WAREHOUSE REIT

THE WAREHOUSE PROVIDER OF CHOICE

Half-yearly report for the six months ended 30 September 2019

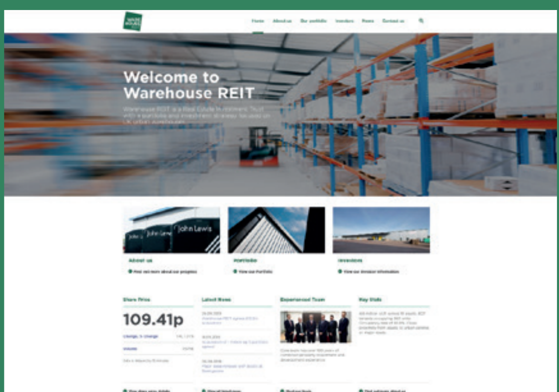
WHAT'S INSIDE

Overview
pages 1 to 13

Additional information
pages 31 to IBC

Condensed financial statements
pages 14 to 30

Find us online
www.warehousereit.co.uk



Front cover image
Nottingham acquisition

Welcome to **Warehouse REIT**

Warehouse REIT plc owns and manages a diversified portfolio of warehouse real estate assets in UK urban areas.

This is a compelling market. The structural rise in e-commerce and investment in 'last-mile' delivery contribute to high tenant demand, while limited vacant space and our active asset management lead to growing rents. Capturing this income allows us to offer our shareholders an attractive dividend and the prospect of capital and further dividend growth.

Our portfolio of well-located assets is let to occupiers ranging from pure e-commerce to traditional light industrial. As we expand, our vision is for Warehouse REIT to become the warehouse provider of choice across the UK.

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

Overview

FINANCIAL HIGHLIGHTS[1]

Six months to 30 September 2019

Revenue
£13.6m
30 September 2018: £10.7m

Operating profit before gains on investment properties
£9.7m
30 September 2018: £5.0m

IFRS profit before tax
£2.8m
30 September 2018: £11.0m

IFRS EPS
1.2p
30 September 2018: 6.6p

EPRA EPS
3.0p
30 September 2018: 1.8p

Adjusted EPS[2]
3.0p
30 September 2018: 3.1p

Dividends per share[3]
3.0p
30 September 2018: 3.0p

Total accounting return[4]
(1.4)%
30 September 2018: 6.5%

Total costs ratio[5]
26.5%
30 September 2018: 28.9%

As at 30 September 2019

Portfolio valuation
£438.7m
31 March 2019: £307.4m

IFRS NAV
£252.7m
31 March 2019: £182.3m

IFRS NAV per share
105.2p
31 March 2019: 109.8p

EPRA NAV per share
105.2p
31 March 2019: 109.7p

Loan to value ratio
40.2%
31 March 2019: 39.7%

- Paid or declared dividends of 3.0 pence per share, in line with our previous target of 6.0 pence per share for the full year. As a result of being fully invested by September 2019, we will be increasing the target for the year to March 2020
- Successfully raised gross proceeds of £76.5 million through an equity issue in April 2019, with strong support from existing and new shareholders
- Acquisitions totalling £133.2 million during the period, adding 1.6 million sq ft to the portfolio at a net initial yield ("NIY") of 6.7%
- Portfolio valued at £438.7 million at 30 September 2019, representing a 1.0% increase on the 31 March 2019 valuation and the purchase price for assets acquired during the period, or a 0.6% increase on a like-for-like basis compared to the valuation at 31 March 2019
- EPRA net asset value ("NAV") per share of 105.2 pence (31 March 2019: 109.7 pence), reflecting short-term dilution from the share issue, equivalent to 2.8 pence per share and the costs of acquisitions made in the period of £8.6 million, equivalent to 3.6 pence per share, net of increases of 1.9 pence per share, largely arising on revaluation, reflecting the short time that recently acquired assets have been held
- Bank debt of £184.0 million at the period end, following the extension of our banking facilities to £210.0 million and resulting in a loan to value ratio ("LTV") of 40.2% (31 March 2019: 39.7%), slightly above our target of 30-40% but below the maximum of 50%. This will be managed below 40% in the near term through the disposal of a small number of non-core assets

OPERATIONAL HIGHLIGHTS

As at 30 September 2019

Contracted rent	Passing rent	WAULT[6] to expiry
£30.3m	£28.0m	5.1 years
31 March 2019: £21.6m	31 March 2019: £20.6m	31 March 2019: 4.6 years

WAULT to first break	EPRA NIY	Occupancy
3.9 years	5.7%	91.5%
31 March 2019: 3.1 years	31 March 2019: 6.1%	31 March 2019: 92.0%

- Occupational markets remain favourable, with strong tenant demand and constrained supply contributing to rental growth across the UK
- Continued progress unlocking value from the portfolio through active asset management
  - Completed 43 lettings of vacant space, generating rent of £0.9 million per annum, 8.0% ahead of 31 March 2019 estimated rental value ("ERV"). ERV across the portfolio has grown by 1.2% on a like-for-like basis
  - Renewed 57 leases, including major renewal with Alliance Healthcare, securing income of £2.1 million and a 23.4% increase over previously contracted rents
  - Capital expenditure of £2.4 million spent or committed in the period (six months ended 30 September 2018: £1.4 million), to drive future rental and capital value growth
  - Occupancy of 91.5% (31 March 2019: 92.0%), reflecting space taken back to undergo refurbishment. Excluding units undergoing refurbishment and units under offer to let, occupancy was 96.8%
  - Progressing value-add opportunities on 'lazy acres', focused on generating value from surplus or adjacent land
- Successfully invested the proceeds of the April 2019 equity issue, acquiring 14 assets at a NIY of 6.7%
  - Added 1.6 million sq ft, giving a total portfolio of 6.2 million sq ft across 104 assets
  - Further enhanced the quality of the tenant mix, adding strong covenants such as John Lewis Partnership and Direct Wines as well as increasing exposure to existing major tenants such as Amazon
  - Increased the WAULT to 5.1 years (31 March 2019: 4.6 years), reflecting the benefits of both asset management and the acquisitions in the period

Post period end highlights

- Completed the disposal of four assets for consideration of £3.0 million, ahead of their 31 March 2019 book value of £2.8 million, reflecting a NIY of 5.8%
- Completed the acquisition of the multi-let Midpoint Estate in Middlewich, Cheshire, for £15.5 million, reflecting a NIY of 6.6%

1. The Group uses a number of Alternative Performance Measures ("APMs") which are not defined or specified within IFRS. The Directors use these measures in order to assess the performance of the Group, in line with market practice. EPRA EPS is set out in note 10. EPRA NAV is set out in note 18. A glossary of terms is shown at the end of this report.
2. Adjusted earnings per share ("EPS") is based on IFRS earnings excluding unrealised fair value gains on investment properties, profit on disposal of investment properties and one-off costs, which were a property and acquisition provision in the six months to 30 September 2018, as set out in note 16. There were no profits on disposal or one-off costs in the six months to 30 September 2019.
3. Dividends paid and declared in relation to the period. Dividends paid during the period also totalled 3.0 pence (six months ended 30 September 2018: 3.0 pence per share).
4. Total accounting return based on decrease in EPRA NAV per share of 4.5 pence per share plus dividends paid per share of 3.0 pence, as a percentage of the opening EPRA NAV of 109.7 pence per share.
5. Total costs ratio represents the EPRA cost ratio excluding one-off costs.
6. Weighted average unexpired lease term.

