INTERIM REPORT

SEPTEMBER 2020

URBAN LOGISTICS
REIT PLC

DRIVING

Our Business Model pg 2

PERFORMANCE

Chairman's Statement pg 4

THROUGH ASSET MANAGEMENT

Manager's Report pg 6

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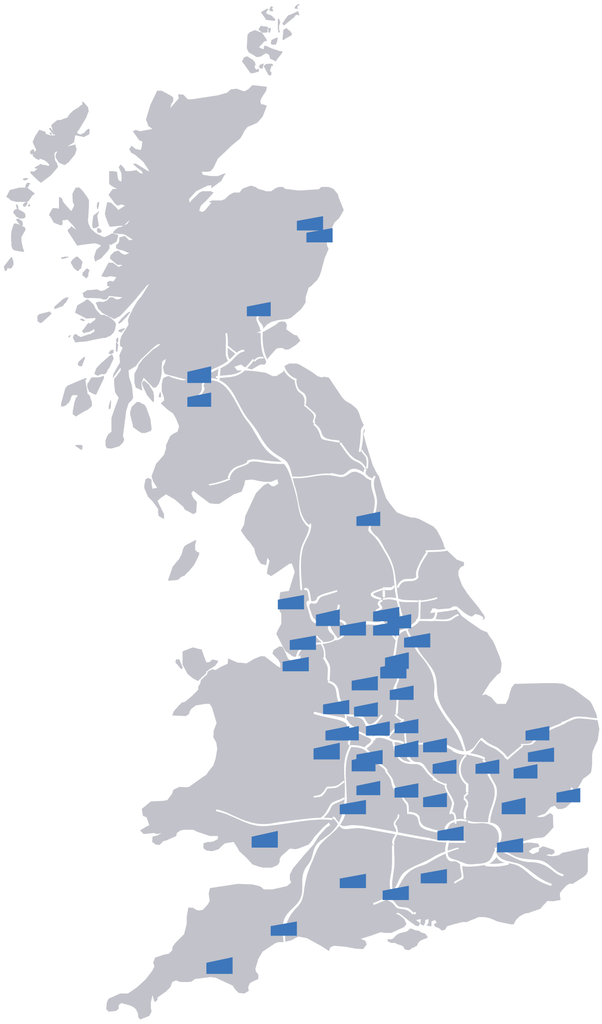
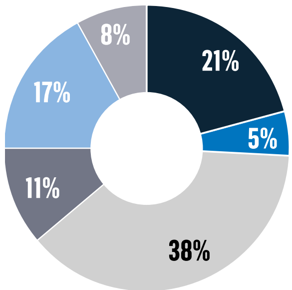
AT A GLANCE

Contracted rent	Portfolio valuation	WAULT	Net initial yield
£19.7m	£345.9m	5.5years	5.6%
Sep 2019: 12.2m	Sep 2019: £195.0m	Sep 2019: 6.1 years	Sep 2019: 6.2%

OUR LOCATIONS BY REGION

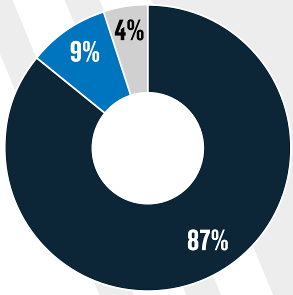


Geographic location (by capital value)



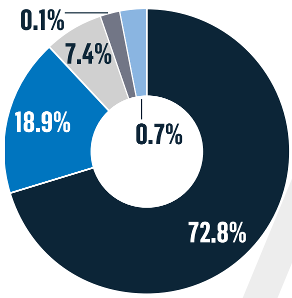
- South East
- South West
- Midlands
- North West
- Yorkshire & North East
- Other

Tenant covenant (per Dun & Bradstreet)



- Low/low-moderate risk
- Moderate risk
- Moderate/moderate-high risk

EPC ratings (by floor area) Sep 2020



- A-C
- D
- E
- F and below
- Not rated

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*

87%

STRATEGIC LOCATIONS

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

Midlands and South East bias

59%

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

30 – 70%

* Per Dun & Bradstreet (Overall Business Risk)

WHAT WE DO

BUY WELL

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

MARKET DYNAMICS

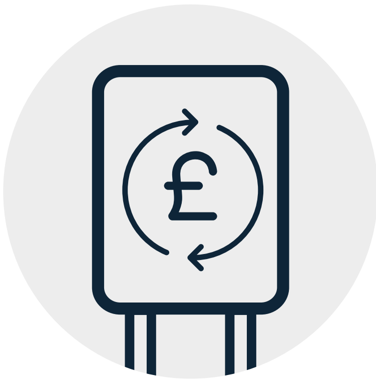
Real estate returns focussed on income-led total return

- Rental growth through experienced asset management.
- SHED offers compelling capital growth off low passing rents and capital values.

