Urban Logistics REIT plc

("Urban Logistics", the "Company" or the "Group")

Results for the Year Ended 31 March 2021

Significant growth and resilient performance across portfolio

Urban Logistics, (AIM: SHED) the specialist UK logistics REIT, issues its results for the year ended 31 March 2021.

Nigel Rich, Chairman, commented:
"This has been another transformational year for Urban Logistics, during which our portfolio increased in value from £207m to £508m driven by two capital raises in 2020 and strong underlying performance. Ongoing momentum in our real estate sector, with a portfolio acquired through targeted off market transactions, and the benefits of our asset management programme, saw a rise in the portfolio valuation on a like-for-like basis of over 13 per cent. In addition, we are today announcing a dividend of 4.35 pence per share, taking the total paid or declared in respect of the year to 7.60 pence per share.

"Since IPO we have produced an annual average Total Accounting Return of 13.9 per cent, over which time our market capitalisation has risen to £400m. The Board aspires to reach a level of market capitalisation that will justify a move to a Premium Listing on the Main Market of the London Stock exchange in the near future."

Highlights	31 Mar 21 (£m)	31 Mar 20 (£m)	Change (%)
Income Statement			
Net rental income	22.9	12.2	+88.0
Adjusted earnings per share (p)[1]	6.76	7.66	-11.7
Balance Sheet			
Portfolio valuation	507.6	207.0	+145.2
EPRA NTA per share (p)	152.33	137.89	+10.5
IFRS net assets	387.5	258.8	+49.7
LTV (%)[2]	27.9	n/a	
Portfolio like-for-like growth in value	13.2%	4.6%	
Total Accounting Return	15.6%	5.6%	
WAULT	7.4 years	4.9 years	
Dividends			
Total dividend per share paid or declared in respect of the financial year[3]	7.60p	7.60p	0.0

1 Adjusted for early LTIP crystallisation in prior year (£3.5 million). Decrease in earnings in current year due to issuance of new shares and pace of investment being partly affected by impact of Covid-19 and the time it took to implement new banking facilities

2 Company was in a net cash position 31 Mar 20

3 Part of the second interim dividend is being paid out of the profits from the disposal of properties in March

Financial Highlights
- Total Property Return of 17.1% (2020: 10.1%)
- £92.3 million of equity capital raised in October 2020
- 145.2% growth in portfolio to £507.6 million
- EPRA NTA 152.33p per share (2020: 137.89p) reflects strong uplift in property values
- Dividends for period of 7.60p (2020: 7.60p)
- LTV 27.9%

Operational Highlights
- More than 99% of rent due has been collected during the period
- 36 logistics assets acquired for £264.0 million (blended 6.2% NIY) with good asset management potential
- £26.2 million forward funding across 5 development sites which reached practical completion
- £39.5 million committed to 5 further sites where development work is ongoing
- Portfolio disposal totalling £30.0 million (+35.4% uplift to book values) representing average Total Property Return of 78.8% and an exit yield of 4.8%
- WAULT of 7.4 years (2020: 4.9 years)
- Like-for-like contracted income growth across portfolio of 6.5% (2020: 3.4%)

Post period end
- £33.0 million of acquisitions at 6.3% NIY

Richard Moffitt, Chief Executive, added:
"Urban Logistics continues to prosper with a portfolio focused on last mile, or last touch, logistics real estate. Logistics tenants continue to invest into their real estate footplate as they respond to strengthening underlying customer demand and build out their own future, medium-to-long term, infrastructure plans.

"Whilst in any real estate cycle or class there is no room for complacency, we have a significant asset management programme in place and our longer WAULT at the year-end evidences both shorter term lettings opportunities, from assets which have been in the portfolio for a while, as well as line of sight on medium to longer term potential across the portfolio as a whole.

"During the year we took advantage of strong market conditions, realising £30m in disposals at an attractive 4.8 per cent exit yield. High lettings levels, a shortage of supply in the market generally and a strong M&A market evidence further potential in our portfolio. Equally, in terms of the year ahead, we are fully invested and have a strong pipeline of attractive off market opportunities which would allow us to keep pace with our past track record of new investment."

– Ends –

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Chairman's Statement

The last year has been extremely difficult for many people, but hopefully, in the United Kingdom at least, the successful rollout of vaccinations seems to be winning the battle with COVID-19. We will now start to find out how much this will change the way we lead our lives.

During the worst periods of the pandemic, the high streets were empty with shops and hospitality closed in the successive lockdowns. Household needs were provided by e-commerce. Life will return to the high streets but the trend towards e-commerce, which preceded the pandemic, is likely to continue.

The combined £228 million of capital raised in the two issues in March and October 2020, together with the additional debt funding, has enabled us to purchase £295 million of properties during the financial year, including some for development.

These properties continue to be acquired in line with our strategy of targeting single let, near or adjacent to cities and major roadways, with many of our tenants distributing essential consumer products. Most of the properties purchased have opportunities for active asset management initiatives which have added, or will add, further value.

The value of the property portfolio at 31 March 2021 was £507.6 million compared with £207.0 million at the end of the prior financial year. Like for like, properties held throughout the year increased in value by 13.2%, or £17 million. The balance of the increase is due to the new properties purchased during the year. Capitalisation rates tightened in the second half of the year but most of the value increase was due to the Manager's active asset management. Our EPRA NTA at the end of the year were 152.33 pence per share compared with 137.89 pence at the previous year end.

ESG
We regard our environmental, social and governance ("ESG") obligations as very important to our business and are in the process of formalising our approach. We have created a Board Committee under the chairmanship of Heather Hancock who is working with management to set key objectives, particularly relating to environmental impacts. With no direct employees, and all our properties leased to tenants, it is harder for us to make an impact on social matters. We put a high emphasis on forming and sustaining good tenant relationships, and this includes encouraging occupiers to be good neighbours in the immediate area where the property is located, and that they have appropriate health and safety standards.

With regard to governance, as a Board we have taken steps to prepare for an eventual move to a Premium Listing on the Main Market of the London Stock Exchange. Smith and Williamson have been our auditor since the incorporation of the Company, but our capital raises of the last twelve months have taken our market capitalisation above the AIM SME limit, which they do not audit. Following a competitive tender process, we appointed RSM UK Audit LLP as our auditor with effect from 15 February 2021.

At the same time, and also following a tender process, we appointed Link Company Matters, part of Link Group ("Company Matters"), as our new Company Secretary, replacing Vistra Company Secretaries Limited. This was due to Company Matters' greater experience in the listed markets.

We recognise that a move to the Main Market will require a high standard of governance and so we will continue to prepare for this.

Financial Results

In the year ended 31 March 2021, net rental income increased by 88.0%, driven by rent increases on a like-for-like basis and the rental income from properties purchased both in the prior and current financial year. Adjusted earnings have increased 105.7% to £14.8 million but Adjusted earnings per share have decreased by 0.90 pence to 6.76 pence per share. This is due to the issuance of new shares and the pace of investment in new properties being partly affected by the impact of COVID-19 and the time it took to put in place new banking facilities.

Financing

As well as the £228 million raised from the share issues in March and October 2020, the Group increased its loan facility with its lender group to £151 million and extended the maturity. More recently, a £48 million seven-year Sustainable Green debt facility has been put in place with Aviva Investors.

All of our available funds have now been used for the purchase of properties from the pipeline. At the end of the financial year there was a cash balance of £60.5 million, which together with the funds due on recent sales is earmarked for development projects and other properties we are committed to purchasing. Our LTV at the end of the year was 27.9% (below our target range of 30-40%).

Dividends

An interim dividend of 3.25 pence per share was paid in October 2020 to shareholders prior to the issuance of new shares in the same month.

A second interim dividend of 4.35 pence per share will be paid on 2 July 2021 to shareholders on the register at the close of business on 18 June 2021. The total dividends per share amount of 7.60 pence per share is the same as was paid in the previous year. Part of the second interim dividend is being paid out of the profits on the disposal of properties in March. The Board will use such profits and retained earnings to endeavour to at least maintain the dividend each year even when new shares have been issued.

Board and management

Heather Hancock joined the Board on 15 June 2020. Heather is making a significant contribution to Board discussions as well as chairing the ESG Committee.

The management team from Pacific Capital Partners, led by Richard Moffitt, continues to drive the Company forward with great success. The team sources the pipeline, executes the property transactions and then implements asset management plans. We also place considerable reliance on the Manager's very capable finance team.

Outlook

We are confident that the investment and occupational markets will remain favourable for mid-box assets, especially in the Midlands and North where we believe the government will concentrate much of its promotional efforts.

Our Manager's access to properties at attractive yields, and with opportunities for active asset management, has enabled the Company to build a fresh pipeline of potential acquisitions.

While the judicious use of gearing, and rotation of assets, can fund some of the pipeline we will otherwise need to raise further funds in the capital markets. We also aspire to reach a level of market capitalisation that will justify a move to the Main Market in the near future.

Nigel Rich CBE
Chairman

Manager's Report

Overview

As life hopefully begins to return to some sort of normality now that we appear to be through the worst of the pandemic in the UK, we find ourselves assessing what life will look like for businesses and consumers.

I think we all agree that logistics has never been so important. This is a trend which preceded the pandemic but has only become more in focus as working from home and spending time online sustained us over the course of 2020 and into 2021.

We have also witnessed how swiftly events at our borders, in the Suez Canal and with the EU over the ongoing vaccination programme can cause supply chain issues.

Businesses are, in some aspects, relieved about the fact that a trade deal was agreed at the end of 2020, covering our future trading relationship with the EU, but this trade deal has created barriers to trade, rather than removing them. Therefore, as the dust settles and we become more outward focused once again, it is possible that we will see companies looking to restructure their supply chains to gain greater operational efficiencies.

With supply chains tested like never before during several lockdowns, there were shortages and issues across the UK – notably for essential items such as food, pharmaceuticals and PPE. These challenges amplified notable weaknesses as global supply chains were found to be lacking in sufficient levels of stock. A rapid increase in e-commerce further compounded the problem. Whilst the economy is showing signs of recovery, specific behavioural changes will be here to stay.

In January 2020, and before the world changed due to COVID-19, e-commerce accounted for 19% of all retail sales in the UK; by February 2021 this had reached 35% (previous ONS estimates suggested the UK would reach 25% by the end of 2022).

Throughout this structural change, the central thesis behind our investment strategy has proven itself to be robust. Our commitment to shareholders is to acquire well-located warehouses with the correct specification for occupiers at below replacement cost.

Our focus on tenant covenants, in sectors which have been less volatile historically, has also served us well at a time when all these attributes have been fundamental to overall performance and a Total Property Return of 17.1% for this recent financial year.

We are pleased to report that when our investment strategy was tested in the most unwelcome and unexpected circumstances, over 99% of rents due were collected during the year.

Right back at the beginning of the financial year, we implemented a management strategy that, despite our team working remotely, kept us in regular contact with occupiers; only three sites weren't operational at the very beginning of the first lockdown but this quickly changed back to all buildings being operational by late April.

Fundamentally, we remain focused on building our business through working closely with our tenants, acquiring assets that provide solid medium-term income.

Our strategy of having tenants focused on the distribution of domestic UK products, such as food and pharmaceuticals, and avoiding the fashion sector, has provided resilience at a challenging time. Our tenants are typically third-party logistics companies and UK businesses who move staple domestic products around the country to homes and businesses requiring last mile or e-fulfilment services; such as Boots, the NHS, Travis Perkins, Booker, DHL, XPO and Sainsbury's.

Environment

Our increasing focus on the environment, as part of our ESG agenda, is proving to be extremely important in terms of investor relations and with our tenant relationships. This issue is high on the agenda of our tenants, some of whom are the largest logistics operators globally, and our focus in this area is helping our landlord/tenant relationship, providing another reason for constructive dialogue and investment into buildings. At the year end our EPCs were 76% A-C and our investment process involves, amongst other considerations, assessment of energy efficiency ratings to ensure properties are sustainable in the long term.