CHAIRMAN'S STATEMENT

We have continued to acquire high-quality assets in economically active areas, enhancing both our tenant portfolio and our income stream.

Overview

This was another active period for the Group, during which we were able to acquire high-quality assets in economically active areas, enhancing both our tenant covenant portfolio and the WAULT. We have also continued to extract asset management gains from the existing portfolio through Tilstone's pro-active approach, which supports building strong occupier relationships and helps us achieve a deep understanding of our tenants' needs. As I discuss in more detail below, these activities have improved the quality and length of our income stream, supporting our dividends to shareholders.

At the start of April 2019, we raised gross proceeds of £76.5 million through a successful equity issue. Together with our extended debt facilities, this provided us with around £120 million of firepower. We felt that there were opportunities to advantageously deploy these funds and we have done this within the six month period anticipated at the time of the equity raise. During the period we acquired 25 units in attractive locations across the UK, increasing the Midlands weighting with towns such as Northampton and enhancing the portfolio with tenants such as John Lewis Partnership, Direct Wines and Amazon. Acquisition prices remain below replacement cost and the purchases in the period reflected a blended NIY of 6.7%.

In my previous reports, I indicated that the Board would very carefully monitor any macroeconomic developments that may be relevant to your Company and we continue to do this. The short end of the yield curve has inverted during the last 12 months and some commentators see this as a sign of impending recession. We remain extremely vigilant about tenant risk and review this in detail at each Board meeting. Our ten largest tenants now provide 28% of our rental income and include excellent covenants such as John Lewis, Amazon, Direct Wines, Alliance Healthcare, Iron Mountain and Howdens Joinery. Another example of the strength of our tenant line up is the fully-let eight-asset portfolio we acquired in September 2019, which has 100% of its income secured against D&B-rated minimum-risk covenants. At the same time, we benefit from the diversity of our tenant mix, which includes 638 occupiers in numerous different sectors, meaning we are not reliant on any individual tenant for the security of our income.

The asset management highlight for the period was re-letting our unit in Basingstoke to Alliance Healthcare (part of Walgreens Boots Alliance) on a new ten-year lease without a break, at a 42.3% uplift to the previous rent. This demonstrates our ability to work with our tenant partners to secure deals that benefit both them and us. More broadly, we achieved rental levels above ERV for new leases, while the length of leases continues to increase, reflecting occupier demand for space and the improvements we are making through capital expenditure.

We have also continued with our efforts to extract potentially significant returns from surplus or adjacent land within the portfolio, in particular making further progress with our development plans at Queenslie in Glasgow. This 'lazy acres' aspect to some of our assets provides good opportunity for development and I am sure that we will be able to extract this value while retaining our core focus on building the income stream.

With this in mind, one of our focuses is to extend the portfolio's WAULT. At the start of the period, our WAULT was 4.6 years to expiry. The steps we have taken, in terms of both asset management and acquisitions, have extended the WAULT to 5.1 years at 30 September 2019. The September portfolio acquisition had a WAULT of 5.3 years, resulting from a number of longer leases and some shorter leases offering the potential to capture rental growth in the near term. We continue to identify opportunities to asset manage for higher returns and to extend the WAULT further.

Occupational demand is strong, vacancy rates are low and we will continue to grow our rental income at lease renewal and through new lettings.

Dividends

We declared and paid an interim dividend of 1.5 pence during the period. We are also declaring a second interim dividend of 1.5 pence per share with these results, in relation to the three months to 30 September 2019, which will be paid in full as a Property Income Distribution ("PID") on 27 December 2019, to shareholders on the register at 29 November 2019.

This gives a total dividend for the period of 3.0 pence. This total dividend is 101% covered by earnings. Following the successful deployment of our capital by September 2019 we will be increasing our dividend target for the year to March 2020 and with a progressive policy thereafter, in line with anticipated growth in earnings. As a REIT, we are required to distribute at least 90% of our property income.

Financial results

The EPRA NAV per share at 30 September 2019 was 105.2 pence (31 March 2019: 109.7 pence). This reflects the dilutive effect of the equity raise in April 2019, the limited time we have held the £133.2 million of assets subsequently acquired, which gave little scope for growth in their value, and the costs of £8.6 million associated with making those acquisitions.

At the period end, the Group had £184.0 million of debt (31 March 2019: £127.0 million) and a LTV ratio of 40.2% (31 March 2019: 39.7%). While this is slightly above our longer-term target range of 30-40%, it remains below the 50% limit in our investment policy and with the sale of a number of smaller non-core assets we soon expect to manage our LTV to below 40%.

Governance

One of the Board's principal responsibilities is to ensure that the Group's strategy remains appropriate and is being effectively implemented. In October 2019, we undertook our second strategy day since the IPO, to retest the proposition we set out at that time. The day was chaired by Non-Executive Director Aimée Pitman and attended by all the Board members and a number of Tilstone's senior staff. The topics we reviewed included the sector dynamics, the deployment of capital, acquisitions and asset management, the Group's financial outlook, the management of investor relations and our longer-term ambition for the Group. We concluded that the strategy, which Tilstone is successfully implementing, continues to be the right one for our business.

Conclusion

The Board remains positive about the outlook for the Group. Occupational demand is strong, with employment in the UK at record levels, and we are not so far seeing any negative Brexit-related impact on demand for warehouse space in our target markets. Low vacancy rates coupled with the disconnect between investment values and replacement costs mean that the sector is positioned for further rental growth and we will continue to capture this at lease renewal and through new lettings. Our activities in the first half of the year have substantially increased the portfolio ERV to £34.5 million, against a contracted rent roll of £30.3 million, showing the reversionary potential in the portfolio. We will continue to focus on actively managing the portfolio to drive returns, including disposing of a small number of identified assets where we can reinvest in attractive opportunities.

I believe that the combination of our dividend stream and its growth is the key valuation driver of your Company. That said, I take comfort from the fact that in the current very low interest rate environment, the portfolio is conservatively valued on a NIY of 6.5%, particularly given the enhancements we continue to make both to the duration and quality of the income stream.

Our shareholder list continues to grow, which we recognise as vital to the continued execution of our strategy.

Thank you for your continued support.

Neil Kirton
Chairman

4 November 2019

INVESTMENT ADVISOR'S REPORT

This was a successful period for the Group, which saw it continue to deliver its strategy of actively managing its assets and enhancing its portfolio through capital expenditure and acquisitions.

Asset acquisitions

During the period, we continued to identify attractive acquisition opportunities on the Group's behalf. These included a number of larger assets, whose purchase was made possible by the Group's increasing scale. The acquisitions in the period have further enhanced the tenant covenant profile and increased the WAULT, thereby improving the quality of the income stream that underpins dividends to shareholders. In aggregate, the Group acquired 25 warehouse units during the period and added a further 1.6 million sq ft of space and 31 tenants to the portfolio. The total purchase price of these acquisitions, excluding the associated transaction costs, was £124.6 million.

