2 5AB	26,000
Daimler Green	Coventry	CV6 3LT	139,000
Dales Manor Business Park	Cambridge	CB22 3FG	130,000
Daneshill Industrial Estate	Basingstoke	RG24 8PD	113,000
Delta Court Industrial Estate	Doncaster	DN9 3GN	58,000
Evolution 27	Nottingham	NG15 0DJ	217,000
Falcon Business Park	Burton on Trent	DE14 1SG	30,000
Farthing Road Industrial Estate	Ipswich	IP1 5AP	101,000
Festival Drive	Ebbw Vale	NP23 8XF	54,000
Gateway Park	Birmingham	B26 3QD	220,000
Gawsworth Court	Warrington	WA3 6NJ	95,000
Glasgow Airport Business Park	Glasgow	PA3 2SJ	53,000
Gloucester Business Park	Gloucester	GL3 4AQ	188,000
Granby Industrial Estate	Milton Keynes	MK1 1NL	147,000
Great Grimsby Business Park	Grimsby	DN37 9TW	139,000

Property portfolio continued
As at 31 March 2023

Estate	Town	Postcode	Area
Groundwell Industrial Estate	Swindon	SN25 5AW	91,000
Halebank Industrial Estate	Widnes	WA8 8TZ	49,000
Howley Park Industrial Estate	Morley	LS27 0BN	62,000
Ikon Trading Estate	Hartlebury	DY10 4EU	160,000
Jensen Court	Runcorn	WA7 1PJ	60,000
Kendal House	Burgess Hill	RH15 9NF	27,000
Kingsditch Trading Estate	Cheltenham	GL51 9PL	40,000
Kingsland Grange	Warrington	WA1 4SR	71,000
Knowsley Business Park	Knowsley	L34 9GT	301,000
Leanne Business Centre	Wareham	BH20 4DY	13,000
Lincoln Park	Preston	PR5 8NA	33,000
Linkway Industrial Estate	Middleton	M24 2AE	48,000
Lynx Business Park	Newmarket	CB8 7NY	42,000
Matrix Park	Chorley	PR7 7NA	47,000
Maxwell Road Industrial Estate	Peterborough	PE2 7JE	128,000
Meridian Business Park	Leicester	LE19 1UX	114,000
Midpoint 18	Middlewich	CW10 0HS	725,000
Milner Street	Warrington	WA5 1AD	42,000
Murcar Industrial Estate	Aberdeen	AB23 8JW	126,000
New England Industrial Estate	Hoddesdon	EN11 0BZ	22,000
Newport Road	Cardiff	CF23 9AE	49,000
Nightingale Road Industrial Estate	Horsham	RH12 2NW	22,000
Oldbury Point	Oldbury	B69 4HT	96,000
Parkway Industrial Estate	Plymouth	PL6 8LH	66,000
Pellon Lane Retail Park	Halifax	HX1 5RA	20,000
Pikelaw Place	Skelmersdale	WN8 9PP	124,000
Queenslie Park	Glasgow	G33 4DZ	395,000
Radway 16	Crewe	CW2 5PR	21,000
Ransomes Europark	Ipswich	IP3 9RR	30,000
Roman Way Industrial Estate	Godmanchester	PE29 2LN	53,000

