

25 May 2021

Warehouse REIT plc

(the "Company" or "Warehouse REIT", together with its subsidiaries, the "Group")

RESULTS FOR THE YEAR ENDED 31 MARCH 2021

Robust financial performance with strong valuation uplift

Positioned for growth, with acquisitions and asset management enhancing exposure to e-commerce and quality of income

Warehouse REIT, the AIM-listed specialist warehouse investor, today announces its results for the year ended 31 March 2021.

Financial highlights¹

Year ended 31 March	2021	2020
Revenue	£35.8m	£30.1m
Operating profit before gains on investment properties	£24.8m	£21.1m
IFRS profit before tax	£123.1m	£20.7m
IFRS earnings per share	35.2p	8.6p
EPRA earnings per share	5.3p	6.3p
Adjusted earnings per share ²	5.3p	6.5p
Dividends per share ³	6.2p	6.2p
Total accounting return ⁴	27.7%	5.4%
Total cost ratio ⁵	29.5%	27.1%

As at	31 March 2021	31 March 2020
Portfolio valuation	£792.8m	£450.5m
IFRS net asset value	£574.1m	£263.1m
IFRS net asset value per share	135.1p	109.5p
EPRA net tangible assets per share ⁶	135.1p	109.5p
LTV ratio	24.6%	40.2%

- Strong rent collection performance, with 98.6% of the rent due in relation to the year collected as at 24 May 2021
- Paid or declared dividends of 6.2 pence per share in respect of the year, in line with target
- Successfully raised gross proceeds of £153.0 million through an equity issue in July 2020 and a further £45.9 million through a placing in February 2021, with strong support from existing shareholders and new UK and international investors
- Total portfolio valued at £792.8 million at 31 March 2021, representing a 18.8% like-for-like increase. Portfolio valuation comprised £751.9 million in relation to the investment portfolio of completed assets and £40.9 million of development property and land (31 March 2020: £433.5 million and £17.0 million)
- EPRA net tangible assets ("NTA") per share increased 23.4% to 135.1 pence (31 March 2020: 109.5 pence), driven primarily by a revaluation increase of 24.7 pence per share
- Total accounting return for the period of 27.7% (31 March 2020: 5.4%)
- Bank debt of £222.0 million and cash balances of £27.2 million at the year end, resulting in a loan to value ("LTV") ratio of 24.6% (31 March 2020: 40.2%)

Operational highlights⁷

As at	31 March 2021	31 March 2020
Contracted rent	£43.0m	£29.7m
Passing rent	£38.6m	£27.8m
WAULT ⁸ to expiry	5.8 years	5.2 years
WAULT to first break	4.7 years	4.0 years
EPRA net initial yield	4.7%	5.9%
Occupancy	95.6%	93.4%

- Impact of Covid-19 on consumer behaviour has reinforced existing favourable market trends, with the rapid acceleration of e-commerce in the last year leading to a further increase in occupational demand for warehousing, combined with continued constrained supply
- Continued to acquire attractive assets focused on e-commerce in economically relevant locations, while maintaining rigorous discipline in our investment decisions. In total, the Group acquired 17 assets, adding 2.5 million sq ft of space, for an aggregate consideration of £246.6 million and at a blended net initial yield ("NIY") of 6.0% and taking the total portfolio to 8.5 million sq ft
- Further enhanced the Group's focus on sustainability, including forming a Board-level Sustainability Committee to drive its strategy
- Successfully unlocked further value from the portfolio through asset management, diversifying the portfolio by geography and occupier type
 - 117 lease events over 1.0 million sq ft, with passing rent increasing to £38.6 million (31 March 2020: £27.8 million), including like-for-like rental growth of 2.9%:
 - Completed 54 lettings of vacant space, generating rent of £1.7 million per annum achieved at 9.2% ahead of estimated rental value ("ERV"). The ERV across the portfolio has grown by 3.7% on a like-for-like basis
 - Renewed 63 leases, securing income of £4.8 million and achieved at a 10.2% increase over previously contracted rents
 - Disposed of 11 non-core assets for aggregate consideration of £16.5 million, enabling recycling of capital into higher-returning opportunities
 - Investment portfolio capital expenditure of £1.9 million (31 March 2020: £3.5 million), to drive future rental and capital value growth
 - Occupancy continued to improve to 95.6% (31 March 2020: 93.4%). Effective occupancy, which excludes units undergoing refurbishment and units under offer to let, was 98.2% (31 March 2020: 96.5%)
 - Made further progress with generating value from surplus or adjacent land, including obtaining planning consent for 803,000 sq ft of new warehouse space at Radway Green, Cheshire, in conjunction with the adjoining landowner. Secured the adjoining 60 acres of greenfield land allocated for employment use.
- Lengthened WAULT to 5.8 years at the year end, reflecting the benefits of acquisitions and asset management

Post year end highlights

- In May 2021, the Group acquired the Cambridge South Industrial Estate, comprising 68,000 sq ft of newly built multi-let industrial units and an adjacent development site, located on the wider Dales Manor Business Park, seven miles south of Cambridge city centre and within four miles of both the Wellcome Genome Park and Granta Park. The purchase price of £20.2 million reflects a net initial yield of 4.2% on the apportioned price for the completed buildings.

Neil Kirton, Chairman of Warehouse REIT, commented:

"This was an important year in the Group's development, during which we raised nearly £200 million through well-supported equity issues. We have made excellent progress with deploying this capital, while maintaining our strong capital discipline. We also continue to add value through active asset management and look forward to delivering for shareholders and our wider stakeholders in the coming year."

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

"The Group's successful rent collection throughout the Covid-19 pandemic demonstrates the resilience of the occupier portfolio and the economic relevance of the real estate. The pandemic has reinforced the attractions of the market, in particular by materially accelerating the growth of e-commerce, which is a key source of demand for warehouse space. We remain confident in our ability to add further attractive assets to the portfolio and to extract additional value from the Group's existing holdings."

Notes

1. The Group presents adjusted earnings per share ("EPS"), dividends per share, total accounting return, total cost ratio, LTV ratio and EPRA Best Practices Recommendations as Alternative Performance Measures ("APMs") to assist stakeholders in assessing performance alongside the Group's statutory results reported under IFRS. APMs are among the key performance indicators used by the Board to assess the Group's performance and are used by research analysts covering the Group.

EPRA Best Practices Recommendations have been disclosed to facilitate comparison with the Group's peers through consistent reporting of key real estate specific performance measures. Certain other APMs may not be directly comparable with other companies' adjusted measures and are not intended to be a substitute for, or superior to, any IFRS measures of performance. EPRA EPS is set out in note 12. EPRA NTA is set out in note 23. A glossary of terms is shown at the end of this report.

2. Adjusted earnings per share is based on IFRS earnings excluding unrealised fair value gains on investment properties and derivatives, profit on disposal of investment properties and one-off costs. There were no one-off costs in the year ended 31 March 2021. One-off costs in the year ended 31 March 2020 related to the accelerated amortisation of loan issue costs following the debt refinancing and the costs of the postponed equity raise.

3. Dividends paid and declared in relation to the year, including a third interim dividend paid on 1 April 2021 and a fourth interim dividend to be paid on 30 June 2021. Dividends paid during the year totalled 4.7 pence per share (year ended 31 March 2020: 6.1 pence per share).

4. Total accounting return based on the increase in EPRA NTA per share of 135.1 pence plus dividends paid per share of 4.7 pence, as a percentage of the opening EPRA NTA of 109.5 pence per share.

5. Total cost ratio represents the EPRA cost ratio including direct vacancy cost but excluding one-off costs.

6. Following the October 2019 update to EPRA's Best Practices Recommendations Guidelines, the Group has adopted EPRA NTA, replacing our previously reported EPRA net asset value ("NAV"). A reconciliation of this change is provided within the supplementary notes. The 31 March 2020 EPRA NTA per share measure is unchanged from the previously reported EPRA NAV per share.

7. All references to contracted rent, passing rent, ERV, WAULT, NIY, net reversionary yield ("NRY"), occupancy and capital expenditure in this report relate only to the investment portfolio of completed assets and exclude development property and land. Development property and land is where the whole or a material part of an estate is identified as having potential for development. Such assets are classified as development property and land until development is completed and they have the potential to be fully income generating.

8. Weighted average unexpired lease term.

Meeting

A live webcast for investors and analysts will be held at 08:15 today and can be accessed via:

<https://webcasting.brrmedia.co.uk/broadcast/607d99460386285386cc96f2>

The conference call dial-in for the meeting is: +44 (0)330 336 9126 (Participant Passcode: 9609701)

Enquiries

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

Notes

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

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

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

The Company's shares were admitted to trading on AIM in 2017.

Forward-looking Statements

Certain information contained in these half-year 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

For many reasons this has been a year of exceptional focus and activity for both your Board and for Tilstone, the Company's Investment Advisor. I would like to begin by thanking all my colleagues for their dedication to their responsibilities during the period.

Overview

Looking back, the decisive outcome of the December 2019 election left many believing that a period of greater stability lay ahead. As it turned out, there were a number of challenges in 2020, including the UK's pending exit from the EU and the uncertainties that brought with it. Without doubt, however, the financial year has been shaped by the Covid-19 pandemic and its unprecedented impact on society. Thankfully there appear to be grounds to suggest a more optimistic outlook, after such a traumatic year.

Throughout this period, we maintained a high level of intensity in our internal communications between the Board and the Investment Advisor and in our dialogue with occupiers. The Board worked closely with Tilstone to ensure that we engaged with our occupiers with both rigour and sensitivity, where it was required. The diversity of our occupiers and the strength of our relationships with them have proved decisive in ensuring the portfolio's resilience and the successful collection of rent throughout the year. A combination of reducing the LTV target, weekly cash collection monitoring and more board meetings during lockdown helped the business manage the pandemic especially in its early months.

While the long-term impact of the pandemic is hard to assess, there is no doubt that it has accelerated some of the key trends that were apparent prior to 2020. These include the rapid acceleration of e-commerce, which we believe to be a secular development, the necessity for resilient supply chains and a growing desire for manufacturers and suppliers to be close to their end markets. We comment more on these drivers elsewhere in this report but we have long held the view that this combination of factors, together with the relatively tight supply of well-located assets, will benefit shareholders. Coupled with low starting rents across many parts of the portfolio, our investment thesis continues to be relevant.

At a portfolio level, perhaps the most noticeable development this year has been significant yield compression underpinning the increased valuation of your portfolio. In September 2017, the portfolio was valued at £108.9 million, reflecting a net initial yield of 7.0%. Three and a half years later, your assets are valued at £792.8 million, with the investment portfolio reflecting a net initial yield of 5.4%. I am delighted to say that this yield compression, in combination with attractive rental growth as a result of asset management activity and the increased interest in our sector from institutional funds, gives the Board optimism that your capital will continue to generate attractive returns.

Shareholders will remember that we were in the advanced stages of a significant equity fundraising when the UK went into its first full lockdown in March 2020. The extreme uncertainty in the markets led us to postpone this fundraising until July, when we announced an oversubscribed £153.0 million raise. Having deployed these proceeds in line with the timetable we set out at the time, we returned to the equity markets again in February 2021 and successfully raised a further £45.9 million, which has since been substantially deployed into assets that are further improving the quality of our earnings. The two fundraisings increased international ownership in the Company and brought some significant family offices and major UK institutions onto the share register, accelerating the diversification of the nature and style of owners. We expect this trend to continue following the Company's planned move to the Main Market of the London Stock Exchange.

I have previously referred to our desire to increase the WAULT across the portfolio, which at the year end was 5.8 years to expiry, against 5.2 years at 31 March 2020 and 4.6 years at 31 March 2019. We expect to see further increases in this metric, as occupiers continue to commit to longer leases.

Sustainability

As we have explained in our recent reports to you, we are committed to responsible business and take a robust approach to environmental, social and governance ("ESG") matters. We are in the early stages of what we believe will be both a rewarding financial investment for our shareholders and the driver of positive actions for our broader stakeholder base. The actions we take and the behaviours we demonstrate have a significant impact on those stakeholders. A number of these stakeholders are more regularly seeking information on how we operate and how we measure our effectiveness in this regard, which we feel is a positive development. As we continue to elevate

these priorities, we have formed a Sustainability Committee comprising members of the Board which will be attended by the Investment Advisor, Tilstone.

We have identified the most significant areas where we can have the greatest positive impact, reduce the footprint of our operations, support our occupiers and deliver value for our investors. These areas have been combined to form our strategy, split into four pillars: creating a resilient portfolio; reducing our footprint; supporting our occupiers; and embedding responsible business foundations. Against each pillar, we have defined long-term objectives supported by a roadmap of actions to guide the implementation of our strategy in the short to medium term and we anticipate being in a position to provide an update on progress when we report our interim results later this year.

Dividends and total accounting return

Our target for the year was to pay a total dividend of 6.2 pence per share, which we have achieved by declaring four quarterly dividends of 1.55 pence each. The fourth quarterly dividend was declared today and will be paid on 30 June 2021 to shareholders on the register on 4 June 2021. The total dividend for the year was 85.8% covered by adjusted earnings per share, reflecting the short-term dilution of our earnings due to the timing difference between raising new equity capital and deploying it in income-generating assets. For the year ending 31 March 2022, we continue to target a total dividend of 6.2 pence.

Our total accounting return for the year was 27.7%, which was well ahead of our target of 10% per annum. This reflected substantial growth in the underlying value of the portfolio, as discussed below.

Financial and operational highlights

The EPRA NTA per share at 31 March 2021 was 135.1 pence, up 23.4% from 109.5 pence per share at 31 March 2020. The primary driver of the increase in the year was the strong valuation uplift, which reflected like-for-like valuation growth of 18.8%. This was the result of the yield compression referred to above, the continued growth in rents and the benefits of asset management.

At the year end, the Group had net debt of £194.8 million (31 March 2020: £181.0 million), giving an LTV ratio of 24.6%. Our short-term intention is to have a maximum LTV of around 35%, compared to a previous target range of up to 40%. This recognises the need for prudence in uncertain times, although it does reduce the potential to grow earnings.

As a result of new acquisitions during the period, we now have over 600 occupiers across more than 8.5 million sq ft of single and multi-let space. Reflecting the resilience of the occupational market during the year, the strength of the relationships the Tilstone team has with our occupiers and their local market knowledge, 117 lease events were completed during the year. 54 new leases and 63 lease renewals were agreed, delivering like-for-like rental growth of 2.9% and an increase in the portfolio occupancy to over 95%. This would be a strong performance in a normal year, but when delivered during a period that saw three national lockdowns and against a backdrop of a near 10% decline in headline gross domestic product, it is even more impressive.

Governance

The Board continues to review your Company's strategy, to ensure it remains appropriate as market conditions evolve. During the year we held our annual strategy day, chaired by my fellow Director Aimée Pitman, who is a strategy specialist. This confirmed our view that the investment policy will continue to generate value for shareholders and reaffirmed our commitment to further developing our ESG approach.