First quarter acquisitions

Industrial unit in Wakefield

The Group acquired a 53,000 sq ft single-let industrial unit in Wakefield for £4.2 million, reflecting a NIY of 6.3%. The unit is let to Stapleton's Tyre Services Limited, one of the UK's largest distributors of car and van tyres. On acquisition, the tenant agreed a new 15-year lease at £5.25 per sq ft, with CPI-linked rent reviews and tenant-only break options at years five and ten. Wakefield is widely considered to be Yorkshire's premier distribution location.

Distribution units in Northampton and an Aberdeen industrial estate

In Northampton, the Group acquired the freehold of two John Lewis distribution units, totalling 336,000 sq ft. John Lewis has the highest available 5A1 covenant rating and has been on site for over 25 years. It signed new five-year leases, with a headline rent of £1,836,000 per annum across both units. The units are within the 'Golden Triangle' on the Brackmills Industrial Estate, one of the UK's premier distribution locations, with excellent access to the M1 motorway.

In Aberdeen, the Group acquired the long-leasehold Murcar Industrial Estate. On acquisition, the 125,000 sq ft estate was 100% let to a range of occupiers, with a WAULT of 8.0 years (5.2 years to break) and total net passing rent of £776,000 per annum. The 8.5 acre site is within the Bridge of Don Industrial Estate, a major industrial and business area, which fronts the A90 dual carriageway and is four miles from Aberdeen city centre.

These acquisitions had a combined cost of £37.0 million and a blended NIY of 6.6%.

Three warehouse units in Tewkesbury

The Group purchased a further three units providing an additional 54,600 sq ft next to its existing holding at Tewkesbury Business Park. The purchase price of £3.8 million reflected a NIY of 6.9% and is comfortably below replacement cost at less than £70 per sq ft. The WAULT on acquisition was 7.0 years.

Second quarter acquisitions

Warehouse assets in Chorley and Doncaster

In Chorley, Lancashire, the Group acquired a 47,500 sq ft modern, purpose-built warehouse for £3.6 million. The property had recently undergone a complete refurbishment and is let to an established manufacturing business as its distribution centre, generating a net passing rent of approximately £260,000 per annum. The lease had 4.5 years remaining on acquisition.

The Group also increased its holding on the popular Sky Business Park in Doncaster, acquiring units 1 and 2 which total 20,700 sq ft of space, to add to the 36,000 sq ft already owned across six units. The tenant signed a new ten-year lease with a break at year five, off a passing rent of £5.81 per sq ft, which compares favourably with lettings the Group has recently achieved on the estate. The purchase price was £1.68 million.

The blended NIY of the two purchases was 6.8%.

1 million sq ft portfolio

In September 2019, the Group acquired a portfolio of one multi-let and seven single-let warehouses, totalling 995,100 sq ft. The purchase price was £70.0 million, with a further payment of up to £5.0 million due on or before September 2023, and reflected a NIY of 6.7%. The assets are fully let and generate annual rent of £5.38 million.

The assets range in size from approximately 50,000 sq ft to 217,000 sq ft and are all close to major conurbations and on or near arterial routes. All the income is secured against D&B-rated 'minimum risk' covenants, with occupiers including Amazon, Direct Wines, Iron Mountain and Sytner Group. The portfolio has a WAULT of 5.3 years and a low average rent of £5.40 per sq ft. A number of short leases and below-market rents offer scope to unlock value through active asset management.

Assets from the 1 million sq ft portfolio acquisition, September 2019

INVESTMENT ADVISOR'S REPORT continued

Asset management

The Group continued to undertake a wide range of asset management activities during the period, contributing to rental growth and increased capital values.

Disposals

Part of the Group's asset management strategy is to dispose of mature, lower-yielding or non-core assets, so it can redeploy the capital to generate further income growth and higher total returns. A number of such disposal opportunities were identified during the period with four completing since the period end (see post period end activity below). The Group continues to review a number of further asset sales.

Capital expenditure

Capital expenditure is key to enhancing the quality of the Group's assets, so as to attract occupiers and increase rental levels and capital values. It also enables the Group to support its 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 0.75% of its gross asset value in capital expenditure each year.

The financial year ending 31 March 2020 is expected to represent a period of higher capital expenditure for the Group and during the first six months, it spent or committed £2.4 million on capital expenditure (six months ended 30 September 2018: £1.4 million).

One of the larger elements of this spend was the refurbishment of the Group's multi-let asset in Witney, Oxfordshire. Since the beginning of the period, the Group has taken back approximately 70,600 sq ft of space for refurbishment and received a surrender premium and dilapidations payment of £0.8 million, providing effective income cover through to early 2020 and a contribution to refurbishment works. The focus is now on completing the refurbishment, returning the single-let unit to a range of smaller units and securing new occupiers at higher rents. Pleasingly, an encouraging level of enquiries has already been received. As a result of this and other refurbishment work, approximately 3.8% of the portfolio's ERV was under refurbishment at the period end, reflecting the fact that rent-enhancing refurbishments can only take place in empty units.

Other notable items of capital expenditure included refurbishment work on two units at Stadium Industrial Estate, Luton, roof works on units at Nexus, Knowsley, and refurbishment work on two units and roof works at Farthing Road Industrial Estate, Ipswich, all of which have facilitated new lettings at rents ahead of ERV.

Leasing activity

The Group made further progress with letting vacant space and renewing leases during the period. This progress was supported by the capital expenditure described above and reflects the Group's 'space intelligence', which incorporates its strong relationships with occupiers and its ongoing work to understand their space requirements.

New leases

The Group secured 43 new leases on 137,000 sq ft of space during the period. These will generate annual rent of £0.9 million, which is 8.0% ahead of the 31 March 2019 ERV. On average, new leases continue to lengthen, with seven leases of ten years or more signed in the period. Incentives also continue to reduce.

Key examples of new lettings in the first half of the year included:

- a ten-year lease, without a break, on a unit at Vantage Point, Leeds, at a rental level 22.9% ahead of ERV;
- a ten-year lease, with a break at year five, on a unit at Kingsditch Trading Estate, Cheltenham, at a rental level 13.2% ahead of ERV;
- a nine-year lease, with a break at year six, on a unit at Shieling Court, Corby, at a rental level 11.1% ahead of ERV;
- a five-year lease, with a break at year three, on a unit at Kingsditch Trading Estate, at a rental level 17.4% ahead of ERV; and
- a ten-year lease, with a break at year five, on a unit at New England Industrial Estate, Hoddesdon, at a rent of £150,000 per annum, in line with ERV.

Lease renewals

The Group continues to retain the majority of its occupiers, with 80% remaining in occupation at expiry and 62% with a break arising in the period. Of the 38% that did exercise breaks, 63% were re-let at rents 19.9% ahead of previous rents. As in previous periods, occupiers who chose not to renew typically did so because the Group was unable to offer them more space on the same site. In total, there were 57 lease renewals on approximately 369,500 sq ft of space during the period. The renewals resulted in average rental growth of 23.4% above the previous passing rent and 2.8% above the ERV.

