22 May 2018

Warehouse REIT plc

(the 'Company' or 'Warehouse REIT')

PRELIMINARY ANNUAL RESULTS ANNOUNCEMENT FOR THE PERIOD 20 SEPTEMBER 2017 TO 31 MARCH 2018*

Deployment of IPO proceeds ahead of schedule acquiring high quality urban warehouse portfolio with significant reversionary potential

Warehouse REIT, the AIM-listed specialist warehouse investor, today announces its audited preliminary results for the period ended 31 March 2018.

Financial highlights

Profit before tax and loan break fees – £8.5 million

Profit before tax – £8.4 million

IFRS Earnings per share – 5.0 pence

EPRA earnings per share – 1.9 pence

Dividends per share for the period – 2.5 pence

As at 31 March 2018

Portfolio valuation – £291.0 million

IFRS Net asset value ("NAV") per share – 102.1 pence

EPRA NAV per share – 102.1 pence

EPRA net initial yield – 6.2%

Passing rent – £20.4 million, contracted rent £21.3m

Weighted average unexpired lease term ("WAULT") to expiry – 4.1 years

Loan to value ("LTV") – 40.5%

Operational highlights

IPO proceeds deployed at net initial yield ahead of business plan target of 7.0%

- Oversubscribed IPO on 20 September 2017 raised net proceeds of £146.8 million and resulted in a high-quality share register
- Co-investment by management of our Investment Manager, Tilstone Partners Limited ("TPL"), of £16.0 million resulted in net assets at IPO of £162.1 million

- On Admission to AIM, completed the acquisition of the seed portfolio of 27 freehold and long-leasehold assets for £108.9 million, reflecting a 7.0% net initial yield
- Increased five-year loan facilities of £135.0 million on reduced terms
- Since IPO, invested a further £170.1 million in 65 UK warehouse estates, totalling 2.7 million sq ft and let to a diverse range of occupiers
- Seed portfolio valuation up 8.5% to £118.1 million and ERV up 3.4% to £9.7 million
- Capital expenditure committed in the period since IPO totalled £1.3m
- Target dividend for year ending 31 March 2019 increased from 5.5 pence per share to 6.0 pence per share**

Strong letting activity driving total return outperformance

- 27 new lettings completed since IPO, generating annual rent of £0.8 million, 7.3% ahead of March 2018 estimated rental value ("ERV")
    - of the above, 17 were new lettings of vacant space in the seed portfolio, generating annual rent of £0.6 million, 15.6% ahead of ERV at IPO
    - eight lease renewals achieved in the seed portfolio, securing a continuation of £0.6 million of income, representing a 10.7% increase in headline rent for these units
    - four new lettings across 54,790 sq ft of vacant space currently under offer on the seed portfolio, for a combined rent of £0.3 million per annum, 2.1% ahead of March 2018 ERVs
    - notice received to exercise a lease break from four tenants in the seed portfolio, representing combined passing rents of £0.1 million per annum, allowing the ability to increase rents by 14.0%
- Portfolio occupancy of 93.1% and WAULT of 4.1 years (2.8 years to break) at 31 March 2018, after acquiring the Industrial Multi Property Trust ("IMPT") portfolio for £116.0 million on 26 March 2018, which had occupancy of 92.3% and a WAULT to expiry of 3.9 years
- Of the 18 lease renewals outstanding as at acquisition of the seed portfolio, 67% of tenants renewed at rents 8.2% higher than ERV. Of the units which became vacant, 67% were immediately re-let at rents 13% higher than ERV

Diverse occupier demand, favourable demand supply dynamics and structural shifts towards e-commerce underpinning sector strength

- Limited market supply, as capital values in the sector remain well below replacement cost, making it uneconomic to develop new space
- Market forecasts for industrial rental growth predicted to average 3.5% per annum to 2022, significantly ahead of other real estate sectors

Neil Kirton, Chairman of Warehouse REIT, commented:

"We are pleased to be reporting our maiden financial results from a position of considerable strength, following our oversubscribed IPO in September. Leveraging our proprietary adviser relationships and the strength and market knowledge of the growing team has allowed us to be highly selective in acquiring a mixture of individual assets and portfolios that fit with our investment strategy, offering the potential for long-term income and capital growth.

“Whilst the sector is currently benefitting from yield compression, our near-term focus is to deliver on the value enhancing asset management initiatives we have identified across the portfolio, further reducing the vacancy level and realising some of the reversionary potential, enabling us to increase our 2019 dividend target to 6.0 pence.”

Andrew Bird, Managing Director of the Investment Manager, Tilstone Partners Limited, added:

“The UK multi-let warehouse sector continues to offer investors an attractive total return profile, with strong demand for well-located, good quality assets from both traditional industrial and manufacturing businesses, as well as major retailers and third-party logistics occupiers. This has been driven by the substantial growth of e-commerce activity, underpinned by changing consumer habits, a trend that is forecast to continue shaping the sector over the next five years.”

* Warehouse REIT plc was successfully admitted to trading on AIM on 20 September 2017 when it commenced operations. These results are for the accounting period from 1 August 2017 to 31 March 2018, and represent the trading results of the Group from 20 September 2017.

** this is a target not a profit forecast and there can be no assurances that it will be met

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Further information on Warehouse REIT is available on its website: http://www.warehousereitplc.co.uk

Notes to editors:

Warehouse REIT announced the results of its IPO on 20 September 2017, having raised gross proceeds of £150.0 million (£146.8 million net) to invest in a diversified portfolio of UK warehouse assets located in urban areas. Since then, it has invested a further £170.1 million in 65 UK warehouse estates, totalling 2.7 million sq ft.

Occupier demand for urban warehouse space is increasing as the structural growth in e-commerce has driven the rise in internet shopping and investment by retailers in the "last mile" delivery sector. The urban warehouse sector offers one of, if not the highest, initial yield of all UK property sectors.

The Company is an alternative investment fund ("AIF") for the purposes of the Alternative Investment Fund Managers Directive (2011/61/EU) (“AIFMD”) and as such is required to have an investment manager who is duly authorised to undertake the role of an alternative investment fund manager. The Investment Manager is currently G10 Capital Limited, whose role will pass to Tilstone Partners Limited ("TPL"), on receipt of FCA approval.

Forward-looking Statements

Certain information contained in these preliminary results may constitute forward looking information. This information relates to future events or occurrences or the Company's future performance. All information other than information of historical fact is forward looking information. The use of any of the words "anticipate", "plan", "continue", "estimate", "expect", "may", "will", "project", "should", "believe", "predict" and "potential" and similar expressions are intended to identify forward looking information. This information involves known and unknown risks, uncertainties and other factors that may cause actual results or events to differ materially from those anticipated in such forward-looking information. No assurance can be given that this information will prove to be correct and such forward looking information included in this announcement should not be relied upon. Forward-looking information speaks only as of the date of this announcement.

The forward-looking information included in this announcement is expressly qualified by this cautionary statement and is made as of the date of this announcement. The Company and its Group does not undertake any obligation to publicly update or revise any forward-looking information except as required by applicable securities laws.

Chairman’s statement

Dear fellow shareholder

Warehouse REIT plc has made a strong start to life as a public company and I am pleased to present the Group’s first consolidated results for the period to 31 March 2018.

Overview

This was a period of considerable activity. We gave much thought to the timing of our IPO and, together with our advisors, worked extremely hard during the late summer to deliver this, resulting in an over-subscribed issue, with the shares admitted to trading on AIM on 20 September 2017. The Company’s share register comprises high-quality domestic and international fund managers, including wealth managers, hedge funds and long-only investors, showing the broad appeal of our investment proposition.

The cornerstone of this proposition is that by carefully acquiring and managing urban or ‘last-mile’ industrial warehouse assets, in strategic locations and bought at prices well below replacement value, we can create a robust and growing income stream for our shareholders. On Admission, we acquired a portfolio of 27 assets, valued at £108.9 million. This portfolio had been assembled by our investment manager, TPL, during the preceding years. This initial portfolio contains some assets which we believe would now attract meaningful premiums to their current values.

TPL has subsequently reviewed approximately £1.1 billion of assets on the Group’s behalf and its analytical rigour has enabled us to rapidly add to the portfolio, in line with our investment policy. In total, the Group has bought a further £170.1 million of assets, with the largest transaction completing in the final week of March. The portfolio provides opportunities to let vacant space and increase rents, as well as to reconfigure and generate increased value from a number of interesting sites.

We financed this significant activity by investing all of the equity raised at IPO, substantially ahead of schedule, and by successfully enlarging our debt facilities with HSBC, as described below.

