URBAN LOGISTICS
REIT PLC

DRIVING PERFORMANCE

Annual report & accounts
2020

THE ONLY UK LISTED PURE PLAY OWNER OF URBAN LOGISTICS PROPERTIES

Urban Logistics REIT plc is a property investment company, quoted on the AIM market of the London Stock Exchange.

DRIVING

Chairman's Statement pg 06

PERFORMANCE

Manager's Report pg 14

THROUGH ASSET MANAGEMENT

Our Business Model pg 10

STRATEGIC REPORT

GOVERNANCE

FINANCIAL STATEMENTS

ADDITIONAL INFORMATION

HIGHLIGHTS

ANOTHER STRONG PERFORMANCE

"Urban Logistics remains real estate's top performing sub-sector and this Company is the only listed business giving investors a "pure play" exposure to urban logistics assets. With our focus on urban logistics, and most of our warehouses situated near to town and city centres, our tenants are mostly involved in the supply chain for getting household goods to end users. Throughout a challenging period for UK businesses in recent months, the resilience of our investment strategy has proven itself. We remain focused on building our business through working closely with our tenants and all our properties are selected for their location, specification and strong tenant covenant characteristics.

Richard Moffitt
Chief Executive Officer

FINANCIAL HIGHLIGHTS

Net rental income
£12.2m
+20.7% 31 Mar 2019: £10.1m

IFRS net assets
£258.8m
+114.8% 31 Mar 2019: £120.5m

Adjusted EPS
7.66p
+9.3% 31 Mar 2019: 7.01p

EPRA NAV per share
137.90p
0% 31 Mar 2019: 137.96p

Dividend per share
7.60p
+8.6% 31 Mar 2019: 7.00p

IFRS profit before tax
£9.4m
-50.1% 31 Mar 2019: £18.7m

Total property return
10.1%
31 Mar 2019: 16.1%

Total cost ratio
18.9%
31 Mar 2019: 23.5%

OPERATIONAL HIGHLIGHTS

Portfolio valuation

£207.0m

+11.0% 31 Mar 2019: £186.4m

Portfolio like-for-like valuation growth

4.6%

31 Mar 2019: 10.7%

Contracted rent[1]

£12.5m

+10.3% 31 Mar 2019: £11.3m

Gross to net rental income ratio

98.3%

31 Mar 2019: 93.6%

Like-for-like contracted rent growth

3.4%

31 Mar 2019: 2.0%

EPRA vacancy rate

2.4%

31 Mar 2019: 0.0%

EPC – % of portfolio rated A-C

84.4%

31 Mar 2019: 71.1%

Total property return: asset disposals

49.6%

31 Mar 2019: 20.2%

1. Contracted rent includes short-term lettings and licenses.

AT A GLANCE

The long-term economic impact of Covid-19 on the UK economy will take time to emerge. However, it will change the way business is conducted with many more people working from home and doing their shopping on the internet, a trend which started well before the virus. Against this backdrop, the fundamentals of the urban logistics market remain attractive.

What we do
Urban Logistics REIT plc (AIM: SHED) is a property investment company, which invests in smaller (sub-£10 million) logistics properties across the UK.

Why we do it
We believe that a focus on smaller sized single-let properties exploits a unique value opportunity in this real estate sector, which is underpinned by resilient wider economic trends that support valuations and the portfolio's ability to generate both income and an attractive total return.

OUR MODEL

Urban Logistics focuses on investing in industrial and logistics properties that enable businesses to operate essential modern distribution networks capable of responding to the challenges created by e-commerce and evolving infrastructure demands.

BUY WELL

ASSET MANAGEMENT

PROVING VALUES

VALUE CREATION

Find out more
PG 10 and 11

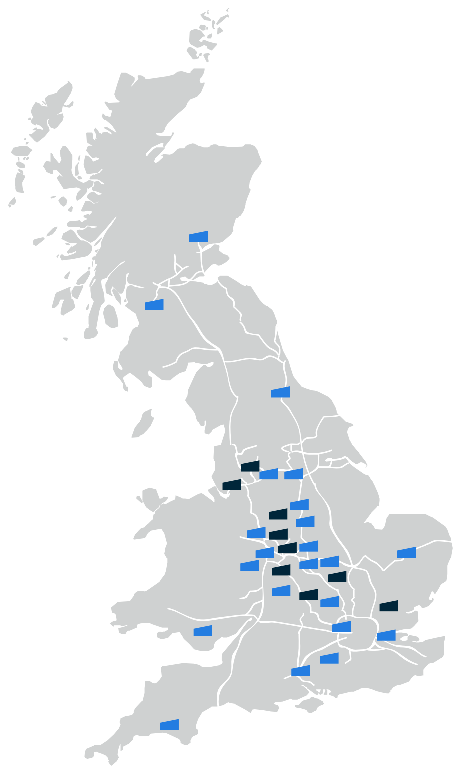
OUR ASSETS

Number of properties
39

Occupancy
97.6%

Average lot size
60,000 sq ft

OUR LOCATIONS



Top ten sites*
Other sites

*By market value as at 31 March 2020

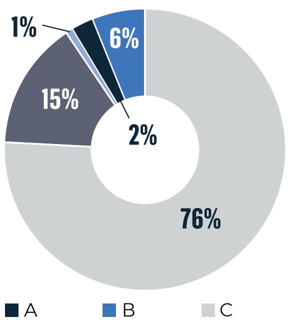
Portfolio valuation
£207.0m
+11.0% 31 Mar 2019: £186.4m

Contracted rent
£12.5m
+10.3% 31 Mar 2019: £11.3m

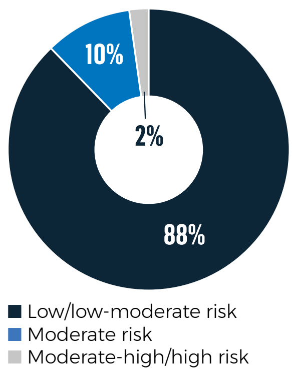
WAULT (years)
4.9
2019: 5.5 years

Net initial yield
5.6%
2019: 5.9%

EPC Ratings (by floor area)



Tenant Credit Ratings



Per Dun & Bradstreet
(Overall Business Risk)

CHAIRMAN'S STATEMENT

DRIVING PERFORMANCE THROUGH ASSET MANAGEMENT

2019 was a year of political turmoil and market volatility, in spite of which Urban Logistics was able to produce good half year results. On the back of these results, and a Conservative election victory in December, which led to more certainty around Brexit, we successfully raised £136 million shortly before lockdown, with the support of both new and existing shareholders.

Covid-19, a name of little importance to most of us in January, has impacted the whole global economy. Sadly, lives continue to be lost and the economic consequences of a prolonged lockdown have yet to be seen. The long-term economic impact of Covid-19 on the UK economy will take time to emerge. However, it will change the way business is conducted with many more people working from home and doing their shopping on the internet. With our focus on urban logistics, and most of our warehouses situated near to town and city centres, our tenants are mostly involved in the supply chain for getting UK domestic goods to end users. We believe that urban logistics can only become more important in a post Covid-19 world.

During a busy financial year, we continued to actively manage our portfolio of properties. New lettings, renewals and lease extensions all helped to add income and capital value. We sold three properties in the year, having maximised returns from them, and purchased nine properties where there are asset management opportunities, including a portfolio of properties let to Tuffnells on 20-year leases, and a further three development sites which are expected to be completed towards the end of 2020 and in early 2021. The Manager's Report provides more information on these purchases.

The Manager also developed a pipeline of future acquisitions spread across the country, but predominantly in the Midlands and North, which met our strategy of being near to cities and towns and mostly providing urban logistics.

The successful capital raise in March 2020 enabled us to announce the acquisitions in late March and in April of two portfolios of properties, two single properties and a development site, at a cost of £103 million. Further acquisitions will follow in the coming months.

Financial results

Turning to our results for the year ended 31 March 2020, our property portfolio increased from £186 million to £207 million. On a like-for-like basis, properties held throughout the year increased in value by 4.6%. Capitalisation rates barely moved in the year and the increase in value is principally due to active asset management. Thus, the profit and loss account shows a lower increase in fair value in 2020, £5.7 million, compared to £13.4 million in 2019.

Revenue increased from £10.8 million to £12.6 million, reflecting both rent increases and rent received from new properties acquired in 2019 and 2020. Earnings, however, decreased from £18.7 million to £9.4 million. The decrease in earnings was principally due to the lower increase in property values year-on-year and the LTIP charge of £3.5 million in the financial period.

At the year end, and as a result of the capital raise, the Group was in a net cash position. This cash has been, and will be, used to fund the purchase of properties in line with the Company's strategy.

In the current macro-environment, your Board is exercising appropriate vigilance over acquisition opportunities but we are also in a position to move quickly for the right assets. The Group has agreed, subject to documentation, a new credit approved facility with Barclays, Santander and Lloyds banks, totalling £151 million and with a term through to 2025. These funds will be used for future asset purchases. We are now aiming at an LTV range of between 30 and 40%, with the intention of being at the lower end of the range until the current crisis looks like coming to an end. We are fortunate to be in such a strong financial position.

Dividend

We declared an interim dividend for the second half of the financial period of 3.85 pence per share prior to the closing of the capital raise, payable to existing shareholders. This was paid on 21 April 2020. The total dividends paid in respect of the financial year amounted to 7.60 pence per share, an increase of 8.6% on the prior year. We intend to declare a first interim dividend in respect of the financial year to March 2021 when our interim results are announced in November.

The Manager

Our Manager, Pacific Capital Partners, has continued to serve us well. Richard Moffitt leads the business, supported by Christopher Turner. Their principal responsibility is to find suitable properties for investment and then to provide active asset management to maximise returns and capital values. They do both to great effect and they are critical to the success of the business.

The Manager's financial and administrative team provide excellent support.

CHAIRMAN'S STATEMENT continued

The Investment Management Agreement was reviewed and amended by the Board in conjunction with the recent equity capital raise process. The incentive terms were adjusted such that there is now a ratchet in place for the management fee over a total net asset value of £250 million; reducing incrementally to 0.90% of net asset value through to £500 million and then to 0.85% over and above £500 million. The LTIP has also been adjusted with performance to February 2020 crystallised and paid out to the Manager. The majority of the award was paid in the Company's shares and subject to a 12-month lock-in.

The annual hurdle rate for the continuing LTIP has been increased to 10% and is linked to total value created across both net asset value and market capitalisation. Any future payment to the Manager is also capped at three times average annual management fees paid from February 2020. The next calculation date for the plan is 30 September 2023.

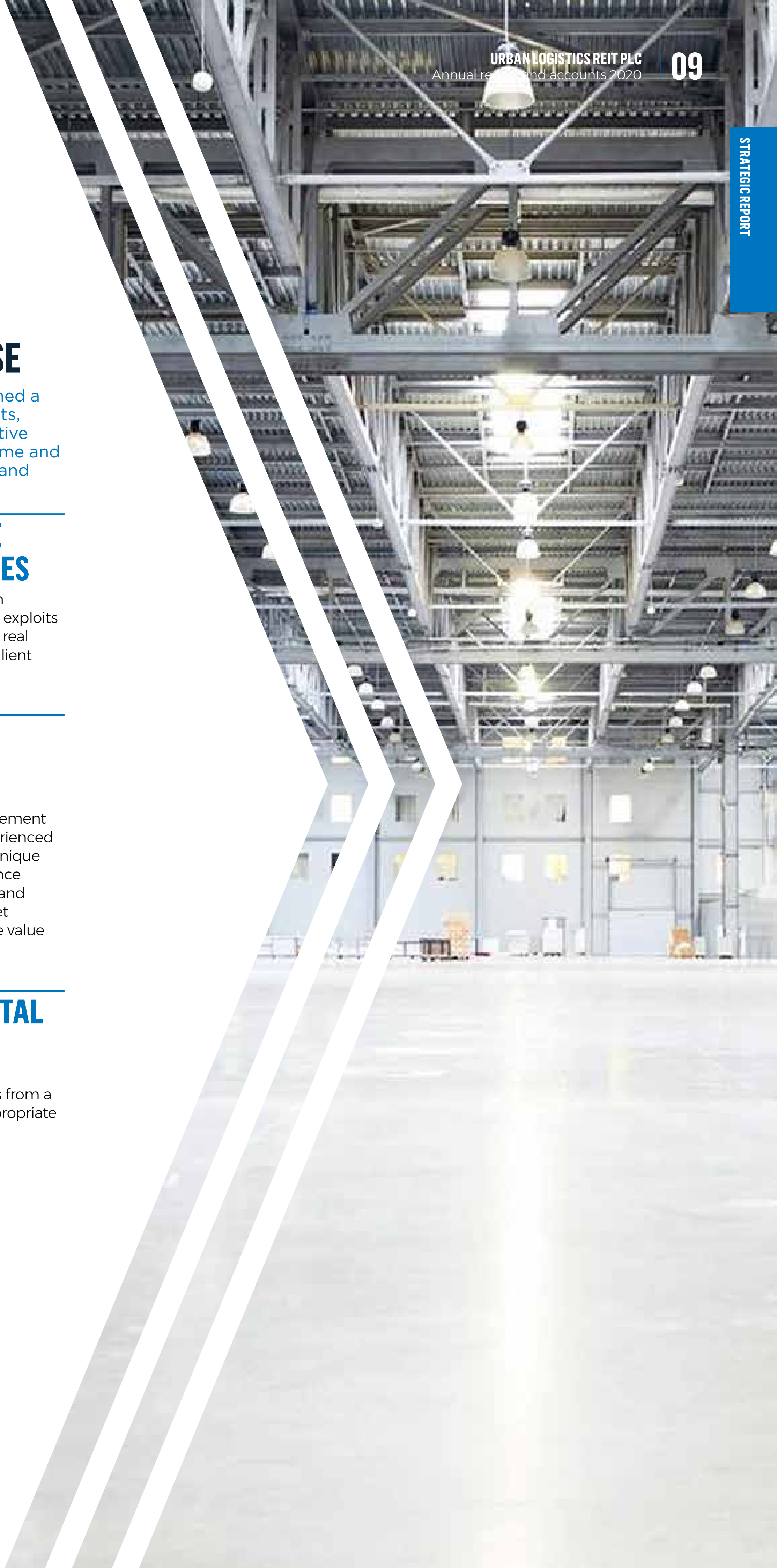
Richard Moffitt and Christopher Turner share in the income from the management contract and in any benefits arising from the LTIP.

Director appointment
We are pleased to announce that Heather Hancock has agreed to join the Board on 15 June 2020. Heather is currently Chairman of the Foods Standards Agency which she is stepping down from to take up the position of Master of St. John's College, Cambridge in the autumn. She has a degree in Land Economy from Cambridge and a wide variety of experience in both public and private organisations, including property related businesses. She served as a trustee for the Prince's Trust for more than a decade, for which she was awarded the LVO in 2013.

Outlook
Clearly there remains considerable uncertainty about the speed of recovery in the UK's economic growth. As I alluded to earlier, life will not be the same post Covid-19. The lockdown has further improved the adoption of e-commerce which is a central tenet to our business. We believe in our medium to long term strategy and the experience of our Manager to invest well in these markets and of the need to invest to generate the income needed to meet the dividend expectations of our shareholders. The investments we have made in March and April will help to grow the income of the business and we are well set to be making further investments in the coming months. At the same time, we will keep a close watch on the financial wellbeing of our tenants and our level of gearing.

We are confident that we will continue to successfully grow our business despite all that is happening around us.

Nigel Rich CBE
Chairman
12 June 2020



INVESTMENT CASE

Urban Logistics has established a high quality portfolio of assets, creating scale through its active asset management programme and upward momentum in rents and capital value.

IDENTIFYING UNIQUE VALUE OPPORTUNITIES

The Company's specialist focus on smaller-sized single-let properties exploits a unique value opportunity in the real estate sector, underpinned by resilient wider economic trends.

EXPERIENCED BOARD & TEAM

Urban Logistics benefits from a high-quality investment management team, complemented by an experienced and knowledgeable Board. This unique combination of skills and experience enables the Company to identify and acquire assets; implement its asset management strategy; and create value for shareholders.

CONSERVATIVE CAPITAL STRUCTURE

Underpinning these significant advantages, the business benefits from a conservative capital structure appropriate to its asset base, with a measured approach to the use of debt.

OUR BUSINESS MODEL

LAST MILE LOGISTICS.

Urban Logistics focuses on investing in industrial and logistics properties that enable businesses to operate essential modern distribution networks capable of responding to the challenges created by e-commerce and evolving infrastructure demands. We are building a portfolio of high-quality single let properties with secure income from a diverse range of tenants operating in a variety of sectors. Our active asset management approach enables us to deliver sector leading returns to shareholders, targeting 10 – 15% total return per annum.

INPUTS

FOCUS ON LAST MILE

Highest growth segment of industrial and logistics asset class.

STRONG COVENANTS

Focus on single-let properties let to institutional grade tenants.

Low/low-moderate risk*

89%

STRATEGIC LOCATIONS

Targeting e-fulfilment in locations where supply is limited and demand robust.

Midlands and southeast bias

75%

INVESTMENT POLICY

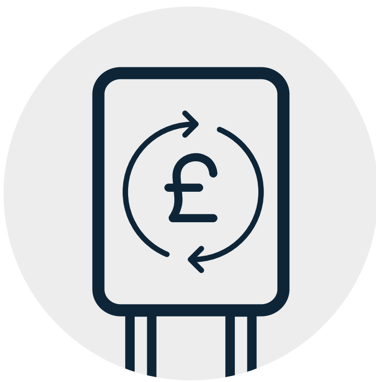
Negotiate acquisitions at 30 – 70% of new build cost on assets with below market rate rents with short-to-medium term rent review reversionary potential. Acquisitions percentage of new build cost

Acquisitions percentage of new build cost

30 – 70%

* Per Dun & Bradstreet (Overall Business Risk)

WHAT WE DO



ESSENTIAL GOODS.

