
# THINKING INSIDE THE BOX

WAREHOUSE REIT

**WAREHOUSE REIT PLC** Annual Report and Financial Statements 2024

# WAREHOUSE REIT IS THE ONLY UK REIT FOCUSED ON MULTI-LET WAREHOUSES.

By identifying the right space, in the right locations, we create places where our occupiers can **Think Inside the Box**, unlocking the potential in their business and creating thriving industrial hubs.

## OUR PURPOSE

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

## OUR VISION

To be the UK warehouse provider of choice.

## INVESTOR AND INVESTMENT ADVISOR INTERESTS ALIGNED

TILSTONE PARTNERS

WAREHOUSE REIT

## Multi-let space

Warehouse space with a range of unit size, providing occupiers with the flexibility to expand as their business grows.

## Well-connected places

Close to major arterial routes and thriving economic centres with strong local labour markets.

## Built-in opportunities

Well-built assets where we can drive income growth and resilience through active asset management and targeted refurbishment.

## CONTENTS

# HIGHLIGHTS OF THE YEAR



## Multi-let focus driving valuation and rental growth

**01** Strong valuation performance with ERV growth driven by our leasing activity and supported by the resilience of our markets

**02** Successfully capturing reversion, with deals 28.6% ahead of prior rents and £7.0 million of reversion still to capture

**03** Targeted disposal plan well progressed, with c.£165 million of sales since strategy launched in November 2022

**04** Robust financial performance and sound financial management

**05** Delivering on our sustainability commitments

## FINANCIAL

### Gross property income — £47.2m

| | |
|---|---|
| 2024 | £47.2m |
| 2023 | £47.8m |
| 2022 | £48.7m |

### Operating profit before change in value of investment properties — £35.0m

| | |
|---|---|
| 2024 | £35.0m |
| 2023 | £32.2m |
| 2022 | £35.4m |

### IFRS profit/(loss) before tax — £34.3m

| | |
|---|---|
| 2024 | £34.3m |
| 2023 | (£182.8m) |
| 2022 | £191.2m |

### IFRS earnings/(loss) per share — 8.1p

| | |
|---|---|
| 2024 | 8.1p |
| 2023 | (43.0p) |
| 2022 | 45.0p |

### EPRA earnings per share — 2.9p

| | |
|---|---|
| 2024 | 2.9p |
| 2023 | 3.9p |
| 2022 | 5.3p |

### Adjusted earnings per share — 4.8p

| | |
|---|---|
| 2024 | 4.8p |
| 2023 | 4.7p |
| 2022 | 6.4p |

### Dividends per share — 6.4p

| | |
|---|---|
| 2024 | 6.4p |
| 2023 | 6.4p |
| 2022 | 6.4p |

### Total accounting return — 6.7%

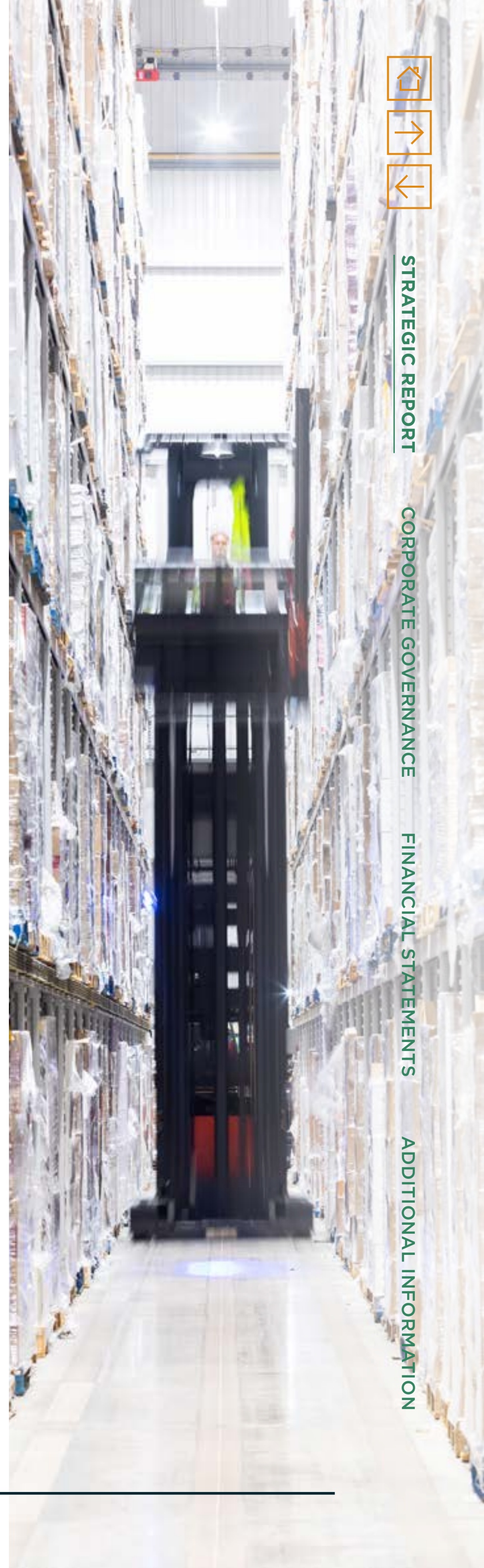
| | |
|---|---|
| 2024 | 6.7% |
| 2023 | (25.7%) |
| 2022 | 33.2% |

### Total cost ratio — 24.4%

| | |
|---|---|
| 2024 | 24.4% |
| 2023 | 28.4% |
| 2022 | 29.5% |

### EPRA net tangible assets — 124.4p

| | |
|---|---|
| 2024 | 124.4p |
| 2023 | 122.6p |
| 2022 | 173.8p |



## OPERATIONAL

### Strong leasing

**£10.0m**
contracted rent secured 28.6% ahead of previous rent

**5.1%**
increase in like-for-like contracted rent

**96.4%**
occupancy (2023: 95.8%)

### Attractive portfolio

**£810.2m**
portfolio value (2023: £828.8m)

**2.0%**
increase in like-for-like valuation

**7.7%**
growth in estimated rental value (2023: 6.2%)

### Balance sheet

**£53.0m**
Sales ahead of book value (2023: £59.6m)

**88.0%**
debt hedged (2023: 76.2%)

**33.1%**
LTV at 31 March 2024 (2023: 33.9%)

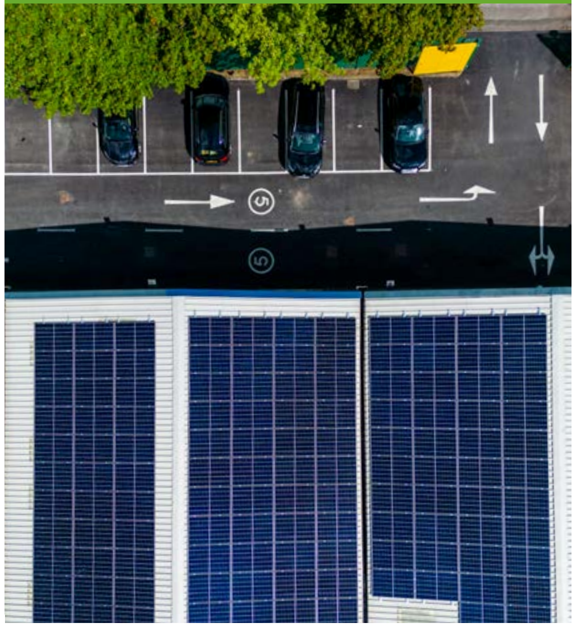

## SUSTAINABILITY

### Progressing our ESG agenda

**66.6%**
of the portfolio (by sq ft) EPC A to C rated (2023: 60.2%)

**Pathway to net zero**
2.8% reduction in scope 1 and 2 emissions on a like-for-like basis with some scope 3 emission data reported for the first time

**Reporting**
Voluntary TCFD disclosure for the fourth year and EPRA sBPR Gold award for the third year



## Our space

We provide warehouse space for a diversified mix of uses, from trade distribution, light manufacturing and logistics to engineering, technology and media. Our focus is on multi-let assets with unit sizes ranging from 500 sq ft to 500,000 sq ft, enabling occupiers to take one or more units and expand with us as their business grows.

## Our locations

Our assets are focused on leading industrial areas, including the North West, the Midlands and the Arc, between Oxford and Cambridge, centred on Milton Keynes. These locations are strategically important, with access to key transport corridors, including motorways, railways and ports, providing access to much of the country.

Our seven key multi-let assets occupy prime locations in leading logistics hubs and account for 32.8% by value of our portfolio.

**THINKING INSIDE THE BOX**

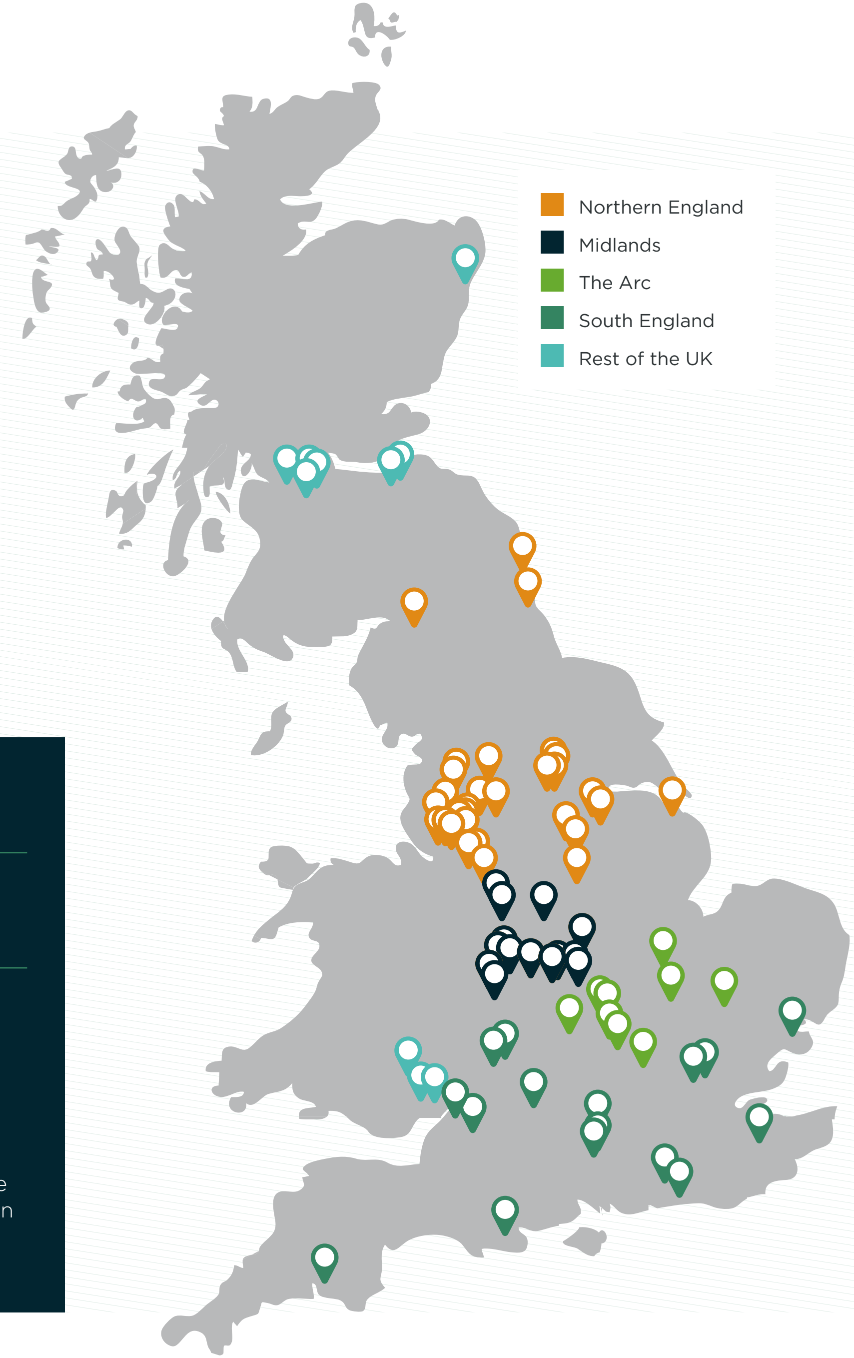
**77,400**
sq ft

**6.2**
year lease

### CSL, Seqirus

**Boulevard Industrial Park, Speke**

CSL Seqirus is one of the largest producers of influenza vaccines globally. With four sites in Liverpool, they manufacture vaccines utilising eggs sourced locally and the finished product is delivered to Boulevard for transportation around the world. 55 million doses pass through the site every year.




## Advantages of our locations

### ACCESS TO MAJOR ARTERIAL ROUTES

97.6% of our assets are within two miles of a town centre, transport hub or motorway junction. Transport is often a high proportion of occupier costs so easy access to their customer base is an important driver of profitability.

### THRIVING ECONOMIC CENTRES

Our assets are close to some of the UK's most successful cities, including Manchester, Liverpool, Birmingham, and the Oxford-Cambridge Arc. These are typically more affordable than London and the South East while still providing excellent connectivity.

### STRONG LOCAL LABOUR MARKETS

The areas we focus on benefit from a good supply of local labour which can be critical for our occupiers who are often involved in more labour intensive industries.

## Our key multi-let assets

KEY: Northern England | Midlands | The Arc | South England | Rest of the UK

### MIDPOINT 18
MIDDLEWICH

Area: **725,000 sq ft**
Number of units: **24**
Unique tenants: **16**
Contracted rent: **£3.7m p.a.**
WAULT: **3.5**

### BRADWELL ABBEY
MILTON KEYNES

Area: **335,000 sq ft**
Number of units: **69**
Unique tenants: **39**
Contracted rent: **£2.6m p.a.**
WAULT: **5.1**

### BOULEVARD INDUSTRIAL PARK
SPEKE

Area: **390,000 sq ft**
Number of units: **4**
Unique tenants: **3**
Contracted rent: **£2.1m p.a.**
WAULT: **4.0**

### QUEENSLIE PARK
GLASGOW

Area: **395,000 sq ft**
Number of units: **73**
Unique tenants: **46**
Contracted rent: **£1.7m p.a.**
WAULT: **3.2**


### KNOWSLEY BUSINESS PARK
KNOWSLEY

Area: **301,000 sq ft**
Number of units: **18**
Unique tenants: **9**
Contracted rent: **£1.6m p.a.**
WAULT: **4.5**

### GATEWAY PARK
BIRMINGHAM

Area: **220,000 sq ft**
Number of units: **31**
Unique tenants: **24**
Contracted rent: **£1.5m p.a.**
WAULT: **2.1**

### GRANBY INDUSTRIAL ESTATE
MILTON KEYNES

Area: **147,000 sq ft**
Number of units: **24**
Unique tenants: **19**
Contracted rent: **£1.2m p.a.**
WAULT: **6.1**

## Multi-let portfolio overview

**71.6%**
of investment portfolio by value

**£31.9m**
contracted rent

**419**
occupiers

**57.8%**
EPC A–C rated by sq ft

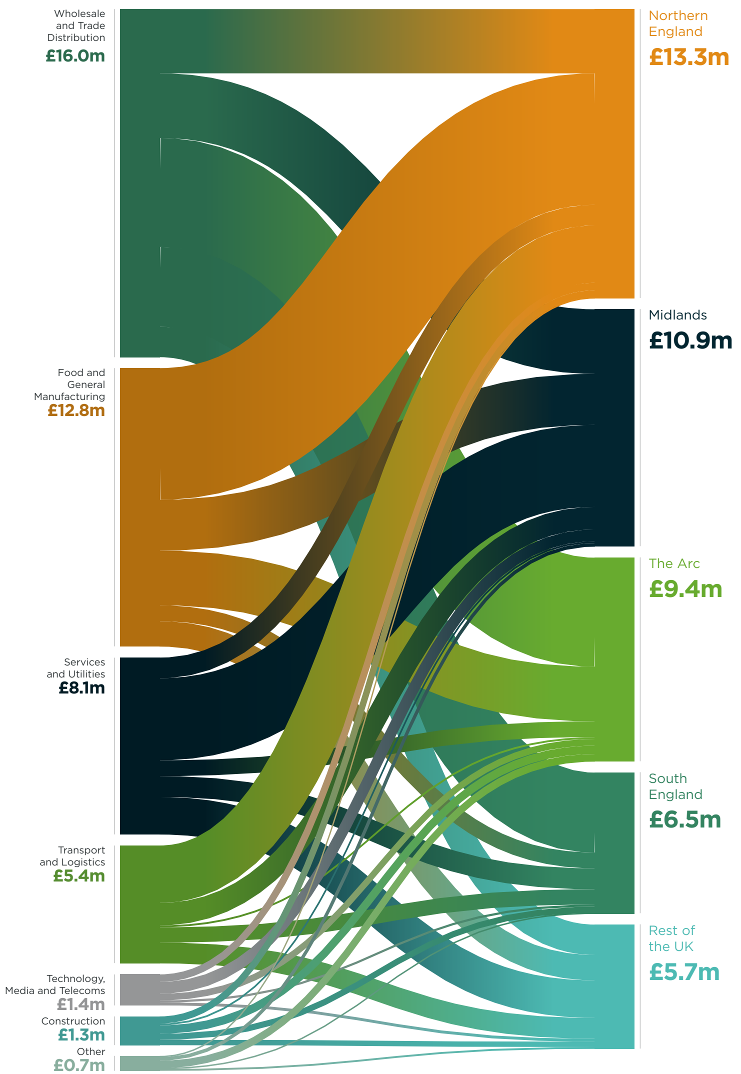
## OUR OCCUPIERS

### A robust and diversified occupier base

Our occupier base is highly diversified, with 445 individual occupiers, across a range of business activities. Our occupiers cover a broad spectrum from large, multi-national corporates to smaller, successful, local businesses.

In northern England, our key occupiers include Wincanton, a leading UK distributor at Midpoint 18, Middlewich and CSL Seqirus, a vaccines manufacturer at our Speke asset. In the Midlands, occupiers include John Lewis distribution centres covering 335,000 sq ft and at Gateway Birmingham, adjacent to the airport, we have a number of businesses related to air transport including Swissport and Fedex Europe.

We closely monitor the credit worthiness of our occupiers through Dun & Bradstreet. They are typically well established local or national businesses with nearly 75% having a turnover above £10 million.




**445**
occupiers

**36.3%**
of rent from top 15 occupiers

**77.7%**
of rent from top 100 occupiers

**73.8%**
have a turnover >£10m

**89.2%**
have a turnover >£1m

# INVESTMENT CASE





## COMPELLING MARKET DRIVERS

**Attractive demand-supply dynamics in the multi-let industrial subsector.**

Multi-let warehouses provide highly flexible space, which can accommodate almost any industry from light manufacturing and engineering to technology and media, making demand resilient through the cycle. While not overly exposed to e-commerce, it has benefited from the acceleration of online retail in recent years.

At the same time supply is constrained by a restrictive planning environment and the relatively high cost of developing multi-let space.

Read more on pages 10 and 11

**£93.5psf**

capital value below the reinstatement cost of £116.2 per sq ft

## ATTRACTIVE AND RESILIENT PORTFOLIO

**Well-located assets, close to major arterial routes and vibrant economic centres with a range of unit sizes.**

The strength of our locations supports valuation and underpins our ability to re-let space at lease expiry.

We only invest in well-built assets that require minimal capex year-on-year to deliver high-quality and sustainable space, which meets the demands of today's occupier.

Multi-let space attracts a broader diversity of occupier, making our income more resilient through the economic cycle.

Read more on pages 04 to 06

**97.6%**

within two miles of a motorway, rail or freight hub

## TOTAL RETURNS FOCUSED STRATEGY

**We target an average total accounting return of at least 10% per annum through a combination of dividends and NAV growth.**

We drive like-for-like income through active asset management. Our multi-let focus means we have more opportunities to increase rents to market level.

We undertake selective refurbishments, which support long-term value creation and enhance the sustainability credentials of our buildings.

Our focus on high-quality and well-located assets helps support NAV growth.

Read more on pages 20 and 21

**10%**

Target total accounting return ("TAR")

## SOUND FINANCIAL POSITION

**Our LTV is within our target range and we benefit from a breadth of funding sources.**

We take a disciplined approach to capital allocation, including making asset disposals to strengthen our financial position.

We have significant headroom to our covenants providing the flexibility to pursue opportunities in the market and on our portfolio when the time is right.

Read more on page 17

**33.1%**

Loan to value ratio

## EXPERIENCED MANAGEMENT TEAM

**Our dedicated Investment Advisor has a deep understanding of the sector, built up through years of experience across real estate.**

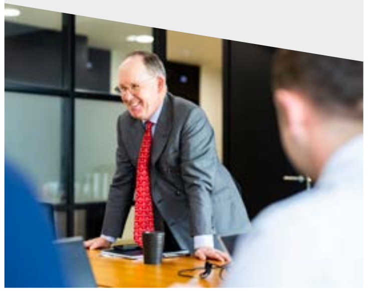
Their capabilities and network of industry contacts provide a wide range of opportunities and they have assembled a full service asset management team, enabling us to deliver on our strategy.

Their expertise is complemented by a highly experienced and independent Board.

Read more on page 16

**6.8%**

Tilstone Partners shareholding



# CHAIRMAN'S STATEMENT

**Neil Kirton**
Chairman

> OUR OCCUPATIONAL MARKETS HAVE BEEN RESILIENT AND WE HAVE MAINTAINED OUR STRONG TRACK RECORD OF CAPTURING REVERSION AND GENERATING SIGNIFICANT RENTAL GROWTH.
>
> **Neil Kirton**
> Chairman

**In many respects the standout feature of the year has been the resilience and strength of our occupational markets. The multi-let industrial sector, which remains critically undersupplied in terms of well-located, quality assets has continued to perform well. We have maintained our strong track record of successfully capturing reversion and generating significant rental growth and I am pleased to say that this has underpinned an increase in the net asset valuation for the year under review.**

In addition to maximising returns from the existing portfolio, we have continued to focus on reshaping the balance sheet to create a platform that is appropriate for your business. We have sold £165.2 million of assets since the disposal plan was announced in November 2022 but importantly, we have not sold any flagship estates.

We know what our assets are worth and have been patient but proactive in our approach. Releasing capital from Radway Green, our 100-acre site adjacent to the M6 is a very good example of that. We have refused to move with undue haste, recognising the unrealised strategic value in this development and during the year, have seen significant interest develop from various parties with negotiations now well advanced. A successful conclusion completes our disposal plan.

This strategy is consistent not only with a higher interest rate environment but also, with sales being accretive to earnings, a commitment to move our shareholders back towards a covered dividend. Reflecting the good progress we have made, the Board is comfortable that the Group now has the flexibility to selectively undertake value accretive acquisitions, and accordingly is pleased to have acquired part of the Ventura Retail Park in Tamworth, a retail warehousing asset which is highly complementary to our business and our skill set.

## OPERATIONAL REVIEW

Our asset management in the year has driven a 5.1% increase in like-for-like contracted rent, bringing total contracted rent to £44.6 million. We are successfully capturing reversion, with deals on average 28.6% ahead of prior rents, equating to £2.1 million of new rent and including the letting of vacant space, £3.0 million of new rent was added in the year. Post year end activity adds a further £0.6 million to contracted rent.

With over 100 deals completed in the year, our leasing activity also provides strong evidence of rental growth, supporting our valuation. ERV growth across the portfolio was 7.7%, exceeding our own expectations, and driving a like-for-like portfolio valuation uplift of 2.0%, (with an increase of 3.1% in our multi-let portfolio), taking the total value of our assets to £810.2 million.

This performance is a strong endorsement of our strategic focus on multi-let industrials. As well as providing more opportunities to capture reversion, this is a highly scarce asset class, with rebuild costs well above capital values due to expensive development finance and a strict planning regime. Our capital value of £93.5 per sq ft compares to a reinstatement value of c.£116.2 per sq ft. At the same time, demand for multi-let space is more resilient given the diversity of its occupier base and together these dynamics support our continuing high occupancy of 96.4%, driving future rental growth.

## CAPITAL ACTIVITY

Our disposal programme has targeted assets that are non-core or where our asset management plans have been substantially delivered. We executed on £53.0 million of sales in the year, in many cases successfully selling into pockets of demand to achieve a price ahead of book value with an average premium of 15.6%. This crystallised a profit on sale of £5.5 million.

Post year end sales totalled £57.5 million and comprised the £46.0 million disposal of Barlborough Links in Chesterfield, a single-let property with rental growth capped through indexation, as well as two other single-let assets in Plymouth and Newport. These transactions increase our pro forma weighting towards multi-let assets to c.78% from c.72% at year end and further focus the portfolio on our core assets where we see opportunities to drive value for shareholders.

## FINANCIAL PERFORMANCE

At £35.0 million, operating profits were 8.6% ahead of last year, with our leasing activity and the fall in operating costs more than offsetting the impact of disposals. Adjusted earnings per share were 4.8 pence, 2.1% ahead of last year and rise to 6.1 pence when profits from disposals are taken into account, meaning that on a cash basis, the full year dividend of 6.4 pence is 95.3% covered.

The uplift in valuation has driven an increase in our EPRA NTA per share of 1.5% to 124.4 pence (31 March 2023: 122.6 pence), contributing to a total accounting return of 6.7%.

## BALANCE SHEET

In addition to the disposals programme, in June 2023 we completed a successful refinancing of our previous £320.0 million facility to further optimise our balance sheet. The new facility comprises a £220.0 million term loan and a £100.0million revolving credit facility with a club of four lenders: HSBC, Bank of Ireland, NatWest and Santander. The new facility was agreed on more favourable covenants, reflecting the strength of our banking relationships as well as the quality of the portfolio, and the tenure has been extended from January 2025 to June 2028.

In November 2023, we acquired a further £50.0 million of interest rate caps, replacing the £30.0 million of caps expiring and fixing SONIA at 2.0%. This is in addition to the £200.0 million of interest rate caps acquired in the last financial year. As a result, 88.0% of our debt was hedged at year end and our weighted average cost of debt was 4.2%.

As at 31 March 2024, the Group's loan to value of 33.1% remains well within our target range of 30% to 40%, with £36.0 million of headroom within our new facilities.

## ESG

We have continued to progress our ESG agenda. Last year we set out a commitment to be net zero in scope 1 and 2 greenhouse gas emissions by 2030 alongside a framework for reducing our wider carbon footprint. Sustainability is firmly embedded in the way we manage our portfolio with each refurbishment aiming to remove gas, electrify heating and lighting and deliver a minimum EPC B rating. This has driven a significant increase in our EPC A–C rated space, which now accounts for 66.6% of the portfolio compared to 60.2% at the start of the year and, in addition, makes our space more attractive to occupiers, supporting leasing and valuation.

This year, we have also reported some scope 3 emissions for the first time. Looking forward, improving our visibility over, and ultimately setting a target for the reduction of scope 3 emissions is an important priority for the business. Our close engagement with occupiers and the steps we have taken to introduce green leases, which encourage data sharing wherever possible, are already having a positive impact in this respect.

On the Governance side, as previously announced, Martin Meech stepped down from the Board at the Annual General Meeting ("AGM") in September 2023. Following a comprehensive search, Dominic O'Rourke joined the Board as a Non-Executive Director in the same month. He is currently Group Property Director for FTSE 100 retailer Next plc, a role he has held since 2014. His customer-facing experience in a sector that is key for our business is proving to be a highly positive and complementary addition to the Board's expertise.

## CONCLUSION AND OUTLOOK

Our disposal plan was announced in November 2022, when the rapid adjustment in interest rates impacted our financing costs, and in turn our earnings. We have largely delivered on that plan and are optimistic of a positive outcome on the Radway process in the coming months.

Thereafter, capturing reversion becomes our primary tool for rebuilding dividend cover. Our focus on what is a resilient part of the market and our active asset management has created more rental upside in our portfolio which is now 13.1% reversionary and looking forward, we believe attractive levels of rental growth will continue.

We are also identifying opportunities to selectively make acquisitions of higher yielding warehousing assets. Retail warehousing is an area in which Tilstone Partners has experience and represents a highly attractive opportunity at this time. We are very well placed to source value accretive opportunities in this space and the Ventura Retail Park is an excellent example of that.

This year, it feels appropriate to comment on the equity market context, which has seen an increase in the level of corporate activity, both in our sector and across listed investment trusts more generally. Our conviction, as a Board, is that this Company owns high-quality, strategically-located assets, but we are acutely aware that that is not reflected in the price at which our equity currently trades. We believe that rebuilding dividend coverage is an important first step in narrowing that discount and are confident the Company has in place a strategy that will deliver this.

In summary, commercial real estate is a sector that has been, and may continue to be, challenged by higher interest rates. We are successfully managing our way through that and the Board are committed to making the decisions and taking the steps that are necessary to create a sound platform from which our operational strength can drive value for all our shareholders.

**Neil Kirton**
Chairman

# MARKET OVERVIEW

## Warehouse market overview

The warehouse market covers a broad spectrum, including big box warehouses, typically single-let units over 100,000 sq ft, multi-let assets with a range of unit sizes, urban logistics focused on last mile delivery and retail warehousing.

Our portfolio is predominately multi-let warehouses, although we maintain a balanced portfolio, making our business more resilient through the cycle.

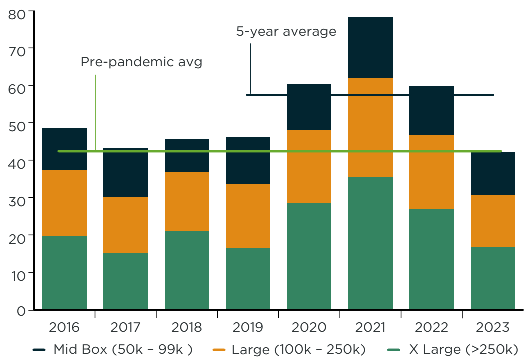
See page 14 for our multi-let approach

### OCCUPATIONAL MARKETS

After several exceptional years, with the Covid-19 pandemic fuelling demand from third-party logistics providers and e-commerce businesses, take up across the wider logistics sectors has returned to pre-pandemic levels.

Overall, take up in 2023 was 26.0% below the five-year average, with mid-box space, which includes much of the multi-let activity, more resilient. Mid-box take up was 11.0% below the five-year average compared with 28.0% and 33.0% below, respectively, for large and extra-large units.

**Take-up by unit size (m sq ft)**




Source: Lambert Smith Hampton

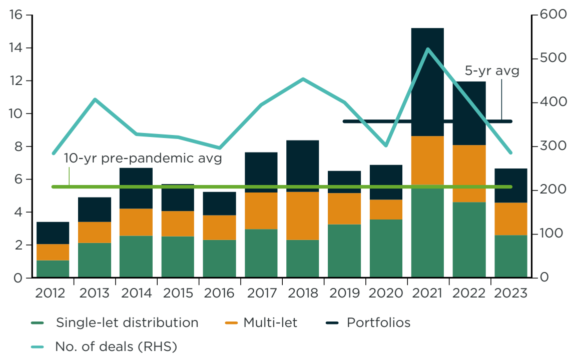
### INVESTMENT MARKETS

Reflecting the occupational markets, activity across investment markets is also reverting to trend with total volumes of £6.6 billion, 44.0% below 2022 volumes but just ahead of the pre-pandemic average.

Activity was also more resilient across industrial and logistics compared to other areas of real estate, accounting for 30.0% of the combined volume across the three core commercial sectors of industrial, offices and retail compared to a long-run average of 17.0%.

The multi-let sector saw good levels of activity, accounting for 30% of industrial deals, the highest since 2018.

**Industrial investment volume (£bn)**




Source: Lambert Smith Hampton

## Key market themes

### MACROECONOMIC BACKDROP

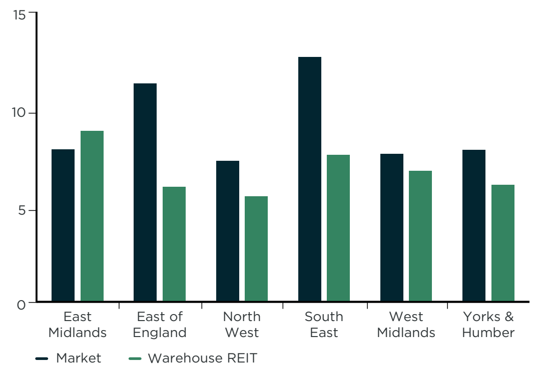
While certainty improved over the course of the year, the operating environment has been challenging both for businesses and for investors into real estate.

Inflation was nearly 8.0% at the start of the year and only dipped below 4.0% in March while interest rates have risen 100 bps to 5.25% by March 2024.

#### Impact and response

In this environment, occupiers have focused firmly on costs, playing well to our value offering. Our average contracted rent for multi-let space is £6.12 psf compared to a market average of over £12.50 psf for multi-let space in the South East and almost £20.00 psf in Greater London. Rapid rental growth in London and the South East reflects the expansion of last mile delivery operators whose business model depends on being close to the customer but is pricing other businesses out of the market.

**Market ERV vs Warehouse REIT rent, £ per sq ft**




Source: Gerald Eve

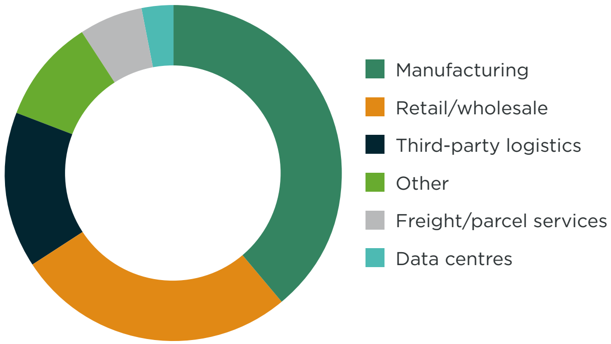
These dynamics support demand for our space, particularly in Milton Keynes and the Midlands, which are easily accessible from London, have access to major transport routes and benefit from a plentiful supply of local labour.

## EVOLUTION OF THE OCCUPIER BASE

The multi-let occupational market is characterised by its diversity and this has been evolving in recent years to include retail, logistics, quasi-office and leisure activities in addition to more traditional uses such as manufacturing, engineering and service centres. These trends have made demand more resilient through the cycle.

At the same time, the multi-let subsector has not been as exposed to e-commerce as other parts of the industrial market and has therefore been less affected by the reduction in demand post-pandemic.

**Multi-let take up by occupier type, 2023 (%)**




Source: Lambert Smith Hampton

### Impact and response

Our space is highly flexible and can accommodate a wide range of occupier but we are increasingly targeting higher value businesses that have the potential to pay higher rents and to grow on our estates.

Examples include Habitat at Bradwell Abbey, Milton Keynes (see page 18) where the space is used as a virtual showroom and Fugro at Murcar Industrial Estate, Aberdeen, where this geo-data specialist conducts surveys of the North Sea infrastructure and sea bed using unmanned vessels.

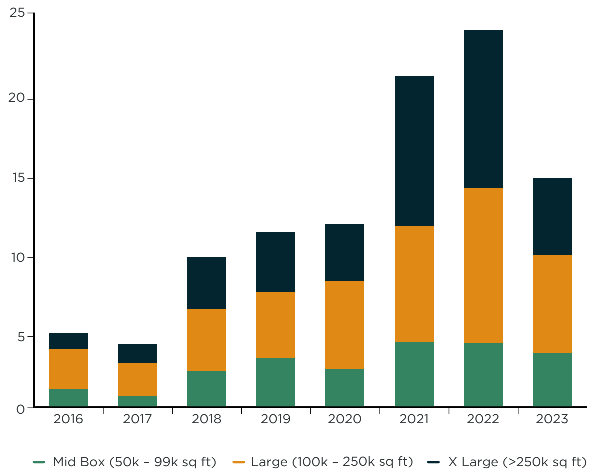
## MULTI-LET DEVELOPMENT UNECONOMIC

The construction of multi-let space is typically more expensive and complicated than big box space, making it less economic, particularly in the current environment where development finance is scarce and costly as a result of higher interest rates.

The reinstatement cost of our portfolio is £116.2 psf, which compares to an average capital value of £93.5 psf, meaning it is impossible to replicate our portfolio for less than it is currently worth, and that is without taking the cost of land into account. In addition, achieving planning for new developments is highly challenging.

These dynamics have constrained supply of new mid-box and multi-let space. In 2023, speculative development in the mid-box segment was just 3.3 million sq ft, a reduction of 19.0% year on year.

**Speculative development, at year end (m sq ft)**




Source: Lambert Smith Hampton

### Impact and response

The scarcity of multi-let space drives both rental growth and property valuation and is the rationale for our focus on this part of the market. Supply, in terms of both development and availability of existing space, is among the lowest in the country in our highest conviction locations of the Midlands (including the Oxford-Cambridge Arc) and the North West.

## DEMAND FOR SUSTAINABLE SPACE

Demand for energy efficient and more sustainable space is increasing, both from an occupier and investor perspective. This is partly driven by the growth of regulation, in particular around EPC ratings with the proposed MEES timetable expected to require properties in England and Wales to have a minimum EPC C rating by 2027 and B rating by 2030. At the same time, occupiers, especially larger, multi-national businesses, often have ambitious sustainability commitments of their own, and need space that helps them achieve those targets.

### Impact and response

Retrofitting industrial space to improve EPC ratings is relatively straightforward compared to other areas of the real estate market. Little of our warehouse space is heated, meaning that lighting upgrades to LEDs are often the key intervention we can deliver. Where we do have heated office space, we are introducing air source heat pumps and capping the gas connections as part of our standardised approach to refurbishment.

See **sustainability report** on pages **36** to **50**.

# BUSINESS MODEL



## OUR DRIVERS

### Our purpose

We provide the well-connected, high-quality and sustainable warehouse space our occupiers need to succeed and by doing this responsibly we generate attractive returns for all our stakeholders.

### Our vision

To be the UK warehouse provider of choice.

## OUR RESOURCES

### Our portfolio

7.8m sq ft of strategically located warehouse space

Read more on page 04

### People and relationships

Experienced Board and dedicated Investment Advisor.

Read more on pages 65 to 67

### Financial

A range of funding sources and significant headroom to covenants.

Read more on page 17


## WHAT WE DO

### Identify opportunities and invest

We invest in well-located, well-constructed assets where we see the potential to drive rents and values by delivering our asset management strategy.

### Refurbish and future-proof

Our assets are well built so we can deliver refurbishments quickly and at comparative low cost. Improving energy efficiency and reducing carbon emissions are integral to our approach.

### Active asset management

We target higher-value occupiers who have the potential to pay more rent and to grow with us. Our key multi-let assets are individually branded and we invest in the wider area to improve the amenity and working environment of the whole estate.

### Refine and recycle

We look to sell assets where we have substantially delivered our plans, which typically amounts to around 10% of the portfolio per year. This provides capital for reinvestment or strengthens our financial position.

## VALUE CREATED

**6.7%**
Total accounting return

**1.5m sq ft**
leasing activity

**28.6%**
uplift on previous contracted rent

**5.1%**
like-for-like rental growth

**£5.5m**
profit on sales

**£36.0m**
headroom in current facility

**2.8%**
reduction in scope 1 and 2 emissions

**£10,600**
charitable donations

STRATEGIC REPORT
CORPORATE GOVERNANCE
FINANCIAL STATEMENTS
ADDITIONAL INFORMATION

# OUR STRATEGY

We create value by investing in assets where we see an opportunity to drive rents and increase value by delivering our strategy. We provide space which suits the life cycle of a company and target occupiers who have the potential to grow with us. We are advised by Tilstone Partners, our dedicated Investment Advisor and warehouse real estate specialist.

## STRATEGIC OBJECTIVE

## 10% TAR

**Delivered through our strategic drivers:**

### A FOCUS ON MULTI-LET SPACE

With a balanced portfolio of well-connected assets with attractive income characteristics

### A STRONG AND RESILIENT INCOME STREAM

Capitalising on opportunities to deliver rental growth and strengthen resilience

### INVESTOR AND INVESTMENT ADVISOR INTERESTS ALIGNED

Managing an experienced and dedicated team with a network of successful relationships

### A DISCIPLINED FINANCIAL POSITION

Appropriate gearing and flexible funding sources

### ESG

### NET ZERO PATHWAY

Our target is to be net zero in scope 1 and 2 emissions by 2030. Our scope 3 reporting currently covers over half the portfolio, positioning us to set a target for emission reduction next year.

## 01 A focus on multi-let space

### ATTRACTIONS OF A MULTI-LET ESTATE

**Frequency of lease events**

The higher frequency of lease events provides more opportunities to increase rents to market levels and establish a higher rental tone across the asset. With less than 10% of our leases index-linked, there is no cap on rental growth and we can achieve increases ahead of inflation.

**Range of unit size**

Our assets typically offer a range of unit sizes to suit the life cycle of a company. For example, at Bradwell Abbey, in Milton Keynes we offer nursery units of c.700 sq ft through to over 15,000 sq ft, meaning occupiers can stay with us longer. See the Bradwell Abbey case study, page 18.

**Robust and diverse occupier base**

The flexibility of a multi-let estate makes them relevant to a wider pool of occupier, increasing the diversity and resilience of our income streams. See the At a Glance section, pages 04 to 06.

**Scarce asset class**

Reinstatement costs for multi-let estates are generally above capital values making development uneconomic. This constrains supply, further supporting rental growth. See the Market Overview, pages 10 to 11.

### HOW THE MULTI-LET MODEL DRIVES RENTS

**MULTI-LET SPACE**

- Faster access to reversion
- Suits life cycle of an occupier
- Diverse occupier mix

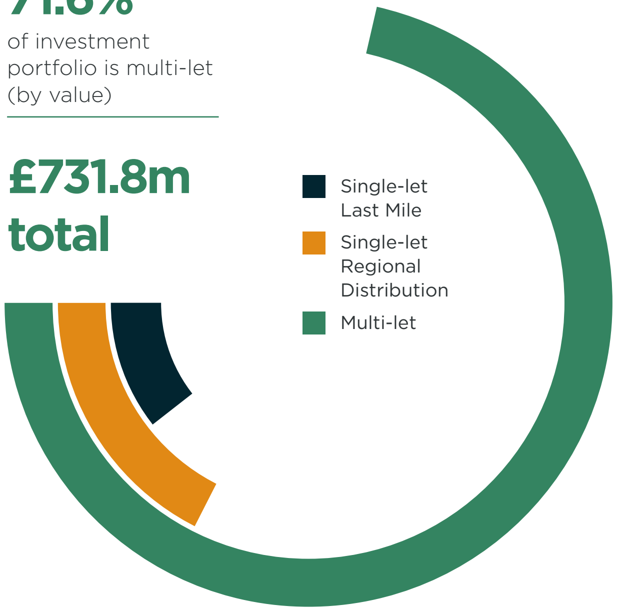
**DEDICATED ASSET MANAGEMENT EXPERTISE**

- Low obsolescence: able to unlock opportunities at low cost

**RENTAL GROWTH**

- Leasing c.30% ahead of prior rents
- Consistently strong ERV growth

**71.6%** of investment portfolio is multi-let (by value)




### PROGRESS IN THE YEAR

Since 1 April 2023, we have sold or exchanged for sale over £57.5 million of single-let assets taking the portfolio to c.78% multi-let on a pro forma basis.

### KEY METRICS (MULTI-LET)

**71.6%** of the portfolio multi-let

**95.1%** occupancy

**3.1%** valuation change

**419** unique occupiers

## 02 A strong and resilient income stream

Our portfolio is highly reversionary, meaning there is rental uplift to be captured between what occupiers are currently paying and the market rent.

Our business model is to capture this through active asset management and selective refurbishment. Our multi-let focus means we have multiple opportunities at the end of each lease to deliver improvements, making them best in class and fully meeting the sustainability expectations of our occupiers. This includes targeting a minimum EPC B rating on refurbishment. By only investing in assets which are well built, the capex required to achieve this is relatively modest.

We target higher-value occupiers, who have the ability to pay more rent and to grow with us and we rigorously assess the covenants of all our occupiers to ensure we only let space to businesses that are financially sound.

### HOW WE DO IT

Tilstone has established a three-stage plan to driving rental growth on an asset-by-asset basis. Starting with occupier engagement and light touch improvements, we then undertake selective refurbishments on lease expiry to deliver higher-value space back into the market at an increased rent.

### TILSTONE ASSET MANAGEMENT STRATEGY

**PHASE 1**

- Occupier engagement
- Cosmetic improvements
- Initiate marketing plan
- Refurbish and re-let vacant space

**PHASE 2**

- Continued refurbishment and improved amenities
- Full rebrand, relaunch and repositioning
- Target higher-value occupiers

**PHASE 3**

- Capture reversion
- Driving long-term value
- Explore adjoining acquisitions/ development opportunities

### KEY METRICS

**£44.6m** contracted rent

**5.1%** LFL rental growth

**7.7%** ERV growth

**£7.0m** reversionary potential

**66.6%** EPC A–C rated

### PROGRESS IN THE YEAR

Leasing activity covered 1.5m sq ft in the year, representing 19.7% of the portfolio, with deals signed on average 28.6% ahead of prior contracted rents.

This activity generated like-for-like rental growth of 5.1%.

## 03 Investment Advisor closely aligned to investor interests

Our Investment Advisor, Tilstone Partners, has a 6.8% shareholding in Warehouse REIT meaning that their interests are fully aligned with those of our investors.

Tilstone Partners has assembled a specialist team with expertise across asset management and development, investment and finance. It promotes an inclusive and respectful environment, encourages collaboration and entrepreneurship and with just 17 employees, all individuals are able to make a meaningful contribution to the performance of the Group.

### OUR VALUES

We have four clear values which underpin the way we work:

**01 Engagement**

Spirit of commitment, collaboration and communication across our team

**03 Empowerment**

Culture of entrepreneurialism where individuals can make things happen

**02 Excellence**

Targeting the highest standards but fully considering the impact we have

**04 Environment**

A respectful and inclusive culture and a responsible approach to doing business

TILSTONE PARTNERS **Tilstone Partners**

KNOWLEDGEABLE INVESTMENT ADVISOR

Sources opportunities and runs the day-to-day business

**Aligned interests**

WAREHOUSE REIT **Warehouse Reit**

EXPERIENCED INDEPENDENT BOARD

Scrutinises and approves decisions and capital allocation

To encourage a pipeline of talented individuals from a wide range of backgrounds, we work with Pathways to Property and support their outreach programmes targeting less advantaged demographics.

### PROGRESS IN THE YEAR

Tilstone Partners purchased a further £0.5 million of Warehouse REIT shares, increasing their collective shareholding to 6.8%.