An ESG Committee has been established to scrutinise performance across the full suite of ESG commitments that Urban Logistics places on us as the Manager. We welcome this development and recognise the importance of demonstrating our ongoing engagement and initiatives with our tenants across the portfolio.

The Market

COVID-19 has accelerated the e-commerce revolution, but expansion of the logistics sector is not a new concept. The share of the UK real estate portfolio accounted for by retail has plummeted from approximately 50% to 30% in a decade (source: CBRE); in the same period the market share for our logistics sector has almost doubled, to over 23%.

For about six weeks at the start of the initial lockdown, the investment market adopted a "wait and see" approach. As measures eased over last summer, investors shifted their focus towards the logistics sector, with H1 2020 volumes to June ending down just 7.2% on H1 2019 (source: CBRE). Fierce competition then emerged for asset purchases with institutions looking to increase their exposure to this sector, with little care often given to length of income and tenant covenants. September also saw the sales launch of some larger portfolios from established logistics investors, looking to cash in on private equity and sovereign wealth fund interest, and reminding us of the premiums available for specialist platforms.

We remain able to acquire assets in "off market" trades where vendors sometimes prefer the certainty that we bring through a strong equity position. The vast majority of our acquisitions since IPO have been "off market" which is testament to our connections within the logistics sector and our reputation for swift and certain deal execution.

Warehouse supply at low levels

Recent issues such as the Suez Canal blockage have further created a focus on shorter, more dependable supply chains (this particular issue is important because approximately 12% of global freight and 30% of container freight travel through the canal). Brexit has also compounded the issue, giving freight operators a renewed focus on resilience. This in turn leads to occupier demand and at the end of

March there were 55 warehouses under offer in the UK, representing 16 million sq ft. Vacant, ready-to-occupy space meanwhile remains at an all-time low of sub 6% and we anticipate further increases in take-up through 2021.

A lack of supply is compounded by a variety of factors, but notably:

- high barriers to entry as a result of a high percentage of warehouse development land being taken for “Big Box” units (those above 300,000 sq ft); plus a time lag of three to five years for sites to obtain planning and then be built;
- costs of construction rising (100,000 sq ft building at £30-35 per sq ft in 2015 and now at £60-65 per sq ft in the Midlands);
- development land costs doubling in five years (Northampton, for example: £400,000 an acre in 2015 and now at more than £900,000 an acre); and
- 35% of all industrial land in the South East of the UK has been lost to higher value uses in last ten years.

Sources: Savills, CBRE, management information.

Supply is responding to a surge in demand; however, most of the incoming logistics schemes will not help ease market pressure in our urban logistics space in the short term as they are larger build-to-suit propositions. Furthermore, approximately 85% of space under construction at the end of 2020 was committed through pre-lettings. This trend, which is shared across Europe (where vacancy is even tighter in a majority of markets), follows a shift in occupier preferences who tend to plan their expansion strategies and secure units that suit their needs. This planning process requires years of anticipation and, when supply adapts and focuses on providing sites for build-to-suit opportunities rather than building speculatively, it diminishes the ability of the market to absorb surges in demand for ready-to-occupy space.

The management team has been living and breathing logistics for most of their professional careers, building strong relationships with the vendors, developers and occupiers of urban logistics assets. In short, we are uniquely placed to hear of opportunities which is why our acquisitions have predominantly been off market since our IPO in April 2016. We can also provide a “funding source” to developers which in turn gives them an exit. Similarly, we can provide a sale and leaseback option to an occupier or a guaranteed sale execution to an investor. Urban Logistics prides itself on deal execution; doing what it says it will do with expedience.

Demand at record levels

Despite the recent pandemic challenges, and in some cases because of it, 2020 broke all records for logistics take-up. There were new leases signed for 50.1 million sq ft of warehouse space, 12.7 million sq ft ahead of the previous record set in 2016. Online retailers took close to 50% of available space, with omnichannel retailers and supermarkets expanding their online presence. If we add the indirect take-up from third-party logistics operators, or traditional retailers working an online channel, the estimated figure is over 65%.

Lack of new, ready-to-occupy units has also pushed occupiers towards the second-hand market, which saw its busiest quarter ever in Q2 2020. The supply side has responded to such overwhelming demand by pressing on with projects that were put on hold during lockdown, trying to get them back on schedule.

Property review

	As at 31 March 2021
Portfolio value	**£507.6 million**
Valuation NIY	**5.1%**
Equivalent yield	**6.0%**
WAULT	**7.4 years**
Area	**5.3 million sq ft**
Contracted rent	**£30.3 million**
Average rent per sq ft	**£5.35**
Like-for-like ERV growth	**3.9%**
EPC ratings: A-C	**76%**
Total Property Return	**17.1%**

Buy well

In the year to 31 March 2021, the Company acquired 36 assets for a total consideration of £264.0 million (including purchaser costs) and advanced £26.2 million across five forward funded development assets, which all reached practical completion in the year.

	South East	South West	Midlands	North West	Yorkshire & NE	Scotland
Purchase price[1]	£80.0m	£30.4m	£36.3m	£44.8m	£38.0m	£22.1m
Net initial yield	5.5%	6.8%	5.8%	6.1%	6.7%	7.5%
Area (sq ft)	688,701	412,055	633,303	561,935	483,547	333,082
Contracted rent	£4.7m	£1.9m	£2.1m	£2.8m	£2.6m	£2.0m
Rent per sq ft	£7.01	£4.65	£3.32	£4.97	£5.41	£6.03
Capital value per sq ft	£119.63	£73.71	£57.32	£79.74	£78.62	£66.39

1. Excludes development sites and is stated before acquisition costs.

Case study: Charlton Mead, Hoddesdon

On 10 November 2020, the Company acquired off-market a twelve-acre site, comprising five units, for a total consideration of £34.3 million, representing a 5.4% net initial yield. The site is strategically located seven miles from the M25 and benefits from excellent access as well as a dedicated local power supply, making it a highly attractive "last-touch" distribution hub close to London.

At acquisition, three of the units were let to Muller UK & Ireland Group, a major producer and distributor of dairy products, until 2030 with a rent review in 2025. The other units were vacant, with a one-year rent guarantee from the vendor, and offered an opportunity for considerable value enhancement through asset management.

In February 2021, the vacant units were let on ten-year leases at a rent of £13 per sq ft, 15% ahead of ERV, to Fiden Studios, a location search agent. The site was then valued at the year end by CBRE at £41.4 million, representing a 20.9% uplift since acquisition.

Manage well

The Group owns 76 assets, which have 79 different tenancies as at 31 March 2021. During the year, the Group successfully completed eight rent reviews, 14 lease re-gears and nine new lettings, which in total generated £4.6 million of additional rental income. On a like-for-like basis, excluding vacancies, contracted rental income grew by 6.5%. At the year end, there are ongoing discussions with 19 of our existing tenants on new asset management initiatives that will result in either further growth in rent or longer leases.

	No. of deals	Rental uplift	LFL rental uplift	WAULT (years)
Lettings and re-gears	23	£3.9m	9%	7.6 years
Fixed rent reviews	5	£0.3m	13%	n/a
OMV rent reviews	3	£0.4m	29%	n/a
Total	**31**	**£4.6m**	**14%**	

Case study: XPO, Lease Restructuring

In September 2017, the Group acquired three assets let to XPO Logistics as part of a portfolio for a combined consideration of £11.9 million, which represented a weighted average net initial yield of 7.5%.

During the financial year, we granted new leases for five years on each asset, increasing the contracted rent by £0.3 million per annum, which represents an uplift on the previous passing rent of 24.6%. In addition to increasing rent and extending the term, the negotiations also included buying in all the freehold titles for each site and agreeing the installation of car charging points and low energy lighting to significantly enhance EPC ratings.

At the year end, these sites were valued by CBRE at £20.4 million, representing an uplift of 72.1% since acquisition.
Like-for-like valuation uplift in the year was 55.1%, with the valuation representing a weighted average net initial yield of 5.9%.

Perform

On 25 March 2021, the Company unconditionally exchanged contracts to sell five assets as part of a portfolio for a total consideration of £30.0 million (excluding sales costs), representing an exit net initial yield of 4.8% and realising a Total Property Return of 78.8%.

	Bedford	Riverside Way	Burryport Road	Leicester	Holmewood
Purchase price	£2.7m	£0.8m	£4.0m	£6.7m	£5.3m
Purchase NIY	5.8%	7.3%	5.5%	6.2%	9.8%
Sales price	£4.9m	£1.7m	£5.3m	£8.5m	£9.6m
Sales price v NBV	+7.5%	+32.3%	+32.0%	+23.9%	+76.8%
Exit NIY	4.9%	5.0%	5.0%	4.8%	4.8%
Total Property Return	**109.4%**	**169.0%**	**50.5%**	**45.8%**	**114.3%**

Case study: Vital Portfolio

The five assets were acquired between April 2016 and September 2018, with a combined purchase price of £19.5 million (including acquisition costs), representing a weighted average net initial yield of 7.0%. Over the period of our ownership, we have engaged with the tenants and renegotiated all leases, increasing contracted rent by £0.2 million, representing an uplift of 12%, and increasing WAULT to 7.4 years as compared to 3.9 years at acquisition.

Risk controlled developments

In the year, the Company completed five development sites, which comprise eight logistics units and two electric van parks, which are expected to generate £2.1 million of additional rental income once fully let. At 31 March 2021, lettings have been agreed across three of these sites, which represents 39% of ERV; however, this increases to 89% when taking into account rental guarantees.

Completed in year	GDC	Yield on cost	Area sq ft	ERV
Lime Kilns, Hinckley	£7.2m	5.8%	64,651	£0.4m
Opel Way, Stone	£8.9m	6.3%	88,101	£0.6m
Tungsten Park, Southwater	£4.8m	5.9%	24,330	£0.3m

Peterborough Gateway	£5.7m	4.9%	45,853	£0.3m
Exeter Gateway, DC2	£8.5m	5.6%	n/a	£0.5m
Total	**£35.1m**	**5.7%**	**222,935**	**£2.1m**

Opel Way, Stone

Development of the site completed in September 2020. The site comprises four logistics units with a gross internal floor area of 88,101 sq ft. Stone Business Park is in an established logistics location and benefits from direct access to junctions 14 and 15 of the M6. The sites have an EPC rating of A and achieved a BREEAM rating of Very Good.

At the year end, the units were valued by CBRE at £9.5 million, representing an uplift on gross development cost of 6.1% since practical completion.

Exeter Gateway

In August 2020, the Company entered into a commitment to acquire a six-acre development site at Exeter Gateway, near junction 29 of the M5 motorway, which is conditionally pre-let to DHL and will be its local parcel sorting centre with a low site cover and dual service yards. This £11.2 million development site is due for practical completion by February 2022. DHL have committed to a 15-year lease with five-yearly upward-only rent reviews.

The forward funding represents a discounted entry point at a 5.3% NIY in a location known for its constrained supply of logistics facilities. It will create a prime urban logistics park with the potential to own further warehouses developed on the remaining adjacent land.

Financial review

IFRS Reported profit

	Year ended 31 March 2021 £'000	Year ended 31 March 2020 £'000
Revenue	**24,181**	12,601
Property operating costs	**(1,307)**	(437)
Net rental income	**22,874**	12,164
Other operating income	**159**	—
Administrative expenses	**(4,230)**	(2,247)
Net finance costs	**(3,988)**	(2,714)
Adjusted earnings	**14,815**	7,203
Long-term incentive plan	**(295)**	(3,452)
Changes in fair value of investment property	**25,760**	5,691
Profit on disposal of investment property	**7,035**	575
Changes in fair value of interest rate derivatives	**287**	(657)
IFRS reported profit	**47,602**	9,360

Net rental income

In the financial year to 31 March 2021, the portfolio generated net rental income of £22.9 million, an increase of £10.7 million or 88% compared to the prior year. The increase was largely driven by the acquisitions made in the year following the March and October 2020 equity fundraises. On a like-for-like basis, EPRA net rental income increased by 8.3% year-on-year as a result of rent reviews and lease renewals settled in the second half of the year.