BUY WELL

Since IPO

Properties acquired

46

Average purchase yield

6.8%

20,000 to 200,000 sq ft single let logistics warehouses in urban locations.

ASSET MANAGEMENT

Since IPO

Rent review like-for-like income growth

27%

New lettings like-for-like income growth

23%

The management team are long term logistics specialists with a focus on active asset management.

PROVING VALUES

From assets sold in the year

Average disposal yield

4.9%

Total property return generated

50%

Once the asset management has been completed, a property will either be held for income or sold so that the capital can be recycled into further opportunities.

VALUE CREATION

MARKET

A closer integration of logistics and retailing across the UK.

INVESTORS

Reward equity holders with high-quality income, maintaining supportive institutional and private shareholder register.

Dividends paid and declared since IPO

27.15p

TENANTS

Proactive tenant engagement and relationship management, with a collaborative face-to-face approach, making assets work harder for them.

Average rent per sq ft

£5.09

FINANCING PARTNERS

Group has agreed, subject to documentation, a new credit approved facility with Barclays, Santander and Lloyds banks.

Target loan to value

30 – 40%

Q&A WITH THE FUND MANAGER

Richard Moffitt is a logistics specialist with over 25 years' experience.

Richard Moffitt
Chief Executive Officer

Q&A

Q

What are your reflections on the Company's last financial year?

I think it's important to remember the backdrop against which we have traded. At the beginning of the year, all everyone talked about was Brexit – it crowded-out virtually every other subject, led to sustained political deadlock and, for businesses generally, created a very unhelpful sense of uncertainty. Then we had a General Election, which seemed to instil a sense of purpose and directionality, only for the pandemic to then completely change everybody's thinking once again.

Through all of this, the central thesis behind our investment strategy has proven itself. We continued to invest, effectively manage assets and look at new opportunities. I'm proud of what we have achieved this year and the strong support for our last fundraising is an important endorsement from investors. We remain focused on building our business, working closely with tenants and continuing to create income and capital growth for our investors.

Q

Why does 'last mile' logistics and warehousing remain so attractive, even in 'difficult' markets?

As a sub-sector it's attractive because there is a constant tension between demand and supply. Even before the lockdown, online commerce was growing strongly as a percentage of overall retail sales and on course to hit 25% by 2025. We might get there sooner. That growth creates a race for 'last mile' space which the market is unable to satisfy. Warehouse supply is down 30% since 2012 and remains very tight, driven by local planning constraints and the high costs of building new stock. I know we say this a lot, but it remains a fundamental driver of our market.

Q

Why aren't more people doing it?

Bluntly, you need a particular combination of: market knowledge and contact with asset owners; the ability to see the potential in assets and work closely with tenants; and the capability to think strategically about stock selection. In small and mid-size spaces you have to be a specialist to make it work. I'm very proud of the fact that 85% of the value we have created for shareholders is a result of our asset management activities.

Q

What is your investment focus and how has Covid-19 impacted it?

We've deployed most of capital we raised in March, so in that respect the pandemic hasn't stopped us. Due diligence is a little harder, given the personal nature of the sector and need to maintain social distancing. However, nothing has changed our investment focus on seeking assets with the right locations, strong tenant covenants and reliable labour availability. We do a significant amount of research on every asset, drawing on many data sources, to be satisfied that prospective acquisitions meet our criteria.

Q

Who are your tenants and how are they trading?

A key element of the Company's acquisition strategy has been to focus on tenants' businesses with a notable bias towards food and pharmaceuticals, consumer staples and other essential goods. Consequently, the Company's portfolio has a high degree of resilience. Of the 39 properties in the Company's portfolio at the year-end, only two were not fully operational as a result of Covid-19.

Q

What does the next year look like for you?

Having deployed just under three quarters of the money raised before the year-end, we retain a strong balance sheet, with a low percentage of debt against a portfolio where values have remained resilient. Our immediate focus is on bedding-down recent acquisitions, working with all our tenants to help them get the most out of their facilities and negotiating a number of forthcoming lease events, where we anticipate creating additional income opportunities for the Company. More broadly, we have agreed, subject to documentation, a new credit approved facility with Barclays, Santander and Lloyds banks, totalling £151 million and with a term through to 2025.

In terms of new acquisitions we have a good pipeline of opportunities, but we will proceed with caution until the economic impact of Covid-19 becomes clearer.

Q

Where do you see yourselves in five years' time?

This year has been another transformational period for Urban Logistics. We have doubled the market capitalisation of the business, continued to create high-quality shareholder value and sustained our focus on the diligent implementation of our strategy.

Over the next five years, I expect more of the same as we continue to grow and actively manage our portfolio, buying assets with strong potential, managing them effectively, selling them at the right time and recycling the proceeds into new opportunities and shareholder returns.

MANAGER'S REPORT

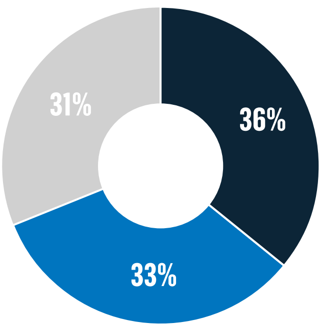
OUR STRATEGY HAS SERVED US WELL

Top ten assets by market value


Culina Logistics, Haverhill

01.	Plot 5000, Haverhill	21,580,000
02.	16 Hudson Road, Bedford	16,000,000
03.	West Way, Alfreton	9,560,000
04.	Glaisdale Parkway, Nottingham	9,300,000
05.	Radclive Road, Buckingham	9,000,000
06.	Lister Road, Runcorn	8,400,000
07.	Greenfold Way, Leigh	8,000,000
08.	Unit 73, Interlink Way	7,500,000
09.	Meridian South, Leicester	6,175,000
10.	Pontefract Road, Normanton	6,100,000

Portfolio WAULT (%)



- 0-3 yrs
- 4-5 yrs
- 6+ yrs

Overview

This year has been a transformational period for the Group. We have doubled the market capitalisation of the business, continued to create shareholder value and sustained our focus on the implementation of our focussed urban logistics strategy.

It's important to remember the backdrop against which we have traded in this last financial year. At the beginning of 2019, Brexit was the most debated economic agenda item – it crowded out virtually every other subject, led to sustained political deadlock and, for businesses generally, created a very unhelpful sense of uncertainty. Then we had a General Election, which seemed to instil a sense of purpose and direction, only for the onset of the Covid-19 pandemic in 2020 to then completely change everybody's thinking once again.

Throughout all of this, the central thesis behind our investment strategy has proven itself. We remain focused on building our business through working closely with our tenants, acquiring assets that provide solid medium-term income from strong covenants aided by asset management initiatives to enhance our total return.

We have continued to invest, effectively manage our portfolio of properties and look at new opportunities. The long-term 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 and domestic products around the country to homes and businesses requiring last mile or e-fulfilment services; such as Boots, NHS, Travis Perkins, BSS and J Sainsbury plc. We avoid cyclical, volatile businesses which is why fashion retailers have been excluded from our customer base since IPO. This policy has served us well.

In March we raised £136 million, just before lockdown due to Covid-19. I am delighted that we saw such support from new and existing shareholders. Being in a strong balance sheet position, we have invested cautiously and with a view to further diversifying our logistics focused portfolio. We will continue to do so in an orderly fashion whilst maintaining a lower level of gearing in the short term.

The ongoing Covid-19 crisis has really highlighted the importance of logistics real estate, especially scarce regional and last mile, or "last touch", warehouses focused on essential goods and consumer staples. An already constrained development pipeline will be further set back by Covid-19 delays on construction sites and we expect the previous annual take up of c. 8.5 million sq ft in our sub sector of the logistics market to sit well against a predicted supply of 2.5 million sq ft this year.

The market

As a sub-sector, urban logistics is attractive because there is a constant tension between demand and supply. Even before the lockdown was instructed by the government in March, online was growing strongly as a percentage of total retail sales - on course to hit 25% by 2022. The increased adoption of e-commerce as a result of Covid-19 will inevitably expedite this. The importance of a buffer in supply chains has also been highlighted; again, this points to greater demand for space.

That growth creates a race for last mile space which the market is unable to satisfy. Warehouse supply is down 30% since 2012 and remains tight, driven by local planning constraints and the high costs of building new stock. We do not apologise for repeating the fact that there is simply not sufficient space, and this remains a fundamental driver in our particular sub sector.

The ongoing rise in online ordering continues to drive logistics demand, with take-up in the final quarter of 2019 reaching 6.8 million sq. ft., pushing annual take-up during 2019 to 34.5 million sq. ft.. Although this is 18% below the record high reported in 2018, demand remained well above the 10-year average. It is estimated that for every additional £1 billion of online sales there is an additional requirement for approximately 770,000 sq ft of warehouse demand.

CBRE research (source: Market Summary, Q4 2019) shows that 60% of take-up in 2019 was across the East Midlands and South East with the M1 corridor remaining the most attractive location for occupiers. This is where the majority of our portfolio of properties is centred. Following these areas, the West Midlands and North East accounted for 17% and 12% of take-up in 2019, respectively.

Against this background, the 20,000 sq ft to 200,000 sq ft mid-box logistics market in which we invest remains compelling due to occupier demand causing availability to fall and rents to rise. There also continues to be the beneficial effect with large "super sheds" of over 300,000 sq. ft. acting as national or regional distribution centres and smaller urban logistics buildings providing the "last mile", or "last touch", distribution to modern supply chain infrastructure. Vacancy rates across the mid box market remain low and are around 6.5% at the current time. We now control a growing portfolio of assets fulfilling that vital end role in the logistics chain.

We were seeing a modest amount of speculative development in 2019 but this was typically within the "super shed" or "big box" market for properties of over 300,000 sq ft. This has now been largely curtailed in the short term due to government restrictions. Covid-19 will inevitably also result in some loss of appetite for development risk from developers.

The Group will continue to benefit from the significant opportunity in this resilient sub-sector of the UK logistics market due to tenant demand, limited stock and current lack of speculative development. Through the Manager's knowledge of the sector, track record and experience, we are well-placed to continue sourcing attractive new opportunities whilst remaining disciplined in our investment approach. Urban Logistics remains a trusted counterparty for vendors, purchasers and tenants in this key real estate sector.

Property portfolio

CBRE, in line with all RICS standard valuations from March 2020, have had to qualify their valuation of our portfolio as at 31 March 2020 due to the "material valuation uncertainty" created by the economic consequences of Covid-19. However, the inclusion of this "material valuation uncertainty" declaration does not mean that the valuation cannot be relied upon. The clause serves as a precaution and does not invalidate the valuation.

We know that most of our tenants continue to trade well and all the rents due in March for the quarter to June were paid in full.

CBRE valued the portfolio of properties at £207.0 million at 31 March 2020. The Group reported a fair value uplift across the portfolio of £5.7 million in the year. The like-for-like annual valuation uplift was 4.6% for properties held at both 31 March 2019 and 31 March 2020.

Whilst property yields haven't moved materially across the year, unlike prior years, the valuation increase reflects our focus on active asset management opportunities and the buying of well-located, urban logistics properties with upcoming lease events or rent reviews. We talk more about our asset management, including the sale of certain properties which generated strong returns in the year, in the section that follows.

Asset acquisitions and disposals

Acquisitions

The Group acquired nine properties during the period, all of which are high quality logistics warehouses, in good geographical locations. Total purchase price was £20.7 million, with a blended net initial yield of 6.4% and average WAULT of 13 years. The new properties all present a variety of asset management opportunities, which have the potential to drive income growth and capital appreciation.

	Tuffnells Portfolio	Thatcham, Reading	Sittingbourne (M2 motorway)	Rubery, Birmingham
Purchase price[1]	£9.9m	£3.4m	£1.9m	£5.5m
Net initial yield	7.0%	5.8%	5.9%	6.0%
Area (sq.ft)	84,872	26,478	21,872	51,600
Contracted rent	£0.80m	£0.21m	£0.12m	£0.4m
WAULT	20.0 years	4.5 years	2.5 years	11.0 years
Rent per sq.ft	£7.08	£8.01	£5.49	£6.81

1. Purchase price excludes acquisition costs.

Tuffnells Portfolio

On 27 September 2019, a portfolio of six parcel depots was acquired for £9.9 million. The acquisition was sourced at a net initial yield of 7.0%. The last mile parcel buildings are close to established areas of population where dedicated parcel facilities are limited. The units are leased for 20 years to Tuffnells Parcel Express Limited, a business-to-business distributor specialising in irregular dimensions and weights. The cost of building dedicated parcel hubs is over twice that of a conventional logistics building which gives these depots a high scarcity value.

MANAGER'S REPORT CONTINUED

Thatcham and Sittingbourne
The Group acquired two logistics properties in Sittingbourne and Thatcham for a combined consideration of £5.3 million at a 5.9% blended net initial yield. The acquisitions further extend the portfolio's weighting across the South East of England where there is a chronic shortage of logistics assets. Both properties are let to DHL's UK Mail business.

Rubery, Birmingham
The Rubery site was acquired in late March 2020 for £5.5 million and is let to Aquapak Polymers (storage of soluble plastic packaging) through to 2031 with a parental guarantee from Systems ADI Group Limited. The property is well located near Birmingham and is subject to rent reviews in 2021 and 2026, linked to RPI with a 3.0-5.0% cap and collar.

New developments
The shortage of available space nationally has resulted in the Company forward funding two new urban logistics buildings at Stone (an M6 motorway location) and Hinckley (an M1/A5 motorway location) – two sites in the Midlands in excellent locations with a known shortage of stock.

The Company has received strong interest from prospective tenants and expects that both sites will be fully pre-let by the time of project completion. The gross development value of the sites is £15.4 million. The Company will receive a two-year rental guarantee from practical completion providing a 6% yield. The intention is for the sites to be built and let during 2020.

A further two sites have been acquired in Peterborough and Southwater, Horsham and are expected to commence construction this year with completion expected early 2021.

Disposals
The Group completed the sale of three logistics properties located in Nuneaton, Bedford and Dunstable during the financial period. The sales totalled £18.4 million, representing a blended profit on cost of 43%.

Taken together with the income returns generated during the Group's ownership, the sales of the three properties achieved a TPR of 50%.

Nuneaton
The building was purchased as part of a portfolio in September 2017 for £6.7 million. The unit was acquired with vacant possession and was subject to a rent guarantee until September 2019. The property was sold to an owner occupier, Cofresh Limited, in April 2019 and realised a TPR of 23%.

Postley Road, Bedford
This property was purchased at IPO in 2016 for £5.6 million and comprises four units with a piece of development land. After extensive asset management, increasing rents and lease terms, the fully occupied site was sold in May 2019 for £9.1 million and realised a TPR of 73%. The land element has been retained and the purchaser has an option to acquire it for £0.5m if planning for redevelopment is granted.

ASSET MANAGEMENT
The Group owns 39 properties which have 42 different tenancies as at 31 March 2020.

01 BARDON

Annual passing rent
£479,642

Size
73,791 sq ft

Rent per sq ft
£6.50

Tenure
Freehold

This site was purchased at IPO in April 2016 for £5.5 million. The tenant, Winit, runs an eBay contract. During the year a rent review was settled at £6.50 per sq ft (+34.9%).

02 BEDFORD

Annual passing rent
£460,521

Size
85,012 sq ft

Rent per sq ft
£5.42

Tenure
Freehold

This building was purchased at IPO in 2016 for £5.6 million and comprises four units with a small development land site. After extensive asset management, increasing rents and lease terms, the fully occupied site was sold in May 2019 for £9.1 million, generating a Total Property Return of 73%.

The land element has been retained and the purchaser has an option to acquire it for £0.5m when planning permission is granted.

03 NUNEATON

Annual passing rent
Sold vacant

Size
130,508 sq ft

Rent per sq ft
Sold vacant

Tenure
Freehold

This building was purchased as part of a portfolio in September 2017 for £6.7 million and refurbished. It was subject to a rent guarantee until September 2019.

The property was sold to an owner occupier, Cofresh Limited, in April 2019 and realised a Total Property Return of 23%.

MANAGER'S REPORT CONTINUED

Dunstable
This warehouse was also purchased at IPO in 2016 for £0.6 million. The unit was re-let for a 10-year term at a higher rent and subsequently sold for £1.2 million, selling 14% ahead of book value and generating a TPR of 126%.

Asset management
The Group owns 39 properties which have 42 different tenancies as at 31 March 2020. During the financial period, the Group successfully completed three new lettings and settled four rent reviews, which in total generated £0.6 million of additional annual rental income. Therefore like-for-like contracted income growth across the period was 3.4%. At year end in March there were 7 ongoing discussions with existing tenants about restructuring longer leases.

A tenant occupying a warehouse on Hudson Road, Bedford was made to terminate their contract early and as a result £628,381 of tenant lease incentives were written off. The tenant had been permitted to grant storage licences which have now been taken on directly by the Group with the three underlying users. The building therefore remained 70% occupied and post period end the remaining space was let to a new licensee, reducing the Group's void to 0.1%.

A key element of the Company's acquisition strategy has been a focus on tenants involved in the delivery of food, pharmaceuticals, consumer staples and other essential goods. Consequently, the Company's portfolio has a high degree of resilience. Of the 39 properties in the Company's portfolio at the year-end, only two were not trading to full capacity as a result of Covid-19.

We take our health and safety responsibilities, and other aspects of ESG, seriously. For example, the properties in the portfolio with an A-C Energy Performance Certificate ("EPC") rating increased from 71% to 84% in the year. We consider environmental issues at the time of purchase and aim to improve sustainability in the longer term in conjunction with tenants.

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 us through the Covid-19 pandemic as our tenant-landlord relationships continue to remain constructive.

Post period end
In April we acquired two portfolios, one single property and a development site at a cost of £98 million.