Your Board continues to work very effectively with Tilstone and we conduct a formal review every year of the contractual arrangements with them. On the third anniversary of our Investment Management Agreement, Aimée Pitman (as Chair of the Management Engagement Committee) and I undertook a shareholder consultation exercise. Working with all the relevant stakeholders, we were delighted to be able to progress the agreement on the basis of a two-year rolling notice period. The Board's continuing view is that Tilstone have performed ahead of expectation. Throughout the relationship they have made good decisions, been open to challenge and at all times behaved with a commitment to high ethical standards and the consideration of our wider stakeholder base.

Outlook

We have now completed three and a half years as a public company. During this financial year just gone, and against the backdrop of the global pandemic, we have declared or paid 6.2 pence in dividends to our shareholders and at the year end our share price was 126.0 pence. The journey, however, is far from over. The Board members have a strong belief that your chosen asset class will continue to generate attractive returns, underpinned by permanent structural and societal shifts. We intend to judiciously deploy further capital, while successful asset management will drive both rental growth and meaningful upside opportunities in underexploited areas of the portfolio. We continue to identify attractive opportunities to grow the portfolio through acquisition and asset management and look forward to the year ahead with confidence.

Neil Kirton
Chairman

24 May 2021

Our objectives and strategy

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

Our objectives

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

Total accounting return		
10% per annum Our target is at least 10% per annum, through a combination of dividends and growth in NAV	Outcome in 2020/21 Achieved The total accounting return for the year was 27.7%	Plan for 2021/22 We continue to target a return of at least 10% per annum.
Dividends		
6.2 pence Our target for the year was a total dividend of 6.2 pence per share	Outcome in 2020/21 Achieved We declared total dividends of 6.2 pence per share.	Plan for 2021/22 Our target dividend for 2021/22 is at least 6.2 pence per share.

Our strategy

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

<p>Investment strategy</p> <p><u>Location</u> We look for attractive sites, close to major transport links and large conurbations, with a high level of occupier demand and suitable local workforce.</p> <p><u>Optionality</u> We look for buildings with a range of different uses and long-term flexibility, including the potential to change permitted use.</p> <p><u>Buildings</u> We look for buildings that match occupiers' current and future needs. Multi-let estates spread risk and offer more asset management opportunities than single-let assets. Rental increases can also be reflected across the estate. We generally target buildings of less than 100,000 sq ft and have an average size of 10,000 sq ft.</p>	<p>During the year we:</p> <ul style="list-style-type: none"> acquired 17 assets for £246.6 million, at a NIY of 6.0%; added 2.5 million sq ft to the portfolio; further diversified the portfolio by size of building and location; and further enhanced the occupier mix, adding strong new covenants and increasing exposure to existing major occupiers. 	<p>Post year end</p> <ul style="list-style-type: none"> acquired 68,000 sq ft of multi-let industrial units and an adjacent development site, located seven miles south of Cambridge city centre and within four miles of both the Wellcome Genome Park and Granta Park. The purchase price of £20.2 million reflects a net initial yield of 4.2% on the apportioned price for the completed buildings. 	<p>Measured by</p> <p>Like-for-like valuation increase EPRA NAV Dividend per share</p> <p>Risks Poor performance of the Investment Advisor Poor returns on portfolio Acquisition of inappropriate assets or unrecognised liabilities, or a breach of investment strategy</p>
<p>Asset management strategy</p> <p>We budget to spend 0.75% of our gross asset value ("GAV") on capital expenditure each year, with a target return of at least 10%. We also target a vacancy level of 5-7%, since vacant properties allow us to carry out asset management activities. Improving the sustainability performance of our assets, for example by improving their energy efficiency, is an important part of maintaining property values and occupier appeal.</p>	<p>During the year we:</p> <ul style="list-style-type: none"> despite local lockdown restrictions, invested £1.9 million or 0.2% of GAV in capital expenditure; completed 54 new lettings, at rents 9.2% ahead of ERV; completed 63 lease renewals, with a 10.2% increase in headline rents; disposed of 11 assets for a total of £16.5 million, 	<p>Post year end</p> <ul style="list-style-type: none"> completed 8 new lettings, at rents 5.1% ahead of ERV; and completed 17 lease renewals, with a 10.8% increase in headline rents. 	<p>Measured by</p> <p>Occupancy Like-for-like rental income growth Rental increases agreed versus valuer's ERV</p> <p>Risks Poor performance of the Investment Advisor</p>

	<p>realising a £0.5 million loss on sale; and</p> <ul style="list-style-type: none"> progressed our development projects at Queenslie Industrial Estate, Glasgow, and Radway Green, Crewe. 		
<p>Financial strategy We fund the business through shareholders' equity, bank debt and any disposal proceeds we generate. We look to raise equity at times when we can make investments that are accretive to shareholders. Our strategy for debt financing is to maintain a prudent level of debt, with a LTV range of 30-40% in the longer term. We look to hedge the interest on a proportion of our debt, to provide certainty over our financing costs.</p>	<p>During the year we:</p> <ul style="list-style-type: none"> raised £153.0 million of new equity in July 2020; raised a further £45.9 million of new equity in February 2021; and raised disposal proceeds of £16.5 million (see above). 	<p>Post year end</p> <ul style="list-style-type: none"> acquisition of multi-let estate near Cambridge, increased LTV, closer to the target range. 	<p>Measured by Loan to value ratio</p> <p>Risks Significant volatility in interest rates Inability to attract investors Breach of borrowing policy or loan covenants</p>

Key performance indicators

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

Occupancy

2018: 93.1%

2019: 92.0%

2020: 93.4%

2021: 95.6%

Description

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

Why is this important?

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

How we performed

The increase in occupancy reflects the success of our asset management initiatives. Effective occupancy (excluding units being refurbished or under offer) was 98.2% (31 March 2020: 96.5%).

Like-for-like rental income growth

2019: 2.1%

2020: 2.0%

2021: 2.9%

Description

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

Why is this important?

Shows our ability to identify and acquire attractive properties and grow average rents over time.

How we performed

We continued to deliver good rental growth from the portfolio, with a 2.9% like-for-like uplift, showing the benefits of asset management and continued favourable market conditions.

Rental increases agreed versus valuer's ERV

2018: 7.3%

2019: 10.0%

2020: 5.1%

2021: 4.3%

Description

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

Why is this important?

Shows our ability to achieve superior rental growth through asset management and the attractiveness of our assets to potential occupiers.

How we performed

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

Like-for-like valuation increase

2019: 4.3%

2020: 2.5%

2021: 18.8%

Description

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

Why is this important?

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

How we performed

The valuation of the portfolio continued to increase during the year, reflecting market yield compression and the benefits of asset management.

Total cost ratio

2018: 34.5%

2019: 29.4%

2020: 27.1%

2021: 29.5%

Description

EPRA cost ratio including direct vacancy costs but excluding one-off costs. The EPRA cost ratio is the sum of property expenses and administration expenses, as a percentage of gross rental income.

Why is this important?

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

How we performed

The total cost ratio increased due to the timing difference between raising cash and capital deployment. We expect this ratio to decline in the year ending 31 March 2022, as we receive a full year of income from assets acquired in the current year.

EPRA NTA

2018: 102.1p

2019: 109.7p

2020: 109.5p

2021: 135.1p

Description

This net asset value measure assumes entities buy and sell assets, thereby crystallising certain levels of deferred tax liability.

Why is this important?

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

How we performed

The EPRA NTA increased by 23.4% during the year, largely due to the increase in the portfolio's valuation.

Dividends per share

2018: 2.5p

2019: 6.0p

2020: 6.2p

2021: 6.2p

Description

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

Why is this important?

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

How we performed

We achieved our dividend target for the year of 6.2 pence per share.

Loan to value ratio

2018: 40.5%

2019: 39.7%

2020: 40.2%

2021: 24.6%

Description

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

Why is this important?

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

How we performed

After engagement with our shareholders, we took the decision to maintain debt levels below our target of 35%

Investment Advisor's report

Introduction

This was a highly active year for the Group, against the backdrop of the Covid-19 pandemic and growing investor interest in the secure income offered by the sector. The Company raised gross proceeds of nearly £200 million through equity issues and invested a total of £246.6 million in high-quality assets, with a blended net initial yield of 6.0%.

The strong occupier relationships we have developed contributed to highly successful rent collection during the year, despite the numerous challenges caused by the pandemic. This also reflected the resilience of the portfolio and the well-diversified base of occupiers, who range from local businesses to the largest multinational companies, across many different sectors.

In addition, the Group has continued to develop its approach to sustainable business.

Acquisitions

The Group continued to add attractive assets to its portfolio throughout the year. These acquisitions targeted space for e-commerce-related operations in economically relevant locations and further improved the quality of income. The acquisitions in the year were a mix of multi-let assets, of the type the Group has primarily purchased since IPO, as well as further single-let assets. The Group has been able to increase the number of single-let assets it holds, which typically offer both longer-dated and more secure income, as the portfolio's expansion in recent years means it now has in-built diversification. As a result of the acquisitions in the year, Amazon is the Group's largest occupier, making up 8.7% of the contracted rent roll at the year end.

First quarter acquisitions

The Group acquired Knowsley Business Park, which is located opposite its existing Nexus estate. The asset comprises five modern purpose-built units totalling 116,000 sq ft, which are fully let to two strong covenants. The purchase price of £7.9 million, reflected a NIY of 7.1%. The business park offers both near term and longer-term asset management opportunities, including the potential for lease extensions.

Second quarter acquisitions

The Group acquired two single-let warehouse assets for a total consideration of £82.3 million, reflecting a blended NIY of 5.4% and a combined WAULT of nine years:

- A prime 501,000 sq ft fulfilment centre in Chesterfield, for £57.3 million. The asset is let to Amazon UK Limited on a full repairing and insuring lease, with over 13 years remaining on acquisition. The lease benefits from five-yearly upward-only rent reviews, with no breaks, and a low passing rent.
- A 374,000 sq ft single-let warehouse in Middlewich, Cheshire, for £25.0 million. The asset is occupied by Wincanton Holdings Limited and offers both short and long-term asset management opportunities. The lease had 3.5 years remaining on acquisition and a low passing rent of approximately £5 per sq ft. Following this and subsequent acquisitions, the Group now has holdings totalling over 560,000 sq ft at Middlewich.

Third quarter acquisitions

The Group purchased a 574,000 sq ft warehouse portfolio for £43.6 million, reflecting a blended NIY of 6.7%. On acquisition, the portfolio was 90% let and generated contracted annual rent of £2.95 million with a WAULT of 5.5 years.

The individual assets are:

- Gateway Park, a 28-unit industrial estate totalling 220,000 sq ft, close to Birmingham Airport and the M42. The park is let to a high-quality occupier mix including FedEx, Circle Express and Swissport.
- A 50,000 sq ft unit on Viabes Business Park in Basingstoke, serving as the European headquarters for TaylorMade on a lease expiring in 2026 and guaranteed by Adidas. The property is let off a low passing rent of below £9 per sq ft and is ideally located for the town centre and M3 motorway.
- Chittening Industrial Estate in Avonmouth, near Bristol and the M49. This 200,000 sq ft, ten-unit scheme is let to a diverse range of occupiers including Palletways UK, Encon Insulation and DS Smith.
- A three-unit warehouse property on Newport Road, Cardiff, totalling 50,000 sq ft.
- A 54,000 sq ft warehouse in Ebbw Vale, South Wales, leased to DHL on an eight-year term, off a low rent of £3.31 per sq ft.

In Milton Keynes, the Group purchased Granby Trade Park for £17.5 million, at a NIY of 5.7%. The estate comprises 24 urban logistics and trade counter units across 147,000 sq ft and has excellent transport connectivity. There is potential to increase the rental tone through refurbishments and to enhance the occupier mix. On acquisition, the estate generated £1.1 million of income from 16 occupiers across 19 of the units, with a low average rent of £7.20 per sq ft. Almost half the space is secured for over eight years.

Towards the end of the quarter, the Group bought a portfolio of four single-let and multi-let distribution warehouse assets for £18.6 million, at a blended NIY of 6.1%. The assets total 200,000 sq ft and are situated in strategic last-mile distribution hubs in the North West and West Midlands. On acquisition, the portfolio was 100% occupied and generated income of £1.22 million per annum. The average rent of £6.1 per sq ft is reversionary and offers good potential for rental growth. The portfolio had a WAULT of approximately five years, with opportunities to increase the longevity of income in the short term.

Fourth quarter acquisitions

The Group acquired two adjacent distribution warehouses in Harlow for £13.9 million including costs, reflecting a NIY of 8.6%. The 115,000 sq ft unit is the UK distribution hub for a global beauty and cosmetics company, with over four years remaining on the lease. The 62,000 sq ft unit is let to a specialist in shop fittings and supplies on a short-term lease. The assets have significant potential to capture rental growth, as well as longer-term asset management opportunities.

In Speke, Liverpool, the Group acquired four modern warehouse units ranging from 74,000 sq ft to 163,000 sq ft and totalling 390,000 sq ft. The purchase price of £35.0 million reflected a NIY of 5.5%. Boulevard Industry Park is one of Liverpool's most successful and popular business locations. The properties are let to three occupiers in the automotive and pharmaceutical sectors, generate a net rental income of £2.1 million per annum, equating to a low average rent of £5.31 per sq ft, and provide a WAULT of over seven years.

At Glasgow Airport Business Park, the Group purchased three units totalling 55,600 sq ft for £5.3 million, reflecting a net initial yield of 6.3%. The units are occupied by two global transport, logistics and delivery companies and a craft beer distributor. On acquisition, the average passing rent was low (£6.40 per sq ft) and the WAULT was more than four years to expiry.

Pipeline

We continue to screen a substantial amount of stock on the Group's behalf, enabling us to identify attractive opportunities to acquire e-commerce-focused assets that will be accretive to shareholder value. While the significant attractions of the sector mean yields have compressed during the year, we remain highly selective and will not compromise on asset quality in exchange for higher yields.

Asset management

Working with occupiers

Maintaining strong relationships with the Group's occupiers has always been central to the business model. The Covid-19 pandemic has reinforced the importance of this approach, which supported the Group's ability to maintain a high level of rent collection throughout the year. During the first half of the financial year in particular we were in regular contact with occupiers, so we could understand the impact of the pandemic on their businesses and provide appropriate support where needed. This included allowing some occupiers to temporarily pay rent on a monthly basis rather than quarterly. Some occupiers have also required additional space to cope with higher demand.

The Group's rent collection performance demonstrates the strength of its occupier relationships. As at 24 May 2021, the Group had collected 98.6% of the total rent due for the year.

While a few of the Group's smaller occupiers did cease trading this year, the level of bad debts remains low (see the financial review for more information). The Group has been successful in reletting the affected units at higher rents.