Dividends and total return

At the time of the IPO, we committed to quarterly dividends that would begin after the period to 31 December 2017. We were therefore pleased to pay our first dividend of 1.0 pence per share on 9 March for the period from Admission to 31 December 2017. We have declared an interim dividend of 1.5 pence per share, for the quarter to 31 March 2018. This will be paid on 6 July 2018 to shareholders on the register at 8 June 2018. Both these dividends are in line with our targets set at IPO.

Our target total return is at least 10% per annum, from a combination of dividends and NAV growth. The total return for the period was 4.6%, or 12.8% on an annualised basis and after adjusting for the costs of the IPO. As the business has performed ahead of expectations we have increased the target dividend for the year ending 31 March 2019 to 6.0 pence per share from 5.5 pence per share as set out in the prospectus. We will continue to review dividend payments as the year progresses.

Investment management

The Company has an Investment Management Agreement with TPL, which is responsible for portfolio and risk management and for monitoring the Group’s assets. TPL has full discretionary authority over asset acquisitions and disposals, subject to criteria laid down by the Board. The Agreement provides for a fee of 1.1% of NAV, up to a NAV of £500 million (and 0.9% thereafter), to be paid quarterly in arrears and with no performance fees.

TPL's founders are Simon Hope, Paul Makin and Andrew Bird. They are all well-known, highly experienced and skilled individuals in the real estate sector, and their extensive networks of contacts and asset management capabilities are already proving invaluable. Since the IPO, TPL has further strengthened its team, including recruiting a number of experienced asset managers and TPL anticipates making further hires during the course of the coming year. TPL's relationship with Savills, which provides a number of property related services to the Group, has been particularly beneficial.

Financial results

Our financial performance for the period exceeded the expectations set at IPO. The NAV per share at 31 March 2018 was 102.1 pence, reflecting both a 4.3% uplift in the value of the portfolio against acquisition cost and the expenses incurred in the IPO.

The Group's annual rent roll at the period end was £21.3 million and the portfolio's estimated rental value ("ERV") was £23.8 million, demonstrating the opportunity to drive income from these assets over the coming years.

At the period end, the Group had £124.5 million of debt and a LTV ratio of 40.5%, slightly ahead of our longer-term target of 30-40% but below the limit in our investment policy of 50% and the covenant of 55%. The Group's facilities total £135.0 million and comprise a £105.0 million revolving credit facility ("RCF") (extended during the period from £35.0 million, on reduced terms), and a £30.0 million term loan.

Outlook

The warehouse sector continues to perform strongly and we believe the growth drivers are structural rather than cyclical. Market expectations are for rents to rise by 3.5% per annum, for all industrial assets between 2018 and 2022, according to RealFor, but our expectation is that rental growth will be stronger still in the part of the market we are focused on, driven by a significant supply demand imbalance and there are good prospects to outperform market expectation through active asset management. We see no sign of any change in these favourable dynamics but remain alert to the potential for geopolitical or financial events to affect sentiment.

Our priorities for the coming year are to integrate the acquisitions, complete lease renewals with tenants in the IMPT portfolio who were holding over, and continue to increase occupancy across the entire portfolio. Whilst we expect further yield compression across the sector, there remain opportunities to invest at attractive yields. We are confident in our investment case and our ability to achieve our target returns.

The Directors all own shares in the Company and together the Board and TPL management team hold around 11% of the equity. This means we are fully aligned with the interests of our fellow shareholders. I have been delighted with the entrepreneurial spirit and openness, and with the intensity of effort displayed by everyone involved with the Company during such a busy and successful first period. We are ambitious and excited about the future and I look forward to reporting on our progress.

Neil Kirton
Chairman
21 May 2018

Our strategy and objectives

Our strategy

Our strategy is to create value through a top-down approach to investment, followed by hands-on asset management with best-in-class processes. We believe the key to outperformance is stock selection, which includes:

Location	**Buildings**	**Optionality**
We look for attractive sites, close to major road, rail and air transport links and to large conurbations.	We look through the lens of the occupier, to ensure the buildings' design, size and configuration will match tenants' current and future needs.	We look for buildings with a range of different uses, which offer long-term flexibility and have the potential to change permitted use.

In addition, before we make an investment decision, we consider the level, quality and diversity of existing income from the assets, and the current supply and demand for space in the local market. In implementing this strategy, we follow the investment policy described below.

Investment policy

Our policy is to invest in a diversified portfolio of urban warehouse assets in the UK. We can acquire properties either directly or through corporate structures, or in joint ventures or other share ownership or co-investment arrangements. We look for investments where there is the potential to add value through active asset management.

We invest in and manage the portfolio with the aim of spreading risk. This requires us to observe the following restrictions:

Investment restriction	**Status**	**Performance**
We will only invest in warehouse assets in the UK.	✓	All our assets are UK-based urban warehouses.
No individual warehouse will represent more than 20% of our last published gross asset value ("GAV"), at the time we invest.	✓	The largest individual warehouse represents 5.0% of our GAV.
We will target a portfolio with no one tenant accounting for more than 10% of our gross contracted rents at the time of purchase. No more than 20% of our gross assets will be exposed to the creditworthiness of a single tenant at the time of purchase.	✓	Our largest tenant accounts for 3.1% of our gross contracted rents and 3.4% of our gross assets.
We 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.
We can invest no more than 10% of our gross assets in other listed closed-ended investment funds.	✓	We held no investments in other funds during the period.
We will not speculatively develop properties, except for refurbishing or extending existing assets. Speculative developments are those which have not been at least partially leased, pre-leased or de-risked in a similar way.	✓	Other than refurbishing vacant units, we did not undertake any speculative development in the period.
We may invest directly, or through forward funding agreements or commitments, in developments (including pre-developed land), where: • the structure provides us with investment risk rather than development risk;	✓	We made no investments or financial commitments to pure developments in the period.

• 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. Our exposure to these developments cannot exceed 15% of our gross assets at the time of purchase.		
We view 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.	✓	Our LTV at 31 March 2018 was 40.5%.

In addition to the above, our investment policy supports our ability to manage our resources by investing currently unutilised cash in cash deposits and gilts and using interest rate hedges or other means of mitigating the risk of interest rate rises.

Our full investment objective and policy will be set out in the Company's Annual Report.

Our objectives

We aim to provide shareholders with an attractive level of income, together with the potential for income and capital growth.

Dividend policy

At IPO, we set out the following dividend policy, in line with the REIT requirements to distribute at least 90% of our property income:

Period	Target dividend per share	Dividend yield*
IPO to 31 March 2018	2.5p	4.5%
Year ending 31 March 2019	5.5p	5.5%

The targeted covered dividend for the year ending 31 March 2019 has now increased to 6.0 pence per share**.

For years after 2018/19, we intend to adopt a progressive dividend policy, in line with anticipated growth in earnings, with a target dividend yield equivalent to at least 6%* based on the issue price at IPO.

* Based on the issue price at IPO of 100p
**These are targets not profit forecasts and there can be no assurances they will be met.

Total returns

Our target is to achieve a total return of at least 10% per annum, through a combination of dividends and growth in NAV.

Key performance indicators

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

KPI	Relevance to strategy	Performance
Occupancy	Shows our ability to retain tenants at renewal and to let vacant space, which	Occupancy improved from an initial 91.7% at IPO to 93.1% at 31 March

Total open market rental value of units leased divided by total open market rental value of the portfolio	in turn underpins our income and dividend payments.	2018, as we successfully implemented our asset management plan.
Average rent per square foot Total net contracted rent divided by total square feet of let units	Shows our ability to grow average rents over time, as well as the reversionary potential in the portfolio, when compared to market rents.	The average rent per square foot of the portfolio was £5.24 at the period end.
EPRA NAV The value of net assets, adjusted to include properties and other investment interests at fair value and to exclude items not expected to be realised in a long-term property business, such as the fair value of any financial derivatives and deferred taxes on property valuation surpluses, in accordance with EPRA guidelines.	Shows our ability to acquire well and to increase capital values through active asset management.	The NAV per share was 102.1 pence at 31 March 2018, after accounting for the impact of exceptional IPO costs of £3.2 million and property acquisition costs of £6.9m.
Dividends per share The total amount of dividends paid or declared in respect of the financial period divided by the number of shares in issue in the period.	Shows our ability to generate secure and grow income, which underpins progressive dividend payments to shareholders.	The total dividend in respect of the period was 2.5 pence per share, in line with our target at the time of the IPO.
Loan to value ratio Gross debt less cash, short-term deposits and liquid investments, divided by the aggregate value of properties and investments.	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.	The LTV was 40.5% at the period end, slightly above our longer-term target range of 30-40% but within the limit in our investment policy of 50%.

Investment Manager's report

This was a busy first period, during which the Company successfully completed its IPO, rapidly built a high-quality portfolio of urban warehouse assets and pursued asset management opportunities. This resulted in financial performance ahead of expectations at the time of the IPO.