Property operating costs have increased by £0.9 million, reflecting a combination of higher vacant unit costs and three units which were acquired vacant. Of these, two units were let shortly after acquisition and one unit is currently undergoing refurbishment works. Our gross to net rental ratio remains high at 96.5% (31 March 2020: 98.3%), illustrating the strength of our business model.

The contracted annual rent roll at 31 March 2021 was £30.3 million (31 March 2020: £12.5 million). On a like-for-like basis, excluding vacancies, contracted rental income increased by 6.5% (31 March 2020: 3.4%).

Administrative expenses

Administrative expenses, which include all operational costs of running the business, increased by £2.0 million to £4.2 million. This is primarily due to the growth in the investment management fee following the March and October 2020 equity fundraises, and the corresponding increase in EPRA net tangible assets ("EPRA NTA").

Total cost ratio

We continue to monitor the operational efficiency of the Group through the total cost ratio, which increased to 21.3% from 18.9%. The Group's total cost ratio is expected to reduce in future periods, where gross rental income will benefit from a full period of rental income from acquisitions made in the year.

	Year ended	Year ended

	31 March 2021 £'000	31 March 2020 £'000
Total costs including vacant property costs	**21.3%**	18.9%
Total costs excluding vacant property costs	**18.9%**	18.9%

Net finance cost

The weighted average cost of debt for the year was 30bps lower than the previous year at 2.9% and the Group reported a healthy interest cover ratio of 5.4x. Following the completion of the Aviva loan facility, in March 2021, the weighted average debt maturity was 3.5 years (31 March 2020: 2.7 years).

The net finance costs, excluding fair value movements of our interest rate derivatives, for the year were £4.0 million, an increase of £1.3 million from the prior year. This is explained by gross drawn debt increasing by £123.7 million to £199.4 million following the completion of the new loan facilities in the year.

Profit on disposal of investment properties

The Group sold five assets as part of a portfolio at the end of the year, for a total consideration of £30.0 million (excluding sales costs) which reflected a 4.8% NIY vs. 7.0% on acquisition, and realised a Total Property Return of 78.8%.

The sale price represented a 35.4% uplift on 30 September 2020 book value, resulting in a profit on disposal of £7.0 million.

IFRS profit and adjusted earnings

IFRS profit after tax for the year was £47.6 million (31 March 2020: £9.4 million), representing a basic and diluted earnings per share of 21.72 pence, compared with 9.95 pence for the prior year. The growth in earnings per share has been driven largely through valuation surplus and profit recognised on asset sales.

Adjusted earnings for the year were £14.8 million, which represents a £7.6 million increase when compared to the prior year. However, on a per share basis this reduced by 0.90 pence to 6.76 pence per share. This is due to the issuance of new shares and the pace of investment in new properties being partly affected by the impact of COVID-19 and the time it took to put in place new banking facilities.

A full reconciliation between IFRS profit and Adjusted earnings can be found in note 12 of the Financial Statements.

Dividend

With respect to the financial year ended 31 March 2021, the Company declared the following interim dividends:

Declared	Amount pence per share	In respect of financial year ended	Paid/ to be paid
25 September 2020	3.25p	31 March 2021	23 October 2020
8 June 2021	4.35p	31 March 2021	2 July 2021

A second interim dividend of 4.35 pence per share will be paid on 2 July 2021 to shareholders on the register at the close of business on 18 June 2021. The total dividend for the year will therefore be 7.60 pence per share, which is the same as was paid in the prior year.

IFRS Net Assets

	Year ended 31 March 2021 £'000	Year ended 31 March 2020 £'000
Investment property[1]	**507,571**	206,980
Bank borrowings	**(199,364)**	(75,702)
Cash	**60,459**	132,280
Other net assets	**19,837**	(3,468)
EPRA net tangible assets	**388,503**	260,090
Interest rate derivatives	**(1,060)**	(1,347)
Intangible assets	**12**	17
IFRS net assets	**387,455**	258,761

1. Per CBRE independent valuation as at 31 March 2021.

At 31 March 2021, IFRS net assets attributable to Ordinary Shareholders were £387.5 million (31 March 2020: £258.8 million), representing a basic and diluted net asset value per share of 151.92 pence (31 March 2020: 137.19 pence).

The Group considers EPRA net tangible assets ("NTA") a key measure of overall performance. At 31 March 2021, EPRA NTA were £388.5 million (31 March 2020: £260.1 million), representing an EPRA NTA per share of 152.33 pence (31 March 2020: 137.89 pence), an increase of 10.5%.

On a per share basis, both IFRS and EPRA net assets increased over the financial year to 31 March 2021, primarily due to revaluation surplus as a result of value created through asset management initiatives crystallised in the year.

The Total Accounting Return for the year, which reflects growth in EPRA NTA plus dividends paid in the year, was 15.6% (31 March 2020: 5.6%), ahead of the Group's target total return of 10-15% per annum. The average Total Accounting Return since IPO in 2016 has been 13.9%.

Portfolio valuation
The value of our portfolio at 31 March 2021, which includes forward funded developments, was £507.6 million. In the period, the Group invested £264.0 million in industrial and logistics properties and advanced £26.2 million of funding across five forward funded developments. In addition, the Group incurred capital expenditure of £5.7 million in the year, which principally relates to two properties acquired in the year and which are now undergoing extensive refurbishment works, which will significantly enhance capital value.

The Group recognised a valuation surplus of £25.8 million (31 March 2020: £5.7 million) upon revaluation of the portfolio. On a like-for-like basis, the portfolio generated a valuation surplus of £16.7 million, or 9.7% (31 March 2020: 4.6%). The like-for-like growth does not reflect the uplift achieved ahead of book value from the five assets on which we exchanged on 25 March 2021. The adjusted like-for-like growth would otherwise have been 13.2%.

The portfolio delivered a Total Property Return ("TPR") of 17.1% (31 March 2020: 10.1%) for the year.

Financing
On 7 August 2020, the Company entered into a new £151 million loan facility with Barclays, Santander and Lloyds, to replace the existing loan facility, totalling £76 million, which was due to expire in December 2022. This new facility provides a three-year term and includes an option to extend for a further two years.

On 12 March 2021, the Company entered into a £48 million loan facility with Aviva Investors which provides a seven-year term and comes at a fixed cost of 2.34%.

Both facilities were fully drawn at the year end.

Of the total debt facilities, 69% is hedged and the blended all in rate is c.2.50% (subject to movements in LIBOR).

Cash and net debt
At 31 March 2021, the Group's cash balance was £60.5 million, of which £39.5 million is earmarked for developments. Over the financial year, net debt increased by £198.2 million, to £141.7 million, representing a loan to value ("LTV") of 27.9%, which is below our medium-term target of 30-40%.

Outlook
The logistics market remains in focus with property investors and logistics operators due to its outperformance and the forecast for the next few years suggests that this positive trend will continue. We remain committed to our strategy, based on our lengthy experience of the sector, and believe we can continue to acquire assets that meet our criteria and enable our assets to outperform through active asset management.

The UK continues to be one of the fastest-growing adopters of online retail sales and there is a requirement for all tenants to develop their e-fulfilment capability accordingly. As such, key geographic regions across the UK are seeing buoyant leasing activity with a record level of warehouse space under offer at the end of March 2021.

We remain ambitious as a Company and, following two equity raises in 2020, have undertaken a busy investment programme. We are busy working on these new assets, some of which are showing stellar returns already where we have secured new tenants or rents, and we maintain a focus on nurturing existing tenant relationships with a view to securing the Group's reputation as the leader in the urban logistics market.

Behavioural changes formed during the pandemic will have a lasting effect. The unstoppable growth of e-commerce concentrated five years of growth into just a few months. Similarly, online penetration for food stores remains above 10% according to ONS, almost doubling the pre-pandemic share and steering investment from all UK supermarkets to improving their online channels. We remain very confident about the prospects for future growth and the £293 million of assets we have acquired in the last twelve months will continue to add to the income and returns of the Company.

In terms of the year ahead we have a strong pipeline of attractive off market opportunities which would allow us to keep pace with our past track record of new investment.

The Manager

Consolidated Statement of Comprehensive Income

	Note	**Year ended 31 March 2021 £'000**	Year ended 31 March 2020 £'000
Revenue	5	**24,181**	12,601
Property operating expenses	7	**(1,307)**	(437)
Net rental income		**22,874**	12,164
Administrative and other expenses		**(4,230)**	(2,142)
Other income		**159**	—
Long-term incentive plan charge	13	**(295)**	(3,557)
Operating profit before changes in fair value of investment properties and interest rate derivatives		**18,508**	6,465
Changes in fair value of investment property	6, 15	**25,760**	5,691
Profit on disposal of investment property		**7,035**	575
Operating profit		**51,303**	12,731
Finance income		**90**	7
Finance expense	10, 22	**(3,791)**	(3,378)
Profit before taxation		**47,602**	9,360
Tax credit/(charge) for the period	11	**—**	—
Profit and total comprehensive income (attributable to the shareholders)		**47,602**	9,360
Earnings per share – basic	12	**21.72p**	9.95p
Earnings per share – diluted	12	**21.72p**	9.95p
EPRA earnings per share – diluted	12	**6.62p**	3.99p

Consolidated Statement of Financial Position

	Note	**Year ended 31 March 2021 £'000**	Year ended 31 March 2020 £'000
Non-current assets			
Investment property	15	**515,794**	209,179
Intangible assets		**12**	17
Total non-current assets		**515,806**	209,196
Current assets			
Trade and other receivables	18	**35,411**	1,816
Cash and cash equivalents	19	**60,459**	132,280
Total current assets		**95,870**	134,096
Total assets		**611,676**	343,292
Current liabilities			
Trade and other payables	20	**(7,484)**	(2,956)
Deferred rental income		**(5,568)**	(2,728)
Total current liabilities		**(13,052)**	(5,684)
Non-current liabilities			
Long-term rental deposits		**(4,125)**	(1,029)
Lease liability		**(6,748)**	(1,774)
Interest rate derivatives	22	**(1,060)**	(1,347)
Other borrowings		**(2,882)**	—
Bank borrowings	21	**(196,354)**	(74,696)
Total non-current liabilities		**(211,169)**	(78,846)
Total liabilities		**(224,221)**	(84,530)
Total net assets		**387,455**	258,762
Equity			
Share capital	26	**2,550**	1,886
Share premium	27	**89,644**	228,764
Capital reduction reserve	28	**228,760**	—
Other reserves		**351**	56
Retained earnings	30	**66,150**	28,056
Total equity		**387,455**	258,762
Net asset value per share – basic	32	**151.92p**	137.19p
Net asset value per share – diluted	32	**151.92p**	137.19p
EPRA net tangible assets – per share	32	**152.33p**	137.89p

The financial statements of Urban Logistics REIT plc (registered number 09907096) were approved by the Board of Directors and authorised for issue on 8 June 2021 and signed on its behalf by:

Nigel Rich CBE
Chairman

Company Statement of Financial Position

	Note	**Year ended 31 March 2021 £'000**	Year ended 31 March 2020 £'000
Non-current assets			
Investment subsidiaries	17	**297,766**	93,800
Intangible assets		**12**	17
Total non-current assets		**297,778**	93,817
Current assets			
Trade and other receivables	18	**34,476**	141,408
Cash and cash equivalents	19	**1,791**	1,272
Total current assets		**36,267**	142,680
Total assets		**334,045**	236,497
Current liabilities			
Trade and other payables	20	**(1,316)**	(825)
Total current liabilities		**(1,316)**	(825)
Total liabilities		**(1,316)**	(825)
Total net assets		**332,729**	235,672
Equity			
Share capital	26	**2,550**	1,886
Share premium	27	**89,644**	228,764
Capital reduction reserve	28	**228,760**	—
Other reserves		**351**	56
Retained earnings	30	**11,424**	4,966
Total equity		**332,729**	235,672

The Company has not presented its own Statement of Comprehensive Income, as permitted by section 408 of the Companies Act 2006. The Company made a profit of £15.97 million (31 March 2020: £10.07 million).