Property portfolio continued
As at 31 March 2023

Estate	Town	Postcode	Area
Roseville Business Park	Leeds	LS8 5DR	29,000
Ryan Business Park	Wareham	BH20 4DY	31,000
Shaw Lane Industrial Estate	Doncaster	DN2 4SQ	66,000
South Fort Trade Park	Edinburgh	EH6 5PE	26,000
South Gyle Industrial Estate	Edinburgh	EH12 9EB	48,000
St James Mill Business Park	Northampton	NN5 5JF	42,000
Stadium Industrial Estate	Luton	LU4 0JF	66,000
Stonebridge Cross Business Park	Droitwich Spa	WR9 0LW	48,000
Sussex Avenue	Leeds	LS10 2LF	30,000
Swift Valley Industrial Estate	Rugby	CV21 1TN	39,000
Tewkesbury Business Park	Tewkesbury	GL20 8JF	114,000
Thornton Road Industrial Estate	Ellesmere Port	CH65 5EP	32,000
Tramway Industrial Estate	Banbury	OX16 5TU	151,000
Viables Business Park	Basingstoke	RG22 4BS	49,000
Wakefield 41 Industrial Estate	Wakefield	WF2 0XW	53,000
Walton Road Industrial Estate	Stone	ST15 0LT	57,000
Warrington South Industrial Estate	Warrington	WA4 4TQ	106,000
Webb Ellis Business Park	Rugby	CV21 2NP	45,000
Witan Park Industrial Estate	Witney	OX28 4YQ	112,000

Shareholder information

The Company was incorporated on 24 July 2017. This Annual Report and Financial Statements covers the period from 1 April 2022 to 31 March 2023.

The Company's ordinary shares were admitted to trading on AIM on 20 September 2017 following IPO and the Group's operations therefore commenced on this date.

Capital structure

The Company's share capital consists of ordinary shares of £0.01 each. At shareholder meetings, members present in person or by proxy have one vote on a show of hands and on a poll have one vote for each ordinary share held. Shareholders are entitled to receive such dividends as the Directors resolve to pay out of the assets attributable to ordinary shares. Holders of ordinary shares are entitled to participate in the assets of the Company attributable to the ordinary shares in a winding up of the Company. The ordinary shares are not redeemable.

As at the date of this report, there were 424,861,650 ordinary shares in issue, none of which are held in treasury.

Investment objective

The Company's investment objective is to provide shareholders with an attractive level of income together with the potential for income and capital growth by investing in a diversified portfolio of UK commercial property warehouse assets.

Investment policy

The Company may acquire property interests either directly or through corporate structures (whether onshore UK or offshore) and also through joint venture or other shared ownership or co-investment arrangements.

The Company invests and manages its portfolio with an objective of spreading risk and, in doing so, maintains the following investment restrictions:

- the Company will only invest, directly or indirectly, in warehouse assets located in the UK;
- no individual warehouse property will represent more than 20% of the last published GAV of the Company at the time of investment;
- the Company will target a portfolio with no one occupier accounting for more than 15% of the gross contracted rents of the Company at the time of purchase. In any event, no more than 20% of the gross assets of the Company will be exposed to the creditworthiness of any one occupier at the time of purchase;
- the portfolio will be diversified by location across the UK with a focus on areas with strong underlying investment fundamentals; and
- the Company will not invest more than 10% of its gross assets in other listed closed-ended investment funds.

The Company considers investments where there is potential for active asset management, including general refurbishment works.

The Company will not undertake speculative development (that is, development of property which has not been at least partially leased or pre-leased or de-risked in a similar way), save for refurbishment and/or extension of existing holdings. The Company may, provided that the exposure to these assets at the time of purchase shall not exceed 15% of the gross assets of the Company, invest directly, or via forward funding agreements or forward commitments, in developments including pre-developed land, where the structure is:

(i) designed to provide the Company with investment rather than development risk;

(ii) where the development has been at least partially pre-let or sold or de-risked in a similar way; and

(iii) where the Company intends to hold the completed development as an investment asset.

Shareholder information continued

Investment policy continued

The Company is permitted to invest cash, held by it for working capital purposes and awaiting investment, in cash deposits and gilts. The Company may also invest in derivatives for the purpose of efficient portfolio management. In particular, the Company may engage in interest rate hedging or otherwise seek to mitigate the risk of interest rate increases as part of the Company's efficient portfolio management strategy.

It is envisaged that an LTV ratio of between 30% and 40% would be the optimal capital structure for the Company over the longer term. However, in order to finance value enhancing opportunities, the Company may temporarily incur additional gearing, subject to a maximum LTV ratio of 50%, at the time of an arrangement.