Initial public offering

The Company raised gross proceeds of £150.0 million, through a placing and offer for subscription of 150 million ordinary shares at 100 pence each. The net proceeds of the issue were £146.8 million, which along with co-investment by management of TPL of £16.0 million resulted in net assets at IPO of £162.1 million. The Company's shares were admitted to trading on AIM on 20 September 2017.

Investment activity

The transactions completed during the period were as follows:

<u>20 September 2017</u>

Assets acquired: Seed portfolio
Purchase price: £108.9 million
Net initial yield: 7.0%
Floor area (sq ft): 1.7 million

The seed portfolio was assembled by TPL over the period from August 2013 and comprises 27 freehold and long-leasehold assets, located throughout the UK. The seed portfolio had 129 tenants on acquisition, including strong covenants such as Boots, Amazon, Asda and Selco Trade Centres. The seed portfolio had annual net rent of £8.1 million and an ERV of £9.4 million, showing strong potential for income growth.

<u>28 September 2017</u>

Assets acquired: Four multi-let industrial estates
Purchase price: £26.3 million
Net initial yield: 7.5%
Floor area (sq ft): 603,000

The assets acquired were pipeline assets, at an advanced stage of negotiation at the time of the IPO. Two of the estates are in the North West, with one each in the South East and Midlands. All are either in urban areas or on strategic infrastructure links. The average passing rent of £3.50 per sq ft offers the potential for long-term rental growth.

<u>29 September 2017</u>

Asset acquired: Six-acre site in Banbury, Oxfordshire
Purchase price: £0.8 million

The site is adjacent to the Group's Tramway Industrial Estate, with the enlarged 13-acre strategic holding providing medium to long-term mixed-use redevelopment options.

<u>24 November 2017</u>

Assets acquired: Three industrial units in Stone, Staffordshire
Purchase price: £3.7 million

Net initial yield: 7.3%
Floor area (sq ft): 57,500

The units are located close to the M6. The site has low density of 24% and average passing rents of £5.09 per sq ft. Fixed uplifts in one of the leases will increase the passing rent by 16% over the next four years.

24 November 2017

Assets acquired: Multi-let trade counters in Carlisle, Cumbria
Purchase price: £0.8 million
Net initial yield: 8.3%
Floor area (sq ft): 13,800

The site is adjacent to a 12,000 sq ft unit already owned by the Group, providing the opportunity to enhance access to both, and has significant reversionary potential.

15 December 2017

Asset acquired: Warehouse in Plymouth, Devon
Purchase price: £4.3 million
Net initial yield: 7.4%
Floor area (sq ft): 66,000

The property sits on a 3.9 acre site within the established Parkway Industrial Estate. It offers good reversionary potential, while the accessible location and its adjacency to higher-value retail warehouse uses providing longer-term development opportunities.

21 December 2017

Assets acquired: Seven-asset industrial portfolio in North West England
Purchase price: £18.3 million
Net initial yield: 7.0%
Floor area (sq ft): 326,254

The portfolio comprises a diverse mix of asset types in the Northern Powerhouse region, with attractive locations and excellent motorway connections. The average unit size is 15,000 sq ft. There is significant reversionary potential and possible planning for 24,000 sq ft of additional space.

26 March 2018

Assets acquired: UK multi-let urban warehouse portfolio
Purchase price: £116.0 million
Net initial yield: 7.0%
Floor area (sq ft): 1.7 million

The IMPT portfolio comprises 51 warehouse properties, with more than 500 leasable units and 382 tenants at the time of purchase. The majority of the assets are in the Midlands and South of England, giving the Group a more even spread of locations across the UK. Approximately 93% of the floor area is light industrial property, with 7% representing other workspace and offices. The assets are in established commercial locations, close to urban centres, major motorways or trunk roads. The contracted rent roll is c £8.5 million at an average of £5.66 per sq ft, with passing rents totalling £8.3 million. The occupancy rate of 92%, when the transaction exchanged, provides scope for value creation through asset management.

Portfolio analysis

As a result of the acquisitions described above, at 31 March 2018 the Group had invested £278.9 million and assembled a portfolio covering 4.4 million sq ft. The investment was focused primarily on warehouse storage and distribution space, with the remainder split between light manufacture and assembly, retail and trade uses.

Warehouse sector	Occupancy	Valuation £m	Net initial yield	Reversionary yield	Lease length to expiry (break) Years	Average rent £per sq ft	Average capital value £per sq ft
Warehouse storage & distribution	90%	182.2	6.7%	7.6%	3.8 (2.6)	4.82	61
Light manufacture & assembly	96%	48.7	7.1%	7.9%	3.4 (1.9)	4.44	57
Retail	99%	19.6	7.0%	7.7%	5.5 (5.2)	10.87	142
Trade	100%	21.8	6.1%	6.7%	7.1 (5.2)	6.16	93
Workspace / office	95%	16.6	8.8%	9.0%	3.1 (2.1)	10.85	106
Other	100%	2.1	7.1%	7.2%	8.7 (6.1)	5.96	79
TOTAL	**93.1%**	**291.0**	**6.8%**	**7.7%**	**4.1 (2.8)**	**5.24**	**66**

At the period end, the contracted rent roll was £21.3 million, resulting in a net initial yield of 6.8%. This compares with an ERV of £23.8 million and a reversionary yield of 7.7%, showing the strong reversionary potential in the portfolio. The ERV assumes that a unit is re-let in its current condition and does not take account of the potential to increase rents through refurbishment, repositioning or change in permitted planning use. The table above demonstrates the higher rents earned for units converted to trade counter or retail warehouse use.

The seed portfolio acquired at IPO had an occupancy of 91.7%, reflecting the Group's targeting of assets with the potential for asset management. By the period end, this had increased to 92.4%, reflecting 17 new lettings and 8 lease renewals, which is described in the following section, and was ahead of the expectation at the time of the IPO.

However, the acquisition of the IMPT portfolio on 26 March 2018 affected both occupancy and WAULT at the period end. The IMPT portfolio had an occupancy level of 92.3% on acquisition and a large number of tenants holding over lease renewals until the transaction completed. Excluding the impact of the IMPT acquisition, occupancy of the remainder of the portfolio was 92.9% and the WAULT was 4.3 years, with 3.2 years to first break.

More information about the portfolio will be set out in the Company's Annual Report.

Asset management

Although the Group has only owned much of the portfolio for a short time, it has already demonstrated its ability to add value through asset management.

During the period, the Group spent and committed £1.3 million on capital expenditure, in line with its target of investing 0.75% of gross asset value each year. This capital expenditure helped the Group to complete 27 new lettings of previously vacant space, generating annual rent of £0.8 million, which was 7.3% ahead of ERV. Since the period end, the Group has completed a further 4 new lettings at annual rents 5.4% ahead of ERV.

Lease expiries in the period had total passing rent of £1.1 million. The Group retained 79% of these tenants with 43% signing new leases and 57% continuing to hold over. These new leases secured an average rental increase of 4.6% or 1.9% above ERV.

Of the 31 leases with a break in the period, only 10% of these vacated.

The Group's property at Queenslie Industrial Estate, Glasgow, includes 16 acres of potential development sites, suitable for a range of occupiers. The Group has created a masterplan and implemented a planning strategy for higher value uses. The outline planning application submitted to Glasgow City Council has been positively received by local stakeholders and more recently has overcome critical policy issues. TPL continues to believe that the application will be favourably determined.

Financial review

Performance

The Group delivered a strong financial performance during the period, which was ahead of expectations at the time of the IPO.

Revenue for the period was £6.6 million. The Group's outsourcing model gives it low-cost access to the expertise of TPL, Savills and other key service providers. Operating costs were £2.4 million. This included the Group's running costs (primarily the management fee, audit, company secretarial, other professional fees and the Directors' fees), and property related costs, including legal expenses, void costs and repairs.

Net financing costs, which are the interest costs associated with the Group's RCF and term loan, amounted to £1.0 million in the period, or £0.8 million excluding exceptional items.

The Group incurred the following exceptional costs during the period, as disclosed in the IPO prospectus:

- IPO-related expenses totalling £3.2 million; and
- a termination fee of £167,000, relating to the refinancing of the Group's debt facilities.

The Group recognised a gain of £5.2 million on the revaluation of its investment properties at the period end. This contributed to profit before tax and exceptional loan break fees of £8.5 million and statutory profit before tax of £8.4 million. As a REIT, the Group's profits and gains from its property investment business are exempt from corporation tax, and the corporation tax charge for the period was therefore £nil.

Earnings per share ("EPS") under IFRS were 5.0 pence. EPRA EPS was 1.9 pence.

Dividends

The Company declared the following dividends in relation to the period:

- 1.0 pence per share in relation to the period from IPO to 31 December 2017, which was paid on 9 March 2018. 0.78 pence of this dividend was paid as a Property Income Distribution ("PID") and 0.22 pence was non-PID.