We continue to carry out analysis that allows us to assign the equivalent of a bond rating to occupiers, so we can assess the spread of credit risk across the portfolio. This enables us to strategically target specific occupiers or units from an asset management perspective. More generally, we see occupiers using warehouse space more efficiently, allowing them to increase the revenue they generate using the Group's assets. This in turn makes their rental payments a smaller proportion of their revenue, further increasing the security of the Group's income and the prospects for rental growth.

To support our ability to effectively manage the Group's portfolio and maintain strong occupier relationships, we have added a further two members to the asset management team and expect to continue to add resource in the coming months.

Disposals

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

The Group disposed of a further 11 assets in the year, for gross proceeds of £16.5 million. These assets included retail warehouses, offices and some smaller warehouse units that we assessed as being non-core. The portfolio remains under constant review to identify further opportunities to increase efficiency and dispose of any assets that are considered ex-growth or non-core.

Capital expenditure

Carefully targeted capital expenditure is key to enhancing the quality of the Group's assets. It enables us to attract occupiers, increase rental levels and capital values, and support occupiers' growth plans, through value-enhancing improvements or extensions to units, in exchange for higher rents or extended leases. The Group therefore aims to invest around 0.75% of its gross asset value ("GAV") in capital expenditure each year. This excludes investment in development projects and is calculated based on GAV excluding developments.

Total capital expenditure in the year amounted to £2.6 million (31 March 2020: £3.7 million) despite local lockdown restrictions, continuing the strategy of refurbishing vacant units, resulting in strong occupier interest, growth in ERV and enhanced capital value in these properties during the year to 31 March 2021. At the year end, approximately 1.5% of the portfolio's ERV was under refurbishment (31 March 2020: 2.1%).

Leasing activity

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

Lease lengths continue to increase, with an average length for new leases and renewals of 7.5 years. This reflects both our occupiers' confidence in their businesses and the shortage of available space in key locations.

New leases

The Group secured 54 new leases on 270,000 sq ft of space during the year. These will generate annual rent of £1.7 million, achieved at 9.2% ahead of the ERV. The level of incentives remains steady.

Key examples of new lettings in the year included:

- a new ten-year lease with a break at year three, for a 17,600 sq ft unit at Air Cargo Centre in Glasgow, to a large distribution business. The rent of £105,540 per annum represents a 9.4% premium to the 31 March 2020 ERV and confirms the rental tone for the estate;
- a new five-year lease with a break at year three, for a 20,600 sq ft unit at Farthing Road Industrial Estate, Ipswich to an e-commerce furniture retailer. The rent of £103,120 per annum represents a 19.9% premium to the 31 March 2020 ERV and further establishes the rental tone for the estate;
- a new ten-year lease with a break at year five, for a 16,700 sq ft unit at Delta Drive, Tewkesbury, to the UK distribution company of an international engineering components group. The rent of £109,500 per annum represents a 49.5% premium to the 31 March 2020 ERV and further supports the rental tone for the estate;
- a new five-year lease, for a 21,000 sq ft unit at Witan Park, Witney, Oxfordshire, to an international motor sport company. The rent of £157,740 per annum represents a 2.7% premium to the 31 March 2020 ERV and marks a significant letting following the recently completed comprehensive refurbishment of the units, setting a new tone 15% higher than the previous highest rent achieved on the estate.

Lease renewals

The Group continues to retain the majority of its occupiers, with 73% remaining in occupation at lease expiry and 69% with a break arising in the year.

In total, there were 63 lease renewals on 778,400 sq ft of space during the year. The renewals resulted in an average uplift of 10.2% above the previous passing rent and 2.6% above the ERV.

Examples of notable lease renewals included:

- a ten-year lease renewal, with no breaks, with Iron Mountain, at 1 Stretton Road, Warrington. The agreement reflects a 26.2% uplift to the previous rent paid, with a headline rent of £615,000 per annum or £5.80 per sq ft;
- a combined ten-year lease renewal on two units (along with simultaneously taking a third unit on a new lease), with a year five break, at North Seaton Industrial Estate, Ashington to a clothing company looking to expand and sell more online. The renewals reflect a 28% uplift to the previous rent paid and an increase of 14.5% ahead of the 31 March 2020 ERV;
- a five-year lease extension on 319,400 sq ft with John Lewis at Brackmills, Northampton, taking the unexpired term certain to eight years. The agreement includes a minimum uplift at the next rent review which would show a 4.3% uplift on the current passing rent; and
- a five-year lease extension on 49,200 sq ft with a major car retailer at Meridian Business Park, Leicester taking the unexpired term certain to over ten years. The agreement includes a settlement of the forthcoming rent review at a 24% increase on the previous rent.

Development activity

We look to extract value from unused or underutilised land, either on or adjacent to the Group's estates. In doing so, our aim is to obtain new assets for the portfolio at a yield ahead of acquiring a similar standing investment, therefore extracting value for the Group. The Group will not build new accommodation without first achieving a pre-let on at least some of the proposed space. The Company's investment policy limits investment in development activity to 15% of GAV at the time of purchase. Development also provides an opportunity to accelerate the ongoing improvements in the sustainability characteristics of the portfolio.

In March 2021, we were pleased to secure planning approval in respect of Radway Green, the Group's 25-acre multi-let industrial estate in Crewe, Cheshire. The application was submitted in collaboration with the adjoining landowner, for a combined 803,000 sq ft across six new high-bay warehouse units, ranging from 22,000 sq ft to 340,000 sq ft. We applied for and received detailed consent on two of the units and outline consent on the remainder. The planned development retains some existing space which is currently income producing, while utilising the estate's undeveloped areas. We intend to implement the scheme in a number of phases, to both maximise retained income and meet occupier demand. In the near term, we will look to invest in the site's infrastructure to prepare it for pre-lets, with initial occupational demand being encouraging.

We have also secured the adjoining 60 acres of existing greenfield land which has been allocated in the local plan for employment use, with potential for over 1.0 million sq ft of warehouse space. The enlarged scheme has the potential to create a multi-let scheme of regional significance.

We continued to make good progress with the planned development at Queenslie Industrial Estate, Glasgow. Substantial progress has been made to clear the planning conditions, in anticipation of placing certain plots under offer by way of pre-lets. Securing these pre-lets would enable work to start on site in the near term.

Portfolio analysis

The acquisitions and asset management activity during the year contributed to the portfolio valuation of £792.8 million at the year end (31 March 2020: £450.5 million), across a total of 8.5 million sq ft of space (31 March 2020: 6.2 million sq ft).

The table below analyses the portfolio as at 31 March 2021:

Warehouse Location	Valuation £'m	Occupancy	Net Initial Yield	Net Reversionary Yield	Lease length to expiry Years	Lease length to break Years	Average rent £ per sq ft	Average capital value £ per sq ft
Southern England	247.4	95.9%	6.0%	6.6%	5.5	4.4	6.17	89.41
Northern England	234.6	97.0%	4.6%	4.9%	5.5	4.3	5.05	99.88
Midlands	200.7	95.8%	5.2%	5.7%	6.6	6.0	5.41	91.41
Rest of UK	69.2	91.4%	6.3%	7.3%	5.7	3.7	5.04	64.06
Total	751.9	95.6%	5.4%	5.9%	5.8	4.7	5.51	89.60
Development Land	40.9							
Total	792.8							

At the year end, the contracted rent roll for the Group's investment portfolio, which comprises the completed buildings and excludes development property and land, was £43.0 million, compared with the ERV of £47.2 million. In addition, the Group had contracted rent of £0.6 million from development property. Contracted rents increased by 2.9% on a like-for-like basis, showing the benefits of asset management and the underlying rental growth in the market.

The NIY of the investment portfolio was 5.4% at 31 March 2021, with a reversionary yield of 5.9%. The ERV typically assumes that a unit is re-let in its current condition and does not take account of the potential to increase rents through refurbishment, repositioning or change in permitted planning use. As noted above, the Group's asset management programme is unlocking the portfolio's reversionary potential.

The WAULT for the investment portfolio stood at 5.8 years at 31 March 2021 (31 March 2020: 5.2 years). This reflects the benefits of the acquisitions and asset management in the year, offsetting the natural reduction in WAULT over time. Occupancy across the investment portfolio increased to 95.6% at the year end (31 March 2020: 93.4%), reflecting the strength of occupier demand and the quality of the Group's assets. Effective occupancy across the investment portfolio, which excludes units under offer to let or undergoing refurbishment, was 98.2% at the year end (31 March 2020: 96.5%), with 1.1% of the investment portfolio under offer to let and a further 1.5% undergoing refurbishment at that date.

The changes to the portfolio over the last three years, in terms of both acquisitions and disposals, have resulted in a marked increase in the size and quality of the Group's assets. At 31 March 2018, the Group owned 881 units across 92 assets, with an average unit size of c.5,000 sq ft and average value per asset of £3.2 million. At 31 March 2021, the number of units had reduced to 838 across 101 assets, reflecting the ongoing disposal of estates with larger numbers of small units. The average unit size had doubled to c.10,000 sq ft, with an average value per asset of £7.8 million.

Financial review

Performance

Rental income rose 20.0% to £34.2 million (year ended 31 March 2020: £28.5 million), primarily as a result of asset acquisitions in the year, a full year of revenue from assets purchased during the prior year and rental growth captured through asset management. EPRA like-for-like rental income increased by 0.7%.

Total revenue, which includes insurance recharges, dilapidation income and any surrender premiums, was £35.8 million. (Total revenue in the year ended 31 March 2020 was £30.1 million, including a £0.8 million surrender premium and dilapidations payment in respect of units taken back at Witney.)

The Group's operating costs include its running costs (primarily the management, audit, company secretarial, other professional and Directors' fees), and property-related costs (including legal expenses, void costs and repairs). Total operating costs for the year were £10.9 million (year ended 31 March 2020: £9.0 million, including £0.4 million of one-off costs related to an equity raise that was postponed until the current year). The Investment Advisor fee for the year increased by £1.6 million, primarily as a result of the increase in net assets following the completion of the equity raise in the first half (see equity financing below) and the like-for-like increase in the portfolio valuation of 18.8%. Despite the economic impact of the Covid-19 pandemic, the net movement in the loss allowance only increased £0.4 million (year ended 31 March 2020: £0.1 million), reflecting the quality and diversity of the Group's occupier base and the strength of its relationships with them.

We continue to exercise tight control of the Group's costs. The total cost ratio, which is the EPRA cost ratio including direct vacancy costs, was 29.5% (year ended 31 March 2020: 27.1% excluding one-off costs). We expect this to reduce during the year ending 31 March 2022, as a number of the Group's costs are fixed or semi-fixed and the Group will benefit from a full year of income from recently acquired assets. The ongoing charges ratio, representing the costs of running the REIT as a percentage of NAV, was 1.4% (year ended 31 March 2020: 1.9%, excluding one-off costs).

The Group completed the sale of 11 assets during the year, generating proceeds of £16.5 million (year ended 31 March 2020: 12 assets for proceeds of £16.7 million). This resulted in a modest loss on disposal of £0.5 million (year ended 31 March 2020: profit of £0.9 million).

At 31 March 2021, the Group recognised a gain of £105.0 million on the revaluation of its investment properties (year ended 31 March 2020: gain of £5.1 million).

Net financing costs, which include the interest costs associated with the Group's revolving credit facility ("RCF") and term loan (see debt financing and hedging), totalled £6.2 million (year ended 31 March 2020: £6.5 million). The charge in the prior year included a one-off cost of £0.4 million, relating to the accelerated amortisation of loan issue costs following the refinancing of the Group's debt facilities during the year ended 31 March 2020.

Statutory profit before tax for the year was £123.1 million (year ended 31 March 2020: £20.7 million).

As a REIT, the Group's profits and capital gains from its property investment business are exempt from corporation tax. The corporation tax charge for the period was therefore £nil (year ended 31 March 2020: £nil).

Earnings per share ("EPS") under IFRS was 35.2 pence (year ended 31 March 2020: 8.6 pence). EPRA EPS was 5.3 pence (year ended 31 March 2020: 6.3 pence, or 6.5 pence excluding one-off costs). Both EPS measures reflect the short-term dilutive impact of the equity issues, which increased the weighted average number of shares in issue ahead of the full deployment of funds in accretive acquisitions.

Dividends

The table below sets out the interim dividends declared in respect of the year ended 31 March 2021:

Quarter to	Declared	Paid	Amount (pence)
30 Jun 2020	30 July 2020	2 Oct 2020	1.55
30 Sep 2020	3 Nov 2020	31 Dec 2020	1.55
31 Dec 2020	26 Jan 2021	1 Apr 2021	1.55
31 Mar 2021	24 May 2021	30 June 2021	1.55
Total			6.20

The total dividend for the year of 6.2 pence per share was in line with target. All four interim dividends were paid in full as property income distributions.

The total dividend was 85.8% covered by EPRA EPS, reflecting the short-term dilutive impact of the equity raises, as noted above.

The cash cost of the total dividend paid during the year was £15.6 million (year ended 31 March 2020: £14.7 million), reflecting the increase in the number of shares in issue.

Valuation and net asset value

The portfolio was independently valued by CBRE as at 31 March 2021, in accordance with the internationally accepted RICS Valuation - Professional Standards January 2020 (incorporating the International Valuation Standards).

The portfolio valuation of £792.8 million (31 March 2020: £450.5 million) represented a 18.8% like-for-like increase in the valuation, taking into account the capital expenditure in the year of £2.6 million. The like-for-like valuation increase was primarily driven by yield compression, as well as benefiting from income growth. The EPRA NIY was 4.7% (31 March 2020: 5.9%).

The valuation resulted in an EPRA NTA of 135.1 pence per share at the year end (31 March 2020: 109.5 pence per share). This primarily reflects the revaluation gain noted above, equivalent to 24.7 pence per share.

Equity financing

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

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

On 5 February 2021, the Company raised gross proceeds of approximately £45.9 million through the placing of 37,934,400 new shares at 121.0 pence per share. This represented a premium of 2.2% to the EPRA NTA of 118.4 pence at 30 September 2020.

Debt financing and hedging

The Group has a debt facility with a club of four banks: HSBC, Bank of Ireland, Royal Bank of Canada and Barclays. The facility runs for five years from January 2020 and comprises an RCF of £63.0 million and a term loan, which increased from £157.0 million to £182.0 million during the second half of the year, as the Group drew on £25.0 million of the £80.0 million accordion included with the facility. The facility has an option to extend for a further two years, and a remaining accordion of a further £55.0 million.

The term loan was fully drawn at the year end, while £40.0 million was drawn against the RCF. Total debt at the year end was therefore £222.0 million (31 March 2020: £186.5 million), with the Group also holding cash balances of £27.2 million (31 March 2020: £5.5 million). The LTV ratio at 31 March 2021 was therefore 24.6% (31 March 2020: 40.2%).