ESSENTIAL GOODS.

ASSET MANAGEMENT

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



PROVING VALUES

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.

Supportive economic case

- Resilient occupier demand in property subsector.
- High barriers to entry: cost of replacement, availability of land, planning constraints.
- Occupier demand owing to growth in e-commerce and investment by suppliers.
- Rental values strengthening.

Investment demand

- Stable, consistent returns.
- Wider range of facilities proliferating; Urban Logistics focus.
- E-fulfilment growth.

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.

TENANTS

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

FINANCING PARTNERS

The Group has a new £151 million facility with Barclays, Santander and Lloyds banks.

CHAIRMAN'S STATEMENT

DRIVING PERFORMANCE THROUGH ASSET MANAGEMENT

INVESTMENT CASE

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.

The long-term effect of Covid-19 on our society and way of living is hard to determine but one has to believe solutions, whether vaccines or remedial medicines, will be fully rolled out in the foreseeable future.

Despite Covid-19, Urban Logistics has made significant progress over the last 6 months. The equity capital from the successful March fundraising, and associated leverage, has now been invested into £213 million of new assets since that raise at an average initial yield of 6.0%. Progress has also been made in managing the existing assets to improve rents resulting in a valuation increase on the historical portfolio of 5.0%. Vacancies have been minimal, 3.0% at period end, and 99% or more of rents have been collected on time in 2020. This reflects the Company's strategy of purchasing well located properties near city centres with tenants focused on the distribution of domestic UK products.

Our Manager continues to look for new assets to acquire and by August had built up an extensive pipeline of acquisitions. We decided to once again go to the equity market to fund these purchases and on 15 October 2020 we announced a successful raise of £92 million. This, together with banking facilities, will enable the purchase of approximately a further £115 million of identified properties over the next few months.

Financial results
Turning to our results for the interim period ended 30 September 2020, our property portfolio increased in value from £207 million to £346 million. On a like-for-like basis, properties held throughout the period increased in value by 5.0% (3.8% to September 2019). The capitalisation rates for industrial properties within our sub-sector have remained flat in 2020 and the increase in value is therefore due principally to the Manager's active asset management initiatives.

Revenue increased from £5.9 million to £9.8 million, reflecting rent received from new properties acquired earlier in the year. EPRA earnings per share decreased from 3.92 pence to 3.19 pence due to the issue of new shares and the timing of the ongoing investment programme. At the period end, the Company had £54 million of cash which together with the proceeds from our recent equity issue will be used to fund the purchase of further properties in line with our strategy.

In August, the Company entered into a new £151 million loan facility with Barclays, Santander and Lloyds, to replace the existing loan facility totalling £76 million, which was due to expire in 2022. This new facility provides a three-year term and includes an option to extend for a further two years. At the period end, the portfolio LTV was 19.7% reflecting cash held and will initially fall further following receipt of proceeds from the new issue but will rise again once the current investment programme has been completed. We continue to target an LTV range of between 30 and 40%.

Dividend
On 25 September 2020, the Company declared an interim dividend for the first half of the financial year ended 31 March 2021 of 3.25 pence per share prior to the closing of the October capital raise, payable to existing shareholders. This was paid on 23 October 2020. The Company intends to declare the next dividend following the release of its final results for the financial year ending 31 March 2021.

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

At 30 September 2020, the Company had distributable reserves of £230.5 million providing substantial cover for future dividend payments.

Outlook
With England now under lockdown until at least early December, many parts of the economy, especially the retail and hospitality sector, will be badly affected as will many people's livelihoods, finances and wellbeing.

Despite this, the last eight months have been eventful for Urban Logistics. We have raised over £228 million of new equity, refinanced our debt and acquired over £213 million of new properties. With the proceeds of the recent equity issue and the funds available from banking facilities, we will be able to acquire approximately a further £115 million of identified properties over the next few months.

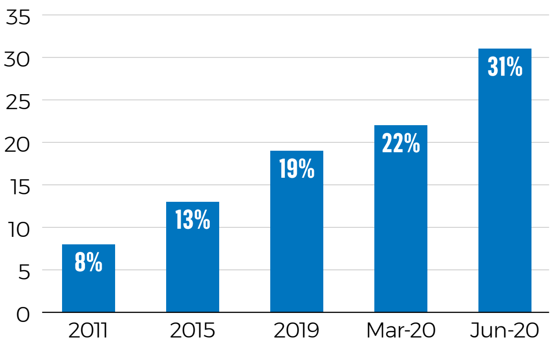
We continue to believe in our investment strategy, which remains resilient in the current environment, and will seek further assets to acquire in key regions of the country with proximity to cities with tenants supplying essential needs to consumers. Active asset management of the assets acquired will be essential in delivering future returns to our shareholders.