An anonymous staff survey was completed in the year with a 100% completion rate. Feedback has prompted new initiatives including staff volunteering days and matched funding for charitable activities and we continue focus on training and development. We align objectives to our values and everyone has at least one ESG-related objective.

This year we have increased our disclosure on HR matters, as set out in our EPRA disclosures.

Read more on page 146

### KEY METRICS

**6.8%**
shareholding of Tilstone Partners

**94%**
retention rate

**0.6m**
WHR shares purchased during the year

**14**
training hours per person

## 04 A disciplined financial position

We fund the business through a combination of shareholders' equity, bank debt and proceeds from disposals, with the contribution depending on the relative cost of debt and equity and the income profile of our assets. We look to raise equity where we see attractive investment opportunities that are accretive for shareholders.

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

### PROGRESS IN THE YEAR

This year we completed a £320.0 million debt refinancing, including £220.0 million term loan and £100.0 million revolving credit facility with improved covenants.

We acquired £50.0 million of interest rate caps taking the total to £250.0 million of hedged debt.

We have paid down £22.0m of our revolving credit facility reducing exposure to unhedged interest rates.

### KEY METRICS

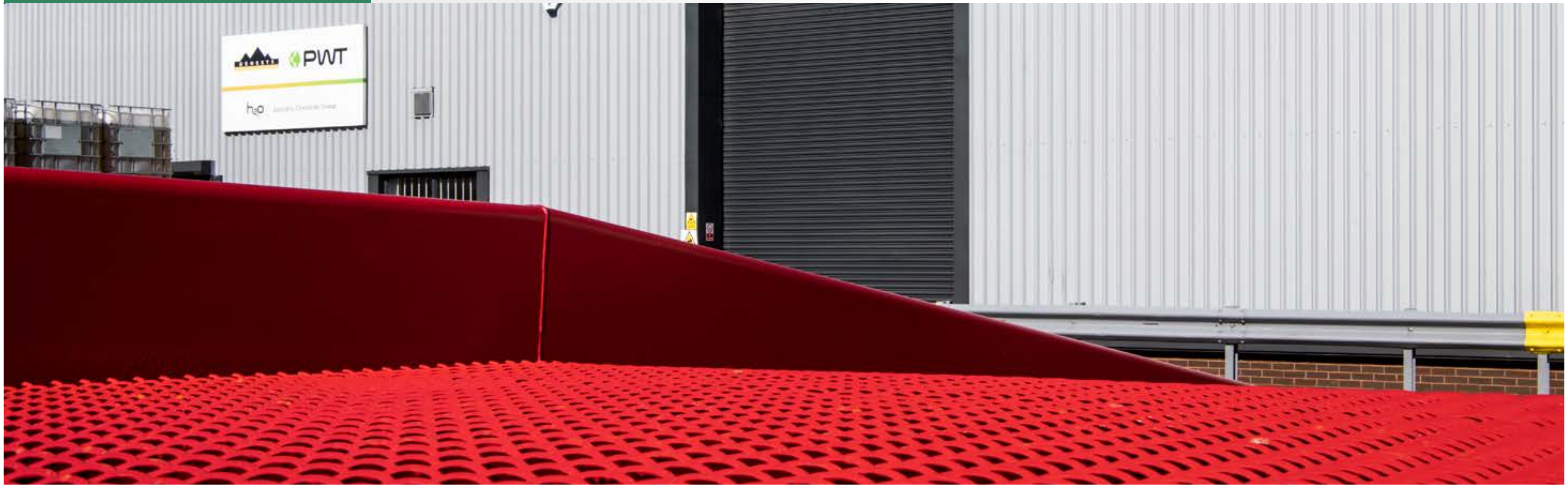
**33.1%**
LTV

**88.0%**
of debt hedged

**£36.0m**
headroom

**4.2%**
weighted average cost of debt

**3.1x**
interest cover ratio



## MILTON KEYNES

# BRADWELL ABBEY

### THINKING INSIDE THE BOX

**107,000** sq ft

**8.2** year lease

## Habitat

**Bradwell Abbey**

Habitat, the homewares retailer, use their space at Bradwell Abbey as a virtual showroom. Website footage is produced here and customers can call sales representatives for virtual demonstrations.

### BRADWELL ABBEY, MILTON KEYNES

**335,000** sq ft

**£2.6m** p.a. rent

**69** units

**5.1** WAULT

**39** occupiers

### Why we bought it

A strong strategic location was the key rationale for our purchase of Bradwell Abbey. It is in Milton Keynes, one of the UK's fastest growing cities and benefits from close proximity to key transport corridors including the M1 and A5 as well as a large local labour force.

Importantly, it is a multi-let asset that had been historically underinvested, providing strong repositioning potential.

Rents were affordable, with an average across the estate of £7.80 psf at acquisition making it attractive to occupiers being priced out of London, but also providing a sensible base from which to grow.

### What we have done

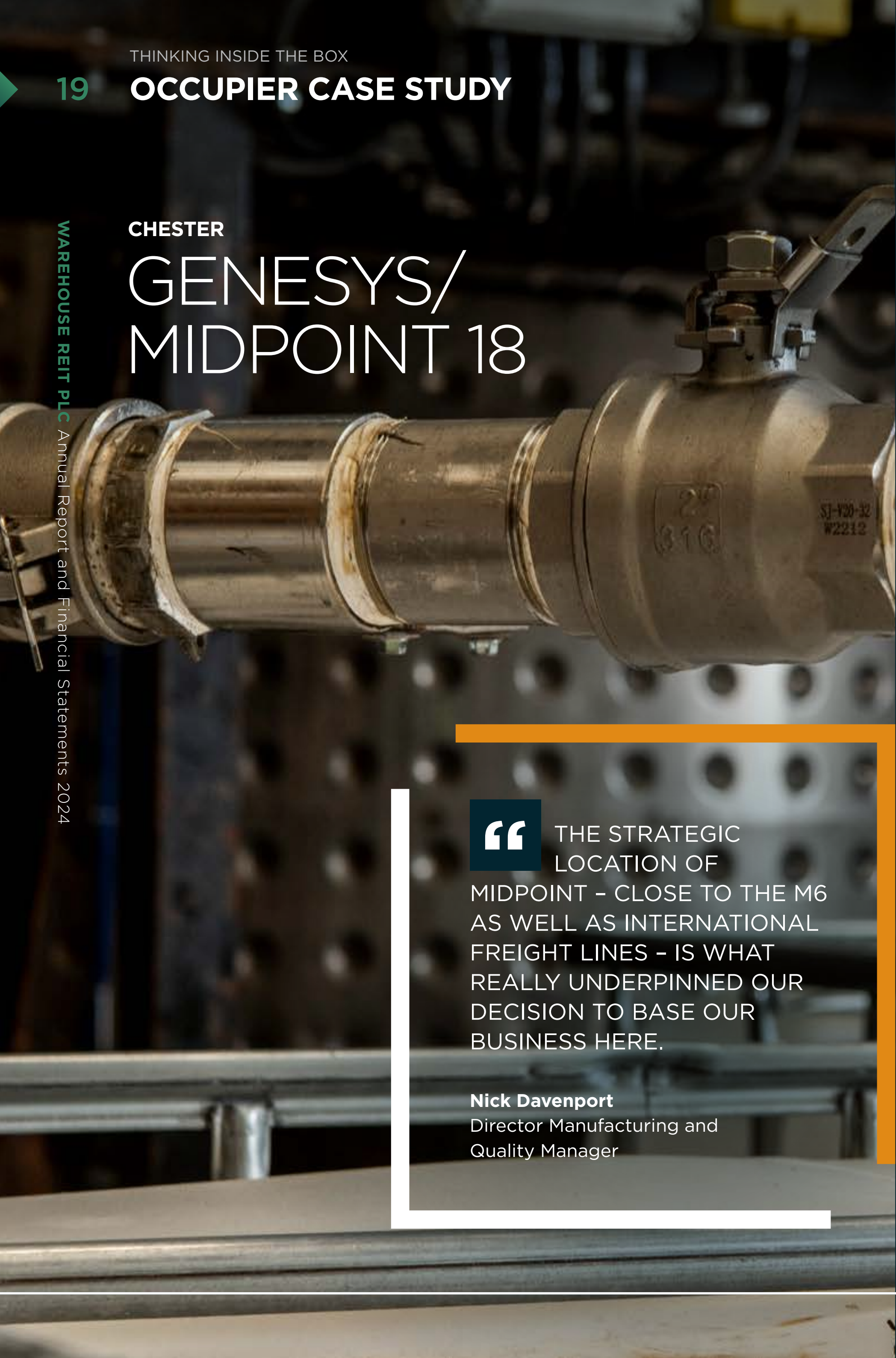
We are part way through delivering the Tilstone asset management strategy, with cosmetic improvements, improved amenities for occupiers and new branding all delivered.

We have refurbished c.15% of the asset and re-let 22.2% of the space. The average rent agreed across all our leasing activity since purchase is c.£10.08 psf, 36.8% ahead of prior passing rent.

Our refurbishment plans have raised the percentage of EPC A–C rated space from 38% at acquisition to 75%.

### The future

With 70,300 sq ft of lease events before the end of FY25, we have the opportunity to access further reversion and add more higher-value occupiers to the park.



CHESTER

# GENESYS/ MIDPOINT 18

"THE STRATEGIC LOCATION OF MIDPOINT – CLOSE TO THE M6 AS WELL AS INTERNATIONAL FREIGHT LINES – IS WHAT REALLY UNDERPINNED OUR DECISION TO BASE OUR BUSINESS HERE.

**Nick Davenport**
Director Manufacturing and Quality Manager

**MIDPOINT 18, MIDDLEWICH**

**725,000** sq ft

**£3.7m** p.a. rent

**24** units

**3.5** WAULT

**16** occupiers

### What Genesys does

Genesys manufactures water treatment chemicals for use in a wide variety of industries, including water desalination, mining, oil and gas, and food processing. Water re-use is a key driver of Genesys' business as a growing number of companies, in line with their ESG ambitions, are looking to recycle water rather than discharge it as waste.

Operating through a network of 150 distributors, Genesys is part of international group, H2O Innovation.

### Why Midpoint 18 works

Midpoint 18 is strategically located just off the M6 with easy access to international freight lines through Liverpool, London Gateway and Felixstowe docks. With 95% of Genesys' products for export, this connectivity is essential for the successes of their business.

### How their space has evolved

Genesys has been based at Midpoint 18 since 2012 and in that time has almost doubled its footprint to 26,800 sq ft. Its facilities now include offices and laboratory space, in addition to two manufacturing units in which Genesys recently invested £0.7 million for specialist plant equipment. Genesys has further investment plans for the sites totalling £0.5 million.

# KEY PERFORMANCE INDICATORS

**Link to strategy**

A focus on multi-let space

A strong and resilient income stream

Investor and Investment Advisor interests aligned

A disciplined financial position



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

## OCCUPANCY

**96.4%**


### Description

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

### Why is this important?

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

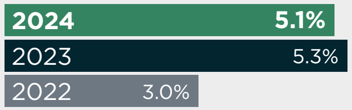
### How we performed

Active asset management, asset disposals and the robust occupational market helped us to increase occupancy by 6 bps during the year to 96.4%.

**Link to strategy**

## LIKE-FOR-LIKE RENTAL INCOME GROWTH

**5.1%**




### Description

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

### Why is this important?

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

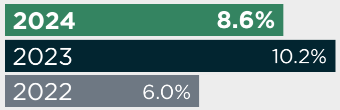
### How we performed

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

**Link to strategy**

## RENTAL INCREASES AGREED VERSUS VALUER'S ERV

**8.6%**




### Description

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

### Why is this important?

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

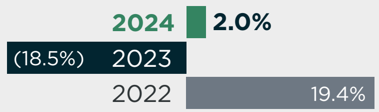
### How we performed

We let space overall 8.6% ahead of ERV, maintaining our strong track record of exceeding valuers expectations.

**Link to strategy**

## LIKE-FOR-LIKE VALUATION CHANGE

**2.0%**




### Description

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

### Why is this important?

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

### How we performed

After last year's adverse market conditions, we have seen a 2.0% increase in the like-for-like valuation as general market conditions improve and reflecting the quality of our portfolio.

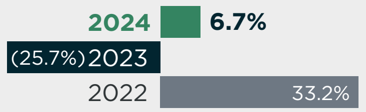
**Link to strategy**

**Link to strategy**

- A focus on multi-let space
- A strong and resilient income stream
- Investor and Investment Advisor interests aligned
- A disciplined financial position

## TOTAL ACCOUNTING RETURN

**6.7%**




### Description

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.

### Why is this important?

Demonstrates the Group's success at creating value for shareholders.

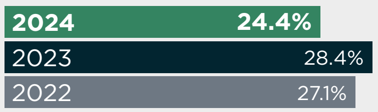
### How we performed

We delivered a total accounting return of 6.7% in the year, below our target as ongoing economic uncertainty continues to weigh on the sector but significantly ahead of last year reflecting a increase in our valuation.

**Link to strategy**

## TOTAL COST RATIO

**24.4%**




### Description

The total cost ratio is the sum of property expenses and administration expenses (ex one-off costs) as a percentage of gross rental income. (See table 6 on page 136 for detail)

### Why is this important?

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

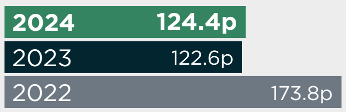
### How we performed

The total cost ratio improved further in the year due to non-recoverable holding costs on larger vacant buildings and a lower investment advisor fee. Excluding vacancy costs, the total cost ratio was 23.4%.

**Link to strategy**

## EPRA NTA PER SHARE

**124.4p**




### Description

The EPRA net asset value measure assumes entities buy and sell assets, thereby crystallising certain levels of deferred tax liability. This is expressed on a per share basis. (See table 3 on page 136 for detail)

### Why is this important?

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

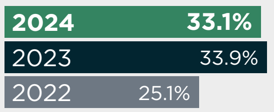
### How we performed

The increase in capital values relative to the market contributed to a 1.5% increase in EPRA NTA per share to 124.4pence per share.

**Link to strategy**

## LOAN TO VALUE RATIO

**33.1%**




### Description

Gross debt less cash, short-term deposits and liquid investments, divided by the aggregate value of properties and investments. (See table 10 on page 140 for detail)

### Why is this important?

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

### How we performed

The decrease in the LTV primarily reflects our proceeds from asset disposals reducing our level of debt as well as an increase in portfolio value.

**Link to strategy**

# STAKEHOLDER ENGAGEMENT



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

## OUR APPROACH TO STAKEHOLDER ENGAGEMENT

Tilstone is responsible for most of our day-to-day stakeholder engagement, with the Board receiving regular updates. In addition, the Management Engagement Committee ("MEC") reviews service provider performance each year, including their policies and procedures around ethics and culture and their engagement with our other service providers.

The MEC's report can be found on pages 86 to 87. Further information on ESG-related engagement can also be found in the sustainability section on pages 88 to 89.

## OCCUPIERS

### Why we engage

Our occupiers provide us with rental income; having the right mix of occupier supports income resilience and potential for rental growth. Tilstone's approach to building occupier relationships ensures a robust understanding of current and potential occupiers and their needs.

### Their material issues

- The size, quality and location of our warehouses
- Rental levels
- Lease length and terms
- Flexibility and the ability to scale-up their operations
- Support for their sustainability ambitions, primarily improving energy efficiency

### How we engage

- Regular communication with existing occupiers via the Tilstone and property management teams
- Tilstone asset management team regularly onsite; permanent office in Milton Keynes
- Occupier surveys, including on ESG matters (see page 40 in the sustainability section)
- The Board receives regular updates on occupiers from the Tilstone team

### Outcomes

- Retention rate of 76.0%
- Engagement supported 36 lease renewals across 0.4 million sq ft
- Targeted marketing supported 45 new leases across 0.2 million sq ft
- 11.4% by sq ft have shared energy data following initial engagement
- Defibrillators fitted at 3 key sites
- Delivering occupier amenities, including a café at Bradwell Abbey, Milton Keynes

## SHAREHOLDERS

### Why we engage

Supportive and informed shareholders provide insightful feedback on our strategy and are vital to the growth of our business, for example, our ability to raise equity to fund future growth opportunities.

### Their material issues

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

### How we engage

- Formal results presentations every six months, available on website
- Capital markets events as appropriate
- Regular updates on leasing and capital activity
- Shareholder meetings and roadshows undertaken by Tilstone
- Feedback provided by corporate brokers and Tilstone to the Board
- Board and Tilstone available for questions at AGM every year
- Website providing Company information

See the shareholder relations section on pages 148 to 149 for more information.

### Outcomes

- Maintained the dividend at 6.4 pence per share
- Tour of Bradwell Abbey and presentation for professional investors and analysts
- Developed and enhanced our ESG disclosure including voluntarily reporting under TCFD

## LENDERS

### Why we engage

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

### Their material issues

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

### How we engage

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

### Outcomes

- New £50.0 million interest rate cap taking total hedged debt to £250.0 million and increasing the proportion of hedged debt to 88.0%
- Five-year refinancing completed with new club of lenders with improved covenants
- £53.0 million of asset sales, reducing LTV to 33.1%

## THE INVESTMENT ADVISOR

### Why we engage

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

### Their material issues

- Clear investment strategy
- Day-to-day asset management
- Attracting and retaining an expert team
- Code of conduct and Group policies
- Management of other suppliers
- Open communication and alignment of values

### How we engage

- Open, regular and transparent discussions with Tilstone, including attendance at Board meetings
- Tilstone representatives appointed to the Board
- Tilstone interests fully aligned to shareholders given their 6.8% shareholding
- Annual staff survey for the Tilstone team and formal appraisal and feedback process

See the MEC report on pages 86 to 87 for more information.

### Outcomes

- Tilstone fee reduced to £5.7 million in line with movement in NAV
- Tilstone continued to execute the Company's strategy in line with the Board's expectations
- The Board has approved Tilstone's continued appointment, on the MEC's recommendation

## OTHER THIRD-PARTY SERVICE PROVIDERS

### Why we engage

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

### Their material issues

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

### How we engage

- Quarterly service calls between Tilstone and service providers
- The Board maintains regular contact with key service providers via Tilstone, with the aim of building long-term relationships
- Clear supplier appointment process including Supplier Code of Conduct and checklist for third-party suppliers

See the MEC report on pages 86 to 87 for more information.

### Outcomes

- Higher-quality service providers appointed
- Service providers' advice, needs and views, are routinely taken into account
- Prompt payment

## LOCAL COMMUNITIES

### Why we engage

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

### Their material issues

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

### How we engage

- The Board ensures that any key decisions take into account the impact on local communities and the environment
- The Company meets all health and safety requirements, local environmental standards on waste and other regulatory obligations
- Building relationships with organisations and charities close to our assets
- Working with Pathways to Property to encourage young people from disadvantaged backgrounds to careers in real estate

### Outcomes

- Commitment to EPRA sustainability reporting
- New lettings/renewals providing additional employment opportunities
- £10,600 charitable donations across Tilstone and Warehouse REIT, including £5,000 to Bus Shelter, a homeless charity in Milton Keynes
- Volunteering at Bradwell Abbey Discovery Centre, a local community organisation
- 2 Tilstone members participated in Pathways to Property event in Birmingham

# SECTION 172(1) STATEMENT



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

Set out on the following pages are the matters the Board is required to take into account under section 172(1).

## TAKING ACCOUNT OF STAKEHOLDER VIEWS

Information on stakeholder engagement, including how the Board is kept informed about stakeholder views, can be found on pages 22 to 24. This engagement is an important input to the Board's decision-making. The Directors keep the methods for engaging with stakeholders under review, to ensure they remain effective.

## KEY BOARD DECISIONS

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

- the four interim dividends in respect of the year, totalling 6.4 pence per share;
- refinancing of the Group's debt facilities for a further five-year tenure;
- the purchase of an additional £50.0 million interest rate derivatives, capping SONIA at 2.0%;
- the asset disposal programme, which raised £53.0 million during the year; and
- progressed the sale of Radway Green, Crewe.

CASE STUDY

### Proposed sale of Radway Green

#### Background

In June 2023, the Group announced a potential pre-let to an occupier for Phase I of the development at Radway Green, Crewe. While progressing with the letting negotiation, the occupier indicated that they had won additional contracts and needed to take space immediately. Due to the accelerated timetable and enhanced space requirement, the Group was unable to meet these time frames and the negotiations ceased.

Concurrently, in September 2023, the Board reviewed the Group's strategy and the Investment Advisor, Tilstone, asked the Board to approve the sale or part sale of its land holding at Radway Green, Crewe, as part of its plan to reduce the level of variable-rate debt, given the higher-for-longer interest rate environment.

#### Stakeholder considerations

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

- **Shareholders.** The financial benefit of any disposal is the crystallisation of gains accrued through the successful planning applications which will be returned to shareholders via ordinary dividends declared during the year. Shareholders also benefit from a significant saving in interest costs as the unhedged revolving credit facility is repaid. The Group also saves the significant capital expenditure that the assets would otherwise require.
- **Lenders.** By reducing the level of variable rate debt, keeping total debt at a prudent amount and improving the Group's overall financial performance, the Board considered a disposal would give increased comfort to lenders.
- **Investment Advisor.** Having maximised the potential planning upside from Phase I of the scheme, the Investment Advisor can dedicate resources to driving returns from the existing portfolio through active asset management.
- **Service providers.** The timing of the sale is carefully chosen by the Investment Advisor with some input from property managers to give time to conclude any ongoing value creating asset management.
- **Local community.** The disposal is expected to deliver an accelerated development timeline, providing earlier employment opportunities to individuals in the Crewe area.

#### Impact of the decision in the long term

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

#### Conclusion

The Board concluded that a disposal of Radway Green would be in the best interests of the Group and its stakeholders, and the programme should go ahead. Negotiations are now well progressed.

| Matter | Response |
|---|---|
| **a) The likely consequence of any decision in the long term.** | All Board decisions involve careful consideration of the longer-term consequences and their implications for stakeholders. For example, during the year the Board approved the disposal of Radway Green, Crewe (detailed on page 25, which will deliver important longer-term benefits for the Company. |
| **b) The interests of the Company's employees.** | The Company is externally managed and therefore does not have any employees. |
| **c) The need to foster the Company's business relationships with suppliers, customers and others.** | As described on page 22, the Group's relationships with its occupiers is managed day-to-day by the Investment Advisor, Tilstone, with the Board kept regularly updated.<br>The Board oversees the Group's relationships with all its principal service providers through the Management Engagement Committee. As a result of its oversight and review, during the year the Committee recommended the continuing appointment of Tilstone and the other key service providers. |
| **d) The impact of the Company's operations on the community and environment.** | The Board takes a keen interest in the Group's environmental performance and the energy efficiency of its assets, as reflected in the portfolio's EPC ratings. The Sustainability Committee provides a dedicated forum for overseeing and directing our ESG activities, and the Committee Chair Aimée Pitman has been closely involved in the key activities this year, such as the development of our net zero pathway and analysis of climate-related risks.<br>For more information on our environmental performance and community engagement, see pages 36 to 42. |

| Matter | Response |
|---|---|
| **e) The desirability of the Company maintaining a reputation for high standards of business conduct.** | The Board has a culture statement, setting out its commitment to ethics and high standards of business conduct. All of the key service providers are expected to abide by these standards.<br>Reputational risks are also considered as part of the Group's risk management framework, as described in the risk management and principal risks section on pages 51 to 60.<br>As part of the Board's ongoing review of corporate governance, the Board continues to review all current policies for relevance and compliance annually. |
| **f) The need to act fairly between members of the Company.** | The Board is aware of the need to treat all shareholders equally. No decisions arose in the year where shareholders could be treated differently.<br>In addition, Board members and members of Tilstone's senior management own a total of 27.8 million shares in the Company between them, aligning their interests with the outcomes delivered for shareholders as a whole. |

# INVESTMENT ADVISOR'S REPORT



**Simon Hope**
Co-Managing Director

“WE CONTINUE TO LET SPACE SIGNIFICANTLY AHEAD OF PREVIOUS RENT, DEMONSTRATING THAT OCCUPIERS ARE PREPARED TO PAY A PREMIUM FOR THE RIGHT SPACE IN THE RIGHT LOCATIONS.

**Simon Hope**
Co-Managing Director

## GOOD PROGRESS WITH OUR PRIORITIES

At the start of the financial year, we set ourselves four priorities for FY24. These were to:

- capture the reversionary potential in the portfolio;
- recycle capital by disposing of assets, enabling us to pay down the Group's floating rate debt, strengthen the balance sheet and support earnings;
- progress the Radway Green development scheme; and
- increase dividend cover, by driving earnings through these actions.

We made good progress with the first two of these priorities, and we have a clear plan in place to deliver value from Radway Green, Crewe, which will position the Group to increase its dividend cover over time.

## PRIORITY: CAPTURING REVERSION

At the year end, the contracted rent roll for the investment portfolio (excluding developments) was £44.6 million, compared to an ERV of £53.5 million. The difference reflects £7.0 million (or 13.1%) of portfolio reversion and £1.9 million of potential rent on vacant space.

The structure of the Group's leases supports capturing this reversion, with less than 10% being index linked through either a cap or collar arrangement. This flexibility is an important advantage in a more inflationary environment

We made good progress capturing reversion in FY24, with a total of 103 lease events completed, covering 1.5 million sq ft. As a result, we were able to capture £3.0 million of new contracted rent for the year, with £0.9 million of contracted rent coming from the letting vacant space.

Total contracted rents for the investment property portfolio stood at £44.6 million at year end, an increase of 5.1% on a like-for-like basis during the year.

The table following demonstrates the potential for continuing to capture reversion in the years ahead. These represent good opportunities for further rental growth and reflects the position before any further ERV growth or outperformance.

| Rent subject to review or lease expiry | Contracted rent (£m) | ERV (£m) |
|---|---|---|
| FY25 | 12.6 | 16.1 |
| FY26 | 8.0 | 9.1 |
| FY27 | 5.7 | 6.5 |
| FY28 | 5.4 | 5.6 |
| FY28+ | 12.9 | 14.3 |

## PRIORITY: CAPITAL RECYCLING

We keep the portfolio under constant review, to identify mature or non-core assets that are candidates for disposal. This has been a particular focus in FY24.

During the year, the Group sold seven estates for £53.0 million. This was 15.6% ahead of their aggregate book value, crystallising a profit on disposal of £5.5 million in the year, and reflecting a blended net initial yield of 5.0%. Sales have focused on single-let assets, or assets where we have substantially completed our asset management initiatives leaving little further upside. This good performance demonstrates our ability to match assets that are non-core for Warehouse REIT with pockets of demand across the market. We will continue to rigorously assess our portfolio to ensure we remain focused on the highest returning opportunities to maximise value for shareholders.

The assets sold in FY24 were:

- Dales Manor Business Park, Cambridge for £27.0 million;
- Warrington South Industrial Estate, for £11.6 million; and
- smaller assets in Ipswich, Ellesmere Port, the Isle of Wight, Cardiff and Halifax totalling £14.4 million.

The Group's total asset sales since we announced the disposal plan in November 2022 stood at £107.7 million at 31 March 2024. Since the year end, we have announced further disposals totalling £57.5 million. This takes total dispsals since November 2022 to £165.2 million demonstrating the liquidity of the Group's portfolio. See Post-Period End Activity for more information.

## PRIORITY: PROGRESSING RADWAY GREEN

Radway Green is the Group's key logistics development opportunity, in a premier location just 1.5 miles from Junction 16 of the M6 near Crewe. At the interim results in November 2023, the Group announced that it was evaluating options for the scheme, including the sale of all or part of Radway Green, and that it would not progress the development alone. Negotiations are now well advanced.

This is a highly attractive scheme, with full planning permission and the potential to deliver at least 1.8 million sq ft of space, across two phases of 0.8 million sq ft and 1.0 million sq ft.

## PRIORITY: INCREASE DIVIDEND COVER

Adjusted earnings per share was 4.8 pence for the year (FY23: 4.7 pence), representing cover of 75.0% of the total dividend for the year of 6.4 pence. The table below reconciles the movement in adjusted EPS between the two years:

| Adjusted earnings per share | Pence |
|---|---|
| For the year ended 31 March 2023 | 4.7 |
| Rental income and dilapidations | (0.1) |
| Reduced non-recoverable property expenses | 0.2 |
| Reduced investment management fee and other administrative expenses | 0.2 |
| Net finance costs | (0.2) |
| For the year ended 31 March 2024 | 4.8 |

The actions we have taken in FY24 position the Group to deliver rising earnings and dividend cover moving forwards.

In FY24, the Group generated profits on disposals of £5.5 million or 1.3 pence per share. Adding these profits to adjusted EPS results in earnings of 6.1 pence per share, increasing dividend cover on a cash basis to 95.3% for the year.

## AN ATTRACTIVE AND RESILIENT PORTFOLIO

### Focus on multi-let estates

The Group is highly focused on multi-let estates, which made up 71.6% of the portfolio by value at the year end (excluding development land). We favour these estates because they:

- offer more asset management opportunities than single-let assets, helping us to raise the rental tone more quickly and capture the reversion created;
- reduce risk by having a more diverse range of occupiers, spread across different industries;
- provide flexibility for occupiers with a range of unit sizes to suit the life cycle of a company and the ability to scale up by taking multiple units; and
- are a scarce asset class, with rebuild costs generally below capital values, constraining supply and supporting rental growth.

The portfolio analysis table below provides more information on the split between multi-let and single-let assets at the year end.

### A strategically located portfolio

The portfolio is spread across important economic hubs, in gateway locations with access to major arterial routes and a plentiful local labour force. This contributes to occupier demand and the potential for long-term rental growth.

In particular, the portfolio has exposure to key industrial hubs in:

- the North West (25.1% of the investment portfolio);
- the Midlands (22.7%); and
- the Oxford-Cambridge Arc, centred on Milton Keynes (24.2%).

### Portfolio analysis

At the year end, the investment portfolio comprised 642 units across 7.8 million sq ft of space (31 March 2023: 833 units across 8.2 million sq ft). The table below analyses the portfolio as at 31 March 2024:

| | Value (£m) | Occupancy by ERV (%) | NIY (%) | Equivalent yield (%) | Average rent (£ per sq ft) | ERV (£ per sq ft) | Capital value (£ per sq ft) |
|---|---|---|---|---|---|---|---|
| Multi-let more than 100k sq ft | 373.5 | 96.1 | 5.6 | 6.4 | 5.84 | 6.82 | 90.93 |
| Multi-let less than 100k sq ft | 150.4 | 92.7 | 6.0 | 6.8 | 6.89 | 7.58 | 99.32 |
| Single-let regional distribution | 129.9 | 100.0 | 5.5 | 6.1 | 5.54 | 6.55 | 94.09 |
| Single-let last mile | 78.0 | 100.0 | 6.0 | 6.6 | 6.49 | 7.48 | 94.79 |
| **Total** | 731.8 | 96.4 | 5.7 | 6.5 | 6.05 | 6.99 | 93.52 |
| Development land | 78.4 | | | | | | |
| **Total portfolio** | 810.2 | | | | | | |

### Capital values show upside potential

The NIY of the investment portfolio was 5.7% at 31 March 2024, with a reversionary yield of 6.8%. The average capital value across the portfolio was £93.52 per sq ft, which remains well below the reinstatement value for this type of asset, which is £116.16 per sq ft on our portfolio.

### Occupancy remains high

Occupancy across the investment portfolio remained high at 96.4% at the year end (31 March 2023: 95.8%). Effective occupancy, which excludes units under offer to let or undergoing refurbishment, was 97.6% (31 March 2023: 98.4%), with 0.4% of the investment portfolio under offer to let and a further 0.8% undergoing refurbishment at that date.

The weighted average unexpired lease term for the investment portfolio stood at 5.0 years (31 March 2023: 5.5 years).

## DIVERSE OCCUPIER BASE INCREASES RESILIENCE

The Group has a diverse occupier base of 445 businesses, with around 73.8% generating revenues of more than £10 million and around 89.2% exceeding £1 million of revenues.

The table below shows the occupier split by sector at the year end:

| Occupier base by sector at 31 March 2024 | Contracted rent % |
|---|---|
| Wholesale and trade distribution | 35.0 |
| Food and general manufacturing | 28.0 |
| Services and utilities | 17.8 |
| Transport and logistics | 11.8 |
| Technology, media and telecoms | 3.1 |
| Construction | 2.9 |
| Other | 1.4 |
| | 100 |

The Group's rent roll is also well diversified. The top 15 occupiers account for 36.3% of the contracted rents from the investment portfolio, with the top 100 generating 77.7%.

| Top 15 occupiers at 31 March 2024 | Rent £m | % of total rent | D&B score |
|---|---|---|---|
| Amazon UK Services Limited | 3.2 | 7.3 | 5A2 |
| John Lewis plc | 1.9 | 4.3 | 5A1 |
| Wincanton Holdings Limited | 1.9 | 4.2 | 5A1 |
| DFS Limited | 1.3 | 3.0 | 5A2 |
| Direct Wines Limited | 1.2 | 2.6 | N2 |
| Alliance Healthcare (Distribution) Limited | 0.9 | 2.1 | 5A2 |
| Argos Limited | 0.8 | 1.9 | 5A2 |
| Magna Exteriors (Liverpool) Limited | 0.8 | 1.9 | N- |
| International Automotive Components Limited | 0.8 | 1.8 | 4A4 |
| Evtec Aluminium Technologies Limited | 0.7 | 1.4 | N4 |
| Emerson Process Management Limited | 0.7 | 1.4 | 5A2 |
| Howden Joinery Properties Limited | 0.5 | 1.1 | N3 |
| A. Schulman Thermoplastics Limited | 0.5 | 1.1 | 4A2 |
| Colormatrix Europe Limited | 0.5 | 1.1 | 5A2 |
| Magna Exteriors (Banbury) Limited | 0.5 | 1.1 | C3 |
| **Total** | 16.2 | 36.3 | |

This spread of occupiers across industries and business sizes means the Group is not reliant on any one occupier or industry. This increases the Group's resilience and helps to mitigate both financial and leasing risks.

| Contracted rent by occupier size | % |
|---|---|
| Top 15 occupiers | 36.3 |
| Occupiers 16 – 25 | 9.2 |
| Occupiers 26 – 50 | 15.9 |
| Occupiers 51 – 100 | 16.2 |
| Others | 22.4 |
| | 100.0 |

### Occupiers remain in robust shape

We monitor the strength of the occupiers' covenants by using credit software such as Dun & Bradstreet, anti-money laundering software such as Dow Jones, monitoring news flow and analysing company reports. This keeps us informed of how evolving macroeconomic conditions are affecting their businesses. For smaller occupiers, the Group also often has the benefit of rent deposits, giving it additional protection from bad debts.

Overall, the Group's occupiers appear well placed in the current environment, which is reflected in our rent collection and the continued low level of bad debts (see the Financial Review). As at 17 June 2024, we had collected 99.3% of the rent due in respect of the year and we expect this to increase further as we work with occupiers to collect the outstanding amount.

### Working with occupiers

While the Group's outsourced property managers handle some day-to-day administrative tasks with occupiers, we ensure that we always own the occupier relationship. Our asset management team regularly visits sites, meets occupiers face to face and holds calls with them. Initiatives such as the recently opened estate office at Bradwell Abbey in Milton Keynes enable our team to be on site, build stronger relationships and helps develop letting interest.

We also run surveys to obtain insights from occupiers, so we can support them better and to inform our asset management plans. These typically cover current and future space requirements, the number of people on site, where their stock comes from and goes to, what, if any, on site amenities they would value and what their ESG priorities are. This year our occupier survey covered the top 25 occupiers and two of the Group's largest estates; responses covered around 19% of contracted rents. It was conducted in person, providing an excellent opportunity to develop these key relationships.

## LEASING ACTIVITY

Robust occupier demand has helped us to continue to capture the reversion in the portfolio through lease renewals and new lettings. New leases were ahead of ERVs, while lease renewals and rent reviews are achieving strong average uplifts against previous rental levels.

### New leases

The Group completed 45 new leases on 0.2 million sq ft of space during the year, which will generate annual rent of £1.6 million, 37.7% ahead of the previous contracted rent and 8.7% ahead of the 31 March 2023 ERV. The level of incentives has reduced compared with the prior year.

**Highlights are shown in the table below:**

| | | | Increase over | |
|---|---|---|---|---|
| Estate | Lease length (years) | Annual rent (£) | Previous rent | ERV at 31/3/23 |
| Halebank Industrial Estate, Widnes | 5 | 325,000 | +50.2% | +1.6% |
| Delta Court Industrial Estate, Doncaster | 5 | 138,800 | +15.7% | +12.0% |
| Bradwell Abbey, Milton Keynes | 3 | 97,000 | – | +10.5% |
| Delta Court Industrial Estate, Doncaster | 10 | 89,100 | +31.0% | +40.6% |

### Lease renewals

The Group continues to retain the majority of its occupiers, with 76.7% remaining in occupation at lease expiry and 74.3% with a break arising in the year.

There were 36 lease renewals on 0.4 million sq ft of space during FY24, with an average uplift of 36.7% above the previous passing rent and 9.9% above the ERV.

Highlights are shown in the table below:

| | | | Increase over | |
|---|---|---|---|---|
| Estate | Lease length (years) | Annual rent (£) | Previous rent | ERV at 31/3/23 |
| Kingsland Grange, Warrington | 5 | 498,000 | +42.3% | +27.3% |
| Matrix Park, Eaton Point | 5 | 320,500 | +22.7% | In-line |
| South Fort Street, Edinburgh | 10 | 200,200 | +30.1% | +5.5% |
| Knowsley Business Park, Knowsley | 10 | 118,900 | +37.5% | In-line |

### Rent reviews

During the year, we completed 22 rent reviews, generating an additional £5.6 million per annum, 23.9% ahead of previous rent and 8.0% ahead of the March 2023 ERV.

Highlights are shown in the table below:

| Estate | Agreed passing rent (£) | Increase over Previous rent | Increase over ERV at 31/3/23 |
|---|---|---|---|
| Chittening Industrial Estate, Bristol | 390,000 | +51.0% | +3.2% |
| Lynx Business Park, Newmarket | 334,500 | +28.6% | +28.6% |
| Howley Park Industrial Estate, Morley | 304,500 | +31.5% | +15.0% |

## TARGETED CAPITAL EXPENDITURE DRIVING RENTAL GROWTH AND IMPROVED ENERGY PERFORMANCE

On average, the Group budgets to invest around 0.75% of its gross asset value ("GAV") in capital expenditure each year. This excludes development projects and is therefore based on GAV excluding developments. Our priorities when investing in the estate are to drive rental growth, improve EPC ratings and secure other ESG improvements. Approximately 20% of capex is typically directed to EPC-related improvements and all capex must generate a minimum return of 10% on the capital deployed. Our capital expenditure plans also take account of local demand and supply, the requirements of individual units versus the overall estate, and our longer-term aspirations to hold or sell the asset.

Total capital expenditure in the year was £3.3 million, equivalent to 0.4% of GAV excluding developments. At the year end, approximately 0.8% of the portfolio's ERV was under refurbishment (31 March 2023: 1.3%).

## FINANCIAL REVIEW

### Performance

Rental income for the year was £44.0 million (FY23: £45.8 million), with the reduction reflecting the impact of asset disposals, partially offset by the Group's leasing activity, EPRA like-for-like rental growth of 5.7% and a full year contribution from Bradwell Abbey (acquired in the first half of FY23).

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 £16.0 million (FY23: £18.9 million), with the cost base benefiting from a reduction in the Investment Advisor's fee of £1.2 million to £5.7 million (FY23: 6.9 million) and lower vacancy costs, following successful lettings activity in the year.

The net increase in the expected credit loss allowance remained low at £0.2 million (FY23: £0.2 million). This reflects the diversity and quality of the Group's occupiers and our close relationships with them.

The total cost ratio, which is the adjusted cost ratio including direct vacancy costs, was 24.4% (FY23: 28.4%). The ongoing charges ratio, representing the costs of running the REIT as a percentage of NAV, was 1.4% (FY23: 1.3%).

The Group disposed of assets totalling £53.0 million in the year, resulting in a net profit on disposal of £5.5 million.

At 31 March 2024, the Group recognised a gain of £15.1 million on the revaluation of its portfolio (FY23: loss of £193.4 million). See the Valuation section below for more information.

Financing income in the year was £8.5 million (FY23: £6.9 million), including £8.2 million (FY23: £2.0 million) of interest receipts from interest rate derivatives.

Financing costs include the interest and fees on the Group's revolving credit facility ("RCF") and term loan (see Debt Financing and Hedging). The finance expenses were £24.6 million (FY23: £15.5 million). While the impact has been partly mitigated by the Group's interest rate caps (see below), the all-in cost of debt for the year reduced to 4.2% (FY23: 4.3%). The Group also had a £5.2 million change in fair value of derivatives (FY23: £4.9 million gain), as well as £1.7 million related to the accelerated amortisation of loan issue costs, as a result of the debt refinancing in the first half of the year (see page 32).

The statutory profit before tax was £34.3 million (FY23: £182.9 million loss).

The Group has continued to comply with its obligations as a REIT and the profits and capital gains from its property investment business are therefore exempt from corporation tax. The corporation tax charge for the year was therefore £nil (FY23: £nil).

Earnings per share under IFRS was 8.1 pence (FY23: 43.0 pence loss per share). EPRA EPS was 2.9 pence (FY23: 3.9 pence). Adjusted earnings per share was 4.8 pence (FY23: 4.7 pence).

### Dividends

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

| Quarter to | Declared | Paid/to be paid | Amount (pence) |
|---|---|---|---|
| 30 June 2023 | 31 August 2023 | 6 October 2023 | 1.6 |
| 30 September 2023 | 15 November 2023 | 29 December 2023 | 1.6 |
| 31 December 2023 | 26 January 2024 | 2 April 2024 | 1.6 |
| 31 March 2024 | 25 June 2024 | 26 July 2024 | 1.6 |
| **Total** | | | **6.4** |

The total dividend was therefore in line with the Group's target for the year of 6.4 pence and was 95.3% covered by adjusted EPS and profit on sale of investment properties. Three dividends were property income distributions and one was a non-property income distribution. The cash cost of the total dividend for the year will be £27.2 million (FY23: £27.6 million).

### Valuation

The portfolio was independently valued by CBRE as at 31 March 2024, in accordance with the internationally accepted RICS Valuation – Global Standards 2020 (incorporating the International Valuation Standards) (the "Red Book"), and the RICS Valuation – Global Standards 2021 – UK national supplement.

The portfolio valuation was £810.2 million (31 March 2023: £828.8 million), representing a 2.0% like-for-like valuation increase. The value of the investment portfolio was up 2.6% on a like-for-like basis with development land down 2.5% reflecting the impact of higher interest rates on financing development schemes.

The EPRA NIY at the year end was 5.4% (31 March 2023: 5.0%) and the EPRA topped up NIY was 5.6% (31 March 2023: 5.5%). Whilst there was some softening in valuation yields in the December 2023 quarter across the whole, FY24 valuation yields for mulit-let warehouses generally remained flat. The increase in valuation was therefore driven by an increase in rental levels and ERVs brought about by a combination of market forces and active asset management.

### Net asset value

EPRA Net Tangible Assets ("NTA") per share was 124.4 pence at 31 March 2024 (31 March 2023: 122.6 pence.) The table below reconciles the movement in the EPRA NTA in FY24:

| EPRA NTA per share | Pence |
|---|---|
| As at 31 March 2023 | 122.6 |
| Adjusted earnings | 4.8 |
| Profit on disposals | 1.3 |
| Dividends | (6.4) |
| Valuation movement | 3.5 |
| Accelerated borrowing costs | (0.4) |
| Cost of interest rate caps taken out in the year | (1.0) |
| **As at 31 March 2024** | **124.4** |

### Debt financing and hedging

The Group refinanced its debt facilities in the first half of FY24, extending the term and improving the covenants. The new £320.0 million facility comprises a £220.0 million term loan and a £100.0 million RCF. It replaces the Company's previous £320.0 million debt facility and extends the tenure from January 2025 to June 2028. The facility is provided by a club of four lenders: HSBC, Bank of Ireland, NatWest and Santander. The minimum interest cover is 1.5 times, compared to 2.0 times under the previous facility, and the maximum LTV has been extended from 55% to 60%. Both the term loan and the RCF attract a margin of 2.2% plus SONIA for an LTV below 40% or 2.5% if the LTV is above 40%.

At 31 March 2024, £64.0 million was drawn against the RCF and £220.0 million against the term loan. This gave total debt of £284.0 million (31 March 2023: £306.0 million), with the Group also holding cash balances of £16.0 million (31 March 2023: £25.1 million). The LTV ratio at 31 March 2024 was therefore 33.1% (31 March 2023: 33.9%). Interest cover for the period was 3.1 times, meaning the Group was substantially within the covenants in the debt facility.

At the year end, the Group had £250.0 million of interest rate caps in place, of which £200.0 million fixed SONIA at 1.5% and £50.0 million fixed SONIA at 2.0%. The Group took out the £50.0 million cap in November 2023, to replace a £30.0 million cap that expired in the month.

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

## TILSTONE PARTNERS LIMITED

As the Investment Advisor, our team plays a crucial role in the Group's success. Our people have a range of relevant skills, including real estate investment, asset management, finance and sustainability.

While everyone who joins us has the experience and qualifications they need for their role, we are committed to supporting professional and personal development and training. We therefore run an annual appraisal process and provide both statutory and individual training, according to each person's job or personal requirements. This year we have provided some additional disclosure on training and development within our EPRA Sustainability tables (see page 146).

In March 2024 we also conducted our first employee survey. We had a 100% participation rate and were particularly pleased that over 90% rated their overall working environment as Very Good or Good. Responding to the survey, we have introduced a number of benefits, including employee volunteering days and match funding. We set annual objectives which align to our values and every employee has at least one ESG-related objective. Diversity and inclusion are important to us, as we recognise the benefits of diverse viewpoints and life experiences. At the year end, our gender diversity was 55% male, 45% female across the Investment Advisor.

## POST-PERIOD END ACTIVITY

The Group exchanged or completed on the sale of £57.5 million of three-let assets in four separate transactions. These sales bring the total since 1 April 2023 to £110.5 million.

The transactions comprise Barlborough Links in Chesterfield, which has exchanged for £46.0 million, Parkway Industrial Estate in Plymouth sold for £6.3 million, Celtic Business Park and Newport sold for £5.2 million.

Also in June 2024, the Group exchanged contracts to acquire Ventura Retail Park in Tamworth, a retail warehousing asset for £38.6 million, representing a net initial yield of 7.4% Ventura is one of the top 20 shopping parks in the UK with an excellent occupier line up including Boots, Sports Direct and H&M. Comprising 13 units and covering 119,000 sq ft, it is part of a larger retail cluster including M&S and Asda, adjacent to the A5.