The Group has two interest rate caps of £30.0 million each. They run until November 2022 and November 2023 and have respective rates of 1.50% and 1.75%, excluding lending margin. At the period end, the Group had therefore hedged the interest costs on 27.0% of its debt. There were no changes to the Group's interest rate hedging arrangements during the year.

Post year end activity

On 18 May 2021, the Group acquired the Cambridge South Industrial Estate, comprising 68,000 sq ft of newly built multi-let industrial units and an adjacent development site, located on the wider Dales Manor Business Park, seven miles south of Cambridge city centre and within four miles of both the Wellcome Genome Park and Granta Park. The purchase price of £20.2 million reflects a net initial yield of 4.2% on the apportioned price for the completed buildings.

Compliance with the investment policy

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

Investment policy	Status	Performance
The Group will only invest in warehouse assets in the UK.	✓	All of the Group's assets are UK-based urban warehouses.
No individual warehouse will represent more than 20% of the Group's last published gross asset value ("GAV"), at the time it invests.	✓	The largest individual warehouse represents 9.0% of GAV.
The Group will target a portfolio with no one occupier accounting for more than 15% of its gross contracted rents at the time of purchase. No more than 20% of its gross assets will be exposed to the creditworthiness of a single occupier at the time of purchase.	✓	The largest occupier accounts for 8.7% of gross contracted rents and 12.4% of gross assets.
The Group will diversify the portfolio across the UK, with a focus on areas with strong underlying investment fundamentals.	✓	The portfolio is well-balanced across the UK.
The Group can invest no more than 10% of gross assets in other listed closed-ended investment funds.	✓	The Group held no investments in other funds during the year.
The Group will 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, the Group did not undertake any speculative development in the period.
<p>The Group may invest directly, or through forward funding agreements or commitments, in developments (including pre-developed land), where:</p> <ul style="list-style-type: none"> the structure provides us with investment risk rather than development risk; the development is at least partially pre-let, sold or de-risked in a similar way; and we intend to hold the completed development as an investment asset. <p>The Group's exposure to these developments cannot exceed 15% of gross assets at the time of purchase.</p>	✓	The Group made no investments or financial commitments to pure speculative developments in the period.
The Group views an LTV of between 30% and 40% as optimal over the longer term but can temporarily increase gearing up to a maximum LTV of 50% at the time of an arrangement, to finance value enhancing opportunities.	✓	The LTV at 31 March 2021 was 24.6%.

Investment Manager

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

Tilstone Partners Limited
Investment Advisor

24 May 2021

RISK MANAGEMENT AND PRINCIPAL RISKS

Our framework and approach

Overall responsibility for managing risk rests with the Board, whose approach is set out in a formal risk management framework. Recognising and assessing risk and opportunity is at the heart of the Group's decision making, and the steps set out in the risk framework to enable this are as follows:

- **Capture** - Regular, formal review and recording of risks
- **Evaluate** – Assessment of the risk, against a standardised scale of likelihood and impact. We assess both the inherent and current risk, to understand where we rely most heavily on the controls and risk mitigations in place
- **Manage and mitigate** – Identification and considerations of the controls in place, and agreement of any additional actions required
- **Monitor** – Regular review of risks, to ensure the information captured remains relevant, accurate and current. Conditions for risks may change from time to time, including the emergence of additional causes or impacts resulting in a requirement for further management. The status of additional risks is tracked.

The information gathered through these steps enables the Board to consider its corporate risks, understand and agree its principal risks, and assess the effectiveness of the controls put in place to mitigate them.

The Audit Committee has considered the effectiveness of the risk management process, and reviewed the corporate risks and those risks which the Board considers to be principal risks. The Committee has also reviewed information relating to actions taken and the effectiveness of mitigating controls, prior to advising the Board.

The Board has carried out its own robust assessment and agreed the list of principal risks, taking into account the risks that could threaten our business model, future performance, solvency or liquidity, as well as our strategic objectives. To gain a comprehensive understanding of the risks facing the business, the Board and Audit Committee also receive presentations from the Investment Manager and Investment Advisor, as well as other external advisors.

There were no significant weaknesses identified in the risk management process during the year, and no changes were made to the framework by either the Investment Advisor's senior management team or the Audit Committee.

Alongside the Board and Audit Committee, the Investment Manager and Investment Advisor have primary roles in risk management. They assist with the understanding of the risk framework; its translation into operational risk management and measurement activities; and compliance with those activities to ensure that risks remain within a level which is acceptable to the Board.

The Management Engagement Committee is responsible for reviewing the performance of third parties, which include the Investment Manager and Investment Advisor. The Committee considers the effectiveness of risk management processes as part of its performance evaluation.

Our appetite for risk

The Board determines the level of risk it will accept in achieving our business objectives, and this has not changed during the year. Our overall risk tolerance is low and this, alongside our culture, ensures that potential problems, risks or issues are identified quickly, to enable consideration and appropriate action to be taken.

We have no appetite for risk in relation to regulatory compliance, or in relation to the health, safety and welfare of our occupiers, the staff of our contractors and service providers, or the wider community who are connected to, or impacted by, our activities. We do, however, have a moderate appetite for risk in relation to activities which drive revenues and increase financial returns for our investors.

Our risk categories

We categorise our risks into groups, as although we recognise that they are all closely linked, in most cases these categories determine the allocation of responsibility for control, monitoring and reporting.

Our reputation is important to us, and we consider the potential for reputational damage in the assessment of all our risks. We do not include reputational risk as a category, as it underpins our approach to all risk evaluation and mitigation.

- **Business risks** – relating to the delivery of our business, including strategy, market, systems and processes and stakeholders.
- **Operational risks** – which focus on the Group's core business and include the composition of our portfolio, valuation and tenancy management.
- **Compliance risks** – which cover every aspect of our business, from the listing rules, to the environment rules, and the FCA's requirements, as well as general business regulations such as health and safety, taxation and modern slavery. The regulatory environment in which we operate continues to develop and drive higher standards and expectations for the Group.
- **Financial risks** – arising from our strategy for funding our business operations, including investors, joint ventures, debt and cash management, and including market, credit and liquidity risk.

Emerging risk

A significant element of our risk management process is identifying and considering potential emerging risks and assessing their ability to impact our business. Emerging risks are considered during the regular risk reviews and would also be specifically debated and evaluated as they arise during the year. Consideration of emerging risks includes:

- whether the risk is relevant to the Group's business;
- how significant the impact would be, if the risk crystallises;
- the assumptions we make in considering the risk;
- our potential strategies for managing and mitigating the risk; and
- whether this is a risk that we should continue to pro-actively monitor.

Clearly, the impact of the coronavirus pandemic, and the associated lockdowns, created a significant challenge throughout the year ended 31 March 2021. Whilst we had previously included this in our principal risks, we widened our consideration during the year to include the implications and challenges of a return to more normal working and commercial arrangements, as lockdown measures start, and hopefully continue, to lift during the 2021 calendar year.

Although our risk reviews during the year have resulted in the addition of new risks in the corporate risk register, we have added only one new principal risk, which is related to our work on our ESG agenda. Further information is included in the climate change section below.

Climate Change

We have committed to understanding our ESG risks and have incorporated them within the risk management process in a number of different ways. We have considered whether our ESG programme and roadmap is appropriate in terms of timescales and content, and whether we are communicating our intentions appropriately to our stakeholders. These risks and associated mitigation plans have been incorporated within the overall risk register.

We have included one specific principal risk relating to the impact of climate change, which we consider could have an increasing impact across the business. Potential issues include:

Direct

- Adverse weather events impacting properties;
- Increasing costs of suppliers or disruption to supplies for maintenance and development;
- Increasing cost of utilities;
- Additional regulatory burden and an increasing risk of non-compliance, because of the complexity and volume of regulation arising;
- Properties not meeting occupier requirements relating to energy efficiency or logistics; and
- Impact on property values/rents, if assets are not developed or maintained to appropriate modern standards.

Indirect

- Impact on investor interest and our reputation compared to our peers; and
- Inability to access cheaper funding through green bonds and similar.

We have placed significant focus on ESG, and climate change risk in particular, during the year, bringing in external specialists to provide support in understanding issues and developing our plans for the mitigation of risks. We have a robust framework in place, including:

- a clear ESG strategy and action plan, linked to our overall business strategies and plans;
- regular Board oversight and monitoring of progress on our ESG roadmap;
- creation of a Sustainability Committee, which will be attended by our Investment Advisor;
- integrating a sustainability budget into our financial modelling processes; and
- development of a specific ESG risk register.

The Board has also reviewed and agreed a programme of activities and targets for the next financial year, to support and drive our ambitions in this area. This includes:

- targeted surveys of occupiers, to include alignment with sustainability targets and reporting on energy performance;
- review of reporting relating to TCFD; and
- implementation of EPRA reporting during the year ending 31 March 2022.

During the year we will continue to research and evaluate our exposure to climate-related risks, building on the foundations put in place during the year ended 31 March 2021. We will reassess our approach and plans as additional technologies and techniques are identified and disseminated into the commercial marketplace. This will enable us to challenge ourselves and our occupiers, to ensure that we are taking effective actions to manage our impact on the environment and to capture any potential commercial opportunities, following the best practice recommendations of the TCFD.

Our Principal Risks

A principal risk is one that is considered material to the Group's development, performance, position or future prospects. Our principal risks are captured in the corporate risk register and are reviewed by the Board and Audit Committee during their regular meetings. This includes considering:

- 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.

Changes to Principal Risks

The Board has regularly reviewed the principal risks during the year, each time reflecting on external and commercial pressures and any changes arising from business activities and operations.

As referred to in the emerging risk section, we have added one principal risk, relating to the impact of climate change.

One further risk, reflecting our ability to attract investors, has been removed from the schedule of principal risks. It remains on our corporate risk register, but we consider that the Group's maturity, stability, reputation and performance have put us in a position where this is no longer one of our principal risks.

In most cases, the business's exposure to the agreed principal risks has reduced during the year. The potential impact of the Covid-19 pandemic was difficult to predict in early 2020, and we had taken a prudent approach and increased the exposure of some of our key

financial and operational risks. In the event, our performance has been better than anticipated, and we have not seen the more significant business impacts that could have arisen. We therefore revised our assessment of risk as the year progressed.

However, we remain cautious, as the outcome and cessation of the pandemic control measures are not yet certain. Our enhanced control and monitoring routines, put in place by the Investment Advisor to support occupiers and provide clear visibility of the position and trends over time, therefore remain in place.

Risk	Potential impact	Mitigation
1 Commercial impact of the Coronavirus pandemic Business Risk Change in year: ↓	<p>In addition to the immediate health and social care risks, the potential impact of the pandemic could still be significant, particularly if the planned move out of lockdown does not progress as planned.</p> <p>Impacts include:</p> <ul style="list-style-type: none"> - Commercial – potential loss of occupiers, increase in bad debts, and increase in void rates and costs - Financial - impact on banking covenants, asset values, returns and potentially dividends - Reduced quality of services and support from key professional advisors 	<p>The underlying strength of the business is the diverse occupier base, with more than 600 occupiers across the portfolio. We do not have significant proportions of our business from any one organisation or sector.</p> <p>A range of enhanced controls and mitigations were put in place, and where appropriate, these remain.</p> <p>The working arrangements for both the Investment Advisor’s asset managers and the outsourced Property Managers are designed to maintain regular contact and dialogue with occupiers, to provide the Board with clear visibility of significant issues and risks arising.</p> <p>The Board constantly assesses the position, with additional mitigations possible. For example, there is the ability to flex expenditure, such as capital expenditure, refurbishments and some discretionary costs.</p>
2 Significant rent arrears and irrecoverable debt Financial Risk Change in year: ↓	<p>A significant loss of rental income through bad debts could have a material impact on our ability to meet our financial forecasts.</p> <p>Our rent collection performance has remained positive and consistent, despite the pandemic, and this risk has therefore reduced.</p>	<p>We have a large and diverse occupier portfolio, which means we do not have a high level of exposure to any specific sector or organisation. We undertake robust due diligence on occupiers, which is subsequently supported by effective credit control processes.</p> <p>The Investment Advisor continually monitors our exposure to larger occupiers, and the Board receives analysis of portfolio risk by sector and customer. We also take rent deposits and rent guarantees, where appropriate, and rents are predominantly paid in advance.</p> <p>We frequently monitor debtors to ensure that we have the most up-to-date view of the position, and the Investment Advisor’s Asset Managers and the Property Managers maintain regular contact and relationships with occupiers.</p>
3 Impact of climate change Business Risk Change in year: NEW	<p>Climate change will have an impact across all businesses and sectors. We have considered the potential risks for the Group and have identified both direct and indirect impacts.</p> <p>These impacts include increasing costs, an increasing regulatory burden, reluctance of occupiers to take leases on buildings which are not efficient in design or for their operations, and a potential reduction in asset values.</p> <p>In turn, this may impact our ability to attract and retain investors, and to access the most cost-effective funding.</p>	<p>We have engaged external advisors to assist us with developing a pro-active ESG strategy and action plan.</p> <p>The Board’s strategy review included detailed focus on ESG issues and the Board has oversight of the agreed ESG roadmap. A sustainability budget has been integrated into our financial modelling processes.</p> <p>We have set up a Sustainability Committee, which includes input from the Investment Advisor and the Board, and there is a separate ESG risk register, which enables us to continually monitor progress in key risk areas.</p> <p>A number of specific actions are planned for the year ending 31 March 2022, including occupier surveys, a review of TCFD reporting, and the roll out of EPRA reporting.</p>
4 Acquisition of inappropriate assets or unrecognised liabilities, or a breach of investment strategy Operational Risk Change in year: ↔	<p>Inappropriate acquisitions could reduce our returns and increase risk.</p>	<p>We have a clearly defined investment strategy, with processes and controls designed to ensure that we only make compliant acquisitions.</p> <p>Our acquisition and disposal protocols set out robust and documented due diligence processes for all key areas of consideration, including portfolio mix, property type and quality, legal issues, environmental requirements, and the sector and quality of occupier. Where appropriate, we seek external expertise, for example on environmental issues and property valuations.</p> <p>All potential acquisitions are measured against our agreed investment strategy by the Investment Advisor and approved by G10, the Investment Manager. Significant acquisition decisions must also be approved by the Board.</p>

5 Poor returns on 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 through independent asset valuations.
Business Risk	We consider our exposure to this risk has reduced during the year, as the market for industrial and logistics property is positive, which is enhancing pricing and returns overall.	There are robust controls and detailed due diligence arrangements in place around the acquisition of assets, designed to ensure that investments will produce the expected results.
Change in year:	↓	Significant changes in the portfolio, both acquisitions and disposals, require specific Board approval.
		The Board regularly reviews performance statistics against forecasts and targets.
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 Advisor and other key service providers.
Compliance Risk		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. Deloitte advise, monitor and file all corporate tax compliance matters on behalf of the Group.
Change in year:	↔	The position against key requirements of the REIT legislation is reviewed by the Investment Advisor each month and by Link quarterly, and is reported to the Board. Similarly, cash and earnings cover for dividends is continuously monitored.
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 Advisor continually monitors our debt covenants and reports on them to the Board.
Financial Risk	The reduction in exposure is linked to the positive market and asset values, which, when coupled with the Group's positive cash position, make it unlikely that compliance with the borrowing policy or loan covenant could be put at risk.	Performance and forecasts are reported to the Board on a quarterly basis and considered against the approved treasury strategy.
Change in year:	↓	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 Poor performance of the Investment Advisor	If the Investment Advisor does not perform as anticipated, there is potentially a significant risk to our success.	The Board and the Investment Advisor work closely together, with frequent liaison supporting the regular Board meetings and comprehensive formal reporting that has been put in place. Individuals within the Investment Advisor have significant shareholdings in the Company, which significantly reduces the risk that the Investment Advisor will not fulfil its responsibilities.
Business Risk		The activities of the Investment Advisor are also subject to the oversight of the Investment Manager, G10, which reviews and approves all major transactions, including the acquisition and disposal of assets.
Change in year:	↔	The Investment Advisor has invested significantly in additional resources during the year, building its strength and depth.
		The Management Engagement Committee carries out an annual formal service review of the Investment Advisor.
9 Interest rate changes	Changes in interest rates could affect our ability to fund and deliver our strategy. Interest rate changes may also affect overall market stability.	We actively manage our debt position. We have a funding arrangement with a consortium, which provides a five-year facility with significant headroom, at commercially attractive rates.
Financial Risk		We have interest rate caps in place, to reduce the impact of any significant volatility, and review hedging requirements quarterly.
Change in year:	↓	The Investment Advisor maintains detailed forecasts of the property portfolio, subject to regular scenario testing, and reports regularly to the Board. This enables us to be pro-active in our response to changes in economic conditions.