Nigel Rich CBE
Chairman
11 November 2020

MANAGER'S REPORT

OUR STRATEGY HAS SERVED US WELL

E-commerce as a % of total retail sales



OPERATIONAL HIGHLIGHTS

Portfolio valuation
£345.9m
Sep 19: £195.0m

Portfolio like-for-like valuation growth
5.0%
Sep 19: 3.8%

WAULT[1]
5.5 years
Sep 19: 6.1 years

Gross to net rental income ratio
98.4%
Sep 19: 99.2%

EPRA vacancy rate
3.0%
Sep 19: 0.0%

Total property return
8.0%
Sep 19: 6.6%

EPC – % of portfolio rated A-C
72.8%
Sep 19: 70.4%

Valuation NIY
5.6%
Sep 19: 6.2%

1 The WAULT is based on the contracted rent as at 30 September 2020, excluding short-term lettings and licenses.

Overview

"Same day" delivery to households and "just in time" delivery to manufacturing processes were deemed to be the ultimate goal for logistics operators historically. Having broadly reached that seemingly unattainable position, supply chains were tested severely during the Covid-19 lockdown earlier this year.

The shortage of essential items such as food, pharmaceuticals and PPE, was common. This also amplified some weaknesses as global supply chains were found to be lacking in sufficient levels of stock in the event of unexpected demand. The rapid increase in e-commerce further compounded the problem.

In January, e-commerce accounted for 19% of all retail sales in the UK; by June this had reached 31% (previous ONS estimates had suggested the UK would reach 25% by the end of 2023). Throughout all of this, the central thesis behind our investment strategy has proven itself to be robust. Our commitment is to acquire well located warehouses with the correct specification for occupiers. Our focus on tenant covenants, in sectors which have been less volatile historically, has served us well.

We are pleased to report that despite our investment strategy being tested in the most unwelcome and unexpected circumstances, our rent collection has been over 99% for the March, June and September quarters in 2020. We immediately implemented a management strategy back in March that, despite our team working remotely, kept us in regular contact with occupiers; we knew that 61 of our 64 buildings were open and operational during lockdown and this quickly increased back to the entire 64 buildings by late April.

We remain focused on building our business through working closely with our tenants, acquiring assets that provide solid medium-term income from strong covenants and which are aided by asset management initiatives to enhance our total return. More than two thirds of our financial performance since IPO has come from asset management, not market movement.

The longer-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 domestic products around the country to homes and businesses requiring last mile or e-fulfilment services; such as Boots, the NHS, Travis Perkins, Booker, DHL, XPO and Sainsbury's.

Environment

Our increasing focus on the environment, as part of our ESG agenda, is proving to be extremely important in terms of investor relations and with our tenant relationships. This issue is high on the agenda of our occupiers, some of whom are the largest logistics operators globally, and our focus in this area is helping our landlord/tenant relationship providing another reason for constructive dialogue and investment into buildings. I am pleased to report that our EPCs are 73% A-C at period end and our investment process involves, amongst other considerations, assessment of energy efficiency ratings to ensure properties are sustainable in the long-term. We aim to improve sustainability in conjunction with our tenants.

Another key focus is to modernise and alter built space as opposed to developing new facilities in the UK greenbelt; this has been a silent part of our strategy but now it has increasing significance.

The market

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

Over a 40-year history, capital value growth has been slightly higher for industrial versus retail. Due to the positive re-rating of industrial since the 2008/09 global financial crisis trough, we have seen 82% capital growth in 10 years for industrial versus 2% for retail. Retail rents increased more than fourfold from 1980-2007 but have fallen by 10% from their 2008 peak; industrial rents meanwhile have risen 28% from their 2012 low point (source: CBRE).

For about six weeks in Q2 2020, at the start of lockdown, the investment market adopted a "wait and see" approach. As measures eased over the summer, investors shifted their focus towards the resilient logistics sector, with H1 2020 volumes to June ending down just 7.2% on H1 2019 (source: CBRE). Fierce competition emerged for all sales with institutions looking to increase their exposure to this sector. September also saw the sales launch of some larger portfolios from established logistics investors, looking to cash in on private equity and sovereign wealth fund interest, and reminding us of the premiums available for specialist platforms.