The first portfolio of seven single-let regional distribution warehouses was acquired for £31.9 million at 6.8% net initial yield ("NIY") and is well located across the UK. The second portfolio was purchased for £47.2m at 7.0% NIY and is let to good quality tenants including Giant Booker (Tesco Plc), Anglian Water, Pegler plc and Hermes.

The Company in April acquired a warehouse in Normanton for £13.0 million at a net initial yield ("NIY") of 5.2%. This site is let to Unipart who operate an NHS contract for the North East of England. There is a lease in place until 2036 with a rent review in 2026. The 14-acre site has low site cover of 25% and a passing rent of £4.70 per sq ft. There is the potential to add 80,000 sq ft of additional warehousing on site.

Finally, a parcel of land was acquired for development at Peterborough Gateway Logistics Park, on the A1, and an adjacent piece of land was purchased and pre-let to DPD for 19 years.

We are not aware of any events across our portfolio since March which would have a material adverse effect on portfolio valuation and our tenants continue to perform and pay their rents.

Financial Review
The financial period to 31 March 2020, in addition to the fundraising, was focussed on asset management and more latterly on sourcing investment properties.

Net rental income for the year was £12.2 million, up from £10.1 million in the prior year. This reflects acquisitions made during the year but also a fully let portfolio of properties for most of the period under review. As a result of rent reviews and lease renewals, on a like-for-like basis contracted rental income increased 3.4%. At year end the WAULT was 4.9 years, we expect this to increase through the upcoming year. In terms of occupancy, the portfolio was fully occupied for most of the year with a small void of 2.4% at period end. Post period end this has subsequently reduced to 0.1% due to a new letting.

As at 31 March 2020, the Group had a senior debt facility with Santander and Barclays totalling £75.7 million with a term through to December 2022. Post period end, the Group has agreed, subject to documentation, a new credit approved facility with Barclays, Santander and Lloyds banks, totalling £151 million and with a term through to 2025.

The Company was in a net cash position (i.e. cash and cash equivalents are greater than long term borrowings) at year end of £57 million due to the equity capital raise undertaken in March.

Outlook
Our deliberate focus on essential UK domestic product storage and distribution, and our avoidance of cyclical fashion retail, will continue. We believe that the last mile logistics sub-set of the real estate sector continues to demonstrate resilience in the context of wider economic uncertainty.

The UK remains one of the fastest growing adopters of online retail sales and there is an ongoing requirement for tenants to develop their e-fulfilment infrastructure accordingly. Our focus remains on acquiring properties at below replacement cost and implementing asset management initiatives in light of the current market dynamic of diminishing supply and increasing occupier demand.

We have an active pipeline and will be acquiring further properties in the coming months. We are in a strong position and can move quickly as good opportunities arise.

The Manager
12 June 2020

KEY PERFORMANCE INDICATORS

Our aim is to deliver sustainable, progressive earnings and long-term capital value through the execution of our strategy. We track our progress against six key performance indicators to monitor the performance of the Group.

Set out below are the key performance indicators we use to track our progress.

Total accounting return ("TAR")

5.6%

2020	5.6%
2019	17.7%

TAR measures the movement in EPRA NAV per share plus dividends paid during the period expressed as a percentage of the EPRA NAV per share at the beginning of the period. Our objective is to deliver long-term returns through execution of our strategy.

Performance: TAR of 5.6% for the year ended 31 March 2020 (31 Mar 19: 17.7%).

Loan to value ("LTV")

n/a

2020	n/a
2019	33.7%

LTV measures the proportion of our property assets that are funded by borrowings. Our medium-term target is 30-40% of the Group's gross asset value.

As at 31 March 2020 the Group was in a net cash position so the LTV ratio is not applicable.

Performance: LTV ratio is not applicable at 31 March 2020 – the Group was in a net cash position (31 Mar 19: 33.7%)

Weighted average unexpired lease term ("WAULT")

4.9 years

2020	4.9 years
2019	5.5 years

WAULT is the average unexpired lease term across the invested portfolio, weighted by annual passing rents. It is used to determine the quality of our investment portfolio. Our medium-term target is 5-7 years across the portfolio.

Performance: WAULT of 4.9 years at 31 March 2020 (31 Mar 19: 5.5 years).

EPRA NAV per share

137.90p

2020	137.90p
2019	137.96p

EPRA NAV per share is the value of our assets less the book value of our liabilities, calculated in accordance with EPRA guidelines, that is attributable to our shareholders. Our aim is to build on long-term asset value growth whilst managing liabilities.

Performance: EPRA NAV per share of 137.90p at 31 March 2020 (31 Mar 19: 137.96p).

Adjusted earnings per share ("Adjusted EPS")

7.66p

2020	7.66p
2019	7.01p

Adjusted EPS measures the Group's underlying operating results and provides an indication of the extent to which current dividend payments are supported by earnings. For further information see note 12 in the Notes to the Financial Statements.

Performance: Adjusted EPS of 7.66p per share for the year ended 31 March 2020 (31 Mar 19: 7.01p).

Total cost ratio

18.9%

2020	18.9%
2019	23.5%

The ratio of our property operating and administrative costs expressed as a percentage of the Group's gross rental income.

Performance: Total cost ratio of 18.9% for the year ended 31 March 2019 (31 Mar 19: 23.5%).

PRINCIPAL RISKS AND UNCERTAINTIES

The Board is responsible for determining the nature and extent of the principal risks that the Group is willing to take in achieving its objectives and have carried out a robust assessment of the principal risks facing the Group, including those that would threaten the business model, future performance, solvency or liquidity.

The Board recognises that its ability to manage risk effectively throughout the organisation is central to the Group's success.

RISK	POTENTIAL IMPACT	MITIGATION
STRATEGY		
The Group's investment strategy may be inappropriate.	Acquisition of properties at the wrong stage of the property cycle will result in sub-optimal shareholder returns.	The Manager has extensive experience in the industrial real estate sector and is heavily involved in the day to day operations of the Group. Detailed due diligence is carried out on an asset by asset basis to ensure the return profile is in line with the Group's investment policy. The Board regularly reviews prospective acquisition papers to ensure they are consistent with the Group's strategy and objectives. The Board has regular soundings taken on the market from external advisors.
PROPERTY RISKS		
A significant fall in the valuation of the Group's investment property portfolio.	An adverse change will have a negative impact of the Group's financial performance and may also lead to a breach in our banking covenant.	The investment property portfolio is well located and has a strong tenant base with attractive asset management opportunities. These factors help to underpin our asset values. The Board continually reviews all forecast and budgetary information to ensure compliance with all banking covenants and targets gearing in the range of 30-40% LTV. Our investment property portfolio is revalued twice yearly by independent valuers.
Tenant default.	A tenant default will result in reduced revenue for the Group and contribute to sub-optimal shareholder returns.	Detailed due diligence is carried out on all tenants prior to either an acquisition or new tenancy. No single tenant accounts for more than 15% of the contracted rent.
Unforeseen event leading to business interruption.	A notifiable disease or pandemic, including Covid-19, may have an adverse impact on tenants as well as investment, financial and occupier markets and affect the Group's abilities to achieve its business objectives.	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.
FINANCIAL RISKS		
Availability and access to further debt and renewal at term expiry.	The Group could suffer an acute liquidity or solvency crisis, financial loss or financial distress as a result of a failure in the design or execution of its financing strategy. If the Group is unable to access further debt funding, it will inhibit its ability to pursue potential investment opportunities.	The Group has a new credit approved facility with Barclays, Santander and Lloyds banks, totalling £151 million and with a term through to 2025. The Board continually reviews the Group's liquidity and gearing levels. The Group targets an LTV of 30-40%, well within our banking covenants.
Movement in interest rates.	An increase or decrease in interest rates could weaken the Group's profitability resulting in reduced shareholder returns.	The Group has entered into a hedging arrangement with its senior debt provider by way of interest rate derivatives.

RISK	POTENTIAL IMPACT	MITIGATION
REGULATORY		
The Group must comply with the UK REIT regulations.	If the Group fails to comply with regulation, then the Group may lose its REIT status. Any failure will impact the Group's profitability and shareholder returns.	Compliance with UK REIT regulation is continuously monitored by both the Manager and the Board. External advice is sought for specific transactions which may have an impact on the Group's REIT status. The Board has ultimate responsibility for ensuring we comply with UK REIT regulations.
MANAGER		
Loss of key personnel.	The Group places reliance on the Manager's services and its ability to provide relevant information on a timely basis.	The Management Engagement Committee is responsible for reviewing and assessing the performance of the Manager. Management contracts are in place which ensure management interests are aligned with shareholders. Key personnel share in the income from the management contract and from any benefits arising from the LTIP.
Inadequate systems and controls of the Manager.	Impact the Group's ability to achieve its strategic business objectives. A breakdown in the Manager's procedures may impact investment decisions leading to suboptimal returns for shareholders.	Collectively, staff and partners of the Manager have extensive experience in industrial real estate and financial service sectors and has well established controls in place to ensure operations are run as effectively as possible.
Inadequate financial controls.	Incorrect information reported to the Board, on which investments decisions are made, impacting the financial performance of the Group.	The Manager has separation of duties amongst the financial team with oversight provided by the Manager's Finance Director.
POLITICAL		
Ongoing impact of Brexit negotiations.	Negotiations to leave the EU may have an adverse impact on investment, financial and occupier markets.	The Group has a diverse tenancy base, the majority of whom are involved in the supply of essential goods throughout the UK. The Manager has been in regular discussions with tenants throughout the year. The feedback to date indicates there is little expectation amongst them of a serious adverse trading effect as a result of Brexit. The Manager will continue to monitor this and report back to the Board.
GENERAL		
Environmental impact of property portfolio.	Investment property obsolescence may impact values and trading performance.	The existing portfolio is 84% A-C EPC rating. Any new assets purchased by the Group have to demonstrate suitable sustainability.

SECTION 172 STATEMENT

Companies Act 2006 Section 172 Statement
The board of directors of Urban Logistics REIT plc, both individually and together, are mindful of their duties as detailed in section 172 of the Companies Act 2006, which are summarised as follows:

> 'A director of a company must act in the way they consider, in good faith, would be most likely to promote the success of the company for the benefit of its shareholders as a whole and, in doing so have regard (amongst other matters) to:
> - the likely consequences of any decisions in the long-term;
> - the interest of the company's employees;
> - the need to foster the company's business relationships with suppliers, customers and others;
> - the impact of the company's operations on the community and environment;
> - the desirability of the company maintaining a reputation for high standards of business conduct; and
> - the need to act fairly as between shareholders of the Company.'

The following paragraphs summarise how the Directors' fulfil their duties.

Risk management
The Board is responsible for determining the nature and extent of the principal risks that the Group is willing to take in achieving its long-term objectives. It is vital we carry out a robust assessment to effectively identify, manage and mitigate the risks that would threaten the business model, future performance, solvency or liquidity.

Further information regarding the Group's principal risks and uncertainties, and how we manage those risks effectively throughout the organisation, please see pages 20 and 21.

Business relationships
The Board meets regularly with the Company's key advisors, which include, but are not limited to, the Manager, independent financial advisor, corporate brokers, auditors, property valuers and lawyers. The Board seek a collaborative relationship with all the Company's suppliers to ensure services received facilitate the delivery of strategic and investment objectives.

The Manager engages in regular on-site face-to-face meetings with occupiers across all our portfolio and provides mutually beneficial real estate solutions. The Board receives regular updates from the Manager with respect to both the portfolio and its occupiers.

For further information on how we work with the Manager, please see page 29 and for information regarding other key advisors, please see the Management Engagement Committee Report on page 30.

Shareholders
The Manager meets with shareholders and investors on behalf of the Board by way of 'shareholder roadshows' to discuss Annual and half year results and provides feedback to the Board following these roadshows. The Company encourages two-way communication with both its institutional and private investors and its Manager responds quickly to all queries received.

For further information on how we engage with our shareholders, please see page 28.

Environment
The Board are mindful of the importance of constructing a portfolio of assets that are sustainable and offer opportunities to improve sustainability. The Group's investment process involves, amongst others, the assessment of energy efficiency ratings to ensure properties are sustainable in the long-term, rental income is resilient and meet our customers needs.

For further information on the energy efficiencies of our portfolio, please see page 18.

Approval of Strategic Report
The Strategic Report, (including Financial highlights, Chairman's statement, Manager's report, Key performance indicators and Principal risks and uncertainties) was approved by the Board of Directors and signed on its behalf by:

Nigel Rich
Chairman
12 June 2020

CORPORATE GOVERNANCE REPORT

CHAIRMAN'S CORPORATE GOVERNANCE STATEMENT

The Board of Urban Logistics REIT plc (the "Company" or "Urban Logistics") is committed to the highest standards of corporate governance and recognises its responsibility to serve the interests of shareholders by creating sustainable growth and shareholder value over the medium to long-term, whilst also reducing or mitigating risk.

As an AIM quoted company, the Company is required to declare which recognised corporate governance code it has adopted and state how that code has been applied. The Board formally adopted the Quoted Companies Alliance Corporate Governance Code (the "QCA Code") in 2018 as it considers it to be suitable for the current size and stage of development of the Company.

Compliance with each of the principles set out in the QCA code is summarised in this section.

Role of the Chairman

The Board as a whole is responsible for effective corporate governance. As Chairman of the Board, I have overall responsibility for the corporate governance arrangements of the Company in addition to ensuring that those arrangements are fully adopted within the Company.

My role as Chairman is to lead the Board, ensuring its smooth running and the effective contribution of all Board members.

Strategy and business model

The Company's business model, strategy and key markets are set out in the Manager's Report on pages 14 to 18.

The Board

The Board is responsible for determining strategy, investment policy and overseeing the Company's performance and business conduct. The Board is also responsible for supervising our Manager, Pacific Capital Partners Limited.

The Board holds formal scheduled meetings each quarter, with additional ad hoc meetings as required. These meetings are typically held at the Manager's head office and are subject to a quorum of three Directors.

The Board follows a formal agenda at its quarterly meetings, which the Company circulates in advance of the meeting. This agenda includes reviewing investment performance, assessing the progress of new investment opportunities, reviewing the Group's strategy in the context of a broader market outlook, reviewing our historical financial performance and future forecasting. The Board reviews reports on investor relations and receives regular updates from the Manager and other advisors on regulatory or compliance matters.

When considering investment opportunities, the Board reviews detailed proposals prepared by the Manager and approves investment decisions, as appropriate, in collaboration with any external advice received from the Nomad, legal and other professional advisers.

Directors

The Directors believe that the Board possesses a sufficient breadth of skills, relevant experience and knowledge to ensure it functions correctly and is not dominated by any one Director. Details of qualities and capabilities that each director brings to the Board are included in the biography section.

Full biographies of each Director can be found on pages 26 and 27.

Board performance
During the year, the Board engaged an external provider to carry out a formal Board and Committee performance review. The results from this review have been reviewed and analysed by the Board.

In summary, the review concluded the Board members have a clear understanding of the Company and their role within it and the Board, as a whole, has sufficient skills, experience, time and resources to undertake their duties. The Board diversity was highlighted as an area for further consideration, which the Board have addressed.

Governance structure and processes
The Board has delegated day-to-day responsibility for running the Company to the Manager who deals with all the property transactions including ongoing asset management. A report is received from the Manager at each Board meeting. The Management Engagement Committee formally reviews the Manager's performance each year, to allow the Board to state, if appropriate, that the Manager's continued appointment is in the shareholders' interests.

The Board has also delegated a number of responsibilities to its Audit, Nomination and Management Engagement Committees. Each Committee has appropriate Terms of Reference which have been reviewed and approved by the Board. The Board has not established a Remuneration Committee as it currently has no Executive Directors or employees. A copy of each Committee's Terms of Reference can be found on our website www.urbanlogisticsreit.com

Shareholders
We are confident in our approach to ongoing communication with our shareholders as we recognise the value in positive shareholder engagement. Our website is kept up to date with information to help our investors keep in touch and understand our business. The Manager meets with the shareholders and investors on behalf of the Board by way of 'shareholder roadshows' to discuss our results which have proven to be a popular and effective way to engage with shareholders and develop our understanding of their needs and expectations.

The Manager provides feedback to the Board following these roadshows and also regularly updates the Board with the views of shareholders and analysts.

We encourage two-way communication with both its institutional and private investors and respond quickly to all queries received either orally or in writing.

In accordance with current government instructions and guidance regarding the Covid-19 situation and the restrictions on social contact, public gatherings and non-essential travel, regrettably shareholders will not be able to attend the AGM in person. We will make arrangements to ensure that the legal requirements to hold the meeting can be satisfied and the format of the meeting will be purely functional. The meeting will comprise only the formal votes without any business update.

Shareholders are strongly encouraged to vote on all of the resolutions online or by appointing the Chair of the AGM as a proxy in advance of the meeting (appointing the Chair of the AGM as your proxy, rather than another named person, ensures your vote will be counted in the meeting). Please refer to the Shareholder Information provided in the Notice of AGM for instructions on how to vote online or by proxy. Shareholders will be given the opportunity to raise questions before the meeting by sending them to ir@urbanlogisticsreit.com and they will be responded to in writing on the Company's website. The Covid-19 situation is constantly evolving, and the UK Government may change current restrictions or implement further measures relating to the holding of general meetings during the affected period.

If it is necessary to provide shareholders with further information about the AGM, or notify them about any alternative arrangements, we will do so on our website (www.urbanlogisticsreit.com) and, where appropriate, by RNS announcement. The outcome of the votes at our 10 July 2020 AGM will be announced by RNS announcement once it has been held.

Risk Management
The Board is responsible for determining the nature and extent of the principal risks that the Group is willing to take in achieving its objectives and has carried out a robust review of those risks facing the Group, including those that would threaten the business model, future performance, solvency or liquidity. Pages 20 and 21 sets out the Company's principal risks and uncertainties.