GOING CONCERN AND VIABILITY STATEMENT

Going concern

The Board monitors the Group's ability to continue as a going concern. Specifically, at quarterly Board meetings, the Board reviews summaries of the Group's liquidity position and compliance with loan covenants, as well as forecast financial performance and cash flows. Throughout the year, the Board had been meeting frequently, in conjunction with the Investment Advisor, to review the current uncertainties created by the Covid-19 pandemic, specifically rent collection, cash resources, loan facility headroom and covenant compliance, acquisitions and disposals of investment properties, discretionary and committed capital expenditure and dividend distributions.

The Group ended the year with £21.3 million of unrestricted cash and £23.0 million of headroom readily available under the facilities. The Group is operating significantly within its covenants and a sensitivity analysis has been performed to identify the decrease in valuations and rental income that would result in a breach of the LTV, market value covenants or interest cover covenants. Valuations would need to fall by 49.1% or rents by 70.0%, when compared with 31 March 2021, before these covenants would be breached, which, based on available market data, is considered highly unlikely.

As at 24 May 2021, 95.8% of rents invoiced in March 2021 in relation to the quarter to June 2021 were received.

As part of the going concern assessment, and taking the above into consideration, the Directors reviewed a number of scenarios which included extreme downside sensitivities in relation to rental cash collection, making no acquisitions or discretionary capital expenditure, and minimum dividend distributions under the REIT rules.

Based on this information, and in light of mitigating actions available, 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. The Directors are also not aware of any material uncertainties that may cast significant doubt upon the Group's ability to continue as a going concern. 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 May 2024, allowing a reasonable level of accuracy given typical lease terms and the cyclical nature of the UK property market.

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

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

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 (including potential impacts arising as a result of the response to the Covid-19 pandemic), individually and in aggregate, along with consideration of potential mitigating factors. The key sensitivities applied to the model are a downturn in economic outlook and restricted availability of finance, specifically:

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

Current debt and associated covenants are summarised in note 17, with no covenant breaches during the period. The sensitivity analysis identifies the decrease in valuations and rental income that would result in a breach of the LTV, market value covenants or interest cover covenants.

Taking into account mitigating actions, the results of the sensitivity analysis and stress testing demonstrated that the Group would have sufficient liquidity to meet its ongoing liabilities as they fall due, maintain compliance with banking covenants and maintain compliance with the REIT regime over the period of the assessment.

Furthermore, the Board, in conjunction with the Audit Committee, carried out a robust assessment of the principal risks and uncertainties facing the Group, including those that would threaten its business model, strategy, future performance, solvency or liquidity over the three-year period. The risk review process provided the Board with assurance that the mitigations and management systems are operating as intended. The Board believes that the Group is well positioned to manage its principal risks and uncertainties successfully, taking into account the current Covid-19 risk and the economic and political environment.

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

Viability statement

Having considered the forecast cash flows, covenant compliance and the impact of sensitivities in combination, the Directors confirm that, taking account of the Group's current position, the principal risks set out in the strategic report and in light of the current economic uncertainty resulting from the impact of Covid-19, 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

24 May 2021

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") and in conformity with the requirements of the Companies Act 2006.

Company law requires the Directors to prepare financial statements for each financial year. Under that law, the Directors have elected to prepare the financial statements of the Group 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 FCA.

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 and in conformity with the requirements of the Companies Act 2006, give a true and fair view of the assets, liabilities, financial position and profit of the Company (and Group as a whole); and
- the Chairman's Statement and Investment Advisor'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 Chairman's Statement and Investment Advisor's 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

24 May 2021

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 March 2021

		Year ended 31 March 2021	Year ended 31 March 2020
	Notes	£'000	£'000
Continuing operations			
Revenue	3	35,758	30,053
Property operating expenses	4	(4,612)	(3,930)
Gross profit		31,146	26,123
Administration expenses	4	(6,324)	(5,032)
Operating profit before gains on investment properties		24,822	21,091
Fair value gains on investment properties	13	105,023	5,104
Realised (loss)/profit on disposal of investment properties	13	(504)	934
Operating profit		129,341	27,129
Finance income	7	26	30
Finance expenses	8	(6,257)	(6,483)
Profit before tax		123,110	20,676
Taxation	9	—	—
Total comprehensive income for the period		123,110	20,676
Earnings per share (basic and diluted) (pence)	12	35.2	8.6

All items in the above statement derive from continuing operations. No operations were acquired or discontinued during the year.

There is no other comprehensive income and therefore the profit for the year after tax is also the total comprehensive income.

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 March 2021

		31 March 2021 £'000	31 March 2020 £'000
	Notes		
Assets			
Non-current assets			
Investment property	13	807,063	459,088
Interest rate derivatives	16	16	22
		807,079	459,110
Current assets			
Cash and cash equivalents	14	27,185	5,483
Trade and other receivables	15	5,977	6,408
		33,162	11,891
Total assets		840,241	471,001
Liabilities			
Non-current liabilities			
Interest-bearing loans and borrowings	17	(219,099)	(183,190)
Other payables and accrued expenses	19	(17,050)	(4,500)
Head lease liability	18	(14,259)	(8,319)
		(250,408)	(196,009)
Current liabilities			
Other payables and accrued expenses	19	(7,573)	(6,497)
Deferred income	19	(7,531)	(4,888)
Head lease liability	18	(638)	(488)
		(15,742)	(11,873)
Total liabilities		(266,150)	(207,882)
Net assets		574,091	263,119
Equity			
Share capital	20	4,249	2,403
Share premium	21	275,648	74,028
Capital reduction reserve	22	161,149	161,149
Retained earnings	22	133,045	25,539
Total equity		574,091	263,119
Number of shares in issue (thousands)		424,862	240,254
Net asset value per share (basic and diluted) (pence)	23	135.1	109.5

These financial statements were approved by the Board of Directors of Warehouse REIT plc on 24 May 2021 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 year ended 31 March 2021

	Notes	Share capital £'000	Share premium £'000	Retained earnings £'000	Capital reduction reserve £'000	Total £'000
Balance at 31 March 2019		1,660	—	19,518	161,149	182,327
Total comprehensive income		—	—	20,676	—	20,676
Ordinary shares issued	20, 21	743	75,739	—	—	76,482
Share issue costs	21	—	(1,711)	—	—	(1,711)
Dividends paid	11	—	—	(14,655)	—	(14,655)
Balance at 31 March 2020		2,403	74,028	25,539	161,149	263,119
Total comprehensive income		—	—	123,110	—	123,110
Ordinary shares issued	20, 21	1,846	205,965	—	—	207,811
Share issue costs	21	—	(4,345)	—	—	(4,345)
Dividends paid	11	—	—	(15,604)	—	(15,604)
Balance at 31 March 2021		4,249	275,648	133,045	161,149	574,091

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

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 March 2021

		Year ended 31 March 2021 £'000	Year ended 31 March 2020 £'000
Cash flows from operating activities			
Operating profit		129,341	27,129
Adjustments to reconcile profit for the period to net cash flows:			
Gains from change in fair value of investment properties	13	(105,023)	(5,104)
Realised loss/(gain) on disposal of investment properties	13	504	(934)
Head lease asset depreciation	4	134	110
Operating cash flows before movements in working capital		24,956	21,201
Increase in other receivables and prepayments		(4,173)	(2,410)
Increase in other payables and accrued expenses		3,415	3,365
Movement in property and acquisition provision		—	(1,434)
Net cash flow generated from operating activities		24,198	20,722
Cash flows from investing activities			
Acquisition of investment properties		(224,803)	(144,700)
Capital expenditure		(1,041)	(3,378)
Development expenditure		(1,368)	(236)
Disposal of investment properties		15,945	16,355
Net cash used in investing activities		(211,267)	(131,959)
Cash flows from financing activities			
Proceeds from issue of ordinary shares	20,21	198,834	76,482
Share issuance costs paid	21	(4,345)	(1,711)
Bank loans drawn down	17	73,300	320,000
Bank loans repaid	17	(37,800)	(260,500)
Interest received	7	26	30
Loan interest and other finance expenses paid		(4,577)	(4,524)
Loan issue costs paid		(315)	(2,761)
Head lease payments		(748)	(507)
Dividends paid in the period	11	(15,604)	(14,655)
Net cash flow generated from financing activities		208,771	111,854
Net increase in cash and cash equivalents		21,702	617
Cash and cash equivalents at start of the period		5,483	4,866
Cash and cash equivalents at end of the period	14	27,185	5,483

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2021

1. General information

Warehouse REIT plc 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 admitted to trading on AIM, a market operated by the London Stock Exchange.

The Group's consolidated financial statements for the year ended 31 March 2021 comprise the results of the Company and its subsidiaries (together constituting the "Group") and were approved by the Board and authorised for issue on 24 May 2021.

2. Basis of preparation

The financial information set out in these financial statements does not constitute the Company's statutory accounts for the year ended 31 March 2021, but is derived from those accounts. Statutory accounts for the year ended 31 March 2021 will be delivered to the Registrar of Companies following the Company's Annual General Meeting. The auditor has 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) of the Companies Act 2006. The text of the Auditor's Report can be found in the full Annual Report.

These financial statements are prepared in accordance with IFRS issued by the International Accounting Standards Board ("IASB") and in conformity with the requirements of the Companies Act 2006. The financial statements have been prepared under the historical cost convention, except for the revaluation of investment properties and financial instruments that are measured at revalued amounts or fair values at the end of each reporting period, as explained in the accounting policies below. Historical cost is generally based on the fair value of the consideration given in exchange for goods and services. The audited financial statements are presented in Pound Sterling and all values are rounded to the nearest thousand pounds (£'000), except when otherwise indicated.

The Directors have made an assessment of the Group's ability to continue as a going concern. They carefully considered areas of potential financial risk and reviewed cash flow forecasts, evaluating a number of scenarios which included extreme downside sensitivities in relation to rental cash collection, making no acquisitions or discretionary capital expenditure and minimum dividend distributions under the REIT rules. A range of scenarios have been applied (including potential impacts arising as a result of the response to the Covid-19 pandemic). Further effects of the Covid-19 outbreak are documented in the risk management and principal risks above. The Directors 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.

1.1 Changes to accounting standards and interpretations

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

Amendments to IFRS 3: Definition of a Business

The amendment to IFRS 3 Business Combinations clarifies that to be considered a business, an integrated set of activities and assets must include, at a minimum, an input and a substantive process that, together, significantly contribute to the ability to create output. Furthermore, it clarifies that a business can exist without including all of the inputs and processes needed to create outputs. Careful consideration is given to the accounting treatment for each acquisition. Most acquisitions made by the Group are treated as the acquisition of a group of assets, so the amendments to this standard have not had any impact on the financial statements.

Amendments to IFRS 16: Covid-19 Related Rent Concessions

The amendments provide relief to lessees from applying IFRS 16 guidance on lease modification accounting for rent concessions arising as a direct consequence of the Covid-19 pandemic. The Group has not received any concessions for its ground rent costs and therefore the accounting treatment has not been affected.

The adoption of these amendments has not led to any changes to the Group's accounting policies or had any material impact on the financial position or performance of the Group.

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

Amendments to IAS 1 and IAS 8: Definition of Material

The amendments provide a new definition of material; the amendments clarify that materiality will depend on the nature or magnitude of information, either individually or in combination with other information, in the context of the financial statements. A misstatement of information is material if it could reasonably be expected to influence decisions made by the primary users. These amendments had no significant impact on the consolidated financial statements of, nor is there expected to be any significant impact to the Group in the future.

Conceptual Framework for Financial Reporting

The Conceptual Framework is not a standard, and none of the concepts contained therein override the concepts or requirements in any standard. The revised Conceptual Framework includes some new concepts, updated definitions and recognition criteria for assets and liabilities and clarifies some important concepts. These amendments had no impact on the consolidated financial statements of the Group.

There are a number of new standards and amendments to existing standards which have been published and are mandatory for the Group's accounting periods beginning on or after 1 April 2021 or later. The Group is not adopting these standards early. The following are the most relevant to the Group:

Interest Rate Benchmark Reform—Phase 2 (Amendments to various standards: IFRS 9 Financial Instruments, IAS 39 Financial Instruments; Recognition and Measurement, IFRS 7 Financial Instruments: Disclosures, IFRS 4 Insurance Contracts and IFRS 16 Leases) The amendments address issues that might affect financial reporting when an existing interest rate benchmark is replaced with an alternative benchmark interest rate. The Group's borrowings will be transitioning from the London Interbank Offer Rate ("LIBOR") benchmark to the Sterling Overnight Index Average ("SONIA") benchmark in due course. There is expected to be negligible cost involved in the borrowing facility transition and the respective hedge instrument amendments. The Directors are currently assessing the impact of the changes in accounting standards but as the Group does not apply hedge accounting, it is anticipated that the accounting standard amendments will not have a significant impact on the preparation of the financial statements.