Examples of notable lease renewals in the period included:

- a major renewal with Alliance Healthcare (Distribution) Limited, the distribution arm of Walgreens Boots Alliance Inc., at Daneshill Industrial Estate in Basingstoke. The ten-year lease renewal, with no breaks, in return for market standard incentives, was agreed at a 42.3% uplift to the previous rent, with a headline rent of £925,000 per annum or £8.19 per sq ft. Boots has occupied the 113,300 sq ft unit since 1989;
- a ten-year lease, without a break, on a unit at Kingsditch Trading Estate, at a rental level 19.1% ahead of the previous rent;
- a ten-year lease, without a break, on units at Queenslie Business Park, Glasgow, at a rental level 8.8% ahead of the previous rent;
- a ten-year lease, with a break at year five, on a unit at Witan Park, Witney, at a rental level 24.6% ahead of the previous rent; and
- a six-year lease, with a break at year three, on a unit at Yale Business Park, Ipswich, at a rental level 37.8% ahead of the previous rent.

Development activity

Having received outline planning permission during the year ended 31 March 2019 for up to 250,000 sq ft of employment-led space at Queenslie Business Park, Glasgow, the Group has continued to progress its plans for the site. The Group will not build new accommodation without first achieving a pre-let on some of the space. It has already received strong interest from potential occupiers, on what is a key motorway-fronting location. Securing pre-lets will enable the Group to seek detailed planning consent for the occupiers' specific requirements. Activity during the period included continuing the process for clearing planning pre-conditions and beginning to market a trade counter scheme. Occupancy in the existing estate at Queenslie remains high.

In addition, at Nexus, Knowsley, the Group achieved outline planning consent for 30,000 sq ft of industrial space on two acres of the development land, along with a petrol and electric charging station and a drive-through on the remaining 2.2 acres. This is a further example of the Group seeking to extract value from unused or underutilised 'lazy acres'.

Overview

INVESTMENT ADVISOR'S REPORT continued

Portfolio analysis

As a result of the acquisitions and asset management activity described above, at the period end the portfolio was valued at £438.7 million and totalled 6.2 million sq ft of space. The table below analyses the portfolio as at 30 September 2019:

Warehouse sector	Occupancy	Valuation £m	Net initial yield	Reversionary yield	WAULT to expiry Years	WAULT to break Years	Average rent £ per sq ft	Average capital value £ per sq ft
Warehouse storage and distribution	92.5%	348.4	6.2%	7.0%	5.3	4.0	5.30	71
Light manufacture and assembly	84.1%	45.4	7.2%	8.5%	4.3	2.8	4.59	53
Warehouse – trade use	100.0%	12.4	7.1%	7.3%	6.1	4.6	7.19	93
Warehouse – retail use	100.0%	10.8	8.2%	9.4%	5.0	5.0	10.44	119
Workspace and office	85.0%	21.7	7.3%	8.8%	3.9	3.3	10.00	106
Total portfolio	**91.5%**	**438.7**	**6.5%**	**7.3%**	**5.1**	**3.9**	**5.47**	**71**

At the period end, the contracted rent roll was £30.3 million, resulting in a NIY of 6.5%. The portfolio's ERV was £34.5 million, giving a reversionary yield of 7.3%. 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. The Group's asset management is progressively unlocking the portfolio's reversionary potential, with new lettings frequently securing rental levels ahead of ERV.

The acquisitions and letting activity in the period have further lengthened the WAULT, which stood at 5.1 years at 30 September 2019, up from 4.6 years at the start of the period and 4.2 years at 30 September 2018. This more than offset the natural reduction in the WAULT over time.

In response to the positive way the market responds to refurbishment, the Group has actively taken back units where possible and is carrying out targeted refurbishment. Whilst this has reduced the occupancy to 91.5%, slightly below the 92.0% at the start of the period, the effective vacancy is only 3.2% as 3.8% of the portfolio ERV was under refurbishment at the period end and a further 1.5% was under offer to let. Occupancy excluding units under offer and units undergoing refurbishment was 96.8%, versus 94.9% as at 31 March 2019.

Financial review

Performance

Rental income for the period was £12.4 million (six months ended 30 September 2018: £9.9 million), up 25.3%, reflecting growth in the portfolio and the benefits of asset management. Total revenue, which includes insurance recharges, dilapidation income and any surrender premiums, was £13.6 million (six months ended 30 September 2018: £10.7 million). As noted above, the Group received a surrender premium and dilapidations payment of £0.8 million in respect of the units taken back at Witney, which is included in total revenue for the period.

The Group's operating costs include its running costs (primarily the management, audit, company secretarial, other professional and Directors' fees), and property-related costs (including legal expenses, void costs and repairs). Total operating costs for the period were £3.9 million (six months ended 30 September 2018: £5.7 million). Operating costs in the six months ended 30 September 2018 included one-off costs of £2.2 million associated with a terminated acquisition and the default of the tenant at Deeside, who entered into administration.

The Group continues to exercise tight control of its costs. The EPRA cost ratio, which is calculated as costs as a percentage of revenue, was 26.5% for the period (six months ended 30 September 2018: 28.9% excluding one-off costs). The ongoing charges ratio, representing the costs of running the REIT as a percentage of NAV, was 1.0% (six months ended 30 September 2018: 2.2%).

There was no profit on disposal in the six months to 30 September 2019. In the six months ended 30 September 2018, the Group recorded a profit of £3.7 million on the sale of four investment properties.

At the period end, the Group recognised a loss of £4.3 million on the revaluation of its investment properties (six months ended 30 September 2018: gain of £4.4 million) reflecting the one-off costs associated with the acquisitions in the period of £8.6 million net of a revaluation uplift of £4.3 million.

Net financing costs, which include the interest costs associated with the Group's revolving credit facility ("RCF") and term loan, totalled £2.5 million (six months ended 30 September 2018: £2.1 million).

Statutory profit before tax for the period was £2.8 million (six months ended 30 September 2018: £11.0 million).

As a REIT, the Group's profits and gains from its property investment business are exempt from corporation tax. The corporation tax charge for the period was therefore £nil (six months ended 30 September 2018: £nil).

Earnings per share ("EPS") under IFRS was 1.2 pence (six months ended 30 September 2018: 6.6 pence). EPRA EPS was 3.0 pence (six months ended 30 September 2018: 1.8 pence, or 3.1 pence when adjusted to exclude one-off costs).

INVESTMENT ADVISOR'S REPORT continued

Financial review continued

Dividends

The Company has declared the following interim dividends in respect of the six months to 30 September 2019:

- an interim dividend of 1.5 pence per share in relation to the three months to 30 June 2019, which was paid as a PID on 27 September 2019; and
- the Board has also declared an interim dividend of 1.5 pence per share in relation to the three months to 30 September 2019, which will be paid in full as a PID on 27 December 2019, to shareholders on the register at 29 November 2019. The ex-dividend date will be 28 November 2019.