The Financial Statements of Urban Logistics REIT plc (registered number 09907096) were approved by the Board of Directors and authorised for issue on 8 June 2021 and signed on its behalf by:

Nigel Rich CBE
Chairman

Consolidated Statement of Cash Flows

	Note	**Year ended 31 March 2021 £'000**	Year ended 31 March 2020 £'000
Cash flows from operating activities			
Profit for the period (attributable to equity shareholders)		**47,602**	9,360
Add: amortisation and depreciation		**49**	13
Less: changes in fair value of investment property	6, 15	**(26,250)**	(5,691)
Less: profit on disposal of investment property		**(7,035)**	(575)
Less: finance income		**(90)**	(7)
Add: finance expense	10, 22	**3,791**	3,378
Add: long-term incentive plan	13	**295**	2,454
Increase in trade and other receivables		**(34,831)**	(625)
Increase in trade and other payables		**8,436**	1,454
Cash generated from operations		**(8,033)**	9,761
Net cash flow generated from operating activities		**(8,033)**	9,761
Investing activities			
Purchase of investment properties	15	**(171,314)**	(26,763)
Capital expenditure on investment properties	15	**(30,525)**	(5,615)
Disposal of investment properties	15	**29,239**	18,085
Acquisition of subsidiary, net of cash acquired	16	**(92,722)**	—
Net cash flow used in investing activities		**(265,322)**	(14,293)

Financing activities			
Proceeds from issue of Ordinary Share capital	25	**92,337**	136,200
Proceeds from issue of Warrant Shares	25	**—**	59
Cost of share issue	26	**(2,032)**	(2,951)
Bank borrowings drawn	21	**199,364**	10,775
Bank borrowings repaid	21	**(75,701)**	(7,667)
Loan arrangement fees paid	21	**(2,670)**	(179)
Other borrowings drawn		**2,882**	—
Interest paid	10	**(3,228)**	(2,374)
Interest received		**90**	7
Dividends paid to equity holders	14	**(9,508)**	(6,818)
Net cash flow generated from financing activities		**201,534**	127,052
Net (decrease)/increase in cash and cash equivalents for the period		**(71,821)**	122,520
Cash and cash equivalents at start of period		**132,280**	9,760
Cash and cash equivalents at end of period		**60,459**	132,280

Company Statement of Cash Flows

	Note	**Year ended 31 March 2021 £'000**	Year ended 31 March 2020 £'000
Cash flows from operating activities			
Profit for the period (attributable to equity shareholders)		**15,966**	10,069
Add: depreciation		**5**	5
Less: finance income		**(85)**	—
Add: long-term incentive plan	13	**295**	2,454
Increase in trade and other receivables		**(8)**	(63)
Increase in trade and other payables		**491**	63
Cash generated from operations		**16,664**	12,528
Net cash flow generated from operating activities		**16,664**	12,528
Investing activities			
Decrease/(increase) in loan due from Group undertakings	18	**106,939**	(139,448)
Investment in subsidiary	17	**(203,966)**	—
Net cash flow used in investing activities		**(97,027)**	(139,448)
Financing activities			
Proceeds from issue of Ordinary Share capital	26	**92,337**	136,200
Proceeds from issue of Warrant Shares	26	**—**	59
Cost of share issue	27	**(2,032)**	(2,951)
Interest received		**85**	—
Dividends paid to equity holders	14	**(9,508)**	(6,818)
Net cash flow generated from financing activities		**80,882**	126,490
Net increase/(decrease) in cash and cash equivalents for the period		**519**	(430)
Cash and cash equivalents at start of period		**1,272**	1,702
Cash and cash equivalents at end of period		**1,791**	1,272

Consolidated Statement of Changes In Equity

Year ended 31 March 2021	Share capital £'000	Share Premium £'000	Share warrant reserves £'000	Capital reduction reserves £'000	Other reserves £'000	Retained earnings £'000	Total £'000
1 April 2020	1,886	228,764	—	—	56	28,056	258,762
Profit for the period	—	—	—	—	—	47,602	47,602
Total comprehensive income	**—**	**—**	**—**	**—**	**—**	**47,602**	**47,602**
Transactions with shareholders in their capacity as owners	**—**	**—**	**—**	**—**	**—**	**—**	**—**
Dividends to shareholders	**—**	**—**	**—**	**—**	**—**	**(9,508)**	**(9,508)**
Long-term incentive plan	**—**	**—**	**—**	**—**	**295**	**—**	**295**
Issue of Ordinary Shares	**664**	**89,640**	**—**	**—**	**—**	**—**	**90,304**
Transfer to capital reduction reserve	**—**	**(228,760)**	**—**	**228,760**	**—**	**—**	**—**
31 March 2021	**2,550**	**89,644**	**—**	**228,760**	**351**	**66,150**	**387,455**
1 April 2019	877	93,877	14	—	194	25,514	120,476
Profit for the period	—	—	—	—	—	9,360	9,360

Total comprehensive income	—	—	—	—	—	9,360	9,360
Transactions with shareholders in their capacity as owners	—	—	—	—	—	—	—
Dividends to shareholders	—	—	—	—	—	(6,818)	(6,818)
Long-term incentive plan	—	—	—	—	2,436	—	2,436
Crystallisation of long-term incentive plan	18	2,556	—	—	(2,574)	—	—
Issue of Ordinary Shares	990	132,259	—	—	—	—	133,249
Redemption of Warrant Shares	1	60	(2)	—	—	—	59
Warrant Shares expired	—	12	(12)	—	—	—	—
31 March 2020	1,886	228,764	—	—	56	28,056	258,762

Company Statement of Changes In Equity

Year ended 31 March 2021	Share capital £'000	Share Premium £'000	Share warrant reserves £'000	Capital reduction reserves £'000	Other reserves £'000	Retained earnings £'000	Total £'000
1 April 2020	1,886	228,764	—	—	56	4,966	235,672
Profit for the period	**—**	**—**	**—**	**—**	**—**	**15,966**	**15,966**
Total comprehensive income	**—**	**—**	**—**	**—**	**—**	**15,966**	**15,966**
Transactions with shareholders in their capacity as owners	**—**	**—**	**—**	**—**	**—**	**—**	**—**
Dividends to shareholders	**—**	**—**	**—**	**—**	**—**	**(9,508)**	**(9,508)**
Long-term incentive plan	**—**	**—**	**—**	**—**	**295**	**—**	**295**
Issue of Ordinary Shares	**664**	**89,640**	**—**	**—**	**—**	**—**	**90,304**
Transfer to capital reduction reserve	**—**	**(228,760)**	**—**	**228,760**	**—**	**—**	**—**
31 March 2021	**2,550**	**89,644**	**—**	**228,760**	**351**	**11,424**	**332,729**
1 April 2019	877	93,877	14	—	194	1,715	96,677
Profit for the period	—	—	—	—	—	10,069	10,069
Total comprehensive income	—	—	—	—	—	10,069	10,069
Transactions with shareholders in their capacity as owners	—	—	—	—	—	—	—
Dividends to shareholders	—	—	—	—	—	(6,818)	(6,818)
Long-term incentive plan	—	—	—	—	2,436	—	2,436
Crystallisation of long-term incentive plan	18	2,556	—	—	(2,574)	—	—
Issue of Ordinary Shares	990	132,259	—	—	—	—	133,249
Redemption of Warrant Shares	1	60	(2)	—	—	—	59
Warrant Shares expired	—	12	(12)	—	—	—	—
31 March 2020	1,886	228,764	—	—	56	4,966	235,672

Notes to the Financial Statements

1. Corporate information

Urban Logistics REIT plc, previously Pacific Industrial & Logistics REIT plc, (the "Company") and its subsidiaries (the "Group") carry on the business of property lettings throughout the United Kingdom. The Company is a public limited company incorporated and domiciled in England and Wales and listed on the AIM Market of the London Stock Exchange. The registered office address is 6th Floor 65 Gresham Street, London, United Kingdom, EC2V 7NQ.

2. Statement of compliance

These Condensed Consolidated Financial Statements have been prepared in accordance with International accounting standards in conformity with the requirements of the Companies Act 2006. They do not include all of the information required for full annual statements and should be read in conjunction with the 2021 Annual Report.

The comparative figures for the financial year 31 March 2020 have been extracted from the Group's statutory accounts for that financial year. The Group Financial Statements for the year ended 31 March 2021 were approved by the Board on 8 June 2021. They have been reported on by the Group's auditors and will be delivered to the registrar of companies in due course. The report of the auditors was (i) unqualified, (ii) did not include a reference to any matters to which the auditors drew attention by way of emphasis without qualifying their report, and (iii) did not contain a statement under section 498(2) or (3) of the Companies Act 2006.

The Board of directors approved the Condensed Consolidated Financial Statements on 8 June 2021. They are not statutory accounts within the meaning of section 435 of the Companies Act 2006.

Going concern
The Directors have reviewed the current and projected financial position of the Group, making reasonable assumptions about future trading performance. As part of the review, the Group has considered its cash balances, its debt maturity profile, including undrawn facilities, and the long-term nature of the tenant leases.

As part of their Going Concern review, the Directors have carefully considered the impact on the Group of the COVID-19 pandemic. Management, who have transitioned to remote working without any issues, endeavours to engage with tenants on a quarterly basis and it is this hands-on relationship that is guiding the Group through the COVID-19 pandemic as the tenant-landlord relationships continue to remain constructive. The Group has an active pipeline and will be acquiring further properties in due course; however, management will take a cautious approach and lower gearing levels until there is more clarity on COVID-19's effect on the UK economy.

The Group has undertaken risk assessments in respect of the impact on key objectives and has appropriate response plans such as stress testing, monitoring of tenant performance and financial reviews.

On the basis of this review, and after making due enquiries, the Directors have a reasonable expectation that the Company and the Group have adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the Annual Report and Financial Statements.

3. Significant accounting judgements, estimates and assumptions
The preparation of the Financial Statements in conformity with the generally accepted accounting practices requires management to make estimates and judgements that affect the reported amounts of assets and liabilities as well as the disclosure of contingent assets and liabilities at the statement of financial position date and the reported amounts of revenue and expenses during the reporting period.

Key sources of estimation uncertainty
Fair value of investment property
The market value of investment property is determined, by real estate valuation experts, to be the estimated amount for which a property should exchange on the date of the valuation in an arm's length transaction. Each property has been valued on an individual basis. The valuation experts use recognised valuation techniques and the principles of IFRS 13.

The valuations have been prepared in accordance with RICS Valuation – Global Standards January 2020 (the "Red Book"). Factors reflected include current market conditions, annual rentals, lease lengths and location. The significant methods and assumptions used by the valuers in estimating the fair value of investment property are set out in note 23.

Key Judgements
Acquisition of subsidiaries – as a group of assets and liabilities
During the year, the Group acquired a further three property owning special purpose vehicles. The Directors considered whether these acquisitions meet the definition of the acquisition of a business or the acquisition of a group of assets and liabilities. It was concluded that acquisitions did not meet the criteria for the acquisition of a business as outlined by IFRS 3 as they did not have an integrated set of activities and assets that were capable of being conducted and managed for the purpose of providing a return in the form of dividends, lower costs or other economic benefits directly to investors. Furthermore, a business consists of inputs and process applied to those inputs that have the ability to create outputs. The fair value of identifiable assets and liabilities is allocated on the basis of their relative fair values at the date of purchase.

4. Principal accounting policies
The principal accounting policies applied in the preparation of these Financial Statements are set out below. These policies, which are also applicable to the Financial Statements of the Company, have been consistently applied to all the years presented.

Basis of consolidation
The Financial Statements consolidate the accounts of the Company and all subsidiary undertakings drawn up to the same year end.

Business combinations
The Group has acquired companies that own real estate. At the time of acquisitions, the Group considers whether each acquisition represents the acquisition of a business or the acquisition of an asset. The Group accounts for an acquisition as a business combination where an integrated set of activities is acquired in addition to the property.