In the event of a breach of the investment guidelines and restrictions set out above, the Investment Manager shall inform the Directors upon becoming aware of the breach and if the Directors consider the breach to be material, notification will be made to a Regulatory Information Service. Any material change to the investment policy of the Company may only be made with the approval of shareholders.

Share dealing and share prices

Shares can be traded through your usual stockbroker. The Company's shares are admitted to trading on the premium segment of the London Stock Exchange's Main Market.

Share register enquiries

The register for the ordinary shares is maintained by Link Group. In the event of queries regarding your holding, please contact the Registrar on 0371 664 0300. You can also email enquiries@linkgroup.co.uk.

Changes of address and mandate details can be made over the telephone, but all other changes to the register must be notified in writing to the Registrar: Link Group, Shareholder Services, 10th Floor, Central Square, 29 Wellington Street, Leeds, LS1 4DL.

Electronic communications from the Company

Shareholders now have the opportunity to be notified by email when the Company's Annual Report, Half-yearly Report and other formal communications are available on the Company's website, instead of receiving printed copies by post. This has environmental benefits in the reduction of paper, printing, energy and water usage, as well as reducing costs to the Company.

If you have not already elected to receive electronic communications from the Company and wish to do so, please contact the Registrar using the details shown on page 159. Please have your investor code to hand.

Share capital and net asset value information

Ordinary 1p shares	424,861,650
SEDOL Number	BD2NCM3
ISIN Number	GB00BD2NCM38

Sources of further information

Copies of the Company's Annual and Half-yearly Reports are available from the Company Secretary who can be contacted on 01392 477500 and, together with stock exchange announcements and further information on the Company, are also available on the Company's website, **www.warehousereit.co.uk**.

Association of Investment Companies

The Company is a member of the AIC.

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, which ultimately underpins our dividend payments

Admission
The admission of Warehouse REIT plc onto the Premium List of the London Stock Exchange on 12 July 2022

AGM
Annual General Meeting

AIC
The Association of Investment Companies

AIFM
Alternative Investment Fund Manager

AIFMD
The Alternative Investment Fund Managers Regulations 2013 (as amended by The Alternative Investment Fund Managers (Amendment etc.) (EU Exit) Regulations 2019) and the Investment Funds Sourcebook forming part of the FCA Handbook

AIM
A market operated by the London Stock Exchange

APM
An Alternative Performance Measure is a numerical measure of the Company’s current, historical or future financial performance, financial position or cash flows, other than a financial measure defined or specified in the applicable financial framework. In selecting these APMs, the Directors considered the key objectives and expectations of typical investors

BREEAM
A BREEAM certified rating reflects the sustainability performance achieved by a project and its stakeholders as well as comparability between projects and assurance on performance, quality and value of the asset

Company
Warehouse REIT plc

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

EPC
Energy Performance Certificates are a requirement for properties. An EPC contains information about a property’s energy use, typical energy costs and recommendations about how to reduce energy use and save money. An EPC gives a property an energy efficiency rating from A (most efficient) to G (least efficient) and is valid for ten years

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 less ground rents, 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 NDV / 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

Glossary continued

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 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

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

IFRS
International Financial Reporting Standards

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

Interest cover
Adjusted operating profit before gains on investment properties, interest (net of interest received) and tax, divided by the underlying net interest expense

Investment portfolio
Completed buildings and excluding development property and land

IPO
Initial public offering

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

Main Market
The Premium Segment of the London Stock Exchange's Main Market

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

Glossary continued

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

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

Ongoing charges ratio
Ongoing charges ratio represents the costs of running the REIT as a percentage of NAV as prescribed by the Association of Investment Companies

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

SONIA
Sterling Overnight Index Average

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

Contact details of the advisors

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Valuer
CBRE Limited
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London W1G 0NB

Financial calendar

June 2023
Announcement of final results
Payment of fourth interim dividend

September 2023
Annual General Meeting
Half-year end

November 2023
Announcement of half-yearly results

March 2024
Year end

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www.fsc.org
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Designed and produced by
lyonsbennett
www.lyonsbennett.com

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