- 1.5 pence per share, in relation to the three months to 31 March 2018. This dividend will be paid on 6 July 2018, to shareholders on the register at 8 June 2018. 1.15 pence of this dividend will be paid as a PID and 0.35 pence will be non-PID.

Total dividends in respect of the period were therefore 2.5 pence per share, in line with the target set out in the prospectus.

The cash cost of the total dividend is £4.2 million.

Valuation and net asset value

The portfolio was independently valued as at 31 March 2018, in accordance with the RICS Valuation Global Standards (the "Red Book"). CBRE valued the IMPT portfolio, with Gerald Eve valuing the remainder of the Group's assets.

The total portfolio was valued at £291.0 million, representing an uplift of £12.1 million or 4.3% against the asset's aggregate purchase price. The EPRA net initial yield was 6.2%.

The valuation resulted in a NAV at 31 March 2018 of 102.1 pence per share, which represents good progress against the issue price of 100 pence, after accounting for the costs associated with the IPO and acquisitions.

Debt financing and hedging

On 27 November 2017, the Company announced that in line with the IPO prospectus, it had secured new and enlarged facilities totalling £65.0 million with HSBC, to fund acquisitions. These facilities replaced £44.3 million of existing facilities with HSBC, which were secured against the seed portfolio.

The increased facilities comprised:

- a £30.0 million, five-year term loan facility, at an interest rate of 2.25% above Libor; and
- a £35.0 million five-year RCF, at an interest rate of 2.4% above Libor.

On 5 February 2018, the Company announced the acquisition of the IMPT portfolio, which was partially funded by further increases to the Company's debt facilities. HSBC increased the RCF by £70 million to £105.0 million, at a reduced coupon of 2.25% above Libor.

At the period end, the term loan was fully drawn and the Group had drawn down £94.5 million against the RCF, resulting in total debt at that date of £124.5 million and headroom within the facilities of £10.5 million. The Group's LTV ratio at 31 March 2018 was 40.5%, well within the 50% limit prescribed by the investment policy.

The Group is developing its hedging strategy and had no hedging in place during the period.

Alternative Investment Fund Manager ("AIFM")

G10 Capital Limited ("G10"), part of the Lawson Conner Group, has been the Company's AIFM since Admission. TPL provides advisory services to G10 and the Company, and will continue to do so until it is authorised by the Financial Conduct Authority ("FCA") to act as an AIFM, which is expected during the coming year, at which point TPL will become the Company's AIFM.

Tilstone Partners Limited

21 May 2018

Risk management and principal risks

Risk management process

Successful risk management is fundamental to the successful delivery of our strategy.

We deliver our formal approach to risk management by applying our risk framework. This sets out the mechanisms by which the Board identifies, evaluates and monitors its principal risks and the effectiveness of the controls in place to mitigate them. This includes:

- the Board's approval of a detailed corporate risk register, which identifies and evaluates significant business, financial, operational, compliance and reputational risks; and
- the review of assurance and information about the management of those risks, from both contracted service providers and independent sources.

The Board determines the level of risk it will accept in achieving our business objectives. We have no appetite for risk in relation to regulatory compliance or the health, safety and welfare of our tenants and the wider community in which we work. We have a moderate appetite for risk in relation to activities which drive revenues and increase financial returns for our investors.

The Audit Committee carried out a detailed review of our risk management framework process, corporate risks and principal risks, together with actions taken and relevant mitigating controls, prior to advising the Board. The Board then carried out its own assessment and approved the list of principal risks.

Further information about our internal control and risk management procedures will be set out in the corporate governance statement in our Annual Report. Our principal financial risks, our policies for managing them and our policy and practice with regard to financial instruments are summarised in note 25 to the financial statements.

Principal risks

A principal risk is a risk that is 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 Committee during their regular meetings. This includes reviewing:

- any substantial changes to principal risks, including new or emerging risks;
- material changes to control frameworks in place;
- changes in risk scores;
- changes in tolerance to risk;
- any significant risk incidents arising; and
- progress with any additional mitigating actions which have been agreed.

The Board, through the Audit Committee, has undertaken a robust assessment and review of the principal risks facing the Group, together with a review of any new risks which may have arisen during the period, including those that would threaten our business model, future performance, solvency or liquidity.

The table below summarises our exposure to our principal risks.

Residual risk	Frequency	Severity
1. Poor performance of the Investment Manager	1	3
2. Poor returns on the portfolio	2	3
3. Significant volatility in interest rates	3	2
4. Inappropriate acquisitions	2	4
5. Unable to attract investors	2	3

6. Loss of REIT status	2	5
7. Breach of borrowing policy or loan covenants	2	3
8. Significant rent arrears and irrecoverable debt	2	2

Business Risks

Risk	Potential Impact	Mitigation
1. Poor performance of the Investment Manager	If the Investment Manager does not perform as anticipated, there is potentially significant risk to our success.	Individuals within the Investment Manager have significant shareholdings in the Company, which significantly reduces the risk that the Investment Manager will not fulfil its responsibilities. In addition, there is a comprehensive contract between us and the Investment Manager, setting out the requirements and expectations for each party. The Board and the Investment Manager frequently liaise, supporting the regular Board meetings and comprehensive formal reporting that has been put in place. The Management Engagement Committee carries out an annual formal service review of the Investment Manager.
2. Poor returns on the portfolio	If our strategy is not delivered effectively, it would be challenging to produce the target returns set out in the Company's prospectus.	The Board uses its expertise and experience to set our investment strategy and seeks external advice to underpin its decisions, for example independent asset valuations. There are complex controls and detailed due diligence arrangements in place around the acquisition of assets, designed to ensure that investments will produce the expected results. Significant changes in the portfolio, both acquisitions and deletions, require specific Board approval. The Board regularly reviews performance statistics against forecasts and targets.
3. Significant volatility in interest rates	Changes in interest rates could affect our ability to fund and deliver our strategy. Interest rate changes may also affect overall market stability.	The Investment Manager maintains detailed forecasts of our property portfolio, which are subject to regular scenario testing. These forecasts enable us to react to changes in economic conditions in a planned and appropriate manner. We actively manage our debt position and have begun a review of our hedging strategy.

Operational Risks

Risk	Potential Impact	Mitigation
4. Acquisition of inappropriate assets or unrecognised liabilities, or a breach of investment strategy.	Inappropriate acquisitions could reduce our returns and increase risk.	We have a clearly defined investment strategy, with processes and controls designed to ensure that acquisitions are made only if they comply with it. Robust, documented, due diligence processes have been established for all key areas of consideration, including portfolio mix, property type and quality, legal issues, environmental requirements, sector, and quality of tenant. Where appropriate, external expertise is sought, for example on environmental issues and property valuations. There is a documented investment acquisition protocol in place.

		All potential acquisitions are measured against our agreed investment strategy and significant acquisition decisions must be approved by the Board.
5. Inability to attract investors	If we cannot attract additional investors, there would be a potential impact on the share price, and on our ability to raise funds and deliver the strategy.	The quality of our performance is inherent to our ability to attract additional investment. The Board therefore regularly reviews the Investment Manager's performance, both formally and informally. We have regular investor communications exercises, setting out our activities, forecasts, performance and plans.

Compliance Risks

Risk	Possible Impact	Mitigation
6. Loss of REIT Status	If we breach REIT or AIM rules, there would be a significant impact on investors.	We have a comprehensive governance framework, including the Board and Audit Committee, and clearly allocated responsibilities, set out through the Matters Reserved for the Board, Terms of Reference for Board Committees, and contracts with the Investment Manager and other key service providers. We seek external advice on governance and compliance with rules. Peel Hunt is our Nominated Advisor and is responsible for advising and guiding us on our responsibilities under the AIM rules. The Company's position against key requirements is continuously monitored by the Investment Manager and regularly reported to the Board.

Financial Risks

Risk	Potential impact	Mitigations
7. Breach of borrowing policy or loan covenants	Breaching borrowing policies and/or loan covenants may affect our ability to obtain additional funding, either through investment or financing.	The Investment Manager continually monitors our debt covenants and reports on them to the Board. Performance and forecasts are reported to and considered by the Board on a quarterly basis. We prepare a quarterly compliance letter for our lenders, which confirms our position over the period. Loan-to-value ratios are reviewed regularly and investment decisions take these into account.
8. Significant rent arrears and irrecoverable debt	A significant loss of rental income through bad debts could have a material impact on our ability to meet our financial forecasts.	We have a large and diverse tenant portfolio, which means we do not have a high level of exposure to any specific sector or organisation. The Investment Manager continually monitors our exposure to larger tenants and undertakes robust due diligence on potential tenants, followed by effective and timely credit control processes to ensure action is taken at the early stage of any arrears and any debt is recovered. We also take rent deposits and rent guarantees, where appropriate.