Where such acquisitions are not judged to be the acquisition of a business, they are not treated as business combinations. Rather, the cost to acquire the corporate entity is allocated between identifiable assets and liabilities of the entity based upon their relative fair values at the acquisition date. Accordingly, no goodwill or additional deferred tax arises.

Investment in subsidiaries
Investments in subsidiaries are stated at cost less any provision for permanent diminution in value. Realised gains and losses are dealt with through the Statement of Comprehensive Income. A review for impairment is carried out if events or changes in circumstances indicate that the carrying amount may not be recoverable, in which case an impairment provision is recognised and charged to the Statement of Comprehensive Income.

Borrowings

Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in profit and loss over the borrowings period using the effective interest method.

Borrowing costs
Borrowing costs in relation to interest charges on bank borrowings are expensed in the period to which they relate. Fees incurred in relation to the arrangement of bank borrowings are capitalised and expensed on a straight-line basis over the term of the loan.

Segmental reporting
IFRS 8 requires operating segments to be identified on the basis of internal reports that are regularly reported to the Board to allocate resources to the segments and to assess their performance. The Directors consider there to be only one reportable segment, being the investment in the United Kingdom into small logistics warehouses.

Investment properties
Investment properties comprises completed property that is held to earn rentals or for capital appreciation, or both, and development properties that are under development or available for development.

Investment properties are initially recognised at cost including transactions costs. Transaction costs include transfer taxes and professional fees for legal services. Subsequent to initial recognition, investment properties are carried at fair value, as determined by real estate valuation experts. Gains or losses arising from change in fair value are recognised in the Statement of Comprehensive Income in the period in which they arise.

Investment properties cease to be recognised when they have been disposed of. The difference between the disposal proceeds and the carrying amount of the asset is recognised in the Statement of Comprehensive Income. A disposal is recognised on exchange if the sale contract is unconditional; if the sale contract on exchange is conditional, the disposal is recognised on legal completion.

Financial instruments
Financial assets and financial liabilities are recognised in the Statement of Financial Position when the Group becomes a party to the contractual provisions of the instrument.

Financial assets
Trade receivables are held in order to collect the contractual cash flows and are initially measured at the transaction price as defined in IFRS 15, as the contracts of the Group do not contain significant financing components. Impairment losses are recognised based on lifetime expected credit losses in profit or loss.

Other receivables are held in order to collect the contractual cash flows and accordingly are measured at initial recognition at fair value, which ordinarily equates to cost, and are subsequently measured at cost less impairment due to their short-term nature. A provision for impairment is established based on twelve-month expected credit losses unless there has been a significant increase in credit risk when lifetime expected credit losses are recognised. The amount of any provision is recognised in profit or loss.

Financial liabilities
Financial liabilities, equity instruments and warrant instruments issued by the Group are classified in accordance with the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument. An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. Equity instruments issued by the Group are recorded at the proceeds received, net of direct issue costs.

Trade and other payables are initially measured at fair value and are subsequently measured at amortised cost using the effective interest rate method.

Derivative financial instruments
Derivative financial instruments, comprising interest rate caps and swaps for hedging purposes, are initially recognised at cost 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.

The gain or loss at each fair value measurement date is recognised in the Statement of Comprehensive Income. Premiums payable under such arrangements are initially capitalised into the Statement of Financial Position, subsequently they are remeasured and held at their fair values.

Hedge accounting has not been applied in these Financial Statements.

Revenue recognition
Rental income and service charge income from operating leases on properties owned by the Group is accounted for on a straight-line basis over the term on the lease. Rental income excludes service charges and other costs directly recoverable from tenants.

Lease incentives are amortised on a straight-line basis over the term of the lease.

Leases
At inception, the Group assesses whether a contract is or contains a lease. This assessment involves the exercise of judgement about whether the Group obtains substantially all the economic benefits from the use of that asset, and whether the Group has the right to direct the use of the asset.

The Group recognises a right-of-use ("ROU") asset and a corresponding lease liability at the commencement date of the lease. The ROU asset is initially measured based on the present value of lease payments, plus initial direct costs and the cost of obligations to refurbish the asset, less any incentives received.

Lease payments generally include fixed payments and variable payments that depend on an index (such as an inflation index). When the lease contains an extension or purchase option that the Group considers reasonably certain to be exercised, the cost of the option is included in the lease payments.

Each lease payment is allocated between the liability and finance cost. The lease payments are discounted using the interest rate implicit in the lease if that rate can be readily determined or, if not, the incremental borrowing rate is used which is the weighted average cost of debt. The finance cost is charged to profit or loss over the lease period so as to produce a constant rate of interest on the remaining balance of the liability for each period.

As the head leases meet the definition of investment property, it is initially recognised in accordance with IFRS 16, and then subsequently accounted for as if it was investment property in accordance the Group's accounting policy. After initial recognition the ROU head lease asset is subsequently carried at fair value and the valuation gains and losses recognised within "Changes in fair value of investment property" in the Statement of Comprehensive Income.

ROU assets are included in the heading Non-current assets, and the lease liability included in the heading Non-current liabilities, on the Statement of Financial Position.

Where the ROU asset relates to land or property that meets the definition of investment property under IAS 40, the ROU assets are included in the heading Investment properties, and the lease liability in the heading Non-current liabilities, on the Statement of Financial Position.

Long-term incentive plan
There is a long-term incentive plan ("LTIP") in place whereby Pacific Industrial LLP, an affiliate of Pacific Capital Partners Limited (the "Manager") has subscribed for C Ordinary Shares issued in Urban Logistics Holdings Limited, a subsidiary of Urban Logistics REIT plc (the "Company"). Under the terms of the LTIP, the Company is obliged to acquire the C Ordinary Shares in Urban Logistics Holdings Limited, in return for services provided by Pacific Industrial LLP, subject to certain conditions.

The fair value of the share price element of the LTIP award is calculated at the grant date using the Monte Carlo model. The resulting cost is charged to the Statement of Comprehensive Income over the vesting period.

At each year end, the Directors make an assessment of the fair value EPRA NTA element of the LTIP award based on company forecasts. The resulting cost is charged to the Statement of Comprehensive Income over the vesting period.

Further details have been provided in note 13.

Taxation
Taxation on the profit or loss for the period not exempt under UK REIT regulations comprises current and deferred tax. Current tax is expected tax payable on any non-REIT taxable income for the period, using tax rates enacted or substantively enacted at the period end date, and any adjustment to tax payable in respect of previous years.

Dividends
Dividends on equity shares are recognised when they become legally payable. In the case of interim dividends, this is when paid. In the case of final dividends, this is when approved by the shareholders at the Annual General Meeting.

Cash and cash equivalents
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.

Standards in issue but not yet effective
At the date of authorisation of these Financial Statements there were standards and amendments which were in issue but which were not yet effective and which have not been applied. The principal ones were:

- amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 Interest Rate Benchmark Reform (effective 1 January 2021 endorsed 13 January 2021);
- amendments to IFRS 4 Insurance Contracts – deferral of IFRS 9 (effective 1 January 2021, endorsed 15 December 2020);
- amendments to, IFRS 3 Business Combinations; IAS 16 Property, Plant and Equipment; IAS 37 Provisions, Contingent Liabilities and Contingent Assets and Annual Improvements 2018-2020 (effective 1 January 2022); and

- amendments to IAS 1 Presentation of Financial Statements: Classification of Liabilities as Current or Non-current and Classification of Liabilities as Current or Non-current – Deferral of Effective Date (effective 1 January 2023)

The Directors do not expect the adoption of these standards and amendments to have a material impact on the Financial Statements.

In the current period, the following amendments have been adopted which were effective for the periods commencing on or after 1 January 2020:

- amendment to IFRS 16 Leases COVID-19 Related Rent Concessions (effective 1 June 2020).

The adoption of these amendments has not had a material impact of the Financial Statements.

5. Revenue

The Group is involved in UK property ownership and letting and is considered to operate in a single geographical and business segment. The total revenue of the Group for the year was derived from its principal activity, being that of property lettings. No single tenant accounted for more than 10% of the Group's gross rental income.

	31 March 2021 £'000	31 March 2020 £'000
Rental income	**23,240**	12,158
Service charge income	**473**	238
Licence fee	**468**	205
Total revenue	**24,181**	12,601

6. Changes in fair value of investment property

	31 March 2021 £'000	31 March 2020 £'000
Revaluation surplus	**26,250**	6,319
Provision for profit share	**(490)**	—
Write-down of lease incentive	**—**	(628)
Total changes in fair value of investment property	**25,760**	5,691

7. Property operating expenses

	31 March 2021 £'000	31 March 2020 £'000
Vacant property costs	**489**	13
Letting and marketing fees	**126**	142
Premise expenses	**114**	36
Service charge expenses	**569**	227
Other	**9**	19
Total property operating expenses	**1,307**	437

8. Operating profit

Operating profit is stated after charging:

	31 March 2021 £'000	31 March 2020 £'000
Directors' remuneration (note 9)	**218**	161
Long-term incentive plan (note 13)	**295**	3,557
Auditor's fees		
– Fees payable for the audit of the Company's annual accounts	**25**	24
– Fees payable for the ISRE 2410 review of the Company's interim accounts	**—**	13
– Fees payable for the audit of the Company's subsidiaries	**75**	55
– Fees payable for other services	**—**	10
Total auditor's fee	**100**	102

9. Directors' remuneration

	31 March 2021 £'000	31 March 2020 £'000
Directors' fees	**196**	145
Employer's National Insurance	**22**	16

Total	**218**	161

A summary of the Directors' emoluments, including the disclosures required by the Companies Act 2006, is set out in the Directors' Report. Two Directors are also set to benefit from the long-term incentive plan ("LTIP"). For further information refer to related party transactions in note 31.

10. Finance expense

	31 March 2021 £'000	31 March 2020 £'000
Interest on bank borrowings	**2,738**	2,101
Swap interest paid	**450**	242
Amortisation of loan arrangement fees	**665**	347
Other interest payable	**123**	—
Interest on lease liability	**102**	31
Changes in fair value of interest rate derivatives	**(287)**	657
Total	**3,791**	3,378

11. Taxation

As a REIT, the Group is exempt from corporation tax on the profits and gains from its property investment business, provided it continues to meet certain conditions as per REIT regulations. For the year ending 31 March 2021, the Group did not have any non-qualifying profits and accordingly there is no tax charge in the period. Any non-qualifying profits and gains however will continue to be subject to corporation tax.

12. Earnings per share

The calculation of the basic earnings per share ("EPS") was based on the profit attributable to Ordinary Shareholders divided by the weighted average number of Ordinary Shares outstanding during the period, in accordance with IAS 33.

	31 March 2021 £'000	31 March 2020 £'000
Profit attributable to Ordinary Shareholders		
Total comprehensive income (£'000)	**47,602**	9,360
Weighted average number of Ordinary Shares in issue	**219,191,930**	94,083,745
Basic earnings per share (pence)	**21.72p**	9.95p
Number of diluted shares under option/warrant	**—**	—
Weighted average number of Ordinary Shares for the purpose of dilutive earnings per share	**219,191,930**	94,083,745
Diluted earnings per share (pence)	**21.72p**	9.95p
Adjustments to remove:		
Changes in fair value of investment property (£'000)	**(25,760)**	(5,691)
Changes in fair value of interest rate derivatives (£'000)	**(287)**	657
Profit on disposal of investment properties	**(7,035)**	(575)
EPRA earnings (£'000)	**14,520**	3,751
EPRA earnings per share	**6.62p**	3.99p
Adjustments to add back:		
LTIP adjustment	**295**	3,452
Adjusted earnings (£'000)	**14,815**	7,203
Adjusted earnings per share	**6.76p**	7.66p

The number of Ordinary Shares is based on the time weighted average number of shares throughout the period.