Ethical values and stakeholder responsibility
The Board acknowledges that it has the responsibility to 'set the tone from the top' in terms of the culture and ethical behaviours of the Company. In addition, the Board expects its service providers, including its Manager, to have a high standard of ethical behaviour and for the employees of the service providers to behave in a proper manner. The Management Engagement Committee reviews the behaviours of its service providers, including the Manager as part the annual review.

Nigel Rich CBE
Chairman
12 June 2020

BOARD OF DIRECTORS

NIGEL RICH CBE

Independent Non-Executive Chairman

Nigel Rich brings a wealth of Board experience, having operated across the globe in senior positions, most recently at Segro plc.

He served as the Group Chief Executive of Trafalgar House plc from 1994 to 1996 and previously spent 20 years at the Jardine Matheson Group in Asia, serving as a Managing Director of Jardine Matheson Holdings from 1989 to 1994.

He has served as the Chairman of the Board at Hamptons International, Excel plc, Xchanging plc and also as the Chairman of the Board of Segro plc, from October 2006 until April 2016. He has also served as a Member of The Takeover Panel (UK) and has been a member of the Finance and General Committees of the R&A. He is currently a director of the British Empire Trust.

RICHARD MOFFITT

Director & CEO

Previously an Executive Director at CBRE, where he was Head of the UK Industrial team, Richard has over 25 years' experience of the UK Industrial and Logistics team. He has an in-depth understanding of the market's dynamics, credibility with owners and operators of real estate assets, a thorough understanding of owner and tenant requirements and an extensive network, which includes institutional funds. He is a member of the Chartered Institute of Logistics and Transport.

JONATHAN GRAY

Non-Executive Director

Jonathan Gray has considerable financial services experience having worked in senior roles at HSBC, UBS and NCB.

He has worked on numerous flotations, including a number of property companies such as Property Fund Management, Cleveland Trust and CLS Holdings. From 2010 - 2014 he was the Non-Executive Chairman of PGF II SA, a London based £200 million private property fund. He currently works as a financial advisor/consultant to a variety of international companies.

BRUCE ANDERSON
Non-Executive Director

Bruce Anderson has considerable real estate and financial services experience having worked in senior roles at Lloyds, HBoS and Bank of Scotland; this includes 15 years of investment-led boardroom positions. He has experience with both real estate companies and REITs across the UK, Europe and the Far East.

At Lloyds he was Head of Joint Ventures for the Specialist Finance division, responsible for a mixed portfolio of real estate, including both equity and debt elements. He is currently a Non-Executive Director at Green Property Limited.

MARK JOHNSON
Director

Co-founded Pacific Investments Management Limited ("Pacific Investments") with Sir John Beckwith. Qualified as a lawyer before working in corporate finance at Barclays Merchant Bank and Barclays de Zoete Wedd.

Previously Mark Johnson was CEO of the Riverside Group, one of the UK's leading leisure companies, under the chairmanship of Sir John, and oversaw its successful sale.

He is a founding partner and shareholder/Director of Pacific's investment portfolio and private equity companies including Barbican Healthcare Plc, Sports & Outdoor Media International Plc, Liontrust Asset Management Plc, Thames River Capital LLP, River and Mercantile Group Plc, Argentex LLP and Pacific Asset Management LLP.

THE BOARD

The Board comprises five Directors of whom three are independent. Nigel Rich, Jonathan Gray and Bruce Anderson. Heather Hancock has agreed to join the Board on 15 June 2020 as an independent non-executive director. She will sit on the Audit, Management Engagement and Nomination committees.

The current members of the Board and their membership on the Committees of the Company are as follows:

	Independent	Audit Committee	Management Engagement Committee	Nomination Committee
Nigel Rich	✔	Member	Chairman	Chairman
Bruce Anderson	✔	Chairman	Member	Member
Jonathan Gray*	✔	Member	Member	Member
Richard Moffitt	–	–	–	–
Mark Johnson	–	–	–	Member

* Senior independent Director.

As Richard Moffitt and Mark Johnson have an interest in the Manager, they are not considered independent and exclude themselves from voting on matters that involve Pacific Capital Partners Limited, or where there is a perceived potential conflict of interest. Whilst not independent, the Board considers that both Richard and Mark remain able to provide constructive challenge and scrutiny to the Board, as well as valuable and relevant skills and experience.

Board committees

The Board has delegated a number of responsibilities to its Audit, Nomination and Management Engagement Committees. Each Committee has prepared appropriate Terms of Reference and their actions are reported to and monitored by the Board. The Board accepts that while these committees have the authority to examine particular issues and will report back to the Board with their decisions and/or recommendations, the ultimate responsibility on all matters lies with the Board. Details on each Committee and a report of the activities undertaken during the 2020 financial year can be found on pages 30 to 33.

Details of Directors' attendance at each of the scheduled Board and Committee meetings during the year are set out below.

Time commitments

All Directors are expected to attend Board and Committee meetings and to devote sufficient time to the Company's affairs to fulfil their duties as Directors. During the year ended 31 March 2020, there were 15 Board meetings. The Company is currently in a growth phase, so the Board convened a substantial number of additional meetings during the year, to consider and implement equity fundraisings and investment opportunities.

Details of Directors' attendance at each of the scheduled Board and Committee meetings during the year are set out below.

	Board	Audit Committee	Management Engagement Committee	Nomination Committee
Nigel Rich	15/15	4/4	1/1	2/2
Bruce Anderson	14/15	4/4	1/1	2/2
Jonathan Gray	15/15	4/4	1/1	2/2
Richard Moffitt	14/15	–	–	–
Mark Johnson	14/15	–	–	2/2

The Manager

Under the Investment Management Agreement, the Board has delegated day-to-day responsibility for running the Company to the Manager who deal with all the property transactions. They are supported administratively by appropriate people from the Manager's professional staff. Richard Moffitt and Christopher Turner are the principal members of the team and report to the Board at each meeting and other members of the management team attend as required.

The Manager regularly uses for its purchase and sales of assets, M1 Agency LLP, a limited liability partnership in which Richard Moffitt has an interest. Each transaction is reviewed by the Manager excluding Richard Moffitt and by the Independent Directors to ensure that the fees payable are in line with market fees and practice. The total fees paid in the year amounted to £0.3 million.

The Board formally reviews the Manager's performance each year, to allow the Board to state, if appropriate, that the Manager's continued appointment is in shareholders' interests. The Investment Management Agreement was extended in July 2018 such that it now runs through to April 2024.

The Board believes that the success of the Company depends, in part, on the future of the performance of the Manager. The Directors also recognise the importance of ensuring the Manager is incentivised and identifies closely with the long-term success of the Company, in alignment with the Shareholders.

As part of the equity capital raise process, the Board undertook a review of the Company's management incentive arrangements. As a result of this process, the Annual Management Fee and Long-Term Incentive Plan ("LTIP") were amended.

Annual management fee

The Company and the Manager agreed a new arrangement such that the Company will pay to the Manager the following fees, payable quarterly in arrears:
- 0.95 per cent. per annum of the Group's EPRA NAV up to, and including, £250 million;
- 0.90 per cent. per annum of the Group's EPRA NAV in excess of £250 million and up to and including £500 million; and
- 0.85 per cent. per annum of the Group's EPRA NAV in excess of £500 million.

Amendment to the LTIP

The revised award increases the annual hurdle to 10% and reduces the excess payment. It is also now linked to total value created across both net asset value and market capitalisation. Any future payment to the Manager is capped at three times average annual management fees paid from February 2020. The next calculation date for the plan is 30 September 2023. For further information, please see note 13 in the Notes to the Financial Statements.

Conflicts of interest

The Articles of Association allow the Board to authorise potential conflicts of interest that may arise, subject to imposing limits or conditions when giving authorisation if this is appropriate. Only independent Directors (who have no interest in the matter being considered) will be able to take the relevant decision and, in taking the decision, the Directors must act in a way they consider will be most likely to promote the Group's success. Procedures have been established to monitor actual and potential conflicts of interest on a regular basis, and the Board is satisfied that these procedures are working effectively.

Internal control

The Manager is responsible for operating the Group's system of internal control and reviewing the effectiveness of this. Such a system is designed to manage, rather than eliminate, the risk of failure to achieve business objectives and can provide only reasonable but not absolute assurance against material misstatement or loss.

Anti-bribery and corruption

The Manager has a zero-tolerance bribery and corruption policy and is committed to carrying out business fairly, honestly and openly. The Manager undertakes annual regulatory training on AML and anti-bribery and corruption. The Manager has a compliance officer in place who monitors adherence to anti-bribery and corruption policies. The Company has a whistle blowing policy with appropriate links to the Chairman and or Audit Committee Chairman.

Financial and business information

The Board is responsible for preparing the Annual Report. As the Directors' Responsibility Statement confirms, the Board believes that this Annual Report, taken as a whole, is fair, balanced and understandable, and provides the information necessary to assess the Group's performance.

MANAGEMENT ENGAGEMENT COMMITTEE REPORT

Composition
The Management Engagement Committee (the "Committee") comprises of all independent Directors with Nigel Rich as Chairman.

Responsibilities
The main role and duties of the Committee include:
- a review the engagement terms on which the Manager is engaged on an annual basis;
- monitoring compliance by the Manager with the terms of the Investment Management Agreement (the "Agreement");
- monitor compliance by the Company's various service providers with the terms of their respective agreements;
- annually, review and recommend the reappointment of the Company's various service providers and their terms of engagement.

The Committee met once during the year whereby an annual review of the performance of the Manager and other service providers engaged by the Company was undertaken. The Committee concluded that the Manager's performance was satisfactory for the year with no issues noted.

The Committee also considered feedback that had been received from investors enquiring as to whether the Company would consider bringing the functions provided by the Manager in-house. It was agreed that the current external management structure of the Company has worked well to date and provided a cost-effective and appropriate services for a company of this size. However, as the Company grows in size, it was acknowledged that the management structure would need to be kept under review.

In conjunction with the equity capital raise in March 2020, and following discussions with shareholders, the independent Directors agreed to revise the terms of the management contract in the financial period. Details can be found in Note 13.

Nigel Rich
Chairman of the Management Engagement Committee
12 June 2020

AUDIT COMMITTEE REPORT

Composition
The Audit Committee ("the Committee") comprises Bruce Anderson as Chairman, Nigel Rich, and Jonathan Gray, all of whom are independent non-executive directors.

Responsibilities
The role of the Audit Committee is to review and report to the Board of Directors on financial reporting, internal control and risk management. It has also considered the independence, effectiveness and performance of the external auditor and the audit process.

The key responsibilities and principal activities of the Committee are as follows:
- To advise the Board of Directors that the statements made in the Interim and Annual Report, including those on going concern and principal risks are fair, balanced and understandable and provides the information necessary for Shareholders to assess the Group's financial position and performance, business model and strategy.
- To review any formal announcements on the Group's financial performance, including as assessment of the estimates and judgements.
- The appropriateness of the interim and year end individual property valuations and the independence of the external valuers.
- To review the Manager's system of internal control and risk management framework.
- Review any changes in accounting policies that may impact the financial statements.
- To review and approve the external auditor's terms of engagement, remuneration and tenure of appointment.

AUDIT COMMITTEE REPORT continued

External auditor

Nexia Smith & Williamson ("Smith & Williamson") has been retained as the Group's external auditor for the year ended 31 March 2020.

During the year, the Committee considered the appointment, compensation, performance and independence of the Group's external auditor through discussion with the finance team of the Manager and through a review of the audit deliverables.

The assessment of the performance and effectiveness involves consideration of the qualifications, expertise and resources of the audit partner and team as well as the quality and timeliness of the audit deliverables. The Committee considers that the audit team assigned to the Group by Smith & Williamson has a good understanding of the Group's business which enables it to produce an in depth, high quality and timely audit.

Audit and non-audit fees

The Committee also recognises the importance of auditor objectivity and has reviewed the level of non-audit fees as noted in the table to ensure their independence was not compromised. In reviewing auditor independence, the Committee have considered the nature of non-audit services provided, quantum of fees charged, the expectation of fee recurrence, and the internal controls applied by Smith & Williamson to mitigate potential or perceived conflicts.

	2020	2019
Audit fees including related assurance services (£000)	92	82
Non-audit fees (£000):		
Transaction related services	10	59
Capital raise fees	–	15
Total	**102**	**156**

Internal audit

The Audit Committee considered the need for an internal audit function during the year and determined that it was not necessary or appropriate given the current size of the Group. The Group is managed by the Manager, as such, the Audit Committee places reliance on it's internal systems and controls. The Finance Director of the Manager is invited to attend most Board meetings and in addition the Chairman of the Audit Committee has a separate meeting with the Finance Director twice a year ahead of the issuance of the interim and final reports. The independent directors meet in private with the lead partner of Smith & Williamson, the auditor of the Company, on an annual basis.

Valuation of property portfolio

The Group has investment properties totalling £209.2m as at 31 March 3020. 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 2020, in accordance with the RICS valuation – Professional Standards UK January 2017 (the "Red Book"). The Committee met with the team from CBRE in May 2020 and discussed the assumptions underlying the individual property valuations and has concluded that the valuation is appropriate.

The outbreak of covid-19 has resulted in the property portfolio valuation being reported on the basis of 'material valuation uncertainty' as instructed by VPS 3 and VPGA 10 of the RICS Red Book Global. Consequently, less certainty – and a higher degree of caution – should be attached to the valuation than would normally be the case. However, the inclusion of the 'material valuation uncertainty' declaration does not mean that the valuation cannot be relied upon. The clause serves as a precaution and does not invalidate the valuation.

REIT status

The Group must comply with the UK REIT regulations to continue to benefit from the favourable tax regime. The Manager prepares and monitors the REIT tests which are reported to the Board on a quarterly basis. The Audit Committee are satisfied that there is full compliance with the UK REIT regulations and notes the significant headroom for the financial year.

Fair, balanced and understandable

The Audit Committee considered whether the 2020 Annual Report and financial statements was fair, balanced and understandable and whether it provided the necessary information for shareholders to assess the Group's position, performance, business model and strategy. In reaching its decision, the Audit Committee reviewed the procedures established and adopted by finance team of the Manager which consisted of the following:

- Clear guidance was issued to all contributors at the start of the process;
- Individual sections of the Annual Report were drafted by appropriate senior management, who met regularly to review consistency;
- A review of the documentation that outlines the controls in place for the production of the Annual Report; and
- A full verification exercise to ensure factual accuracy was undertaken.

The Audit Committee is satisfied that the Annual Report and financial statements met this requirement.

Bruce Anderson
Chairman of the Audit Committee
12 June 2020

NOMINATION COMMITTEE REPORT

Composition
The Nomination Committee (the "Committee") comprises of all independent Directors and Mark Johnson with Nigel Rich as Chairman.

Responsibilities
The role of the Committee is review appropriateness of the structure size and composition of the Board, give full consideration to succession planning, and consider and recommend to the Board the re-election of the directors at the AGM.

The Committee met twice during the year to review the recommendations arising from the board review. The principal recommendation was to increase the number of independent directors due to the growth of the business and to diversify the board membership in terms of gender and skills. The Committee took into account the views of investors and the recommendations from various government appointed committees on the need for gender diversity. Since the year end the Committee has commenced a process to find and appoint a new director. A short list of candidates were interviewed and following this a recommendation was made by the Committee to the Board to appoint Heather Hancock as a director with effect 15 June 2020. The recommendation took into account the range of skills and experience that Heather would bring to the Board. The Chairman's statement provides further details.

The planned activities for the financial year 2021 will include analysis of the recent Board Effectiveness Review and to make recommendations to the Board regarding any key findings from this Review.

Nigel Rich
Chairman of the Nomination Committee
12 June 2020

DIRECTORS' REPORT

REPORT AND FINANCIAL STATEMENTS

The Directors present their report together with the audited financial statements for the year ended 31 March 2020.

Urban Logistics REIT plc and its subsidiaries carry on the business of property lettings throughout the United Kingdom. The Strategic Report includes further information about the Company's principal activity, including financial performance during the year and indications of likely future developments.

The Directors believe they have discharged their responsibilities under section 414C of the Companies Act 2006 to provide a balanced and comprehensive review of the development and performance of the business.

Financial results and dividends

The Group reported a profit for the year after taxation of £9.4 million (2019: £18.7 million). The reduction in profit after tax is partly a result of crystallising an LTIP in the year and also to like-for-like growth in our investment property portfolio of 4.6% vs. 10.7% in the prior year.

EPRA earnings per share for the period were 3.99 pence per share (2019: 7.01 pence per share). The reason for this drop-off was the amount of new equity issued just before year end and the one-off cost of recognising the long-term incentive plan. Adjusted EPRA earnings per share were 7.66 pence, underwriting the dividend of 7.60 pence paid for the period by way of interim and special dividend during the financial year.

Property operating and administrative expenses, which include the Manager's fee (excluding the LTIP charge) and other costs of running the Group, were £2.6 million (2019: £2.5 million), representing a total cost ratio of 18.9% (2019: 23.5%).

During the year, the following interim dividends were paid:

Description	Pence per share	Payment date	Financial year
Second interim dividend	4.02p	28 Jun 2019	2019
First interim dividend	3.75p	20 Dec 2019	2020

The total dividends paid and proposed in respect of the period ended 31 March 2019 was 7.00 pence.

A second interim dividend in respect of the year ended 31 March 2020 of 3.85 pence per share was declared on 14 February 2020 and was paid on 21 April 2020. This takes the total dividend paid and declared in respect of the year ended 31 March 2020 to 7.60 pence.

Share capital

On 9 March 2020, the Company issued 100,864,419 new ordinary shares, which were admitted to trading on the AIM Market of the London Stock Exchange. At 31 March 2020, there were 188,616,023 ordinary shares of £0.01 in issue.

As at 31 March 2020, there is only one class of share in issue and there are no restrictions on the voting rights attached to these shares or the transfer of securities in the Company, and are all fully paid.

The Company made no purchase of its own shares during the year. Further details on issued share capital is set out in note 24 to the financial statements.