The total dividend for the period was therefore 3.0 pence per share (six months ended 30 September 2018: 3.0 pence), in line with the initial target of at least 6.0 pence for the full year. The total dividend was 101% covered by EPRA EPS.

The cash cost of the total dividend for the period was £7.2 million (six months ended 30 September 2018: £5.0 million).

Valuation and net asset value

The portfolio was independently valued by CBRE as at 30 September 2019, in accordance with the RICS Valuation – Global Standards 2017 (incorporating the International Valuation Standards) and the UK National Supplement 2018 (the 'Red Book').

The portfolio valuation of £438.7 million (31 March 2019: £307.4 million) represented a 0.6% like-for-like increase on the valuation at 31 March 2019, and taking into account the capital expenditure in the period of £2.4 million. The like-for-like valuation increase was primarily driven by income growth. The EPRA NIY was 5.7% (31 March 2019: 6.1%).

The valuation resulted in an EPRA NAV of 105.2 pence per share at the period end (31 March 2019: 109.7 pence per share). The reduction reflects the dilutive effect of the share issue (see below), the limited time that the assets subsequently acquired were held, which restricted the scope for valuation growth, and most significantly the costs associated with acquisitions in the period, which totalled £8.6 million and largely comprised stamp duty land tax and agents' fees.

Equity financing

On 2 April 2019, the Company raised gross proceeds of £76.5 million through a placing, open offer and offer for subscription. In total, the Company issued 74,254,043 new ordinary shares at 103.0 pence each. The net proceeds raised, after associated costs, were £74.8 million.

Debt financing and hedging

At the start of the period, the Group had a £30.0 million term loan and a £105.0 million RCF, both with HSBC. These five-year facilities run to November 2022, have a margin of 225 basis points above LIBOR and are secured on all properties within the Group.

During the period, the Group extended its debt facilities twice to support its acquisition programme. The first extension increased the RCF by £45.0 million to £150.0 million. The second extension was a short-term increase to the term loan of £30.0 million to £60.0 million, giving total facilities at the period end of £210.0 million. The incremental facilities are at a lower cost of 195 basis points above LIBOR, reflecting the Group's increased scale, the diversity of risk and the LTV covenant.

At the period end, the term loan was fully drawn and £124.0 million had been drawn against the RCF. Total debt was therefore £184.0 million (31 March 2019: £127.0 million) and headroom within the facilities was £26.0 million. The LTV ratio at 30 September 2019 was 40.2% (31 March 2019: 39.7%).

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 29% of its debt. There were no changes to the Group's interest rate hedging arrangements during the period.

Post period end activity

Since the end of the period, the Group has completed the following transactions:

- the disposal of two office premises, a retail warehouse and an industrial warehouse, in four separate transactions for a combined consideration of £3.0 million. This compares with their aggregated 31 March 2019 book value of £2.8 million and reflects a NIY of 5.8%; and
- the acquisition of the Midpoint Estate, a multi-let estate of 20 high-quality individual warehouse units. The purchase price was £15.5 million, reflecting a NIY of 6.6%. The estate totals 182,500 sq ft, with units ranging from 2,300 sq ft to 31,600 sq ft. It is strategically located off the M6 motorway in Middlewich, Cheshire, and offers a number of opportunities to grow rents and the WAULT through pro-active lease re-gears and renewals.

Investment Manager

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

Tilstone Partners Limited

Investment Advisor

4 November 2019

Condensed financial statements

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (UNAUDITED)

For the six months ended 30 September 2019

Continuing operations	Notes	**1 April to 30 September 2019 £'000**	1 April to 30 September 2018 £'000
Revenue	3	**13,579**	10,736
Property operating expenses	4	**(1,664)**	(1,815)
Gross profit		**11,915**	8,921
Administration expenses	4	**(2,256)**	(1,670)
Property and acquisition provision		**—**	(2,204)
Operating profit before gains on investment properties		**9,659**	5,047
Profit on disposal of investment properties		**—**	3,679
Fair value (losses)/gains on revaluation of investment properties	11	**(4,283)**	4,364
Operating profit		**5,376**	13,090
Finance income	5	**21**	11
Finance expenses	6	**(2,554)**	(2,143)
Profit before tax		**2,843**	10,958
Taxation	7	**—**	—
Total comprehensive income for the period		**2,843**	10,958
EPS (basic and diluted) (pence)	10	**1.2**	6.6

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

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (UNAUDITED)

As at 30 September 2019

	Notes	30 September 2019 £'000	31 March 2019 £'000
Assets			
Non-current assets			
Investment property	11	**446,902**	311,791
Interest rate derivatives	13	**76**	249
		446,978	312,040
Current assets			
Cash and cash equivalents		**7,732**	4,866
Trade and other receivables	12	**8,085**	4,400
		15,817	9,266
Total assets		**462,795**	321,306
Liabilities			
Non-current liabilities			
Interest-bearing loans and borrowings	14	**(182,645)**	(125,510)
Finance lease obligations	15	**(7,783)**	(4,170)
		(190,428)	(129,680)
Current liabilities			
Finance lease obligations	15	**(493)**	(284)
Other payables and accrued expenses	16	**(13,448)**	(3,996)
Property and acquisition provision	16	**(595)**	(1,434)
Deferred income	16	**(5,104)**	(3,585)
		(19,640)	(9,299)
Total liabilities		**(210,068)**	(138,979)
Net assets		**252,727**	182,327
Equity			
Share capital	17	**2,403**	1,660
Share premium		**74,022**	—
Capital reduction reserve		**161,149**	161,149
Retained earnings		**15,153**	19,518
Total equity		**252,727**	182,327
Number of shares in issue (thousands)		**240,254**	166,000
NAV per share (pence)	18	**105.2**	109.8

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

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (UNAUDITED)

For the six months ended 30 September 2019

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

	Notes	Share capital £'000	Share premium £'000	Retained earnings £'000	Capital reduction reserve £'000	Total £'000
Balance at 1 April 2018		1,660	—	6,705	161,149	169,514
Total comprehensive income		—	—	10,958	—	10,958
Dividends paid	9	—	—	(4,980)	—	(4,980)
Balance at 30 September 2018		1,660	—	12,683	161,149	175,492

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

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS (UNAUDITED)