13. Long-Term Incentive Plan ("LTIP")

The Company has an LTIP, accounted for as an equity-settled share-based payment. At 31 March 2021, Pacific Industrial LLP, an affiliate of Pacific Capital Partners Limited, has subscribed for 1,000 C Ordinary Shares of £0.01 each issued in Urban Logistics Holdings Limited, a subsidiary of the Company.

Date options granted	Class of share	Fair value at grant £'000	Charge for the period £'000
August 2017			
– Share price element	C Ordinary	131	22
– EPRA NTA element	C Ordinary	869	273
		1,000	**295**

An independent valuation of the fair value of these shares was carried out at the grant date. The valuation was prepared in accordance with International Financial Reporting Standard 2 (“IFRS 2”): Share-based Payments. These shares were subsequently revalued at the modification date, in March 2020, with no material change.

The Monte Carlo valuation model has been used to estimate the fair value of the share price element of the award. The assumptions used are as follows:

Date of grant	16 August 2017
Share price at grant	£1.25
Hurdle (post-dividend adjustment)	£1.53
Expected volatility	15.0%
Measurement period	6.1 years
Dividend yield	4.86%
Risk free rate	0.63%

The Directors have made an assessment of the ERPA NTA element based on company forecasts. An assessment will be made at each year end, with any adjustment to expected value being charged as an expense in the Statement of Comprehensive Income.

From 7 February 2020 (the “Revised First Calculation Date”) to 30 September 2023 (the “Second Calculation Date”) the LTIP will be assessed as follows:

- the EPRA NAV element is 5% of the amount by which the Company’s EPRA NAV at the Second Calculation Date exceeds the Company’s EPRA NAV as at the Revised First Calculation Date and an annualised 10% hurdle thereon (adjusted for any new issue of shares, all distributions including inter alia dividends and any returns of capital); and
- the share price element is 5% of the amount by which the market capitalisation of the Company at the Second Calculation Date exceeds the market capitalisation of the Company as at the Revised First Calculation Date and an annualised 10% hurdle thereon (adjusted for any new issue of shares, all distributions including inter alia dividends and any returns of capital).

The LTIP payment is capped at three times the average annual management fees paid from 7 February 2020 to the Second Calculation Date.

If there is a change of control, the LTIP will be assessed by applying the relevant offer price to the EPRA NAV element and the share price element calculations at the date of the change of control.

The LTIP will be settled, at the Board's discretion, in either shares of Urban Logistics REIT plc, or cash, or a combination of both.

14. Dividends

	31 March 2021 £’000	31 March 2020 £’000
Ordinary dividends paid		
2019: second interim dividend: 4.02 pence per share	**—**	3,528
2020: first interim dividend: 3.75 pence per share	**—**	3,290
2020: second interim dividend: 3.85 pence per share	**3,378**	—
2021: first interim dividend: 3.25 pence per share	**6,130**	—
Total dividends paid in the year (£’000)	**9,508**	6,818
Total dividends paid in the year	**7.10p**	7.77p
Total dividends declared in respect of the financial year	**3.25p**	7.60p

On 25 September 2020, the Company declared an interim dividend for the first half of the financial year ended 31 March 2021 of 3.25 pence per Ordinary Share. The dividend was paid as a property income distribution on 23 October 2020 to shareholders on the register on 9 October 2020.

On 8 June 2021, the Company declared a second interim dividend of 4.35 pence per Ordinary Share in respect of the financial year ended 31 March 2021. The dividend will be paid as a property income distribution (“PID”) on 2 July 2021 to shareholders on the register on 18 June 2021. The second interim dividend has not been recognised in the financial statements for the year ended 31 March 2021.

15. Investment properties

In accordance with IAS 40: Investment Property, investment property is carried at its fair value as determined by an external valuer. This valuation has been conducted by CBRE and has been prepared as at 31 March 2021, in accordance with the RICS Valuation – Professional Standards UK January 2020 (the “Red Book”).

The valuations have been prepared in accordance with those recommended by the International Valuation Standards Committee and are consistent with the principles in IFRS.

	Investment	Investment

	properties freehold £'000	properties leasehold £'000	Development properties £'000	Total £'000
At 1 April 2020	151,559	46,020	9,400	206,979
Property acquisitions through corporate transactions	84,118	10,589	—	94,707
Property acquisitions	109,369	60,555	1,390	171,314
Capital expenditure	3,802	1,902	24,821	30,525
Property disposals	(18,198)	(4,006)	—	(22,204)
Revaluation surplus in year	18,263	7,448	539	26,250
Transfer of completed development properties	35,650	—	(35,650)	—
At 31 March 2021	384,563	122,508	500	507,571
Add: tenant lease incentives	991	287	—	1,278
Investment properties excluding head lease ROU assets at 31 March 2021	385,554	122,795	500	508,849
Add: right-of-use asset	—	6,945	—	6,945
Total investment properties at 31 March 2021	**385,554**	**129,740**	**500**	**515,794**

Total rental income for the year recognised in the Consolidated Statement of Comprehensive Income amounted to £23.2 million (31 March 2020: £12.16 million).

Tenant lease incentive at 31 March 2021 totalled £1.28 million (31 March 2020: £0.34 million).

Further information relating to property valuation techniques has been disclosed in note 23.

16. Acquisition of subsidiaries

On 29 April 2020, the Group obtained sole control of EOS Property Unit Trust, a property investment company incorporated in Jersey, through the acquisition of the entire units in the Trust.

On 9 November 2020, the Group obtained sole control of Urban Logistics Hoddesdon Limited, a property investment company incorporated in England and Wales, through the acquisition of the entire issued share capital.

On 17 February 2021, the Group obtained sole control of Urban Logistics K Holdings Limited, a holding company incorporated in England and Wales, through the acquisition of the entire issued share capital.

The Directors considered whether these acquisitions meet the definition of the acquisition of a business or the acquisition of a group of assets and liabilities. It was concluded that the acquisitions did not meet the criteria for the acquisition of a business as outlined in IFRS 3 as they did not have an integrated set of activities and assets that were capable of being conducted and managed for the purpose of providing a return in the form of dividends, lower costs or other economic benefits directly to investors.

The table below sets out the initial fair values to the Group in respect of these acquisitions.

	Book value £'000	Redemption of liabilities £'000	Fair value adjustments £'000	Total £'000
Investment properties	89,774	—	4,933	94,707
Cash	726	—	—	726
Other receivables	187	(79)	213	321
Finance liabilities	(57,019)	56,993	—	(26)
Other liabilities	(1,905)	—	(1,100)	(3,005)
Total	**31,762**	**56,914**	**4,046**	**92,722**
Net cash outflow arising on acquisition				
Total consideration				93,448
Less: cash and cash equivalents acquired				(726)
Cash consideration net of cash acquired				**92,722**

17. Investments

Investments are analysed as follows:

	Group £'000	Company £'000
At 1 April 2020	—	93,800
Additions	—	203,966
At 31 March 2021	**—**	**297,766**

The Company additions in the year related solely to capitalised intercompany debt.

Details of the Group's subsidiary undertakings as at 31 March 2021, all of which are included in the consolidated Financial Statements, are given below:

Company name	Country of incorporation	Principal activity	Effective Group interest
Urban Logistics Holdings Limited	England and Wales	Holding Company	99.99%
Urban Logistics Acquisitions 1 Limited	England and Wales	Holding Company	99.99%
Urban Logistics Acquisitions 2 Limited	England and Wales	Property Investment	99.99%
Urban Logistics Acquisitions 3 Limited	England and Wales	Property Investment	99.99%
Urban Logistics Acquisitions 4 Limited	England and Wales	Property Investment	99.99%
Urban Logistics Prop Co 1 (AC) Limited	England and Wales	Property Investment	99.99%
Urban Logistics Hoddesdon Limited	England and Wales	Property Investment	99.99%
Urban Logistics K Holdings Limited	England and Wales	Holding Company	99.99%
Urban Logistics K Properties Limited	England and Wales	Property Investment	99.99%
EOS Property Unit Trust	Jersey	Property Investment	99.99%
Sheds General Partner 2 Limited[1]	England and Wales	Dormant	99.99%
Sheds GP Nominee Co. 1 Limited[1]	England and Wales	Dormant	99.99%
Sheds GP Nominee Co. 2 Limited[1]	England and Wales	Dormant	99.99%

1. At 31 March 2021, these companies were in liquidation.

Registered office address for companies incorporated in England and Wales: 124 Sloane Street, London, SW1X 9BW.

Registered office address of the trustees of the EOS Property Unit Trust incorporated in Jersey: 47 Esplanade, St Helier, Jersey, JE1 0BD.

Pacific Industrial LLP, an affiliate of the Manager, owns 0.001% of the issued share capital in Urban Logistics Holdings Limited. These shares have no right to dividends; therefore, no amounts have been recognised within non-controlling interests.

18. Trade and other receivables

	Group 31 March 2021 £'000	**Company 31 March 2021 £'000**	Group 31 March 2020 £'000	Company 31 March 2020 £'000
Trade receivables	**1,211**	**2**	1,043	—
Other receivables	**33,372**	**—**	224	48
Amounts due from Group undertakings	**—**	**34,387**	—	141,328
Prepayments	**773**	**87**	343	32
Licence fee receivable	**55**	**—**	206	—
Total	**35,411**	**34,476**	1,816	141,408

Trade receivables are due within 30 days of the date at which the invoice is generated and are not interest bearing in nature. All trade receivables relate to amounts that are less than 30 days overdue as at the year end date. Due to their short maturities, the fair value of trade and other receivables approximates their fair value.

Amounts due from Group undertakings have been issued without terms and are interest free; therefore, the full amount has been recognised within trade and other receivables due within one year.

Trade receivables comprise rental income which is due on contractual quarter days. At 31 March 2021, £1,210,520 (31 March 2020: £1,042,634) was due from tenants. Trade receivables are written off when there is no reasonable expectation of recovery. During the year, the Group has written off £15,200 (31 March 2020: £nil), equivalent to 0.07% of all rent demanded over the year.

Other receivables includes £29.1 million due in relation to the sale of the Vital portfolio.

19. Cash and cash equivalents

	Group 31 March £'000 2021	**Company 31 March £'000 2021**	Group 31 March £'000 2020	Company 31 March £'000 2020
Cash and cash equivalents	**60,459**	**1,791**	132,280	1,272
Total	**60,459**	**1,791**	132,280	1,272

Group cash and cash equivalents available include £4.13 million (31 March 2020: £1.03 million) of restricted cash in the form of rental deposits held on behalf of tenants.

20. Trade and other payables

	Group 31 March 2021 £'000	Company 31 March 2021 £'000	Group 31 March 2020 £'000	Company 31 March 2020 £'000
Falling due in less than one year				
Trade and other payables	**3,077**	**1,130**	2,053	705
Social security and other taxes	**—**	**51**	—	—
Accruals	**2,813**	**76**	779	79
Lease liability	**218**	**—**	91	—
Other creditors	**1,376**	**59**	33	41
Total	**7,484**	**1,316**	2,956	825

The Group has financial risk management policies in place to ensure that all payables are paid within the credit timeframe. Due to their short maturities, the fair value of trade and other payables approximates their fair value.

21. Bank borrowings and reconciliation of liabilities to cash flows from financing activities

Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in profit or loss over the period of the borrowings using the effective interest method.

	Bank borrowings £'000
Balance at 1 April 2020	74,696
Bank borrowings drawn in the year	199,364
Bank borrowings repaid in the year	(75,701)
Loan arrangement fees paid	(2,670)
Non-cash movements:	
Amortisation of loan arrangement fees	665
Total bank borrowings per the Consolidated Group Statement of Financial Position	**196,354**
Being:	
Drawn debt	199,364
Unamortised loan arrangement fees	(3,010)
Total bank borrowings per the Consolidated Group Statement of Financial Position	**196,354**

On 7 August 2020, the Group entered into a new £151.0 million loan facility with Barclays Bank plc, Santander UK plc and Lloyds Bank plc, to replace the existing loan facility totalling £75.7 million, which was due to expire in 2022. This facility provides a three-year term, with the option to extend for a further two years. Interest is charged at a fixed margin of 2.10% plus three-month GBP LIBOR.