Directors' interests and remuneration

The present membership of the Board and biographical details of Directors are set out on pages 26 and 27.

The Company has arranged Directors' and Officers' liability insurance cover in respect of legal action against its Directors, which is reviewed and renewed annually and remains in force as the date of this report.

Directors' shareholdings

The beneficial interest in the ordinary shares of the Company held by the Directors who were in office during the year are set out below.

Director	Number of Ordinary shares held	Percentage of issued share capital at 31 Mar 20
Nigel Rich – Chairman	335,536	0.18%
Bruce Anderson	50,000	0.03%
Jonathan Gray	60,000	0.03%
Mark Johnson	193,478	0.10%
Richard Moffitt	398,362	0.21%

Pacific Industrial LLP has an interest in a total of 2,330,164 Ordinary Shares. Mark Johnson and Richard Moffitt are members of the LLP.

Directors' remuneration

The fees paid to the current Directors in the year to 31 March 2020, which have been audited, are set out below.

Director	Annual Fee	Total to 31 Mar 20
Nigel Rich – Chairman	£75,000	£75,000
Bruce Anderson	£35,000	£35,000
Jonathan Gray	£35,000	£35,000
Mark Johnson*	–	–
Richard Moffitt*	–	–
Total	**£145,000**	**£145,000**

* Mark Johnson and Richard Moffitt have waived their right to any remuneration as Directors of the Company.

Two directors are also set to benefit from the Long-term incentive plan (LTIP). For further information refer to related party transactions in note 29.

Future direction

An indication of the likely future direction of the Company's business is set out in the Strategic Report.

Employees

The Group has no employees.

Financial instruments

Details of the financial instruments used by the Group and financial risk management policies can be found in note 21 and in the Principal risks and uncertainties section on pages 20 and 21.

Political donations

No political donations were made by the Company or its subsidiaries during the year.

Substantial shareholdings

The Directors have been notified that the following shareholders have a disclosable interest of 3% or more in the ordinary shares of the Company:

	Number of shares held	Percentage of issued share capital
Rathbone Investment Management, LTD	11,246,058	5.96%
Janus Henderson Investors (U.K.)	8,755,623	4.64%
Allianz Global Investors GmbH	7,899,572	4.19%
Legal & General Investment Management, LTD	7,576,720	4.02%
Franklin Templeton Fund Management, LTD	7,500,000	3.98%
Raymond James Investment Services, LTD	6,329,021	3.36%
Hawksmoor Investment Management, LTD	6,310,000	3.35%

Sir John Beckwith and associated interests amount to 4.4% of the issued share capital as at 31 March 2020.

Going concern

As part of their Going Concern review, the Directors have carefully considered the impact on the Group of the COVID-19 pandemic. Of the 39 properties in the Company's portfolio at the year-end, only two were not trading to full capacity as a result of the pandemic and all rents due in March for the quarter to June were paid in full. 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.

Post balance sheet events

On 3 April 2020, the Group acquired a 153,476 sq. ft property for £13.0 million at a 5.2% NIY.

On 7 April 2020, the Group acquired a portfolio of seven single-let regional distribution warehouses from Paloma Capital LLP for a total consideration of £31.9 million, representing a NIY of 6.8%.

On 7 April 2020, the Group announced, subject to planning, a commitment to acquire a three-acre site and forward fund a 46,500 sq. ft facility on the well-established Peterborough Gateway Logistics Park at a total development costs to the Group of £5.8 million.

On 29 April 2020, the Group acquired a portfolio of seven properties for a total consideration of £47.2 million at a 7.0% NIY.

Independent auditor

Nexia Smith & Williamson has expressed its willingness to continue as Auditor for the financial year ended 31 March 2021.

Disclosure of information to the auditor

The Directors who were members of the Board at the time of approving the Directors' Report have confirmed that:

- so far as each director is aware, there is no relevant audit information of which the Company's auditor is not aware; and
- each Director has taken all the steps that they ought to have taken as a Director in order to make themselves aware of any relevant audit information and to establish that the Company's Auditor is aware of that information.

This report was approved by the Board on 12 June 2020.

Nigel Rich
Chairman

DIRECTORS' RESPONSIBILITY STATEMENT

The directors are responsible for preparing the Strategic Report, the Directors' Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the group and parent company financial statements in accordance with applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union and, as regards the parent company financial statements, as applied in accordance with the provisions of the Companies Act 2006. Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the group and of the profit or loss of the group for that year.

In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and accounting estimates that are reasonable and prudent;
- state whether applicable IFRSs as adopted by the European Union have been followed subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the group and the company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and the group and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the company and the group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

The directors are also responsible for ensuring that they meet their responsibilities under AIM rules.

Approval

This Directors' responsibility statement was approved by the Board of Directors and signed on its behalf by:

Nigel Rich
Chairman of the Nomination Committee
12 June 2020

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF URBAN LOGISTICS REIT PLC

Opinion

We have audited the financial statements of Urban Logistics REIT plc (the 'parent company') and its subsidiaries (the 'group') for the year ended 31 March 2020 which comprise Consolidated Statement of Comprehensive Income, Consolidated Statement of Financial Position, Company Statement of Financial Position, Consolidated Statement of Cash Flows, Company Statement of Cash Flows, Consolidated Statement of Change in Equity, Company Statement of Change in Equity and the notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union and, as regards the parent company financial statements, as applied in accordance with the provisions of the Companies Act 2006.

In our opinion:

- the financial statements give a true and fair view of the state of the group's and of the parent company's affairs as at 31 March 2020 and of the group's profit for the year then ended;
- the group financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union;
- the parent company financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union and as applied in accordance with the provisions of the Companies Act 2006; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the group and parent company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Emphasis of matter – valuation of investment properties

We draw your attention to note 3 of the financial statements which identifies that CBRE Limited's 31 March 2020 independent valuer's report includes a material valuation uncertainty as per VPS 3 and VPGA 10 of the RICS Red Book in relation to the valuation of investment properties. Our opinion is not modified in this respect.

Emphasis of matter – impact of COVID-19

We draw attention to note 2 of the financial statements, which describes the impact of COVID-19 on the group. Our opinion is not modified in respect of this matter.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the group's or the parent company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Key audit matters

We identified the key audit matters described below as those that were of most significance in the audit of the financial statements of the current period. Key audit matters include the most significant assessed risks of material misstatement, including those risks that had the greatest effect on our overall audit strategy, the allocation of resources in the audit and the direction of the efforts of the audit team.

In addressing these matters, we have performed the procedures below which were designed to address the matters in the context of the financial statements as a whole and in forming our opinion thereon. Consequently, we do not provide a separate opinion on these individual matters.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF URBAN LOGISTICS REIT PLC CONTINUED

Valuation of investment property (Group)

Description of risk

The valuation of the Group's investment property portfolio is inherently subjective due to, among other factors, the individual nature of each property, its location and the expected future rentals for that particular property.

The valuations as at 31 March 2020 were carried out by third party valuers, CBRE Limited (the 'Valuers'). The valuations are reported on the basis of a material valuation uncertainty clause as per VPS 3 and VPGA 10 of the RICS Red Book as a result of the uncertainty over the valuation in response to the global pandemic COVID-19.

The Group's accounting policy for investment properties is included within note 4. Details of the Group's valuation methodology and resulting valuation can be found in notes 3, 15 and 22.

How the matter was addressed in the audit

We assessed the Valuers' qualifications and expertise and read their terms of engagement with the Group to determine whether there were any matters that might have affected their objectivity or may have imposed scope limitations upon their work.

We discussed with the Valuers the nature of the material valuation uncertainty clause, their internal control and quality control process employed in forming their opinion.

We read the valuation reports for all the properties and corresponded with the Valuers to understand their approaches and confirmed that the valuation approaches were in accordance with RICS standards and suitable for use in determining the carrying value for the purpose of the financial statements. We carried out procedures, on a sample basis, to satisfy ourselves of the reasonableness of the inputs used by the Valuers in the valuations.

We compared the sales prices for properties disposed of in the year to the most recent valuation performed by the Valuers and considered the results of this comparison when assessing the reasonability of the valuations.

Our audit report has been modified to include an emphasis of matter in relation to the valuation of investment properties, as above.

Materiality

The materiality for the Group financial statements as a whole was set at £10,100,000. This has been determined with reference to the benchmark of the Group's total assets, which we consider to be one of the principal considerations for members of the Parent Company in assessing the performance of the Group. Materiality represents 3% of the total assets as presented on the face of the Consolidated Statement of Financial Position.

The materiality for the Parent Company financial statements as a whole was set at £7,000,000. This has been determined with reference to the benchmark of the Parent Company's total assets as the Parent Company exists only as a holding company for the Group and carries on no trade in its own right. Materiality represents 3% of total assets as presented on the face of the Parent Company's Statement of Financial Position.

An overview of the scope of our audit

The scope of our work covered 100% of Group revenue, Group profit before tax and Group net assets which included the audit of all subsidiaries for Group reporting purposes.

Other information

The other information comprises the information included in Annual report & accounts, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Opinion on other matters prescribed by the Companies Act 2006
In our opinion, based on the work undertaken in the course of the audit:
- the information given in the strategic report and the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and the directors' report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception
In the light of the knowledge and understanding of the group and the parent company and their environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or the directors' report.

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:
- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Responsibilities of directors
As explained more fully in the directors' responsibilities statement set out on page 36, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the group's and the parent company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the group or the parent company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements
Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Use of our report
This report is made solely to the parent company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the parent company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the parent company and the parent company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Guy Swarbreck
Senior Statutory Auditor, for and on behalf of
Nexia Smith & Williamson
Statutory Auditor
Chartered Accountants

25 Moorgate
London
EC2R 6AY
12 June 2020

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Note	Year ended 31 Mar 20 £'000	Year ended 31 Mar 19 £'000
Revenue	5	**12,601**	10,771
Property operating expenses	7	**(437)**	(694)
Net rental income		**12,164**	10,077
Administrative and other expenses		**(2,142)**	(1,833)
Long-term incentive plan charge	13	**(3,557)**	(119)
Operating profit before changes in fair value of investment properties and interest rate derivatives		**6,465**	8,125
Changes in fair value of investment property	6,15	**5,691**	13,352
Profit on disposal of investment property		**575**	160
Operating profit		**12,731**	21,637
Finance income		**7**	29
Finance expense	10	**(2,721)**	(2,210)
Changes in fair value of interest rate derivatives	21	**(657)**	(709)
Profit before taxation		**9,360**	18,747
Tax credit/(charge) for the period		**–**	–
Profit and total comprehensive income (attributable to the shareholders)		**9,360**	18,747
Earnings per share – basic	12	**9.95p**	22.12p
Earnings per share – diluted	12	**9.95p**	22.10p
EPRA earnings per share – diluted	12	**3.99p**	7.01p

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Note	Year ended 31 Mar 20 £'000	Year ended 31 Mar 19 £'000
Non-current assets			
Investment property	15	**209,179**	186,420
Intangible assets		**17**	22
Total non-current assets		**209,196**	186,442
Current assets			
Trade and other receivables	17	**1,816**	1,531
Cash and cash equivalents	18	**132,280**	9,760
Total current assets		**134,096**	11,291
Total assets		**343,292**	197,733
Current liabilities			
Trade and other payables	19	**(2,956)**	(1,808)
Deferred rental income		**(2,728)**	(2,388)
Total current liabilities		**(5,684)**	(4,196)
Non-current liabilities			
Long term rental deposits		**(1,029)**	(951)
Lease liability		**(1,774)**	–
Interest rate derivatives	21	**(1,347)**	(690)
Bank borrowings	20	**(74,696)**	(71,420)
Total non-current liabilities		**(78,846)**	(73,061)
Total liabilities		**(84,530)**	(77,257)
Total net assets		**258,762**	120,476
Equity			
Share capital	24	**1,886**	877
Share premium	25	**228,764**	93,877
Share warrant reserve	26	**-**	14
Other reserves		**56**	194
Retained earnings	28	**28,056**	25,514
Total equity		**258,762**	120,476
Net Asset Value per share basic	30	**137.19p**	137.39p
Net Asset Value per share diluted	30	**137.19p**	137.18p
EPRA Net Asset Value	30	**137.90p**	137.96p

The financial statements of Urban Logistics REIT plc (registered number 09907096) were approved by the Board of Directors and authorised for issue on 12 June 2020 and signed on its behalf by:

Nigel Rich
Chairman

COMPANY STATEMENT OF FINANCIAL POSITION

	Note	Year ended 31 Mar 20 £'000	Year ended 31 Mar 19 £'000
Non-current assets			
Investment in subsidiaries	16	**93,800**	93,800
Intangible assets		**17**	22
Total non-current assets		**93,817**	93,822
Current assets			
Trade and other receivables	17	**141,408**	1,897
Cash and cash equivalents	18	**1,272**	1,702
Total current assets		**142,680**	3,599
Total assets		**236,497**	97,421
Current liabilities			
Trade and other payables	19	**(825)**	(744)
Total current liabilities		**(825)**	(744)
Total liabilities		**(825)**	(744)
Total net assets		**235,672**	96,677
Equity			
Share capital	24	**1,886**	877
Share premium	25	**228,764**	93,877
Share warrant reserve	26	**-**	14
Other reserves		**56**	194
Retained earnings	28	**4,966**	1,715
Total equity		**235,672**	96,677

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 £10.07 million (2019: £4.84 million).

The financial statements of Urban Logistics REIT plc (registered number 09907096) were approved by the Board of Directors and authorised for issue on 12 June 2020 and signed on its behalf by:

Nigel Rich
Chairman

CONSOLIDATED STATEMENT OF CASH FLOWS

	Note	Year ended 31 Mar 20 £'000	Year ended 31 Mar 19 £'000
Cash flows from operating activities			
Profit for the period (attributable to equity shareholders)		**9,360**	18,747
Add: amortisation and depreciation		**13**	4
Less: changes in fair value of investment property	6, 15	**(5,691)**	(13,352)
Add: changes in fair value of interest rate derivatives	21	**657**	709
Less: profit on disposal of investment property		**(575)**	(160)
Less: finance income		**(7)**	(29)
Add: finance expense	10	**2,721**	2,210
Long-term incentive plan	13	**2,454**	119
Increase in trade and other receivables		**(625)**	(946)
Increase in trade and other payables		**1,454**	1,291
Cash generated from operations		**9,761**	8,593
Net cash flow generated from operating activities		**9,761**	8,593
Investing activities			
Purchase of investment properties	15	**(32,378)**	(52,088)
Disposal of investment properties	15	**18,085**	11,030
Purchase of intangible assets		**-**	(26)
Net cash flow used in investing activities		**(14,293)**	(41,084)
Financing activities			
Proceeds from issue of ordinary share capital	24	**136,200**	20,400
Proceeds from issue of warrant shares	24	**59**	2,430
Cost of share issue	25	**(2,951)**	(664)
Bank borrowings drawn	20	**10,775**	28,931
Bank borrowings repaid	20	**(7,667)**	(4,930)
Loan arrangement fees paid	20	**(179)**	(610)
Interest paid	10	**(2,374)**	(1,853)
Interest received		**7**	29
Dividends paid to equity holders	14	**(6,818)**	(4,762)
Net cash flow generated from financing activities		**127,052**	38,971
Net increase in cash and cash equivalents for the period		**122,520**	6,480
Cash and cash equivalents at start of period		**9,760**	3,280
Cash and cash equivalents at end of period		**132,280**	9,760

COMPANY STATEMENT OF CASH FLOWS

	Note	Year ended 31 Mar 20 £'000	Year ended 31 Mar 19 £'000
Cash flows from operating activities			
Profit for the period (attributable to equity shareholders)		**10,069**	4,843
Add: depreciation		**5**	4
Less: finance income		**-**	(3)
Long-term incentive plan	13	**2,454**	119
Increase in trade and other receivables		**(63)**	(10)
Increase in trade and other payables		**63**	397
Cash generated from operations		**12,528**	5,350
Net cash flow generated from operating activities		**12,528**	5,350
Investing activities			
Increase in loan due from group undertakings	17	**(139,448)**	(21,070)
Purchase of intangible assets		**-**	(26)
Net cash flow used in investing activities		**(139,448)**	(21,096)
Financing activities			
Proceeds from issue of ordinary share capital	24	**136,200**	20,400
Proceeds from issue of warrant shares	24	**59**	2,430
Cost of share issue	25	**(2,951)**	(664)
Interest received		**-**	3
Dividends paid to equity holders	14	**(6,818)**	(4,762)
Net cash flow generated from financing activities		**126,490**	17,407
Net increase in cash and cash equivalents for the period		**(430)**	1,661
Cash and cash equivalents at start of period		**1,702**	41
Cash and cash equivalents at end of period		**1,272**	1,702

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year ended 31 March 2020	Share capital £'000	Share premium £'000	Share warrant reserves £'000	Other reserves £'000	Retained earnings £'000	Total £'000
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**
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**

	Share capital £'000	Share premium £'000	Share warrant reserves £'000	Other reserves £'000	Retained earnings £'000	Total £'000
1 April 2018	**681**	**71,832**	**89**	**75**	**11,529**	**84,206**
Profit for the period	–	–	–	–	18,747	18,747
Total comprehensive income	**–**	**–**	**–**	**–**	**18,747**	**18,747**
Dividends to shareholders	–	–	–	–	(4,762)	(4,762)
Long term incentive plan	–	–	–	119	–	119
Issue of Ordinary Shares	171	19,565	–	–	–	19,736
Redemption of Warrant Shares	25	2,480	(75)	–	–	2,430
31 March 2019	**877**	**93,877**	**14**	**194**	**25,514**	**120,476**

COMPANY STATEMENT OF CHANGES IN EQUITY

Year ended 31 March 2020	Share capital £'000	Share premium £'000	Share warrant reserves £'000	Other reserves £'000	Retained earnings £'000	Total £'000
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**
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**

	Share capital £'000	Share premium £'000	Share warrant reserves £'000	Other reserves £'000	Retained earnings £'000	Total £'000
1 April 2018	**681**	**71,832**	**89**	**75**	**1,634**	**74,311**
Profit for the period	–	–	–	–	4,843	4,843
Total comprehensive income	**–**	**–**	**–**	**–**	**4,843**	**4,843**
Dividends to shareholders	–	–	–	–	(4,762)	(4,762)
Long term incentive plan	–	–	–	119	–	119
Issue of Ordinary Shares	171	19,565	–	–	–	19,736
Redemption of Warrant Shares	25	2,480	(75)	–	–	2,430
31 March 2019	**877**	**93,877**	**14**	**194**	**1,715**	**96,677**

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 124 Sloane Street, London, SW1X 9BW.