Amendments to IAS 1 Presentation of Financial Statements (effective 1 January 2022) – clarifies that liabilities are classified as either current or non-current, depending on the rights that exist at the end of the reporting period and not expectations of or actual events after the reporting date. The amendments also give clarification to the definition of settlement of a liability. The amendments are not expected to have a significant impact on the preparation of the financial statements.

Amendments to IFRS 3 Business Combinations (effective 1 January 2022) – gives clarification on the recognition of contingent liabilities at acquisition and clarifies that contingent assets should not be recognised at the acquisition date. The amendments are not expected to have a significant impact on the preparation of the financial statements.

2.2 Significant accounting judgements and estimates

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

Judgements

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

Estimates

In the process of applying the Group's accounting policies, the Investment Advisor has made the following estimates which have the most significant risk of material change to the carrying value of assets recognised in the consolidated financial statements:

Valuation of property

The valuations of the Group's investment property are at fair value as determined by the external valuer on the basis of market value in accordance with the internationally accepted RICS Valuation – Professional Standards January 2020 (incorporating the International Valuation Standards) and in accordance with IFRS 13. The key estimates made by the valuer are the ERV and equivalent yields of each investment property. See notes 13 and 24 for further details.

2.3 Summary of significant accounting policies

The principal accounting policies applied in the preparation of these financial statements are stated in the notes to the financial statements.

a) Basis of consolidation

The Company does not meet the definition of an investment entity and therefore does not qualify for the consolidation exemption under IFRS 10. The consolidated financial statements comprise the financial statements of the Group and its subsidiaries as at 31 March 2021. Subsidiaries are consolidated from the date of acquisition, being the date on which the Group obtained control, and will continue to be consolidated until the date that such control ceases. An investor controls an investee when the investor is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. In preparing these financial statements, intra-group balances, transactions and unrealised gains or losses have been eliminated in full. All subsidiaries have the same year end as the Company. Uniform accounting policies are adopted in the financial statements for like transactions and events in similar circumstances.

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

	Year ended 31 March 2021 £'000	Year ended 31 March 2020 £'000
Rental income	34,225	28,513
Insurance recharged	930	663
Dilapidation income	603	877
Total	35,758	30,053

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.

Insurance income is recognised in the accounting period in which the services are rendered.

Amounts received from occupiers to terminate leases or to compensate for dilapidations are recognised in the Group statement of comprehensive income when the right to receive them arises.

4. Property operating and administration expenses

	Year ended 31 March 2021 £'000	Year ended 31 March 2020 £'000
Premises expenses	2,691	2,446
Insurance	1,047	818
Rates	339	376
Utilities	136	170
Loss allowance on trade receivables	399	120
Property operating expenses	4,612	3,930
Investment Advisor fees	4,393	2,812
Directors' remuneration	150	150
Head lease asset depreciation	134	110
Other administration expenses	1,647	1,584
Costs of postponed equity raise	-	376
Administration expenses	6,324	5,032
Total	10,936	8,962

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

	Year ended 31 March 2021 £'000	Year ended 31 March 2020 £'000
Neil Kirton	45	45
Lynette Lackey	35	35
Martin Meech	35	35
Aimée Pitman	35	35
Total	150	150

A summary of the Directors' emoluments, including the disclosures required by the Companies Act 2006, is set out in the Directors' remuneration report. The Group had no employees in either period.

6. Auditor's remuneration

	Year ended 31 March 2021 £'000	Year ended 31 March 2020 £'000
Audit fee	152	135
Total	152	135

The Group reviews the scope and nature of all proposed non-audit services before engagement, to ensure that the independence and objectivity of the Auditor are safeguarded. Audit fees are comprised of the following items:

	Year ended 31 March 2021 £'000	Year ended 31 March 2020 £'000
Group year-end Annual Report and Financial Statements	122	105
Subsidiary accounts	30	30
Total	152	135

Non-audit fees are comprised of the following:

	Year ended 31 March 2021 £'000	Year ended 31 March 2020 £'000
Services in respect of an acquisition	-	60
Tax advice	163	231
Services provided as reporting accountant on equity raise	45	95
Services provided as reporting accountant on postponed equity raise	13	83
Total	221	469

7. Finance income

	Year ended 31 March 2021 £'000	Year ended 31 March 2020 £'000
Income from cash and short-term deposits	26	30
Total	26	30

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

	Year ended 31 March 2021 £'000	Year ended 31 March 2020 £'000
Loan interest	4,512	4,717
Head lease interest	1,016	597
Loan arrangement fees amortised	721	941
Bank charges	2	1
	6,251	6,256
Change in fair value of interest rate derivatives	6	227
Total	6,257	6,483

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. Fair value movements on derivatives are recorded in finance expenses.

9. Taxation

Corporation tax has arisen as follows:

	Year ended 31 March 2021 £'000	Year ended 31 March 2020 £'000
Corporation tax on residual income	—	—
Total	—	—

Reconciliation of tax charge to profit before tax:

	Year ended 31 March 2021 £'000	Year ended 31 March 2020 £'000
Profit before tax	123,110	20,676
Corporation tax at 19.0% (2020: 19.0%)	23,392	3,928
Change in value of investment properties	(19,860)	(1,147)
Tax-exempt property rental business	(3,532)	(2,781)
Total	—	—

Accounting policy

Corporation tax is recognised in the consolidated statement of comprehensive income except where in certain circumstances corporation tax may be recognised in other comprehensive income.

As a REIT, the Group is exempt from corporation tax on the profits and gains from its property rental business, provided it continues to meet certain conditions as per the REIT regulations.

Non-qualifying profits and gains of the Group continue to be subject to corporation tax. Therefore, current tax is the expected tax payable on the non-qualifying taxable income for the period, if applicable, using tax rates enacted or substantively enacted at the balance sheet date.

10. Operating leases

Operating lease commitments – as lessor

The Group has entered into commercial property leases on its investment property portfolio. These non-cancellable leases have a remaining term of up to 15 years.

Future minimum rentals receivable under non-cancellable operating leases as at 31 March 2021 are as follows:

	31 March 2021 £'000	31 March 2020 £'000
Within one year	40,530	27,868
Between one and five years	102,912	63,500
More than five years	62,818	31,528
Total	206,260	122,896

11. Dividends

	Pence	
For the year ended 31 March 2021	per share	£'000
Fourth interim dividend for year ended 31 March 2020 paid on 3 July 2020	1.60	3,844
First interim dividend for year ended 31 March 2021 paid on 2 October 2020	1.55	5,880
Second interim dividend for year ended 31 March 2021 paid on 31 December 2020	1.55	5,880
Total dividends paid during the year	4.70	15,604
Paid as:		
Property income distributions	4.70	15,604
Non-property income distributions	—	—
Total	4.70	15,604

	Pence	
For the year ended 31 March 2020	per share	£'000
Fourth interim dividend for year ended 31 March 2019 paid on 28 June 2019	1.50	3,604
First interim dividend for year ended 31 March 2020 paid on 27 September 2019	1.50	3,604
Second interim dividend for year ended 31 March 2020 paid on 27 December 2019	1.50	3,604
Third interim dividend for year ended 31 March 2020 paid on 31 March 2020	1.60	3,843
Total dividends paid during the year	6.10	14,655
Paid as:		
Property income distributions	6.10	14,655
Non-property income distributions	—	—
Total	6.10	14,655

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

A third interim property income dividend for the year ended 31 March 2021 of 1.55 pence per share was declared on 26 January 2021 and paid on 1 April 2021.

Accounting policy

Dividends due to the Company's shareholders are recognised when they become payable.

12. Earnings per share

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

	Year ended 31 March 2021 £'000	Year ended 31 March 2020 £'000
IFRS earnings	123,110	20,676
EPRA earnings adjustments:		
Loss/(profit) on disposal of investment properties	504	(934)
Fair value gains on investment properties	(105,023)	(5,104)
Changes in fair value of interest rate derivatives	6	227
Accelerated amortisation of loan issue costs	—	375
EPRA earnings	18,597	15,240
Group-specific earnings adjustments:		
Costs of postponed equity raise	-	376
Adjusted earnings	18,597	15,616

	Year ended 31 March 2021 Pence	Year ended 31 March 2020 Pence
Basic IFRS EPS	35.2	8.6
Diluted IFRS EPS	35.2	8.6
EPRA EPS	5.3	6.3
Adjusted EPS	5.3	6.5

	Year ended 31 March 2021 Number of shares	Year ended 31 March 2020 Number of shares
Weighted average number of shares in issue (thousands)	349,648	240,051

13. UK investment property

	Completed investment property £'000	Development property and land £'000	Total investment property £'000
Investment property valuation brought forward as at 1 April 2020	433,550	16,970	450,520
Acquisition of properties	229,272	17,293	246,565
Capital expenditure	1,938	625	2,563
Disposal of properties	(16,455)	—	(16,455)
Rent incentives	4,584	—	4,584
Fair value gains on revaluation of investment property	99,041	5,982	105,023
Total portfolio valuation per valuer's report	751,930	40,870	792,800
Adjustment for head lease obligations	14,263	—	14,263
Carrying value at 31 March 2021	766,193	40,870	807,063

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

All investment properties are charged as collateral on the Group's borrowings. One asset is also subject to a second ranking charge in relation to deferred consideration outstanding. See note 19 for further details.

Realised (loss)/profit on disposal of investment properties

	31 March	31 March
	2021	2020
	£'000	£'000
Net proceeds from disposals of investment property during the year	15,951	16,355
Carrying value of disposals	(16,455)	(15,421)
Realised (loss)/profit on disposal of investment properties	(504)	934

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.

Development property and land is where the whole or a material part of an estate is identified as having potential for development. Assets are classified as such until development is completed and they have the potential to be fully income generating. Development property and land is measured at fair value if the fair value is considered to be reliably determinable. Where the fair value cannot be determined reliably but where it is expected that the fair value of the property will be reliably determined when construction is completed, the property is measured at cost less any impairment until the fair value becomes reliably determinable or construction is completed, whichever is earlier. It is the Group's policy not to capitalise overheads or operating expenses and no such costs were capitalised in either the year ended 31 March 2021 or the year ended 31 March 2020.

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.

Investment properties cease to be recognised when they have been disposed of or withdrawn permanently from use and no future economic benefit is expected. Gains or losses on the disposal of investment property are determined as the difference between net disposal proceeds and the carrying value of the asset.

14. Cash and cash equivalents

	31 March	31 March
	2021	2020
	£'000	£'000
Unrestricted cash and cash equivalents	21,260	5,483
Restricted cash and cash equivalents	5,925	-
Total	27,185	5,483

Restricted cash comprises £5,925,000 of cash held by the Registrar in advance of the payment of the third interim dividend.

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	31 March
	2021	2020
	£'000	£'000
Rent and insurance receivables	4,193	3,075
Tenant deposits	593	88
Prepayments	193	229
Other receivables	998	3,016
Total	5,977	6,408

The rent and insurance receivables balance represents gross receivables of £5,084,000 (31 March 2020: £3,650,000), net of a provision for doubtful debts of £891,000 (31 March 2020: £575,000). None (31 March 2020: £190,000) of the provision is in relation to rents invoiced in advance and therefore netted off the deferred income balance.

Accounting policy

Rent and other receivables are recognised at their original invoiced value and become due based on the terms of the underlying lease or at the date of invoice.

The Group carries out an assessment of expected credit losses at each period end, using the simplified approach, where a lifetime expected loss allowance is recognised over the expected life of the financial instrument. Adjustments are recognised in the income statement as an impairment gain or loss.

16. Interest rate derivatives

	31 March	31 March
	2021	2020
	£'000	£'000
At the start of the period	22	249
Changes in fair value of interest rate derivatives	(6)	(227)
Balance at the end of the period	16	22

To mitigate the interest rate risk that arises as a result of entering into variable rate linked loans, the Group entered into interest rate derivatives. The instruments have a combined notional value of £60.0 million with £30.0 million at a strike rate of 1.50% and a termination date of 21 November 2022 and £30.0 million at a strike rate of 1.75% and a termination date of 21 November 2023.

Accounting policy

Derivative financial instruments, comprising interest rate derivatives for mitigating interest rate risks, are initially recognised at fair value and are subsequently measured at fair value, being the estimated amount that the Group would receive or pay to terminate the agreement at the period end date, taking into account current interest rate expectations and the current credit rating of the Group and its counterparties. Premiums payable under such arrangements are initially capitalised into the statement of financial position.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data is available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs significant to the fair value measurement as a whole. Changes in fair value of interest rate derivatives are recognised within finance expenses in profit or loss in the period in which they occur.

17. Interest-bearing loans and borrowings

	31 March 2021 £'000	31 March 2020 £'000
At the beginning of the year	186,500	127,000
Drawn in the year	73,300	320,000
Repaid in the year	(37,800)	(260,500)
Interest-bearing loans and borrowings	222,000	186,500
Unamortised fees at the beginning of the year	(3,310)	(1,490)
Loan arrangement fees paid in the year	(363)	(2,761)
Amortisation charge for the year	772	941
Unamortised loan arrangement fees	(2,901)	(3,310)
Loan balance less unamortised loan arrangement fees	219,099	183,190

The Group has a debt facility with a club of four banks: HSBC, Bank of Ireland, Royal Bank of Canada and Barclays. The facility runs for five years from January 2020 and comprises an RCF of £63.0 million and a term loan, which increased from £157.0 million to £182.0 million during the second half of the year, as the Group drew on £25.0 million of the £80.0 million accordion included with the facility. The facility is at a margin of 2.0% - 2.2% per annum above LIBOR and will expire on 22 January 2025 with an option to extend the duration by a further two years, subject to lender consent. The facilities are secured on all properties within the portfolio. As at 31 March 2021, there is £23.0 million (31 March 2020: £33.5 million) available to draw.

The debt facility includes LTV, interest cover and market value covenants that are measured at a Group level. The Group has complied with all covenants throughout the financial period.

In line with recent announcements from the Bank of England and the FCA, UK borrowings will be transitioning from the LIBOR benchmark to the SONIA benchmark in due course. There is expected to be negligible cost involved in the borrowing facility transition.

Accounting policy

Loans and borrowings are initially recognised at the proceeds received net of directly attributable transaction costs. Loans and borrowings are subsequently measured at amortised cost with interest charged to the consolidated statement of comprehensive income at the effective interest rate, and shown within finance costs. Transaction costs are spread over the term of the loan.