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 cashflows.

Based on this information, 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. They therefore have adopted the going concern basis in the preparation 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 March 2021, allowing a reasonable level of accuracy given typical lease terms and the cyclical nature of the UK property market.

The principal risks detailed above 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 their 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 tenants, 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.

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 for potential mitigating factors. The key sensitivities applied to the model are a downturn in economic outlook and restricted availability of finance, specifically:

- increased tenant churn;
- increased void periods following break or expiry;
- decreased rental income; and
- increased interest rates.

Current debt and associated covenants are summarised in note 16, with no covenant breaches during the period.

Viability statement

Having considered the forecast cash flows, covenant compliance and the impact of sensitivities in combination, the Directors confirm that 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.

On behalf of the Board

Neil Kirton
Chairman
21 May 2018

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 applicable UK law and International Financial Reporting Standards ("IFRS") as adopted by the European Union.

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 in accordance with IFRS. Under company law, 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 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 IFRS, subject to any material departures disclosed and explained in the financial statements; and
- make judgements and estimates that are reasonable and prudent.

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 and Article 4 of the IAS Regulation. They are also responsible for safeguarding the assets of the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Under applicable law and regulations, the Directors are also responsible for preparing a strategic report, Directors' report, Directors' remuneration report and corporate governance statement that comply with that law and those regulations, and for ensuring that the annual report includes information required by the AIM Rules and (where applicable) the Disclosure Guidance and Transparency Rules of the UKLA.

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website. 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. 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.

We confirm that to the best of our knowledge:

- the financial statements, prepared in accordance with IFRS as adopted by the European Union, give a true and fair view of the assets, liabilities, financial position and profit of the Company (and Group as a whole); and
- the Chairman's Statement and the Investment Manager's Report include 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.

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

21 May 2018

Consolidated statement of comprehensive income

For the period ended 31 March 2018

Continuing operations	Notes	**1 August 2017 to 31 March 2018 £'000**	**24 July 2017 to 31 July 2017 £'000**
Rental income	3	**6,566**	**-**
Property operating expenses	4	**(841)**	**-**
Gross profit		**5,725**	**-**
Administration expenses	4	**(1,569)**	**-**
Operating profit before gains on investment properties		**4,156**	**-**
Fair value gains on investment properties	13	**5,173**	**-**
Operating profit		**9,329**	**-**
Finance income	7	**41**	**-**
Finance expenses – ongoing	8	**(838)**	**-**
Finance expenses – loan break fees	8	**(167)**	**-**
Profit before tax		**8,365**	**-**
Total comprehensive income for the period		**8,365**	**-**
EPS (basic and diluted) (pps)	12	**5.04**	**-**

Consolidated statement of financial position

As at 31 March 2018

	Notes	31 March 2018 £'000	31 July 2017 £'000
Assets			
Non-current assets			
Investment property	13	**295,068**	**-**
		295,068	**-**
Current assets			
Cash and cash equivalents	14	**6,572**	**12**
Trade and other receivables	15	**4,452**	**38**
		11,024	**50**
Total assets		**306,092**	**50**
Liabilities			
Non-current liabilities			
Interest bearing loans and borrowings	16	**(123,052)**	**-**
Finance lease obligations	17	**(3,800)**	**-**
		(126,852)	**-**
Current liabilities			
Finance lease obligations	17	**(268)**	**-**
Trade and other payables	18	**(6,078)**	**-**
Deferred income	18	**(3,380)**	**-**
		(9,726)	**-**
Total liabilities		**(136,578)**	**-**
Net assets		**169,514**	**50**
Equity			
Share capital	20	**1,660**	**50**
Capital reduction reserve	22	**161,149**	**-**
Retained earnings	22	**6,705**	**-**
Total equity		**169,514**	**50**
Number of shares in issue		**166,000,000**	**50,000**
NAV per share (pps)	23	**102.12**	**100.00**

These financial statements were approved by the Board of Directors of Warehouse REIT plc on 21 May 2018 and signed on its behalf by:

Neil Kirton

Company number: 10880317

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

Consolidated statement of changes in equity

For the period ended 31 March 2018

	Notes	Share capital £'000	Share premium £'000	Retained earnings £'000	Capital Reduction reserve £'000	Total £'000
Balance at 24 July 2017		**-**	**-**	**-**	**-**	**-**
Redeemable ordinary shares issued		**50**	**-**	**-**	**-**	**50**
Balance at 31 July 2017		**50**	**-**	**-**	**-**	**50**
Total comprehensive income		**-**	**-**	**8,365**	**-**	**8,365**
Redeemable ordinary shares issued		**-**	**-**	**-**	**-**	**-**
Ordinary shares issued		**1,660**	**164,340**	**-**	**-**	**166,000**
Redemption of redeemable ordinary shares		**(50)**	**-**	**-**	**-**	**(50)**
Share issue costs		**-**	**(3,191)**	**-**	**-**	**(3,191)**
Cancellation of share premium		**-**	**(161,149)**	**-**	**161,149**	**-**
Dividends paid in respect of the current period	11	**-**	**-**	**(1,660)**	**-**	**(1,660)**
Balance at 31 March 2018		**1,660**	**-**	**6,705**	**161,149**	**169,514**

Consolidated statement of cash flows

For the period ended 31 March 2018

	Notes	1 August 2017 to 31 March 2018 £'000	24 July 2017 to 31 July 2017 £'000
Cash flows from operating activities			
Operating profit		**9,329**	**-**
Adjustments to reconcile profit for the period to net cash flows:			
Gains from change in fair value of investment properties	13	**(5,173)**	**-**
Operating cash flows before movements in working capital		**4,156**	
(Increase) in other receivables and prepayments		**(4,407)**	**-**
Decrease in other payables and accrued expenses		**8,455**	**-**
Net cash flow generated from operating activities		**8,204**	
Cash flows from investing activities			
Acquisition of investment properties		**(285,576)**	**-**
Net cash used in investing activities		**(285,576)**	**-**
Cash flows from financing activities			
Proceeds from issue of ordinary shares		**165,950**	**12**
Share issuance costs paid	21	**(3,191)**	**-**
Bank loans drawn down	16	**124,450**	**-**
Interest received	7	**41**	**-**
Break fees		**(167)**	
Interest and other finance expenses paid		**(1,727)**	**-**
Dividends paid in the period		**(1,424)**	**-**
Net cash flow generated from financing activities		**283,932**	**12**
Net increase in cash and cash equivalents		**6,560**	**12**
Cash and cash equivalents at start of the period		**12**	**-**
Cash and cash equivalents at end of the period	14	**6,572**	**12**

Notes to the consolidated financial statements

For the period ended 31 March 2018

1. General information

Warehouse REIT plc (the "Company") is a closed ended Real Estate Investment Trust ("REIT") incorporated in England and Wales on 24 July 2017. The Company began trading on 20 September 2017. The registered office of the Company is located at Beaufort House, 51 New North Road, Exeter EX4 4EP. The Company's shares are listed on the Official List of the UK Listing Authority and admitted to trading on AIM, a Market operated by the London Stock Exchange.

2. Basis of preparation

The financial information set out in these financial statements does not constitute the Company's statutory accounts for the period ended 31 March 2018, but is derived from those accounts. Statutory accounts for 2018 will be delivered to the Registrar of Companies following the Company's Annual General Meeting. The auditors have reported on those accounts; their report was unqualified, did not draw to attention any matters by way of emphasis of matter without qualifying their report and did not contain statements under s498(2) or (3) Companies Act 2006.

The statutory accounts are prepared in accordance with IFRS issued by the IASB as adopted by the EU. The financial statements have been prepared under the historical cost convention, except for investment property, that has been measured at fair value. The audited financial statements are presented in Pound Sterling and all values are rounded to the nearest thousand pounds (£'000), except when otherwise indicated.

These financial statements are for the period 1 August 2017 to 31 March 2018. Comparative figures are for the previous accounting period 24 July 2017 to 31 July 2017.

The Directors have made an assessment of the Group's ability to continue as a going concern and are satisfied that the Group has the resources to continue in business for the foreseeable future, for a period of not less than 12 months from the date of this report. Furthermore, the Directors are not aware of any material uncertainties that may cast significant doubt upon the Group's ability to continue as a going concern. Therefore, the financial statements have been prepared on the going concern basis.

2.1 Changes to accounting standards and interpretations

The following new standards and amendments to existing standards have been published and once approved by the EU, will be mandatory for the Group's accounting periods beginning after 1 April 2018 or later periods. The Group has decided not to adopt them early.