2. Basis of preparation

The financial statements have been prepared in accordance with IFRS as adopted by the European Union and, as regards the parent company financial statements, applied in accordance with the provisions of the Companies Act 2006.

The Group's financial information has been prepared on a historical cost basis, except for investment property and derivative interest rate caps which have been measured at fair value.

The functional currency of the Group is considered to be pounds sterling as this is the currency of the primary environment in which the company operates.

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 £10.07 million (2019: £4.84 million).

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. Of the 39 properties in the Company's portfolio at the year-end, only two were not trading to full capacity as a result of the pandemic and all rents due in March for the quarter to June were paid in full. 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.

Standards in issue and effective from 1 April 2019

IFRS 16: Leases

The Group has adopted IFRS 16: Leases for the year ended 31 March 2020. On adoption the Group initially recognises the lease liability at the present value of the remaining lease payments, discounted using the Group's weighted average cost of debt which is deemed to be the Group's incremental borrowing rate. The associated right-of-use "(ROU)" assets were measured equal to the lease liability.

The leases are comprised of Head leases: A small proportion of the investment properties owned by the Group are situated on land held through leasehold arrangements, as opposed to the Group owning the freehold. The remaining lease terms for the leasehold arrangements range between 124 to 131 years.

The impact on the Statement of Financial Position of recognising the lease liability and associated ROU asset at 31 March 2020 is set out below. Opening balances have not been restated as the leases were acquired in the current financial year, therefore, no impact of the prior year comparatives.

	31 Mar 20 £'000
Investment property (ROU asset)	**1,858**
Current liabilities: trade and other payables	**(91)**
Non-current liabilities: lease liability	**(1,774)**
Net lease liability	**(7)**

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 with IAS 40 and the Group's accounting policy.

In the prior year, there were no material leases for the Group as a lessee, therefore IFRS 16 has been applied for the first time in the current financial year for new leases in the year.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

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 July 2017 (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 22.

Material valuation uncertainty due to Novel Coronavirus (COVID – 19)

The following clause can be found within CBRE's valuation report for the Group's portfolio:

'The outbreak of the Novel Coronavirus (COVID-19), declared by the World Health Organisation as a "Global Pandemic" on the 11th March 2020, has impacted global financial markets. Travel restrictions have been implemented by many countries. Market activity is being impacted in many sectors. As at the valuation date, we consider that we can attach less weight to previous market evidence for comparison purposes, to inform opinions of value. Indeed, the current response to COVID-19 means that we are faced with an unprecedented set of circumstances on which to base a judgement. Our valuation is therefore reported as being subject to 'material valuation uncertainty' as set out in VPS 3 and VPGA 10 of the RICS Valuation – Global Standards. Consequently, less certainty – and a higher degree of caution – should be attached to our valuation than would normally be the case. Given the unknown future impact that COVID-19 might have on the real estate market, we recommend that you keep the valuation under frequent review. For the avoidance of doubt, the inclusion of the 'material valuation uncertainty' declaration above does not mean that the valuation cannot be relied upon. Rather, the declaration has been included to ensure transparency of the fact that – in the current extraordinary circumstances – less certainty can be attached to the valuation than would otherwise be the case. The material uncertainty clause is to serve as a precaution and does not invalidate the valuation.'

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 acquisition of subsidiaries is accounted for using the acquisition method. The cost of the acquisition is measured at the aggregate of the fair values of assets given, liabilities incurred or assumed, and equity instruments issued by the Group in exchange for control of the acquiree. At the Group level, acquisition costs are recognised in the Statement of Comprehensive income as incurred.

The acquiree's identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition under IFRS 3 are recognised at their fair value at the acquisition date.

Subsidiaries are entities which the Group has control over. As per IFRS 10, control exists when an investor has all three of the following elements: power over the investee, exposure or rights to variable returns from its involvement with the investee; and the ability to use its power over the investee to affect the amount of the investor's returns. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity.

Subsidiary entities are consolidated from the date on which control is transferred to the Group and are deconsolidated from the date on which control ceases. In respect of subsidiaries, inter-company transactions and unrealised gains on intra-group transactions are eliminated on consolidation.

The financial information of the subsidiaries is prepared for the same reporting periods as the parent company, using consistent accounting policies.

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.

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 is recognised in the Statement of Comprehensive Income in the period in which they arise.

On disposal of an investment property, the difference between the disposal proceeds and the carrying amount is recognised in the Statement of Comprehensive Income.

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 12-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.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

4. Principal accounting policies continued

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 LTIP 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. The value of the charge is adjusted to reflect expected and actual levels of vesting. 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.

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 Mar 20 £'000	31 Mar 19 £'000
Rental income	12,158	10,771
Service charge income	238	–
Licence fee	205	-
Total revenue	**12,601**	10,771

6. Changes in fair value of investment property

	31 Mar 20 £'000	31 Mar 19 £'000
Revaluation surplus	6,319	13,352
Write-down of Lease Incentive	(628)	–
Total changes in fair value of investment property	5,691	13,352

Within the financial year, the tenant occupying the Hudson Road property was made to terminate their contract early, as a result £628,381 of tenant lease incentives were written off and recognised within 'Changes in fair value of investment property'.

7. Property operating expenses

	31 Mar 20 £'000	31 Mar 19 £'000
Vacant property costs	13	622
Letting and marketing fees	142	28
Premise expenses	36	38
Service charge expenses	227	–
Other	19	6
Total property operating expenses	**437**	694

8. Operating profit

Operating profit is stated after charging:

	31 Mar 20 £'000	31 Mar 19 £'000
Directors' remuneration (note 9)	161	162
Long-term incentive plan (note 13)	3,557	119
Auditor's fees		
- Fees payable for the audit of the Company's annual accounts	24	18
- Fees payable for the ISRE 2410 review of the Company's interim accounts	13	13
- Fees payable for the audit of the Company's subsidiaries	55	51
- Fees payable for other services	10	59
Total Auditor's fee	**102**	141

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

9. Directors' remuneration

	31 Mar 20 £'000	31 Mar 19 £'000
Directors' fees	**145**	145
Employer's National Insurance	**16**	17
Total	**161**	162

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 29.

10. Finance expense

	31 Mar 20 £'000	31 Mar 19 £'000
Interest on bank borrowings	**2,101**	1,705
Swap interest paid	**242**	148
Amortisation of loan arrangement fees	**347**	357
Interest on lease liability	**31**	–
Total	**2,721**	2,210

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 2020, 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 Mar 20 £'000	31 Mar 19 £'000
Profit attributable to Ordinary Shareholders		
Total comprehensive income (£'000)	**9,360**	18,747
Weighted average number of Ordinary Shares in issue	**94,083,745**	84,734,355
Basic earnings per share (pence)	**9.95p**	22.12p
Number of diluted shares under option/warrant	**–**	89,866
Weighted average number of Ordinary Shares for the purpose of dilutive earnings per share	**94,083,745**	84,824,221
Diluted earnings per share (pence)	**9.95p**	22.10p
Adjustments to remove:		
Changes in fair value of investment property (£'000)	**(5,691)**	(13,352)
Changes in fair value of interest rate derivatives (£'000)	**657**	709
Profit on disposal of investment properties	**(575)**	(160)
EPRA earnings (£'000)	**3,751**	5,944
EPRA earnings per share	**3.99p**	7.01p
Adjustments to add back:		
LTIP crystallisation	**3,452**	–
Adjusted earnings (£'000)	**7,203**	5,944
Adjusted earnings per share	**7.66p**	7.01p

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

At 31 March 2020, the Company had nil (Mar 19: 457,250) warrant shares in issue.

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

The Company has a LTIP, accounted for as an equity settled share-based payment. At 31 March 2020, 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
April 2016	B Ordinary	307
August 2017	C Ordinary	131

Charge for the year:	Amortisation charge £'000	Crystallisation charge £'000	**Total £'000**
B Shares	83	3,452	**3,535**
C Shares	22	–	**22**
	105	3,452	**3,557**

On 7 February 2020 (the "Revised First Calculation Date"), the B Ordinary shares were crystallised and the resulting value was satisfied by the issue of 1,809,607 new Ordinary Shares at an issue price of 142.22 pence per Ordinary Share and £1.1m in cash paid to Pacific Industrial LLP, and affiliate of the Manager.

Following the completion of the equity issue, the Company and the Manager agreed to amend how the LTIP is assessed for the period from the Revised First Calculation Date to 30 September 2023 (the "Second Calculation Date").

As a result of the changes:
- The EPRA NAV element will be 5 per cent. 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 per cent. 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 would be 5 per cent 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 per cent. hurdle thereon (adjusted for any new issue of shares, all distribution including inter alia dividends and any returns of capital).

The LTIP payment shall be 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 continue to 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 paid in shares of Urban Logistics REIT plc or, at the Board's discretion, in cash.

14. Dividends

	31 Mar 20 £'000	31 Mar 19 £'000
Ordinary dividends paid		
2018 Third interim dividend: 3.20p per share	**–**	2,180
2018: Fourth interim dividend: 0.02p per share	**–**	17
2019: First interim dividend: 2.98p per share	**–**	2,565
2019: Second interim dividend: 4.02p per share	**3,528**	–
2020: First interim dividend: 3.75p per share	**3,290**	–
Total dividends paid in the year (£000's)	**6,818**	4,762
Total dividends paid in the year	**7.77p**	6.20p
Total dividends declared in respect of the financial year	**7.60p**	7.00p

On 14 February 2020, the Company declared a second interim dividend of 3.85 pence per Ordinary Share in respect of the financial year ended 31 March 2020. The dividend was paid as a property income distribution ("PID") on 21 April 2020 to shareholders on the register on 6 March 2020. The second interim dividend has not been recognised in the financial statements for the year ended 31 March 2020.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

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 2020, in accordance with the RICS valuation – Professional Standards UK January 2017 (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.

As at 31 March 2020, there is material valuation uncertainty due to COVID-19. The clause provided within the CBRE valuation report can be found within Note 3.

Date options granted	Investment properties freehold £'000	Investment properties leasehold £'000	Development Properties £'000	**Total £'000**
At 1 April 2019	145,690	40,730	–	**186,420**
Property acquisitions	18,031	4,750	8,955	**31,736**
Additions to existing investment properties	637	5	–	**642**
Property disposals	(17,510)	–	–	**(17,510)**
Revaluation surplus in year	4,711	535	1,445	**5,691**
At 31 March 2020	151,559	46,020	9,400	**206,979**
Add: tenant lease incentives	68	274	–	**342**
Investment properties excluding head lease ROU assets at 31 March 2020	151,627	46,294	9,400	**207,321**
Add: right of use asset	–	1,858	–	**1,858**
Total investment properties at 31 March 2020	**151,627**	**48,152**	**9,400**	**209,179**

Total rental income for the year recognised in the Consolidated Statement of Comprehensive Income amounted to £12.16 million (2019: £10.77 million).

Upon application of IFRS 16, tenant lease incentives have been reclassified from Other debtors to Investment properties. Tenant lease incentive at 31 March 2020 totalled £0.34 million (2019: £0.34 million). The prior year financial statements have not been restated given the immaterial amounts involved.

Further information relating to property valuation techniques have been disclosed in note 22.

16. Investments

Investments are analysed as follows:

	Group £'000	Company £'000
At 1 April 2019	–	93,800
At 31 March 2020	**–**	**93,800**

Details of the Group's subsidiary undertakings as at 31 March 2020, 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 Prop Co 1 (AC) Limited	England and Wales	Property Investment	99.99%
Sheds General Partner 2 Limited*	England and Wales	Dormant	99.99%
Sheds GP Nominee Co. 1 Limited*	England and Wales	Dormant	99.99%
Sheds GP Nominee Co. 2 Limited*	England and Wales	Dormant	99.99%
Sheds Prop 4 S.a.r.l	Luxembourg	Dormant	99.99%

* At 31 March 2020, these companies were in liquidation.

Registered office address for companies incorporated in England and Wales; 124 Sloane Street, London, SW1 X9BW

Registered office address for companies incorporated in Luxembourg companies: 14, Rue Edward Steichen, L-2540 Luxembourg

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.

17. Trade and other receivables

	Group 31 Mar 20 £'000	Company 31 Mar 20 £'000	Group 31 Mar 19 £'000	Company 31 Mar 19 £'000
Trade receivables	1,043	–	644	7
Other receivables	224	48	459	–
Amounts due from group undertakings	–	141,328	–	1,877
Prepayments	343	32	428	13
Licence fee receivable	206	–	–	–
Total	**1,816**	**141,408**	1,531	1,897

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. Following the capital raise in March 2020, the equity proceeds were transferred to one of the property holding entities within the Group.

Trade receivables comprise rental income which is due on contractual quarter days. At 31 March 2020, £1,042,634 (2019: £644,028) was due from tenants. No provision was proposed in the year. Provisions for impairment of trade receivables are established using an expected credit losses model. Expected loss is calculated from a provision matrix based on the expected lifetime default rates and estimates of loss on default.

18. Cash and cash equivalents

	Group 31 Mar 20 £'000	Company 31 Mar 20 £'000	Group 31 Mar 19 £'000	Company 31 Mar 19 £'000
Cash and cash equivalents	132,280	1,272	9,760	1,702
Total	**132,280**	**1,272**	9,760	1,702

Group cash and cash equivalents available include £1.03 million (Mar 2019: £0.95 million) of restricted cash in the form of rental deposits held on behalf of tenants.

19. Trade and other payables

	Group 31 Mar 20 £'000	Company 31 Mar 20 £'000	Group 31 Mar 19 £'000	Company 31 Mar 19 £'000
Falling due in less than one year				
Trade and other payables	2,053	705	406	352
Social security and other taxes	–	–	450	173
Accruals	779	79	746	178
Lease liability	91	–	–	–
Other creditors	33	41	206	41
Total	**2,956**	**825**	1,808	744

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.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

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

	Bank borrowings £'000
Balance at 1 April 2019	71,420
Bank borrowings drawn in the year	10,775
Bank borrowings repaid in the year	(7,667)
Loan arrangement fees paid	(179)
Non-cash movements:	
Amortisation of loan arrangement fees	347
Total bank borrowings per the Consolidated Group Statement of Financial Position	**74,696**
Being:	
Drawn debt	75,702
Unamortised loan arrangement fees	(1,006)
Total bank borrowings per the Consolidated Group Statement of Financial Position	**74,696**

On 5 December 2018, the Group, Santander UK plc and Barclays Bank plc entered into a facility agreement pursuant to which Santander UK plc has agreed to provide the Group with a loan facility of £75.7 million for a term ending December 2022.

Post period end, and subject to documentation, the Group has put in place a new credit approved facility with Barclays, Santander and Lloyds banks, totalling £151 million and with a term through to 2025.

21. Interest rate derivatives

The Group has used interest rate swaps to mitigate exposure to interest rate risk. The total fair value of these contracts are 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 movement in the fair value of the interest rate derivatives are taken to finance costs in the statement of comprehensive income.

	Year ended 31 Mar 20 £'000	Year ended 31 Mar 19 £'000
Non-current liabilities: derivative interest rate swaps:		
At beginning of period	**(690)**	19
Change in fair value in the period	**(657)**	(709)
Total	**(1,347)**	(690)

22. 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 derivative 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 Mar 20 £'000	**Fair value 31 Mar 20 £'000**	Book value 31 Mar 19 £'000	Fair value 31 Mar 19 £'000
Financial assets				
Trade receivables	**1,104**	**1,104**	644	644
Cash and short-term deposits	**132,280**	**132,280**	9,760	9,760
Interest rate derivatives	**–**	**–**	–	–
Financial liabilities				
Trade and other payables	**(3,985)**	**(3,985)**	(2,309)	(2,309)
Bank loans	**(75,702)**	**(75,702)**	(71,420)	(72,594)
Interest rate derivatives	**(1,347)**	**(1,347)**	(690)	(690)

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.

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 20.

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 shows the contractual maturities of the Group's financial liabilities, all of which are measured at amortised cost:

	6 months or less £'000	6-12 months £'000	1-2 years £'000	2-5 years £'000	More than 5 years £'000	Total £'000
31 March 2020						
Bank borrowings	1,076	1,134	2,281	77,362	–	81,853
Trade and other payables	2,956	–	–	539	490	3,985
	4,032	**1,134**	**2,281**	**77,901**	**490**	**85,838**
31 March 2019						
Bank borrowings	1,075	1,075	2,219	79,259	–	83,628
Trade and other payables	1,808	–	–	951	–	2,759
	2,883	**1,075**	**2,219**	**80,210**	**–**	**86,387**

Included within the contracted payments is £6.15 million (2019: £11.03 million) bank interest payable up to the point of maturity across the facility.

Included in trade and other payables is £1.03 million (2019: £0.95 million) in relation to rent deposits held with respect to three tenants.

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 Mar 20 £'000	**Fair value 31 Mar 20 £'000**	Book value 31 Mar 19 £'000	Fair value 31 Mar 19 £'000
Financial assets				
Trade and other receivables	**141,328**	**141,328**	1,884	1,884
Cash and short-term deposits	**1,272**	**1,272**	1,702	1,702
Financial liabilities				
Trade and other payables	**(825)**	**(825)**	(744)	(744)

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.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

22. Financial risk management continued

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 that 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."