For the six months ended 30 September 2019

	Notes	1 April to 30 September 2019 £'000	1 April to 30 September 2018 £'000
Cash flows from operating activities			
Operating profit		**5,376**	13,090
Adjustments to reconcile profit for the period to net cash flows:			
Losses/(gains) from change in fair value of investment properties	11	**4,283**	(4,364)
Realised gains on disposal of investment properties		**—**	(3,679)
Finance lease depreciation		**47**	—
Property and acquisition provision		**—**	2,204
Operating cash flows before movements in working capital		**9,706**	7,251
Increase in other receivables and prepayments		**(3,084)**	(1,211)
Increase/(decrease) in other payables and accrued expenses		**6,500**	(1,537)
Movement in property and acquisition provision		**(839)**	—
Net cash flows generated from operating activities		**12,283**	4,503
Cash flows from investing activities			
Acquisition of investment properties		**(129,293)**	(2,568)
Capital expenditure		**(2,571)**	(1,372)
Disposal of investment properties		**—**	18,689
Net cash (used in)/generated from investing activities		**(131,864)**	14,749
Cash flows from financing activities			
Proceeds from issue of ordinary shares		**76,482**	—
Share issuance costs paid		**(1,717)**	—
Bank loans drawn down	14	**57,000**	—
Bank loans repaid	14	**—**	(15,000)
Interest received	5	**21**	11
Interest and other finance expenses paid		**(2,208)**	(2,253)
Dividends paid in the period		**(7,131)**	(4,698)
Net cash flows generated from/(used in) financing activities		**122,447**	(21,940)
Net increase/(decrease) in cash and cash equivalents		**2,866**	(2,688)
Cash and cash equivalents at start of the period		**4,866**	6,572
Cash and cash equivalents at end of the period		**7,732**	3,884

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

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

For the six months ended 30 September 2019

1. General information

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

2. Basis of preparation

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

These interim condensed consolidated unaudited financial statements should be read in conjunction with the Company's last financial statements for the year ended 31 March 2019. These interim condensed consolidated unaudited financial statements do not include all of the information required for a complete set of annual financial statements proposed in accordance with IFRS as adopted by the EU, however, they have been prepared using the accounting policies adopted in the audited financial statements for the year ended 31 March 2019 and selected explanatory notes have been included to explain events and transactions that are significant in understanding changes in the Company's financial position and performance since the last financial statements.

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

The financial information contained within these interim results does not constitute full statutory accounts as defined in section 434 of the Companies Act 2006. The financial statements for the six months ended 30 September 2019 have not been either audited or reviewed by the Company's Auditor. The information for the year ended 31 March 2019 has been extracted from the latest published annual report and financial statements, which has been filed with the Registrar of Companies. The Auditor reported on those accounts; its report was unqualified, and did not contain a statement under section 498(2) or (3) of the Companies Act 2006.

The Directors have made an assessment of the Group's ability to continue as a going concern and are satisfied that the Group has the resources to continue in business for the foreseeable future, for a period of not less than 12 months from the date of this report. Furthermore, the Directors are not aware of any material uncertainties that may cast significant doubt upon the Group's ability to continue as a going concern. It is noted that whilst there are net current liabilities of £3.8 million, there is £26.0 million headroom readily available under the RCF. Therefore, the financial statements have been prepared on the going concern basis.

2.1 Changes to accounting standards and interpretations

There were a number of new standards and amendments to existing standards which are required for the Group's accounting period beginning on 1 April 2019, which have been considered and applied as follows:

- IFRS 16 Leases. In January 2016, the IASB published the final version of IFRS 16 Leases. IFRS 16 specifies how an IFRS reporter will recognise, measure, present and disclose leasing arrangements.

  Under IFRS 16, the Group recognises the right-to-use asset in the Consolidated Statement of Financial Position at fair value and this is amortised over the life of the lease. Amortisation is recognised in the Consolidated Statement of Comprehensive Income. In addition, a financial liability is recognised in the Consolidated Statement of Financial Position which is valued at the present value of future lease payments using the discount rate implicit in the lease, if readily determinable, or if not the Group incremental borrowing rate.

  Under IFRS 16, comparative information is not required to be restated. This new standard has been applied with no significant impact on the financial statements.

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

- Amendments to IFRS 9;
- IFRIC 23, Uncertainty over Income Tax Treatments;
- Amendments to IAS 28 Long Term Interests in Associates and Joint Ventures; and
- Amendments to IAS 19 Plan Amendment, Curtailment or Settlement.

There are a number of new standards and amendments to existing standards which have been published and are mandatory for the Group's accounting periods beginning on or after 1 April 2020 or later. The Group is not adopting these standards early. The following are the most relevant to the Group:

- Definition of Material – amendments to IAS 1 and IAS 8; and
- Annual improvements to IFRS 2015-2017 Cycle: amendments to IFRS 3 Business Combinations, IFRS 11 Joint Arrangements, IAS 12 Income Taxes and IAS 23 Borrowing Costs.

It is not considered that these new accounting standards and amendments will have a significant impact on the Group's 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 an asset or liability in the future.

Estimates

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

Valuation of property

The valuations of the Group's investment property are at fair value as determined by the external valuer on the basis of market value in accordance with the internationally accepted RICS Valuation – Global Standards 2017 (incorporating the International Valuation Standards) and the UK National Supplement 2018 (the 'Red Book') and in accordance with IFRS 13. See notes 11 and 19 for further details.

2.3 Summary of significant accounting policies

The principal accounting policies applied in the preparation of these financial statements are consistent with those applied within the Company's Annual Report and Financial Statements for the year ended 31 March 2019.

Functional and presentation currency

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

Segmental reporting

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

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) continued

For the six months ended 30 September 2019

3. Revenue

	1 April to 30 September 2019 £'000	1 April to 30 September 2018 £'000
Rental income	12,416	9,927
Insurance recharged	463	394
Dilapidation income	664	390
Other income	36	25
Total	**13,579**	10,736

4. Property operating and administration expenses

	1 April to 30 September 2019 £'000	1 April to 30 September 2018 £'000
Premises expenses	1,035	1,030
Insurance	368	281
Rates	155	67
Utilities	56	43
Loss allowance	50	248
Head rent	—	146
Property operating expenses	**1,664**	1,815
Investment management fees	1,407	919
Directors' remuneration	81	42
Finance lease depreciation	47	—
Other administration expenses	721	709
Administration expenses	**2,256**	1,670
Property and acquisition provision	—	2,204
Total	**3,920**	5,689

5. Finance income

	1 April to 30 September 2019 £'000	1 April to 30 September 2018 £'000
Income from cash and short-term deposits	21	11
Total	**21**	11

6. Finance expenses

	1 April to 30 September 2019 £'000	1 April to 30 September 2018 £'000
Loan interest	1,879	1,882
Finance lease interest	241	—
Loan arrangement fees amortised	261	253
Bank charges	—	8
	2,381	2,143
Change in fair value of interest rate derivatives	173	—
Total	**2,554**	2,143

7. Taxation

Corporation tax has arisen as follows:

	1 April to 30 September 2019 £'000	1 April to 30 September 2018 £'000
Corporation tax on residual income for current period	—	—
Total	**—**	—

Reconciliation of tax charge to profit before tax:

	1 April to 30 September 2019 £'000	1 April to 30 September 2018 £'000
Profit before tax	2,843	10,958
Corporation tax at 19.0% (2018: 19%)	540	2,082
Change in value of investment properties	814	(829)
Tax exempt property rental business	(1,354)	(1,253)
Total	**—**	—

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) continued

For the six months ended 30 September 2019

8. Operating leases

Operating lease commitments – as lessor

The Group has entered into commercial property leases on its investment property portfolio. These non-cancellable leases have a remaining term of up to 38 years.