- IFRS 7 Financial Instruments: Disclosures – amendments regarding additional hedge accounting disclosures (applies when IFRS 9 is applied).
- IFRS 9 Financial Instruments (effective for annual periods beginning on or after 1 January 2018).
- IFRS 15 Revenue from contracts with customers (effective for accounting periods beginning on or after 1 January 2018). IFRS 15 provides a single, principles based model to be applied to all contracts with customers.

- IFRS 16 Leases (effective for annual periods beginning on or after 1 January 2019).

The Group does not expect the adoption of new accounting standards issued but not yet effective to have a significant impact on its financial statements.

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.

Estimates

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

VALUATION OF PROPERTY

The valuations of the Group's investment property are at fair value as determined by the external valuer on the basis of market value in accordance with the internationally accepted RICS Valuation – Professional Standards January 2017 (incorporating the International Valuation Standards) and in accordance with IFRS 13. See note 13 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

As a real estate entity 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 2018. 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. The subsidiaries all 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. In the previous period the Company held no subsidiaries.

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 and provision of UK urban warehouses.

3. Revenue

	1 August 2017 to 31 March 2018 £'000	24 July 2017 to 31 July 2017 £'000
Rental income	**6,324**	-
Insurance recharged	**172**	
Dilapidation income	**70**	-
Total	**6,566**	-

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 rental 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.

Tenant 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 tenant has the option to continue the lease where, at the inception of the lease, the Directors are reasonably certain that the tenant will exercise that option.

Amounts received from tenants to terminate leases or to compensate for dilapidations are recognised in the Group Statement of Comprehensive Income when the right to receive them arises.

4. Property operating and administration expenses

	1 August 2017 to 31 March 2018 £'000	24 July 2017 to 31 July 2017 £'000
Head rent	**44**	-
Utilities	**56**	-
Insurance	**86**	-
Rates	**158**	-
Premises expenses	**497**	-
Property operating expenses	**841**	-
Investment management fees	**792**	-
Other administration expenses	**777**	-
Administration expenses	**1,569**	-
Total	**2,410**	-

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.

5. Directors' remuneration

	1 August 2017 to 31 March 2018 £'000	24 July 2017 to 31 July 2017 £'000
Neil Kirton	**20**	-
Martin Meech	**17**	-
Aimee Pitman	**17**	-
Total	**54**	-

A summary of the Directors' emoluments, including the disclosures required by the Companies Act 2006 will be set out in detail in the Directors' remuneration report in the Company's Annual Report. The Group had no employees in either period.

6. Auditor's remuneration

	1 August 2017 to 31 March 2018 £'000	24 July 2017 to 31 July 2017 £'000
Audit fee	**112**	-
Total	**112**	-

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:

	1 August 2017 to 31 March 2018 £'000	24 July 2017 to 31 July 2017 £'000
Period end annual report and financial statements	**84**	-
Subsidiary accounts for the period ended 31 March 2018	**28**	-
Total	**112**	-

Non-audit fees are comprised of the following:

	1 August 2017 to 31 March 2018 £'000	24 July 2017 to 31 July 2017 £'000
Services provided as Reporting Accountant at IPO	**403**	**-**
Advice in respect of purchase of subsidiaries and subsequent restructure	**245**	**-**
Tax advice	**9**	**-**
Other	**5**	**-**
Total	**662**	**-**

The costs relating to the services provided during the IPO have been included as share issue costs and included in the share premium account. All other costs are included in the consolidated statement of comprehensive income.

7. Finance income

	1 August 2017 to 31 March 2018 £'000	24 July 2017 to 31 July 2017 £'000
Income from cash and short-term deposits	**41**	**-**
Total	**41**	**-**

Accounting policy
Interest income is recognised on an effective interest rate basis and shown within the Group Statement of Comprehensive Income as finance income.

8. Finance expenses

Ongoing charges	1 August 2017 to 31 March 2018 £'000	24 July 2017 to 31 July 2017 £'000
Loan interest	**712**	**-**
Loan arrangement fees amortised	**121**	**-**
Bank charges	**5**	**-**
Total	**838**	**-**

Loan break fees	£'000	£'000
Break fees	**167**	**-**
Total	**167**	**-**

Accounting policy
Any finance costs that are separately identifiable and directly attributable to a liability which takes a period of time to complete are amortised as part of the cost of the liability. All other finance costs are expensed in the period in which they occur. Finance costs consist of interest and other costs that an entity incurs in connection with bank and other borrowings.

9. Taxation

Corporation tax has arisen as follows:

	1 August 2017 to 31 March 2018 £'000	24 July 2017 to 31 July 2017 £'000
Corporation tax on residual income for current period	**-**	**-**
Total	-	-

Reconciliation of tax charge to profit before tax:

	1 August 2017 to 31 March 2018 £'000	24 July 2017 to 31 July 2017 £'000
Profit before tax	**8,365**	**-**
Corporation tax at 19.00%	**1,589**	**-**
Change in value of investment properties	**(982)**	**-**
Tax exempt property rental business	**(607)**	**-**
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 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.

10. Operating leases

Operating lease commitments – as lessor

The Fund has entered into commercial property leases on its investment property portfolio. These non-cancellable leases have a remaining term of up to 39 years.

Future minimum rentals receivable under non-cancellable operating leases as at 31 March 2018 are as follows:

	31 March 2018	31 July 2017

	£'000	£'000
Within one year	**17,985**	**-**
Between one and five years	**45,451**	**-**
More than five years	**22,504**	**-**
Total	**85,940**	**-**

11. Dividends

	Pence per share	31 March 2018 £'000
For the period ended 31 March 2018		
Interim dividend paid on 9 March 2018	**1.00**	**1,660**
Total Dividends paid during the period	**1.00**	**1,660**
Paid as		
Property income distributions	**0.78**	**1,295**
Ordinary dividends	**0.22**	**365**
Total	**1.00**	**1,660**

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

No dividends were paid during the period 24 July 2017 and 31 July 2017.

Accounting policy
Dividends due to the Company's shareholders are recognised when they become payable. For interim dividends this is when they are paid.

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 following reflects the earnings and share data used in the basic and diluted EPS computations:

	31 March 2018 £'000	31 July 2017 £'000
Group earnings for EPS	**8,365**	**-**
Group specific adjustments:		
Fair value gains on investment properties	**(5,173)**	**-**
Loan break fees per note 8	**167**	**-**
Group specific adjusted earnings	**3,359**	**-**

	31 March 2018 Pence per Share	31 July 2017 Pence per Share
Basic Group EPS	**5.04**	**-**
Diluted Group EPS	**5.04**	**-**
Group specific adjusted EPS	**2.02**	**-**

	31 March 2018 Number of shares	31 July 2017 Number of shares
Weighted average number of shares in issue	**166,000,000**	**50,000**

13. UK investment property

	31 March 2018 £'000	31 July 2017 £'000
Acquisition of properties	285,827	-
Fair value gains on revaluation of investment property	5,173	-
	291,000	-
Adjustment for finance lease obligations	4,068	-
As at 31 March 2018	**295,068**	**-**

Accounting policy

Investment property comprises property held to earn rental income or for capital appreciation or both. Investment property is measured initially at cost including transaction costs. Transaction costs include transfer taxes and professional fees to bring the property to the condition necessary for it to be capable of operating. The carrying amount also includes the cost of replacing part of an existing investment property at the time that cost is incurred if the recognition criteria are met.

Subsequent to initial recognition, investment property is stated at fair value (see note 24). 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.

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

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.

14. Cash and cash equivalents

	31 March 2018 £'000	31 July 2017 £'000
Cash and cash equivalents	**6,572**	**12**
Total	**6,572**	**12**

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.

15. Trade and other receivables

	31 March 2018	31 July 2017
	£'000	£'000
Rent receivable	**3,397**	-
Prepayments	**93**	-
Other receivables	**962**	38
Total	**4,452**	**38**

Accounting policy
Rent and other receivables are recognised at their original invoiced value. An impairment provision is made when there is objective evidence that the Group will not be able to recover balances in full. Balances are written off when the probability of recovery is assessed as being remote.

16. Interest bearing loans and borrowings

	31 March 2018	31 July 2017
	£'000	£'000
Loan drawn down	**124,450**	-
Total loans drawn down	**124,450**	-
Loan arrangement fees paid in the period	**(1,476)**	-
Amortised to date	**78**	-
Unamortised loan arrangement fees	**(1,398)**	-
Loan balance less unamortised loan arrangement fees	**123,052**	-

The Group has increased their current revolving credit facility from £35 million to £105 million, for the same duration of five-years but at a reduced coupon of 2.25% above LIBOR (previously 2.40% above LIBOR). This enlarged facility is on the same terms as their existing £30 million fixed term loan with HSBC. As at 31 March 2018 £10,550,000 remained undrawn. Both credit facilities are secured on all properties within the portfolio and expire on 30 November 2022.