On 7 August 2020, the Group drew £122.4 million from the new loan facility. A further £25.0 million was drawn on 15 February 2021. On 26 February 2021, the remaining £3.6 million of loan facility was drawn.

The £151.0 million facility is hedged by way of interest rate swaps, on a notional loan amount of £89.3 million. The weighted average capped rate at 31 March 2021 was 0.74% (31 March 2020: 1.25%).

On 12 March 2021, the Group entered into a new £48.4 million loan facility with Aviva Investors. This facility provides a seven-year term at a fixed cost of 2.34%. This is in addition to the £151.0 million loan facility with Barclays, Santander and Lloyds Bank plc.

The bank borrowings from both facilities are secured over the investment properties owned by the Group.

22. Interest rate derivatives

The Group has used interest rate swaps to mitigate exposure to interest rate risk. The total fair value of these contracts is recorded in the Statement of Financial Position. The interest rate derivatives are marked to market by the relevant counterparty banks on a quarterly basis. Any movements in the fair value of the interest rate derivatives are taken to finance costs in the Statement of Comprehensive Income.

	Year ended 31 March 2021 £'000	Year ended 31 March 2020 £'000
Non-current liabilities: derivative interest rate swaps:		
At beginning of period	**(1,347)**	(690)
Change in fair value in the period	**287**	(657)
Total	**(1,060)**	(1,347)

23. Financial risk management

Financial instruments – Group

The Group’s financial instruments comprise financial assets and liabilities that arise directly from its operations: cash and cash equivalents, trade and other receivables, trade and other payables, interest rate derivatives and bank borrowings. The main purpose of these financial instruments is to provide finance for the acquisition and development of the Group’s investment property portfolio.

	Book value 31 March 2021 £’000	**Fair value 31 March 2021 £’000**	Book value 31 March 2020 £’000	Fair value 31 March 2020 £’000
Financial assets				
Trade and other receivables	**32,732**	**32,732**	1,104	1,104
Cash and short-term deposits	**60,459**	**60,459**	132,280	132,280
Financial liabilities				
Trade and other payables	**(11,609)**	**(11,609)**	(3,985)	(3,985)
Bank loans	**(199,364)**	**(199,364)**	(75,702)	(75,702)
Lease liabilities	**(6,748)**	**(6,748)**	(1,774)	(1,774)
Interest rate derivatives	**(1,060)**	**(1,060)**	(1,347)	(1,347)

Credit risk
Credit risk is the risk of financial loss to the Group if a client or counterparty fails to meet it contractual obligations.

The Group’s credit risk is primarily attributable to its trade receivables. The Group has implemented policies that require appropriate credit checks on potential tenants before lease agreements are signed. The amount of exposure to any individual counterparty is subject to a limit, which is reassessed annually by the Board.

Outstanding trade receivables are regularly monitored. The maximum exposure to credit risk at the reporting date is the carrying value of each class of financial asset.

There is also credit risk attributable to the Group’s cash and short-term deposits. The Board considers the credit risk of banks and only utilises appropriately rated institutions.

Trade receivables
Trade receivables mainly consist of amounts invoiced for tenant rentals, and are presented in the Statement of Financial Position net of loss allowances. Trade receivables are written off when there is no reasonable expectation of recovery. During the year, the Group has collected 99.93% of all rent demanded and 0.07% was written off.

Interest rate risk
The Group has both interest-bearing assets and interest-bearing liabilities. Interest-bearing assets comprise only cash and cash equivalents which earn interest at a variable rate. The Group’s debt strategy is to minimise the effect of a significant rise in underlying interest rates by utilising interest rate swaps.

The Group has not provided sensitivity analysis on interest rates in this note as the impact would not be material.

The Directors will revisit the appropriateness of this policy should the Group’s operations change in size or nature.

Details of the terms of the Group’s borrowings are disclosed in note 21.

Market risk
Market risk is the risk that the fair values of financial instruments will fluctuate due to changes in market prices. The financial instruments held by the Group that are affected by market risk are principally the Group’s cash balances along with an interest rate cap entered into to mitigate interest rate risk.

Liquidity risk
The Group actively maintains a medium-term debt finance that is designed to ensure it has sufficient available funds for operations and committed investments. The Group monitors its levels of working capital to ensure that it can meet its debt repayments as they fall due.

The following table details the Group’s remaining contractual maturity for the Group’s non-derivative financial liabilities with agreed maturity periods. The table has been drawn based on undiscounted cash flows of the financial liabilities based on the earliest date on which the Group can be required to pay. The tables include both interest and principal cash flows:

	Six months or less £’000	Six to twelve months £’000	One to two years £’000	Two to five years £’000	More than five years £’000	Total £’000
31 March 2021						
Bank borrowings	**2,236**	**2,223**	**4,471**	**152,228**	**48,364**	**209,522**
Lease liabilities	**113**	**113**	**226**	**678**	**20,989**	**22,119**

Trade and other payables	**7,484**	**—**	**—**	**—**	**—**	**7,484**
Rent deposits	**—**	**—**	**—**	**1,087**	**3,038**	**4,125**
	9,833	**2,336**	**4,697**	**153,993**	**72,391**	**243,250**

	Six months or less £'000	Six to twelve months £'000	One to two years £'000	Two to five years £'000	More than five years £'000	Total £'000
31 March 2020						
Bank borrowings	1,076	1,134	2,281	77,362	—	81,853
Lease liabilities	31	31	63	188	7,497	7,810
Trade and other payables	2,956	—	—	—	—	2,956
Rent deposits	—	—	—	539	490	1,029
	4,063	1,165	2,344	78,089	7,987	93,648

Included within the contracted payments is £10.16 million (31 March 2020: £6.15 million) bank interest payable up to the point of maturity across both facilities.

Financial instruments – Company

The Company's financial instruments comprise amounts due from Group undertakings, cash and cash equivalents, and trade and other payables.

	Book value 31 March 2021 £'000	**Fair value 31 March 2021 £'000**	Book value 31 March 2020 £'000	Fair value 31 March 2020 £'000
Financial assets				
Trade and other receivables	**34,388**	**34,388**	141,328	141,328
Cash and short-term deposits	**1,791**	**1,791**	1,272	1,272
Financial liabilities				
Trade and other payables	**(1,317)**	**(1,317)**	(825)	(825)

Fair value hierarchy

The Company uses the following hierarchy for determining the fair value of financial instruments:

Level 1: quoted (unadjusted) prices in active markets for identical assets and liabilities.

Level 2: inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly or indirectly.

Level 3: inputs for the asset or liability that are derived from formal valuation techniques that include inputs for the asset or liability that are not based on observable market data.

Investment property – level 3

The Group's investment property assets are classified as level 3, as defined by IFRS 13, in the fair value hierarchy. Level 3 inputs for the asset or liability that are derived from formal valuation techniques include inputs for the asset or liability that are not based on observable market data.

The valuation has been prepared on the basis of fair value ("FV"), in accordance with IFRS 13, which is defined 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."

Fair value, for the purpose of financial reporting under IFRS 13, is effectively the same as market value, which is defined as:

"The estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm's length transaction, after proper marketing and where the parties had acted knowledgeably, prudently and without compulsion."

The table below analyses:

- the fair value measurement 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.

			Key

31 March 2021	Fair value £'000	Valuation technique	unobservable inputs	Range
Completed investment property	507,570	Income capitalisation	ERV Equivalent yield	£64,125-£2,043,000 per annum 4.0%-12.0%
Development property		Comparable method/residual method	Various	
	507,570			

31 March 2020	Fair value £'000	Valuation technique	Key unobservable inputs	Range
Completed investment property	198,080	Income capitalisation	ERV Equivalent yield	£64,125-£1,267,000 per annum 4.0%-11.5%
Development property	8,900	Comparable method/residual method	Various	
	206,980			

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

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

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

A 5% increase in estimated rental value ("ERV") would increase the completed property portfolio valuation by £25.38 million and a 5% decrease would decrease the completed property portfolio valuation by £25.38 million. Similarly, a decrease in net initial yield ("NIY") by 0.25% would increase the completed property portfolio valuation by £21.20 million and an increase of 0.25% would decrease the completed property portfolio valuation by £19.56 million.

24. Capital risk management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and continue to qualify for UK REIT status.

The Group defines capital as being share capital plus reserves. The Board of Directors monitors the level of capital as compared to the Group's debt facility and adjusts the ratio of debt to capital as is determined to be necessary, by issuing new shares, reducing or increasing debt, paying dividends and returning capital to shareholders.

The Directors intend that the Group will maintain a conservative level of aggregate borrowings with a medium-term target of 30-40% of the Group's gross assets.

25. Capital commitments

The Group has entered into contracts with unrelated parties for the construction and refurbishment of warehouses with a total value of £22.8 million (31 March 2020: £20.4 million). At 31 March 2021, £5.6 million of such commitments remained outstanding (31 March 2020: £11.4 million).

26. Share capital

	31 March 2021 Number	31 March 2021 £'000
Authorised, issued and fully paid up at 1 pence each	255,045,821	2,550
At beginning of period	188,616,023	1,886
Issued and fully paid 15 October 2020	66,429,798	664
At 31 March 2021	**255,045,821**	**2,550**

On 15 October 2020, the Company raised £92.3 million through the issue of 66,429,798 Ordinary Shares at an issue price of 139.0 pence per share.

27. Share premium

Share premium relates to amounts subscribed for share capital in excess of nominal value less any associated issue costs that have been capitalised.

	31 March 2021 £'000	31 March 2020 £'000
Balance brought forward	**228,764**	93,877
Share premium on the issue of Ordinary Shares	**91,672**	135,270
Share issue costs	**(2,032)**	(2,951)
Transfer to capital reduction reserve	**(228,760)**	—
Expiry of Warrant Shares	**—**	12
Crystallisation of LTIP	**—**	2,556
	89,644	228,764

28. Capital reduction reserve

	31 March 2021 £'000	31 March 2020 £'000
At beginning of the year	**—**	—
Transfer from share premium	**228,760**	—
	228,760	—

On 8 August 2020, the Company, by way of a Special Resolution, cancelled the then value of its share premium, by an Order of the High Court of Justice, Chancery Division. As a result, £228.8 million has been transferred from the share premium reserve. The capital reduction reserve is classified as a distributable reserve.

29. leases

The Group as lessor

Future aggregate minimum rentals receivable under non-cancellable operating leases are:

	< One year £'000	Two to five years £'000	> Five years £'000	Total £'000
31 March 2021	**26,506**	**85,741**	**83,805**	**196,052**
31 March 2020	10,954	26,583	20,639	58,176

The Group as lessee

The Group's minimum lease payments under non-cancellable leases are as follows:

	< One year £'000	Two to five years £'000	> Five years £'000	Total £'000
31 March 2021	**218**	**809**	**5,939**	**6,966**
31 March 2020	91	222	1,552	1,865

The total cash outflow in the year in respect of the lease liability was £115,504 (31 March 2020: £31,456). The incremental borrowing rate applied was 3.0% (31 March 2020: 3.2%).

Reconciliation of lease obligations

	£'000
Brought forward	1,865
Cash movements	(116)
Non-cash movements	5,217
Carried forward	**6,966**

30. Retained earnings

Retained earnings relates to net gains and losses less distributions to owners not recognised elsewhere.

	Group 31 March 2021 £'000	**Company 31 March 2021 £'000**
Balance at the beginning of the period	**28,056**	**4,966**
Retained profit for the period	**47,602**	**15,966**
Second interim dividend: year ended 31 March 2020	**(3,378)**	**(3,378)**
First interim dividend: year ended 31 March 2021	**(6,130)**	**(6,130)**
At 31 March 2021	**66,150**	**11,424**

31. Related party transactions

The terms and conditions of the Investment Management Agreement are described in the Management Engagement Committee Report. During the year, the amount paid for services provided by Pacific Capital Partners Limited (the "Manager") totalled £2.95 million (31 March 2020: £1.27 million). The total amount outstanding at the year end relating to the Investment Management Agreement was £1.07 million (31 March 2020: £0.46 million).