Future minimum rentals receivable under non-cancellable operating leases as at 30 September 2019 are as follows:

	30 September 2019 £'000	31 March 2019 £'000
Within one year	**28,040**	17,198
Between one and five years	**81,276**	47,068
More than five years	**45,605**	22,585
Total	**154,921**	86,851

9. Dividends

	Pence per share	**1 April to 30 September 2019 £'000**
Fourth interim dividend for year ended 31 March 2019 paid on 28 June 2019	**1.50**	**3,604**
First interim dividend for year ending 31 March 2020 paid on 27 September 2019	**1.50**	**3,604**
Total dividends paid during the period	**3.00**	**7,208**
Paid as:		
Property income distributions	**3.00**	**7,208**
Ordinary dividends	**—**	**—**
Total	**3.00**	**7,208**

	Pence per share	1 April to 30 September 2018 £'000
Interim dividend for period ended 31 March 2018 paid on 6 July 2018	1.50	2,490
First interim dividend for year ended 31 March 2019 paid on 28 September 2018	1.50	2,490
Total dividends paid during the period	3.00	4,980
Paid as:		
Property income distributions	2.65	4,399
Ordinary dividends	0.35	581
Total	3.00	4,980

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

10. Earnings per share

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

	1 April to 30 September 2019 £'000	1 April to 30 September 2018 £'000
IFRS earnings	**2,843**	10,958
EPRA earnings adjustments:		
Profit on disposal of investment properties	**—**	(3,679)
Fair value gains on investment properties	**4,283**	(4,364)
Changes in fair value of interest rate derivatives	**173**	—
EPRA earnings	**7,299**	2,915
Group-specific earnings adjustments:		
Property and acquisition provision	**—**	2,204
Adjusted earnings	**7,299**	5,119

	1 April to 30 September 2019 Pence	1 April to 30 September 2018 Pence
Basic IFRS EPS	**1.2**	6.6
Diluted IFRS EPS	**1.2**	6.6
EPRA EPS	**3.0**	1.8
Adjusted EPS	**3.0**	3.1

	30 September 2019 Number of shares	30 September 2018 Number of shares
Weighted average number of shares in issue (thousands)	**239,848**	166,000

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) continued

For the six months ended 30 September 2019

11. UK investment property

	30 September 2019 £'000	31 March 2019 £'000
Investment property at the start of the period	**307,385**	291,000
Acquisition of properties	**133,193**	18,199
Capital expenditure	**2,428**	2,117
Disposal of properties	**—**	(15,160)
Fair value (losses)/gains on revaluation of investment property	**(4,283)**	11,229
	438,723	307,385
Adjustment for finance lease obligations	**8,179**	4,406
Carrying value at the end of the period	**446,902**	311,791

Fair value loss on revaluation of investment property of £4.3 million reflecting the one-off costs associated with the acquisitions in the period of £8.6 million net of a revaluation uplift of £4.3 million.

12. Trade and other receivables

	30 September 2019 £'000	31 March 2019 £'000
Rent receivable	**3,691**	2,623
Prepayments	**554**	69
Other receivables	**3,840**	1,708
Total	**8,085**	4,400

13. Interest rate derivatives

	30 September 2019 £'000	31 March 2019 £'000
At the start of the period	**249**	—
Interest rate cap premium paid	**—**	595
Changes in fair value of interest rate derivatives	**(173)**	(346)
Balance at the end of the period	**76**	249

14. Interest-bearing loans and borrowings

	30 September 2019 £'000	31 March 2019 £'000
Loans at the start of the period	**127,000**	124,450
Loans drawn down	**57,000**	21,550
Loans repaid	**—**	(19,000)
Total loans drawn down at the end of the period	**184,000**	127,000
Unamortised loan arrangement fees at the start of period	**(1,490)**	(1,398)
Loan arrangement fees capitalised in the period	**(126)**	(583)
Amortisation for the period	**261**	491
Unamortised loan arrangement fees at the end of the period	**(1,355)**	(1,490)
Loan balance less unamortised loan arrangement fees	**182,645**	125,510

As at 30 September 2019, £26.0 million of the RCF remained available to be drawn. The term loan was fully drawn. Credit facilities are secured on all properties within the portfolio and expire on 30 November 2022.

The debt facilities include loan to value and interest cover covenants that are measured at Group level. The Group has maintained significant headroom against all measures throughout the financial period and is in full compliance with all loan covenants at 30 September 2019.

15. Finance lease obligations

The following table analyses the minimum lease payments under non-cancellable finance leases using an average discount rate of 6.9%:

	30 September 2019 £'000	31 March 2019 £'000
Current liabilities		
Within one year	**493**	284
Non-current liabilities		
After one year but not more than five years	**1,884**	1,034
Later than five years	**5,899**	3,136
Total	**8,276**	4,454

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) continued

For the six months ended 30 September 2019

16. Current liabilities – other payables and accrued expenses, deferred income and provisions

	30 September 2019 £'000	31 March 2019 £'000
Property operating expenses payable	1,070	514
Finance and administration expenses payable	1,407	1,467
Loan interest payable	791	784
Capital expenses payable	9,759	80
Other expenses payable	421	1,151
Other payables and accrued expenses	**13,448**	3,996
Property and acquisition provision	595	1,434
Deferred income	5,104	3,585
Total	**19,147**	9,015

17. Share capital

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

Ordinary shares of £0.01 each	Number	30 September 2019 £'000	31 March 2019 £'000
Issued and fully paid:			
At the start of the period	166,000,000	1,660	1,660
Shares issued	74,254,043	743	—
Balance at the end of the period	240,254,043	**2,403**	1,660

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

18. Net asset value per share

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

	30 September 2019 £'000	31 March 2019 £'000
IFRS net assets attributable to ordinary shareholders	**252,727**	182,327
IFRS net assets for calculation of NAV	**252,727**	182,327
Number of shares in issue (thousands)	**240,254**	166,000
IFRS basic and diluted NAV per share (pence)	**105.2**	109.8

The NAV is calculated as:

	30 September 2019 £'000	31 March 2019 £'000
IFRS net assets attributable to ordinary shareholders	**252,727**	182,327
IFRS net assets for calculation of NAV	**252,727**	182,327
Adjustment to net assets:		
Fair value of interest rate derivatives (see note 13)	**(76)**	(249)
EPRA net assets	**252,651**	182,078
EPRA NAV per share (pence)	**105.2**	109.7

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) continued

For the six months ended 30 September 2019

19. Fair value

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

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

Interest-bearing loans and borrowings are disclosed at amortised cost. The carrying value of the loans and borrowings approximate their fair value due to the contractual terms and conditions of the loan. The loans are at a variable interest rates of 1.95%-2.25% above LIBOR.

Six-monthly valuations of the investment properties are performed by CBRE, an accredited external valuer with recognised and relevant professional qualifications and recent experience of the location and category of the investment property being valued. The valuations are the ultimate responsibility of the Directors, however, who appraise these six-monthly.