The debt facilities include loan-to-value of and interest cover covenants that are measured at Group level. The Group has maintained significant headroom against all measures throughout the financial period and is in full compliance with all loan covenants at 31 March 2018.

Net debt reconciliation	31 March 2018	31 July 2017
	£'000	£'000
Cash flows	**124,450**	-
Non-cash changes		

Amortisation of loan issue costs	**(1,398)**	**-**
31 March 2018	**123,052**	**-**

Leverage exposure	Maximum limit	Actual exposure
Gross method	**50**%	**41**%
Commitment method	**50**%	**44**%

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 loan.

17. Finance lease obligations

The following table analyses the minimum lease payments under non-cancellable finance leases using discount rates of between 6.50% and 10.77% for each of the following periods:

	31 March 2018	31 July 2017
	£'000	£'000
Current liabilities		
Within one year	**268**	**-**
Non-current liabilities		
After one year but not more than five years	**890**	**-**
Later than five years	**2,910**	**-**
Total	**4,068**	

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

18. Other payables and accrued expenses

	31 March 2018	31 July 2017
	£'000	£'000
Property operating expenses payable	**1,107**	**-**
Finance and administration expenses payable	**1,528**	**-**
Capital expenses payable	**2,136**	**-**
Other expenses payable	**1,307**	**-**
Trade and other payables	**6,078**	**-**
Deferred income	**3,380**	**-**
Total	**9,458**	**-**

Accounting policy
Trade and other payables are initially recognised at fair value and subsequently held at amortised cost.

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.

19. Contingent liability

The agreement to acquire the Queenslie Industrial Estate, Glasgow, as part of the acquisition of the seed portfolio at IPO, provides for additional contingent consideration of £900,000 to become payable in the event that within five years from the date of admission, relevant detailed or outline development planning permission is granted by the local planning authority and the valuer determines that the grant has increased the value of the property by not less than £900,000. The outline planning application was submitted to Glasgow City Council in August 2017 with a decision expected in the coming months. If the planning permission is granted and the overage triggered, the overall effect on net assets will be positive.

20. Share capital

Share capital

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

Ordinary shares of £0.01 each		**31 March 2018**	**31 July 2017**
		£'000	**£'000**
Issued and fully paid:			
At the start of the period	1	-	-
Shares issued on 20 September 2017	165,999,999	1,660	-
Balance at the end of the period	**166,000,000**	**1,660**	**-**

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.

Redeemable ordinary shares of £1.00 each		**31 March 2018**	**31 July 2017**
		£'000	**£'000**
At the start of the period		**50,000**	-
Shares issued	50,000	**-**	50,000
Redemption of shares	(50,000)	**(50,000)**	-
Balance at the end of the period	**-**	**-**	**50,000**

The redeemable ordinary shares of £1 each in the capital of the Company was redeemed by the Company immediately upon admission in consideration of the payment of a sum equal to the amount received by the company in payment up of the amount due on the redeemable ordinary shares. In all other respects, the rights of the redeemable ordinary shares are the same as, and rank pari passu with, the ordinary shares.

On 20 September 2017 100% of the redeemable ordinary shares were redeemed, these were 25% paid up during their existence (£12,500).

21. Share premium

	31 March 2018	**31 July 2017**
	£'000	**£'000**
Shares issued on 20 September 2017	**164,340**	-
Share issue costs	**(3,191)**	-

Transfer to capital reduction reserve	**(161,149)**	-
Balance at the end of the period	-	-

Share premium represents the excess over nominal value of the fair value of the consideration received for equity shares, net of direct issue costs.

On 17 November 2017, the Company by way of Special Resolution, cancelled the value of its share premium account, by an Order of the High Court of Justice, Chancery Division. As a result of this cancellation, £161,149,046 has been transferred from the share premium account, into the capital reduction reserve account. The capital reduction reserve account is classified as a distributable reserve.

22. Capital and reserves

Capital reduction reserve

Capital reduction reserve comprises the following amounts:

	31 March 2018 £'000	31 July 2017 £'000
At the start of the period	-	-
Transfer from share premium reserve	**161,149**	-
Capital reduction	**161,149**	-

Retained earnings

Retained earnings represent the profits of the Group less dividends paid from revenue profits to date. It should be noted that unrealised gains on the revaluation of investment properties contained within this reserve are not distributable until any gains crystallise on the sale of the investment property.

Retained earnings comprise the following cumulative amounts:

	31 March 2018 £'000	31 July 2017 £'000
Total unrealised gains on investment properties	**5,173**	-
Total revenue profits	**3,192**	-
Dividends paid from revenue profits	**(1,660)**	-
Retained earnings	**6,705**	-

23. 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. The following reflects the net asset and share data used in the basic and diluted NAV per share computations:

	31 March 2018 Pence per share
NAV (pps)	**102.12**

The NAV may be calculated as:	**31 March 2018 £'000**
Net assets attributable to ordinary shareholders	**169,514**
Net assets for calculation of NAV	**169,514**
Number of shares in issue	**166,000,000**

24. 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 variable interest rate at 2.25% above LIBOR.

Six monthly valuations of investment property are performed by Gerald Eve and CBRE, both being accredited 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 six monthly.

The valuation of the Group's investment property at fair value is determined by the external valuer on the basis of market value in accordance with the internationally accepted RICS Valuation – Professional Standards January 2017 (incorporating the International Valuation Standards).

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

The following tables show an analysis of the fair values of investment properties recognised in the statement of financial position by level of the fair value hierarchy[1]:

	31 March 2018			
Assets and liabilities measured at fair value	**Level 1 £'000**	**Level 2 £'000**	**Level 3 £'000**	**Total £'000**
Investment properties	-	-	**291,000**	**291,000**
Total	**-**	**-**	**291,000**	**291,000**

(1) Explanation of the fair value hierarchy:

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

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

The following table analyses:

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

Class	Fair value	Valuation technique	Key unobservable inputs	Range
31 March 2018	**£291,000,000**	**Income capitalisation**	**ERV**	**£38,000 - £1,504,000 per annum**
			Equivalent yield	**6.0% - 9.6%**

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

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

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

Gains and losses recorded in profit or loss for recurring fair value measurements categorised within Level 3 of the fair value hierarchy amount to £5,173,000 and are presented in the consolidated statement of comprehensive income in line item ‘fair value 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.

25. 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

Market risk is the risk that future values of investments in property and related investments will fluctuate due to changes in market prices. The total exposure at the statement of financial position date is £291,000,000 and to manage this risk, the Group diversifies its portfolio across a number of assets. The Group's investment policy is to invest in UK located warehouse assets. The Group will invest and manage its portfolio with an objective of spreading risk and, in doing so, will
maintain the following investment restrictions:

- the Group 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 gross asset value of the Group at the time of investment;
- the Group will target a portfolio with no one tenant accounting for more than 10% of the gross Contracted Rents of the Group at the time of purchase. In any event, no more than 20% of the gross assets of the Group will be exposed to the creditworthiness of any one tenant 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 Group will not invest more than 10% of its gross assets in other listed closed-ended investment funds.

Interest rate risk

Interest rate risk is the risk that the 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. The Group monitors the interest rate risk on an ongoing basis through quarterly risk monitoring

Credit risk

Credit risk is the risk that a counterparty or tenant 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 an approved counterparty, The Royal Bank of Scotland International Limited and HSBC Bank plc.

In respect of property investments, in the event of a default by a tenant, the Group will suffer a shortfall and additional costs concerning re-letting the property. The Investment Manager monitors the tenant arrears in order to anticipate and minimise the impact of details by occupational tenants.

The following table analyses the Group's exposure to credit risk:

	31 March 2018	**31 July 2017**
	£'000	**£'000**
Deposit account	**65**	**-**
Cash and cash equivalents	**6,507**	**-**
Trade and other receivables	**4,452**	**-**
Total	**11,024**	**-**

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.