## COMPLIANCE WITH THE INVESTMENT POLICY

The 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 estates are UK-based 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 5.8% of GAV. |
| The Group will target a portfolio with no one occupier accounting for more than 20% of its gross contracted rents at the time of purchase. No more than 20% of its gross assets will be exposed to the creditworthiness of a single occupier at the time of purchase. | ✓ | The largest occupier accounts for 7.3% of gross contracted rents and 6.4% 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, as shown in the chart on page 04. |
| 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's exposure to assets under development (including pre-let assets, forward fundings or assets which have been at least partially de-risked), assessed on a cost basis, will not exceed 20% of gross assets at the time of purchase.<br>The Group may invest directly, or through forward funding agreements or commitments, in developments (including pre-developed land), where:<br>• the structure provides us with investment risk rather than development risk;<br>• the development is at least partially pre-let, sold or de-risked in a similar way; and<br>• we intend to hold the completed development as an investment asset.<br>The Group may, where considered appropriate, undertake an element of speculative development, provided that the exposure to these assets, assessed on a cost basis, does not exceed 10% of gross assets. Speculative developments are those which have not been at least partially leased, pre-leased or de-risked in a similar way. | ✓ | The Group's exposure to developments at the year end was 9.7% of GAV. |
| The Group views an LTV of between 30% and 40% as optimal over the longer term but can temporarily increase gearing up to a maximum of LTV of 50% at the time of an arrangement, to finance value-enhancing opportunities. | ✓ | The LTV at 31 March 2024 was 33.1%. |

The Group's full investment objective and policy are set out on page 148.

## GOING CONCERN

In preparing the financial statements, we and the Company's Board are required to assess whether the Group remains a going concern. During the year, the Group generated total property income of £51.0 million and operating profits of £35.0 million, showing that rents would have to fall by approximately 31.4% before the business became loss-making. This is considered highly unlikely given the high occupational demand for warehouse assets, our strong relationships with the broad range of occupiers across the portfolio, the level of rent collection and the fact that the portfolio ERV exceeds the year-end contracted rent roll by 20.0%.

At the same time, the Group has a strong balance sheet, with substantial cash and headroom within its facilities at the year end of £45.9 million. The Group has refinanced its debt facilities, extending the term by more than three years to June 2028, and at the date of this report has interest rate caps on £250.0 million of debt.

We and the Company's Board have also carefully reviewed the risk landscape and do not believe that the risks facing the Group have materially increased. As a result, we are confident that the Group remains a going concern.

## INVESTMENT MANAGER

The Company is an alternative investment fund for the purposes of the Alternative Investment Fund Managers Directive ("AIFMD") and, as such, is required to have an Investment Manager who is duly authorised to undertake that role. G10 Capital Limited ("G10") is the Company's AIFM and Investment Manager and is authorised and regulated by the Financial Conduct Authority.

## INVESTMENT ADVISOR

Tilstone Partners Limited is Investment Advisor to the Company.

**Simon Hope**
Tilstone Partners Limited

24 June 2024

# SUSTAINABILITY REPORT

**Aimée Pitman**
Chair of the Sustainability Committee

Building on the net zero commitments we made in 2022/23, we have further embedded sustainability into the way we do business. Our sustainability programme creates value by making our portfolio more resilient to the impact of climate change and means that our offer is better aligned to the needs of today's businesses. Improving our ESG performance is also important for many of our shareholders, so while we are pleased with the progress we have made this year, we recognise that there is more work to be done.

Improving EPC ratings has been a key focus for the year and is central to our commitment to create a resilient portfolio. At year end, 66.6% of our space was EPC A–C rated, up from 60.2% at the start of the year and we have more than doubled the percentage of A and B rated space to 26.5%. We typically refurbish our space at lease events and our refurbishment standards target a minimum B rating. This means we are not incurring capex sooner than necessary and are minimising inconvenience for our occupiers. At the same time, we regularly share insights on how our occupiers can drive energy efficiency, delivering ratings improvements outside of lease events. We are therefore confident of meeting the initial guidance relating to proposed MEES legislation.

To reduce our carbon footprint, last year we committed to reducing our scope 1 and 2 emissions by 4.2% annually. We recognise that these only account for a small percentage of our overall emissions compared to scope 3 where we are building our knowledge. This year, we achieved a 2.8% reduction in scope 1 and 2 emissions on a like-for-like basis, which is below our target due to higher gas consumption last summer on two units but also reflects the small pool of assets in the like-for-like calculation.

Reducing scope 3 emissions, primarily occupier energy consumption, will be more impactful. This is an area where we have far less control, and do not yet have full visibility, making it hard to benchmark performance. We have taken the first steps towards addressing that this year and have worked with Savills to estimate energy consumption across over 50% of our space (see page 42). At the same time, we are engaging closely with occupiers to secure their permission to collect unit-specific data. These projects have enabled us to report some scope 3 emission data for the first time. The more data we gather, the better placed we will be to set a target for scope 3 emissions and this is something we are working on in the current year.

## OUR LONG-TERM ESG GOALS

### 01 Creating a resilient portfolio

- Reducing EPC risk
- Reducing climate-related risks in the portfolio
- Targeting green building certifications

### 02 Reducing our footprint

- Implementing our net zero carbon pathway for scope 1 and 2
- Disclosing scope 3 carbon emissions
- Increasing energy and resource efficiency
- Reducing waste and resource consumption

### 03 Supporting our occupiers

- Engaging with occupiers to understand their net zero carbon goals and support wellbeing
- Supporting occupiers' wellbeing and providing a safe environment for all building users
- Integrating sustainability criteria into lease clauses

### 04 Responsible business

- Implementing robust governance and oversight of ESG risks
- Being transparent in disclosure and participation in investor benchmarks and indices

# ENVIRONMENTAL, SOCIAL AND GOVERNANCE CONTINUED





Occupier engagement more generally is something we value highly. This year we conducted a wide-ranging, face-to-face occupier survey that has provided very granular information on occupier requirements as well as their ESG agendas. We did this in person to strengthen our relationships with our occupiers. Some of the insights from this are set out on page 40. In particular, we made great progress at Bradwell Abbey, where in response to occupier feedback from previous surveys, we launched a café and opened an office on the estate so that one of the Tilstone team is on hand daily to support our occupiers.

This year, we have widened the scope of our 'Responsible Business' commitment to include supporting communities local to our assets. The Tilstone team spent a day volunteering at the Milton Keynes City Discovery Centre, directly adjacent to our Bradwell Abbey estate. This is an important amenity for the local community. It preserves the historical site of the abbey, provides sensory areas for local children, including those with special needs and volunteers grow organic vegetables for local foodbanks. Across Warehouse REIT and Tilstone Partners our charitable donations totalled £10,600 with the most significant being to Bus Shelter, an organisation tackling homelessness in Milton Keynes.

We have also taken a number of steps to improve our disclosure. Recognising the key role that our Investment Advisor plays in delivering the Group's strategy, this year we have extended our employment disclosures to cover the Tilstone team, including diversity and training. We are working to extend the scope and quality of our disclosures across the ESG spectrum to better inform our shareholders and to improve our performance in sustainability benchmarks which remains a long-term priority for the Group. This year, we were pleased to have retained our EPRA sBPR Gold award for the third consecutive year.

Looking forward, we are earmarking a small amount of capital to finance projects that improve the climate resilience of our portfolio or enable us to assess the feasibility of ESG-related initiatives. Returns from such projects may be harder to measure or delivered over a longer time frame. An example of how we are employing these funds is to finance a solar PV (photo voltaic) feasibility study to understand where we have an opportunity to increase our on-site renewable energy provision through the installation of PV panels.

We have made good progress embedding ESG into our business. The team are actively looking for opportunities to decarbonise our portfolio and make it more resilient and we are delivering on those wherever we can. Wider economic challenges mean that our focus is sharply upon initiatives that deliver value for shareholders but at the same time we recognise that we serve a broad spectrum of stakeholders and we will continue to deliver for them over the coming year.

**Aimée Pitman**
Chair of the Sustainability Committee

01

| 2024 target | Progress |
|---|---|
| **EPC improvement programme to ensure all in-scope properties have a valid EPC and target 25% reduction of D and E rated properties** | Achieved a 25.7% reduction in D and E rated properties which are subject to MEES requirements vs FY23 baseline<br>66.6% of the portfolio is now EPC A–C rated (FY23: 60.2%) and 26.5% is A–B rated (FY23: 10.4%)<br>Fully compliant with existing EPC regulations and on track to meet proposed regulations |
| **Build mitigation plans for assets identified as at higher risk of climate change** | We commissioned third-party consultants to undertake enhanced flood risk assessments of six assets that were identified as being high risk through our climate change scenario analysis. This assessment showed only one asset to be at high risk from one of six possible flooding types and we are evaluating mitigation options (see TCFD section, pages 43 to 50) |
| **All developments over 50,000 sq ft to target BREEAM Excellent / Very Good** | We have one development, Radway Green[1] near Crewe where we are targeting a minimum BREEAM Very Good rating for New Construction |
| **All developments to target EPC B or above** | Radway Green is targeting an EPC A rating |
| **Regular Board ESG training on future legislation, occupier demands and climate risk** | The Board received a comprehensive update on the ESG regulatory landscape from our legal advisors Osborne Clarke and on the impact of climate change from JLL's sustainability team |

1 Intention to sell all or part of the asset was announced in November 2023.

CASE STUDY

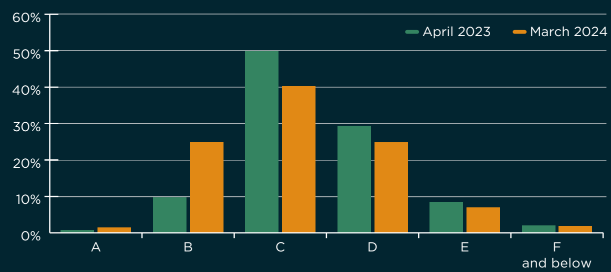
## Delivering EPC improvements

### Our approach

Delivering EPC improvements is an integral part of our asset management approach (see page 15). We refurbish buildings at lease events in line with our Environmental Refurbishment and Development Standards which formally target a minimum EPC B. This aligns to proposed MEES requirements of a minimum EPC B rating by 2030.

Energy efficiency initiatives include upgrading lighting to LEDs, disconnecting gas, replacing boilers and radiators with electric panel heaters and introducing air source heat pumps for the office space. Annual capex is typically 0.75% of GAV of which c.20% is allocated to EPC improvement-related initiatives.

### EPC performance




### Progress and performance

**96%**
of refurbished units achieved an EPC B rating on reassessment

**26%**
A–B rated as at March 2024

**67%**
A–C rated as at March 2024

# REDUCING OUR FOOTPRINT

02

| 2024 target | Progress |
|---|---|
| **4.2% reduction in scope 1 and 2 emissions on a like-for-like basis** | 2.8% reduction achieved which is below our target due to higher gas consumption on two units last summer, but reflects the small like-for-like pool of just seven assets. Further progress to be delivered through refurbishment in line with our standards |
| **Increase visibility over scope 3 emissions[1]** | Occupier energy usage is our primary source of scope 3 emissions. This year we have worked with Savills to report occupier electricity usage on an anonymous basis, and now have coverage of 52.1% of the portfolio<br><br>In addition we have identified a solution to enable us to track unit specific usage which is being rolled out; coverage is currently 11.4% giving a combined coverage of 53.8% (note there is overlap between the approaches) |
| **All new utility contracts to be renewables based** | 100% of landlord procured electricity contracts are REGO backed tariffs at year end |
| **All refurbishments to align with Tilstone Environmental Refurbishment and Development Standards** | Refurbishments covering 182,000 sq ft were delivered this year with progress tracked through occupier scorecards<br><br>LED lighting was fitted at all, 78% had gas removed / disconnected or there was no connection and eight new EV charging points were installed bringing the total to 43 across the portfolio<br><br>Environmental Refurbishment and Development standards formally updated to target a minimum EPC B rating and to upgrade meters to half hourly where possible |
| **All developments to have a sustainability plan** | Radway Green[2] is our only development; sustainability is fully embedded in its design which targets a Very Good rating |

1 Target added in the year.
2 Intention to sell all or part of the asset was announced in November 2023.

CASE STUDY

## Progressing net zero

### Widnes case study

This year, we refurbished Foundry Point, a single-let asset in Widnes. In line with our standards and to progress our decarbonisation plans, we removed the gas connection, installed more energy efficient heating in the offices, added two new EV chargers and LED lighting was fitted throughout.

Nearly 100% of the waste was recycled and items left by Amazon, the previous occupier, including lockers and medical aprons were donated to special needs schools and nursing homes.

### Outcomes

The unit achieved an EPC B rating and has since been re-let at a premium of 50.2% to the previous passing rent and 1.6% ahead of ERV.

The new occupier is a manufacturer of special purpose engineering equipment, and part of a large, multi-national business.

**2.8%**
reduction in scope 1 and 2 emissions

**54%**
visibility of occupier energy usage

**03**

| 2024 target | Progress |
|---|---|
| **Launch portfolio-wide occupier engagement survey, targeting 20% response rate** | Comprehensive occupier survey conducted, with responses covering over 19% of our portfolio by rent. Topics ranged from space requirements to ESG priorities, including:<br>• ESG approach and priorities<br>• Appetite to share utility data<br>• Preferred occupier amenities |
| **Implementing plan from 2023 occupier survey** | Responding to occupier feedback from our FY23 survey, we launched a new site office and opened a new café / delicatessen at Bradwell Abbey. Following this successful pilot, we will look for opportunities to improve the amenity provision elsewhere<br>Re-tendered landlord electricity supplier delivering cost savings for occupiers<br>Four new EV charging points installed bringing the total to 43 across the portfolio |
| **Inclusion of green clause principles in all new leases** | All new leases incorporate green clauses; 60% include absolute provisions on:<br>• Sharing environmental data<br>• Maintaining the EPC rating |
| **Defibrillators installed at large, multi-let assets[1]** | Defibrillators have been installed at Bradwell Abbey in Milton Keynes, Tramway Industrial Estate in Banbury and Queenslie Industrial Estate in Glasgow<br>Further installations planned for the coming year |

1 Target added in the year.

**CASE STUDY**

## Supporting our occupiers

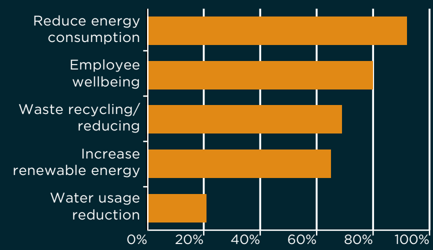
### Occupier survey

Our survey covered the top 25 occupiers as well as two of our largest multi-let assets. Around two-thirds of respondants have an active ESG strategy in place with our larger occupiers focused on renewable energy use and decarbonising transport to achieve their net zero commitments.

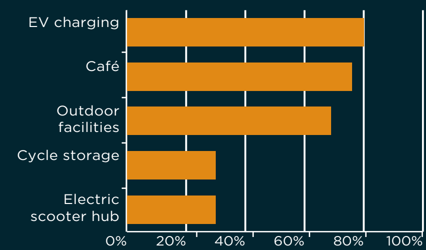
Occupiers were surveyed on their ESG priorities with over 90% of those responding identifying reducing energy consumption as a priority; rising energy costs were cited as a key operational challenge.

Employee wellbeing is increasingly important for many of our occupiers, regardless of size. Building on the success of our new café at Bradwell Abbey, we will look to roll out site-specific amenities this year including more EV charging facilities.

### Key ESG priorities




### Most requested occupier amenities



04

| 2024 targets | Progress |
|---|---|
| Retain EPRA sBPR Gold award | Gold award maintained for the third year |
| Progress alignment with TCFD recommendations | Voluntary TCFD disclosure for the fourth year; quantification of EPC retrofit cost included for the first time (see page 46)<br>Undertook comprehensive flood risk assessments on assets identified as high risk following climate change scenario analysis (see pages 44 to 45)<br>Formalised governance on climate change risk |
| Implement recommendations to align with GRESB benchmark | Commitment to be net zero in scope 1 and 2 emissions by 2030 and progressing plans to set a scope 3 target<br>Provided additional disclosure on Tilstone employees (see page 146)<br>ESG formally integrated within annual performance targets for all Tilstone employees<br>Green lease clauses included within all new leases |
| ESOS phase 3 compliance | ESOS report prepared for June 2024 submission |
| Supporting local communities[1] | £10,600 charitable donations across Warehouse REIT and Tilstone Partners to organisations local to our sites, including Bus Shelter, a Milton Keynes homeless charity<br>Joint social responsibility plan established for REIT and Tilstone including Company volunteering and match funding<br>Supporting young talent through Pathways to Property |

1 Target added in the year.

### Volunteering at Bradwell Abbey

In October, the Tilstone team spent a day volunteering for the Milton Keynes City Discovery Centre, a local charity adjacent to our Bradwell Abbey asset. The centre is a key amenity for the community; it preserves the heritage of the Abbey, hosts educational visits and sensory gardens have been established in the grounds for use by local charities, including Make Well, who work with neurodiverse children and adults. The area is maintained by volunteers who grow organic vegetables in the garden to supply to local food banks.

### Supporting young talent

This year we joined Pathways to Property, a project led by the Reading Real Estate Foundation at the Henley Business School, which aims to widen access to the real estate profession. In March, two of the Tilstone Team supported their Insight Day, which was an opportunity for young people in the area to present their work to real estate professionals.

## NET ZERO AMBITIONS

Last year we set a commitment to be net zero in greenhouse gas scope 1 and 2 emissions by 2030. We also launched a series of commitments to support emission reduction across the wider portfolio, including occupier emissions.

This framework is set out on our website; key interventions include adopting our Environmental Refurbishment and Development Standards, procuring 100% of our electricity from renewable sources and engaging with occupiers.

**Measuring and reducing scope 3 emissions**

Before we set a target to be net zero on our scope 3 emissions, we need to establish a baseline from which we can measure performance.

This year, for the first time we are reporting some scope 3 emission data. We now collect occupier electricity data from 33 of our estates covering 53.8% of the portfolio by sq ft. The majority of this is on an anonymous basis, but we are working with our occupiers to collect unit-specific data which will enable us to provide more targeted advice to our occupiers on how to reduce their own carbon footprint.

The occupier electricity data we have collated and associated GHG emissions are set out in the table.

| Occupier emissions | 2023/24 |
|---|---|
| Sq ft covered (% of total) | 4.2m (53.8%) |
| Annual consumption (MWh) | 9,766 |
| Building energy intensity, kWh/m²/year | 25.0 |
| GHG emissions ($tCO_2e$) | 2,022 |

## FUNDS EARMARKED FOR ESG PROJECTS

We are earmarking £100,000 to finance investment which improves the climate resiliance of our portfolio or enables us to assess the feasibility of ESG-related initiatives. Returns from such projects may be harder to measure or delivered over a longer timeframe.

One example is a PV feasibility study we are undertaking that will assess the potential for installing PV panels on buildings shortlisted by the Tilstone team. Other examples include biodiversity benchmarking and the installation of EV chargers.

## FUTURE COMMITMENTS

The following are specific commitments for FY25 and sit alongside our business as usual interventions which we are delivering in support of our long-term goals.

### 01 Creating a resilient portfolio

- £100,000 earmarked to cover ESG-related investment
- Further 25% reduction in EPC D and E rated properties subject to MEES regulations (vs FY23 our position)
- Deliver mitigation plans for assets identified as higher risk through climate change scenario analysis

### 02 Reducing our footprint

- Progress ambition to achieve net zero on scope 1 and 2 by 2030
- Increase visibility over occupier energy usage by at least another 10%
- Target PV on a minimum of 10% of the portfolio by 2030
- Ensure 100% of directly procured electricity from renewable contracts

### 03 Supporting our occupiers

- Perform annual occupier survey
- Respond to feedback from FY24 survey:
  - Increase EV charging provision
  - Site-specific amenities at key multi-let assets
  - Share insights to improve energy efficiency and reduce costs

### 04 Responsible business

- Improve performance in sustainability benchmarks
- Progress community programme
- Deliver investment Advisor ESG-training
- Develop approach to biodiversity

## Introduction

**AS PART OF OUR VISION TO BE AN INDUSTRY-LEADING INVESTOR INTO UK WAREHOUSES, WE PROACTIVELY MANAGE OUR CLIMATE-RELATED RISKS AND PUBLICLY REPORT CLIMATE-RELATED FINANCIAL INFORMATION TO OUR STAKEHOLDERS.**

Here we disclose the climate-related risks we have identified to the business and set out our overarching risk management approach in line with the TCFD recommendations. This report complies with 10 of the 11 TCFD recommendations and recommended disclosures.

We have not fully reported our scope 3 emissions under TCFD Recommended Disclosure – Metrics and Targets b), due to limited data availability but are making good progress, with over 50% visibility on occupier electricity consumption, a key contributor to our scope 3 emissions.

## Governance

### THE BOARD'S OVERSIGHT OF CLIMATE-RELATED RISKS AND OPPORTUNITIES

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

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

The Sustainability Committee, chaired by Board member Aimée Pitman, is responsible for developing and implementing the Group's responsible business agenda, sustainability strategy and external ESG reporting. This year, JLL conducted a comprehensive training session to give the Board a better understanding of the evolving reporting obligations across the industry. In this session, the Board was also shown examples of approaches to climate adaptation and resilience planning. This was supplemented by a training session on the regulatory landscape, conducted by legal advisors Osborne Clarke. Following the climate risk scenario modelling undertaken last year, the Sustainability Committee reviewed the Group's climate-related risks and mitigation strategies via the newly formed separate risk register and will continue to recommend any required updates to the Audit and Risk Committee. The Audit and Risk Committee reviews and monitors the risk management framework. The Chair of the Sustainability Committee reports to the Board on a quarterly basis and the Sustainability Committee makes recommendations to the Board, as appropriate, to ensure that any material climate-driven macroeconomic, financial, and regulatory market changes are escalated and integrated into strategic decision-making. The Sustainability Committee is also responsible for setting and overseeing performance towards climate-related targets and long-term goals, available on page 36 to 42. The implementation roadmap and actions towards achieving these goals are then overseen by the Investment Advisor.

### MANAGEMENT'S ROLE IN ASSESSING AND MANAGING CLIMATE-RELATED RISKS AND OPPORTUNITIES

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

The Investment Advisor is responsible for day-to-day operational activities and the application of the risk management strategy, including climate risk management. The Investment Advisor, with support from the Property Manager, is responsible for collecting and reporting environmental and climate-related data, enabling Board committees and the Investment Advisor to monitor performance against strategic long-term goals and targets. The Investment Advisor is well briefed on the Group's sustainability and climate-related ambitions and reports significant risks at the property level to Board committees on an ad hoc basis, ensuring that there is clear communication between occupiers and the Board.

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


## Strategy

### CLIMATE-RELATED RISKS AND OPPORTUNITIES IDENTIFIED OVER THE SHORT, MEDIUM AND LONG TERM

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

Table 1: Percentage of portfolio classified as 'high-risk assets' under different scenarios

| Scenario and physical hazard | Current (Present day) | Medium horizon (2050) | Long horizon (2080) |
|---|---|---|---|
| **Low Scenario (RCP2.6)** | | | |
| Flooding | 3.5% | 4.3% | 4.6% |
| Subsidence | 6.1% | 0.0% | 6.1% |
| Costal erosion | 0.0% | 0.0% | 0.0% |
| **Medium Scenario (RCP 4.5)** | | | |
| Flooding | 3.5% | 4.5% | 4.6% |
| Subsidence | 6.1% | 6.1% | 9.1% |
| Costal erosion | 0.0% | 0.0% | 0.0% |
| **High Scenario (RCP 8.5)** | | | |
| Flooding | 3.5% | 4.6% | 4.6%[1] |
| Subsidence | 6.1% | 12.1% | 12.1% |
| Costal erosion | 0.0% | 0.0% | 0.0% |

1 In our original analysis, 5.6% of modelled units were considered at high risk from flooding, falling to 4.6% post asset sales and less than 1% reflecting the findings from further, more detailed assessments on the remaining units categorised as high risk.

The climate risk scenario modelling covered a total of five climate-related hazards, including coastal flooding, river flooding, flash (surface water) flooding, subsidence and coastal erosion and assessed the likelihood of these hazards impacting our portfolio. Our original analysis was restated this year to take account of asset sales and consequently covers 782 units within our portfolio as at 31 March 2024. The analysis was performed across three climate scenarios and time horizons as set out in Table 1. The assessment was based on trusted climate and natural hazard databases, such as JBA Floodability Index, British Geological Survey and National Coastal Erosion Risk Mapping. The exposure level to each hazard was ranked across low, moderate, and high-risk likelihood bands, based on a simplified classification of the results generated by each risk model, which had individual likelihood ratings. The assessment also revealed the number of assets exposed to each risk level and provided hazard exposure profiles of our top 10 largest estates. This provided a clear overview of the impact likelihood that modelled hazards pose to the portfolio, enabling us to make strategic decisions on where to focus mitigation action.

The assessment found that 59.7% of units have a very good resilience to physical climate hazards, continuing to have low exposure to all physical climate hazards even under the most severe climate scenarios. For the units at risk from physical climate hazards, flooding is the most likely risk, with 4.6% of modelled units potentially at high risk. 12.1% of assets are potentially exposed to a subsidence hazard in a severe, late-century scenario, and this is something we monitor with our property managers. Our portfolio is not exposed to coastal erosion.

Following this review, we have continued to expand our understanding of climate risk, including further asset-level flood risk assessments starting with assets identified as having the highest exposure to flooding. These assessments demonstrate that on further investigation, less than 1% of assets are classified as “high” risk. More details can be found in the Risk Management section of this report. Overall, the business has integrated the findings of the climate risk scenario modelling within the risk management approach under the climate change principal risk.

In addition, we recognise that transition risks are expected to be the most impactful in the short term and likely across scenarios associated with significant policy action and market shifts towards decarbonisation.

Transition risks that we have identified include:

- risk of non-compliance with increasing regulation, such as MEES and environmental regulation;
- increasing cost of compliance with environmental regulation;
- costs of meeting decarbonisation targets;
- increasing costs of maintenance and refurbishments, for example, due to supply chain issues or the switch to more environmentally friendly materials;
- risk of inaccurate data reporting;
- lack of ESG credentials makes it challenging to access finance at affordable rates; and
- loss of occupiers, revenues and value as properties do not meet requirements.

Additionally, we have identified opportunities in our ESG strategy that are climate mitigation actions and improve our resilience. These include improving our energy and carbon data management and assessment of low-carbon solutions, including on-site renewables, to increase energy and resource efficiency, with the aim of achieving long-term savings, securing satisfactory energy performance certificates and our net zero carbon ambitions. We believe these initiatives improve our reputation and attract premium occupiers.

## DETERMINING THRESHOLDS OF ‘HIGH-RISK’

**Flood** risk analysis is undertaken using the JBA Climate Change Floodability Index dataset. The Floodability Index summarises information about depth and frequency of flooding into five simplified hazard bands with an equivalent rating of Low to Very High risk. Our analysis grouped the top three tiers of the Floodability Index into a single ‘High Risk’ band which better reflects the range of hazards within the red and black categories and simplifies the overall reporting of asset risk when combined with other perils.

**Subsidence** hazard data used in the British Geological Survey model is underpinned by the UKCP09 Climate Projections, which are based on the SRES A1B climate scenario. The BGS classifies the degree of hazard according to the likelihood that foundations would be affected by increased clay shrink-swell due to climate change.

**Coastal erosion** risk has been evaluated using a subset of the National Coastal Erosion Risk Mapping (NCERM) datasets. The NCERM mapping divides the coastline into ‘frontages’. These are defined as lengths of coast with consistent characteristics based on the characteristics of the cliffs and any defences which may be present. The data describes the upper and lower estimates of erosion risk at a particular location, within which the actual location of the coastline is expected to lie.

STRATEGIC REPORT CORPORATE GOVERNANCE FINANCIAL STATEMENTS ADDITIONAL INFORMATION

## IMPACT OF CLIMATE-RELATED RISKS AND OPPORTUNITIES ON THE ORGANISATION'S BUSINESSES, STRATEGY AND FINANCIAL PLANNING

Climate-related risks and building resilience are embedded into our business strategy under the 'Creating a resilient portfolio' pillar and as an independent principal risk in our risk register. Energy and carbon efficiency opportunities are also identified within our sustainability strategy under the 'Reducing our footprint', 'Supporting our occupiers' and 'Responsible business foundations' pillars. To enable us to mitigate climate risks and harness opportunities, we have included a sustainability budget within our financial budgeting processes, which is informed by our experience of investing in and managing our properties to align with best sustainability practices over the whole property life cycle.

Throughout the acquisition process our investment decisions are informed by preliminary climate risk assessments for flood risk and take into account the EPC rating of the building, ensuring that potential acquisitions align with our net zero carbon pathway or that mitigation actions are integrated within the asset business plan post acquisition. Our overall approach to asset management includes upgrading assets by improving their energy efficiency and building fabric, which also helps to extend the life expectancies of our buildings thereby reducing longer-term carbon emissions.

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

We have also developed Environmental Refurbishment and Development Standards covering several sustainability topics including ecology, EV charging, sustainable drainage, on-site renewable energy (solar PV panels), sustainable travel and resource and energy efficient internal fit-outs for all refurbishments and developments.

The standards help us manage the transition risks associated with decarbonisation. We are also targeting a BREEAM rating of Excellent for significant developments where possible, with a minimum rating of Very Good.

We remain focused on improving EPC ratings for all buildings in our portfolio as part of our EPC Improvement Programme. This effort aligns with the proposed MEES regulations for 2027 and 2030, which require non-domestic rented buildings to hold a 'C' and 'B' EPC rating, respectively. Through a comprehensive desktop study, we have identified where we need to invest in assets to drive the necessary improvements and based on projects delivered to date, have estimated the total capex costs required to upgrade all our buildings to a minimum EPC B rating. Through this analysis we determined that the cost for retrofitting the portfolio in England and Wales to a minimum of an EPC B by 2030 is approximately £6.4 million (excluding assessment fees). This can comfortably be covered through our annual capex to 2030 which is typically 0.75% of GAV. This analysis makes no assumption on asset sales which would reduce the overall cost. Timing will be driven by lease events, which afford an opportunity to deliver improvements and engage with the occupier, but we also engage with our occupiers on these matters on an ongoing basis. This proactive approach aims to mitigate the risk of non-compliant buildings becoming unlettable or stranded in the future.

Having conducted physical climate risk scenario modelling, we understand the exposure of our assets to selected climate risks in the UK across the IPCC's RCP 2.6, RCP 4.5 and RCP 8.5 climate scenarios. Throughout our risk review processes, we have also identified transition risks associated with climate change and have developed risk mitigation measures in terms of minimum certification standards, compliance and decarbonisation. While resilience is inherently integrated into our business strategy, following the results of our portfolio-wide scenario analysis, we commissioned site-focused flood risk assessments to improve our understanding of the mitigation actions required to improve our resilience.

## RESILIENCE OF THE ORGANISATION'S STRATEGY, TAKING INTO CONSIDERATION DIFFERENT CLIMATE-RELATED SCENARIOS, INCLUDING A 2°C OR LOWER SCENARIO

The climate scenarios RCP 2.6, RCP 4.5 and RCP 8.5 were selected for our assessment, as they cover a range of possible emissions scenarios. The RCP 2.6 climate scenario represents a pathway where greenhouse gas emissions are greatly reduced by immediate policy action and market forces, to decarbonise and meet the Paris Agreement. RCP 4.5 is a more moderate climate scenario where emissions peak in 2040 followed by significant decarbonisation policy and market action. The RCP 8.5 scenario is characterised by a large increase in GHG emissions contributing to high temperature rises, significant changes in weather patterns and severe physical risks. Our resilience to scenarios associated with transition risks is secured by our net zero carbon pathway and related activities described in TCFD Recommended Disclosure – Strategy b).

Our resilience against risks associated with the RCP 8.5 climate scenario is currently supported by our Environmental Refurbishment and Development Standards and our proactive approach to assessing risks. In this scenario, we would also expect our business model to evolve. We are planning on furthering our resilience with additional climate-related KPIs and risk management measures, such as regular briefings and training on forthcoming regulation and climate risk upskilling.

| Scenario | Average °C rise | Transition | Impact | Ongoing Warehouse REIT response |
|---|---|---|---|---|
| **Scenario 1**<br>**Low emissions scenario:** RCP 2.6 | 1.2 – 1.6°C by 2100 | Low emissions scenario where there is immediate policy action to meet the Paris Agreement. Transition risks dominate. | **Economic:** Immediate globally coordinated decarbonisation efforts to achieve net zero by 2050, associated with significant costs to meet these demands.<br>**Environmental:** Low physical risk. | • Net zero carbon pathway<br>• Maintain 100% of electricity procured from renewable sources<br>• Ensure all new and amended leases include green clauses<br>• EPC improvement project |
| **Scenario 2**<br>**Moderate emissions scenario:** RCP 4.5 | 1.6 – 3.2°C by 2100 | Moderate emissions scenario where there is significant policy action in 2040. Transition risks dominate, but physical risks are still present. | **Economic:** Delayed transition requiring more substantial regulatory and market pressures to decarbonise in the medium term.<br>**Environmental:** Less physical risk, although up to 3.2°C warming still presents substantial physical climate risks. | • Accelerate refurbishment plans in line with internal standards<br>• Wider engagement with occupiers on decarbonisation<br>• Increase investment in our energy and carbon data management systems |
| **Scenario 3**<br>**High emissions scenario:** RCP 8.5 | 3.2 – 5.4°C by 2100 | High emissions, business-as-usual scenario where policy action is negligible and global warming rises drastically. Physical risks dominate. | **Economic:** Permanently stunted GDP growth and severe economic and social shifts.<br>**Environmental:** Chronic changes to weather patterns and ecosystems causing severe impacts on a global scale. | • Evolve business model and strategy focusing on approach to climate resilience |

As an investor solely in the UK, we are conscious of the government strategy which sets out policies and proposals for decarbonising the economy to meet its net zero target by 2050. This strategy has introduced policies that will trigger transition in our sector, particularly relating to improving the energy efficiency of buildings and electrification of heating. With our net zero pathway and strong focus on improving EPCs across the portfolio, we are confident that our approach to decarbonisation will make the business resilient to the transition risks expected with a 2°C or lower scenario. There is a danger of underestimating the magnitude of impacts associated with global temperature rises over 3°C and that such a scenario will be accompanied by significant macro social and economic disruption which will be difficult to avoid. We have already begun to improve our resilience to the effects of more significant temperature increases, as detailed in the table above, including a focus on managing flood risk, which we have identified as a key climate hazard for our portfolio.

## Risk Management

### DESCRIBE THE ORGANISATION'S PROCESSES FOR IDENTIFYING AND ASSESSING CLIMATE-RELATED RISKS

Our risk register categorises risk by physical and transition, which is informed by input from the Investment Advisor. In the ESG risk register, specific climate-related risks will be identified, for example a physical risk of extreme weather events, which are then described by their nature, cause and general impact. An example of transition risk would be failure to meet upcoming building energy efficiency regulation. In the risk register, each risk is assigned an inherent risk score; controls and mitigations are taken into account to derive an adjusted residual risk score. There is also a section covering emerging risks, which is for consideration by the Sustainability Committee.

Risk impact is scored on a severity scale of one to five based on a combined assessment of impact criteria covering operational, brand, environmental and financial aspects. The financial impact is assessed pertaining to the underlying value of the assets and the returns for shareholders. Likelihood is also scored from one to five ranging from remote likelihood to almost certain.

The ESG risk register is used to communicate these risks to the Board, to be embedded in our risk management approach and decision-making. Principal risks on the risk register are scored on probability and impact and are assessed based on the severity of financial, environmental and brand impacts, pertaining to the underlying value of the assets and the returns for shareholders. These are reviewed throughout the year by the Investment Advisor, with the Audit and Risk Committee conducting an overall review of the risk management strategy on an annual basis.

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

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

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

### DESCRIBE THE ORGANISATION'S PROCESSES FOR MANAGING CLIMATE-RELATED RISKS

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

For flood risk, we commissioned a third-party specialist to conduct site-specific flood risk assessments and site surveys for those estates identified as potentially at 'high risk' in our climate risk scenario modelling. This assessment provided a more in-depth analysis of present day and future flood risk using Environmental Agency hazard mapping, historical flood analysis and site-specific detail, to verify the degree of hazard and inform options for flood mitigation, where necessary.

Following these assessments we are able to update that of the nine assets initially identified as being at high risk, three have been sold and just one asset continues to be potentially at high risk of surface water flooding and a second asset is considered at moderate risk. The remaining assets are considered negligible, low, or low to moderate risk across all time horizons and flooding types including fluvial, tidal, surface water, reservoir failure, groundwater and artificial sources.

Post this study, we will assess the need for further site-wide flood protection, drainage improvement, property flood resilience and flood preparedness options on the two sites that have been identified as moderate or high risk of surface water flooding.

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

### DESCRIBE HOW PROCESSES FOR IDENTIFYING, ASSESSING AND MANAGING CLIMATE-RELATED RISKS ARE INTEGRATED INTO THE ORGANISATION'S OVERALL RISK MANAGEMENT

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

## Metrics and Targets

### DISCLOSE THE METRICS USED BY THE ORGANISATION TO ASSESS CLIMATE-RELATED RISKS AND OPPORTUNITIES IN LINE WITH ITS STRATEGY AND RISK MANAGEMENT PROCESS

We publicly report on our environmental performance in line with EPRA sBPR for sustainability reporting. Our EPRA tables are available on pages 143 to 147. We use a range of metrics to assess our resource consumption, energy and carbon emissions and determine our exposure to climate-related risks and opportunities.

| Metric category | Metric | 2023 progress to date | 2024 Target | Long-term goals |
|---|---|---|---|---|
| **Resource Consumption** | Energy consumption in kWh in absolute and like-for-like terms | **Absolute:** 1,118 MWh<br>**Like-for-like:** 739 MWh | All new utility contracts to be renewables based<br>All landlord-sourced utilities to be on renewable tariffs | Implementing our net zero carbon pathway |
| | Water consumption in $m^3$, including building water intensity in $m^3/m^2$/year | **Absolute:** 71,668 $m^3$<br>1.24 $m^3/m^2$/year | n/a | Reducing waste and resource consumption |
| **Energy and Carbon Emissions** | Scope 1 and 2 carbon emissions in $tCO_2e$ | **Absolute:** 295.5$tCO_2e$<br>**Like-for-like**: 162.1$tCO_2e$ | 4.2% reduction in scope 1 and 2 emissions | Net zero carbon for our scope 1 and 2 emissions by 2030 |
| **Exposure to Climate-related Risks and Opportunities** | EPC ratings and building certifications as a holistic indicator of the portfolio's performance | Continued the roll-out of an EPC improvement programme, with 67% of units now A–C rated across all countries | All refurbishments and developments to target EPC B or above<br>EPC improvement programme to ensure all in-scope properties have a valid EPC and target a 25% reduction of D or E rated properties from FY23 baseline | Reducing climate related risks in the portfolio<br>See 'Long-term goals' in our Sustainability Report, Page 36 |
| | | Undertook climate risk modelling to better understand our exposure to physical climate hazards | Build mitigation plans for assets identified as higher risk of climate change<br>Regular Board ESG training on future legislation, occupier demands and climate risk | |

## DISCLOSE SCOPE 1, SCOPE 2 AND, IF APPROPRIATE, SCOPE 3 GREENHOUSE GAS (GHG) EMISSIONS, AND THE RELATED RISKS

We report our scope 1 and 2 GHG emissions data in our EPRA disclosure available on pages 145 to 149. These have been calculated and reported in alignment with the GHG Protocol Corporate Accounting and Reporting Standard.

We are aware that the majority of our GHG emissions will relate to occupier controlled space, which is accounted for within our scope 3 emissions. This year we are reporting some scope 3 data for this first time.

We collected occupier energy data representing 4.2 million sq ft of our portfolio, equivalent to 53.8% of the total. Electricity consumption across this space was 9,766 MWh which implies an annual energy intensity of 25.0 kWh per sq m. Associated GHG emissions were 2,022 $tCO_2e$.

We aim to improve our disclosure of scope 3 emissions and set related targets when we have sufficient coverage of the portfolio.

## DESCRIBE THE TARGETS USED BY THE ORGANISATION TO MANAGE CLIMATE-RELATED RISKS AND OPPORTUNITIES AND PERFORMANCE AGAINST TARGETS

Our targets were developed as part of our net zero carbon pathway in 2022 and form part of our sustainability strategy. Our targets can be found alongside the relevant metric and our progress can be tracked over time.

Having conducted a physical climate risk assessment and developed our net zero carbon pathway we are now progressing plans to set a scope 3 emissions reduction target when we have sufficient visibility on occupier emissions.

# PRINCIPAL RISKS AND UNCERTAINTIES

We continuously assess risks to our strategy and objectives, and make business decisions taking our risk appetite into account.

## RISK PROFILE

Our understanding of the potential risks associated with our activities, and our ability to implement a robust control framework, are essential to our success.

The economic challenges during the financial year, including high interest rates and inflation, which has been slower than anticipated to reduce, coupled with a market-wide reduction in property values caused us to review changes in our risk profile and risk mitigation plans.

## RISK MANAGEMENT CULTURE

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

The framework sets out the Board's risk appetite; allocation of responsibilities; processes for the regular review of risk and consideration of emerging risk; and reporting arrangements. This clarity is designed to enable the Group's Investment Advisor to take advantage of opportunities and make effective business decisions, while staying within an agreed set of parameters. Operationally, the parameters for key decisions are set out within the Group's delegated authority matrix, which is reviewed regularly to ensure that it continues to match the Board's risk appetite.

## RISK APPETITE

The Group uses an outsourced model, and relies on our service providers to make decisions and take risks in the delivery of our objectives. Their decision-making takes into account our risk appetite.

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

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

## RESPONSIBILITIES

### THE BOARD

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

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

### THE AUDIT AND RISK COMMITTEE

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

To fulfil its responsibilities the Audit and Risk Committee:

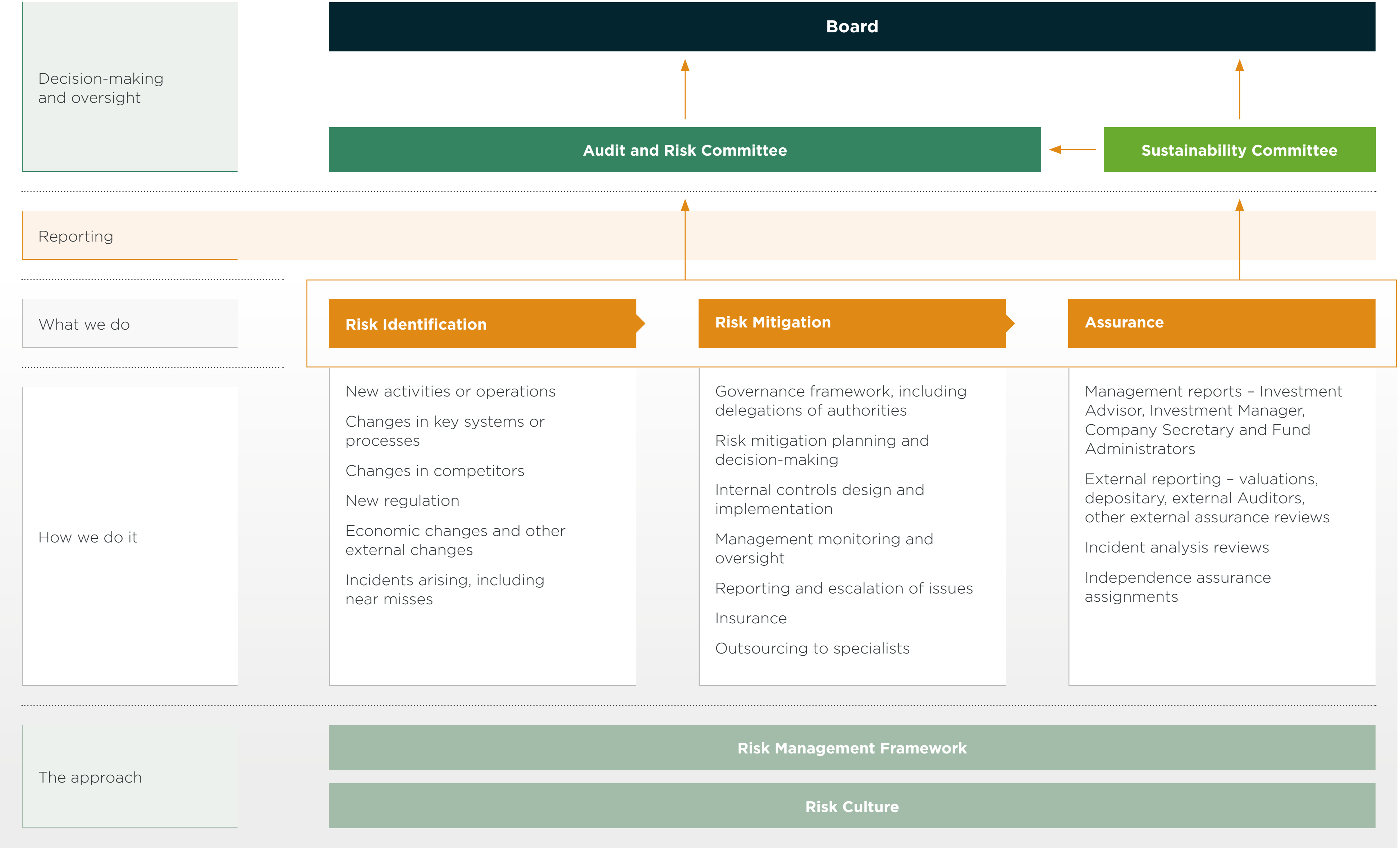
- monitors changes in risk throughout the year.
- seeks to identify and consider emerging risks to the Group, arising both externally and internally;
- in particular for each of the principal risks, considers risk mitigation strategies, and assurances from both management and independent sources;
- undertakes an annual review of the effectiveness of the risk management process through its review of the risk framework, risk reporting and review of the risk register; and
- takes advice from the Sustainability Committee with respect to updating climate-related risks and mitigations.