Various assumptions were made in the determination of the Market Value, namely; tenure, letting, taxation, town planning and the condition and repair of the properties and sites.

A 5% increase in Estimated Rental Value ("ERV") would increase the completed property portfolio valuation by £9.88m and a 5% decrease would decrease the completed property portfolio valuation by £9.88m. Similarly, a decrease in Net Initial Yield ("NIY") by 0.25% would increase the completed property portfolio valuation by £8.03m and an increase of 0.25% would decrease the completed property portfolio valuation by £7.42m.

As at 31 March 2020, there is material valuation uncertainty due to COVID-19. The clause provided within the CBRE valuation report can be found within Note 3.

23. 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 continues 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 adjusted 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.

24. Share capital

	31 Mar 20 Number	31 Mar 20 £'000
Issued and fully paid up at 1p each	**188,616,023**	**1,886**
At beginning of period	**87,690,604**	877
Issued and fully paid 9 May 2019	**61,000**	1
Issued and fully paid 9 March 2020	**99,054,812**	990
Issued and fully paid 9 March 2020	**1,809,607**	18
At 31 March 2020	**188,616,023**	**1,886**

On 9 May 2019, 61,000 warrant shares were redeemed for an issue price of 97.0 pence per share.

On 9 March 2020, the Company raised £136.2 million through the issue of 99,054,812 Ordinary Shares at an issue price of 137.50 pence per share.

On 9 March 2020, the Company issued 1,809,607 Ordinary Shares as a result of the crystallisation of the LTIP at an issue price of 142.22 pence per share.

At 31 March 2020, there were nil (2019: 457,250) warrant shares in issue.

25. 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 Mar 20 £'000	31 Mar 19 £'000
Balance brought forward	**93,877**	71,832
Share premium on the issue of ordinary shares	**135,270**	22,709
Expiry of warrant shares	**12**	–
Crystallisation of LTIP	**2,556**	–
Share issue costs	**(2,951)**	(664)
	228,764	93,877

26. Share warrant reserve

This reserve relates to the warrant shares issued upon admission to the AIM Market of The London Stock Exchange in April 2016.

	31 Mar 20 £'000	31 Mar 19 £'000
At beginning of the year	**457,250**	14
Redeemed – 9 May 2019	**(61,000)**	(2)
Expired	**(396,250)**	(12)
	–	–

At 31 March 2020, there were nil (2019: 457,250) warrant shares in issue.

During the year, 61,000 warrant shares were exercised for a strike price of 97.0 pence per Ordinary Share. The remaining 396,250 warrant shares expired on 13 April 2019.

27. Operating leases

The Group as lessor

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

	< 1 year £'000	2-5 Years £'000	> 5 years £'000	Total £'000
31 March 2020	10,954	26,583	20,639	58,176
31 March 2019	11,151	27,387	23,957	62,495

The Group as lessee

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

	< 1 year £'000	2-5 Years £'000	> 5 years £'000	Total £'000
31 March 2020	91	222	1,552	1,865
31 March 2019	–	–	–	–

The total cash outflow in the year in respect of the lease liability was £31,456 (2019: nil). The incremental borrowing rate applied was 3.2% (2019: nil).

28. Retained earnings

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

	Group 31 Mar 20 £'000	Company 31 Mar 20 £'000
Balance at the beginning of the period	**25,514**	1,715
Retained profit for the period	**9,360**	10,069
Second interim dividend: year ended 31 March 2019	**(3,528)**	(3,528)
First interim dividend: year ended 31 March 2020	**(3,290)**	(3,290)
Balance at end of period	**28,056**	4,966

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

29. 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 £1.27 million (2019: £0.58 million). The total amount outstanding at the year-end relating to the Investment Management Agreement was £0.46 million (2019: £0.24 million).

Long-term incentive plan
Under the terms of the Company's long-term incentive plan, at 31 March 2020 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 £303,570 (2019: £679,665) from M1 Agency LLP, a partnership in Richard Moffitt is a member. These fees were incurred in the acquisition of investment properties, sale of three investment properties and two re-lettings.

For the transactions listed above, Richard Moffitt's benefit derived form 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, review and approve each fee payable to M1 Agency LLP, and ensure 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 £2,090,219 (2019: £1,743,805) were charged to Urban Logistics Acquisitions 1 Limited, a subsidiary undertaking incorporated in England and Wales, from Urban Logistics REIT plc. At 31 March 2020, £nil (2019: £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 increase of £139,451,370 (2019: decrease of £60,930,021). At 31 March 2020, Urban Logistics REIT plc was due £141,328,228 (2019: £1,876,858) from Urban Logistics Holdings Limited.

During the year, Urban Logistics REIT plc received a dividend of £13,515,900 from Urban Logistics Holdings Limited.

30. 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 Mar 2020	31 Mar 2019
Net assets per Condensed Statement of Financial Position (£'000)	**258,762**	120,476
Add: Cash received from issued share warrants (£'000)	**–**	444
Diluted NAV (£'000)	**258,762**	120,920
Adjustment for: Fair value of interest rate derivatives (£'000)	**1,347**	690
EPRA NAV (£'000)	**260,109**	121,610
Adjustment for: Fair value of interest rate derivatives (£'000)	**(1,347)**	(690)
EPRA triple net NAV (NNNAV) (£'000)	**258,762**	120,476
Ordinary shares:		
Number of Ordinary shares in issue at period end	**188,616,023**	87,690,604
Adjustment for dilutive shares to be issued	**–**	457,250
Number of Ordinary shares for the purposes of dilutive Net Asset Value per share at period end	**188,616,023**	88,147,854
Basic NAV	**137.19p**	137.39p
Diluted NAV	**137.19p**	137.18p
EPRA NAV	**137.90p**	137.96p
EPRA NNNAV	**137.19p**	137.18p

31. Post Balance Sheet Events

On 3 April 2020, the Group acquired a 153,476 sq. ft property for £13.0 million at a 5.2% NIY.

On 7 April 2020, the Group announced the acquisition of a portfolio of seven single-let regional distribution warehouses from Paloma Capital LLP for a total consideration of £31.9 million, representing a NIY of 6.8%.

On 7 April 2020, the Group announced, subject to planning, a commitment to acquire a three-acre site and forward fund a 46,500 sq. ft facility on the well-established Peterborough Gateway Logistics Park at a total development cost to the Group of £5.8 million.

On 29 April 2020, the Group acquired a portfolio of seven properties for a total consideration of £47.2 million at a 7.0% NIY.

As at the date of signing, the Group has agreed, subject to documentation, a new credit approved facility with Barclays, Santander and Lloyds banks, totalling £151 million and with a term through to 2025.

SUPPLEMENTARY INFORMATION

i. EPRA performance measures summary

	Notes	31 Mar 20	31 Mar 19
EPRA earnings per share	ii	**3.99p**	7.01p
EPRA net asset value per share	iii	**137.90p**	137.96p
EPRA triple net asset value per share	30	**137.19p**	137.18p
EPRA net initial yield	iv	**5.6%**	5.9%
EPRA 'topped up' net initial yield	iv	**5.6%**	6.1%
EPRA vacancy rate	v	**2.4%**	0.0%
EPRA cost ratio (including vacant property costs)	vi	**46.9%**	23.5%
EPRA cost ratio (excluding vacant property costs)	vi	**46.8%**	17.5%

ii. Income statement

	31 Mar 20 £'000	31 Mar 19 £'000
Gross revenue	**12,601**	10,771
Property operating costs	**(437)**	(694)
Net rental income	**12,164**	10,077
Administrative expenses	**(2,142)**	(1,833)
Long-term incentive plan charge	**(3,557)**	(119)
Operating profit before interest and tax	**6,465**	8,125
Net finance costs	**(2,714)**	(2,181)
Profit before tax	**3,751**	5,944
Tax on EPRA earnings	**–**	–
EPRA earnings	**3,751**	5,944
Weighted average number of Ordinary Shares	**94,083,745**	84,824,221
EPRA earnings per share	**3.99p**	7.01p

iii. Balance sheet

	31 Mar 20 £'000	31 Mar 19 £'000
Investment properties	**209,179**	186,420
Other net assets	**124,279**	5,476
Net borrowings	**(74,696)**	(71,420)
Total shareholders' equity	**258,762**	120,476
Adjustments to calculate EPRA NAV:		
Fair value of interest rate derivative	**1,347**	690
EPRA net assets	**260,109**	121,166
Ordinary Shares in issue at year end	**188,616,023**	87,690,604
Dilutive shares in issue at year end	**–**	457,250
	188,616,023	88,147,854
EPRA NAV per share	**137.90p**	137.96p

iv. EPRA net initial yield and ‘topped up’ net initial yield

	31 Mar 20 £’000	31 Mar 19 £’000
Total properties per financial statements	**209,179**	186,420
Less head lease right of use asset	**(1,858)**	–
Less development properties	**(9,400)**	–
Completed property portfolio	**197,921**	186,420
Add notional purchasers’ costs	**13,342**	12,332
Gross up completed property portfolio valuation (A)	**211,263**	198,752
Annualised passing rent[1]	**11,989**	11,883
Less irrecoverable property outgoings	**(63)**	(247)
Annualised net rents (B)	**11,926**	11,636
Contractual rental increasedincreases for rent free period	**–**	503
'Topped up' annualised net rent ('C)	**11,926**	12,139
EPRA net initial yield (B/A)	**5.6%**	5.9%
EPRA 'topped up' net initial yield (C/A)	**5.6%**	6.1%

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

v. EPRA vacancy rate

	31 Mar 20 £’000	31 Mar 19 £’000
Estimated rental value of vacant space	**317**	–
Estimated rental value of the whole portfolio	**13,186**	12,847
EPRA vacancy rate	**2.4%**	0.0%

SUPPLEMENTARY INFORMATION CONTINUED

vi. Total cost ratio/EPRA cost ratio

Total cost ratio	31 Mar 20 £'000	31 Mar 19 £'000
Costs		
Property operating expenses	**437**	694
Administrative expenses	**2,142**	1,833
Less: service charge income	**(116)**	–
Less: service charge costs recovered through rents but not separately invoiced	**(122)**	–
Less: ground rents	**(8)**	(1)
Total costs including vacant property costs (A)	**2,333**	2,526
Group vacant property costs	**(8)**	(638)
Total costs excluding vacant property costs (B)	**2,325**	1,888
Gross rental income		
Gross rental income	**12,601**	10,771
Less: ground rents paid	**(31)**	(1)
Less: service charge income	**(116)**	–
Less: service charge costs recovered through rents but not separately invoiced	**(122)**	–
Total gross rental income (C)	**12,332**	10,770
Total cost including vacant property costs (A/C)	**18.9%**	23.5%
Total cost excluding vacant property costs (B/C)	**18.9%**	17.5%
EPRA cost ratio		
Total costs (A)	**2,333**	2,526
Long-term incentive plan crystallisation	**3,452**	–
EPRA total costs including vacant property costs (D)	**5,785**	2,526
Vacant property costs	**(8)**	(638)
EPRA total costs excluding vacant property costs (E)	**5,777**	1,888
EPRA cost ratio (including vacant property costs (D/C)	**46.9%**	23.5%
EPRA cost ratio (excluding vacant property costs (E/C)	**46.8%**	17.5%

vii. EPRA capital expenditure analysis

	31 Mar 20 £'000	31 Mar 19 £'000
Acquisitions	**22,781**	51,127
Development	**8,955**	–
Capital expenditure:		
No incremental lettable space	**642**	961
Total capital expenditure	**32,378**	52,088

viii. EPRA like-for-like net rental income

	31 Mar 20 £'000	31 Mar 19 £'000	Change
Like-for-like net rental income	7,157	6,684	7.1%
Properties acquired	4,719	2,282	
Properties sold	83	1,111	
Licence fee	205	–	
Net rental income	12,164	10,077	

ix. Total accounting return

	Year ended 31 Mar 20 £'000	Year ended 31 Mar 19 £'000
Opening EPRA NAV	137.96p	122.49p
Closing EPRA NAV	137.90p	137.96p
Change in EPRA NAV	(0.06)p	15.47p
Dividends paid	7.77p	6.20p
Total growth in EPRA NAV plus dividends	7.71p	21.67p
Total return	5.6%	17.7%
One-off exceptional costs	4.19p	–
Total return excluding one-off exceptional costs	8.6%	17.7%

GLOSSARY OF TERMS

EPRA cost ratio
Administrative and operating costs (including and excluding costs of direct vacancy) divided by gross rental income.

EPRA earnings per share ("EPS")
Earnings from continuing operational activities divided by weighted average number of shares in issue during the year.

EPRA NAV per share
Net Asset Value, adjusted to exclude interest rate derivatives, divided by number of shares in issue at the balance sheet date.

EPRA NNNAV per share
EPRA NAV adjusted to include the fair values of (i) financial instruments, (ii) debt and (iii) deferred taxes.

EPRA net initial yield
Annualised rental income based on the cash rents passing at the balance sheet date, less non-recoverable property operating expenses, divided by the market value of the property, increased with (estimated) purchasers' costs.

EPRA topped-up net initial yield
EPRA net initial yield adjusted for expiration of rent-free periods or other unexpired lease incentives such as discounted rent periods and step rents.

EPRA vacancy rate
Estimated Market Rental Value ("ERV") of vacant space divided by ERV of the whole portfolio.

Estimated Rental Value ("ERV")
The estimated annual market rental value of lettable space as assessed by the external valuer.

European Public Real Estate Association ("EPRA")
The European Public Real Estate Association (EPRA) is the industry body for European Real Estate Investment Trusts (REITs)

Loan to Value ("LTV")
The Group's net debt expressed as a percentage of the investment property portfolio.

Occupancy rate
The ERV of the let units as a percentage of the total ERV of the investment property portfolio.

Net initial yield
Annual rents on investment properties as a percentage of the investment property portfolio valuation having added notional purchaser's costs.

Property income distribution ("PID")
Dividends from the Group's tax-exempt property business.

REIT
UK Real Estate Investment Trust.

Total Accounting Return ("TAR")
Represents the movement in EPRA NAV per share plus dividends paid during the period expressed as a percentage of EPRA NAV per share at the beginning of the period.

Total Property Return ("TPR")
Capital growth plus net rental income plus sale profit expressed as a percentage of the purchase price/opening net book value.

Weighted Average Unexpired Lease Term ("WAULT")
The average lease term remaining to expiry across the portfolio weighted by contracted rental income.

COMPANY INFORMATION

Directors

Nigel Rich CBE, FCA	Chairman
Jonathan Gray	Director
Richard Moffitt	Director
Bruce Anderson, ACMA	Director
Mark Johnson	Director

Company secretary
Vistra Company Secretaries Limited
First Floor
Templeback
10 Temple Back
Bristol
BS1 6F

Registered office
124 Sloane Street
London
SW1X 9BW

Manager and AIFM
Pacific Capital Partners Limited
124 Sloane Street
London
SW1X 9BW

Joint Broker and Nominated Advisor
Nplus1 Singer Advisory LLP
One Bartholomew Lane
London
EC2N 2AX

Joint Broker
Panmure Gordon
1 New Change
LondonEC4M 9AS

Bankers
Santander UK plc
2 Triton Square
Regent's Place
London
NW1 3AN

Barclays Bank plc
1 Churchill Place
London
E14 5HP

Depositary
INDOS Financial Limited
25 North Row
London
W1K 6DJ

Auditor and reporting accountant
Nexia Smith & Williamson Audit Limited
25 Moorgate
London
EC2R 6AY

Commercial property valuer
CBRE Limited
Henrietta House
London
W1G 0NB

Registrars
Computershare Investor Services plc
The Pavilions
Bridgwater Road
Bristol
BS13 8AE

Legal advisers to the Company
Gowling WLG (UK) LLP
4 More London
London
EC2M 1JJ

Website
www.urbanlogisticsreit.com

FINANCIAL INFORMATION

10 July 2020	Annual General Meeting
30 September 2020	Half Year End
November 2020	Announcement of Half Year Results
31 March 2021	Year End

NOTICE OF ANNUAL GENERAL MEETING URBAN LOGISTICS REIT PLC

(INCORPORATED AND REGISTERED IN ENGLAND AND WALES WITH REGISTERED NUMBER 9907096)

Notice is hereby given that the Annual General Meeting ("**AGM**") of Urban Logistics REIT plc (the "**Company**") will be held at 124 Sloane Street, London SW1X 9BW at 10.00 a.m. on 10 July 2020 for the purpose of considering and, if thought fit, passing the following resolutions (which will be proposed, in the case of resolutions 1 to 10, as ordinary resolutions and, in the case of resolutions 11 to 13, as special resolutions):

Ordinary business

ORDINARY RESOLUTIONS

1. To receive the Annual Report and Accounts of the Company for the financial year ended 31 March 2020 together with the Directors' Report and Auditors' Report thereon.
2. That Nigel Rich be re-elected as a Director of the Company with effect from the end of the meeting.
3. That Jonathan Gray be re-elected as a Director of the Company with effect from the end of the meeting.
4. That Bruce Anderson be re-elected as a Director of the Company with effect from the end of the meeting.
5. That Richard Moffitt be re-elected as a Director of the Company with effect from the end of the meeting.
6. That Mark Johnson be re-elected as a Director of the Company with effect from the end of the meeting.
7. That Heather Hancock be elected as a Director of the Company with effect from the end of the meeting.
8. To re-appoint Nexia Smith & Williamson as auditors of the Company to hold office from the conclusion of this meeting until the conclusion of the next Annual General Meeting of the Company at which the Company's accounts are laid.
9. To authorise the Audit Committee of the Company to determine the amount of the auditors' remuneration.