Long-term incentive plan

Under the terms of the Company's long-term incentive plan, at 31 March 2021, Pacific Industrial LLP, an affiliate of Pacific Capital Partners Limited, had subscribed for shares in Urban Logistics Holdings Limited, a subsidiary of Urban Logistics REIT plc. Further details have been provided in note 13.

M1 Agency LLP

During the year, the Group incurred fees totalling £2,104,427 (31 March 2020: £303,570) from M1 Agency LLP, a partnership in which Richard Moffitt is a member. These fees were incurred in the acquisition of investment properties and sale of investment properties.

For the transactions listed above, Richard Moffitt's benefit derived from the profit allocation he receives from M1 Agency LLP as a member and not from the transaction.

The Board, with the assistance of the Manager, excluding Richard Moffitt, reviews and approves each fee payable to M1 Agency LLP, and ensures the fees are in line with market rates and on standard commercial property terms.

Transactions with subsidiaries

Under IFRS, we are required to disclose all inter-company transactions that took place for all subsidiary undertakings of the Company. Transactions between the Company and its subsidiaries are in the normal course of business. Such transactions are eliminated on consolidation.

During the year, fees of £4,112,308 (31 March 2020: £2,090,219) were charged to Urban Logistics Acquisitions 1 Limited, a subsidiary undertaking incorporated in England and Wales, from Urban Logistics REIT plc. At 31 March 2021, £nil (31 March 2020: £nil) was due from Urban Logistics Acquisitions 1 Limited.

During the year, Urban Logistics REIT plc carried out transactions with Urban Logistics Holdings Limited, a subsidiary undertaking incorporated in England and Wales. The total amount of these transactions was a net loan decrease of £107,466,666 (31 March 2020: increase of £139,451,370). At 31 March 2021, Urban Logistics REIT plc was due £33,858,428 (31 March 2020: £141,328,228) from Urban Logistics Holdings Limited.

During the year, Urban Logistics REIT plc received a dividend of £16,000,000 from Urban Logistics Holdings Limited.

Remuneration of key management personnel

Key management personnel for the Group and Company comprise the Non-Executive Directors. Key management personnel interests and compensation is outlined in the Directors' Report in the full Annual Report.

32. Net asset value per share ("NAV")

Basic NAV per share is calculated by dividing net assets in the Consolidated Statement of Financial Position attributable to Ordinary Shareholders by the number of Ordinary Shares outstanding at the end of the period.

Net asset values have been calculated as follows:

	31 March 2021	31 March 2020
Net assets per Consolidated Statement of Financial Position (£'000)	**387,455**	258,762
Adjustment for:		
Fair value of interest rate derivatives (£'000)	**1,060**	1,347
Intangible assets (£'000)	**(12)**	(17)
EPRA net tangible assets (£'000)	**388,503**	260,092
Ordinary Shares:		
Number of Ordinary Shares in issue at period end	**255,045,821**	188,616,023
IFRS NAV per share (basic and diluted)	**151.92p**	137.19p
EPRA NTA per share	**152.33p**	137.89p

33. Post Balance Sheet Events

On 6 April 2021, the Group acquired a 110,859 sq ft distribution unit in Warrington for £8.5 million at a 6.05% NIY.

On 6 April 2021, the Group acquired a seven-acre site in Edinburgh, comprising a 75,478 sq ft warehouse and a 1,845 sq ft "drive-through", for £13.2 million at a 6.2% NIY.

On 22 April 2021, the Group completed the sale of five assets as part of a portfolio for a total consideration of £30.0 million (excluding sales costs), representing an exit NIY of 4.8%.

On 2 June 2021, the Group acquired a 119,522 sq ft warehouse in Nottingham for £11.1 million at a 6.5% NIY.

SUPPLEMENTARY INFORMATION

I. EPRA performance measures summary

	Notes	**31 March 2021**	31 March 2020
EPRA earnings per share	II	**6.62p**	3.99p
EPRA net tangible asset value	III	**152.33p**	137.89p
EPRA net reinstatement value	III	**165.66p**	145.26p
EPRA net disposal value	III	**151.92p**	137.19p
EPRA net initial yield	IV	**5.2%**	5.6%
EPRA “topped up” net initial yield	IV	**5.2%**	5.6%
EPRA vacancy rate	V	**6.9%**	2.4%
EPRA cost ratio (including vacant property costs)	VI	**21.3%**	46.9%
EPRA cost ratio (excluding vacant property costs)	VI	**18.9%**	46.8%

II. Income statement

	31 March 2021 £’000	31 March 2020 £’000
Gross revenue	**24,181**	12,601
Property operating costs	**(1,307)**	(437)
Net rental income	**22,874**	12,164
Administrative expense	**(4,230)**	(2,142)
Other income	**159**	—
Long-term incentive plan charge	**(295)**	(3,557)
Operating profit before interest and tax	**18,508**	6,465
Net finance costs	**(3,988)**	(2,714)
Profit before tax	**14,520**	3,751
Tax on EPRA earnings	**—**	—
EPRA earnings	**14,520**	3,751
Weighted average number of Ordinary Shares	**219,191,930**	94,083,745
EPRA earnings per share	**6.62p**	3.99p

III. Balance sheet

	31 March 2021 £’000	31 March 2020 £’000
Investment properties	**515,794**	209,179
Other net assets	**68,015**	124,279
Net borrowings	**(196,354)**	(74,696)
Total shareholders’ equity	**387,455**	258,762
Adjustments to calculate EPRA NTA:		
Fair value of interest rate derivative	**1,060**	1,347
Intangible assets	**(12)**	(17)
EPRA net tangible assets	**388,503**	260,092
Ordinary Shares in issue at year end	**255,045,821**	188,616,023
Dilutive shares in issue at year end	**—**	—
	255,045,821	188,616,023
EPRA NTA per share	**152.33p**	137.89p

In October 2019, the European Public Real Estate Association (“EPRA”) published new best practice recommendations (“BPR”) for financial disclosures by public real estate companies. The BPR introduced three new measures for reporting net asset value: EPRA net reinstatement value (“NRV”), EPRA net tangible assets (“NTA”) and EPRA net disposal value (“NDV”). These new measures are effective for accounting periods starting on 1 January 2020 and have been adopted by the Group in reporting the financial position as at 31 March 2021.

The Group considers EPRA NTA to be the most relevant measure for its operating activities; therefore, it will be adopted as the Group’s primary measure of net asset value, replacing previously reported EPRA NAV. A reconciliation of the three new net asset value measurements is provided in the table below.

Current measures

31 March 2021	EPRA NTA £'000	EPRA NRV £'000	EPRA NDV £'000	EPRA NAV £'000	EPRA NNNAV £'000
IFRS equity attributable to shareholders	**387,455**	**387,455**	**387,455**	**387,455**	**387,455**
Fair value of interest rate derivatives	**1,060**	**1,060**	**—**	**1,060**	**—**
Intangible assets	**(12)**	**—**	**—**	**—**	**—**
Real estate transfer tax	**—**	**34,007**	**—**	**—**	**—**
EPRA net asset value	**388,503**	**422,522**	**387,455**	**388,515**	**387,455**
Diluted shares (number)	**255,045,821**	**255,045,821**	**255,045,821**	**255,045,821**	**255,045,821**
EPRA net asset value per share	**152.33p**	**165.66p**	**151.92p**	**152.33p**	**151.92p**

	Current measures				
	EPRA NTA	EPRA NRV	EPRA NDV	EPRA NAV	EPRA NNNAV
31 March 2020	£'000	£'000	£'000	£'000	£'000
IFRS equity attributable to shareholders	258,762	258,762	258,762	258,762	258,762
Fair value of interest rate derivatives	1,347	1,347	—	1,347	—
Intangible assets	(17)	—	—	—	—
Real estate transfer tax	—	13,868	—	—	—
EPRA net asset value	260,092	273,977	258,762	260,109	258,762
Diluted shares (number)	188,616,023	188,616,023	188,616,023	188,616,023	188,616,023
EPRA net asset value per share	137.89p	145.26p	137.19p	137.90p	137.19p

IV. EPRA net initial yield and "topped up" net initial yield

	31 March 2021 £'000	31 March 2020 £'000
Total properties per Financial Statements	**515,794**	209,179
Less head lease right-of-use asset	**(6,945)**	(1,858)
Less development properties	**(500)**	(9,400)
Completed property portfolio	**508,349**	197,921
Add notional purchasers' costs	**34,059**	13,342
Gross up completed property portfolio valuation (A)	**542,408**	211,263
Annualised passing rent[1]	**28,562**	11,989
Less irrecoverable property outgoings	**(467)**	(63)
Annualised net rents (B)	**28,095**	11,926
Contractual rental increases for rent-free period	**231**	—
"Topped up" annualised net rent (C)	**28,326**	11,926
EPRA net initial yield (B/A)	**5.2%**	5.6%
EPRA "topped up" net initial yield (C/A)	**5.2%**	5.6%

1. Annualised passing rent excludes short-term lettings and licences.

V. EPRA vacancy rate

	31 March 2021 £'000	31 March 2020 £'000
Estimated rental value of vacant space	**2,316**	317
Estimated rental value of the whole portfolio	**33,498**	13,286
EPRA vacancy rate	**6.9%**	2.4%

VI. Total cost ratio/EPRA cost ratio

Total cost ratio	31 March 2021 £'000	31 March 2020 £'000
Costs		
Property operating expenses	**1,307**	437
Administrative expenses	**4,230**	2,142
Less: service charge income	**(118)**	(116)
Less: service charge costs recovered through rents but not separately invoiced	**(355)**	(122)
Less: ground rents	**(44)**	(8)
Total costs including vacant property costs (A)	**5,020**	2,333
Group vacant property costs	**(563)**	(8)
Total costs excluding vacant property costs (B)	**4,457**	2,325
Gross rental income		
Gross rental income	**24,181**	12,601
Less: ground rents paid	**(102)**	(31)

Less: service charge income	**(118)**	(116)
Less: service charge costs recovered through rents but not separately invoiced	**(355)**	(122)
Total gross rental income (C)	**23,606**	12,332
Total cost including vacant property costs (A/C)	**21.3%**	18.9%
Total cost excluding vacant property costs (B/C)	**18.9%**	18.9%
EPRA cost ratio		
Total costs (A)	**5,020**	2,333
Long-term incentive plan crystallisation	**—**	3,452
EPRA total costs including vacant property costs (D)	**5,020**	5,785
Vacant property costs	**(563)**	(8)
EPRA total costs excluding vacant property costs (E)	**4,457**	5,777
EPRA cost ratio (including vacant property costs (D/C)	**21.3%**	46.9%
EPRA cost ratio (excluding vacant property costs (E/C)	**18.9%**	46.8%

VII. EPRA capital expenditure analysis

	31 March 2021 £'000	31 March 2020 £'000
Acquisitions	**264,631**	22,781
Development	**26,211**	8,955
Capital expenditure:		
– no incremental lettable space	**5,704**	642
Total	**296,546**	32,378

VII. EPRA like-for-like net rental income

	31 March 2021 £'000	31 March 2020 £'000	Change
Like-for-like net rental income	**7,753**	7,157	8.3%
Properties acquired	**14,013**	4,719	
Properties sold	**—**	83	
Licence fee	**1,108**	205	
Net rental income	**22,874**	12,164	

IX. Total accounting return

	Year ended 31 March 2021 £'000	Year ended 31 March 2020 £'000
Opening EPRA NTA	**137.89p**	137.96p
Closing EPRA NTA	**152.33p**	137.89p
Change in EPRA NTA	**14.44p**	(0.07)p
Dividends paid	**7.10p**	7.77p
Total growth in EPRA NTA plus dividends	**21.54p**	7.70p
Total return	**15.6%**	5.6%
One-off exceptional costs	**—**	4.19p
Total return excluding one-off exceptional costs	**15.6%**	8.6%