### THE SUSTAINABILITY COMMITTEE

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

### THE INVESTMENT ADVISOR

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


Decision-making and oversight
Board
Audit and Risk Committee
Sustainability Committee
Reporting
What we do
Risk Identification
Risk Mitigation
Assurance
How we do it
New activities or operations
Changes in key systems or processes
Changes in competitors
New regulation
Economic changes and other external changes
Incidents arising, including near misses
Governance framework, including delegations of authorities
Risk mitigation planning and decision-making
Internal controls design and implementation
Management monitoring and oversight
Reporting and escalation of issues
Insurance
Outsourcing to specialists
Management reports – Investment Advisor, Investment Manager, Company Secretary and Fund Administrators
External reporting – valuations, depositary, external Auditors, other external assurance reviews
Incident analysis reviews
Independence assurance assignments
The approach
Risk Management Framework
Risk Culture

## DOCUMENTATION AND REPORTING

The Corporate Risk Register documents the assessment of the risks faced by the Group, together with the controls established to reduce those risks to an acceptable level. It is reviewed regularly by the Investment Advisor and at each meeting of the Audit and Risk Committee.

A standard evaluation matrix is used to assess the exposure to risks and that is reviewed by the Audit and Risk Committee at least annually.

Risks are categorised into:

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

## EMERGING RISK

The regular risk reviews undertaken by the Investment Advisor, and by the Audit and Risk Committee specifically include consideration of emerging risks. The assessment considers internal and external changes, trends and incidents, and considers:

- is this risk relevant to the Group?
- what is the potential impact, if the risk crystallises?
- what would be our strategies for the management and mitigation of the risk?
- is this a risk that we should continue to proactively monitor?

During the year we have added new risks relating to development works, the potential for legal disputes, and risk relating to electrical capacity limitations. However, there have been no new risks identified during the year that are currently considered to be principal risks.

## ENVIRONMENTAL, SOCIAL AND GOVERNANCE (“ESG”) RISK

During the year we have strengthened our approach to both mitigating exposure to climate-related risks, and minimising our impact on the environment. ESG and climate-related risks are included in the Corporate Risk Register and are considered at a more granular level in our ESG risk register. Climate change risk remains one of the Group’s principal risks.

The Sustainability Committee has regular oversight of the Group’s sustainability strategy and ESG reporting. Our separate climate risk related risk register is regularly considered by the Investment Advisor and reviewed by the Sustainability Committee.

Consideration of climate-related risks is incorporated in our decision-making protocols for portfolio changes and capital developments. Costs associated with the Group’s sustainability and climate related ambitions are included in our financial modelling and budgeting. Capital project planning also includes a focus on energy usage reduction and implementing building efficiency measures such as replacement of high emission fittings, reduction of water usage and support of sustainable transport initiatives.

Further information on our sustainability strategy and progress are included in the sustainability report on pages 36 to 42.

### Principal risks

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

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

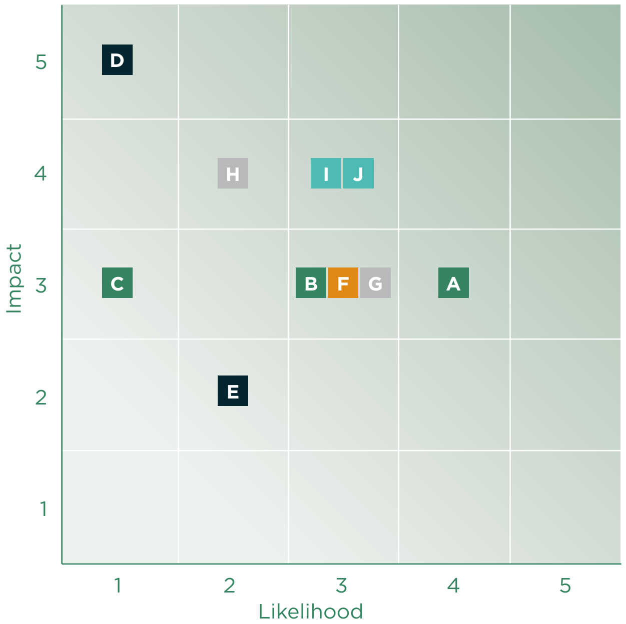
### Changes in principal risk during the year

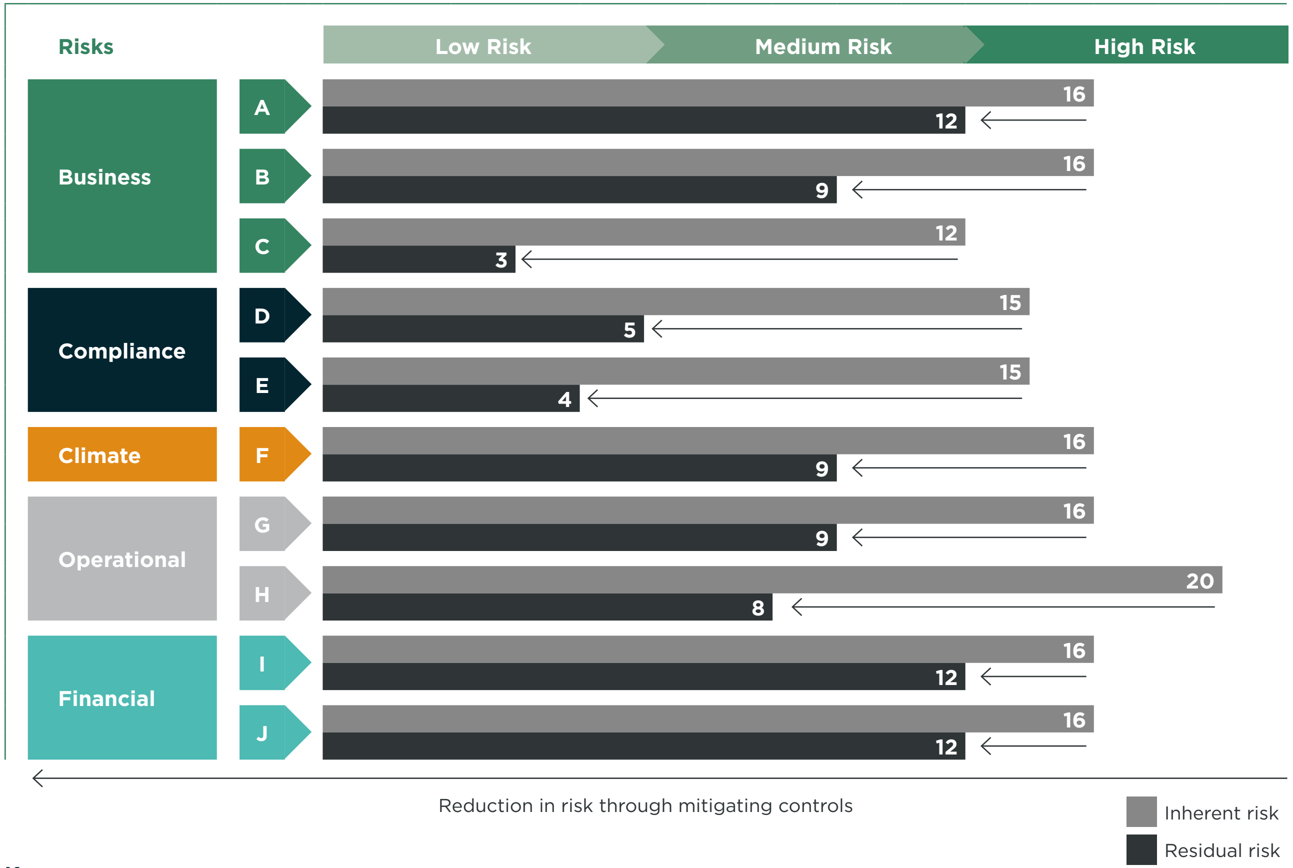
The Board has elevated one additional principal risk during the year, relating to the potential for a wider economic downturn to impact on the warehouse market, and therefore the Group’s ability to deliver its objectives. No risks were removed from our previously reported list of principal risks.

Where the evaluation of a principal risk has changed during the year, the detailed risks section on the following pages sets the reasons for changes and risk mitigation plans.

## Principal risk heat map as at 31 March 2024

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




### Key

**Business**

- A Economic downturn impacting on the warehouse market
- B Poor returns on the portfolio
- C Poor performance of the Investment Advisor or Investment Manager

**Compliance**

- D Loss of REIT status
- E Breach of loan covenants or our borrowing policy

**Climate**

- F Impact of climate change on our portfolio

**Operational**

- G Significant rent arrears/irrecoverable bad debt
- H Inappropriate acquisitions, breach of the investment policy

**Financial**

- I Unable to raise funding through equity, debt or asset disposals sufficient to raise capital and finance the Group's activities
- J Interest rate changes

**Link to strategy**

A focus on multi-let space
A strong and resilient income stream
Investor and Investment Advisor interests aligned
A disciplined financial position

## BUSINESS

### A Economic downturn impacting on the warehouse market

A general downturn in the UK economy could have a negative impact on the warehouse market. In particular, the exposure would be increased if there was a decline in specific markets, for example logistics.

**Risk mitigation:**

The Investment Advisor maintains detailed forecasts of the property portfolio, which is subject to regular scenario testing.

Metrics in key areas e.g. rent collection, credit risk ratings are monitored monthly to enable prompt identification of changes or trends.

We have a robust and diverse occupier base and our annual review of the occupier mix informs our leasing approach. We conduct a portfolio risk review monthly.

We also stress test the working capital model and associated assumptions are reviewed biannually.

**Change from previous year**

N

This was previously included in the corporate risk register, but during 2023, it was escalated to the list of principal risks.

**Link to strategy:**

### B Poor returns on the portfolio

There is a risk that the returns generated by the portfolio may not be in line with our plans and forecasts. There are many factors that could drive this, including an inappropriate investment strategy set by the Board; poor delivery of the strategy; or poor yields from the property portfolio because of reduced capital valuations or rental income.

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

**Risk mitigation:**

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

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

**Change from previous year**

↔

**Link to strategy:**

**Key**

↑ Increase ↓ Decrease ↔ No change N New

# PRINCIPAL RISKS AND UNCERTAINTIES CONTINUED

**Link to strategy**

A focus on multi-let space
A strong and resilient income stream
Investor and Investment Advisor interests aligned
A disciplined financial position



## BUSINESS

### C Poor performance of the Investment Advisor or Investment Manager

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

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

**Risk mitigation:**

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

The Group has a clear scheme of delegation, approved by the Board. Significant decisions are the responsibility of the Board.

The Investment Advisor and Investment Manager provide regular quarterly reports to the Board, which include key performance targets and KPIs.

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

Members of the Investment Advisor team have an equity investment in the Group, ensuring incentives are aligned and minimising the risk of reduced or poor service levels.

**Change from previous year**

**Link to strategy:**

## COMPLIANCE

### D Loss of REIT status

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

**Risk mitigation:**

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

The Investment Advisor reviews the position against REIT legislation with the Company Secretary quarterly.

Dividend cover and cash are continuously monitored against forecasts, and the position reported to the Audit and Risk Committee, and Board.

**Change from previous year**

**Link to strategy:**

**Key**

Increase Decrease No change N New

# PRINCIPAL RISKS AND UNCERTAINTIES CONTINUED

**Link to strategy**

- A focus on multi-let space
- A strong and resilient income stream
- Investor and Investment Advisor interests aligned
- A disciplined financial position





## COMPLIANCE

### E Breach of loan covenants or our borrowing policy

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

**Risk mitigation:**

Our financial position is closely monitored, with the Investment Advisor monitoring loan-to-value percentages and interest cover ratios against the loan covenant and borrowing policy on an ongoing basis.

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

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

**Change from previous year** ↔

**Link to strategy:**

## CLIMATE

### F Impact of climate change on our portfolio

Climate change may have an impact across the business, including both physical risks – e.g. extreme weather events impacting on properties – and transitional risks – such as properties not meeting occupier requirements relating to energy efficiency, or the increasing costs of compliance as requirements around energy efficient solutions and building standards increase.

It is important to our investors that we manage our portfolio responsibly, which may also increase opportunities for access to green financing.

**Risk mitigation:**

The Sustainability Committee approves and monitors progress on our sustainability strategy.

Our Investment Advisor, along with our property managers, are working with occupiers to understand their energy usage, and how we can support them to meet their sustainability objectives and net zero plans. We are also working with external specialists to refine our ambitions and targets, and enhance our climate-related governance and reporting.

Capital development and refurbishment works include consideration of energy efficient solutions, emissions management, and options to reduce waste and resource usage, and we are building these into our standard processes through the use of our Environmental Refurbishment and Development standards.

More details of our plans and progress are included in the sustainability report, see pages 36 to 42 and the TCFD reporting on pages 43 to 50.

**Change from previous year** ↔

**Link to strategy:**

**Key**

↑ Increase ↓ Decrease ↔ No change N New

**Link to strategy**

A focus on multi-let space

A strong and resilient income stream

Investor and Investment Advisor interests aligned

A disciplined financial position



## OPERATIONAL

### G Significant rent arrears/irrecoverable bad debt

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

**Risk mitigation:**

Our diverse portfolio of assets and wide range of occupiers is a key driver of our performance and risk profile in relation to bad debts.

We have approximately 445 occupiers across our portfolio of 69 estates, and our top ten occupiers generate less than 35% of our rent roll.

Our occupier portfolio risk is monitored to ensure that commitments to / reliance on different sectors and business types is understood.

At an operational level, we have robust processes in place to ensure that we accurately record, invoice and collect amounts due. Working with the property managers, our credit control processes identify any potential arrears problems to enable action to be taken at an early stage.

There is a rigorous due diligence process prior to the acceptance of occupiers, with rent guarantees or rent deposits taken where appropriate. We also have ongoing automated credit risk monitoring on the occupier portfolio.

**Change from previous year**

No change

**Link to strategy:**

A strong and resilient income stream; A disciplined financial position

### H Inappropriate acquisitions, breach of the investment policy

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

**Risk mitigation:**

We have a comprehensive acquisition protocol which is linked to the Matters Reserved for the Board and the delegated authority matrix.

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

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

**Change from previous year**

No change

**Link to strategy:**

A focus on multi-let space; A strong and resilient income stream; Investor and Investment Advisor interests aligned

**Key**

Increase | Decrease | No change | N New

**Link to strategy**

A focus on multi-let space
A strong and resilient income stream
Investor and Investment Advisor interests aligned
A disciplined financial position





## FINANCIAL

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

There are three areas of potential risk:

inability to attract additional equity investment;

difficulty in securing new loan funding for the business, at an affordable rate; and

our ability to raise funds through the disposal of assets could be impacted by a hardening market if the economy weakens.

**Risk mitigation:**

We recognise that market conditions remain challenging and in particular impact our ability to raise equity but we have a range of alternative funding options at our disposal.

The Group's refinancing was completed during the year, which improved the headroom in the loan-to-value percentage and the interest cover ratio.

We have successfully completed a number of disposals during the year. The Investment Advisor maintains close contact with agents to ensure that disposal proceeds and the timing of sales are optimised. The monitoring of financial covenants also enables efficient disposal planning.

Regular investor communications ensure we receive timely feedback on our strategy and performance, informing decision-making around potential future capital raisings.

**Change from previous year**

↔

**Link to strategy:**

### J Interest rate changes

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

**Risk mitigation:**

Changes in interest rates are not in our control, and our focus is therefore on mitigation of the impact. A five-year funding agreement was agreed during the year and the Group has £250.0m of interest rate caps in place.

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

**Change from previous year**

↑

While interest rates have stabilised during the year, they remain high, increasing our cost of capital, and increasing our financial exposure.

**Link to strategy:**

**Key**

↑ Increase ↓ Decrease ↔ No change N New

## GOING CONCERN

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

The Group ended the year with £9.9 million of unrestricted cash and £36.0 million of headroom readily available under its facilities. Disposals are an important part of our approach to portfolio optimisation and we continually review the portfolio to identify opportunities to increase efficiency and dispose of any assets that are considered ex-growth or non-core, recycling that capital into accretive acquisitions or to reduce debt. The Group made disposals totalling £53.0 million during the year and completed £57.5 million post year end.

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 c.40% or rents by c.45%, when compared with 31 March 2024, before these covenants would be breached, which, based on available market data, is considered unlikely.

As at 21 June 2024, 99.3% of rents invoiced in relation to the year ended 31 March 2024 have been received. Furthermore, current debt and associated covenants are summarised in note 17, with no covenant breaches during the period.

Tilstone has prepared projections for the Group covering the going concern period to 30 June 2025, which have been reviewed by the Directors. As part of the going concern assessment, and taking the above into consideration, the Directors reviewed a number of scenarios that included extreme downside sensitivities in relation to rental cash collection, making no discretionary capital expenditure, adverse refinancing conditions and minimum dividend distributions under the REIT rules.

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

## ASSESSMENT OF VIABILITY

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

The Directors have conducted their assessment over a three-year period to June 2027, allowing a reasonable level of accuracy given typical lease terms and the cyclical nature of the UK property market.

The principal risks detailed on pages 51 to 60 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, individually and in aggregate, along with consideration of potential mitigating factors. The key sensitivities applied to the model are a downturn in economic outlook and restricted availability of finance, specifically:

i. increased occupier churn and occupier defaults;
ii. increased void periods following break or expiry;
iii. decreased rental income;
iv. decrease in property valuation; and
v. increased interest rates.

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

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

The Board's expectation is further supported by regular briefings provided by Tilstone. These briefings consider market conditions, opportunities, changes in the regulatory landscape and the current economic and political risks and uncertainties. Additionally, the shortage of supply nationally, is seen as mitigation. These risks, and other potential risks that may arise, continue to be closely monitored by the Board.

## VIABILITY STATEMENT

The period over which the Directors consider it is feasible and appropriate to report on the Group's viability is a three-year period to June 2027. This period has been selected because it is the period that is used for the Group's medium-term business plans. Underpinning this plan is an assessment of each individual unit's performance, driving the overall letting assumptions and corresponding forecast cash flows.

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

The strategic report on pages 02 to 62 is approved and signed on behalf of the Board.

**Neil Kirton**
Chairman

24 June 2024

**Neil Kirton**
Chairman

“ OUR RESULTS REFLECT BOTH THE EXPERIENCE AND DECISION-MAKING AROUND THE OPPORTUNITIES SOURCED BY TILSTONE, AS WELL AS THE STRONG AND COHESIVE SENSE OF PURPOSE THAT ALL THE BOARD SHARES.

**Neil Kirton**
Chairman

As Chairman of Warehouse REIT, I am pleased to present the governance report for our financial year ended 31 March 2024.

The Board is responsible for ensuring sound management and the long-term success of the Group, which can only be achieved with an appropriate governance framework. During the year, we have continued to operate in accordance with the AIC Code, with a view that good governance delivers a series of strategic and organisational benefits.

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

A key part of the Board's focus during the year was to oversee the successful implementation of the Company's strategy, which the Board believes positions it well for the long term. In particular, the Board has evaluated capital activity decisions which have resulted in sales of £53.0 million during the year and a further £57.5 million post period-end to support the reduction of the Group's variable rate debt and fully endorses plans to release capital from the Radway Green development scheme.

In addition to the contractual arrangement that exists between the Company and Tilstone, the spirit of this arrangement has been very strong. The Board is committed to ensuring that the impact of its activities on key stakeholders is fully considered in Board decision-making. It maintains a transparent and open culture with a productive but appropriately challenging dialogue with Tilstone. Both parties have a common agenda, strengthened by the level of equity ownership within the boardroom, and the Board was pleased that again this has risen during the year.

At a time of considerable macroeconomic uncertainty, we believe our exposure to the defensive nature of multi-let industrials will allow us to continue delivering stable and long-term income to our shareholders.

## THE BOARD

The Board met regularly during the year. In addition to our Board sessions, members of the Board committed significant time to Warehouse REIT business either via their various committee responsibilities, or less formally through dialogue outside the boardroom environment, where their expertise on particularly areas of our business, including development, strategy and sustainability has been very valuable.

During the year, the Board, together with the Investment Advisor, ensured ongoing strategic focus on capturing the reversionary potential of the asset portfolio. One of the ways they have done this is by scheduling a series of monthly calls between the Investment Advisor and the Board, so that both parties remain engaged on the various portfolio transactions, which has led to particularly pleasing results.

## STRATEGY DAY

One particularly important occasion for the Board is the strategy day that we undertake annually, usually in the second quarter of the financial year. Discussion materials are prepared by Tilstone based on an agenda set by the Board which typically reviews progress and strategy with a detailed session on a number of key topics. In prior years, the Board has also invited external professional advisors to present at the strategy day. The core areas from the 2023 day included a review of:

- the market for urban warehousing in the UK and its impact on our strategy;
- the Company's investment proposition and current performance; and
- our revised strategy.

## BOARD COMMITTEES

The Board undertook an internal effectiveness review of itself and its Committees. This was facilitated by the Company Secretary and further details on the process and outcomes of this evaluation can be found on page 72.

Board Committee and Board changes can be found on page 70 of the Annual Report. The Nomination Committee – which I continue to chair – regularly reviews the skill sets required to ensure robust governance over the Company. This year, the Nomination Committee had oversight of the recruitment of a new Non-Executive Director of the Company. We are delighted to report on the recent addition of Dominic O'Rourke to our Board. Dominic strengthens our Board in terms of experience, and is already adding value to our discussions. Dominic's biography can be found on page 66 of this Annual Report, including information on his Board Committee memberships. Succession planning is an important part of our governance process and will be a key focus for the Nomination Committee in 2025.

## ESG

To ensure strong ESG practices across the organisation, all of our Directors participated in ongoing training and professional development throughout 2023, which included briefings and presentations by the Company Secretary, members of the Investment Advisor, and professional advisors on regulatory changes, specifically matters related to ESG.

The Board as a whole continues to fully understand and endorse the importance of ESG to our existing investors, potential shareholders and other stakeholders including occupiers. We discuss ESG in more detail elsewhere in this Annual Reprot. Our strategy continues to focus on creating a resilient portfolio, reducing our footprint, being able to measure our progress and reinforce that with independent validation, and supporting our occupiers.

During the period in review, we engaged a number of occupiers in a survey on their views and approaches to ESG, which has been particularly useful in terms of understanding our customers and responding to their needs. This is a cornerstone of what we do.

More generally, the Board continues to take a keen interest in stakeholder views and we ensure we have robust reporting from Tilstone on their day-to-day interactions with stakeholders, understanding that the Group's operations may have both positive and negative impacts on the economy, people and the environment and recognising its role in ensuring that the Group properly manages its impacts, limiting and mitigating the negative ones, and promoting positive outcomes for its stakeholders. Members of the Board are also available to hold discussions with shareholders as necessary. More information on the Group's stakeholder engagement can be found in the strategic report on pages 22 to 24.

Further information on our ESG strategy can be found on pages 36 to 50 of this Annual Report.

We remain committed to working with the Investment Advisor to ensure that our high standards extend beyond the boardroom and are implemented throughout the business in the successful delivery of the Group's strategic priorities.

**Neil Kirton**
Chairman

24 June 2024

# BOARD OF DIRECTORS

**Key**

- Audit and Risk Committee
- Nomination Committee
- Management Engagement Committee
- Sustainability Committee
- Independent
- Non-independent
- Chair

**After 6 years as a Non-executive Director, Martin Meech did not stand for re-election at the Company's AGM on the 12 September 2023 and Dominic O'Rourke was appointed to the Board on the 13 September 2023. There were no other Board changes during the year. All the Directors are non-executive and the majority are independent of the Investment Advisor.**

**Neil Kirton**
Non-Executive Chairman

### Date of appointment

1 August 2017

### Skills and experience

Neil has over 25 years of experience working in the securities and investment banking industries, giving him a deep understanding of capital markets and investor needs. Neil has regularly advised and consulted at Board level for three decades and has considerable UK capital markets and professional services experience.

### Other current appointments

Neil is also a non-executive director of Ingenta plc and is currently a Senior Advisor for Smith Square Partners.

### Past appointments

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

**Aimée Pitman**
Non-Executive Director

### Date of appointment

1 August 2017

### Skills and experience

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

### Other current appointments

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

### Past appointments

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

**Lynette Lackey**
Non-Executive Director

### Date of appointment

15 November 2018

### Skills and experience

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

### Other current appointments

Lynette is also a member of Council at the London Chamber of Commerce & Industry. She is also a partner in her business advisory firm one5two LLP, focused on growing businesses.

### Past appointments

Lynette was a non-executive director of Places for People group and chair of its regulated board. Her roles included the senior independent director and chair of the group audit and risk committee of the Board.

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

**Key**

- ● Audit and Risk Committee
- ● Nomination Committee
- ● Management Engagement Committee
- ● Sustainability Committee
- ■ Independent
- □ Non-independent
- ○ Chair

**Dominic O'Rourke**
Non-Executive Director

### Date of appointment

13 September 2023

● ● ● ■

### Skills and experience

Dominic has over 25 years' experience in the property industry with a particular focus on retail and logistics. He has a strong track record formulating, managing and unwinding property vehicles, joint ventures and commercial partnerships.

### Other current appointments

Dominic is the Group Property Director for Next plc where he is responsible for a large real estate, construction and facilities management team. Dominic is a board member, trustee and finance committee member for the University College of Estate Management (UCEM).

### Past appointment

Dominic was a director and Retail Executive Committee member at Land Securities plc. He also served on the boards of Broadway Homelessness and Support (now St Mungos) and Regent's University London.

**Simon Hope**
Non-Executive Director

### Date of appointment

24 July 2017

● □

### Skills and experience

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

### Current appointments

Simon is co Managing Director of Tilstone and represents Tilstone on the Board. He is the Vice-Chairman of Ironstone Asset Management Limited, the Investment Advisor to Life Science REIT plc, a UK-listed company which invests in a diversified portfolio of properties across the UK which typically provide benefit to the life science sector. Simon is also a Senior Advisor at Savills UK Ltd. Simon owns a thoroughbred stud farm called Aston Mullins and is a director of a number of bloodstock syndicates and other horse racing organisations. He is a governor of Magdalen College, Oxford, Trustee of Racing Welfare and Chairman of Racing Homes.

### Past appointments

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

**Stephen Barrow**
Non-Executive Director

### Date of appointment

24 July 2017

● □

### Skills and experience

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

### Other current appointments

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

### Past appointments

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

# INVESTMENT ADVISOR





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

**Simon Hope**
Chairman/
Co-Managing Director

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

Simon's biography can be found on the previous page.

**Andrew Bird**
Managing Director/
Co-Managing Director

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

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

**Paul Makin**
Investment Director

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

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

**Peter Greenslade**
Finance Director

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

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

### BOARD LEADERSHIP AND PURPOSE

| Principle | Where it is in this report | |
|---|---|---|
| **Principle A** | Strategic report<br>Board of Directors<br>Business model | pages 02 to 62<br>pages 65 to 66<br>page 12 |
| **Principle B** | Strategic report<br>Our culture<br>Our purpose | pages 02 to 62<br>page 71<br>page 71 |
| **Principle C** | Sustainability report<br>Principal risks and uncertainties<br>Risk management and internal controls | pages 36 to 50<br>pages 51 to 60<br>pages 83 to 84 |
| **Principle D** | Section 172 statement<br>Shareholder engagement | pages 25 to 26<br>pages 22 to 24 |

### DIVISION OF RESPONSIBILITIES

| Principle | Where it is in this report | |
|---|---|---|
| **Principle F** | Role of the Chairman<br>The Board | page 71<br>page 69 |
| **Principle G** | Board of Directors<br>Board Committees | pages 65 to 66<br>pages 70 to 71 |
| **Principle H** | Board composition and succession<br>Management Engagement Committee report | pages 78 to 81<br>pages 86 to 87 |
| **Principle I** | The Board<br>Section 172 statement<br>Induction of new Directors | page 69<br>pages 25 to 26<br>N/A |

### COMPOSITION, SUCCESSION AND EVALUATION

| Principle | Where it is in this report | |
|---|---|---|
| **Principle J** | Diversity<br>Nomination Committee report<br>Board composition and succession | pages 79 to 80<br>pages 78 to 81<br>page 79 |
| **Principle K** | Board of Directors<br>Nomination Committee report<br>Board Committees<br>Board composition and succession | pages 65 to 66<br>pages 78 to 81<br>page 70<br>page 79 |
| **Principle L** | Board evaluation | page 72 |

### AUDIT, RISK AND INTERNAL CONTROL

| Principle | Where it is in this report | |
|---|---|---|
| **Principle M** | Audit and Risk Committee report | pages 82 to 85 |
| **Principle N** | Strategic report<br>Audit and Risk Committee report<br>Independent Auditor's report<br>Financial Statements | pages 02 to 62<br>pages 82 to 85<br>pages 99 to 105<br>pages 106 to 131 |
| **Principle O** | Principal risks and uncertainties<br>Viability statement<br>Audit and Risk Committee report<br>Management Engagement Committee report | pages 51 to 60<br>page 61<br>pages 82 to 85<br>pages 86 to 87 |

### REMUNERATION

| Principle | Where it is in this report | |
|---|---|---|
| **Principle P** | Strategic report<br>Directors' remuneration policy<br>Directors' remuneration report | pages 02 to 62<br>pages 90 to 91<br>pages 90 to 92 |
| **Principle Q** | Directors' remuneration report | pages 90 to 92 |
| **Principle R** | Directors' remuneration report | pages 90 to 92 |

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

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

## STATEMENT OF COMPLIANCE

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

The Board undertakes an annual review of its compliance with the principles and recommendations of the AIC Code of Corporate Governance (the "AIC Code"). A copy of the AIC Code, which was last updated in 2019, can be obtained via the AIC website, www.theaic.co.uk. It includes an explanation of how the AIC Code adapts the Principles and Provisions set out in the UK Corporate Governance Code 2018 (the "UK Code") on issues that are of specific relevance to the Company. The Board considers that reporting against the Principles and Provisions of the AIC Code, which has been endorsed by the Financial Reporting Council, provides more relevant information to shareholders.

During the year ended 31 March 2024, the Company has complied with the AIC Code throughout the year, except where the Board has concluded that adherence or compliance with any particular Principle or Provision would not have been appropriate to the Company's circumstances, in which case the reasons are fully explained in this statement. The Company is an externally managed investment company, and given the size, complexity and structure of the Company, it does not have a separate remuneration committee. Remuneration matters are dealt with by the Board of Directors. All the Company's day-to-day management and administrative functions are outsourced to third parties, as explained in the Directors' Report. This Annual Report therefore makes disclosures relevant to a company like ours.

## THE BOARD OF DIRECTORS

Under the leadership of the Chairman, the Board of Directors has a collective responsibility for the long-term sustainable success of the Company, generating value for shareholders and contributing to wider society. Each Director recognises that they have a statutory duty to consider and represent the Company's various stakeholders in deliberations and decision-making. More details on how the Directors have fulfilled their duties under section 172 of the Companies Act 2006 are on pages 25 to 26 of this report. The Board establishes the purpose, values and strategic aims of the whole Group and satisfies itself that these and its culture are aligned and ensures that the necessary resources are in place for the Group to meet its objectives and fulfil its obligations to shareholders, within a framework of high standards of corporate governance and effective internal controls. The Directors are responsible for the determination of the Group's investment policy and strategy and have the overall responsibility for the Group's activities, including the control and supervision of the Investment Manager and Investment Advisor. The other responsibilities of the Board are detailed in the matters reserved for the Board, and some are listed on page 73 of this Annual Report. At the date of this report, the Board consists entirely of six Non-Executive Directors, including the Chairman, with no individual having unconstrained powers of decision. The Directors have a broad range of relevant experience to meet the Company's requirements and their biographies, including details of their other significant commitments, can be found on pages 65 and 66. During the year, the Board was satisfied that all the Directors were able to commit sufficient time to the Group's affairs and discharge their responsibilities effectively having given due consideration to the Directors' external appointments.

## APPROACH TO TENURE

The Board recognises the benefits to the Company of having longer-serving Directors together with progressive refreshment of the Board in line with corporate governance best practice. Each Director was appointed for an initial three-year term, subject to re-election annually at each AGM. The Board has adopted a succession plan that allows for gradual refreshment. Accordingly, the Board has not stipulated a maximum term of any directorship, except that, subject to ensuring business continuity, the Chairman will remain on the Board for a maximum period of nine years.

None of the Directors have a service contract. Letters of appointment set out the terms of their appointment and copies are available on request from the Company Secretary and will be available at the AGM. The Directors were advised on appointment of the expected time required to fulfil their roles and have confirmed that they remain able to keep to that commitment. All material changes in any Director's commitments outside the Group are required to be, and have been, disclosed prior to the acceptance of any such appointment.

## DIRECTOR INDUCTION

The Group has established an induction procedure for new Directors, including the provision of an induction pack containing information about the Group, its processes and procedures. New appointees also meet the Chairman and relevant Investment Advisor personnel. More information on the most recent induction for Dominic O'Rourke can be found on page 70.

## BOARD AND COMMITTEE SIZE AND COMPOSITION

**Board**

| Audit and Risk Committee | Management Engagement Committee | Nomination Committee | Sustainability Committee |
|---|---|---|---|
| **Members:** Lynette Lackey (Chair), Aimée Pitman and Dominic O'Rourke, all of whom are independant Non-Executive Directors. | **Members:** Dominic O'Rourke (Chair), Neil Kirton and Lynette Lackey, all of whom are independent Non-Executive Directors. | **Members:** Neil Kirton (Chair), Lynette Lackey and Simon Hope, the majority of whom are independent Non-Executive Directors. | **Members:** Aimée Pitman (Chair), Dominic O'Rourke and Stephen Barrow, the majority of whom are independent Non-Executive Directors. |
| A report from the Chair of the Audit and Risk Committee is set out on pages 82 to 85. | A report from the Chair of the Management Engagement Committee is set out on pages 86 to 87. | A report from the Chair of the Nomination Committee is set out on pages 78 to 81. | A report from the Chair of the Sustainability Committee is set out on pages 88 to 89. |

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

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

Following the spirit of the Financial Conduct Authority (FCA) Listing Rules, diversity targets and associated disclosure requirements for UK companies, the Board is mindful of developing diversity at Board level in the Group. Female representation on the Board is at 33%. The Board is also aware of the aims of the Parker Review for companies to have at least one Director from an ethnic minority background. As part of the ongoing succession plan, consideration will be given to the need to improve the ethnic diversity representation on the Board when recruiting new Non-Executive Directors. Therefore, the Company aims to satisfy the Parker Review goals through future appointments. The Directors believe that the Company's approach to diversity should be balanced with the need to appoint Directors who can best serve the interests of the Company, having the relevant experience, and its shareholders.

The Company announced the appointment of Dominic O'Rourke as a Non-Executive Director on 13 September 2023. Dominic is currently Group Property Director for FTSE 100 retailer Next plc, a role he has held since 2014, where he oversees Next's real estate activities across retail and store development, distribution and facilities management. Prior to this, he spent 13 years at Land Securities Group plc, where he was a director and Retail Executive Committee member.

The appointment of Dominic O'Rourke forms part of the Company's Board succession strategy, following Martin Meech's decision not to stand for re-election at the Company's AGM after six years as a Non-executive Director.

On appointment, Dominic became a member of the Audit and Risk and Sustainability Committees, and became Chair of the Management Engagement Committee.

More information on the Company's Diversity Policy, its objectives, implementation and results can be found on pages 79 to 80.

### Chairman and Senior Independent Director

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

Following Martin Meech's decision not to stand for re-election at the Company's AGM on the 12 September 2023, the Board appointed Aimée Pitman as the Senior Independent Director on the 13 September 2023. The Senior Independent Director provides a channel for any shareholder or Director concerns regarding the Chairman and leads the independent Directors' evaluation of the Chairman.

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

### Purpose and culture

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

The Chairman leads the Board and is responsible for its overall effectiveness in directing the Group. He demonstrates objective judgement, promotes a culture of openness and debate, and facilitates effective contributions by all Directors. In liaison with the Company Secretary, he ensures that the Directors receive accurate, timely and clear information to enable them to discharge their responsibilities, reinforcing a culture that contributes to achieving the purpose of the Company, consistent with its values and strategy, in the pursuance of the long-term sustainable success of the Company. Board discussions draw upon Directors' individual experience, and they try to engage with shareholders as appropriate.

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

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

Annually, the Management Engagement Committee analyses and systematically reviews all our service providers, including Tilstone – a review which includes an understanding of their policies, procedures and actions around behaviour, ethics and culture and consideration of their own engagement with other third-party service providers. Thus, these reviews embed consideration of stakeholders' interests, long-term perspective, maintaining reputation for fairness and high standards of governance, corporate reporting and business conduct more generally in the Company's culture and processes.

A healthy corporate culture contributes to the long-term success of the Company. The following observable outcomes may be indicative of the Directors' success in embedding a healthy corporate culture in the Company's processes and policies and actively promoting it through their behaviours:

- the extent to which the Investment Advisor, members of the Investment Advisor and Directors are willing to be long-term shareholders in the Company;
- recognition of the transparency and clarity of reporting (and content disclosed on its website); and
- development and continuous review of policies and procedures to assist with maintaining a culture of good governance, like the Company's Modern Slavery Statement, which is reviewed and approved by the Board annually, and is available on the Company's website.

### Engaging with our stakeholders

Details of how we engaged with our key stakeholders during the year ended 31 March 2024 are set out in the strategic report on pages 22 to 24.

### Board operation

The Directors meet at regular Board meetings, held at least four times a year, with additional meetings arranged as necessary. The table below sets out the Directors' attendance at Board and Committee meetings during the year ended 31 March 2024, against the number of meetings each Board member was eligible to attend:

| | Board | Audit and Risk Committee | Management Engagement Committee | Nomination Committee | Sustainability Committee |
|---|---|---|---|---|---|
| **Neil Kirton** | 7/7 | – | 1/1 | 2/2 | – |
| **Aimée Pitman** | 7/7 | 4/4 | – | – | 4/4 |
| **Lynette Lackey** | 7/7 | 4/4 | 1/1 | 2/2 | – |
| **Martin Meech**[1] | 4/4 | 2/2 | 1/1 | – | 2/2 |
| **Dominic O'Rourke**[2] | 2/3 | 2/2 | – | – | 2/2 |
| **Simon Hope** | 7/7 | – | – | 1/2 | – |
| **Stephen Barrow** | 7/7 | – | – | – | 4/4 |

1 Martin Meech did not stand for re-election at the Company's AGM on 12 September 2023.

2 Dominic O'Rourke was appointed on 13 September 2023.

Ad hoc Board committee meetings were held during the period to discuss strategic matters and approve the release of the annual and half-year results.

The Board has formal arrangements for the Directors, in the furtherance of their duties, to take independent professional advice at the Company's expense on an ongoing basis. The Company has also taken out a Directors' and Officers' liability insurance policy, which includes cover for legal expenses.

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

## BOARD EVALUATION

The Directors continue to be committed to the need for regular Board evaluation. This enables them to continually monitor and improve the performance of the Board, its Committees and its individual Directors and to implement actions to improve the Board's focus and effectiveness, which contribute to the Group's success. This year's evaluation involved an internal performance evaluation by way of questionnaires completed by the Directors. The questionnaire was designed to assess the strengths and effectiveness of the Board and its Committees. The scope of the questionnaire is designed to cover all aspects of the Board's operation, including the management of meetings, the strengths and independence of the Board and the Chairman, individual Directors and the performance of its Committees, each Director's perspective on the Board's future priorities, training requirements, and the way the Board works as a team.

Each of the Directors completed a questionnaire which was then used to hold constructive discussions led by the Chairman.

The key conclusions were that the Board considers that it has performed effectively and that it demonstrates a good balance of skills, performance and knowledge and has a particularly strong working relationship with the Investment Advisor. There were no significant concerns that arose in the evaluation. During the remainder of the year, the Board will continue to refine its own mechanisms but may also provide more training where required and ensure that it is both careful and committed to the execution of its strategy. While the Board recognises it could benefit from greater diversity, it does not consider it is in the best interests of shareholders to force diversity by imposing fixed criteria or quotas. The Board will continue to make appointments based on merit, having regard to factors including gender, ethnicity, skills and experience. The Board will continue to monitor and encourage diversity as part of its ongoing succession planning.

## INDEPENDENCE OF DIRECTORS

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

Simon Hope is the Co-Managing Director of the Investment Advisor and a Senior Adviser at Savills UK (one of the Company's Property Managers); he is therefore considered to be a non-independent Director. Stephen Barrow is also on the Tilstone Board of Directors and is therefore considered to be a non-independent Director. Both Simon Hope and Stephen Barrow have cross-directorships in Tilstone Partners Limited.

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

## ELECTION / RE-ELECTION OF DIRECTORS

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

Beyond these requirements, and in line with corporate governance best practice, the Board has determined that all Directors will seek annual re-election at the Company's AGMs. The Board considers that, during the year ended 31 March 2024, each Director has performed effectively and demonstrated commitment to the role. It therefore believes that it is in the best interests of shareholders that each Director is re-elected at the AGM.

## BOARD RESPONSIBILITIES AND RELATIONSHIP WITH THE INVESTMENT ADVISOR

To ensure the Board meets its responsibilities, certain key decisions can only be approved by the Board. Recognising its duties under the Companies Act 2006, the Board's main roles are to lead the Group and ensure its long-term sustainable success, generating value for shareholders and contributing to wider society, and to approve the Group's purpose, values and strategic objectives and satisfy itself that these and its culture are aligned. The Board has adopted a schedule of matters reserved for its decision, which is reviewed annually. These specific responsibilities include:

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

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

The Board's responsibilities also include developing and overseeing the execution of the Company's strategy within a framework of effective risk management and internal controls, demonstrating ethical leadership, and upholding corporate governance best practice.

The Board monitors the execution of strategy and financial performance, appreciating the need to ensure the Company strikes the right balance between delivering on short-term objectives and ensuring sustainable long-term growth.

The Company has sub-contracted its day-to-day functions to service providers, each engaged under separate legal agreements. For example, portfolio management and risk management of the Group's assets have been delegated to the Investment Manager. The Investment Advisor provides recommendations to the Investment Manager's investment committee. These recommendations cover acquisitions and sales of Group assets (where this would be in line with the Company's objectives and investment policy) and recommendations on whether the Group should incur borrowings and give guarantees and securities (subject to certain investment restrictions imposed by the Board and the Board's overall control and supervision). The Board, the Investment Manager and the Investment Advisor operate in a fully supportive, co-operative and open environment.

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

## CONFLICTS OF INTEREST

In accordance with the Companies Act 2006, the Articles of Association permit the Board to consider and, if it sees fit, to authorise situations where a Director has an interest that conflicts, or may possibly conflict, with the Group's interests. It is the responsibility of each individual Director to avoid an unauthorised conflict arising. Directors must request authorisation from the Board as soon as they become aware of the possibility that a conflict may arise. When the Board is deciding whether to authorise a conflict or potential conflict, only Directors who have no interest in the matter being considered can participate in the relevant decision, and in taking the decision the Directors must act in a way they consider, in good faith, will be most likely to promote the Company's success. The Board can impose limits or conditions when giving authorisation if they think this is appropriate in the circumstances. The Board has a formal system to consider such conflicts and the Company Secretary maintains the Register of Directors' Conflicts of Interests, which is reviewed at each quarterly Board meeting and when changes are notified.

## COMPANY SECRETARY

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

## KEY BOARD ACTIVITIES DURING THE YEAR

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

**May 2023**

- Updates from Management Engagement Committee, Sustainability Committee, Nomination Committee and Audit and Risk Committee Chairs
- Approval of preliminary results for the year ended 31 March 2023 and fourth interim dividend for the 2023 financial year
- Review of going concern and long-term viability statements
- Review of Directors' external evaluation for the year ended 31 March 2023
- Discussed, reviewed and approved the Group's Annual Report
- Reviewed Board Committees' Terms of Reference
- Reviewed Directors' fees

**June 2023**

- Approval of Annual Report for the financial year ended 31 March 2023
- Discussed, reviewed and approved the Notice of Annual General Meeting for the financial year ended 31 March 2023

**August 2023**

- Approval of first interim dividend for the financial year ended 31 March 2024
- Updates from Sustainability Committee and Audit and Risk Committee Chairs
- Considered ESG practices and sustainability strategy

**September 2023**

- Annual General Meeting
- Appointment of Dominic O'Rourke as Director of the Company
- Resignation of Martin Meech as Director of the Company

**October 2023**

- Board strategy meeting
- Reviewed the Company's business principles, purpose and strategy
- Reviewed performance against strategy

**November 2023**

- Updates from the Audit and Risk Committee Chair
- Approval of Half-yearly Report and second interim dividend for the 2024 financial year
- Reviewed performance against strategy
- Reviewed the Modern Slavery Statement

**January 2024**

- Updates from Sustainability Committee and Audit and Risk Committee Chairs
- Approved the third interim dividend for the 2024 financial year
- Reviewed matters reserved for the Board
- Received updates from the Investment Advisor on key areas of the Group's operations as at March 2024

**March 2024**

- Approved the financial budget and capital expenditure programme for the financial year to 31 March 2025
- Reviewed the Company's compliance with the AIC Code
- Reviewed the investment policy, sustainability policy, Matters Reserved for the Board, diversity and inclusion policy and Board diversity policy
- Reviewed the Directors' performance evaluation for the year ended 31 March 2024

## HOW GOVERNANCE SUPPORTED THE DELIVERY OF THE GROUP'S STRATEGY DURING THE YEAR ENDED 31 MARCH 2024

As noted on page 63, approving the strategy and overseeing its implementation is one of the Board's core responsibilities. The timeline on the previous page sets out the Board's activities in respect of each element of the strategy. In addition, during the year the Board held a strategy day, which is a key event allowing the Board to examine the strategy and the market context in which the Company operates.

| Strategy | Board governance role | Key activities during the year |
|---|---|---|
| **Investment strategy** | Overseeing the selection of acquisitions, against the backdrop of current market and economic conditions<br>Approving acquisitions that are within the investment policy but have a value of 20% or more of the Company's GAV<br>Approving any acquisitions outside the investment policy | During the year, the Board:<br>• reviewed and discussed the details of all disposals, as part of the disposal strategy, at its quarterly meetings. No material new acquisitions were made during the year; and<br>• assessed in detail the ongoing availability of quality stock that could be acquired and held during the year<br>Read more about the disposals in the year in the Investment Advisor's report on page 27. |
| **Asset management strategy** | Overseeing the portfolio<br>Overseeing the Investment Advisor's asset management activities<br>Approving disposals that are within the investment policy but have a value of 20% or more of the GAV of the Company's portfolio<br>Approving any disposals outside the investment policy | During the year, the Board:<br>• reviewed quarterly portfolio updates from the Investment Advisor, including details of occupancy levels, lease events, rental values and rent collection;<br>• monitored the Investment Advisor's and Investment Manager's adherence to the capital expenditure budget, through quarterly reports from the Investment Advisor; and<br>• approved the annual budget (including capital expenditure) for the year to 31 March 2025.<br>Read more about asset management during the year in the Investment Advisor's report on pages 30 to 31. |
| **Financial strategy** | Approving any changes to the Group's capital structure<br>Approving the Group's gearing policy, dividend policy and treasury policy | During the year, the Board:<br>• monitored the Group's debt levels and reviewed the hedging strategy;<br>• refinanced the Group's debt facilities for a further five-year tenure; and<br>• purchased an additional £50.0 million interest rate derivatives.<br>Read more about financing activity during the year in the Investment Advisor's report on page 32. |
| **Sustainability strategy** | Approval of policy, strategy and targets<br>Approval of governance policies | During the year the Board:<br>• reviewed and oversaw progress made against the strategy with particular focus on the key projects;<br>• set and approved 2024 targets; and<br>• participated in training on climate risks and received information on ESG legislation, peer reviews, green bonds and benchmarking to enable informed decisions. |

## INTERNAL CONTROL REVIEW

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

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

The Directors have reviewed the effectiveness of the Group's risk management and internal control systems as they have operated over the period and up to the date of approval of the Annual Report. There were no matters arising from this review that required further investigation and no significant failings or weaknesses were identified. Therefore, the Board believes that the existing arrangements present an appropriate framework to meet the internal control requirements.