Special business

ORDINARY RESOLUTION

10. That the Directors be and are hereby generally and unconditionally authorised pursuant to section 551 of the Companies Act 2006 (the "**Act**") to exercise all powers of the Company to allot shares in the Company and to grant rights to subscribe for or convert any security into shares in the Company up to an aggregate maximum nominal amount of £188,616.02 (equating to 18,861,602 ordinary shares of £0.01 each ("**Ordinary Shares**") and representing approximately 10.00% of the ordinary share capital of the Company as at 11 June 2020) provided that this authority shall expire (unless renewed, varied or revoked by the Company in general meeting) on the earlier of the conclusion of the next Annual General Meeting of the Company and 30 September 2021 save that the Company shall be entitled to make, prior to the expiry of such authority, any offer or agreement which would or might require shares to be allotted or rights to subscribe for or convert any security into shares to be granted after the expiry of such authority and the Directors may allot shares or grant rights to subscribe for or convert securities into shares in pursuance of such offer or agreement as if the authority conferred hereby had not expired. The authority granted by this resolution shall replace all existing authorities to allot any shares in the Company and to grant rights to subscribe for or convert any security into shares in the Company previously granted to the Directors pursuant to section 551 of the Act.

SPECIAL RESOLUTIONS

11. That, subject to the passing of resolution no. 10, the Directors be and are hereby empowered pursuant to sections 570 and 573 of the Act to allot equity securities (as defined in section 560 of the Act) for cash either pursuant to the authority conferred by resolution no. 10 above or by way of sale of treasury shares as if section 561(1) of the Act did not apply to such allotment, provided that this power shall be limited to the allotment and/or transfer of equity securities up to an aggregate nominal amount of £188,616.02 (equating to 18,861,602 Ordinary Shares and representing approximately 10.00% of the Ordinary Share capital of the Company as at 11 June 2020) provided that this authority shall expire (unless renewed, varied or revoked by the Company in general meeting) on the earlier of the conclusion of the next Annual General Meeting of the Company and 30 September 2021 save that the Company shall be entitled to make, prior to the expiry of such authority, offers or arrangements which would or might require equity securities to be allotted and/or transferred after such expiry, and the Directors may allot and/or transfer equity securities in pursuance of any such offer or agreement as if the power conferred by this resolution had not expired. The authority granted by this resolution shall replace all existing authorities previously granted to the Directors to allot equity securities for cash or by way of a sale of treasury shares as if section 561(1) of the Act did not apply.
12. That the Company be authorised generally and unconditionally, in accordance with section 701 of the Act, to make market purchases (within the meaning of section 693(4) of the Act) of Ordinary Shares provided that:

    (a) the maximum number of Ordinary Shares that may be purchased is 28,273,541 representing approximately 14.99 per cent. of the issued ordinary share capital as at 11 June 2020;

    (b) the minimum price which may be paid for an Ordinary Share is 1 pence; and

    (c) the maximum price which may be paid for an Ordinary Share is the higher of: (i) 5% above the average of the mid-market quotation of an Ordinary Share for the 5 business days before the purchase is made; and (ii) the higher of the last independent trade and the highest current independent bid for any number of Ordinary Shares on the trading venue where the purchase is carried out.

    The authority conferred by this resolution will expire on the earlier of the conclusion of the next Annual General Meeting of the Company and 30 September 2021 save that the Company may, before the expiry of the authority granted by this resolution, enter into a contract to purchase Ordinary Shares which will or may be executed wholly or partly after the expiry of such authority.

NOTICE OF ANNUAL GENERAL MEETING continued
URBAN LOGISTICS REIT PLC
(INCORPORATED AND REGISTERED IN ENGLAND AND WALES WITH REGISTERED NUMBER 9907096)

13. That subject to the confirmation and approval of the Court, the amount standing to the credit of the share premium account of the Company be cancelled and the amount of the share premium account so cancelled be credited to a reserve.

By order of the Board of Directors

Company Secretary of Urban Logistics REIT plc

12 June 2020
Registered Office: 124 Sloane Street, London SW1X 9BW

COVID-19

In accordance with current government instructions and guidance regarding COVID-19 and the restrictions on social contact, public gathering and non-essential travel, regrettably, shareholders will not be able to attend the AGM in person. We will make arrangements to ensure that the legal requirements to hold the meeting can be satisfied and the format of the meeting will be purely functional. The meeting will comprise only the formal votes without any business update. Shareholders are therefore strongly encouraged to vote on all of the resolutions online or by appointing the Chair of the AGM as a proxy in advance of the meeting (appointing the Chair of the AGM as your proxy, rather than another named person, ensures your vote will be counted in the meeting).

Shareholders will be given the opportunity to raise questions before the meeting by sending them to ir@urbanlogisticsreit.com and they will be responded to in writing on the Company's website.

The COVID-19 situation is constantly evolving and the UK Government may change current restrictions or implement further measures relating to the holding of general meetings during the affected period. Accordingly, unless there is any material change in circumstances which causes the Company to notify changed arrangements (which it will do so via a regulatory information service), any shareholder (other than those required to form a quorum) who attempts to physically attend the AGM in person will be refused admission. The Company's attendance at the AGM in person will be limited to satisfy the requirements for a quorum.

We strongly urge you to follow government instructions in respect of the evolving situation regarding COVID-19 and the restrictions on social contact, public gatherings and non-essential travel.

Notes:

Proxies

1 A member is entitled to appoint a proxy to exercise all or any of the member's rights to attend, speak and vote at the AGM. A proxy need not be a member of the Company. **Due to restrictions on attendance at the AGM, when completing your form of proxy, please only reference the 'Chair of the AGM' as your proxy (and do not specifically name any one individual)**.

2 You can vote either:

- by logging on to www.investorcentre.co.uk/eproxy and following the instructions; You will be asked to enter a Control Number, Shareholder Reference Number (SRN) and PIN, all of which can be found on the hard-copy form of proxy.
- whilst shareholders are being encouraged to appoint their proxy and submit their votes online, a hard copy form of proxy is enclosed with this notice. Forms of proxy may also be obtained on request from the registrars, Computershare Investor Services PLC by sending a request to The Pavilions, Bridgwater Road, Bristol BS99 6ZY or by telephone 0370 707 1384. Call outside the United Kingdom will be charged at the applicable international rate. Lines are open between 08.30 – 17.30, Monday to Friday excluding public holidays in England and Wales; or
- in the case of CREST members, by utilising the CREST electronic proxy appointment services in accordance with the procedures set out below.

3 In order to be valid any form of proxy or other instrument appointing a proxy must be returned duly completed by no later than 48 hours before the time of the Annual General Meeting (excluding nonworking days). The form of proxy must be received by Computershare Investor Services PLC at The Pavilions, Bridgwater Road, Bristol, BS99 6ZY (only if posting a hard copy form). Submission of a proxy appointment will not preclude a member from attending and voting at the AGM should they wish to do so. **However, as per the above note, any shareholder that attempts to physically attend the AGM will be refused admission in order to comply with government instructions and guidance**.

4 While a shareholder may ordinarily appoint more than one proxy in relation to the AGM provided that each proxy is appointed to exercise the rights attached to a different share or shares held by that shareholder, **due to restrictions on attendance at the AGM, when completing your form of proxy, please only reference the 'Chair of the AGM' as your proxy (and do not specifically name any one individual)**.

5 To direct your Chair as proxy on how to vote on the resolutions, mark the appropriate box on your form of proxywith an 'X'. To abstain from voting on a resolution, select the relevant "Vote withheld" box. A vote withheld is not a vote in law, which means that the vote will not be counted in the calculation of votes for or against the resolution. If no voting indication is given, your Chair, as your proxy will vote or abstain from voting at his or her discretion. Your proxy (the Chair) will vote (or abstain from voting) as he or she thinks fit in relation to any other matter which is put before the AGM.

6 Any power of attorney or any other authority under which your form of proxy is signed (or a duly certified copy of such power or authority) must be returned to the registered office with your form of proxy.

Thresholds and entitlement to vote

7 To be passed, ordinary resolutions require a majority in favour of the votes cast and special resolutions require a majority of not less than 75 per cent. of members who vote in person or by proxy at the meeting. On a show of hands every shareholder who is present in person (or being a company is present by a representative not himself, a shareholder) and who is allowed to vote at a general meeting shall have one vote. Upon a poll every member holding Ordinary Shares who is present in person or by proxy (or being a company is represented) shall have one vote for every Ordinary Share of which he is the registered holder.

8 The Company, pursuant to Regulation 41 of the Uncertificated Securities Regulations 2001 (as amended), specifies that only those members registered in the Register of Members of the Company at the close of business on 8 July 2020 (or if the AGM is adjourned, members entered on the Register of Members of the Company no later than 48 hours before the time fixed for the adjourned AGM) shall be entitled to attend, speak and vote at the AGM in respect of the number of Ordinary Shares registered in his or her name at that time. Changes to entries on the Register of Members of the Company after the close of business on 8 July 2020 shall be disregarded in determining the rights of any person to attend, speak or vote at the AGM.

9 In the case of joint holders, where more than one of the joint holders purports to appoint a proxy, only the appointment submitted by the most senior holder will be accepted. Seniority is determined by the order in which the names of the joint holders appear in the Company's Register of Members in respect of the joint holding (the first named being the most senior).

10 A corporation which is a member can ordinarily appoint one or more corporate representatives who may exercise, on its behalf, all its powers as a member provided that no more than one corporate representative exercises powers over the same share. **However, due to restrictions on attendance at the AGM, when completing your form of proxy, please only reference the 'Chair of the AGM' as your proxy (and do not specifically name any on individual)**.

11 As at 11 June 2020, being the latest practicable date before the publication of this notice of AGM, the Company's issued share capital consisted of 188,616,023 Ordinary Shares each carrying one vote. Therefore, the total voting rights in the Company as at 11 June 2020 is 188,616,023.

12 CREST members who wish to appoint a proxy or proxies through the CREST electronic proxy appointment service may do so for the AGM and any adjournment(s) thereof by using the procedures described in the CREST Manual (available via www.euroclear.com). CREST Personal Members or other CREST sponsored members, and those CREST members who have appointed a voting service provider(s), should refer to their CREST sponsor or voting service provider(s), who will be able to take the appropriate action on their behalf.

13 In order for a proxy appointment or instruction made using the CREST service to be valid, the appropriate CREST message (a "CREST Proxy Instruction") must be properly authenticated in accordance with Euroclear's specifications and must contain the information required for such instructions, as described in the CREST Manual. The message, regardless of whether it constitutes the appointment of a proxy or an amendment to the instruction given to a previously appointed proxy must, in order to be valid, be transmitted so as to be received by the Company's agent ID (3RA50) by the latest time(s) for receipt of proxy appointments specified in this notice of AGM. For this purpose, the time of receipt will be taken to be the time (as determined by the timestamp applied to the message by the CREST Applications Host) from which the Company's agent is able to retrieve the message by enquiry to CREST in the manner prescribed by CREST. After this time any change of instructions to proxies appointed through CREST should be communicated to the appointee through other means.

14 CREST members and, where applicable, their CREST sponsors or voting service provider(s) should note that Euroclear does not make available special procedures in CREST for any particular messages. Normal system timings and limitations will therefore apply in relation to the input of CREST Proxy Instructions. It is the responsibility of the CREST member concerned to take (or, if the CREST member is a CREST personal member or sponsored member or has appointed a voting service provider(s), to procure that his or her CREST sponsor or voting service provider(s) take(s)) such action as shall be necessary to ensure that a message is transmitted by means of the CREST system by any particular time. In this connection, CREST members and, where applicable, their CREST sponsors or voting service provider(s) are referred, in particular, to those sections of the CREST Manual concerning practical limitations of the CREST system and timings.

15 The Company may treat as invalid a CREST Proxy Instruction in the circumstances set out in Regulation 35(5)(a) of the Uncertificated Securities Regulations 2001.

NOTICE OF ANNUAL GENERAL MEETING continued
URBAN LOGISTICS REIT PLC
(INCORPORATED AND REGISTERED IN ENGLAND AND WALES WITH REGISTERED NUMBER 9907096)

Miscellaneous

16 Copies of the Directors' letters of appointment would usually be available for inspection at the registered office of the Company during normal business hours from 11 June 2020 and would be available for inspection at the place where the meeting is being held from 15 minutes prior to and during the meeting. **However, due to restrictions on non-essential travel, please email the Company Secretary at Carmen.Stevens@vistra.com should you wish to inspect the same**.

17 Members who have general queries about the Annual General Meeting should email the Company Secretary at Carmen.Stevens@vistra.com.

18 Please note that the Company takes all reasonable precautions to ensure no viruses are present in any electronic communication it sends out but the Company cannot accept responsibility for loss or damage arising from the opening or use of any email or attachments from the Company and recommend that the shareholders subject all messages to virus checking procedures prior to use. Any electronic communication received by the Company that is found to contain any virus will not be accepted.

Explanation of certain resolutions

19 **Resolution 1 – Receipt of the Annual Report and Accounts** – the Directors are required to present the Annual Report and Accounts of the Company to the meeting.

20 **Resolutions 2 to 7 – Re-appointment and appointment of Directors** – the Board, led by the Chairman, has considered each of the Directors and has concluded that each of them makes positive and effective contributions to the meetings of the Board and the committees on which they sit, and that they demonstrate commitment to their roles. The Board is satisfied that each independent non-executive director offering themselves for re-appointment is independent in character and there are no relationships or circumstances likely to affect their character or judgement.

21 Heather Hancock, was appointed as a non-executive director on 28 May 2020 with effect from 15 June 2020. As this appointment was made subsequent to the last Annual General Meeting of the Company, she will retire in accordance with the Company's articles of association and will offer herself for election in accordance with Resolution 7. Heather is currently Chairman of the Food Standards Agency and in October will step down from this role to become Master of St. John's College, Cambridge. After receiving a first-class degree in Land Economy at the University of Cambridge, she joined the Government Economic Service and held a series of senior national, regional and local government positions. Heather is a director of a family-owned property investment and development business, Amerdale Limited, and a non-executive director of Rural Solutions Limited, which provides strategy, planning and design services for land-based businesses. She is also a Trustee of the Chatsworth Settlement Trust, responsible for an extensive commercial, residential and agricultural property portfolio and she provides consultancy advice on business strategy to private landowners across the UK. Heather served as a trustee for the Prince's Trust for more than a decade, for which she was awarded the LVO in 2013. She is also a Deputy Lieutenant of North Yorkshire.

Biographies of each of the directors are provided on pages 26 and 27 of the Annual Report and Accounts and are also available from the Company's website: www.urbanlogisticsreit.com. The Board unanimously recommends the re-appointment and appointment (as the case may be) of each of the Directors.

22 **Resolutions 8 and 9 – auditor re-appointment and remuneration** – the auditors of a Company must be reappointed at each general meeting at which accounts are laid. Resolution 8 proposes the re-appointment of the Company's existing auditor, Nexia Smith & Williamson (who have been in office since the Company's incorporation) until the next general meeting at which accounts are presented. Resolution 9 is a separate resolution which proposes to grant authority to the Audit Committee to determine the auditor's remuneration.

23 **Resolution 10 – general authority to allot** – this resolution, to be proposed as an ordinary resolution, relates to the grant to the Directors of authority to allot unissued Ordinary Shares until the earlier of the conclusion of the annual general meeting to be held in 2021 and 30 September 2021 (being six months after the financial year end of the Company), unless the authority is renewed or revoked prior to such time. This authority is limited to a maximum nominal amount of £188,616.02 (representing approximately 10.00 per cent. of the issued Ordinary Share capital of the Company as at 11 June 2020 (the latest practicable date prior to the publication of this document)). The Directors have no present intention to exercise the authority sought under this resolution. As at 11 June 2020, the Company held no Ordinary Shares in treasury.

24 **Resolution 11 – statutory pre-emption rights** – the Act requires that if the Directors decide to allot unissued shares in the Company or transfer them out of treasury, the shares proposed to be issued or transferred must be first offered to existing shareholders in proportion to their existing holdings. This is known as shareholders' pre-emption rights. However, to act in the best interests of the Company, the Directors may require flexibility to allot and/or transfer shares out of treasury for cash without regard to the provisions of section 561(1) of the Act. Therefore this resolution, to be proposed as a special resolution, seeks authority to enable the directors to allot and/ or transfer equity securities out of treasury up to a maximum nominal amount of £188,616.02 (representing approximately 10.00 per cent. of the issued Ordinary Share capital of the Company as at 11 June 2020 (the latest practicable date prior to the publication of this document)). This authority expires on the earlier of the conclusion of the annual general meeting to be held in 2021 and 30 September 2021 (being six months after the financial year end of the Company), unless the authority is renewed or revoked prior to such time.

25 **Resolution 12 – market purchases** – the Directors are requesting authority for the Company to make market purchases of up to 28,273,541 Ordinary Shares (representing approximately 14.99 per cent. of the issued Ordinary Share capital of the Company as at 11 June 2020 (the latest practicable date prior to the publication of this document)). There is no present intention to exercise such general authority. Any repurchase of Ordinary Shares will be made subject to the Act and within guidelines established from time to time by the Directors (which will take into account the income and cash flow requirements of the Company) and will be at the absolute discretion of the Directors, and not at the option of shareholders. Subject to shareholder authority for the proposed repurchases, general purchases of the Ordinary Shares in issue will only be made through the market. Such purchases may only be made provided the price to be paid is not more than the higher of: (i) five per cent. above the average of the middle market quotations for the Ordinary Shares for the five business days before the purchase is made; or (ii) the higher of the price of the last independent trade and the highest current independent bid at the time of purchase.

26 **Resolution 13 – cancellation of share premium account** – is a special resolution to cancel the Company's share premium account which, if approved, will enhance the Company's ability to return surplus capital, undertake share buybacks and pay dividends to shareholders in the future.


UNITS 11-14

URBAN LOGISTICS
REIT PLC

124 Sloane Street
London
SW1X 9BW

+44 (0)20 7591 1600
www.urbanlogisticsreit.com