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

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

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

	30 September 2019			
Assets and liabilities measured at fair value	**Level 1 £'000**	**Level 2 £'000**	**Level 3 £'000**	**Total £'000**
Investment properties	**—**	**—**	**438,723**	**438,723**
Interest rate derivatives	**—**	**76**	**—**	**76**
Total	**—**	**76**	**438,723**	**438,799**

	31 March 2019			
Assets and liabilities measured at fair value	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
Investment properties	—	—	307,385	307,385
Interest rate derivatives	—	249	—	249
Total	—	249	307,385	307,634

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
30 September 2019	**£438,723**	**Income capitalisation**	**ERV**	**23-1,880 (£'000 per annum)**
			Equivalent yield	**5.2-13.1%**
31 March 2019	£307,385	Income capitalisation	ERV	25-1,490 (£'000 per annum)
			Equivalent yield	5.2-13.1%

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.

Gains and losses recorded in profit or loss for recurring fair value measurements categorised within Level 3 of the fair value hierarchy amount to £(4,283,000) (six months to 30 September 2018: £4,364,000) and are presented in the condensed consolidated statement of comprehensive income in line item 'fair value gains/(losses) on investment properties'.

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

The carrying amount of the Group's assets and liabilities is considered to be the same as their fair value.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) continued

For the six months ended 30 September 2019

20. Related party transactions

Directors

The Directors (all Non-Executive) of the Company and its subsidiaries are considered to be the key management personnel of the Group. Directors' remuneration for the period totalled £80,585 (six months to 30 September 2018: £42,031) and at 30 September 2019, a balance of £nil (31 March 2019: £nil) was outstanding.

Investment Advisor

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

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

During the period, the Group incurred £1,407,000 (30 September 2018: £919,000) in respect of investment advisor fees. £847,000 (31 March 2019: £465,000) was outstanding as at the period end date.

Subsidiaries

At 30 September 2019, the Company owns a 100% controlling stake in Tilstone Holdings Limited, Tilstone Warehouse Holdco Limited, Tilstone Industrial Warehouse Limited, Tilstone Retail Warehouse Limited, Tilstone Industrial Limited, Tilstone Retail Limited, Tilstone Trade Limited, Tilstone Basingstoke Limited, Tilstone Glasgow Limited, Quantum North Limited, CHIP (One) Limited, CHIP (Two) Limited, CHIP (Three) Limited, CHIP (Four) Limited, CHIP (Five) Limited, CHIP (Ipswich) One Limited and CHIP (Ipswich) Two Limited.

21. Ultimate controlling party

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

22. Post balance sheet events

A second interim dividend of 1.5 pence per share in respect of the year ending 31 March 2020 will be paid in full as a PID on 27 December 2019, to shareholders on the register at 29 November 2019. The ex-dividend date will be 28 November 2019.

Additional information

GLOSSARY

Adjusted earnings per share ("Adjusted EPS")
EPRA EPS adjusted to exclude non-recurring costs, divided by the weighted average number of shares in issue during the year

Admission
The admission of Warehouse REIT plc onto 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

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

EPRA cost ratio
The sum of property and administration expenses as a percentage of gross rental income calculated both including and excluding vacant property costs

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 November 2016

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

EPRA NAV per share
The NAV per share figure based on EPRA NAV divided by the number of shares outstanding at the balance sheet date

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 purchaser's costs), excluding development properties

EPRA vacancy rate
Total open market rental value of vacant units divided by total open market rental value of the portfolio

EPS
Earnings per share

Equivalent yield
The weighted average rental income return expressed as a percentage of the investment property valuation, plus purchaser's costs

Estimated rental value ("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 as 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 in the year

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

Additional information

GLOSSARY
continued

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 properties undergoing refurbishment

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

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 on investment properties at the balance sheet date, expressed as a percentage of the investment property valuation, plus purchaser’s costs

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 estimated rental value

Occupancy
Total open market rental value of the units leased divided by total open market rental value of the portfolio, 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

QCA
Quoted Companies Alliance

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

RCF
Revolving credit facility

RPI
Retail price index

Total accounting return
The movement in EPRA NAV over a period plus dividends paid in the period, expressed as a percentage of the EPRA NAV at the start of the period

Total costs ratio
EPRA cost ratio excluding non-recurring costs calculated both including and excluding vacant property costs

Weighted average unexpired lease term (“WAULT”)
Average unexpired lease term to first break or expiry across the investment portfolio weighted by contracted rent

CONTACT DETAILS OF THE ADVISORS

Investment Manager
G10 Capital Limited
(part of the IQ-EQ Group)
136 Buckingham Palace Road
London SW1W 9SA

Telephone: 020 3696 1306

Investment Advisor
Tilstone Partners Limited

Chester Office
Gorse Stacks House
George Street
Chester CH1 3EQ

Telephone: 01244 470 090

London office
33 Cavendish Square
London W1G 0PW

Telephone: 020 3102 9465

Company website
www.warehousereit.co.uk

Administrator
Link Alternative Fund Administrators Limited
(trading as Link Asset Services)
Beaufort House
51 New North Road
Exeter EX4 4EP

Auditor
Deloitte LLP
2 New Street Square
London EC4A 3BZ

Broker and Nominated Advisor
Peel Hunt LLP
Moor House
120 London Wall
London EC2Y 5ET

Depositary
Crestbridge Property Partnerships Limited
8 Sackville Street
London W1S 3DG

Financial PR and IR Advisor
FTI Consulting
200 Aldersgate
Aldersgate Street
London EC1A 4HD

Legal Advisors
Reed Smith LLP
The Broadgate Tower
20 Primrose Street
London EC2A 2RS

Osborne Clarke LLP
One London Wall
London EC2Y 5EB

Shepherd and Wedderburn LLP
1 Exchange Crescent
Conference Square
Edinburgh EH3 8UL

Temple Bright LLP
81 Rivington Street
London EC2A 3AY

Property Managers
Aston Rose (West End) Limited
St. Albans House
57-59 Haymarket
London SW1Y 4QX

Savills plc
33 Margaret Street
London W1G 0JD

Registrar
Link Asset Services
Shareholder Services Department
The Registry
34 Beckenham Road
Beckenham
Kent BR3 4TU

Telephone: 0871 664 0300
(or +44 (0)371 664 0300 from outside the UK)

Email: enquiries@linkgroup.co.uk

Website: www.linkassetservices.com

Secretary and registered office
Link Company Matters Limited
Beaufort House
51 New North Road
Exeter EX4 4EP

Telephone: 01392 477500

Valuer
CBRE Limited
Henrietta House
Henrietta Place
London W1G 0NB

Designed and produced by
lyonsbennett
www.lyonsbennett.com

Printed on Splendorgel Extra White, an FSC® mixed sources paper manufactured using pulp from well managed forests at a mill accredited with EMAS and ISO 14001 environmental standards. Printed by CPI Colour, who are ISO 14001 certified, CarbonNeutral® and FSC® chain of custody certified. The inks used are vegetable oil based.

ELEMENTAL CHLORINE FREE GUARANTEED
ACID FREE
LONG-LIFE ISO 9706
HEAVY METAL ABSENCE CE 94/62

FSC
www.fsc.org
MIX
Paper from responsible sources
FSC® C016486

Warehouse REIT plc
33 Cavendish Square
London
W1G 0PW
020 3102 9465

www.warehousereit.co.uk