### Internal control assessment process

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

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

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

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

One of the key internal controls that the Group has in place is a corporate risk register, which is maintained by the Investment Advisor, against which the Group monitors the risks identified, the impact of such risks and the controls in place to mitigate them. It also considers and monitors both current and emerging risks to ensure meaningful reporting to the Audit and Risk Committee. Other key internal controls, which the Group had in place during the year, include a procedure to monitor the compliance status of the Company to ensure that it can continue to be approved as a REIT; and the Investment Advisor prepares forecasts and management accounts which allow the Board to assess performance. A risk management framework can only provide reasonable, not absolute, assurance. The risks are assessed based on the likelihood of them happening, the impact on the business if they were to occur and the effectiveness of the controls. The Audit and Risk Committee reviews the risk matrix at least twice in each financial year and at other times as necessary.

The principal and emerging risks that the Board has identified are set out on pages 56 to 60.

Most functions for the Group's day-to-day management are sub-contracted and the Directors therefore obtain regular assurances and information from key third-party suppliers regarding their internal systems and controls. Additionally, the Board has contractually delegated to external firms the services the Company requires, but it is fully informed of the internal control framework established by the Company's third-party service providers, noting they provide reasonable assurance on the effectiveness of internal financial controls.

## SHAREHOLDER ENGAGEMENT

Communication with shareholders is a high priority for both the Board and the Investment Advisor, and the Directors are available to discuss the Group's progress and performance with shareholders. The Investment Advisor and the Company's Joint Brokers (Peel Hunt LLP and Jefferies International Limited) are in regular contact with the major institutional investors and report the results of meetings and the views of those shareholders to the Board. The Chairman and the other Directors are available to attend these meetings with shareholders if required.

All shareholders are encouraged to attend, either in person when able to or by proxy, and vote at the AGM, during which the Board and representatives of the Investment Advisor are available to discuss issues affecting the Group and answer any questions. Shareholders wishing to communicate directly with the Board or to lodge a question in advance of the AGM should contact the Company Secretary at the address on page 153. The Company always responds to letters from shareholders. Shareholders are also invited to submit questions ahead of the AGM by email and responses are provided ahead of the proxy voting deadline where practicable.

All resolutions proposed at the 2024 AGM will be voted on separately and the voting results will be announced to the London Stock Exchange and made available on the Company's website as soon as practicable after the meeting. These will include all votes cast for and against and those withheld, together with all proxies lodged prior to the meeting.

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

At Board meetings, investor feedback is provided by the Investment Advisor and the Brokers and the views of existing or potential shareholders about the Company are discussed.

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

See pages 22 to 24 for further information on shareholder and stakeholder engagement.

# NOMINATION COMMITTEE REPORT

**Neil Kirton**
Chairman

| Committee membership | Meetings[1] |
|---|---|
| Neil Kirton (Chair) | 2/2 |
| Lynette Lackey | 2/2 |
| Simon Hope (Non-independent) | 1/2 |

1 The column above headed 'Meetings' shows the number of meetings of the Committee attended by each member during the year, together with the number of meetings they were entitled to attend. Other regular attendees at the Committee include members of the Investment Advisor, who provide more insight into key issues and developments.

## Dear shareholders

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

Following the decision by Martin Meech not to stand for re-election at the Company's 2023 AGM, this year the Nomination Committee has spent time overseeing the appointment of Aimée Pitman as Senior Independent Director and recruiting a new Non-Executive Director to the Board. Dominic O'Rourke was appointed Non-Executive Director in September 2023, following a comprehensive recruitment process set out on the following page. More generally, the Nomination Committee has focused on succession planning and evaluating the skills and experience across the existing Board members to identify possible areas for future development.

We continue to be mindful of the diversity on the Board and, to that end, we are looking at opportunities to meet the targets set by the FTSE Women Leaders Review and the Parker Review, taking into account a variety of diversity targets. While we continue to work towards being a more diverse Board, we are proud to have 33% representation of women on the Board and continue to apply the Board diversity policy.

The Committee received a report on the updates to the Listing Rules and Disclosure Guidance and Transparency Rules related to diversity. We are mindful of these targets and will continue to stay abreast of any future developments.

The Board undertook an internally facilitated evaluation of its composition, succession planning, expertise, dynamics, management and focus of meetings, support, culture, and risk management and oversight. More information on the process and the outcomes can be found on page 72.

## ROLE OF THE NOMINATION COMMITTEE

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

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

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

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

## ACTIVITIES

The main activities of the Nomination Committee are set out below.

### Re-election of Directors at the AGM

In accordance with the AIC Code, the Board is comprised of a group of individuals who have an appropriate balance of skills and experience to meet the future opportunities and challenges facing the Group.

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

> “WE ARE DELIGHTED THAT DOMINIC HAS JOINED THE BOARD. HE BRINGS HIGHLY RELEVANT AND DEEP REAL ESTATE EXPERIENCE ALONGSIDE AN OCCUPIER'S PERSPECTIVE.
>
> **Neil Kirton**
> Chairman

Biographies of each Director are available on pages 65 and 66. It is the Committee's and the Board's view that the Directors' biographies illustrate why each Director's contribution is, and continues to be, important to the Group's long-term sustainable success.

### Appointment of Dominic O'Rourke to the Board

There is a formal, rigorous and transparent procedure for the appointment of new Directors to the Board, including a review of the other significant commitments Directors may have. The Board appointed Russell Reynolds Associates to assist with the Non-Executive Director recruitment process during the period under review. Russell Reynolds Associates is independent of the Board and the Company and has no connections with any of the individual Directors. The Committee agreed on a person specification that included the skills and experience required for the proposed appointment, with a focus on an individual with a senior property background to add depth to the Board. As part of this, Russell Reynolds Associates compiled a list of candidates and scheduled interviews with the Board. The Committee recommended that the Board appoint Dominic O'Rourke as an independent Non-Executive Director of the Company and that Dominic O'Rourke be appointed a member of the Audit and Risk and Sustainability Committees, and that he be appointed Chair of the Management Engagement Committee with effect from 13 September 2023.

### Induction and training

Each Director, upon appointment, receives a comprehensive and tailored induction to the Company. Dominic O'Rourke's induction included:

- in-person and virtual meetings with the other Directors;
- meetings with members of the Investment Advisor to understand the Group's strategy, structure, financial and legal position, corporate governance, risk profile and risk management procedures; and
- meetings with a range of stakeholders, including shareholders (such as being available at the AGM), and the Company's external advisors.

### Size, structure and composition of the Board and Committees

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

When considering the appointment of new Directors, the Committee will actively consider a range of factors including the expertise and experience required in a prospective candidate and the diversity of the Board, as set out in the Company's diversity policy. It is believed that effective succession planning mitigates risks associated with the departure or absence of well-qualified and experienced individuals, impacting delivery on our strategy. The Committee also recognises that continued tenure brings a depth of Company-specific knowledge that is important to retain.

### Diversity

Before any appointment is made to the Board, the Committee evaluates the current and recommended future balance of skills, knowledge, experience, independence, diversity and cognitive and personal strengths on the Board. The appointment of any new Director is made on the candidate's merits, measuring his or her skills and experience against the criteria identified by the Board as being desirable to complement the Board's composition and qualifications.

The Board reviewed and approved its diversity policy in March 2024. The policy mirrors best practice and acknowledges the benefits of greater diversity, including, but not limited to, diversity of gender, social and ethnic backgrounds, cognitive and personal strengths, and remains committed to ensuring that the Directors bring a wide range of skills, knowledge, experience, backgrounds and perspectives to the Board.

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

- all Board appointments will be made on merit, in the context of the skills, knowledge and experience that are needed for the Board to be effective; and
- longlists of potential Non-Executive Directors should include diverse candidates from a range of different backgrounds and ethnicities as well as both male and female candidates.

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

As the Company is an investment company with no Executive Directors and with a small Board relative to that which would be expected for a trading company of equivalent size, the Company has not yet met the targets for ethnic representation on the Board set out in LR 9.8.6(9) and shall endeavour to meet the requirements of this listing rule at the nearest opportunity. Accordingly, the Committee is focused on the gender and diversity recommendations and FCA rules on diversity and inclusion. In accordance with these requirements, the Committee is continuing to develop succession plans to increase diversity on the Board and will consider such recommendations in all future Board appointments and succession planning discussions. However, the Board believes that cognitive diversity is of great importance and is comfortable that the Board is made up of a diverse group of individuals with different backgrounds and skillsets. As a result of the outputs of the recent internally facilitated Board evaluation and the process followed to recruit a successor to Martin Meech, the FCA requirements were a significant factor in the selection process. However, in respect of succession and the recruitment of appropriate members to the Board, the Board gives significant weight to the Company's particular geographical, geopolitical and market environment. As such, any new Board member needed to clearly understand the operating, economic and political environment in the UK to give full and proper oversight. The Board will strive to ensure that it continues to comprise individuals with diverse and complementary skills and experience to meet the Company's objectives.

The Company has met the target of appointing a female Senior Independent Director. The Board considers diversity to be important for the future development of the business, including the need to be representative of the society in which it operates.

As an externally managed Real Estate Investment Trust, the Company does not have executive management. However, the Nomination Committee is increasingly taking an interest in the diversity of its main service providers, principally the Investment Advisor.

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

| Gender identity | Number of Board members[1] | Percentage on the Board | Number of senior positions on the Board |
|---|---|---|---|
| Men | 4 | 66.7% | 1 |
| Women | 2 | 33.3% | 1[2] |
| Not specified/prefer not to say | 0 | 0% | 0 |

1 The Company does not disclose the number of Directors in executive management as this is not applicable for an externally managed Real Estate Investment Trust.

2 Aimée Pitman was appointed Senior Independent Director on 13 September 2023. Although not forming part of the FCA's definition of 'senior positions on the Board', Lynette Lackey is Chair of the Audit and Risk Committee and Aimée Pitman is Chair of the Sustainability Committee.

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

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

### External appointments

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

## COMMITTEE EVALUATION

As part of the Board evaluation, the Committee asks the Committee members to evaluate the Committee's effectiveness. For the period under review, the Committee deems itself to have performed well.

## LOOKING AHEAD TO 2025

In the coming year, the Nomination Committee will spend time on reviewing succession planning and diversity at Board level. Consideration and additional focus will be given to the governance requirements of the AIC Code, in relation to Board composition and independence requirements, and of the Listing Rules, the Parker Review and the FTSE Women Leaders Review.

**Neil Kirton**
Chair of the Nomination Committee

24 June 2024

# AUDIT AND RISK COMMITTEE REPORT

**Lynette Lackey**
Chair of Audit and Risk Committee

| Committee membership | Meetings[1] |
|---|---|
| Lynette Lackey (Chair) | 4/4 |
| Dominic O'Rourke | 2/2 |
| Aimée Pitman | 4/4 |
| Martin Meech | 2/2 |

1 The composition of the Committee complies with the AIC Code, being composed of three Independent Non-Executive Directors with sufficient financial experience and competence relevant to the sector in which the Company operates. To ensure open and regular communication between the Investment Advisor and the Board, certain key representatives of the Investment Advisor are invited to attend all Board and Committee meetings to update the Board, and Committee members respectively, along with representatives from the external Auditor, the third-party portfolio valuers (CBRE LLP) and the external risk consultants.

## Dear shareholders

Im pleased to present the report of the Audit and Risk Committee for the year ended 31 March 2024.

One of the Committee's key roles is to oversee the integrity and accuracy of the financial statements and esnure we maintain a sound system of risk management and internal control.

With changes in the environment and the evolving role of the Committee, the Committee increased the frequency of meetings during the year from three to four, with the core focus being the oversight of the Group's financial reporting and internal control arrangements. The Committee formally changed its name from the Audit Committee to the Audit and Risk Committee to better reflect the Committee's responsibilities.

The ongoing economic uncertainty for the UK economy and related challenges remained a focus area of the Committee and the Board during the period under review. The Committee reviewed and challenged CBRE LLP's property valuations during the financial year, and held discussions regarding the Company's use of alternative performance measures.

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

During the year under review, Martin Meech did not seek re-election at the 2023 AGM and Dominic O'Rourke assumed his position on the Committee.

I would like to thank the members of the Committee, the Investment Advisor team, and the various external consultants for their continued commitment throughout the year, for the open discussions that take place at our meetings, and for the contribution they all provide in support of our work. I will be available at the 2024 AGM to respond to any shareholder questions that may be raised on the Committee's activities.

## ROLE OF THE AUDIT AND RISK COMMITTEE

The Committee safeguards high standards of integrity and oversees conduct in financial reporting, internal control and risk management. The Committee's primary responsibilities are to:

- to monitor the integrity of the Group's financial statements and review its financial reporting process and accounting policies;
- advise the Board that the Annual Report is fair, balanced and understandable and provides the information necessary for shareholders to assess the Company's position, performance, business model and strategy. In doing so, ensure that the disclosures reflect the supporting detail, or challenge them to explain and justify their interpretation and, if necessary, re-present the information;
- keep under review the effectiveness of the Group's internal control environment and risk management systems;
- make recommendations to the Board in relation to the appointment, re-appointment or removal of the external Auditor and to approve its remuneration and terms of engagement, including the provision of any non-audit services;
- review the effectiveness of the audit process;
- review and monitor the Auditor's independence and objectivity;
- review assurances from the Group's service providers regarding their systems and controls for the detection of fraud and the prevention of bribery and receive reports on non-compliance; and
- review the adequacy and security of the Group's arrangements for its contractors, suppliers and other stakeholders (as applicable) to raise concerns, in confidence, about possible wrongdoing in financial reporting or other matters.

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

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

## MEETINGS WITH THE AUDITOR

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

## ACTIVITIES

At the meetings, the Committee has:

- reviewed the internal controls and risk management systems of the Group and its third-party service providers, including continuing to monitor whether an internal audit function is required;
- agreed the audit plan with the Group's external Auditor including the principal areas of focus, and agreed the audit fee;
- monitored the integrity of the financial information published in the Interim and Annual Report and considered whether suitable and appropriate judgements in respect of areas that could have a material impact on the financial statements, have been made;
- actively engaged with the external Auditor to assess the significant judgements, systems and processes in place to form these significant judgements;
- reviewed both the interim and full year valuation reports from CBRE LLP and recommended to the Board that the valuations be included in both the Interim and Annual Report.
- monitored the Company's and Investment Advisor's accounting and financial internal control systems to ensure compliance with regulatory and financial reporting requirements and its relationship with the relevant regulatory authorities;
- in January, the Company received a letter from the FRC's Corporate Reporting Review Team regarding the FRC's review of the Company's Annual Report for the year ended 31 March 2023, seeking further information in respect of one specific aspect of the financial statements, as well as several observations for improvement in the level of disclosure provided. The Committee and the Investment Advisor welcomed the FRC's drive for continuous improvement in the quality of financial reporting and responded by providing the FRC with clarification and embedding enhancements to disclosures (that have been reflected in the 2024 Annual Report) where appropriate;
- reviewed the Investment Advisor's detection of fraud and whistleblowing arrangements; and
- reviewed the Annual Report content and advised the Board on whether the Annual Report is fair, balanced and understandable.

> “WITH THE HEIGHTENED FOCUS ON FINANCIAL REPORTING, INTEGRITY MATTERS, AND THE EVOLVING ROLE OF THE COMMITTEE, THE COMMITTEE INCREASED THE FREQUENCY OF THE MEETINGS FROM THREE TO FOUR MEETINGS PER YEAR.
>
> **Lynette Lackey**
> Chair of the Audit and Risk Committee

## RISK MANAGEMENT AND INTERNAL CONTROLS

Although the Board assumes the ultimate responsibility for the Group's risk management and internal control framework, its work is supported by the Committee. An internal control system can provide reasonable but not absolute assurance against material misstatement or loss, as it is designed to manage rather than eliminate the risk of failure to achieve business objectives. The Committee reviews the Group's internal control systems.

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

While there is no regulatory requirement, the Committee has implemented the relevant recommendations of the FRC's Minimum Standard for Audit Committees, and, in due course, will assess the implications of the requirements of the 2024 iteration of the UK Corporate Governance Code, especially those related to internal controls.

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

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

The Committee periodically reviews the need for an internal audit function and considers that this is not required given the nature and circumstances of the Company. The Committee receives reports on internal control and compliance from the Investment Advisor in conjunction with third-party risk and internal audit advisor, AuditR, and discusses these with the Investment Advisor. This report also covers the internal controls of the Group's other key service providers, including the Administrator. No significant matters of concern were identified during the year.

Further to the reports received by the Committee, which set out the Group's processes, systems and assurance procedures, the Committee has concluded that it has complied with its obligations under the AIC Code in relation to the assessment of risk and monitoring and review of the effectiveness of internal controls and risk management. The Committee advised the Board that the Group's internal control systems and risk management procedures are effective, efficient and operating as required.

## EXTERNAL AUDITOR

### Review of external audit effectiveness

The Committee has an established framework for assessing the effectiveness of the external audit process. This includes:

- considering reports from the auditor on the process they have adopted to identify financial statements risks and key areas of audit focus;
- regular communications with the external Auditor (without Investment Advisor present) and Investment Advisor (without the external Auditor present);
- a review of the final audit report, noting key areas of Auditor;
- judgement and the reasoning behind the conclusions reached;
- a review of the annual FRC Audit Quality Inspection Report of the external Auditor;
- use of a questionnaire completed by all the necessary stakeholders; and
- review of the audit plan.

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

The Committee received a presentation of the audit plan from the external Auditor in respect of the year under review and a presentation of the results of the audit following completion of the main audit testing.

### Auditor independence and objectivity

During the year, the Committee met key members of the senior audit team and BDO formally confirmed its independence, as part of the annual reporting process. The Committee will pre-approve all non-audit services prior to any work commencing and considers safeguards in place. The Committee also receives an annual assurance from the external Auditor that its independence is not compromised by the provision of any non-audit services.

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

## SIGNIFICANT ISSUES

The Committee considered the following key issues in relation to the Group's financial statements:

| | |
|---|---|
| **Valuation of property assets** | The Committee considered and discussed the valuation of the Group's investment properties as at 31 March 2024. To enable a full discussion of the valuation, and to enable the Directors to challenge the valuations and the underlying assumptions, as appropriate, the Valuer attended the Committee meeting in May 2024. |
| **Maintenance of REIT status** | The UK REIT regime affords the Group a beneficial tax treatment for income and capital gains, provided certain criteria are met. There is a risk that these REIT conditions may not be met and additional tax becomes payable by the Group. The Committee therefore monitored the Group's compliance status and considered each of the requirements for the maintenance of REIT status throughout the year ended 31 March 2024. |
| **Going concern and long-term viability of the Company** | The Committee considered the Group's financial requirements for the next 12 months and concluded that it has sufficient resources to meet its commitments and any outstanding loan covenants. Consequently, the financial statements have been prepared on a going concern basis.<br><br>The Committee also considered the long-term viability statement within the Annual Report, for the three-year period to June 2027, and the underlying factors and assumptions that contributed to the Committee deciding that three years was an appropriate length of time to consider the Group's long-term viability.<br><br>The Group's going concern and viability statement, as well as full details of the assessment carried out by the Directors, can be found on pages 61 and 62. |
| **Governance** | The Committee continued to review corporate governance processes to ensure they remain relevant. |

## COMPLIANCE, WHISTLEBLOWING AND FRAUD

The Committee ensures that there are effective procedures relating to whistleblowing. The Whistleblowing Policy, which is reviewed annually, allows employees of third-party service providers to confidentially raise any concerns about business practices.

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

## AUDIT FEES AND NON-AUDIT SERVICES

An audit fee of £213,900 has been agreed in respect of the audit for the year ended 31 March 2024. This incorporates a fee of £190,200 for auditing the Annual Report for the period and £23,700 for auditing the accounts of the Company's subsidiaries for the period.

The Committee reviews the scope and nature of all proposed non-audit services before engagement, to safeguard auditor independence and objectivity. BDO did not carry out non-audit services for the Company during the year.

We continue to believe that, in some circumstances, the external Auditor's understanding of the Company's business can be beneficial in improving the efficiency and effectiveness of advisory work. The Committee has reviewed the Company's policy on the supply of any non-audit services provided by the external Auditor.

## RE-APPOINTMENT OF THE AUDITOR

The appointment of the external Auditor is reviewed annually by the Committee and the Board and is subject to approval by shareholders. In accordance with the applicable requirements, the audit will be put out to tender within ten years of the initial appointment of BDO.

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

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

The Company confirms compliance with the provisions of the Statutory Audit Services for Large Companies Market Investigation (Mandatory Use of Competitive Tender Processes and Audit Committee Responsibilities) Order 2014, which relates to the frequency and governance of tenders for the appointment of the external Auditor for the year to 31 March 2024.

## FAIR, BALANCED AND UNDERSTANDABLE REPORTING

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

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

## COMMITTEE EVALUATION

The Board evaluation this year included an assessment of our performance as a Committee. I am pleased that this concluded that we operate effectively and that the Board takes comfort from the quality of our work. The Board is satisfied that the Committee members bring a wide range and depth of recent and relevant financial and commercial experience and all members have competence relevant to our sector.

## LOOKING AHEAD TO MARCH 2025

The Committee has agreed several areas of focus, including:

- ensuring continued integrity and balance in the Group's financial reporting;
- monitoring UK corporate governance reform and reacting as appropriate;
- consideration of new and emerging risks; and
- looking at specific implications of the current UK economy on the Group's portfolio value including macro and regional-specific impacts and assessing financial impacts.

**Lynette Lackey**
Chair of the Audit and Risk Committee

24 June 2024

# MANAGEMENT ENGAGEMENT COMMITTEE REPORT





**Dominic O'Rourke**
Chairman of the Management Engagement Committee

| Committee membership | Meetings[1] |
|---|---|
| Dominic O'Rourke (Chair) | 0/0 |
| Lynette Lackey | 1/1 |
| Neil Kirton | 1/1 |
| Martin Meech | 1/1 |

1 During the period under review, the Committee comprised of three independent Non-Executive Directors of the Company, none of which are connected to the AIFM or Investment Advisor. Following a review of Committee membership and Martin Meech's departure from the Company, effective 12 September 2023, Dominic O'Rourke was appointed as Committee Chair, with the membership otherwise remaining unchanged, effective 13 September 2023. Dominic's knowledge and experience positions him well to act as Chair of the Committee. To ensure open and regular communication between the Investment Advisor and the Board, certain key representatives of the Investment Advisor are invited to attend all Board meetings and the Committee meetings to update the Board, and Committee members, respectively, on the Company's portfolio activity and discuss the general market conditions and the financial performance and strategy of the Company.

## Dear shareholders

I am pleased to present the Committee report on behalf of the Board and to provide details on how the Committee discharged its responsibilities throughout the year ended 31 March 2024.

This is my first report to you having succeeded Martin Meech in the role of Committee Chair, following the my appointment to the Board on 13 September 2023.

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

The Committee is charged with the responsibility of ensuring that the Investment Advisor has acted diligently, in line with the Company's investment policy and the Company's strategy, to maintain a diverse portfolio of high-quality assets that provide returns to the Company's shareholders. Details of the Investment Advisor's activity and the Company's performance in the year have been included in the strategic report.

## ROLE OF THE MANAGEMENT ENGAGEMENT COMMITTEE

The Committee's primary responsibilities are to:

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

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

## ACTIVITIES

The Committee has:

- considered the performance of the Investment Advisor against its obligations under the IMA during the year. In reaching its recommendation to the Board, the Committee's deliberations included consideration of the basis of the Investment Advisor fee, found on page 23 of the Annual Report, and the execution of the Group's investment strategy by the Investment Advisor during the year. In its review, the Committee considered the collective skillset of the Investment Advisor's team, to ensure that it has all the necessary skills and experience to best serve the interests of the shareholders in performing its delegated responsibilities. The Board delegates the execution of its investment strategy and business model to the Investment Advisor, subject to the Board being kept informed of all material property acquisitions and disposals, including development projects Following its review, the Committee was satisfied that the Investment Advisor and the AIFM have the suitable skills and experience to manage the Company's investments and believe that the continuing appointment of the Investment Advisor and the AIFM is in the best interests of shareholders as a whole. Therefore, the Committee recommends their re-appointment to the Board;
- reviewed the ongoing performance and the continuing appointment of the Group's other key service providers. The review comprised open and closed-ended questions and included an assessment of the quality of their services and fees to ensure they remained competitive, as well as a review of each service provider's policies and procedures to ensure each service provider had adequate controls and procedures in place. The Committee has concluded that the services provided to the Group were satisfactory and that the contractual relationships with them are operating in the best interests of the shareholders and; therefore, a recommendation to the Board was that each be retained until the next review; and
- reviewed the systems put in place by the Investment Advisor, Investment Manager, Administrator and Depositary to meet legal and regulatory requirements, particularly the AIFMD, and concluded that these remain adequate.

## COMMITTEE EVALUATION

The existing Committee members were agreed that the quality of discussion and level of challenge by the Committee with the Investment Advisor, together with the timeliness and quality of papers received by the Committee, allows the Committee to perform its role effectively.

## LOOKING AHEAD TO MARCH 2025

The Committee recognises that ensuring excellent support and performance by service providers is critical for the Group's continuing operation as an externally managed Real Estate Investment Trust. Therefore, the Committee's focus will be to keep all service providers under review including their terms of engagement and performances, to ensure that they are in the best interests of the Company.

**Dominic O'Rourke**
Chair of the Management Engagement Committee

24 June 2024

> “ THE COMMITTEE RECOGNISES THAT ENSURING EXCELLENT SUPPORT AND PERFORMANCE BY SERVICE PROVIDERS IS CRITICAL FOR THE GROUP'S CONTINUING OPERATION AS AN EXTERNALLY MANAGED REIT.
>
> **Dominic O'Rourke**
> Chair of the Management Engagement Committee

# SUSTAINABILITY COMMITTEE REPORT



**Aimée Pitman**
Chair of the Sustainability Committee

| Committee membership | Meetings[1] |
|---|---|
| Aimée Pitman (Chair) | 4/4 |
| Stephen Barrow | 4/4 |
| Dominic O'Rourke | 2/2 |
| Martin Meech | 2/2 |

1 Regular attendees include the other Directors of the Company, members of the Investment Advisor, relevant subject matter experts and external consultants attend when required.

## Dear Shareholders

The purpose of this report is to explain the work of the Committee. A more in-depth review of these areas can be found in the strategic report on pages 36 to 49.

Our priority last year was the deeper integration of our sustainability strategy, and driving performance against agreed targets. Throughout the course of this year, our focus has turned to defining milestones and monitoring progress along our net zero roadmap, ensuring there is adequate governance and reportable metrics in place. The Committee has also continued to highlight the importance of ensuring our activities are understood and are able to demonstrate visible, meaningful value to our stakeholders. Tilstone has been pursuing this strategic approach, recognising that without an engaged and strategically aligned occupier base, we will not achieve our net zero ambition.

The landscape for this topic is rapidly changing with respect to legal obligations and market expectation, therefore a key part of the Committee's focus has been to stay educated as well drive our strategy towards a resilient portfolio, reducing our footprint, supporting our occupiers and ensuring responsible business foundations.

During the period under review, we expanded our responsibilities to assist the Board in its oversight of a range of environmental and social topics.

The Committee's discussions are strengthened by the experience of the Investment Advisor's team, as those accountable for driving responsible and sustainable growth through the Company's operations. In-depth discussions ensure the Committee stays alert to current and emerging trends and to any potential risks arising from sustainability issues. The Committee captures these insights for the Board through formal feedback and the ongoing sharing of knowledge.

The Committee continued to meet on a quarterly basis, with the core focus being the oversight of the Group's sustainability strategy and the integration of sustainability throughout the business operations.

The Committee is a passionate advocate for transparency and stakeholder engagement and continues to work on sustainability issues alongside key stakeholders and investors.

### ROLE OF THE SUSTAINABILITY COMMITTEE

The Committee's primary responsibilities are to:

- oversee the formulation and implementation of the Group's sustainability strategy;
- review updates on any regulatory changes affecting the strategy and make recommendations to the Board regarding changes to the strategy;
- review annually the key sustainability-related policies, ensuring compliance across external reporting;
- review the Group's efficacy in relation to its sustainability reporting;
- review climate-related risk and make recommendations to the Audit and Risk Committee regarding inclusion in the Group's risk management practices;
- approve the budget provided for sustainability purposes;
- provide oversight and challenge on any material sustainability matters identified, advising and making recommendations to the Board where appropriate; and
- ensure social issues are incorporated in the agenda and debated.

### GOVERNANCE

The Board is responsible for approving the Group's sustainability strategy, long-term goals and actively monitoring portfolio performance. In conjunction with the Investment Advisor, the Committee oversees the management of the Group's climate-related risks and opportunities. The Committee has a key role in supporting the Board within the governance framework, by providing guidance and direction on the Company's sustainability ambitions.

## RISK MANAGEMENT

Complementing the Committee's role, the Audit and Risk Committee is responsible for overseeing the assurance programme of the Company's sustainability commitments. With a growing focus on sustainability, the Board has recognised the importance of identifying the impact of climate change to the Group's business. During the year, the Committee identified the key risks with input from our consultant and added them to the Group's risk register so they are monitored as part of our wider risk management process. The Committee therefore collaborates with other Board Committees and cross-committee representation provides a link between all the Board Committees.

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

> "THIS YEAR, OUR FOCUS HAS TURNED TO DEFINING MILESTONES AND MONITORING PROGRESS ALONG OUR NET ZERO ROADMAP.
>
> **Aimée Pitman**
> Chair of the Sustainability Committee

## ACTIVITIES

The Committee met to undertake the following activities:

- review and approved the new ESG and climate-related risk register;
- develop, review and approve the Group's targets, challenging the Group to report against measurable targets and ensure the focus is prioritised according to the Group's materiality matrix;
- drive progress and provide direction on key projects: climate change risk, EPC improvement programme and TCFD improvements;
- receive training and information to inform decisions. Examples of topics covered are climate change risks, occupier questionnaire insights, refurbishment standards, green bonds, peer review and EPC proposed regulations;
- identify ESG risks and recommend them to the Audit and Risk Committee (as required);
- receive presentations from a diverse pool of stakeholders and perspectives on sustainability matters;
- receive progress updates from members of Tilstone against delivery of our sustainability strategy and key sustainability initiatives, providing challenge where appropriate;
- constructively consider the merits of market benchmarks and direct our actions accordingly;
- review and approve the Committee's terms of reference, the Company's sustainability policy and the Committee's composition; and
- focus on communicating the sustainability programme of activities to our stakeholders to review and verify the processes behind the proposed disclosures. and recommend them to the Audit and Risk Committee or the Board for approval, as appropriate. These communications include: our ESG reporting; the Energy & Carbon reporting; the TCFD report; the Modern Slavery Statement; the Sustainability Report, as well as the integration of ESG messaging and plans that demonstrate visible change to tenants on our ESG focus points.

## COMMITTEE EVALUATION

The Committee is satisfied that good progress continues to be made in understanding and managing both ESG risks and opportunities across the business. The quality of discussion and level of challenge by the Committee with the Investment Advisor, together with the timeliness and quality of papers received by the Committee help ensure the Committee can perform its role effectively.

## LOOKING AHEAD TO MARCH 2025

The Group's commitment to ESG is to ensure its assets are attractive to occupiers in the long term. The Board is committed to driving towards net zero carbon by by ensuring that any refurbishment or development target high, but appropriate building certifications including EPCs. The Board will continue to engage with its key occupiers to better understand occupiers' decarbonisation priorities, appetite to share data and share vital guidance on energy efficiency.

**Aimée Pitman**
Chair of the Sustainability Committee

24 June 2024

**Neil Kirton**
Chairman

THE BOARD'S POLICY IS THAT THE REMUNERATION OF NON-EXECUTIVE DIRECTORS SHOULD REFLECT THE EXPERIENCE OF THE BOARD AND WITH REFERENCE TO COMPARABLE ORGANISATIONS AND APPOINTMENTS.

**Neil Kirton**
Chairman

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

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

## STATEMENT FROM THE CHAIRMAN

Given the size of the Board, it is not considered appropriate for the Company to have a separate remuneration committee and the functions of this committee are therefore carried out by the Board as a whole. The Board consists entirely of Non-Executive Directors and the Company has no employees. We have not, therefore, reported on those aspects of remuneration that relate to Executive Directors nor does the process of consulting with employees on the setting of the remuneration apply. The remuneration report will be presented at the AGM on 11 September 2024 for shareholder consideration and approval. No Director is involved in setting their own levels of remuneration.

Following a review of Directors' remuneration during the year and, in recognition of the Company's performance over the period, the Board resolved to maintain Directors' remuneration at the current levels. As a result, fees are set at a level of £48,375 per annum (2023: £48,375) for the Chairman and £37,625 per annum (2023: £37,625) for the independent Non-Executive Directors. No fees are payable to Stephen Barrow or Simon Hope as non-independent Non-Executive Directors.

## DIRECTORS' REMUNERATION POLICY

As a binding vote on the policy is necessary every three years, an ordinary resolution to approve the Directors' remuneration policy (the "Policy") will be put to shareholders at this year's AGM. The Board does not propose to make any changes to the existing remuneration policy, which is set out below. The Policy approved at the Company's 2021 AGM will continue to apply until such time. Additionally, the appropriateness and relevance of the Policy is reviewed annually, to ensure that it supports the long-term success of the Group. In the event of any proposed material variation to the Policy, shareholder approval will be sought for the proposed new policy prior to its implementation.

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

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

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

Under the Company's Articles of Association, if any Director is called upon to perform extra or special services of any kind, they may be paid such extra remuneration as the Directors may determine. Directors are also entitled to be paid all expenses properly incurred in attending Board or shareholder meetings or otherwise in the performance of their duties. These expenses are unlikely to be of a significant amount. Fees are payable from the date of appointment as a Director of the Company and cease on date of termination of appointment. To date, no expenditure has been paid.

The Board will not pay any incentive fees to any person to encourage them to become a Director of the Company. The Board may, however, pay fees to external agencies to assist the Board in the search and selection of Directors.

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

## STATEMENT OF IMPLEMENTATION OF REMUNERATION POLICY IN RESPECT OF THE FINANCIAL YEAR ENDING 31 MARCH 2025

The Board will, as usual, review Directors' fees during the 2024 financial year, including the time required to be committed to the business of the Group, and will consider whether any further changes to remuneration are required.

## REMUNERATION REPORT

### Directors' fees for the year (audited)

The Board believes that this fee structure appropriately reflects the prevailing market rates for the Company's complexity and size, and will also enable the Company to attract appropriately experienced additional Directors in the future.

There are no variable elements to the remuneration for the Directors. The Directors who served in the year to 31 March 2024 received the following emoluments (gross of any tax or National Insurance contributions):

| | Year ended 31 March 2024 | | Year ended 31 March 2023 | | Year ended 31 March 2022 | |
|---|---|---|---|---|---|---|
| Director | Fees £'000 | Total £'000 | Fees £'000 | Total £'000 | Fees £'000 | Total £'000 |
| Neil Kirton | 48.4 | 48.4 | 48.4 | 48.4 | 47.5 | 47.5 |
| Aimée Pitman | 37.6 | 37.6 | 37.6 | 37.6 | 36.9 | 36.9 |
| Lynette Lackey | 37.6 | 37.6 | 37.6 | 37.6 | 36.9 | 36.9 |
| Dominic O'Rourke[1] | 20.7 | 20.7 | – | – | – | – |
| Martin Meech[2] | 16.8 | 16.8 | 37.6 | 37.6 | 36.9 | 36.9 |
| Simon Hope | – | – | – | – | – | – |
| Stephen Barrow | – | – | – | – | – | – |
| | 161.1 | 161.1 | 161.25 | 161.25 | 158.2 | 158.2 |

1 Appointed to the Board on 13 September 2023.

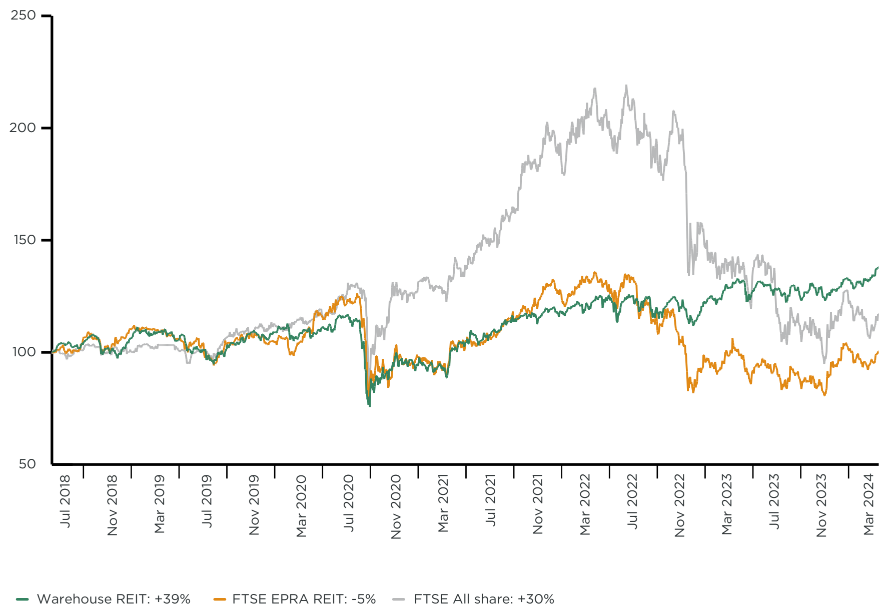
2 Did not seek re-election at the 2023 AGM and therefore ceased to be a Director on 12 September 2023.

### Annual change in remuneration

| | Year ended 31 March 2024 | Year ended 31 March 2023 | Year ended 31 March 2022 |
|---|---|---|---|
| Neil Kirton | 0% | 1.8% | 7.5% |
| Aimée Pitman | 0% | 1.8% | 7.5% |
| Lynette Lackey | 0% | 1.8% | 7.5% |
| Martin Meech | 0% | 1.8% | 7.5% |
| Dominic O'Rourke | n/a | – | – |
| Simon Hope | n/a | n/a | n/a |
| Stephen Barrow | n/a | n/a | n/a |

### Total shareholder return

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



The graph compares, since IPO, the total shareholder return of the Company's ordinary shares relative to a return on a hypothetical holding over the same period in the FTSE EPRA/ NAREIT UK Index and the FTSE All share Index. These indices have been chosen by the Board as the most appropriate to compare the Company's performance.

**Directors' beneficial and family interests (audited)**

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

The Company has adopted a share dealing code in relation to the Company's shares.

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

The interests of the Directors and any connected persons in the ordinary shares of the Company are set out below (latest practicable date 24 May 2024):

| | As at 31 March 2024 Number of shares | As at 31 March 2023 Number of shares |
|---|---|---|
| Neil Kirton[1] | 390,909 | 390,909 |
| Aimée Pitman[2] | 734,908 | 734,908 |
| Lynette Lackey | 51,603 | 51,603 |
| Martin Meech[3] | 290,909 | 290,909 |
| Dominic O'Rourke | – | – |
| Simon Hope[4] | 12,407,697 | 12,407,697 |
| Stephen Barrow[5] | 10,120,307 | 10,120,307 |

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

**Relative importance of spend on pay (unaudited)**

The following table sets out the total level of Directors' remuneration compared to the distributions to shareholders by way of dividends, and the management fees and other expenses incurred by the Company in respect of the years ended 31 March 2023 and 31 March 2024:

| | 2024 £m | 2023 £m | Change % |
|---|---|---|---|
| Directors' remuneration | 0.2 | 0.2 | 0.0% |
| Investment Advisor fees | 5.7 | 7.0 | (18.6%) |
| Total dividend paid or declared | 27.2 | 27.6 | (1.4%) |

## VOTING AT ANNUAL GENERAL MEETING

The Directors' remuneration report for the year ended 31 March 2023 and the Directors' remuneration policy were approved by shareholders at the two AGMs held on 12 September 2023 and 13 September 2021 respectively. The votes cast by proxy were as follows:

| | Directors' remuneration report (2023 AGM voting figures) | | Directors' remuneration policy (2021 AGM voting figures) | |
|---|---|---|---|---|
| | Number of votes | % of votes cast | Number of votes | % of votes cast |
| For | 267,383,052 | 99.91 | 203,532,620 | 99.96 |
| Against | 237,150 | 0.09 | 77,848 | 0.04 |
| At Chairman's discretion | – | – | 3,102 | – |
| Total votes cast | 267,620,202 | 100.00 | 203,613,570 | 100.00 |
| Number of votes withheld | 240,495 | | 108,118 | |

The remuneration policy is set out earlier in this report.

**Statement of consideration of shareholders' views**

The Company is committed to ongoing shareholder dialogue and takes an active interest in voting outcomes. If there are substantial votes against resolutions in relation to Directors' remuneration, the Company will seek the reasons for any such vote and will detail any resulting actions in the next Directors' remuneration report.

## APPROVAL

The Directors' remuneration report was approved by the Board on 24 June 2024.

**Neil Kirton**
Chairman

24 June 2024

The Directors present their report and the audited financial statements for the year ended 31 March 2024.

## CORPORATE GOVERNANCE

In accordance with the Companies Act 2006, the Listing Rules and the Disclosure Guidance and Transparency Rules, the corporate governance statement, Directors' remuneration report, Board Committee reports and the statement of Directors' responsibilities should be read in conjunction with one another and the strategic report. As permitted by legislation, some of the matters normally included in the Directors' report have instead been included in the strategic report, as the Board considers them to be of strategic importance.

Information required to be included in this Directors' Report can be found elsewhere in the Annual Report as indicated in the table below and is incorporated into this report by reference:

## DIRECTORS

The Directors in office during the year and at the date of this report and their biographical details are shown on pages 65 and 66.

Details of the Directors' terms of appointment can be found in the corporate governance statement and the Directors' remuneration report.

## INVESTMENT PORTFOLIO

A comprehensive analysis of the property portfolio can be found on page 29. The investment policy can be found on page 148.

## STATUS OF WAREHOUSE REIT PLC

The Company is an investment company, as defined in section 833 of the Companies Act 2006, and qualifies as a UK Real Estate Investment Trust ("REIT") as defined under section 527(2) of the Corporation Tax Act 2010.

| Information | Location in Annual Report |
|---|---|
| **Future developments** | Page 127 |
| **Going Concern statement** | Pages 61 to 62 |
| **Viability statement** | Pages 61 to 62 |
| **Risk management** | Pages 51 to 53 |
| **Principal risks and uncertainties** | Pages 54 to 60 |
| **Corporate governance statement** | Pages 63 to 97 |
| **The Board of Directors** | Pages 65 to 66 |
| **Audit and Risk Committee report** | Pages 82 to 85 |
| **Remuneration report** | Pages 90 to 92 |
| **Summary of Remuneration Policy** | Pages 90 to 91 |
| **Nomination Committee report** | Pages 78 to 81 |

| Information | Location in Annual Report |
|---|---|
| **Related party disclosures** | Pages 126 to 127 |
| **Greenhouse gas emissions** | Page 145 |
| **Environmental matters** | Pages 36 to 50 |
| **Share capital** | Page 94 |
| **Engagement with suppliers, customers and others in a business relationship with the Company** | Pages 22 to 24 |
| **Information on the Group's financial risk management objectives and policies, and its exposure to credit risk, foreign currency risk and financial instruments** | Pages 124 to 125 |

| Information | Location in Annual Report |
|---|---|
| **Research and development** | The Company is a holding company, does not conducted research and development, and is therefore not required to make any disclosure in this Annual Report. |
| **Employee matters** | The Company has no employees and no share schemes. |

## INFORMATION ABOUT SECURITIES CARRYING VOTING RIGHTS

The following information is disclosed in accordance with The Large and Medium-sized Companies and Groups (Accounts and Reports) (Amendment) Regulations 2013 and DTR 7.2.6 of the Financial Conduct Authority's Disclosure Guidance and Transparency Rules:

- the Company's capital structure and voting rights and details of the substantial shareholders in the Company are set out below and in note 21 to the financial statements;
- the giving of powers to issue or buy back the Company's shares requires an appropriate resolution to be passed by shareholders; and
- there are no restrictions concerning the transfer of securities in the Company or on voting rights, no special rights with regard to control attached to securities, and no agreements between holders of securities regarding their transfer known to the Company.

## SHARE CAPITAL

### Share issues

At the AGM held on 12 September 2023, the Directors were granted: (i) the authority to allot ordinary shares on a non-pre-emptive basis up to an aggregate nominal amount of £2,832,410 (being 66% of the issued ordinary share capital at the date of the notice) by way of a rights issue; and (ii) in any other case, the authority to allot ordinary shares up to an aggregate nominal amount of £1,416,205 (being 33% of the issued ordinary share capital at the date of the notice). The Directors were also granted the authority to disapply pre-emption rights in respect of the allotment of shares or sale of treasury shares up to 10% of the issued ordinary share capital at the date of the notice and a further 20% of the issued ordinary share capital for the purposes of making a follow-on offer falling within paragraph 3 of Section 3B of the Pre-Emption Group's Statement of Principles.

These existing authorities will expire at the Company's AGM to be held in September 2024.

The Directors did not allot any shares during the period under review.