18. Head lease obligations

The following table analyses the present value of minimum lease payments under non-cancellable head leases using an average discount rate of 6.91% for each of the following periods:

	31 March 2021 £'000	31 March 2020 £'000
Current liabilities		
Within one year	638	488
Non-current liabilities		
After one year but not more than five years	3,268	1,892
Later than five years	10,991	6,427
	14,259	8,319
Total head lease obligations	14,897	8,807

	Year ended 31 March 2021	Year ended 31 March 2020
	£'000	£'000
Head lease liability - opening balance	8,807	4,454
Cash flows	(748)	(507)
Non-cash movements		
Interest	1,016	597
Additions	6,037	4,274
Disposals	(242)	—
Head lease accrual	27	(11)
Head lease obligations – closing balance	14,897	8,807

The following table analyses the minimum undiscounted lease payments under non-cancellable head leases for each of the following periods:

	31 March 2021	31 March 2020
	£'000	£'000
Current liabilities		
Within one year	1,031	634
Non-current liabilities		
After one year but not more than five years	4,211	2,534
Later than five years	86,578	52,523
Total	91,820	55,691

The fair value of the Group's lease obligations is estimated to be equal to its carrying value.

Accounting policy

At the commencement date, head lease obligations are recognised at the present value of future lease payments using the discount rate implicit in the lease, if determinable, or, if not, the Group's incremental borrowing rate.

19. Other liabilities - other payables and accrued expenses, provisions and deferred income

	31 March 2021	31 March 2020
	£'000	£'000
Capital expenses payable	2,363	377
Administration expenses payable	1,979	2,404
Property operating expenses payable	1,580	1,500
Loan interest payable	915	980
Other expenses payable	736	1,236
Total other payables and accrued expenses - current	7,573	6,497

	31 March 2021	31 March 2020
	£'000	£'000
Capital expenses payable	17,050	4,500
Total other payables and accrued expenses – non-current	17,050	4,500

At the balance sheet date, the Group had exchanged contracts to acquire land for £15.0 million; the first instalment was made on 17 February 2021 for £1.4 million, with a total of £1.5 million paid to 31 March 2021. The remaining £13.6 million will be paid over five instalments on fixed dates, with the final payment due on 1 September 2024.

In addition, capital expenses payable includes deferred consideration of £4.5 million in relation to a property acquired during the year ended 31 March 2020. The deferred consideration is due in September 2023, or earlier if the property is sold before that date. The consideration is secured on a second ranking charge over the asset.

Accounting policy

	31 March	31 March
	2021	2020
	£'000	£'000
Total deferred income	7,531	4,888

Other payables and accrued expenses 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.

20. Share capital

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

	31 March		31 March	
	Number	£'000	Number	£'000
Ordinary shares of £0.01 each				
Authorised, issued and fully paid:				
At the start of the period	240,254,043	2,403	166,000,000	1,660
Shares issued	177,025,308	1,770	74,254,043	743
In specie share issue	7,582,299	76	—	—
Balance at the end of the period	424,861,650	4,249	240,254,043	2,403

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

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

On 9 December 2020, as a part of the consideration of the Greenstone Property Holdings Limited ("Greenstone") property portfolio acquisition, 7,582,299 new ordinary shares were issued at 118.4 pence per share. Further details of the Greenstone acquisition are detailed in note 28.

On 5 February 2021, the Company raised gross proceeds of £45.9 million through an institutional placing. In total, the Company issued 37,934,400 new ordinary shares at 121.0 pence each.

21. Share premium

Share premium comprises the following amounts:

	31 March	31 March
	2021	2020
	£'000	£'000
At the start of the period	74,028	—
Shares issued	197,064	75,739
In specie share issue	8,901	—
Share issue costs	(4,345)	(1,711)
Share premium	275,648	74,028

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

22. Other capital and reserves

Capital reduction reserve

Capital reduction reserve comprises the following amounts:

	31 March	31 March
	2021	2020
	£'000	£'000
At the start of the period	161,149	161,149
Movement in the period	—	—
Capital reduction reserve	161,149	161,149

The capital reduction reserve is a distributable reserve established upon cancellation of the share premium of the Company on 17 November 2017.

Retained earnings

Retained earnings comprise the following cumulative amounts:

	31 March	31 March
	2021	2020
	£'000	£'000
Total unrealised gains on investment properties	125,693	20,671
Total unrealised loss on interest rate caps	(125)	(119)
Total realised profits	49,356	31,262
Dividends paid from revenue profits	(41,879)	(26,275)
Retained earnings	133,045	25,539

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

As at 31 March 2021, the Company had distributable reserves available of £168,626,000 (31 March 2020: £166,136,000).

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.

	31 March	31 March
	2021	2020
	£'000	£'000
IFRS net assets attributable to ordinary shareholders	574,091	263,119
IFRS net assets for calculation of NAV	574,091	263,119
Adjustment to net assets:		
Fair value of interest rate derivatives (see note 16)	(16)	(22)
EPRA NTA	574,075	263,097

	31 March	31 March
	2021	2020
	Pence	Pence
IFRS basic and diluted NAV per share (pence)	135.1	109.5
EPRA NTA per share (pence)	135.1	109.5

	31 March	31 March
	2021	2020
	Number	Number
	of shares	of shares
Number of shares in issue (thousands)	424,862	240,254

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 at variable interest rates of 2.0% - 2.2% above LIBOR.

Six-monthly valuations of investment property are performed by CBRE, accredited external valuers with recognised and relevant professional qualifications and recent experience of the location and category of the investment property being valued, on a fixed fee basis. The valuations are the ultimate responsibility of the Directors however, who appraise these every six months.

The valuation of the Group's investment property at fair value is determined by the external valuer on the basis of market value in accordance with the internationally accepted RICS Valuation – Professional Standards January 2020 (incorporating the International Valuation Standards).

Completed investment properties are valued by adopting the 'income capitalisation' method of valuation. This approach involves applying capitalisation yields to current and future rental streams, net of income voids arising from vacancies or rent-free periods and associated running costs. These capitalisation yields and future rental values are based on comparable property and leasing transactions in the market using the valuer's professional judgement and market observations. Other factors taken into account in the valuations include the tenure of the property, tenancy details and ground and structural conditions.

Development property and land has been valued by adopting the 'comparable method' of valuation and where appropriate supported by a 'residual development appraisal'. The comparable method involves applying a sales rate per acre to relevant sites supported by comparable land sales. Residual development appraisals have been completed where there is sufficient clarity regarding planning and an identified or indicative scheme. In a similar manner to 'income capitalisation', development inputs include the capitalisation of future rental streams with an appropriate yield to ascertain a gross development value. The costs associated with bringing a scheme to the market are then deducted, including construction costs, professional fees, finance and developer's profit, to provide a residual site value.

The fair value of the interest rate contracts is recorded in the statement of financial position and is determined by forming an expectation that interest rates will exceed strike rates and discounting these future cash flows at the prevailing market rates as at the year end.

The following tables show an analysis of the fair values of investment properties and interest rate derivatives recognised in the statement of financial position by level of the fair value hierarchy¹:

	31 March 2021			
	Level 1	Level 2	Level 3	Total
Assets and liabilities measured at fair value	£'000	£'000	£'000	£'000
Investment properties	—	—	792,800	792,800
Interest rate derivatives	—	16	—	16
Total	—	16	792,800	792,816

	31 March 2020			
	Level 1	Level 2	Level 3	Total
Assets and liabilities measured at fair value	£'000	£'000	£'000	£'000
Investment properties	—	—	450,520	450,520
Interest rate derivatives	—	22	—	22
Total	—	22	450,520	452,542

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.

	Fair value £'000	Valuation technique	Key unobservable inputs	Range
31 March 2021				
Completed investment property	£751,930	Income capitalisation	ERV Equivalent yield	£42,300 – £1,533,937 per annum 4.1% – 15.0%
Development property and land	£40,870	Comparable method/ residual method	Various	
	£792,800			
31 March 2020				
Completed investment property	£433,550	Income capitalisation	ERV Equivalent yield	£22,000 – £1,880,000 per annum 5.1% – 12.9%
Development property and land	£16,970	Comparable method/ residual method	Various	
	£450,520			

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

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

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

The table below sets out a sensitivity analysis for each of the key sources of estimation uncertainty with the resulting increase/(decrease) in the fair value of completed investment property:

As at 31 March 2021

	Increase in sensitivity £'000	Decrease in sensitivity £'000
Change in ERV of 5%	31,963	(42,684)
Change in net equivalent yields of 25 basis points	(37,655)	30,232

As at 31 March 2020

	Increase in sensitivity £'000	Decrease in sensitivity £'000
Change in ERV of 5%	21,668	(21,668)
Change in net equivalent yields of 25 basis points	(15,093)	16,260

Gains and losses recorded in profit or loss for recurring fair value measurements categorised within Level 3 of the fair value hierarchy amount to £105,023,000 (31 March 2020: £5,104,000) 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 £792.8 million 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 GAV of the Group at the time of investment;
- the Group will target a portfolio with no one tenant accounting for more than 15% 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 future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group's exposure to the risk of changes in market interest rates relates to its variable rate bank loans. In order to address interest rate risk, the Group has entered into interest rate cap instruments, details of which are set out in note 16.

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 approved counterparties, currently 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 of the property. The Investment Manager monitors the tenant arrears in order to anticipate and minimise the impact of defaults by occupational occupiers.

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

	31 March	31 March
	2021	2020
	£'000	£'000
Cash and cash equivalents	21,260	5,483
Restricted cash	5,925	-
Trade and other receivables ¹	5,784	3,910
Total	32,969	9,393

¹Excludes prepayments.

Liquidity risk

Liquidity risk is defined as the risk that the Group will encounter difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset. Exposure to liquidity risk arises because of the possibility that the Group could be required to pay its liabilities earlier than expected. The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of bank deposits and loans.

Set out below is a comparison by class of the carrying amounts and fair value of the Group's financial instruments that are carried in the financial statements:

			2021		2020	
	Fair value	Carrying	Fair value	Carrying	Fair value	Fair value
	hierarchy	value	£'000	value	value	£'000
Held at amortised cost						
Cash and cash equivalents	n/a	21,260	21,260	5,483	5,483	
Restricted cash	n/a	5,925	5,925	—	—	
Trade and other receivables ¹	n/a	5,784	5,784	3,910	3,910	
Other payables and accrued expenses ²	n/a	(31,802)	(31,802)	(10,157)	(10,157)	
Head lease liabilities	n/a	(14,897)	(14,897)	(8,807)	(8,807)	
Interest-bearing loans and borrowings	n/a	(219,099)	(219,099)	(183,190)	(183,190)	
Held at fair value						
Interest rate derivatives (assets)	2	16	16	22	22	

¹Excludes prepayments.

²Excludes VAT liability.

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

	Less than three months	Three to 12 months	One to two years	Two to five years	More than five years	Total
Year ended 31 March 2021	£'000	£'000	£'000	£'000	£'000	£'000
Interest-bearing loans and borrowings	—	3,440	4,565	231,418	—	239,423
Other payables and accrued expenses	6,573	1,000	500	16,550	—	24,623
Head lease obligations	—	638	1,708	1,560	10,991	14,897
Total	6,573	5,078	6,773	249,528	10,991	278,943

	Less than three months	Three to 12 months	One to two years	Two to five years	More than five years	Total
Year ended 31 March 2020	£'000	£'000	£'000	£'000	£'000	£'000
Interest-bearing loans and borrowings	—	3,777	5,013	201,538	—	210,328
Other payables and accrued expenses	5,758	739	—	4,500	—	10,997
Head lease obligations	—	532	1,012	915	6,348	8,807
Total	5,758	5,048	6,025	206,953	6,348	230,132

26. Subsidiaries

Company	Country of incorporation and operation	Number and class of share held by the Group	Group holding
Tilstone Holdings Limited ²	UK	63,872 ordinary shares	100%
Tilstone Warehouse Holdco Limited ²	UK	94,400 ordinary shares	100%
Tilstone Property Holdings Limited ²	UK	9,102 ordinary shares	100%
Tilstone Industrial Warehouse Limited ^{1,2}	UK	23,600 ordinary shares	100%
Tilstone Retail Warehouse Limited ^{1,2}	UK	20,000 ordinary shares	100%
Tilstone Industrial Limited ^{1,2}	UK	20,000 ordinary shares	100%
Tilstone Retail Limited ^{1,2}	UK	200 ordinary shares	100%
Tilstone Trade Limited ^{1,2}	UK	20,004 ordinary shares	100%
Tilstone Basingstoke Limited ^{1,2}	UK	1,000 ordinary shares	100%
Tilstone Glasgow Limited ^{1,2}	UK	1 ordinary share	100%
Tilstone Radway Limited ^{1,2}	UK	100 ordinary shares	100%
Tilstone Oxford Limited ^{1,2}	UK	1,000 ordinary shares	100%
Tilstone Liverpool Limited ¹ (previously Warehouse 18 Limited) ^{1,2}	UK	100 ordinary shares	100%
Warehouse 1234 Limited ^{1,2}	UK	100 ordinary shares	100%
Tilstone Chesterfield Limited ^{1,2}	UK	15,000,001 ordinary shares	100%
Chip (One) Limited ^{1,3}	IOM	7,545,347 ordinary shares	100%
Chip (Four) Limited ^{1,3}	IOM	10 ordinary shares	100%
Chip (Five) Limited ^{1,3}	IOM	8,461,919 ordinary shares	100%
Chip (Ipswich) One Limited ^{1,3}	IOM	2 ordinary shares	100%
Chip (Ipswich) Two Limited ^{1,3}	IOM	2 ordinary shares	100%
Glashen Services Limited ^{1,4}	IOM	1,780,801 ordinary shares	100%

1. Indirect subsidiaries.

2. Registered office: Beaufort House, 51 New North Road, Exeter EX4 4EP.

3. Registered office: 55 Athol Street, Douglas, Isle of Man, IM1 1LA.

4. Registered office: St Mary's Court, 20 Hill Street, Douglas, Isle of Man, IM1 1EU.

The principal activity of all the subsidiaries relates to property investment.

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.

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 Group's capital policies are as follows:

- the Group will keep sufficient cash for working capital purposes with excess cash, should there be any, deposited at the best interest rate available whilst maintaining flexibility to fund the Group's investment programme;
- borrowings will be managed in accordance with the loan agreements and covenants will be tested quarterly and reported to the Directors. Additionally, quarterly lender reporting will be undertaken in line with the loan agreement; and
- new borrowings are subject to Director approval. Such borrowings will support the Group's investment programme but be subject to a maximum 50% LTV. The intention is to maintain borrowings at an LTV of between 30% and 40%.

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 its subsidiaries are considered to be the key management personnel of the Group. Directors' remuneration for the period totalled £150,000 (31 March 2020: £150,000) and at 31 March 2021, a balance of £nil (31 March 2020: £nil) was outstanding. Further information is given in note 5 and in the Directors' remuneration report.

Investment Advisor

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

For its services to the Company, the Investment Advisor receives an annual fee at the rate of 1.1% of the NAV of the Company up to £500 million, then at a higher rate of 0.9% of the Company NAV once the Company NAV exceeds £500 million. Refer to the Directors' report for further information.

During the year, the Group incurred £4,393,000 (31 March 2020: £2,812,000) in respect of investment management fees. As at 31 March 2021, £1,319,000 (31 March 2020: £810,230) was outstanding.