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

Period ended 31 March 2018	Less than three months £'000	Three to twelve months £'000	One to two years £'000	Two to five years £'000	More than five years £'000	Total £'000
Interest bearing loans and borrowings	**-**	**2,663**	**3,547**	**135,090**	**-**	**141,300**
Trade and other payables	**3,090**	**2,988**	**-**	**-**	**-**	**6,078**
Total	**3,090**	**5,651**	**3,547**	**135,090**	**-**	**147,378**

26. Subsidiaries

Company	Country of registration, incorporation and operation	Number and class of share held by the Group	Group holding	**Capital and reserves at 31 March 2018 £'000**	**Profit after tax for the period ended 31 March 2018 £'000**
Tilstone Holdings Limited[2]	UK	63,872 ordinary shares	100%	**16,916**	**(1,108)**
Tilstone Warehouse Holdco Limited[2]	UK	94,400 ordinary shares	100%	**4,228**	**2,987**
Tilstone Industrial Warehouse Limited[1,2]	UK	23,600 ordinary shares	100%	**2,454**	**1,359**
Tilstone Retail Warehouse Limited[1,2]	UK	20,000 ordinary shares	100%	**1,014**	**40**
Tilstone Industrial Limited[1,2]	UK	20,000 ordinary shares	100%	**19,577**	**7,642**
Tilstone Retail Limited[1,2]	UK	200 ordinary shares	100%	**4,636**	**1,000**
Tilstone Trade Limited[1,2]	UK	20,004 ordinary shares	100%	**4,751**	**1,108**
Tilstone Basingstoke Limited[1,2]	UK	1000 ordinary shares	100%	**3,661**	**3,640**
Tilstone Glasgow Limited [1,2]	UK	1 ordinary share	100%	**3,457**	**3,239**
Quantum North Limited [1,2]	UK	100 ordinary shares	100%	**100**	**100**
Chip (One) Limited[3]	IOM	7,545,347 ordinary shares	100%	**259**	**259**
Chip (Two) Limited[3]	IOM	1,250,780 ordinary shares	100%	**169**	**169**
Chip (Three) Limited[3]	IOM	755,045 ordinary shares	100%	**4**	**4**
Chip (Four) Limited[3]	IOM	10 ordinary shares	100%	**352**	**352**
Chip (Five) Limited[3]	IOM	8,461,919 ordinary shares	100%	**339**	**339**
Chip (Ipswich) One Limited[3]	IOM	2 ordinary shares	100%	**-**	**-**
Chip (Ipswich) Two Limited[3]	IOM	2 ordinary shares	100%	**-**	**-**

1. *Indirect subsidiaries.*
2. *Registered office: Beaufort House, 51 New North Road, Exeter, EX4 4EP*
3. *Registered office: IOMA House, Hope Street, Douglas, ISLE OF MAN, IM1 1AP*

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.

Where such acquisitions are not judged to be an 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 on their relative fair values at the acquisition date. Accordingly, no goodwill or additional deferred taxation arises. Otherwise, acquisitions are accounted for as business combinations.

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, measured at acquisition date fair value and the amount of any non-controlling interest in the acquiree.

For each business combination, the acquirer measures the non-controlling interest in the acquiree at fair value of the proportionate share of the acquiree's identifiable net assets. Acquisition costs (except for costs of issue of debt or equity) are expensed in accordance with IFRS 3 Business Combinations.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date.

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.

On 20 September 2017 the Company acquired Tilstone Holdings Limited and Tilstone Warehouse Holdco Limited for £25,241,355, which included 100% of the issued share capital of seven special purpose vehicles.

The following table summarises the consideration paid for the acquisition, the fair value of assets acquired and liabilities assumed at the acquisition date.

On 26 March 2018 Tilstone Industrial Limited acquired from Industrial Multi Property Trust Limited a portfolio of 51 industrial assets, held in 7 Isle of Man registered entities (5 asset owning, 2 dormant). On 28 March 2018, the acquired assets and liabilities were hived into Tilstone Industrial Limited via an inter-company loan.

The initial purchase consideration was £116m in respect of the properties plus working capital balances relating to the investment properties as shown in the table below.

Consideration	**Purchase on 20 September 2017 £**	**Purchase on 26 March 2018 £**
Ordinary shares issued	16,000,000	-
Cash	8,983,674	117,897,415
Amount due at 31 March 2018	257,681	(399,016)
Total consideration transferred	**25,241,355**	**117,498,399**
Recognised amounts of identifiable assets acquired and liabilities assumed		
Investment property	133,511,791	116,000,000
Trade receivables	1,509,278	2,146,108
Prepayments & accrued income	345,494	241,312
Cash at bank	2,654,319	2,529,007
Unamortised debt issue costs	264,111	-
Trade payables	(389,311)	(624,181)
Other payables and accruals	(2,077,174)	(806,059)
Deferred income	(1,670,140)	(1,987,788)
Borrowings	(27,800,000)	-
Loan to shareholders	(81,107,013)	-
Total	**25,241,355**	**117,489,399**

27. 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 Groups 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 program.
- 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.
- New borrowings are subject to Director approval. Such borrowings will support the Group's investment program but be subject to a maximum 50% loan to value. The intention is to maintain borrowings at a level of approximately 35% loan to value.

During the period, the Group did not breach any of its loan covenants, nor did it default on any other of its obligations under its loan agreement.

28. Related party transactions

Directors

The Directors (all non-executive Directors) of the Company and subsidiaries are considered to be the key management personnel of the Group. Directors' remuneration for the period totalled £54,000 and at 31 March 2018, a balance of £nil was outstanding. Further information is given in note 5.

The initial portfolio, purchased on 20 September 2017 (as detailed in note 26) was acquired from the shareholders of Tilstone Holdings Limited and Tilstone Warehouse Holdco Limited. Mr Barrow and Mr Hope were both shareholders of these companies as well as being Non-Executive Directors of the Company. Mr Barrow and connected persons received the repayment of his loan, cash and 6,430,652 shares and Mr Hope and connected persons received the repayment of his loan, cash 6,845,966 shares for his share of the assets.

Investment Manager

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

For its services to the Company, the Investment Manager receives an annual fee at the rate of 1.1% of the Net Asset Value of the Company.

During the period, the Group incurred £792,000 in respect of investment management fees. As at 31 March 2018 £409,000 was outstanding.

Subsidiaries

As at 31 March 2018, the Company owns a 100% controlling stake in Tilstone Holdings Limited, Tilstone Warehouse Holdco Limited, Tilstone Industrial Warehouse Limited, Tilstone Retail Warehouse Limited, Tilstone Industrial Limited, Tilstone Retail Limited, Tilstone Trade Limited, Tilstone Basingstoke Limited, Tilstone Glasgow Limited, Quantum North Limited, CHIP (One) Ltd, CHIP (Two) Ltd, CHIP (Three) Ltd, CHIP (Four) Ltd, CHIP (Five) Ltd, CHIP (Ipswich) One Ltd and CHIP (Ipswich) Two Ltd. Quantum North Limited was incorporated on 27 November 2017 and is a dormant company.

29. Ultimate controlling party

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

GLOSSARY

Adjusted EPRA earnings per share (EPRA EPS)	EPRA EPS adjusted to exclude non-cash and non-recurring costs, calculated on the basis of the time-weighted number of shares in issue	**Group**	Warehouse REIT plc and its subsidiaries
AGM	Annual General Meeting	**IFRS**	International Financial Reporting Standards adopted for use in the European Union
AIC	Association of Investment Companies	**Loan to value (LTV)**	Outstanding amount of gross loan balances less cash as a percentage of property value
AIFMD	Alternative Investment Fund Managers Directive	**NAV**	Net asset value
Contracted rent	Annualised rents generated by the portfolio plus rent contracted from expiry of rent free periods and uplifts agreed at the balance sheet date	**NAV per share**	Net asset value divided by the number of shares outstanding
Earnings per share (EPS)	Profit for the period after tax attributable to members of the parent company divided by the weighted average number of shares in issue in the period	**Net initial yield (NIY)**	Contracted rental income on investment properties at the balance sheet date, expressed as a percentage of the investment property valuation, plus purchaser's costs
EPRA	European Public Real Estate Association, the industry body for European REITs	**Net rental income**	Gross rental income receivable after deduction for ground rents and other net property outgoings including void costs and net service charge expenses
EPRA earnings	IFRS profit after taxation excluding movements relating to changes in values of investment properties and the related tax effects.	**Occupancy**	Total open market rental value of the units leased divided by total open market rental value of the portfolio
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 average number of shares in issue during the year	**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
EPRA Guidance	The EPRA Best Practices Recommendations Guidelines November 2016	**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 shareholder). REITs also pay out normal dividends called non-PIDs.
EPRA NAV	A measure of NAV designed by EPRA to present the fair value of a company on a long-term basis, by excluding items such as deferred tax on property valuations	**QCA**	Quoted Companies Alliance
EPRA NAV per share	The diluted NAV per share figure based on EPRA NAV and divided by the number of shares in issue at the balance sheet date	**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
EPRA net initial yield (EPRA NIY)	Annualised rental income on investment properties at the balance sheet date, less non-recoverable property operating expenses, expressed as a percentage of the investment property valuation, plus purchaser's costs	**Total Return**	The movement in EPRA NAV over a period plus dividends paid in the period, expressed as a percentage of the EPRA NAV at the start of the period
Equivalent yield	The weighted average income return expressed as a percentage of the market value of the property, after inclusion of estimated purchaser's costs	**Weighted average unexpired lease term (WAULT)**	Average unexpired lease term to first break or expiry across the investment portfolio weighted by contracted rent
ERV	The estimated annual market rental value of lettable space as assessed by the external valuer		