### Purchase of own shares

The Company is permitted to make market purchases of its own shares provided it is duly authorised by its members in a general meeting and subject to and in accordance with section 701 of the Companies Act 2006. At the AGM held on 12 September 2023, the Company was authorised to purchase up to 42,486,165 of its own shares (being 10% of the Company's issued ordinary share capital at the date of the notice). No ordinary shares have been bought back under this authority, which will expire at the AGM to be held in September 2024 where a resolution for its renewal will be proposed.

Purchases of ordinary shares will be made within guidelines established from time to time by the Board. The Directors will consider repurchasing ordinary shares in the market if they believe it to be in shareholders' interests and as a means of correcting any imbalance between supply of and demand for the ordinary shares. They will have regard to the Company's REIT status when making any repurchase and will only make such repurchases through the market at prices (after allowing for costs) below the relevant prevailing NAV per ordinary share and otherwise in accordance with guidelines established from time to time by the Board. Any purchase of ordinary shares on a pre-emptive basis would be made only out of the available cash resources of the Company.

### Current share capital

As at 31 March 2024 and the date of this report, there was a single class of 424,861,650 ordinary shares of £0.01 each in issue, all of which are fully paid up and are quoted on the London Stock Exchange and none of which are held in treasury. Each ordinary share has one voting right attached to it. The total number of voting rights in the Group at this date was therefore 424,861,650.

Further details regarding the Company's issued share capital are set out in note 21 of the financial statements.

The rights and obligations attaching to the Company's ordinary shares are set out in its Articles of Association.

Holders of ordinary shares are entitled, subject to any applicable law and the Company's Articles of Association, to:

- have shareholder documents made available to them including notice of any general meetings;
- attend, speak and exercise voting rights at general meetings, either in person or by proxy; and
- participate in any distribution of income or capital.

## RESULTS AND DIVIDENDS

A summary of the Group's performance during the period and the outlook for the forthcoming year is set out in the strategic report on pages 27 to 29.

Dividends totalling 6.4 pence per ordinary share have been paid or declared in respect of the year ended 31 March 2024, further details of which can be found in the Investment Advisor's report on page 32 and below.

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

| Quarter to | Declared | Paid/Payable | Amount |
|---|---|---|---|
| June 2023 | 31 August 2023 | 6 October 2023 | 1.60 |
| September 2023 | 15 November 2023 | 29 December 2023 | 1.60 |
| December 2023 | 26 January 2024 | 2 April 2024 | 1.60 |
| March 2024 | 25 June 2024 | 26 July 2024 | 1.60 |
| Total | | | 6.40 |

The Company may, by ordinary resolution declare, dividends provided that no such dividend shall exceed the amount recommended by the Company's Directors. The Directors may also pay such interim dividends as appear to be justified by the profits of the Company available for distribution.

As the Company is a holding company, the Company relies primarily on inter-company loans and other statutorily (if any) and contractually permissible payments from its subsidiaries to generate the funds necessary to meet its obligations and pay dividends to its shareholders.

The Company expects to be a cash generative business with the opportunity for attractive capital investment to enhance its growth prospects. The Board intends to pursue an investment policy that reflects this strategy while also delivering shareholders high-quality, long-term dividend growth. However, the Board may periodically reassess the Company's dividend policy and the payment of dividends (or quantum of the same) will depend on the Group's existing and future financial condition, results of operations, capital requirements, investment and divestment cycles, liquidity needs and other matters the Board considers relevant from time to time.

## SUBSTANTIAL SHAREHOLDINGS

As at 28 March 2024, the following held voting rights greater than 3% in the Company (in accordance with DTR 5 (concerning notification of 'major shareholdings' or 'voting rights arising from the holding of certain financial instruments'):

| | Number of ordinary shares held | % of total voting rights at 28 March 2024 |
|---|---|---|
| Investec Wealth & Investment | 86,942,112 | 20.46 |
| Evelyn Partners | 24,368,463 | 5.74 |
| BlackRock | 21,703,048 | 5.11 |
| Hargreaves Lansdown | 19,539,775 | 4.60 |
| Columbia Threadneedle Investments | 17,711,830 | 4.17 |

Latest practicable date: 18 June 2024

## MANAGEMENT ARRANGEMENTS

The Company is an alternative investment fund for the purposes of the AIFMD and, as such, is required to have an Investment Manager who is duly authorised to undertake that role. G10 Capital Limited is authorised and regulated by the Financial Conduct Authority ("FCA") as the AIFM of the Company under an agreement dated 22 August 2017 (the "Investment Management Agreement"). The Investment Manager is responsible for overall portfolio management, risk management and compliance with the Group's investment policy and the requirements of the AIFMD that apply to the Group.

The Investment Advisor is an appointed representative of the Investment Manager. As an appointed representative, Tilstone is responsible for working with and advising the Group and the Investment Manager in respect of sourcing investment opportunities that meet the Group's investment policy. As an appointed representative of the Investment Manager, Tilstone is exempt from the requirement to be authorised by the FCA as a pre-requisite to giving investment advice and arranging deals in investments. Tilstone is also responsible for managing the underlying real estate assets within the Group's investment portfolio, which does not constitute a regulated activity. The Investment Manager has, and shall maintain, the necessary expertise and resource to supervise the delegated tasks effectively.

The Investment Advisor receives an annual fee (payable quarterly in arrears) equal to 1.1% of the NAV of the Group's portfolio on the basis of funds being fully invested up to £500 million and 0.9% thereafter. The fee is payable to the Investment Advisor, which pays a quarterly fee of £15,000 to the Investment Manager for the duration of its appointment, in addition to other one-off fees in relation to regulatory reporting services (Annex IV), compliance services and investment committee services. No performance fee or acquisition fee is payable.

In the event that the Investment Management Agreement is terminated following a third party (or third parties acting in concert) acquiring a majority of the Company's ordinary shares, the Investment Advisor would be entitled to receive an exit fee equal to 15% of the total shareholder returns (defined as the price per share paid by such third party plus dividends and other distributions paid) generated since Admission, above a hurdle rate of 10% per annum on a compound basis since Admission. The exit fee will be capped at the amount of the annual management fee paid in the immediately preceding financial year.

The Investment Management Agreement is terminable on 30 days' notice by either party in writing in the event of a material breach or insolvency of the other party. The Company is also entitled to terminate the agreement forthwith by notice in writing in the event that the Investment Manager ceases to be able to fulfil its obligations as a result of a change of the FCA's rules.

## CONTINUING APPOINTMENT OF THE INVESTMENT ADVISOR

The Board keeps the performance of the Investment Advisor under continual review. The Management Engagement Committee conducts an annual appraisal of the Investment Advisor's performance and makes a recommendation to the Board about the continuing appointment of the Investment Advisor. Following a recommendation from the Management Engagement Committee, it is the opinion of the Directors that the continuing appointment of the Investment Advisor is in the interests of shareholders as a whole. The reasons for this view are that the Investment Advisor has continued to execute the investment strategy according to the Board's expectations and on terms that the Board is of the view, continue to remain commercial and reasonable.

### AUDITOR

The Directors holding office at the date of this Annual Report confirm that, so far as they are each aware, there is no relevant audit information of which the Company's Auditor is unaware. Each Director has taken all the steps that they ought to have taken as a Director to make themselves aware of any relevant audit information and to establish that the Company's Auditor is aware of that information.

BDO LLP has expressed its willingness to continue as Auditor of the Company and resolutions for its re-election and to authorise the Audit and Risk Committee to determine its remuneration will be proposed at the forthcoming AGM.

### FINANCIAL RISK MANAGEMENT

Information about the nature of these risks and the Company's financial risk management objectives and policies is set out in note 26 to the financial statements. The work of the Audit and Risk Committee in respect of risk management is described on pages 83 and 84.

### INFORMATION TO BE DISCLOSED IN ACCORDANCE WITH THE LISTING RULE 9.8.4R

None of the items listed under Listing Rule 9.8.4R are applicable.

### POLITICAL DONATIONS

No political donations were made by the Company or its subsidiaries during the year or prior year.

### PRESENCE OUTSIDE THE UK

The Company does not have any registered overseas branches.

### POST BALANCE SHEET EVENTS

Please see Note 33 to the financial statements, for any post-balance sheet activities.

### CLIMATE-RELATED MATTERS

Information about the Group's greenhouse gas emissions and the Company's voluntary reporting against the Task Force on Climate-related Financial Disclosures ("TCFD") recommendations is set out in the strategic report. Additionally, please see the sustainability report for further information on the Company's Streamlined Energy & Carbon Reporting framework reporting.

### ARTICLES OF ASSOCIATION

The Articles of Association of the Company may only be amended by a special resolution at a general meeting of the shareholders. The process for the appointment and removal of Directors is included in the Company's Articles of Association. The Warehouse REIT plc Articles of Association are available on the Company's website: www.warehousereit.co.uk.

### POWERS OF DIRECTORS

The Directors may exercise all powers of the Company subject to applicable legislation and regulations and the Company's Articles of Association.

### SIGNIFICANT AGREEMENTS

The Company is not party to any significant agreements that take effect, alter or terminate upon a change of control of the Company. The Company is not aware of any agreements between holders of its ordinary shares that may result in restrictions on the transfer of its ordinary shares or on voting rights other than:

- certain restrictions which may from time to time be imposed by laws or regulations such as those relating to insider dealing;
- pursuant to the Company's securities dealing policy, whereby the Directors and designated employees of the Investment Advisor require approval to deal in the Company's shares or cannot deal in certain periods; and
- where a person with an interest in the Company's shares has been served with a disclosure notice and has failed to provide the Company with information concerning interests in those shares.

There are no restrictions on exercising voting rights save in situations where the Company is legally entitled to impose such restriction (for example, under the Articles of Association where amounts remain unpaid on the shares after request, or the holder is otherwise in default of an obligation to the Company).

Further details regarding the principal agreements between the Company and its service providers, including the Investment Advisor, are set out in Note 29 to the financial statements on pages 126 and 127.

### RELATED-PARTY DISCLOSURES

Details of related-party disclosures are set out in Note 29 to the consolidated financial statements on pages 126 and 127 of this Annual Report.

## FINANCIAL INSTRUMENTS

Details of the financial instruments used by the Group and financial risk management policies can be found in note 26 of the financial statements and in the principal risks and uncertainties section on pages 51 to 60.

## DIRECTORS' INDEMNITIES AND DIRECTORS' AND OFFICERS' LIABILITY INSURANCE

The Group has qualifying third-party indemnity provisions within the meaning given to the term by s234 and s235 of the Companies Act 2006 for the Directors. This is in respect of any potential exposure or liability in their capacity as a Director of the Company and of any company within the Group. Such indemnities were in force throughout the financial period and will remain in force as at the date of this report.

## ANNUAL GENERAL MEETING ("AGM")

The Company's AGM will be held on 11 September 2024. The Notice of the AGM will be circulated to shareholders separately.

At least 21 days' notice shall be given to all the members and to the Company's Auditor. All other general meetings shall also be convened by not less than 21 days' notice to all those members unless the Company offers members an electronic voting facility and a special resolution reducing the period of notice to not less than 14 days has been passed, in which case a general meeting may be convened by not less than fourteen days' notice in writing. A special resolution will be proposed at the AGM to reduce the period of notice for general meetings other than the Annual General Meeting to not less than 14 days.

The Notice sets out the business of the AGM and resolutions are explained in the circular containing the notice of AGM. Separate resolutions are proposed for each substantive issue.

## NMPI

On 1 January 2014, certain changes to the FCA rules regarding the restrictions on the retail distribution of unregulated collective investment schemes and close substitutes ("non-mainstream pooled investments", or "NMPIs") came into effect. Since the Company obtained approval as a UK REIT its ordinary shares of nominal value of 0.01 pence each (the "shares") are excluded from these rules and therefore the restrictions relating to NMPIs do not apply to its shares. It is the Board's intention that the Group will continue to conduct its affairs in such a manner that it maintains its approved REIT company status and that, accordingly, the Company's shares will continue to be excluded from the FCA's rules relating to NMPIs and can be recommended by financial advisors to retail investors in accordance with the FCA's rules in relation to NMPI products.

**Link Company Matters Limited**
Company Secretary

24 June 2024

Company Number 10880317

# STATEMENT OF DIRECTORS' RESPONSIBILITIES
## IN RESPECT OF THE ANNUAL REPORT AND FINANCIAL STATEMENTS





The Directors are responsible for preparing the Annual Report and Financial Statements in accordance with UK adopted international accounting standards and applicable law and regulations. Company law requires the Directors to prepare financial statements for each financial year. Under that law, the Directors are required to prepare the financial statements of the Group in accordance with UK adopted international accounting standards and have elected to prepare the Company financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Additionally, the Directors must not approve the financial statements unless they are satisfied that they present fairly the financial position, financial performance and cash flows of the Group and Company for that year.

In preparing the financial statements, the Directors are required to:

- select suitable accounting policies 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 whether the Group financial statements have been prepared in accordance with UK adopted international accounting standards, subject to any material departures disclosed and explained in the financial statements;
- state whether the Company financial statements have been prepared in accordance with Financial Reporting Standard 101 'Reduced Disclosure Framework' ('FRS101') subject to any material departures disclosed and explained in the Company financial statements;
- make judgements and estimates that are reasonable and prudent;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group and the Company will continue in business; and
- prepare a directors' report, a strategic report and directors' remuneration report which comply with the requirements of the Companies Act 2006.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Group and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website, including ensuring the Annual Report and Financial Statements are made available. The work carried out by the Auditor does not involve consideration of the maintenance and integrity of this website and, accordingly, the Auditor accepts no responsibility for any changes that have occurred to the financial statements since they were initially presented on the website. As such, the Directors' responsibility also extends to the ongoing integrity of the financial statements contained therein. Financial statements are published on the Company's website in accordance with legislation in the United Kingdom governing the preparation and dissemination of financial statements and visitors to the website need to be aware that legislation in the UK covering the preparation and dissemination of the financial statements may differ from legislation in their jurisdiction.

- The Directors confirm that, pursuant to their responsibilities under DTR4, to the best of their knowledge: the financial statements, prepared in accordance with UK adopted international accounting standards and in conformity with the requirements of the Companies Act 2006, give a true and fair view of the assets, liabilities, financial position and profit of the Company (and Group as a whole); and
- this Annual Report includes a fair review of the development and performance of the business and the position of the Company (and Group as a whole), together with a description of the principal risks and uncertainties that it faces.

Having taken advice from the Audit and Risk Committee, the Directors consider that the Annual Report and Financial Statements, taken as a whole, are fair, balanced and understandable and provide the information necessary for shareholders to assess the Company's position and performance, business model and strategy.

On behalf of the Board

**Neil Kirton**
Chairman

24 June 2024

## OPINION ON THE FINANCIAL STATEMENTS

In our opinion:

- the financial statements give a true and fair view of the state of the Group's and of the Parent Company's affairs as at 31 March 2024 and of the Group's profit for the year then ended;
- the Group financial statements have been properly prepared in accordance with UK adopted international accounting standards;
- the Parent Company financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements of Warehouse REIT plc (the "Parent Company" or the "Company") and its subsidiaries (the 'Group') for the year ended 31 March 2024 which comprise the consolidated statement of comprehensive income, the consolidated statement of financial position, the consolidated statement of changes in equity, the consolidated statement of cash flows, the Company statement of financial position, the Company statement of changes in equity and notes to the financial statements, including a summary of material accounting policies. The financial reporting framework that has been applied in the preparation of the Group financial statements is applicable law and UK adopted international accounting standards. The financial reporting framework that has been applied in the preparation of the Parent Company financial statements is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 101 Reduced Disclosure Framework (United Kingdom Generally Accepted Accounting Practice).

## BASIS FOR OPINION

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion. Our audit opinion is consistent with the additional report to the Audit and Risk Committee.

### Independence

Following the recommendation of the Audit and Risk Committee, we were appointed by Directors in March 2021 to audit the financial statements for the year ended 31 March 2022 and subsequent financial periods. The period of total uninterrupted engagement including retenders and reappointments is three years, covering the years ended 31 March 2022 to 31 March 2024. We remain independent of the Group and the Parent Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard as applied to listed public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements. The non-audit services prohibited by that standard were not provided to the Group or the Parent Company.

## CONCLUSIONS RELATING TO GOING CONCERN

In auditing the financial statements, we have concluded that the Directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate. Our evaluation of the Directors' assessment of the Group's and Parent Company's ability to continue to adopt the going concern basis of accounting included:

- We used our knowledge of the Group and the Parent Company and its market sector together with the current economic environment to assess the Directors' identification of the inherent risks to the Group's business and how these might impact the Group's and the Parent Company's ability to remain a going concern for the going concern period, being the period to 30 June 2025, which is at least 12 months from when the financial statements are authorised for issue;
- We obtained an understanding of the Directors' process for assessing going concern including an understanding of the key assumptions used;
- We reviewed the forecasts that support the Directors' going concern assessment and:
  - Assessed the Group's forecast cash flows with reference to budgeted and historic performance and challenging management's forecast assumptions in comparison to the current performance of the Group;
  - Agreed the inputs into the forecasts to supporting documentation for reasonableness based on contractual agreements, where available;
  - Agreed the Group's available borrowing facilities and the related covenants to supporting financing documentation and calculations;
- We analysed the sensitivities applied by the Directors' stress testing calculations and challenged the assumptions made using our knowledge of the business and of the current economic climate, to assess the reasonableness of the downside scenarios selected;
- We obtained forecast covenant calculations to test for any potential future covenant breaches;
- We considered the covenant compliance headroom for sensitivity to both future changes in property valuations and the Group's future financial performance;
- We considered board minutes, and evidence obtained through the audit and challenged the Directors on the identification of any contradictory information in the forecasts and the resultant impact to the going concern assessment;
- We reviewed the disclosures in the financial statements relating to going concern to check that the disclosure is consistent with the circumstances.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Group's or the Parent Company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

In relation to the Parent Company's reporting on how it has applied the UK Corporate Governance Code, we have nothing material to add or draw attention to in relation to the Directors' statement in the financial statements about whether the Directors considered it appropriate to adopt the going concern basis of accounting.

Our responsibilities and the responsibilities of the Directors with respect to going concern are described in the relevant sections of this report.

## OVERVIEW

| | | | |
|---|---|---|---|
| **Coverage** | 100% (2023: 100%) of Group profit before tax<br>100% (2023: 100%) of Group revenue<br>100% (2023: 100%) of Group total assets | | |
| **Key audit matters** | | **2024** | **2023** |
| | Valuation of investment properties | ✓ | ✓ |
| | Revenue recognition – rental income | ✓ | ✓ |
| **Materiality** | Group financial statements as a whole<br>£8.6m (2023: £8.9m) based on 1% (2023: 1%) of total assets | | |

## AN OVERVIEW OF THE SCOPE OF OUR AUDIT

Our audit was scoped by obtaining an understanding of the Group and its environment, including the Group's system of internal control, and assessing the risks of material misstatement in the financial statements. We also addressed the risk of management override of internal controls, including assessing whether there was evidence of bias by the Directors that may have represented a risk of material misstatement.

The Group operates in one segment, investment property, structured through a number of subsidiary entities and therefore we treated the Group as one significant component. The Group audit engagement team performed all the work necessary to issue the Group and Parent Company audit opinion, including undertaking all of the audit work on the risks of material misstatement identified in the key audit matters section below.

### Climate change

Our work on the assessment of potential impacts on climate-related risks on the Group's operations and financial statements included:

- We made enquiries of and challenged Management and the property valuer to understand the actions they have taken to identify climate-related risks and their potential impacts on the financial statements and adequately disclose climate-related risks within the annual report;
- We undertook our own qualitative risk assessment taking into consideration the sector in which the Group operates and how climate change affects this particular sector;
- Involvement of climate-related experts in evaluating Management's risk assessment; and
- We reviewed of the minutes of Board and Audit Committee meetings and other papers related to climate change and performed a risk assessment as to how the impact of the Group's commitment as set out in the sustainability report on pages 36 to 42 may affect the financial statements and our audit.
- We challenged the extent to which climate-related considerations, including the expected cash flows from the initiatives and commitments have been reflected, where appropriate, in management's going concern assessment and viability assessment.

We also assessed the consistency of management's disclosures included as Statutory Other Information on pages 43 to 50 within the financial statements and with our knowledge obtained from the audit.

Based on our risk assessment procedures, we did not identify there to be any Key Audit Matters materially impacted by climate-related risks and related commitments.

### Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) that we identified, including those which had the greatest effect on: the overall audit strategy, the allocation of resources in the audit, and directing the efforts of the engagement team. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

| Key audit matter | | How the scope of our audit addressed the key audit matter |
|---|---|---|
| **Valuation of investment properties**<br><br>As detailed in note 13 to the consolidated financial statements, the Group owns a portfolio of investment properties which are held at their fair value. The Group's accounting policy for these properties is described in note 13 to the consolidated financial statements. The key judgements and estimates in arriving at the fair values are set out in notes 2.2, 13 and 25 to the consolidated financial statements. | The Group has an investment property portfolio of warehouses and light industrial assets across the United Kingdom. The properties are independently, externally valued in accordance with RICS methodology and IFRS 13 Fair Value Measurement, this includes completed investment property which is let, or available to let, and is valued using the income capitalisation method; and development property and land which is valued using the comparable method supported, where appropriate, by a residual development appraisal (which estimates the gross development value of the completed project less estimated costs to completion and an appropriate developer's margin).<br><br>The valuation of investment property requires significant judgement and estimates by the Directors, with the assistance of their independent external valuer appointed by Directors, and is therefore considered a significant risk due to the subjective nature of certain assumptions inherent in each valuation.<br><br>Any input inaccuracies or unreasonable bases used in the valuation judgements (such as in respect of estimated rental value and yield profile applied) could result in a material misstatement of the Group's financial statements.<br><br>There is also a risk of fraud in relation to the valuation of the property portfolio where the Directors may influence the significant judgements and estimates in respect of property valuations in order to achieve property valuation and other performance targets to meet market expectations.<br><br>The valuation of investment properties was therefore considered to be a key audit matter. | Our audit procedures included, but were not restricted to, the following:<br><br>**Experience of valuer and relevance of their work**<br>• We assessed the external valuer's qualifications and independence.<br>• We obtained a copy of the instructions provided to the independent valuer and reviewed for any limitations in scope or for evidence of management bias.<br>• We obtained the valuation report prepared by the independent external valuer and discussed the basis of the valuations with them.<br>• With the assistance of our real estate valuation experts, we read the valuation report and confirmed that all valuations had been prepared in accordance with applicable valuation guidelines and the requirements of IFRS 13 and were therefore appropriate for determining the carrying value in the Group's financial statements.<br><br>**Data provided to the valuer**<br>• We validated the underlying data provided to the valuer by the Investment Advisor. This data included inputs such as current rent and lease term, which we agreed on a sample basis to the executed lease agreements as part of our audit work.<br><br>**Assumptions and estimates used by the valuer**<br>• The key valuation assumptions were the equivalent yields and with assistance from our real estate valuation experts, we developed yield expectations on each property using available independent industry data, reports and comparable transactions in the market around the period end. Our real estate valuation experts also attended our meeting with the Group's independent valuers to assist us in assessing that explanations provided were appropriate and in line with market knowledge.<br>• We compared the key valuation assumptions against our independently formed market expectations by reference to market data based on the location and specifics of each property.<br>• We discussed the key assumptions used and the valuation movement in the period with the independent external valuer. Where the valuation yield was outside of our expected range we challenged the independent valuer on specific assumptions and reasoning for the yields applied and corroborated their explanations where relevant, agreeing their responses to supporting documentation.<br>• Additionally for development property and land, the key valuation assumptions included land value comparable, construction and other development costs and a developer's margin which were compared to comparable market benchmarks where available and assessed for reasonableness where not readily comparable with published benchmarks.<br><br>**Key observations**<br>Based on the procedures performed, we did not identify any indicators to suggest that the judgements and estimates made in the valuation of the Group's investment properties were inappropriate. |

| Key audit matter | | How the scope of our audit addressed the key audit matter |
|---|---|---|
| **Revenue recognition – rental income**<br><br>Refer to note 3 for details of the Group's revenue, including the accounting policy. | The Group has multiple occupiers across its property portfolio.<br><br>Rental income is recognised on a straight-line basis over the lease term for the Group's properties based upon rental agreements that are in place. Judgement is required to determine the term over which incentives should be recognised.<br><br>There is a risk that rental income is not supported by underlying tenancy agreements or is inappropriately recognised as a result of errors in recording lease details in the tenancy schedules or inappropriate judgements being applied by management.<br><br>For these reasons we consider the recognition of revenue from rental income to be a key audit matter. | We obtained the tenancy schedule and the Investment Advisor's analysis of revenue recognised for each property and performed the following:<br><br>• For a sample of occupiers we reviewed the underlying leases to confirm the accuracy of the tenancy schedule inputs. We also agreed one rental receipt for each of those occupiers to bank statements;<br>• We developed an expectation of rental income to be invoiced for the year in respect of each property based on the tenancy schedule and compared this to the Investment Advisor's analysis of the rental income recognised prior to lease incentive adjustments, corroborating explanations provided by the Investment Advisor in respect of variances identified; and<br>• We obtained the Investment Advisor's schedule of lease incentive adjustments, including rent-free periods and other rent concessions, and, for a sample, we recalculated the adjustment and agreed the inputs to the underlying lease documentation. We considered the completeness of the schedule based on information included in the tenancy schedule and the underlying lease information obtained. Where applicable we assessed the Investment Advisor's judgements against past and current occupier behaviour in respect of the lease term over which the incentives are recognised.<br><br>**Key observations:**<br><br>We did not identify any indicators to suggest that revenue has been recognised inappropriately. |

## OUR APPLICATION OF MATERIALITY

We apply the concept of materiality both in planning and performing our audit, and in evaluating the effect of misstatements. We consider materiality to be the magnitude by which misstatements, including omissions, could influence the economic decisions of reasonable users that are taken on the basis of the financial statements.

In order to reduce to an appropriately low level the probability that any misstatements exceed materiality, we use a lower materiality level, performance materiality, to determine the extent of testing needed. Importantly, misstatements below these levels will not necessarily be evaluated as immaterial as we also take account of the nature of identified misstatements, and the particular circumstances of their occurrence, when evaluating their effect on the financial statements as a whole.

Based on our professional judgement, we determined materiality for the financial statements as a whole and performance materiality as follows:

| | Group financial statements | | Parent Company financial statements | |
|---|---|---|---|---|
| | **2024** | **2023** | **2024** | **2023** |
| Materiality | **£8.6m** | £8.9m | **£3.4m** | £3.4m |
| Basis for determining materiality | 1% of Total Assets | | | |
| Rationale for the benchmark applied | We determined that total assets would be the most appropriate basis for determining overall materiality as we consider it to be the principal consideration for the users of the financial statements in assessing the financial performance of the Group and Parent Company. | | | |
| Performance materiality | **£6.5m** | £6.7m | **£2.5m** | £2.5m |
| Basis for determining performance materiality | 75% of Materiality | | | |
| Rationale for the percentage applied for performance materiality | The level of performance materiality applied was set after having considered a number of factors including our assessment of the Group's and Parent Company's overall control environment and the expected total value of known and likely misstatements and the level of transactions in the year. | | | |

### Specific materiality

We also determined that for other account balances and classes of transactions that impact the calculation of European Public Real Estate Association ("EPRA") earnings a misstatement of less than materiality for the financial statements as a whole, specific materiality, could influence the economic decisions of users. We consider EPRA earnings to be a key performance measure of the Company. EPRA earnings excludes the impact of the net surplus on revaluation of investment properties, profit on disposal of investment properties, interest income from derivatives and changes in the fair value of interest rate derivatives. As a result, we determined materiality for these items to be £0.62m (2023: 0.83m), based on 5% of EPRA earnings (2023: 5%). We further applied a performance materiality level of 75% (2023: 75%) of specific materiality to ensure that the risk of errors exceeding specific materiality was appropriately mitigated.

### Reporting threshold

We agreed with the Audit Committee that we would report to them all individual audit differences in excess of £430,000 (2023: £445,000) and for those items impacting the calculation of EPRA earnings £31,000 (2023: £40,000). We also agreed to report differences below these thresholds that, in our view, warranted reporting on qualitative grounds.

## OTHER INFORMATION

The directors are responsible for the other information. The other information comprises the information included in the Annual Report and Financial Statements other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon. Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit, or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

## CORPORATE GOVERNANCE STATEMENT

The Listing Rules require us to review the Directors' statement in relation to going concern, longer-term viability and that part of the Corporate Governance Statement relating to the Parent Company's compliance with the provisions of the UK Corporate Governance Code specified for our review.

Based on the work undertaken as part of our audit, we have concluded that each of the following elements of the Corporate Governance Statement is materially consistent with the financial statements or our knowledge obtained during the audit.

| | |
|---|---|
| **Going concern and longer-term viability** | • The Directors' statement with regards to the appropriateness of adopting the going concern basis of accounting and any material uncertainties identified set out on page 61; and<br>• The Directors' explanation as to their assessment of the Parent Company's prospects, the period this assessment covers and why the period is appropriate set out on pages 61 to 62. |
| **Other Code provisions** | • Directors' statement on fair, balanced and understandable set out on page 98;<br>• Board's confirmation that it has carried out a robust assessment of the emerging and principal risks set out on page 76;<br>• The section of the annual report that describes the review of effectiveness of risk management and internal control systems set out on page 76; and<br>• The section describing the work of the audit committee set out on pages 82 to 85. |

## OTHER COMPANIES ACT 2006 REPORTING

Based on the responsibilities described below and our work performed during the course of the audit, we are required by the Companies Act 2006 and ISAs (UK) to report on certain opinions and matters as described below.

| | |
|---|---|
| **Strategic report and Directors' report** | In our opinion, based on the work undertaken in the course of the audit:<br>• the information given in the Strategic report and the Directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and<br>• the Strategic report and the Directors' report have been prepared in accordance with applicable legal requirements.<br>In the light of the knowledge and understanding of the Group and the Parent Company and its environment obtained in the course of the audit, we have not identified material misstatements in the Strategic report or the Directors' report. |
| **Directors' remuneration** | In our opinion, the part of the Directors' remuneration report to be audited has been properly prepared in accordance with the Companies Act 2006. |
| **Matters on which we are required to report by exception** | We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:<br>• adequate accounting records have not been kept by the Parent Company, or returns adequate for our audit have not been received from branches not visited by us; or<br>• the Parent Company financial statements and the part of the Directors' remuneration report to be audited are not in agreement with the accounting records and returns; or<br>• certain disclosures of Directors' remuneration specified by law are not made; or<br>• we have not received all the information and explanations we require for our audit. |

## RESPONSIBILITIES OF DIRECTORS

As explained more fully in the Directors' responsibilities statement, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Directors are responsible for assessing the Group's and the Parent Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Group or the Parent Company or to cease operations, or have no realistic alternative but to do so.

## AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

### Extent to which the audit was capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below:

### Non-compliance with laws and regulations

Based on:

- our understanding of the Group and the industry in which it operates;
- discussion with Investment Advisor and those charged with governance and Audit Committee; and
- obtaining and understanding of the Group's policies and procedures regarding compliance with laws and regulations;

we considered the significant laws and regulations to be UK company law, UK tax legislation (including the REIT regime requirements), legislation relevant to the rental of properties and the UK Listing Rules, and we considered the extent to which non-compliance might have a material effect on the Group financial statements.

Our procedures in response to the above included:

- We reviewed of Board and Committee meeting minutes and enquired with Management and the Directors as any known or suspected instances of non-compliance with laws and regulations.
- In order to address the risk of non-compliance with the REIT regime, we considered a report from the Group's external adviser, detailing the actions that the Group has undertaken to ensure compliance. This paper was reviewed, and the assumptions challenged, with the assistance of our own internal REIT tax expert.
- We reviewed legal expenditure accounts to understand the nature of expenditure incurred; and
- We agreed the financial statement disclosures to underlying supporting documentation where relevant.

**Irregularities including fraud**

We assessed the susceptibility of the financial statements to material misstatement, including fraud. Our risk assessment procedures included:

- Enquiry with Investment Advisor and those charged with governance regarding any known or suspected instances of fraud.
- We obtained an understanding of the Group's policies and procedures relating to:
  - Detecting and responding to the risks of fraud; and
  - Internal controls established to mitigate risks related to fraud.
- We reviewed minutes of meeting of those charged with governance for any known or suspected instances of fraud.
- Discussion amongst the engagement team as to how and where fraud might occur in the financial statements.
- Involvement of forensic specialists in the audit to assess the susceptibility of the financial statements to material fraud.
- We performed analytical procedures to identify any unusual or unexpected relationships that may indicate risks of material misstatement due to fraud. and
- We considered remuneration incentive schemes and performance targets and the related financial statement areas impacted by these.

Based on our risk assessment, we considered the areas most susceptible to fraud to be potential manipulation of revenue through the assessment of lease terms over which to spread the lease incentives, investment property valuations, and management override of controls.

Our procedures in response to the above included:

- We addressed the risk of management override of controls by testing a sample of journal entries processed during the year, which met defined risk criteria, agreeing to supporting documentation and evaluating whether there was evidence of bias by the Investment Advisor that represented a risk of material misstatement due to fraud.
- We analysed revenue journals to identify any entries which were outside our expectations and then vouched these to supporting documentation to confirm that they are valid revenue transactions recorded in the correct period.
- Regarding the risk of intentional misstatement of lease term over which to spread lease incentives, on a sample basis we agreed key inputs to the calculations to lease agreements and performed a recalculation of the adjustment to rental income, investigating any variances.
- Our responses to the valuation of investment properties risk are set out in the key audit matters section above.

We also communicated relevant identified laws and regulations and potential fraud risks to all engagement team members, who were deemed to have the appropriate competence and capabilities, and remained alert to any indications of fraud or non-compliance with laws and regulations throughout the audit.

Our audit procedures were designed to respond to risks of material misstatement in the financial statements, recognising that the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery, misrepresentations or through collusion. There are inherent limitations in the audit procedures performed and the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely we are to become aware of it.

A further description of our responsibilities is available on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

## USE OF OUR REPORT

This report is made solely to the Parent Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Parent Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Parent Company and the Parent Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

**Richard Levy**
(Senior Statutory Auditor)

For and on behalf of BDO LLP, Statutory Auditor

London, UK

24 June 2024

BDO LLP is a limited liability partnership registered in England and Wales (with registered number OC305127).

# CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
## FOR THE YEAR ENDED 31 MARCH 2024



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

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

| Continuing operations | Notes | Year ended 31 March 2024 £'000 | Year ended 31 March 2023 £'000 |
|---|---|---|---|
| Gross property income | 3 | **47,173** | 47,845 |
| Service charge income | 3 | **3,853** | 3,340 |
| Service charge expenses | 4 | **(4,068)** | (3,767) |
| Net property income | | **46,958** | 47,418 |
| Property operating expenses | 4 | **(4,330)** | (5,454) |
| **Gross profit** | | **42,628** | 41,964 |
| Administration expenses | 4 | **(7,605)** | (9,716) |
| **Operating profit before gains/(losses) on investment properties** | | **35,023** | 32,248 |
| Fair value gains/(losses) on investment properties | 13 | **15,082** | (193,367) |
| Realised gains/(losses) on disposal of investment properties | 13 | **5,521** | (13,105) |
| **Operating profit/(loss)** | | **55,626** | (174,224) |
| Finance income | 7 | **8,460** | 2,039 |
| Finance expenses | 8 | **(24,566)** | (15,528) |
| Changes in fair value of interest rate derivatives | 8 | **(5,214)** | 4,850 |
| **Profit/(loss) before tax** | | **34,306** | (182,863) |
| Taxation | 9 | **–** | – |
| **Total comprehensive income/(loss) for the period** | | **34,306** | (182,863) |
| **Earnings/(loss) per share (basic and diluted) (pence)** | 12 | **8.1** | (43.0) |

The accompanying notes on pages 110 to 127 form an integral part of these financial statements.

# CONSOLIDATED STATEMENT OF FINANCIAL POSITION

## AS AT 31 MARCH 2024



These financial statements were approved by the Board of Directors of Warehouse REIT plc on 24 June 2024 and signed on its behalf by:

**Neil Kirton**
Company number: 10880317

| | Notes | 31 March 2024 £'000 | 31 March 2023 £'000 |
|---|---|---|---|
| **Assets** | | | |
| **Non-current assets** | | | |
| Investment property | 13 | **695,345** | 842,269 |
| Interest rate derivatives | 18 | **5,485** | 11,228 |
| | | **700,830** | 853,497 |
| **Current assets** | | | |
| Investment property held for sale | 14 | **129,060** | 625 |
| Interest rate derivatives | 18 | **1,756** | – |
| Cash and cash equivalents | 15 | **15,968** | 25,053 |
| Trade and other receivables | 16 | **11,519** | 9,258 |
| | | **158,303** | 34,936 |
| **Total assets** | | **859,133** | 888,433 |
| **Liabilities** | | | |
| **Non-current liabilities** | | | |
| Interest-bearing loans and borrowings | 17 | **(280,413)** | (304,093) |
| Other payables and accrued expenses | 20 | **–** | (11,300) |
| Head lease liability | 19 | **(14,235)** | (14,320) |
| | | **(294,648)** | (329,713) |
| **Current liabilities** | | | |
| Interest rate derivatives | 18 | **–** | (3,841) |
| Other payables and accrued expenses | 20 | **(20,658)** | (18,584) |
| Deferred income | 20 | **(7,251)** | (7,115) |
| Head lease liability | 19 | **(987)** | (705) |
| | | **(28,896)** | (30,245) |
| **Total liabilities** | | **(323,544)** | (359,958) |
| **Net assets** | | **535,589** | 528,475 |
| **Equity** | | | |
| Share capital | 21 | **4,249** | 4,249 |
| Share premium | 22 | **275,648** | 275,648 |
| Retained earnings | 23 | **255,692** | 248,578 |
| **Total equity** | | **535,589** | 528,475 |
| Number of shares in issue (thousands) | | **424,862** | 424,862 |
| **Net asset value per share (basic and diluted) (pence)** | 24 | **126.1** | 124.4 |

The accompanying notes on pages 110 to 127 form an integral part of these financial statements.

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
## FOR THE YEAR ENDED 31 MARCH 2024



Further details of retained earnings are presented in note 23.

| | Notes | Share capital £'000 | Share premium £'000 | Retained earnings £'000 | Total £'000 |
|---|---|---|---|---|---|
| Balance at 31 March 2022 | | 4,249 | 275,648 | 459,057 | 738,954 |
| Total comprehensive loss | | – | – | (182,863) | (182,863) |
| Dividends paid | 11 | – | – | (27,616) | (27,616) |
| **Balance at 31 March 2023** | | **4,249** | **275,648** | **248,578** | **528,475** |
| Total comprehensive income | | **–** | **–** | **34,306** | **34,306** |
| Dividends paid | 11 | **–** | **–** | **(27,192)** | **(27,192)** |
| **Balance at 31 March 2024** | | **4,249** | **275,648** | **255,692** | **535,589** |

The accompanying notes on pages 110 to 127 form an integral part of these financial statements.

# CONSOLIDATED STATEMENT OF CASH FLOWS
## FOR THE YEAR ENDED 31 MARCH 2024

| | Notes | Year ended 31 March 2024 £'000 | Year ended 31 March 2023 £'000 |
|---|---|---|---|
| **Cash flows from operating activities** | | | |
| Operating profit/(loss) | | **55,626** | (174,224) |
| **Adjustments to reconcile profit/ (loss) for the period to net cash flows:** | | | |
| (Gains)/losses from change in fair value of investment properties | 13 | **(15,082)** | 193,367 |
| Realised (gain)/loss on disposal of investment properties | 13 | **(5,521)** | 13,105 |
| Head lease movement in asset value | | **(61)** | (42) |
| **Operating cash flows before movements in working capital** | | **34,962** | 32,206 |
| (Increase)/decrease in other receivables and prepayments | | **(2,464)** | 329 |
| (Decrease)/increase in other payables and accrued expenses | | **(1,723)** | 2,788 |
| **Net cash flow generated from operating activities** | | **30,775** | 35,323 |
| **Cash flows from investing activities** | | | |
| Acquisition of investment properties | | **(5,888)** | (66,053) |
| Capital expenditure | | **(5,197)** | (4,628) |
| Development expenditure | | **(6,974)** | (7,141) |
| Purchase of interest rate caps | 18 | **(5,069)** | (2,200) |
| Interest received | | **7,740** | 989 |
| Disposal of investment properties | | **51,733** | 58,101 |
| **Net cash flow generated from/(used in) investing activities** | | **36,345** | (20,932) |
| **Cash flows from financing activities** | | | |
| Bank loans drawn down | 17 | **323,000** | 65,000 |
| Bank loans repaid | 17 | **(345,000)** | (30,000) |
| Loan interest and other finance expenses paid | | **(21,321)** | (11,810) |
| Other finance expenses paid | | **(367)** | (786) |
| Non-recurrent loan fees | | **(4,251)** | – |
| Head lease payments | | **(1,074)** | (832) |
| Dividends paid in the period | 11 | **(27,192)** | (27,616) |
| **Net cash flow used in financing activities** | | **(76,205)** | (5,648) |
| **Net (decrease)/increase in cash and cash equivalents** | | **(9,085)** | 8,347 |
| Cash and cash equivalents at start of the period | | **25,053** | 16,706 |
| **Cash and cash equivalents at end of the period** | 15 | **15,968** | 25,053 |

The accompanying notes on pages 110 to 127 form an integral part of these financial statements.

### 1. General information

Warehouse REIT plc is a closed-ended Real Estate Investment Trust ("REIT") with an indefinite life incorporated in England and Wales on 24 July 2017. The Company began trading on 20 September 2017. The registered office of the Company is located at 65 Gresham Street, London EC2V 7NQ. The Company's shares are admitted to trading on the Premium Listing Segment of the Main Market, a market operated by the London Stock Exchange.

The Group's consolidated financial statements for the year ended 31 March 2024 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 June 2024. The nature of the Group's operations and its principal activities are set out in the strategic report on pages 02 to 62.

### 2. Basis of preparation

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

**Going concern**

The Directors have made an assessment of the Group's ability to continue as a going concern. They carefully considered areas of potential financial risk and reviewed cash flow forecasts, evaluating a number of scenarios, which included extreme downside sensitivities in relation to rental cash collection, making no acquisitions or discretionary capital expenditure and minimum dividend distributions under the REIT rules.

Accordingly, based on this information, and in light of mitigating actions available, 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 (see the going concern on pages 61 to 62).

Furthermore, the Directors are not aware of any material uncertainties that may cast significant doubt upon the Group's ability to continue as a going concern. Therefore, the financial statements have been prepared on the going concern basis.

**2.1 Changes to accounting standards and interpretations**

New standards and interpretations effective in the current period

There were a number of new standards and amendments to existing standards that are required for the Group's accounting period beginning on 1 April 2023, which have been considered and applied as follows:

- amendments to IAS 1 and IFRS Practice Statement 2 'Presentation of Financial Statements' clarifies that significant accounting policies has been replaced with material accounting policies; and
- amendments to IAS 8 'Accounting Policies, Changes in Accounting Estimates and Errors' clarifies the distinction between accounting policies and accounting estimates and also replaces the definition of accounting estimates. Under the new definition, estimates are 'monetary amounts in financial statements that are subject to measurement uncertainty'.

There was no material effect from the adoption of the above-mentioned amendments to IFRS effective in the period. They have no significant impact to the Group as they are either not relevant to the Group's activities or require accounting which is already consistent with the Group's current accounting policies. Other amendments with an effective date this year are not relevant to the Group.

New and revised accounting standards not yet effective

There are a number of new standards and amendments to existing standards that have been published and are mandatory for the Group's accounting periods beginning on or after 1 April 2024 or later. The Group is not adopting these standards early. There are no accounting standards expected to have a material impact on the Group.

## 2. Basis of preparation continued

### 2.2 Significant accounting judgements and estimates

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

#### Judgements

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

#### Estimates

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

Valuation of property

The valuations of the Group's investment property are at fair value as determined by the external independent valuer on the basis of market value in accordance with the internationally accepted RICS Valuation – Professional Standards January 2022 (incorporating the International Valuation Standards) and in accordance with IFRS 13. The key estimates made by the valuer are the ERV and equivalent yields of each investment property and land values per acre for development properties. The valuers have the buildings location, building specification and various other climate-related considerations and have factored this into the valuation See notes 13 and 25 for further details.

### 2.3 Summary of material 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 2024.

#### b) Functional and presentation currency

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

#### c) Segmental reporting

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

## 3. Property income

| | Year ended 31 March 2024 £'000 | Year ended 31 March 2023 £'000 |
|---|---|---|
| Rental income | **44,025** | 45,750 |
| Insurance recharged | **1,496** | 1,592 |
| Dilapidation income | **1,652** | 503 |
| **Gross property income** | **47,173** | 47,845 |
| Service charge income | **3,853** | 3,340 |
| **Total property income** | **51,026** | 51,185 |

**No occupier accounts for more than 10% of rental income.**

#### Accounting policy

Rental income arising from operating leases on investment property is accounted for on a straight-line basis over the lease term and is included in gross property income in the Group statement of comprehensive income. Initial direct costs incurred in negotiating and arranging an operating lease are recognised as an expense over the lease term on the same basis as the lease income. Rental income is invoiced in advance and for all rental income that relates to a future period, this is deferred and appears within current liabilities in the Group statement of financial position.

For leases that contain fixed or minimum uplifts, the rental income arising from such uplifts is recognised on a straight-line basis over the lease term. A rental adjustment is recognised from the rent review date in relation to unsettled rent reviews, once the rental uplifts are agreed.

Occupier lease incentives are recognised as an adjustment of rental revenue on a straight-line basis over the term of the lease. The lease term is the non-cancellable period of the lease together with any further term for which the occupier has the option to continue the lease where, at the inception of the lease, the Directors are reasonably certain that the occupier will exercise that option.

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

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

Service charge income is recognised when the related recoverable expenses are incurred. The Group acts as the principal in service charge transactions as it directly controls the delivery of the services at the point at which they are provided to the occupier.

## 4. Property operating and administration expenses

| | Year ended 31 March 2024 £'000 | Year ended 31 March 2023 £'000 |
|---|---|---|
| **Service charge expenses** | **4,068** | 3,767 |
| Premises expenses | **2,625** | 3,532 |
| Insurance | **1,509** | 1,735 |
| Loss allowance on trade receivables | **196** | 187 |
| **Property operating expenses** | **4,330** | 5,454 |
| Investment Advisor fees | **5,725** | 6,970 |
| Costs associated with the transfer to the Main Market | **–** | 1,069 |
| Directors' remuneration (including social security costs) | **179** | 179 |
| Head lease asset depreciation | **165** | 189 |
| Other administration expenses | **1,536** | 1,309 |
| **Administration expenses** | **7,605** | 9,716 |
| **Total** | **16,003** | 18,937 |

Details of how the Investment Advisor fees are calculated are disclosed in note 29.