Subsidiaries

As at 31 March 2021, the Company owned a 100% controlling stake in Tilstone Holdings Limited, Tilstone Warehouse Holdco Limited, Tilstone Property Holdings Limited, Tilstone Industrial Warehouse Limited, Tilstone Retail Warehouse Limited, Tilstone Industrial Limited, Tilstone Retail Limited, Tilstone Trade Limited, Tilstone Basingstoke Limited, Tilstone Glasgow Limited, Tilstone Radway Limited, Tilstone Oxford Limited, Tilstone Liverpool Limited (previously Warehouse 18 Limited), Warehouse 1234 Limited, Tilstone Chesterfield Limited, CHIP (One) Limited, CHIP (Four) Limited, CHIP (Five) Limited, CHIP (Ipswich) One Limited, CHIP (Ipswich) Two Limited, and Glashen Services Limited.

Greenstone Property Holdings Limited ("Greenstone") now Tilstone Oxford Limited

On 16 November 2020, the Group acquired a portfolio of five single-let and multi-let warehouse assets located across the UK, through the acquisition of a holding and property company previous controlled by a related party.

The purchase price was £41.2 million.

Consideration was £31.9 million in cash for shares which reflected just under 80% of the value of the entities on a cash free, debt free basis, and was used for the immediate repayment of £31.6 million of third-party indebtedness. The remaining 20% of the subscription was settled via the issuance of shares in Warehouse REIT plc, approved at a General Meeting held on 4 December 2020.

The consideration of approximately £8.9 million is based on the same pro rata value as the subscription and was satisfied by the allotment and issue of 7.6 million ordinary shares to the vendors at 118.4 pence per share, being the EPRA NTA per share as at 30 September 2020.

A further £0.4m was settled in cash upon agreement of the portfolio's balance sheet on 19 March 2021.

	16 November 2020	4 December 2020	19 March 2021	Total
Consideration				
Ordinary shares issued		8.9		8.9
Cash	31.9		0.4	32.3
Total consideration transferred				41.2
Recognised amounts of identifiable assets acquired and liabilities assumed				
Investment property				43.6
Net working capital				(2.4)
Total identified net assets at fair value				41.2

The fair value at the date of acquisition reflects the fair value of the investment property and net working capital and is equal to the consideration paid. No intangible assets were recognised on the asset acquisition in accordance with IFRS 3.

As part of the purchase agreement, contingent consideration receivable of £0.9m was paid into escrow and will be used to top-up the rent that would have been otherwise received in respect of vacant units until September 2021 and has been reflected in the fair value of the properties.

Following the acquisition, £2.7 million of shareholder loans were repaid to the vendor.

29. Ultimate controlling party

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

30. Post balance sheet event

A fourth interim dividend in respect of the year ended 31 March 2021 of 1.55 pence per share will be payable on 30 June 2021 to shareholders on the register on 4 June 2021. The ex-dividend date will be 3 June 2021.

UNAUDITED SUPPLEMENTARY NOTES NOT PART OF THE CONSOLIDATED FINANCIAL INFORMATION

For the year ended 31 March 2021

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

Table 1: EPRA performance measures summary

	Notes	2021	2020
EPRA EPS (pence)	Table 2	5.3	6.3
EPRA cost ratio (including direct vacancy cost)	Table 6	29.5%	28.4%
EPRA cost ratio (excluding direct vacancy cost)	Table 6	26.6%	23.8%
EPRA NDV per share (pence)	Table 3	135.1	109.5
EPRA NRV per share (pence)	Table 3	147.8	122.3
EPRA NTA per share (pence)	Table 3	135.1	109.5
EPRA NIY	Table 4	4.7%	5.9%
EPRA 'topped-up' net initial yield	Table 4	5.2%	6.3%
EPRA vacancy rate	Table 5	4.4%	6.6%

Table 2: EPRA income statement

	Year ended 31 March 2021 £'000	Year ended 31 March 2020 £'000
Revenue	35,758	30,053
Less: dilapidation income	(603)	(877)
Less: insurance recharged	(930)	(663)
Rental income	34,225	28,513
Property operating expenses	(4,612)	(3,930)
Add back: dilapidation income	603	877
Add back insurance recharged	930	663
Gross profit	31,146	26,123
Administration expenses	(6,324)	(5,032)
Add back costs of postponed equity raise	-	376
Adjusted operating profit before interest and tax	24,822	21,467
Finance income	26	30
Finance expenses	(6,257)	(6,483)
Less change in fair value of interest rate derivatives	6	227
Less accelerated amortisation of loan issue costs	—	375
Adjusted profit before tax	18,597	15,616
Tax on adjusted profit	—	—
Adjusted earnings	18,597	15,616
Weighted average number of shares in issue (thousands)	349,648	240,051
Adjusted EPS (pence)	5.3	6.5

	Year ended 31 March 2021 £'000	Year ended 31 March 2020 £'000
Adjusted earnings	18,597	15,616
Costs of postponed equity raise	-	(376)
EPRA earnings	18,597	15,240
Weighted average number of shares in issue (thousands)	349,648	240,051
EPRA EPS (pence)	5.3	6.3

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

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

In October 2019, the European Public Real Estate Association ("EPRA") published new Best Practice Recommendations ("BPR") for financial disclosures by public real estate companies. The BPR introduced three new measures of net asset value: EPRA net disposal value ("NDV"), EPRA net reinstatement value ("NRV") and EPRA net tangible assets ("NTA"). EPRA NTA is considered to be the most relevant measure for Warehouse REIT's operating activities. A reconciliation of the three new EPRA NAV metrics from IFRS NAV is shown in the table below. The previously reported EPRA NAV and EPRA NNNAV have also been included for comparative purposes. Total accounting return will now be calculated based on EPRA NTA.

	New measures			Previously reported measures	
	EPRA NDV £'000	EPRA NRV £'000	EPRA NTA £'000	EPRA NAV £'000	EPRA NNNAV £'000
As at 31 March 2021					
Total properties ¹	792,800	792,800	792,800	792,800	792,800
Net borrowings ²	(194,815)	(194,815)	(194,815)	(194,815)	(194,815)
Other net liabilities	(23,894)	(23,894)	(23,894)	(23,894)	(23,894)
IFRS NAV	574,091	574,091	574,091	574,091	574,091
Exclude: fair value of interest rate derivatives	—	(16)	(16)	(16)	—
Include: real estate transfer tax ³	—	53,910	—	—	—
NAV used in per share calculations	574,091	627,985	574,075	574,075	574,091
Number of shares in issue (thousands)	424,862	424,862	424,862	424,862	424,862
NAV per share (pence)	135.1	147.8	135.1	135.1	135.1

Loan to value ratio⁴ **24.6%**

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

Loan to value ratio⁴ **40.2%**

- Professional valuation of investment property.
- Comprising interest-bearing loans and borrowings (excluding unamortised loan arrangement fees) of £222,000,000 (31 March 2020: £186,500,000) net of cash of £27,185,000 (31 March 2020: £5,483,000).
- EPRA NTA and EPRA NDV reflect IFRS values which are net of real estate transfer tax. Real estate transfer tax is added back when calculating EPRA NRV.
- Net borrowings divided by the aggregate fair value of properties.

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

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

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

Table 4: EPRA net initial yield

	31 March 2021 £'000	31 March 2020 £'000
Total properties per external valuers' report	792,800	450,520
Less development property and land	(40,870)	(16,970)
Net valuation of completed properties	751,930	433,550
Add estimated purchasers' costs ⁵	51,131	29,481
Gross valuation of completed properties including estimated purchasers' costs (A)	803,061	463,031
Gross passing rents ⁵ (annualised)	38,574	27,829
Less irrecoverable property costs ⁶	(1,121)	(742)
Net annualised rents (B)	37,453	27,087
Add notional rent on expiry of rent-free periods or other lease incentives ⁷	4,454	1,875
'Topped-up' net annualised rents (C)	41,907	28,962
EPRA NIY (B/A)	4.7%	5.9%
EPRA 'topped-up' net initial yield (C/A)	5.2%	6.3%

⁵Estimated purchasers' costs estimated at 6.8%.

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

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

EPRA NIY represents annualised rental income based on the cash rents passing at the balance sheet date, less non-recoverable property operating expenses, divided by the market value of the property, increased with (estimated) purchasers' costs. It is a comparable measure for portfolio valuations designed to make it easier for investors to judge themselves how the valuation of portfolio X compares with portfolio Y.

EPRA 'topped-up' NIY incorporates an adjustment to the EPRA NIY in respect of the expiration of rent-free periods (or other unexpired lease incentives such as discounted rent periods and step rents).

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

Table 5: EPRA vacancy rate

	31 March 2021 £'000	31 March 2020 £'000
Annualised ERV of vacant premises (D)	2,054	2,201
Annualised ERV for the investment portfolio (E)	47,151	33,141
EPRA vacancy rate (D/E)	4.4%	6.6%

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

Table 6: Total cost ratio/EPRA cost ratio

	Year ended 31 March 2021 £'000	Year ended 31 March 2020 £'000
Property operating expenses	4,612	3,930
Add back insurance recharged	(930)	(663)
Net property operating expenses	3,682	3,267
Administration expenses	6,324	5,032
Less cost of postponed equity raise	-	(376)
Less ground rents ⁸	(134)	(110)
Total cost including direct vacancy cost (F)	9,872	7,813
Direct vacancy cost	(980)	(1,320)
Total cost excluding direct vacancy cost (G)	8,892	6,493
Rental income ⁹	34,225	29,390
Less ground rents paid	(748)	(507)
Gross rental income (H)	33,477	28,883
Less direct vacancy cost	(980)	(1,320)
Net rental income	32,497	27,563
Total cost ratio including direct vacancy cost (F/H)	29.5%	27.1%
Total cost ratio excluding direct vacancy cost (G/H)	26.6%	22.5%

	Year ended 31 March 2021 £'000	Year ended 31 March 2020 £'000
Total cost including direct vacancy cost (F)	9,872	7,813
Cost of postponed equity raise	—	376
EPRA total cost (I)	9,872	8,189
Direct vacancy cost	(980)	(1,320)
EPRA total cost excluding direct vacancy cost (J)	8,892	6,869
EPRA cost ratio including direct vacancy cost (I/H)	29.5%	28.4%
EPRA cost ratio excluding direct vacancy cost (J/H)	26.6%	23.8%

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

⁹ Prior period rental income includes dilapidation income for the purposes of the total cost ratio and EPRA cost ratio calculations.

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

It is the Group's policy not to capitalise overheads or operating expenses and no such costs were capitalised in either the year ended 31 March 2021 or the year ended 31 March 2020.

Table 7: Lease data

	Year 1	Year 2	Years 3-5	Year 5+	Head rents	Total
					payable	
As at 31 March 2021	£'000	£'000	£'000	£'000	£'000	£'000
Passing rent of leases expiring in:	5,327	2,450	26,064	5,859	(1,126)	38,574
ERV of leases expiring in:	7,754	2,597	31,115	6,876	(1,191)	47,151
Passing rent subject to review in:	7,036	4,664	23,496	4,504	(1,126)	38,574
ERV subject to review in:	9,467	5,066	28,507	5,302	(1,191)	47,151

WAULT to expiry is 5.8 years and to break is 4.7 years.

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

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

Table 8: Capital expenditure

	Year ended	Year ended
	31 March	31 March
	2021	2020
	£'000	£'000
Acquisitions ¹⁰	246,565	149,665
Development spend ¹¹	625	238
Completed investment properties: ¹²		
No incremental lettable space – like-for-like portfolio	1,493	2,942
No incremental lettable space - other	82	107
Tenant incentives	363	500
Total capital expenditure	249,128	153,452
Conversion from accruals to cash basis	(21,916)	(5,138)
Total capital expenditure on a cash basis	227,212	148,314

¹⁰ Acquisitions include £229,272 completed investment property and £17,293 development property and land (2019: £149,665 and £nil respectively)

¹¹ Expenditure on development property and land

¹² Expenditure on completed investment properties

Table 9: Like-for-like net rental income

	Year ended 31 March 2021 £'000	Year ended 31 March 2020 £'000	% Change
Like-for-like net rental income¹³	18,497	18,367	0.7%
Other ¹⁴	-	1,135	
Adjusted like-for-like net rental income	18,497	19,502	(5.1%)
Development lettings	591	595	
Properties acquired	14,550	6,087	
Properties sold	587	2,329	
Rental income	34,225	28,513	
Dilapidation income	603	877	
Insurance recharge	930	663	
Revenue	35,758	30,053	

¹³ Like-for-like portfolio valuation as at 31 March 2021: £518,775,000 (31 March 2020: 434,065,000)

¹⁴ Includes rent surrender premiums, back rent and other items

GLOSSARY

Adjusted earnings per share (“Adjusted EPS”)

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

Admission

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

AGM

Annual General Meeting

AIC

The Association of Investment Companies

AIFM

Alternative Investment Fund Manager

AIFMD

Alternative Investment Fund Managers Directive

AIM

A market operated by the London Stock Exchange

Contracted rent

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

Development property and land

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

Effective occupancy

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

EPRA

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

EPRA cost ratio

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

EPRA earnings

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

EPRA earnings per share (“EPRA EPS”)

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

EPRA guidelines

The EPRA Best Practices Recommendations Guidelines October 2019

EPRA like-for-like rental income growth

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

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

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

EPRA net asset value (“EPRA NAV”)

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

EPRA net disposal value (“EPRA NDV”)

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

EPRA net initial yield (“EPRA NIY”)

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

EPRA net reinstatement value (“EPRA NRV”)

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

EPRA net tangible assets (“EPRA NTA”)

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

EPRA ‘topped-up’ net initial yield

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

EPRA vacancy rate

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

EPS

Earnings per share

Equivalent yield

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

ERV

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

FCA

Financial Conduct Authority

GAV

Gross asset value

Group

Warehouse REIT plc and its subsidiaries

IASB

International Accounting Standards Board

IFRS

International Financial Reporting Standards adopted by the European Union

IFRS earnings per share ("EPS")

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

IFRS NAV per share

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

Investment portfolio

Completed buildings and excluding development property and land

Interest Cover

Adjusted operating profit before gains on investment properties, interest and tax divided by the underlying net interest expense

IPO

Initial public offering

LIBOR

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

Like-for-like rental income growth

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

Like-for-like valuation increase

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

Loan to value ratio ("LTV")

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

NAV

Net asset value

Net initial yield ("NIY")

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

Net rental income

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

Net reversionary yield ("NRY")

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

Occupancy

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

Passing rent

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

Property income distribution ("PID")

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

RCF

Revolving credit facility

Real Estate Investment Trust ("REIT")

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

RPI

Retail price index

SONIA

Sterling Overnight Index Average

Total accounting return

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

Total cost ratio

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

Weighted average unexpired lease term ("WAULT")

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

The Annual Report can be accessed via the Company's website at www.warehousereit.co.uk.

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