**Accounting policy**
All property operating expenses and administration expenses are charged to the consolidated statement of comprehensive income and are accounted for on an accruals basis.

Property expenses are costs incurred by the Group that are not directly recoverable from an occupier, as well as professional fees relating to the letting of our estates.

## 5. Directors' remuneration

| | Year ended 31 March 2024 £'000 | Year ended 31 March 2023 £'000 |
|---|---|---|
| Neil Kirton | **48** | 48 |
| Lynette Lackey | **38** | 38 |
| Martin Meech | **17** | 38 |
| Aimée Pitman | **38** | 38 |
| Simon Hope | **–** | – |
| Stephen Barrow | **–** | – |
| Dominic O'Rourke | **21** | – |
| Employer's national insurance contributions | **17** | 18 |
| **Total** | **179** | 180 |

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. All payments made are short-term employee benefits.

## 6. Auditor's remuneration

| | Year ended 31 March 2024 £'000 | Year ended 31 March 2023 £'000 |
|---|---|---|
| Audit fee | **214** | 192 |
| **Total** | **214** | 192 |

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 2024 £'000 | Year ended 31 March 2023 £'000 |
|---|---|---|
| Group year-end Annual Report and Financial Statements | **190** | 172 |
| Subsidiary accounts | **24** | 20 |
| **Total** | **214** | 192 |

### 6. Auditor's remuneration continued

Non-audit fees payable to the Group's Auditor comprised the following:

| | Year ended 31 March 2024 £'000 | Year ended 31 March 2023 £'000 |
|---|---|---|
| Services as reporting accountant relating to Main Market move | – | 110 |
| **Total** | – | 110 |

The Audit Committee receives assurance from the Auditor that its independence is not compromised. The Group's Auditor for the year ended 31 March 2024 was BDO LLP.

### 7. Finance income

| | Year ended 31 March 2024 £'000 | Year ended 31 March 2023 £'000 |
|---|---|---|
| Interest from cash and short-term deposits | **267** | 12 |
| Interest from derivatives | **8,193** | 2,027 |
| **Total** | **8,460** | 2,039 |

**Accounting policy**
Interest income is recognised on an effective interest rate basis and shown within the Group statement of comprehensive income as finance income. See note 18 for details on the accounting policy for interest rate derivatives.

### 8. Finance expenses

| | Year ended 31 March 2024 £'000 | Year ended 31 March 2023 £'000 |
|---|---|---|
| Loan interest | **21,791** | 14,057 |
| Head lease interest | **1,054** | 961 |
| Accelerated loan arrangement fees | **1,688** | – |
| Loan arrangement fees amortised | **883** | 1,052 |
| Recurrent loan fees | **362** | 607 |
| Bank charges | **6** | 5 |
| | **25,784** | 16,682 |
| Less: amounts capitalised on the development of properties | **(1,218)** | (1,154) |
| **Total** | **24,566** | 15,528 |

Finance expenses include accelerated amortisation of £1.6 million given the refinancing of the facility that took place in July 2023. Refer to note 17 for details.

The interest capitalisation rates for the year ended 31 March 2024 ranged from 4.3% to 4.7% (31 March 2023: 3.2% to 4.3%).

**Accounting policy**
Finance costs consist of interest and other costs that the Group incurs in connection with bank and other borrowings. Any finance costs that are separately identifiable and directly attributable to an asset that takes a period of time to complete are capitalised as part of the cost of the asset. Ongoing services fees relating to the maintenance of the facility are expensed in the period in which they occur. Fair value movements on derivatives are recorded in finance expenses or in finance income depending on the fair value movement during the year. See note 19 for the accounting policy on head lease interest expensed.

### 9. Taxation

Corporation tax has arisen as follows:

| | Year ended 31 March 2024 £'000 | Year ended 31 March 2023 £'000 |
|---|---|---|
| Corporation tax on residual income | – | – |
| **Total** | **–** | – |

Reconciliation of tax charge to profit before tax:

| | Year ended 31 March 2024 £'000 | Year ended 31 March 2023 £'000 |
|---|---|---|
| Profit/(loss) before tax | 34,306 | (182,863) |
| Corporation tax at 25.0% (2023: 19.0%) | 8,577 | (34,744) |
| Change in value of investment properties | (3,771) | 36,740 |
| Realised (profit)/loss on disposal of investment properties | (1,380) | 2,490 |
| Tax-exempt property rental business | (3,426) | (4,486) |
| **Total** | **–** | – |

**Accounting policy**

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 14 years.

Future minimum rentals receivable under non-cancellable operating leases as at 31 March 2024 are as follows:

| | 31 March 2024 £'000 | 31 March 2023 £'000 |
|---|---|---|
| Within one year | 40,436 | 42,033 |
| Between one and two years | 33,894 | 33,340 |
| Between two and three years | 27,053 | 26,998 |
| Between three and four years | 22,170 | 22,360 |
| Between four and five years | 18,597 | 18,457 |
| Between five and ten years | 35,956 | 34,394 |
| More than ten years | 7,925 | 19,607 |
| **Total** | **186,031** | 197,189 |

### 11. Dividends

| For the year ended 31 March 2024 | Pence per share | £'000 |
|---|---|---|
| Third interim dividend for year ended 31 March 2023 paid on 3 April 2023 | 1.60 | 6,798 |
| Fourth interim dividend for year ended 31 March 2023 paid on 7 July 2023 | 1.60 | 6,798 |
| First interim dividend for year ended 31 March 2024 paid on 6 October 2023 | 1.60 | 6,798 |
| Second interim dividend for year ended 31 March 2024 paid on 29 December 2023 | 1.60 | 6,798 |
| **Total dividends paid during the year** | **6.4** | **27,192** |
| Paid as: | | |
| Property income distributions | 6.4 | 27,192 |
| Non-property income distributions | – | – |
| **Total** | **6.4** | **27,192** |

**11. Dividends** continued

| For the year ended 31 March 2023 | Pence per share | £'000 |
|---|---|---|
| Third interim dividend for year ended 31 March 2022 paid on 1 April 2022 | 1.55 | 6,585 |
| Fourth interim dividend for year ended 31 March 2022 paid on 30 June 2022 | 1.75 | 7,435 |
| First interim dividend for year ended 31 March 2023 paid on 1 October 2022 | 1.60 | 6,798 |
| Second interim dividend for year ended 31 March 2023 paid on 30 December 2022 | 1.60 | 6,798 |
| **Total dividends paid during the year** | 6.50 | 27,616 |
| Paid as: | | |
| Property income distributions | 6.50 | 27,616 |
| Non-property income distributions | – | – |
| **Total** | 6.50 | 27,616 |

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

A third interim property income dividend for the year ended 31 March 2024 of 1.60 pence per share was declared on 26 February 2024 and paid on 2 April 2024. In addition, a fourth interim non-property income dividend for the year ended 31 March 2024 of 1.60 pence per share will be declared on 25 June 2024 and paid on 26 July 2024.

**Accounting policy**
Dividends due to the Group'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 Group by the weighted average number of ordinary shares during the period. As there are no dilutive instruments in issue, basic and diluted EPS are identical.

The European Public Real Estate Association ("EPRA") publishes guidelines for calculating adjusted earnings on a comparable basis. EPRA EPS is a measure of EPS designed by EPRA to enable entities to present underlying earnings from core operating activities, which excludes fair value movements on investment properties.

The Group has also included an additional earnings measure called 'Adjusted Earnings' and 'Adjusted EPS'. Adjusted Earnings and Adjusted EPS recognises finance income earned from derivatives held at fair value through profit and loss used to hedge the Group's floating interest rate exposure. The premiums for the interest rate caps, which are being paid in quarterly instalments, are included in the statement of financial position as a derivative asset measured at fair value and have not been deducted in the calculation of adjusted earnings. Also included in adjusted earnings is the add back of the costs associated with the early close out of debt, as these costs will not be reccurring.

The Board deems this a more relevant indicator of core earnings as it reflects our ability to generate earnings from our portfolio and matches the basis on which interest cover is measured for loan covenant compliance.

| | Year ended 31 March 2024 £'000 | Year ended 31 March 2023 £'000 |
|---|---|---|
| **IFRS earnings/(losses)** | **34,306** | (182,863) |
| EPRA earnings adjustments: | | |
| (Gain)/loss on disposal of investment properties | **(5,521)** | 13,105 |
| Fair value (gains)/losses on investment properties | **(15,082)** | 193,367 |
| Interest from derivatives | **(8,193)** | (2,027) |
| Changes in fair value of interest rate derivatives | **5,214** | (4,850) |
| Losses associated with early close out of debt (see note 17) | **1,688** | – |
| **EPRA earnings** | **12,412** | 16,732 |
| Group-specific earnings adjustments: | | |
| Interest from derivatives | **8,193** | 2,027 |
| Costs associated with the transfer to the Premium Segment of the Main Market of the London Stock Exchange | **–** | 1,069 |
| **Adjusted earnings** | **20,605** | 19,828 |

| | Year ended 31 March 2024 Pence | Year ended 31 March 2023 Pence |
|---|---|---|
| **Basic IFRS EPS** | **8.1** | (43.0) |
| **Diluted IFRS EPS** | **8.1** | (43.0) |
| **EPRA EPS** | **2.9** | 3.9 |
| **Adjusted EPS** | **4.8** | 4.7 |

| | Year ended 31 March 2024 Number of shares | Year ended 31 March 2023 Number of shares |
|---|---|---|
| Weighted average number of shares in issue (thousands) | **424,862** | 424,862 |

### 13. UK investment property

| | Completed investment property £'000 | Development property and land £'000 | Total investment property £'000 |
|---|---|---|---|
| Investment property valuation brought forward as at 1 April 2023 | 752,485 | 75,660 | 828,145 |
| Acquisition of properties | – | – | – |
| Capital expenditure | 3,327 | 8,191 | 11,518 |
| Movement in rent incentives | 1,065 | (3) | 1,062 |
| Disposal of properties | (42,462) | (3,125) | (45,587) |
| Fair value gains/(losses) on revaluation of investment property | 17,312 | (2,230) | 15,082 |
| **Total portfolio valuation per valuer's report** | 731,727 | 78,493 | 810,220 |
| Assets transferred to held for sale | (56,230) | (72,830) | (129,060) |
| Adjustment for head lease obligations | 14,185 | – | 14,185 |
| **Carrying value at 31 March 2024** | **689,682** | **5,663** | **695,345** |

| | Completed investment property £'000 | Development property and land £'000 | Total investment property £'000 |
|---|---|---|---|
| Investment property valuation brought forward as at 1 April 2022 | 913,035 | 98,950 | 1,011,985 |
| Transferred in the period | 5,449 | (5,449) | – |
| Acquisition of properties | 64,512 | 2,216 | 66,728 |
| Capital expenditure | 5,035 | 8,295 | 13,330 |
| Movement in rent incentives | 1,272 | 28 | 1,300 |
| Disposal of properties | (71,206) | – | (71,206) |
| Assets transferred to held for sale | (625) | – | (625) |
| Fair value losses on revaluation of investment property | (164,987) | (28,380) | (193,367) |
| **Total portfolio valuation per valuer's report** | 752,485 | 75,660 | 828,145 |
| Adjustment for head lease obligations | 14,124 | – | 14,124 |
| **Carrying value at 31 March 2023** | 766,609 | 75,660 | 842,269 |

All completed investment properties are charged as collateral on the Group's borrowings. See note 17 for details.

Included within the carrying value of investment properties as at 31 March 2024 is £11.5 million (31 March 2023: £10.4 million) in respect of rent incentives as a result of the IFRS treatment of leases with rent-free periods, which require recognition on a straight-line basis over the lease term. The difference between this and cash receipts change the carrying value of the property on which revaluations are measured.

During the period the Group capitalised £1.2 million (31 March 2023: £1.2 million) of interest paid in development properties. Please see note 8 for details on the capitalisation rate used.

**Realised (gain)/loss on disposal of investment properties**

| | 31 March 2024 £'000 | 31 March 2023 £'000 |
|---|---|---|
| Net proceeds from disposals of investment property during the year | **51,733** | 58,101 |
| Carrying value of disposals | **(46,212)** | (71,206) |
| Realised gain/(loss) on disposal of investment properties | **5,521** | (13,105) |

**Accounting policy**

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. In addition, it is the Group's policy to capitalise finance costs relating to the development of the assets with planning permission, where development work is underway see note 8 for details.

Subsequent to initial recognition, investment property is stated at fair value (see note 25). Gains or losses arising from changes in the fair values are included in the profit and loss in the period in which they arise under IAS 40 Investment Property.

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

Movements in rent incentives are presented within the total portfolio valuation.

Where an investment property is held under a leasehold interest, the headlease is initially recognised as an asset at cost plus the present value of minimum ground rent payments and is subsequently measured at fair value. The corresponding rental liability to the head leaseholder is included in the balance sheet as a finance lease obligation (see note 19).

## 14. Investment properties held for sale

| | Completed investment property £'000 | Development property and land £'000 | Total investment property £'000 |
|---|---|---|---|
| Carrying value at 31 March 2022 | – | – | – |
| Disposal of properties | – | – | – |
| Assets transferred in | 625 | – | 625 |
| Carrying value at 31 March 2023 | 625 | – | 625 |
| Disposal of properties | (625) | – | (625) |
| Assets transferred in | 56,230 | 72,830 | 129,060 |
| **Carrying value at 31 March 2024** | **56,230** | **72,830** | **129,060** |

As at 31 March 2024, Radway Green, Crewe along with the associated land are designated as held for sale, as sales offers are in progress and will likely be completed during the year ended 31 March 2025. St Modwen Road, Plymouth completed on 29 April 2024 and Barlborough Links, Chesterfield, exchanged contracts for completion which will occur during H1 of FY'25. Pikelaw Place, Skelmersdale is expected to complete during H1 of FY'25.

**Accounting policy**
An asset will be classified as held for sale in line with IFRS 5 'Non-Current Assets Held for Sale and Discontinued Operations' if its carrying value is expected to be recovered through a sale transaction rather than continuing use. An asset will be classified in this way only when a sale is highly probable, management are committed to selling the asset at the year-end date, the asset is available for immediate sale in its current condition and the asset is expected to be disposed of within 12 months after the date of the consolidated statement of financial position.

## 15. Cash and cash equivalents

| | 31 March 2024 £'000 | 31 March 2023 £'000 |
|---|---|---|
| Cash and cash equivalents | **9,905** | 18,990 |
| Cash in transit | **6,063** | 6,063 |
| **Total** | **15,968** | 25,053 |

Cash in transit comprises £6.1 million (31 March 2023: £6.1 million) of cash held by the Group's Registrar to fund the shareholder dividend, less withholding tax, which was paid on 2 April 2024 as disclosed in note 11.

**Accounting policy**
Cash and cash equivalents comprise cash at bank and short-term deposits with banks and other financial institutions, with an initial maturity of three months or less.

## 16. Trade and other receivables

| | 31 March 2024 £'000 | 31 March 2023 £'000 |
|---|---|---|
| Rent and insurance receivables | **4,425** | 3,952 |
| Payments in advance of property completion | **2,217** | 2,080 |
| Interest receivable on derivatives | **1,770** | 1,050 |
| Occupier deposits | **643** | 698 |
| Prepayments | **266** | 191 |
| Other receivables | **2,198** | 1,287 |
| **Total** | **11,519** | 9,258 |

The rent and insurance receivables balance represents gross receivables of £4.7 million (31 March 2023: £4.2 million), net of a provision for doubtful debts of £0.3 million (31 March 2023: £0.2 million).

Payments in advance of property completion represent the deposits paid to vendors upon exchange of purchase contracts.

### 16. Trade and other receivables continued

**Accounting policy**

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

The Group applies the IFRS 9 simplified approach to measuring expected credit losses using a lifetime expected credit loss provision for trade receivables. To measure expected credit losses on a collective basis, trade receivables are grouped based on similar credit risk and ageing.

The expected loss rates are based on the Group's historical credit losses experienced over the two-year period prior to the year end. The historical loss rates are then adjusted for current and forward-looking information on macroeconomic factors affecting the Group's customers.

### 17. Interest-bearing loans and borrowings

| | 31 March 2024 £'000 | 31 March 2023 £'000 |
|---|---|---|
| At the beginning of the year | **306,000** | 271,000 |
| Drawn in the year | **323,000** | 65,000 |
| Repaid in the year | **(345,000)** | (30,000) |
| **Interest-bearing loans and borrowings** | **284,000** | 306,000 |
| Unamortised fees at the beginning of the year | **(1,907)** | (2,784) |
| Loan arrangement fees paid in the year | **(4,251)** | (175) |
| Unamortised fees written off in the year | **1,688** | – |
| Amortisation charge for the year | **883** | 1,052 |
| **Unamortised loan arrangement fees** | **(3,587)** | (1,907) |
| **Loan balance less unamortised loan arrangement fees** | **280,413** | 304,093 |

On 2 June 2023, the Group entered into a new £320.0 million facility, replacing the Group's previous £320.0 million debt facility and extending the tenure from January 2025 to June 2028. It comprises a £220.0 million term loan (2023: £182.0 million) and a £100.0 million RCF (2023: £138.0 million) with a club of four lenders; HSBC, Bank of Ireland, NatWest and Santander. The minimum interest cover is 1.5 times compared to 2.0 times under the previous facility and the maximum LTV has been extended to 60% from 55%. Both the term loan and the RCF attract a margin of 2.2% plus SONIA for an LTV below 40% or 2.5% if above. The Group has £250.0 million of interest rate caps in place, £50.0 million has a termination date of 20 November 2026, £100.0 million has a termination date of 20 July 2025 and £100.0 million has a termination date of 20 July 2027 (see note 18). The facilities are secured on all completed investment properties within the portfolio.

At 31 March 2024, £64.0 million was drawn against the RCF (31 March 2023: 124.0 million) and £220.0 million against the term loan (31 March 2023: £182.0 million). This gave total debt of £284.0 million (31 March 2023: £306.0 million); with the Group also holding cash balances of £16.0 million (31 March 2023: £25.1 million), the Group's net debt as at 31 March 2024 was £268.0 million (31 March 2023: £280.9 million). The LTV ratio at 31 March 2024 was therefore 33.1% (31 March 2023: 33.9%), with the decrease reflecting the disposal of properties in the year and the higher portfolio valuation.

As at 31 March 2024, there was £36.0 million (31 March 2023: £14.0 million) available to draw.

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

**Accounting policy**

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

### 18. Interest rate derivatives

| | 31 March 2024 £'000 | 31 March 2023 £'000 |
|---|---|---|
| At the start of the period | **7,387** | 337 |
| Additional premiums accrued | **3,849** | 10,926 |
| Changes in fair value of interest rate derivatives | **(5,214)** | 4,850 |
| Movement in interest rate derivative premium payable | **1,219** | (8,726) |
| **Balance at the end of the period** | **7,241** | 7,387 |
| Current | **1,756** | (3,841) |
| Non-current | **5,485** | 11,228 |
| **Balance at the end of the period** | **7,241** | 7,387 |

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 ("caps") against movements in SONIA. The caps have a combined notional value of £250.0 million with £200.0 million at a strike rate of 1.50% and the remaining £50 million at a strike rate of 2.00%. The £50.0 million cap has a termination date of 20 November 2026, £100.0 million has a termination date of 20 July 2025 and £100.0 million has a termination date of 20 July 2027.

### 18. Interest rate derivatives continued

Total consideration payable for the interest rate caps has been deferred over eight consecutive quarters, subsequent to the issuance of the instrument. The Group has paid £5.1 million in deferred premiums during the year to 31 March 2024 (2023: £2.2 million). The remaining premium of £7.5 million is due in quarterly instalments with the final payment due in October 2025.

**Accounting policy**

Interest rate derivatives are initially recognised at fair value and are subsequently measured at fair value, being the estimated amount that the Group would receive or pay to terminate the agreement at the period end date, taking into account current interest rate expectations and the current credit rating of the Group and its counterparties. Premiums 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.

All receipts of income from the instrument are recognised as finance income in note 8 of the financial statements separate from the fair value measurement recorded.

### 19. Head lease obligations

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

| | 31 March 2024 £'000 | 31 March 2023 £'000 |
|---|---|---|
| **Current liabilities** | | |
| Within one year | **987** | 705 |
| **Non-current liabilities** | | |
| After one year but not more than two years | **903** | 919 |
| After two years but not more than five years | **2,374** | 2,141 |
| After five years but not more than ten years | **3,035** | 2,776 |
| Later than ten years | **7,923** | 8,484 |
| | **14,235** | 14,320 |
| **Total head lease obligations** | **15,222** | 15,025 |

The maturity analysis has been expanded in the current year to provide more information. The comparatives have been amended for consistency.

| | 31 March 2024 £'000 | 31 March 2023 £'000 |
|---|---|---|
| **Head lease liability — opening balance** | **15,025** | 14,896 |
| Cash flows | **(1,074)** | (832) |
| **Non-cash movements** | | |
| Interest | **1,054** | 961 |
| Head lease accrual | **217** | – |
| **Head lease obligations — closing balance** | **15,222** | 15,025 |

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

| | 31 March 2024 £'000 | 31 March 2023 £'000 |
|---|---|---|
| **Current liabilities** | | |
| Within one year | **1,056** | 1,052 |
| **Non-current liabilities** | | |
| After one year but not more than five years | **4,223** | 4,219 |
| Later than five years | **86,696** | 85,530 |
| **Total** | **91,975** | 90,801 |

The weighted average unexpired lease term of head leases is 88.2 years (31 March 2023: 93.9 years).

**Accounting policy**

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

### 20. Other liabilities — other payables and accrued expenses, provisions and deferred income

| | 31 March 2024 £'000 | 31 March 2023 £'000 |
|---|---|---|
| Administration expenses payable | 1,763 | 2,170 |
| Deferred consideration payable | 10,300 | 4,500 |
| Capital expenses payable | 1,743 | 3,864 |
| Loan interest payable | 4,161 | 3,691 |
| Property operating expenses payable | 733 | 855 |
| Other expenses payable | 1,958 | 3,504 |
| **Total other payables and accrued expenses — current** | **20,658** | 18,584 |

Other payables and accrued expenses are initially recognised at fair value and subsequently held at amortised cost. No discounting is applied to deferred consideration on the grounds of materiality.

| | 31 March 2024 £'000 | 31 March 2023 £'000 |
|---|---|---|
| Capital expenses payable | – | 11,300 |
| **Total other payables and accrued expenses — non-current** | – | 11,300 |

During the year ended 31 March 2021, the Group exchanged contracts to acquire land for £15.0 million. The first three instalments were paid for a total of £2.5 million to the year ended 31 March 2022 with an additional £1.5 million paid during the year ended 31 March 2023 and £1.0 million paid during the year ended 31 March 2024. The final instalment of £10.3 million is due to be paid on 1 September 2024.

| | 31 March 2024 £'000 | 31 March 2023 £'000 |
|---|---|---|
| **Total deferred income** | **7,251** | 7,115 |

Deferred income is rental income received in advance during the accounting period. The income is deferred and is unwound to revenue on a straight-line basis over the period in which it is earned.

### 21. Share capital

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

| Ordinary shares of £0.01 each | Number | 31 March 2024 £'000 | Number | 31 March 2023 £'000 |
|---|---|---|---|---|
| Authorised, issued and fully paid: | | | | |
| At the start of the period | 424,861,650 | 4,249 | 424,861,650 | 4,249 |
| Shares issued | – | – | – | – |
| **Balance at the end of the period** | **424,861,650** | **4,249** | 424,861,650 | 4,249 |

The share capital comprises one class of ordinary shares. At general meetings of the Group, 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.

### 22. Share premium

Share premium comprises the following amounts:

| | 31 March 2024 £'000 | 31 March 2023 £'000 |
|---|---|---|
| **At the start of the period** | **275,648** | 275,648 |
| Shares issued | – | – |
| **Share premium** | **275,648** | 275,648 |

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

### 23. Retained earnings

Retained earnings comprise the following cumulative amounts:

| | 31 March 2024 £'000 | 31 March 2023 £'000 |
|---|---|---|
| Capital reduction reserve | 161,149 | 161,149 |
| Total unrealised gains on investment properties | 111,093 | 96,011 |
| Total unrealised gain on interest rate caps | (168) | 5,046 |
| Total realised profits | 106,646 | 82,208 |
| Dividends paid from revenue profits | (123,028) | (95,836) |
| **Retained earnings** | 255,692 | 248,578 |

Retained earnings represent the profits of the Group less dividends paid from revenue profits to date. Unrealised gains on the revaluation of investment properties and interest rate caps contained within this reserve are not distributable until any gains crystallise on the sale of the investment property and settlement of the interest rate caps. The capital reduction reserve is a distributable reserve established upon cancellation of the share premium of the Group on 17 November 2017.

### 24. Net asset value per share

Basic NAV per share amounts are calculated by dividing net assets attributable to ordinary equity holders of the Group 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 2024 £'000 | 31 March 2023 £'000 |
|---|---|---|
| IFRS net assets attributable to ordinary shareholders | 535,589 | 528,475 |
| IFRS net assets for calculation of NAV | 535,589 | 528,475 |
| Adjustment to net assets: | | |
| Fair value of interest rate derivatives (note 18) | (7,241) | (7,387) |
| **EPRA NTA** | 528,348 | 521,088 |

| | 31 March 2024 Pence | 31 March 2023 Pence |
|---|---|---|
| **IFRS basic and diluted NAV per share (pence)** | 126.1 | 124.4 |
| **EPRA NTA per share (pence)** | 124.4 | 122.6 |

| | 31 March 2024 Number of shares | 31 March 2023 Number of shares |
|---|---|---|
| Number of shares in issue (thousands) | 424,862 | 424,862 |

### 25. Fair value

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

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

Interest-bearing loans and borrowings are disclosed at amortised cost. The carrying value of the loans and borrowings approximate their fair value due to the contractual terms and conditions of the loan. The loans are at variable interest rates of 2.2% to 2.5% above SONIA.

**Interest rate derivatives**

The fair value of the interest rate cap contracts is recorded in the statement of financial position and is revalued quarterly by an independent valuations specialist, Chatham Financial.

The fair value is determined by forming an expectation that interest rates will exceed strike rates and discounting these future cash flows at the prevailing market rates as at the year end.

## 25. Fair value continued

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

The valuation of the Group's investment property at fair value is determined by the independent external valuer on the basis of market value in accordance with the internationally accepted RICS Valuation – Professional Standards January 2022 (incorporating the International Valuation Standards).

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

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

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

| | 31 March 2024 | | | |
|---|---|---|---|---|
| **Assets and liabilities measured at fair value** | **Level 1 £'000** | **Level 2 £'000** | **Level 3 £'000** | **Total £'000** |
| Investment properties and assets held for sale | – | – | 810,220 | 810,220 |
| Interest rate derivatives | – | 7,241 | – | 7,241 |
| **Total** | – | 7,241 | 810,220 | 817,461 |

| | 31 March 2023 | | | |
|---|---|---|---|---|
| **Assets and liabilities measured at fair value** | **Level 1 £'000** | **Level 2 £'000** | **Level 3 £'000** | **Total £'000** |
| Investment properties and assets held for sale | – | – | 828,770 | 828,770 |
| Interest rate derivatives | – | 7,387 | – | 7,387 |
| **Total** | – | 7,387 | 828,770 | 836,157 |

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.

| 31 March 2024 | Fair value £'000 | Valuation technique | Key unobservable inputs | Range |
|---|---|---|---|---|
| Multi-let more than 100k sq ft | 373,510 | Income capitalisation | ERV | £2.62 – £10.90 |
| | | | Equivalent yield | 5.2% – 11.1% |
| Multi-let less than 100k sq ft | 150,390 | Income capitalisation | ERV | £5.22 – £12.53 |
| | | | Equivalent yield | 5.7% – 13.1% |
| Single-let regional distribution | 129,875 | Income capitalisation | ERV | £5.25 – £7.38 |
| | | | Equivalent yield | 5.7% – 9.7% |
| Single-let last mile | 78,065 | Income capitalisation | ERV | £4.25 – £12.71 |
| | | | Equivalent yield | 5.5% – 9.5% |
| Development land | 78,380 | Comparable method | Sales rate per acre | £195,000 – £860,000 |
| | 810,220 | | | |

### 25. Fair value continued

| 31 March 2023 | Fair value £'000 | Valuation technique | Key unobservable inputs | Range |
|---|---|---|---|---|
| Multi-let more than 100k sq ft | 383,975 | Income capitalisation | ERV | £2.38 – £17.50 |
| | | | Equivalent yield | 5.0% – 19.8% |
| Multi-let less than 100k sq ft | 153,910 | Income capitalisation | ERV | £3.24 – £12.02 |
| | | | Equivalent yield | 5.8% – 17.8% |
| Single-let regional distribution | 131,890 | Income capitalisation | ERV | £3.50 – £7.38 |
| | | | Equivalent yield | 5.1% – 7.8% |
| Single-let last mile | 83,335 | Income capitalisation | ERV | £3.50 – £12.71 |
| | | | Equivalent yield | 5.3% – 13.4% |
| Development land | 75,660 | Comparable method | Sales rate per acre | £200,000 – £925,000 |
| | 828,770 | | | |

The weighted average equivalent yield and ERV for completed investment property is 6.4% and £7.60 per sq ft, respectively (31 March 2023: 6.8% and £7.26 per sq ft). The weighted average sales rate per acre for development property and land is £681,000 (31 March 2023: £622,000).

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

Generally, a change in the assumption made for the ERV is accompanied by:

- a similar change in the rent growth per annum and discount rate (and exit yield)

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

**As at 31 March 2024**

| Completed investment property | Increase in sensitivity £'000 | Decrease in sensitivity £'000 |
|---|---|---|
| Change in ERV of 5% | 36,592 | 36,592 |
| Change in net equivalent yields of 25 basis points | 27,874 | (30,214) |

| Development property and land | Increase in sensitivity £'000 | Decrease in sensitivity £'000 |
|---|---|---|
| Change in sales rate per acre of 5% | 3,892 | (3,892) |

| Interest rate derivatives | Increase in sensitivity £'000 | Decrease in sensitivity £'000 |
|---|---|---|
| Change in SONIA by 50 basis points | 2,423 | (2,417) |

As at 31 March 2023

| Completed investment property | Increase in sensitivity £'000 | Decrease in sensitivity £'000 |
|---|---|---|
| Change in ERV of 5% | 37,656 | (37,656) |
| Change in net equivalent yields of 25 basis points | 28,012 | (30,341) |

| Development property and land | Increase in sensitivity £'000 | Decrease in sensitivity £'000 |
|---|---|---|
| Change in sales rate per acre of 5% | 3,756 | (3,756) |

| Interest rate derivatives | Increase in sensitivity £'000 | Decrease in sensitivity £'000 |
|---|---|---|
| Change in SONIA by 50 basis points | 2,630 | (2,634) |

### 25. Fair value continued

Gains recorded in profit or loss for recurring fair value measurements categorised within Level 3 of the fair value hierarchy amount to £15,082,000 (31 March 2023: loss of £193,367,000) and are presented in the 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.

### 26. Financial risk management objectives and policies

The Group's principal financial liabilities are loans and borrowings. The main purpose of the Group's loans and borrowings is to finance the acquisition of the Group's property portfolio. The Group has trade and other receivables, trade and other payables and cash and short-term deposits that arise directly from its operations.

The Group is exposed to market risk, interest rate risk, credit risk and liquidity risk. The Board of Directors reviews and agrees policies for managing each of these risks, which are summarised below.

**Market risk**

The Group's activities expose it primarily to the financial risks of changes in interest rates. The Group enters into a variety of derivative financial instruments to manage its exposure to interest rate risk. There has been no change to the Group's exposure to market risks or the manner in which these risks are managed and measured.

**Interest rate risk**

Interest rate risk is the risk that future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group's exposure to the risk of changes in market interest rates relates to its variable rate bank loans. In order to address interest rate risk, the Group has entered into interest rate cap instruments.

The instruments have a combined notional value of £250.0 million, £200.0 million at a strike rate of 1.50% and the remaining £50.0 million at a strike rate of 2.00%. £100.0 million has a termination date of 20 July 2025, £100.0 million has a termination date of 20 July 2027 and the £50.0 million has a termination date of 20 November 2026.

As at 31 March 2024, the unhedged exposure to changes in interest rates is £34.0 million (31 March 2023: £76.0 million).

Changes in interest rates may have an impact on consolidated earnings over the longer term. The table below provides indicative sensitivity data.

| | 2024 | | 2023 | |
|---|---|---|---|---|
| **Effect on (loss)/profit before tax:** | **Increase in interest rates by 1% £'000** | **Decrease in interest rates by 1% £'000** | **Increase in interest rates by 1% £'000** | **Decrease in interest rates by 1% £'000** |
| Increase/(decrease) | **(340)** | **340** | (760) | 760 |

**Credit risk**

Credit risk is the risk that a counterparty or occupier will cause a financial loss to the Group by failing to meet a commitment it has entered into with the Group.

All cash deposits are placed with approved counterparties, currently HSBC Bank plc. In respect of property investments, in the event of a default by an occupier, the Group will suffer a shortfall and additional costs concerning re-letting of the property. The Investment Advisor monitors the occupier arrears in order to anticipate and minimise the impact of defaults by occupational occupiers.

Credit risk is not considered material due to the diverse number of occupiers in the investment property portfolio.

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

| | 31 March 2024 £'000 | 31 March 2023 £'000 |
|---|---|---|
| Cash and cash equivalents | **9,905** | 18,990 |
| Restricted cash | **6,063** | 6,063 |
| Trade and other receivables[1] | **9,036** | 6,987 |
| **Total** | **25,004** | 32,040 |

1 Excludes prepayments and payments in advance of completion.

### 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:

### 26. Financial risk management objectives and policies continued

| | | 2024 | | 2023 | |
|---|---|---|---|---|---|
| | Fair value hierarchy | Carrying value £'000 | Fair value £'000 | Carrying value £'000 | Fair value £'000 |
| **Held at amortised cost** | | | | | |
| Cash and cash equivalents | n/a | **9,905** | **9,905** | 18,990 | 18,990 |
| Restricted cash | n/a | **6,063** | **6,063** | 6,063 | 6,063 |
| Trade and other receivables[1] | n/a | **9,036** | **9,036** | 6,987 | 6,987 |
| Other payables and accrued expenses[2] | n/a | **(18,985)** | **(18,985)** | (26,629) | (26,629) |
| Interest-bearing loans and borrowings | n/a | **(280,413)** | **(280,413)** | (304,093) | (304,093) |
| **Held at fair value** | | | | | |
| Interest rate derivatives (assets) | 2 | **7,241** | **7,241** | 7,387 | 7,387 |

1 Excludes prepayments and payments in advance of completion.

2 Excludes VAT liability and deferred income.

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

| Year ended 31 March 2024 | Less than three months £'000 | Three to 12 months £'000 | One to two years £'000 | Two to five years £'000 | More than five years £'000 | Total £'000 |
|---|---|---|---|---|---|---|
| Interest-bearing loans and borrowings | **5,233** | **15,755** | **20,988** | **330,805** | **–** | **372,781** |
| Other payables and accrued expenses | **8,685** | **10,300** | **–** | **–** | **–** | **18,985** |
| Head lease obligations | **264** | **792** | **1,056** | **3,167** | **86,696** | **91,975** |
| **Total** | **14,182** | **26,847** | **22,044** | **333,972** | **86,696** | **483,741** |

| Year ended 31 March 2023 | Less than three months £'000 | Three to 12 months £'000 | One to two years £'000 | Two to five years £'000 | More than five years £'000 | Total £'000 |
|---|---|---|---|---|---|---|
| Interest-bearing loans and borrowings | – | 13,993 | 321,112 | – | – | 335,105 |
| Other payables and accrued expenses | 10,829 | 4,500 | 11,300 | – | – | 26,629 |
| Head lease obligations | 263 | 789 | 1,055 | 3,164 | 85,530 | 90,801 |
| **Total** | 11,092 | 19,282 | 333,467 | 3,164 | 85,530 | 452,535 |

### 27. Subsidiaries

| Company | Country of incorporation and operation | Number and class of share held by the Group | Group holding |
|---|---|---|---|
| Tilstone Holdings Limited | UK | 63,872 ordinary shares | 100% |
| Tilstone Warehouse Holdco Limited | UK | 94,400 ordinary shares | 100% |
| Tilstone Industrial Warehouse Limited[1] | UK | 23,600 ordinary shares | 100% |
| Tilstone Retail Warehouse Limited[1] | UK | 20,000 ordinary shares | 100% |
| Tilstone Industrial Limited[1] | UK | 20,000 ordinary shares | 100% |
| Tilstone Retail Limited[1] | UK | 200 ordinary shares | 100% |
| Tilstone Trade Limited[1] | UK | 20,004 ordinary shares | 100% |
| Tilstone Basingstoke Limited[1] | UK | 1,000 ordinary shares | 100% |
| Tilstone Glasgow Limited[1] | UK | 1 ordinary share | 100% |
| Tilstone Radway Limited[1] | UK | 100 ordinary shares | 100% |
| Tilstone Oxford Limited[1] | UK | 1,000 ordinary shares | 100% |
| Tilstone Liverpool Limited[1] | UK | 100 ordinary shares | 100% |
| Warehouse 1234 Limited[1] | UK | 100 ordinary shares | 100% |
| Tilstone Chesterfield Limited[1] | UK | 15,000,001 ordinary shares | 100% |

1 Indirect subsidiaries.

The registered office of all subsidiaries is located at 65 Gresham Street, London EC2V 7NQ.

Tilstone Property Holdings Limited was voluntarily struck off and dissolved on 5 December 2023.

### 28. Capital management

The Group's capital is represented by share capital, reserves and borrowings totalling £816.0 million (2023: £832.0 million).

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 while 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 60% LTV. The intention is to maintain borrowings at an LTV of between 30% and 40%.

The Group is subject to banking covenants in regards to its debt facility and these include a prescribed methodology for interest cover and market value covenants that are measured at a Group level.

The Group has complied with all covenants on its borrowings up to the date of this report. All of the targets mentioned above sit comfortably within the Group's covenant levels, which include loan to value ("LTV"), interest cover ratio and loan to projected project cost ratio. The Group LTV at the year end was 33.1% (2023: 33.9%) and there is substantial headroom within existing covenants.

### 29. Related party transactions

**Directors**

The Directors (all Non-Executive Directors) of the Group and its subsidiaries are considered to be the key management personnel of the Group. Directors' remuneration (including social security costs) for the period totalled £178,000 (31 March 2023: £179,000) and at 31 March 2024, a balance of £nil (31 March 2023: £nil) was outstanding. The Directors who served during the year received £1.5 million in dividend payments (31 March 2023: £1.6 million). Further information is given in note 5 and in the Directors' remuneration report on pages 90 to 92.

**Investment Advisor**

The Group is party to an Investment Management Agreement with the Investment Manager and the Investment Advisor, pursuant to which the Group 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 the rate of 1.1% of the NAV of the Group up to £500 million and at a lower rate of 0.9% thereafter. Refer to page 95 of the Directors' report for further information.

During the year, the Group incurred £5,725,000 (31 March 2023: £6,970,000) in respect of investment management fees. As at 31 March 2024, £1,429,000 (31 March 2023: £1,529,000) was outstanding.

During the year, the Group reimbursed £nil (31 March 2023: £86,900) in respect of direct costs incurred by the Investment Advisor relating to the movement to the Premium Segment of the Main Market, as well as £5,151 (31 March 2023: £16,665) of incidental travel related costs.

### 30. Ultimate controlling party

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

### 31. Notes to the statement of cash flows

**Reconciliation of changes in liabilities to cash flows generated from financing activities**

| | Interest payable £'000 | Interest-bearing loans and borrowings £'000 | Head lease liability £'000 | Total £'000 |
|---|---|---|---|---|
| **Balance as at 1 April 2023** | **3,691** | **304,093** | **15,025** | **322,809** |
| Changes from financing cash flows: | | | | |
| Bank loans drawn down | – | 323,000 | – | 323,000 |
| Bank loans repaid | – | (345,000) | – | (345,000) |
| Loan arrangement fees paid in the year | – | (4,251) | – | (4,251) |
| Loan interest paid | (21,321) | – | – | (21,321) |
| Head lease payments | – | – | (1,074) | (1,074) |
| **Total changes from financing cash flows** | (21,321) | (26,251) | (1,074) | (48,646) |
| Amortisation charge for the year | – | 883 | – | 883 |
| Arrangement fees written off | – | 1,688 | – | 1,688 |
| Head lease interest | – | – | 1,054 | 1,054 |
| Interest and commitment fee | 21,791 | – | – | 21,791 |
| Accrued head lease expense | – | – | 217 | 217 |
| **Balance as at 31 March 2024** | 4,161 | 280,413 | 15,222 | 299,796 |

| | Interest payable £'000 | Interest-bearing loans and borrowings £'000 | Head lease liability £'000 | Total £'000 |
|---|---|---|---|---|
| Balance as at 1 April 2022 | 1,444 | 268,216 | 14,896 | 284,556 |
| Changes from financing cash flows: | | | | |
| Bank loans drawn down | – | 65,000 | – | 65,000 |
| Bank loans repaid | – | (30,000) | – | (30,000) |
| Loan arrangement fees paid in the year | – | (175) | – | (175) |
| Interest and commitment fees paid | (11,810) | – | – | (11,810) |
| Head lease payments | – | – | (832) | (832) |
| Total changes from financing cash flows | (11,810) | 34,825 | (832) | 22,183 |
| Amortisation charge for the year | – | 1,052 | – | 1,052 |
| Head lease interest | – | – | 961 | 961 |
| Interest and commitment fee | 14,057 | – | – | 14,057 |
| Accrued head lease expense | – | – | – | – |
| Balance as at 31 March 2023 | 3,691 | 304,093 | 15,025 | 322,809 |

### 32. Capital commitments

Other than the amounts disclosed in note 20, the Group has no material capital commitments in relation to its development activity, asset management initiatives and commitments under development land, outstanding as at 31 March 2024 (31 December 2023: nil).

### 33. Post balance sheet events

The Group exchanged or completed on the sale of £57.5 million of non-core single-let assets in three separate transactions. The transactions comprise Parkway Industrial Estate in Plymouth sold for £6.3 million and Celtic Business Park, Newport sold for £5.2 million. Barlborough Links in Chesterfield, exchanged for £46.0 million and is expected to complete shortly. In June 2024, the Group exchanged contracts to acquire Ventura Retail Park in Tamworth, a retail warehousing asset for £38.6 million, with completion to occur in Q2 2024.

# COMPANY STATEMENT OF FINANCIAL POSITION

## AS AT 31 MARCH 2024



The Company reported a loss for the year ended 31 March 2024 of £323,000 (year ended 31 March 2023: loss of £2,495,000).

These financial statements were approved by the Board of Directors of Warehouse REIT plc on 24 June 2024 and signed on its behalf by:

**Neil Kirton**
Company number: 10880317

| | Notes | 31 March 2024 £'000 | 31 March 2023 £'000 |
|---|---|---|---|
| **Assets** | | | |
| **Non-current assets** | | | |
| Investment in subsidiary companies | 36 | **25,244** | 66,477 |
| Amount due from subsidiaries | 38 | **276,570** | 242,750 |
| | | **301,814** | 309,227 |
| **Current assets** | | | |
| Cash and cash equivalents | 37 | **8,183** | 6,245 |
| Amount due from subsidiaries | 38 | **27,000** | 27,000 |
| Trade and other receivables | 38 | **625** | 697 |
| | | **35,808** | 33,942 |
| **Total assets** | | **337,622** | 343,169 |
| **Liabilities** | | | |
| **Current liabilities** | | | |
| Other payables and accrued expenses | 39 | **(1,652)** | (1,793) |
| Amount due to subsidiaries | 39 | **(27,151)** | (5,042) |
| **Total liabilities** | | **(28,803)** | (6,835) |
| **Net assets** | | **308,819** | 336,334 |
| **Equity** | | | |
| Share capital | | **4,249** | 4,249 |
| Share premium | | **275,648** | 275,648 |
| Retained earnings | | **28,922** | 56,437 |
| **Total equity** | | **308,819** | 336,334 |
| Number of shares in issue (thousands) | | **424,862** | 424,862 |
| **Net asset value per share (basic and diluted) (pence)** | | **72.7** | 79.2 |

The accompanying notes on pages 130 to 131 form an integral part of these financial statements.

# COMPANY STATEMENT OF CHANGES IN EQUITY
## FOR THE YEAR ENDED 31 MARCH 2024



Retained earnings represent distributable profits available to the members of the Company.

| | Share capital £'000 | Share premium £'000 | Retained earnings £'000 | Total £'000 |
|---|---|---|---|---|
| Balance at 31 March 2022 | 4,249 | 275,648 | 86,548 | 366,445 |
| Total comprehensive expense | – | – | (2,495) | (2,495) |
| Dividends paid | – | – | (27,616) | (27,616) |
| **Balance at 31 March 2023** | **4,249** | **275,648** | **56,437** | **336,334** |
| Total comprehensive expense | **–** | **–** | **(323)** | **(323)** |
| Dividends paid | **–** | **–** | **(27,192)** | **(27,192)** |
| **Balance at 31 March 2024** | **4,249** | **275,648** | **28,922** | **308,819** |

The accompanying notes on pages 130 to 131 form an integral part of these financial statements.

### 34. General information

Warehouse REIT plc is a closed-ended REIT incorporated in England and Wales on 24 July 2017. The Company began trading on 20 September 2017. The registered office of the Company is located at 6th Floor, 65 Gresham Street, London, England, EC2V 7NQ. The Company's shares are admitted to trading on the Premium Segment of the Main Market, a market operated by the London Stock Exchange.

### 35. Basis of preparation

The financial statements have been prepared in accordance with Financial Reporting Standard 101 Reduced Disclosure Framework ("FRS 101"). This is a transition from UK adopted international accounting standards which has been made in order to take advantage of the disclosure exemptions available under FRS101. The adoption of FRS101 has not resulted in any change in the Company's accounting policies.

Disclosure exemptions adopted In preparing these financial statements the Company has taken advantage of all disclosure exemptions conferred by FRS 101. Therefore these financial statements do not include:

- certain comparative information as otherwise required by adopted IFRS;
- certain disclosures regarding the Company's capital;
- a statement of cash flows;
- the effect of future accounting standards not yet adopted;
- the disclosure of the remuneration of key management personnel; and
- disclosure of related party transactions with other wholly owned members of Warehouse REIT plc.

In addition, and in accordance with FRS 101, further disclosure exemptions have been adopted because equivalent

disclosures are included in the Company's consolidated financial statements. These financial statements do not include

certain disclosures in respect of:

- financial instruments;
- fair value measurement

The financial statements have been prepared under the historical cost convention. The audited financial statements are presented in Pound Sterling and all values are rounded to the nearest thousand pounds (£'000), except when otherwise indicated.

The Company has taken advantage of the exemption in section 408 of the Companies Act 2006 not to present its own statement of comprehensive income.

The financial statements of the Company follow the accounting policies laid out on pages 110 to 127.

In the course of preparing the financial statements, no judgements or estimates have been made in the process of applying the accounting policies that have had a significant effect on the amounts recognised in the financial statements.

### 36. Investment in subsidiary companies

| | 31 March 2024 £'000 | 31 March 2023 £'000 |
|---|---|---|
| **Investment in subsidiary companies** | | |
| Total carrying value | **25,244** | 66,477 |
| **Total** | **25,244** | 66,477 |

| | 31 March 2024 £'000 | 31 March 2023 £'000 |
|---|---|---|
| **Investments in subsidiary companies** | | |
| Tilstone Holdings Limited | **21,017** | 21,017 |
| Tilstone Warehouse Holdco Limited | **4,227** | 4,227 |
| Tilstone Property Holdings Limited | **–** | 41,233 |
| | **25,244** | 66,477 |

During the year, Tilstone Property Holdings Limited was dissolved on 19 December 2023.

**Accounting policy**
Investments in subsidiary companies are included in the statement of financial position at cost less impairment.

Where the carrying value of the investment exceeds its recoverable amount (the higher of value-in-use and fair value less costs to sell), the investment is impaired accordingly.

Impairment charges are included in Company profit or loss.

### 37. Cash and cash equivalents

| | 31 March 2024 £'000 | 31 March 2023 £'000 |
|---|---|---|
| Cash and cash equivalents | **2,120** | 182 |
| Cash in transit | **6,063** | 6,063 |
| **Total** | **8,183** | 6,245 |

Cash in transit comprises £6.1 million (31 March 2023: £6.1 million) of cash held by the Company's Registrar to fund the shareholder dividend, less withholding tax, which was paid on 2 April 2024 as disclosed in note 11.

### 38. Trade and other receivables

| | 31 March 2024 £'000 | 31 March 2023 £'000 |
|---|---|---|
| Prepayments | **60** | 22 |
| Other receivables | **565** | 675 |
| Amount due from subsidiaries | **27,000** | 27,000 |
| **Current receivables** | **27,625** | 27,697 |
| Amount due from subsidiaries | **276,570** | 242,750 |
| **Non-current receivables** | **276,570** | 242,750 |

Loans due from subsidiary companies are unsecured, interest free and repayable on demand. The Directors have reviewed the Company's cash flow forecast and presented the amount expected to fall due within 12 months as current. The Directors do not expect any further amounts to be paid within 12 months and as such the remaining balance has been classified as non-current assets.

The amounts due from subsidiaries are not considered to carry any material credit risk, being from related parties that remain trading in their normal capacity.

### 39. Other payables and accrued expenses

| | 31 March 2024 £'000 | 31 March 2023 £'000 |
|---|---|---|
| Other expenses payable | **1,652** | 1,793 |
| Amounts due to subsidiaries | **27,151** | 5,042 |
| **Total** | **28,803** | 6,835 |

### 40. Related party transactions

The Company has taken advantage of the exemption not to disclose transactions with other members of the Group as the Company's own financial statements are presented together with its consolidated financial statements.

For all other related party transactions make reference to note 29 of the Group's financial statements.

# UNAUDITED SUPPLEMENTARY NOTES NOT PART OF THE CONSOLIDATED FINANCIAL INFORMATION

## FOR THE YEAR ENDED 31 MARCH 2024

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

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

EPRA Best Practices Recommendations have been disclosed to facilitate comparison with the Group's peers through consistent reporting of key real estate specific performance measures. Certain other APMs may not be directly comparable with other companies' adjusted measures and are not intended to be a substitute for, or superior to, any IFRS measures of performance.

### Table 1: EPRA performance measures summary

| | Notes | 2024 | 2023 |
|---|---|---|---|
| EPRA EPS (pence) | Table 2 | **2.9** | 3.9 |
| EPRA cost ratio (including direct vacancy cost) | Table 6 | **24.4%** | 30.8% |
| EPRA cost ratio (excluding direct vacancy cost) | Table 6 | **23.4%** | 26.8% |
| | | | |
| EPRA NDV per share (pence) | Table 3 | **126.1** | 124.4 |
| EPRA NRV per share (pence) | Table 3 | **137.3** | 135.9 |
| EPRA NTA per share (pence) | Table 3 | **124.4** | 122.6 |
| EPRA NIY | Table 4 | **5.4%** | 5.0% |
| EPRA 'topped-up' net initial yield | Table 4 | **5.6%** | 5.5% |
| EPRA vacancy rate | Table 5 | **3.6%** | 5.0% |
| EPRA LTV | Table 10 | **34.2%** | 36.5% |

Table 2: EPRA income statement

| | Notes | Year ended 31 March 2024 £'000 | Year ended 31 March 2023 (Restated) £'000 |
|---|---|---|---|
| Total property income | 3 | **51,026** | 51,185 |
| Less: service charge income | 3 | **(3,853)** | (3,340) |
| Less: dilapidation income | 3 | **(1,652)** | (503) |
| Less: insurance recharged | 3 | **(1,496)** | (1,592) |
| **Rental income (A)** | | **44,025** | 45,750 |
| Property operating expenses | 4 | **(4,330)** | (5,454) |
| Service charge expenses | 4 | **(4,068)** | (3,767) |
| Add back: service charge income | 3 | **3,853** | 3,340 |
| Add back: dilapidation income | 3 | **1,652** | 503 |
| Add back: insurance recharged | 3 | **1,496** | 1,592 |
| **Adjusted gross profit (B)** | | **42,628** | 41,964 |
| Administration expenses | 4 | **(7,605)** | (9,716) |
| **Adjusted operating profit before interest and tax** | | **35,023** | 32,248 |
| Finance income | 7 | **8,460** | 6,889 |
| Finance expenses | 8 | **(29,780)** | (15,528) |
| Add back: Costs associated with the transfer to the Premium Segment of the Main Market of the London Stock Exchange | | **–** | 1,069 |
| Add back: Losses associated with early close out of debt (see note 17) | | **1,688** | – |
| Less change in fair value of interest rate derivatives | | **5,214** | (4,850) |
| **Adjusted profit before tax** | | **20,605** | 19,828 |
| Tax on adjusted profit | | **–** | – |
| **Adjusted earnings** | | **20,605** | 19,828 |
| Less: interest from derivatives | | **(8,193)** | (2,027) |
| Less: Costs associated with the transfer to the Premium Segment of the Main Market of the London Stock Exchange | | **–** | (1,069) |
| **EPRA earnings** | | **12,412** | 16,732 |
| Weighted average number of shares in issue (thousands) | | **424,862** | 424,862 |
| **EPRA EPS (pence)** | | **2.9** | 3.9 |
| **Adjusted EPS (pence)** | | **4.8** | 4.7 |
| | | | |
| **Gross to net rental income ratio (B/A)** | | **96.83%** | 91.72% |

# UNAUDITED SUPPLEMENTARY NOTES NOT PART OF THE CONSOLIDATED FINANCIAL INFORMATION

## FOR THE YEAR ENDED 31 MARCH 2024



The Group has also included additional earnings measures called 'Adjusted Earnings' and 'Adjusted EPS'. Adjusted Earnings and Adjusted EPS recognises finance income earned from derivatives held at fair value through profit and loss used to hedge the Group's floating interest rate exposure. The premiums for the interest rate caps, which are being paid in quarterly instalments, are included in the statement of financial position as a derivative asset measured at fair value and have not been deducted in the calculation of adjusted earnings. Also included in adjusted earnings is the add back of the costs associated with the early close out of debt, as these costs will not be recurring and has been adjusted for as a 'Group-specific adjustment'.

The Board deems this a more relevant indicator of core earnings as it reflects our ability to generate earnings from our portfolio.

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

In line with the European Public Real Estate Association ("EPRA") published Best Practice Recommendations ("BPR") for financial disclosures by public real estate companies, the Group presents three measures of net asset value: EPRA net disposal value ("NDV"), EPRA net reinstatement value ("NRV") and EPRA net tangible assets ("NTA"). EPRA NTA is considered to be the most relevant measure for Warehouse REIT's operating activities.

| As at 31 March 2024 | EPRA NDV £'000 | EPRA NRV £'000 | EPRA NTA £'000 |
|---|---|---|---|
| Total properties[1] | **810,220** | **810,220** | **810,220** |
| Net borrowings[2] | **(268,032)** | **(268,032)** | **(268,032)** |
| Other net liabilities | **(6,599)** | **(6,599)** | **(6,599)** |
| **IFRS NAV** | **535,589** | **535,589** | **535,589** |
| Exclude: fair value of interest rate derivatives | **–** | **(7,241)** | **(7,241)** |
| Include: real estate transfer tax[3] | **–** | **55,095** | **–** |
| **NAV used in per share calculations** | **535,589** | **583,443** | **528,348** |
| Number of shares in issue (thousands) | **424,862** | **424,862** | **424,862** |
| **NAV per share (pence)** | **126.1** | **137.3** | **124.4** |

| As at 31 March 2023 | EPRA NDV £'000 | EPRA NRV £'000 | EPRA NTA £'000 |
|---|---|---|---|
| Total properties[1] | 828,770 | 828,770 | 828,770 |
| Net borrowings[2] | (280,947) | (280,947) | (280,947) |
| Other net liabilities | (19,348) | (19,348) | (19,348) |
| **IFRS NAV** | 528,475 | 528,475 | 528,475 |
| Exclude: fair value of interest rate derivatives | – | (7,387) | (7,387) |
| Include: real estate transfer tax[3] | – | 56,356 | – |
| **NAV used in per share calculations** | 528,475 | 577,444 | 521,088 |
| Number of shares in issue (thousands) | 424,862 | 424,862 | 424,862 |
| **NAV per share (pence)** | 124.4 | 135.9 | 122.6 |

1 Professional valuation of investment property (including assets held for sale).

2 Comprising interest-bearing loans and borrowings (excluding unamortised loan arrangement fees) of £284,000,000 (31 March 2023: £306,000,000) net of cash of £15,968,000 (31 March 2023: £25,053,000).

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

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 2024 £'000 | 31 March 2023 £'000 |
|---|---|---|
| Total properties per external valuers' report | **810,220** | 828,770 |
| Less development property and land | **(78,493)** | (75,660) |
| **Net valuation of completed investment property** | **731,727** | 753,110 |
| Add estimated purchasers' costs[4] | **49,757** | 51,211 |
| **Gross valuation of completed property including estimated purchasers' costs (A)** | **781,484** | 804,321 |
| Gross passing rents[5] (annualised) | **42,920** | 41,241 |
| Less irrecoverable property costs[5] | **(613)** | (1,279) |
| **Net annualised rents (B)** | **42,307** | 39,962 |
| Add notional rent on expiry of rent-free periods or other lease incentives[6] | **1,654** | 4,068 |
| **'Topped-up' net annualised rents (C)** | **43,961** | 44,030 |
| **EPRA NIY (B/A)** | **5.4%** | 5.0% |
| **EPRA 'topped-up' net initial yield (C/A)** | **5.6%** | 5.5% |

4 Purchasers' costs estimated at 6.8%.

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

6 Adjustment for unexpired lease incentives such as rent-free periods, discounted rent period and step rents. The adjustment includes the annualised cash rent that will apply at the expiry of the lease incentive. Rent-frees expire over a weighted average period of three months' passing rents. Irrecoverable property costs assessed as at the balance sheet date for completed investment properties excluding development property and land.

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

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

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

### Table 5: EPRA vacancy rate

| | 31 March 2024 £'000 | 31 March 2023 £'000 |
|---|---|---|
| Annualised ERV of vacant premises (D) | **1,907** | 2,537 |
| Annualised ERV for the investment portfolio (E) | **53,488** | 50,736 |
| **EPRA vacancy rate (D/E)** | **3.6%** | 5.0% |

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 2024 £'000 | Year ended 31 March 2023 £'000 |
|---|---|---|
| Property operating expenses | **4,330** | 5,454 |
| Service charge expenses | **4,068** | 3,767 |
| Add back service charge income | **(3,853)** | (3,340) |
| Add back insurance recharged | **(1,496)** | (1,592) |
| Net property operating expenses | **3,049** | 4,289 |
| Administration expenses | **7,605** | 9,716 |
| Costs associated with the transfer to the Premium Segment of the Main Market of the London Stock Exchange | **–** | (1,069) |
| Less ground rents[7] | **(165)** | (189) |
| **Total cost including direct vacancy cost (F)** | **10,489** | 12,747 |
| Direct vacancy cost | **(455)** | (1,774) |
| **Total cost excluding direct vacancy cost (G)** | **10,034** | 10,973 |
| | | |
| Rental income | **44,025** | 45,750 |
| Less ground rents paid | **(1,074)** | (832) |
| **Gross rental income less ground rents (H)** | **42,951** | 44,918 |
| **Less direct vacancy cost** | **(455)** | (1,774) |
| **Net rental income less ground rents** | **42,496** | 43,144 |
| | | |
| | | |
| **Total cost ratio including direct vacancy cost (F/H)** | **24.4%** | 28.4% |
| **Total cost ratio excluding direct vacancy cost (G/H)** | **23.4%** | 24.4% |

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

| | Year ended 31 March 2024 £'000 | Year ended 31 March 2023 £'000 |
|---|---|---|
| Total cost including direct vacancy cost (F) | **10,489** | 12,745 |
| Costs associated with the transfer to the Premium Segment of the Main Market of the London Stock Exchange | **–** | 1,069 |
| **EPRA total cost (I)** | **10,489** | 13,814 |
| Direct vacancy cost | **(455)** | (1,774) |
| **EPRA total cost excluding direct vacancy cost (J)** | **10,034** | 12,040 |
| | | |
| **EPRA cost ratio including direct vacancy cost (I/H)** | **24.4%** | 30.8% |
| **EPRA cost ratio excluding direct vacancy cost (J/H)** | **23.4%** | 26.8% |

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

It is the Group's policy not to capitalise overheads or operating expenses and no such costs were capitalised in either the year ended 31 March 2024 or the year ended 31 March 2023.

Table 7: Lease data

| As at 31 March 2024 | Year 1 £'000 | Year 2 £'000 | Years 3- 10 £'000 | Year 10+ £'000 | Head rents payable £'000 | Total £'000 |
|---|---|---|---|---|---|---|
| **Passing rent of leases expiring in:** | 7,583 | 5,642 | 28,759 | 2,282 | (1,209) | 43,057 |
| **ERV of leases expiring in:** | 11,525 | 6,712 | 34,103 | 2,571 | (1,209) | 53,702 |
| **Passing rent subject to review in:** | 16,208 | 8,313 | 19,744 | 1 | (1,209) | 43,057 |
| **ERV subject to review in:** | 22,714 | 9,583 | 22,613 | 1 | (1,209) | 53,702 |

WAULT to expiry is 5.0 years and to break is 4.1 years.

| As at 31 March 2023 | Year 1 £'000 | Year 2 £'000 | Years 3- 10 £'000 | Year 10+ £'000 | Head rents payable £'000 | Total £'000 |
|---|---|---|---|---|---|---|
| Passing rent of leases expiring in: | 5,812 | 4,327 | 27,533 | 4,773 | (1,204) | 41,241 |
| ERV of leases expiring in: | 9,239 | 5,062 | 33,716 | 6,460 | (1,204) | 53,273 |
| Passing rent subject to review in: | 15,782 | 8,522 | 18,139 | 2 | (1,204) | 41,241 |
| ERV subject to review in: | 21,055 | 10,280 | 23,140 | 2 | (1,204) | 53,273 |

WAULT to expiry is 5.5 years and to break is 4.5 years.

### Table 8: EPRA capital expenditure

| | Year ended 31 March 2024 £'000 | Year ended 31 March 2023 £'000 |
|---|---|---|
| Acquisitions[8] | – | 66,728 |
| Development spend[9] | 8,191 | 8,295 |
| Completed investment properties:[10] | | |
| No incremental lettable space — like-for-like portfolio | 3,327 | 5,035 |
| No incremental lettable space — other | – | – |
| Occupier incentives | – | – |
| **Total capital expenditure** | 11,518 | 80,058 |
| Conversion from accruals to cash basis | 653 | (1,082) |
| **Total capital expenditure on a cash basis** | 12,171 | 78,976 |

8 Acquisitions include £nil completed investment property and £nil development property and land (2023: £64,512,000 and £2,216,000 respectively).

9 Expenditure on development property and land.

10 Expenditure on completed investment properties.

### Table 9: EPRA like-for-like rental income

| | Notes | Year ended 31 March 2024 £'000 | Year ended 31 March 2023 £'000 | % change |
|---|---|---|---|---|
| **EPRA like-for-like rental income**[11] | | 42,706 | 40,390 | 5.7% |
| Other[12] | | (377) | - | |
| **Adjusted like-for-like rental income** | | 42,329 | 40,390 | 4.8% |
| Development lettings | | 145 | 306 | |
| Properties sold | | 1,551 | 5,054 | |
| **Rental income** | | 44,025 | 45,750 | |
| Service charge income | | 3,853 | 3,340 | |
| Dilapidation income | | 1,652 | 503 | |
| Insurance recharged | | 1,496 | 1,592 | |
| **Total property income** | 2 | 51,026 | 51,185 | |

11 Like-for-like portfolio valuation as at 31 March 2024: £680.7 million (31 March 2023: £657.9 million).

12 Includes rent surrender premiums, back rent and other items.

### Table 10: Loan to value ("LTV") ratio and EPRA LTV

Gross debt less cash, short-term deposits and liquid investments, divided by the aggregate value of properties and investments. The Group has also opted to present the EPRA loan to value, which is defined as net debt divided by total property market value.

| | Notes | Year ended 31 March 2024 £'000 | Year ended 31 March 2023 £'000 |
|---|---|---|---|
| Interest-bearing loans and borrowings | 17 | 284,000 | 306,000 |
| Cash | 15 | (15,968) | (25,053) |
| **Net debt (A)** | | 268,032 | 280,947 |
| Total portfolio valuation per valuer's report (B) | 13, 14 | 810,220 | 828,770 |
| **LTV ratio (A/B)** | | 33.1% | 33.9% |

**EPRA LTV**

| | Notes | Year ended 31 March 2024 £'000 | Year ended 31 March 2023 £'000 |
|---|---|---|---|
| Interest-bearing loans and borrowings[1] | 17 | 284,000 | 306,000 |
| Net payables[2] | | 16,646 | 29,352 |
| Cash | 15 | (15,968) | (25,053) |
| Net borrowings (A) | | 284,678 | 310,299 |
| Investment properties at fair value | 13, 14 | 810,220 | 828,770 |
| Interest rate derivatives | 18 | 7,241 | 7,387 |
| Head lease obligation | 13, 19 | 14,185 | 14,124 |
| Total property value (B) | | 831,646 | 850,281 |
| **EPRA LTV (A/B)** | | 34.2% | 36.5% |

1 Excludes unamortised loan arrangement fees asset of £3.6 million (2023: £1.9 million) (see note 17).

2 Net payables includes trade and other receivables and other payables and accrued expenses.

### Table 11: Total accounting return

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

| | Notes | Year ended 31 March 2024 Pence per share | Year ended 31 March 2023 Pence per share |
|---|---|---|---|
| Opening EPRA NTA (A) | | **122.6** | 173.8 |
| Movement (B) | | **1.8** | (51.2) |
| Closing EPRA NTA | 24 | **124.4** | 122.6 |
| Dividends per share (C) | 11 | **6.4** | 6.5 |
| **Total accounting return (B+C)/A** | | **6.7%** | (25.7%) |

### Table 12: Ongoing charges ratio

Ongoing charges ratio represents the costs of running the REIT as a percentage of NAV as prescribed by the Association of Investment Companies.

| | Notes | Year ended 31 March 2024 £'000 | Year ended 31 March 2023 £'000 |
|---|---|---|---|
| Administration expenses | 4 | **7,605** | 9,716 |
| Less: costs associated with moving to Main Market | | **–** | (1,069) |
| Less: head lease asset depreciation | | **(165)** | (189) |
| **Annualised ongoing charges (A)** | | **7,440** | 8,458 |
| | | | |
| Opening NAV as at 1 April | | **528,475** | 738,954 |
| NAV as at 30 September | | **536,848** | 678,578 |
| Closing NAV as at 31 March | | **535,589** | 528,475 |
| **Average undiluted NAV during the period (B)** | | **533,637** | 648,669 |
| **Ongoing charges ratio (A/B)** | | **1.4%** | 1.3% |

# PROPERTY PORTFOLIO
## AS AT 31 MARCH 2024

| Estate | Town | Postcode | Area (sq ft) |
|---|---|---|---|
| Air Cargo Centre | Glasgow | PA3 2AY | 149,000 |
| Ashmead Industrial Estate | Keynsham | BS31 1TU | 38,000 |
| Austin Drive | Coventry | CV6 7NS | 33,000 |
| Barlborough Links | Chesterfield | S43 4PZ | 501,000 |
| Birkenshaw Retail Park | Uddingston | G71 5PR | 67,000 |
| Boulevard Industrial Park | Speke | L24 9PL | 390,000 |
| Brackmills Industrial Estate | Northampton | NN4 7PN | 335,000 |
| Bradwell Abbey | Milton Keynes | MK13 9HA | 335,000 |
| Cairn Court | East Kilbride | G74 4NB | 87,000 |
| Celtic Business Park | Newport | NP19 4QZ | 48,000 |
| Chittening Industrial Estate | Bristol | BS11 0YB | 199,000 |
| Crown Street | Carlisle | CA2 5AB | 26,000 |
| Daimler Green | Coventry | CV6 3LT | 139,000 |
| Daneshill Industrial Estate | Basingstoke | RG24 8PD | 113,000 |
| Delta Court Industrial Estate | Doncaster | DN9 3GN | 60,000 |
| Evolution 27 | Nottingham | NG15 0DJ | 217,000 |
| Falcon Business Park | Burton on Trent | DE14 1SG | 30,000 |
| Farthing Road Industrial Estate | Ipswich | IP1 5AP | 101,000 |
| Festival Drive | Ebbw Vale | NP23 8XF | 54,000 |
| Gateway Park | Birmingham | B26 3QD | 220,000 |
| Gawsworth Court | Warrington | WA3 6NJ | 95,000 |
| Glasgow Airport Business Park | Glasgow | PA3 2SJ | 53,000 |
| Gloucester Business Park | Gloucester | GL3 4AQ | 188,000 |
| Granby Industrial Estate | Milton Keynes | MK1 1NL | 147,000 |
| Great Grimsby Business Park | Grimsby | DN37 9TW | 139,000 |
| Groundwell Industrial Estate | Swindon | SN25 5AW | 91,000 |
| Halebank Industrial Estate | Widnes | WA8 8TZ | 49,000 |
| Howley Park Industrial Estate | Morley | LS27 0BN | 62,000 |
| Ikon Trading Estate | Hartlebury | DY10 4EU | 160,000 |

# PROPERTY PORTFOLIO CONTINUED
## AS AT 31 MARCH 2024





| Estate | Town | Postcode | Area (sq ft) |
|---|---|---|---|
| Jensen Court | Runcorn | WA7 1PJ | 60,000 |
| Kendal House | Burgess Hill | RH15 9NF | 27,000 |
| Kingsditch Trading Estate | Cheltenham | GL51 9PL | 40,000 |
| Kingsland Grange | Warrington | WA1 4SR | 71,000 |
| Knowsley Business Park | Knowsley | L34 9GT | 301,000 |
| Leanne Business Centre | Wareham | BH20 4DY | 13,000 |
| Lincoln Park | Preston | PR5 8NA | 33,000 |
| Linkway Industrial Estate | Middleton | M24 2AE | 48,000 |
| Lynx Business Park | Newmarket | CB8 7NY | 42,000 |
| Matrix Park | Chorley | PR7 7NA | 47,000 |
| Maxwell Road Industrial Estate | Peterborough | PE2 7JE | 128,000 |
| Meridian Business Park | Leicester | LE19 1UX | 114,000 |
| Midpoint 18 | Middlewich | CW10 0HS | 725,000 |
| Milner Street | Warrington | WA5 1AD | 42,000 |
| Murcar Industrial Estate | Aberdeen | AB23 8JW | 126,000 |
| New England Industrial Estate | Hoddesdon | EN11 0BZ | 22,000 |
| Nightingale Road Industrial Estate | Horsham | RH12 2NW | 22,000 |
| Oldbury Point | Oldbury | B69 4HT | 96,000 |
| Parkway Industrial Estate | Plymouth | PL6 8LH | 66,000 |
| Pikelaw Place | Skelmersdale | WN8 9PP | 124,000 |
| Queenslie Park | Glasgow | G33 4DZ | 395,000 |
| Radway 16 | Crewe | CW2 5PR | 21,000 |
| Ransomes Europark | Ipswich | IP3 9RR | 30,000 |
| Roman Way Industrial Estate | Godmanchester | PE29 2LN | 53,000 |
| Roseville Business Park | Leeds | LS8 5DR | 29,000 |
| Ryan Business Park | Wareham | BH20 4DY | 31,000 |
| Shaw Lane Industrial Estate | Doncaster | DN2 4SQ | 66,000 |
| South Fort Trade Park | Edinburgh | EH6 5PE | 26,000 |
| South Gyle Industrial Estate | Edinburgh | EH12 9EB | 48,000 |

## AS AT 31 MARCH 2024 CONTINUED

| Estate | Town | Postcode | Area (sq ft) |
|---|---|---|---|
| St James Mill Business Park | Northampton | NN5 5JF | 42,000 |
| Stadium Industrial Estate | Luton | LU4 0JF | 66,000 |
| Stonebridge Cross Business Park | Droitwich Spa | WR9 0LW | 48,000 |
| Sussex Avenue | Leeds | LS10 2LF | 30,000 |
| Swift Valley Industrial Estate | Rugby | CV21 1TN | 39,000 |
| Tewkesbury Business Park | Tewkesbury | GL20 8JF | 114,000 |
| Tramway Industrial Estate | Banbury | OX16 5TU | 151,000 |
| Viables Business Park | Basingstoke | RG22 4BS | 49,000 |
| Wakefield 41 Industrial Estate | Wakefield | WF2 0XW | 53,000 |
| Walton Road Industrial Estate | Stone | ST15 0LT | 57,000 |
| Webb Ellis Business Park | Rugby | CV21 2NP | 45,000 |
| Witan Park Industrial Estate | Witney | OX28 4YQ | 112,000 |

## EPRA SBPR

### OVERARCHING RECOMMENDATIONS

#### Organisational boundaries

Our EPRA sBPR reporting covers the Group's assets for which we exercise operational control as a landlord. Our investment portfolio includes 68 estates which comprise multiple individual units as well as single let assets. On these estates we may be responsible for the consumption relating to common parts, voids, utilities recharged to tenants and external lighting or other external functions. Therefore, we report on the basis of operational control which includes 22 estates across the United Kingdom for the reporting period to 31 March 2024. The remaining properties are single or multiple occupancy assets (including small parcels of land and substations) with no utilities purchased by the landlord.

#### Coverage

All absolute performance measures relating to electricity, fuels (natural gas), water and associated GHG scope 1 and 2 emissions apply to assets for which we, as a landlord, procure utilities for the common areas, shared services and vacant properties. We also include occupier data for utilities that have been procured by Warehouse REIT as the landlord and recharged back to the tenant, meaning that this is consumption which is not sub-metered. We have reported absolute coverage for electricity, natural gas and water in our EPRA sBPR table. Typically, we will have visibility of the utility consumption on the basis described, but there may be a delay in acquiring the data ahead of publication, in which instance an estimation is applied (see 'Estimation of landlord-obtained utility consumption'). Due to our organisational boundaries we may only have operational control over one utility type of electricity, natural gas or water at an estate but we aggregate total absolute coverage (based on number of estates) according to control of any utility-type.

Like-for-like performance indicators include associated meters within our organisation boundaries for which we collected data for two consecutive years and excludes meters attached to sold units, acquired units, units under development or meters with a change to operational control boundaries part-way through a reporting period. Our like-for-like coverage has been reported for electricity, natural gas and water in our in our EPRA sBPR table.

#### Boundaries

Our EPRA sBPR data includes consumption that we purchase as landlords relating to common parts, voids, utilities recharged to tenants and external lighting or other external functions. Utilities purchased directly by the occupier or purchased by councils fall outside of our operational control and are excluded from this data. We are, however, continuing to improve our occupier data collection, with intial disclosure on occupier energy consumption provided on page 42.

# AS AT 31 MARCH 2024





### Estimation of landlord-obtained utility consumption

Where possible, the data is collected from invoices and/or meter readings. If invoices were not available at the time of publication, consumption estimates were made. These estimates are based on an average of the most recent invoices for the corresponding time period. Proportion of estimation per utility type has been shown in our EPRA sBPR table.

### Analysis-normalisation

Our calculations for energy, emissions and water intensity indicators are calculated using a floor area ($m^2$). Our utility consumption data for some meters is limited to common spaces exclusively while in other instances consumption can include shared services, outside space and occupier areas where there are no submeters. We are aware of mismatches this can cause between the numerator and denominator when using floor areas of estates or entire units. We are working to better track our consumption as it relates to the asset area and organisational boundaries at a unit level. As part of this work, in this reporting period we are identifying consumption as it relates to outdoor spaces such as security huts or external lighting. This will allow us to only allocate consumption to the associated areas of the units across our estates. Furthermore, we are identifying units for which we can account for the whole building consumption, for example, based on landlord recharges to the tenant. As a result of the ongoing improvement to methodology, which occurred in this reporting period, a like-for-like intensity comparison of 2022/23 and 2023/24 is not applicable, as the granularity of consumption by area was not available last year.

### Analysis-segmental analysis (by property type, geography)

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

### Reporting period

While we report on absolute performance measures and intensity metrics for the most recent reporting year (ending 31 March 2024), the like-for-like performance measures are reported for the last two consecutive years (ending 31 March 2023 and 2024).

### Disclosure on own offices

Our Investment Advisor has their own office, and their consumption and employee-related performance measures are outside the scope of our organisational boundaries as it is a separate legal entity. Nonetheless, for this reporting period, we have disclosed additional social metrics relating to the Board and employees of the Investment Advisor, found in the EPRA sBPR tables below.

### Data verification and assurance

Before being entered into the Company reporting database, all generated data is checked by JLL for consistency, estimation methodology and the correct calculation of GHG emissions. A third-party does not currently conduct external verification or assurance.

### Materiality

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

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

### Narrative on performance

During the year ending 31 March 2024, absolute landlord-obtained electricity consumption was 1,118 MWh and fuel consumption (natural gas) for the same time period was 319 MWh, equating to an energy intensity (electricity and gas) of 15.57 kWh/sq m across all included properties.

Landlord-obtained electricity consumption on a like-for-like basis decreased by 3.2% while the fuels consumption increased by 12.7% compared to the year ending 31 March 2023.

The total absolute scope 1 and 2 emissions from building energy consumption were 295.5 tonnes of $CO_2e$, resulting in a 3.10 kg $CO_2e$/sq m intensity. At the end of the reporting period, electricity meters within the landlord operational control were supplied on contracts from REGO-backed renewable electricity, covering 100% of the reported meters. During the reporting period, there may be periods of consumption that were not supplied with renewable electricity, during a transition in utility contracts. Warehouse REIT does not currently have visibility of this on kWh amount basis. Like-for-like scope 1 emissions increased by 12.8% while scope 2 decreased by 3.2% giving an overall like-for-like scope 1 and 2 reduction of 2.8%; note that the like-for-like comparison comprised just seven assets.

Absolute water consumption for the year ending 31 March 2024 was 71,668 $m^3$, representing a water intensity of 1.24 $m^3$/sq m. Like-for-like water consumption fell by 60.3%.

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

Our analysis of Energy Performance Certificates is available on page 38. For the year ending 31 March 2024 there are no properties in our portfolio with green building certification (BREEAM, LEED or similar).

### EPRA SUSTAINABILITY PERFORMANCE MEASURES (ENVIRONMENTAL)

| EPRA Code | Performance Measure | Unit | Scope | Absolute 2022/23 | Absolute 2023/24 | Like-for-Like 2022/23 | Like-for-Like 2023/24 | Like-for-Like Change (%) |
|---|---|---|---|---|---|---|---|---|
| **Elec-Abs, Elec-LfL** | Total electricity consumption | kWh | Total landlord-obtained electricity | 2,164,453 | 1,118,425 | 762,732 | 738,532 | -3.2% |
| | No. applicable estates | | | 22 of 23 | 18 of 18 | 7 of 7 | | n/a |
| | Proportion of absolute electricity from renewable contracts | % | | 92% | 100% | 100% | 100% | 0.0% |
| | Proportion of electricity estimated | | | 31.8% | 6.5% | 24.6% | 8.4% | -16.2% |
| **Fuels-Abs, Fuels-LfL** | Fuel consumption | kWh | Total landlord-obtained fuels | 731,606 | 319,288 | 25,810 | 29,084 | 12.7% |
| | No. applicable properties | | | 10 of 10 | 7 of 8 | 2 of 2 | | n/a |
| | Proportion of fuels estimated | % | | 7.7% | 27.6% | 9.4% | 8.3% | -1.1% |
| **Energy-Int** | Building energy intensity | kWh/sq m | Building energy intensity | 14.33 | 15.57 | | n/a[1] | |
| **GHG-Dir-Abs, GHG-Dir-LfL** | Total direct greenhouse gas (GHG) emissions | t $CO_2e$ | Direct – scope 1 | 133.8 | 58.4 | 4.7 | 5.3 | 12.8% |
| **GHG-Indir-Abs GHG-Indir-LfL** | Total indirect greenhouse gas (GHG) emissions | t $CO_2e$ | Indirect – scope 2 (location-based) | 457.8 | 237.1 | 162.0 | 156.8 | -3.2% |
| **GHG-Dir, GHG-Indir** | Total indirect greenhouse gas (GHG) emissions | t $CO_2e$ | Scopes 1 & 2 greenhouse gas (GHG) emissions | 591.7 | 295.5 | 166.7 | 162.1 | -2.8% |
| **GHG-Int** | Greenhouse gas (GHG) emissions intensity from building energy consumption | kg $CO_2e$/ sq m | Scopes 1 & 2 greenhouse gas (GHG) emissions | 2.57 | 3.10 | | n/a[1] | |
| **Water-Abs, Water-LfL** | Water consumption (mains supply) | $m^3$ | Total landlord-obtained water | 13,367 | 71,668 | 7,607 | 3,021 | -60.3% |
| | No. applicable estates | | | 7 of 10 | 12 of 12 | 3 of 3 | | n/a |
| | Proportion of water estimated | % | | 13.9% | 15.7% | 8.4% | 17.2% | 8.8% |
| **Water-Int** | Building water intensity | $m^3$/sq m | Building water intensity | 0.19 | 1.24 | | n/a[1] | |

1 As a result of the ongoing improvement to methodology, which occurred in this reporting period, a like-for-like intensity comparison of 2022/23 and 2023/24 is not applicable, as the granularity of consumption by area was not available last year.

## AS AT 31 MARCH 2024

### EPRA SUSTAINABILITY PERFORMANCE MEASURES (SOCIAL AND GOVERNANCE)

| EPRA Code | Indicator | Units of measure | Category | Year end 31 March 2024 |
|---|---|---|---|---|
| **Diversity-Emp** | Gender by level | Ratio | Board (M:F) | 66:34 |
| | | | Investment Advisor (M:F) | 55:45 |
| **Diversity-Pay** | Male and female remuneration by level | Ratio | Board | 12.5% mean |
| | | | Investment Advisor | 54.3% mean |
| **Emp-Training** | Average hours of training per employee | Number of hours | All employees | 14.0 |
| **Emp-Dev** | Employees receiving performance appraisals | % of employees | Total | 100% |
| **Emp-Turnover** | Direct employees | | | 17 |
| | Total number of new hires | Number of employees | | 2 |
| | Total turnover (departures) | | Total number of employees | 2 |
| | Rate of new hires in % | % | | 11.8% |
| | Rate of turnover in % | | | 11.8% |
| **H&S-Emp** | Absentee rate | per days scheduled | | 0.1 |
| | Injury rate | per 100 hours worked | Direct employees | 0.0 |
| | Lost day rate | Days per employee | | 0.0 |
| | Number of work-related fatalities | – | | 0.0 |
| **H&S-Asset** | % assets | % | Asset health and safety assessments | 100% |
| **H&S-Comp** | Number of assets | Total number | Number of incidents; unresolved within the required timeframe | 0 |
| **Gov-Board** | | | Number of Non-Executive Board members | 6 |
| | | | Number of independent Non-Executive Board members | 4 |
| | Board composition | Total number | Average tenure on the governance body (years) | Pages 65 to 66 |
| | | | Number of independent/Non-Executive Board members with competencies relating to environmental and social topics | 2 |
| **Gov-Selec** | Board selection | Narrative | | see page 79 |
| **Gov-COI** | Conflicts of Interest | Narrative | | see page 73 |

### Employment

Employees include all permanent employees as of 31 March 2024. The rate of new hires is calculated by dividing the number of new hires over the average number of employees at the start and end of th eyear. The rate of turnover is calculated by dividing the number of leavers over the average number of employees at the start and end of the year.

### Health and safety

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

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

### Community engagement

By meeting health and safety requirements, conducting impact assessments and undertaking wider consultations required as part of the planning approval process for new developments, we ensure that key decisions relating to the portfolio consider our impact on local communities. As there were no new developments for the year ending 31 March 2024, the performance measure Comty-Eng is not applicable. For more information refer to the stakeholder engagement section on page 22.

At Bradwell Abbey, Tilstone took part in a volunteering day at Milton Keynes City Discovery Centre, which is adjacent to this key estate. We supported the charity in maintaining the grounds, which are visited daily by the surrounding community and made a donation towards preserving the site and the Milton Keynes heritage it represents.

### Governance

Governance performance measures relate to the Board and the employees of the Investment Advisor. On pages 63 to 77 we outline the full background information including the Board profile, the nomination procedures and the process for managing potential conflicts of interest.

The Company was incorporated on 24 July 2017. This Annual Report and Financial Statements covers the period from 1 April 2023 to 31 March 2024.

The Company's ordinary shares were admitted to trading on AIM on 20 September 2017 following IPO and the Group's operations therefore commenced on this date.

### Capital structure

The Company's share capital consists of ordinary shares of £0.01 each. At shareholder meetings, members present in person or by proxy have one vote on a show of hands and on a poll have one vote for each ordinary share held. Shareholders are entitled to receive such dividends as the Directors resolve to pay out of the assets attributable to ordinary shares. Holders of ordinary shares are entitled to participate in the assets of the Company attributable to the ordinary shares in a winding up of the Company. The ordinary shares are not redeemable.

As at the date of this report, there were 424,861,650 ordinary shares in issue, none of which are held in treasury.

### Investment objective

The Company's investment objective is to provide shareholders with an attractive level of income together with the potential for income and capital growth by investing in a diversified portfolio of UK commercial property warehouse assets.

### Investment policy

The Company may acquire property interests either directly or through corporate structures (whether onshore UK or offshore) and also through joint venture or other shared ownership or co-investment arrangements.

The Company invests and manages its portfolio with an objective of spreading risk and, in doing so, maintains the following investment restrictions:

- the Company will only invest, directly or indirectly, in warehouse assets located in the UK;
- no individual warehouse property will represent more than 20% of the last published GAV of the Company at the time of investment;
- the Company will target a portfolio with no one occupier accounting for more than 20% of the gross contracted rents of the Company at the time of purchase. In any event, no more than 20% of the gross assets of the Company will be exposed to the creditworthiness of any one occupier at the time of purchase;
- the portfolio will be diversified by location across the UK with a focus on areas with strong underlying investment fundamentals; and
- the Company will not invest more than 10% of its gross assets in other listed closed-ended investment funds.

The Company considers investments where there is potential for active asset management, including general refurbishment works.

The aggregate maximum exposure to assets under development, assessed on a cost basis, will not exceed 20 per cent. of Gross Asset Value.

The Company may, provided that the exposure to these assets is within the overall exposure limits stated above, invest directly, or via forward funding agreements or forward commitments, in developments including pre-developed land, where the structure is:

(i) designed to provide the Company with investment rather than development risk;

(ii) where the development has been at least partially pre-let or sold or de-risked in a similar way; and

(iii) where the Company intends to hold the completed development as an investment asset.

The Company may, where considered appropriate, undertake an element of speculative development (that is, development of property which has not been at least partially leased or pre-leased or de-risked in a similar way and does not include the usual Asset Management activity of refurbishment and/or extension of existing holdings), provided that the exposure to these assets, assessed on a cost basis shall not exceed 10% of Gross Asset Value (as noted in the restriction above).

The Company is permitted to invest cash, held by it for working capital purposes and awaiting investment, in cash deposits and gilts. The Company may also invest in derivatives for the purpose of efficient portfolio management. In particular, the Company may engage in interest rate hedging or otherwise seek to mitigate the risk of interest rate increases as part of the Company's efficient portfolio management strategy.

The company will maintain a conservative level of borrowings with a medium-term target LTV ratio of not higher than 40% which would be the optimal capital structure for the Company over the longer term. However, in order to finance value enhancing opportunities, the Company may temporarily incur additional gearing, subject to a maximum LTV ratio of 50%, at the time of an arrangement.

In the event of a breach of the investment guidelines and restrictions set out above, the AIFM and the Investment Manager shall inform the Directors upon becoming aware of the breach and, if the Directors consider the breach to be material, notification will be made to a Regulatory Information Service. Any material change to the investment policy of the Company may only be made with the approval of shareholders.

The Company invests and manages its portfolio with an objective of spreading risk and, in doing so, maintains the following investment restrictions:

### Share dealing and share prices

Shares can be traded through your usual stockbroker. The Company's shares are admitted to trading on the premium segment of the London Stock Exchange's Main Market.

### Share register enquiries

The register for the ordinary shares is maintained by Link Group. In the event of queries regarding your holding, please contact the Registrar on 0371 664 0300. You can also email enquiries@linkgroup.co.uk.

Changes of address and mandate details can be made over the telephone, but all other changes to the register must be notified in writing to the Registrar: Link Group, Shareholder Services, 10th Floor, Central Square, 29 Wellington Street, Leeds, LS1 4DL.

### Electronic communications from the Company

Shareholders now have the opportunity to be notified by email when the Company's Annual Report, Half-yearly Report and other formal communications are available on the Company's website, instead of receiving printed copies by post. This has environmental benefits in the reduction of paper, printing, energy and water usage, as well as reducing costs to the Company.

If you have not already elected to receive electronic communications from the Company and wish to do so, please contact the Registrar using the details shown on page 153. Please have your investor code to hand.

### Share capital and net asset value information

| | |
|---|---|
| Ordinary 1p shares | 424,861,650 |
| SEDOL Number | BD2NCM3 |
| ISIN Number | GB00BD2NCM38 |

### Sources of further information

Copies of the Company's Annual and Half-yearly Reports are available from the Company Secretary who can be contacted on 01392 477500 and, together with stock exchange announcements and further information on the Company, are also available on the Company's website, www.warehousereit.co.uk.

### Association of Investment Companies

The Company is a member of the AIC.

### Financial calendar

June 2024
Announcement of final results

July 2024
Payment of fourth interim dividend

September 2024
Annual General Meeting
Half-year end

November 2024
Announcement of half-yearly results

March 2025
Year end

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

EPRA EPS adjusted to exclude one-off costs, divided by the weighted average number of shares in issue during the year, which ultimately underpins our dividend payments

### Admission

The admission of Warehouse REIT plc onto the premium segment of the London Stock Exchange on 12 July 2022

### AGM

Annual General Meeting

### AIC

The Association of Investment Companies

### AIFM

Alternative Investment Fund Manager

### AIFMD

The Alternative Investment Fund Managers Regulations 2013 (as amended by The Alternative Investment Fund Managers (Amendment etc.) (EU Exit) Regulations 2019) and the Investment Funds

Sourcebook forming part of the FCA Handbook

### AIM

A market operated by the London Stock Exchange

### APM

An Alternative Performance Measure is a numerical measure of the Company's current, historical or future financial performance, financial position or cash flows, other than a financial measure defined or specified in the applicable financial framework. In selecting these APMs, the Directors considered the key objectives and expectations of typical investors

### BREEAM

BREEAM (Building Research Establishment Environmental Assessment Method) is a certification which assess the sustainability credentials of buildings against a range of social and environmental criteria

### Company

Warehouse REIT plc

### Contracted rent

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

### Development property and land

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

### Effective occupancy

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

### EPC

Energy Performance Certificates provides information about a property's energy use including an energy efficiency rating from A (most efficient) to G (lease efficient) and is valid for ten years.

### EPRA

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

### EPRA cost ratio

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

### EPRA earnings

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

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

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

### EPRA guidelines

The EPRA Best Practices Recommendations Guidelines October 2019

**EPRA like-for-like rental income growth**

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

**EPRA NDV / EPRA NRV / EPRA NTA per share**

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

**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

**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 (net of interest received) and tax, divided by the underlying net interest expense

**IPO**

Initial public offering

**Like-for-like rental income growth**

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

**Like-for-like valuation increase**

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

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

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

**Main Market**

The Premium Segment of the London Stock Exchange's Main Market

**MEES**

The Minimum Energy Efficiency Standards are regulations requiring a minimum energy efficiency standard to be met (or have valid exemptions registered) before properties in England and Wales can be let. Currently the minimum is an EPC E rating.

**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

**Ongoing charges ratio**

Ongoing charges ratio represents the costs of running the REIT as a percentage of NAV as prescribed by the Association of Investment Companies

**Passing rent**

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

**Property income distribution ("PID")**

Profits distributed to shareholders that 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 that qualifies for, and has elected into, a tax regime that 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 gross contracted rent (excluding ground rents payable under head leases) across the portfolio, excluding development property and land

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Planting trees to catch carbon
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Printed on Carbon Captured paper

The production of this report supports the work of the Woodland Trust, the UK's leading woodland conservation charity. Each tree planted will grow into a vital carbon store, helping to reduce environmental impact as well as creating natural havens for wildlife and people.

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