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

Warehouse supply at low levels

Since the start of 2020, supply has risen very slightly and now stands at 36.2m sq ft according to CBRE, reflecting a vacancy rate of 6.6%. We have seen a fall in the level of "Grade A" supply, from 20.4m sq ft to 18.8m sq ft, now accounting for 52% of total supply in this space. It is likely that supply will continue to decline as just 0.9m sq ft of speculative build was announced in Q2, the lowest level since the first quarter of 2017.

This lack of supply is compounded by a variety of factors:

- High barriers to entry as a result of a high percentage of warehouse development land being taken for Big Box units (those above 300,000 sq ft); plus a time lag of three to five years for sites to obtain planning and then be built.
- Costs of construction rising (100,000 sq ft building at £30-35 per sq ft in 2015 and now at £60-65 per sq ft in the Midlands).
- Development land costs doubling in five years (Northampton for example: £400,000 an acre in 2015 and now at more than £900,000 an acre).
- 35% of all industrial land in the South East of the UK has been lost to higher value uses in last 10 years.

Source: Savills, CBRE, Management information.

Supply is already responding to a surge in demand; however, most of the incoming logistics schemes will not help ease market pressure in the urban logistics space in the short term. Also, approximately 82% of space under construction at the end of Q2 2020 was committed through pre-lettings. This trend, which is shared across Europe, follows a shift in occupier preferences; who now tend to plan their expansion strategies and secure units that suit their needs. However, this planning process requires years of anticipation and, when supply adapts and focuses on providing sites for build-to-suit opportunities rather than building speculatively, it diminishes the ability of the market to absorb surges in demand for ready-to-occupy space.

Demand at record levels

Despite the ongoing turmoil, and in some cases because of it, Q2 2020 broke all records for quarterly logistics take-up. Lack of new, ready-to-occupy units has also pushed occupiers towards the second-hand market, which saw its busiest quarter since 2012. The supply side has responded to such overwhelming demand by pressing on with projects that were put on hold during lockdown, trying to get them back on schedule. Third quarter demand in 2020 is expected to show a continuation of this strong take-up.

Total retail sales recovered over the summer as high street stores reopened. However, some behavioural changes formed during lockdown, will have a lasting effect. Online retail penetration increased markedly. The unstoppable growth of e-commerce has concentrated five years of growth into just six months.

MANAGER'S REPORT CONTINUED

Similarly, online penetration for food stores remains above 10% according to ONS, almost doubling the pre-pandemic share and steering investment from all UK supermarkets to improving their online channels. The majority of retailers are exploring ways to adapt their platforms to provide greater online sales capability.

Investment activity

In March, the Group successfully raised £136.2 million of equity capital against a pipeline of properties. In the six months to 30 September 2020, the Company has been very focused on the investment front and deployed £140.2 million, excluding purchaser costs, into logistics assets across the UK, consisting of two portfolios (14 properties at a total £79.1 million), four single-let properties (£35.7 million) and two development sites (£25.4 million). Aside from the development sites , these properties have a WAULT of 6.7 years as at 30 September 2020.

Paloma Portfolio

On 7 April 2020, the Company acquired a portfolio of seven single-let regional distribution warehouses, the Paloma Portfolio, for a total consideration of £31.9 million, representing a 6.8% NIY. The portfolio comprises 482,012 sq ft of warehousing with a low capital value of £66 per sq ft, low average passing rent of £4.86 per sq ft and presents opportunities for asset management. The sites are all in close proximity to established regional transport networks, have good labour availability and are located in well-populated areas where there is strong occupier demand.

Crown Portfolio

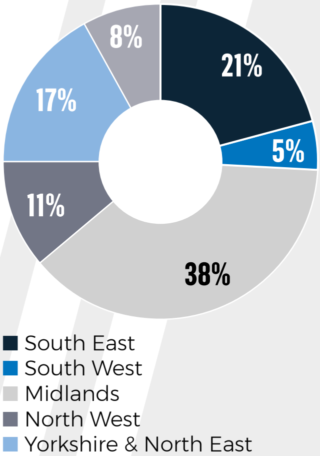
On 29 April 2020, the Company acquired the Crown Portfolio as part of a corporate acquisition, which comprises seven properties, for a total consideration of £47.2 million, a 7.0% NIY. Tenants include Giant Booker (three sites), Anglian Water, Hermes Parcelnet and Pegler plc. Included within the portfolio is a site in Aberdeen which is multi-let and subject to a 12-month rental guarantee on its two vacant units. Average warehouse size is 84,105 sq ft and the portfolio has a low passing rent of £4.96 per sq ft. With a weighted average unexpired lease term of eight years the portfolio offers asset management opportunities as well as secure income from high-quality tenants.

Single-let assets

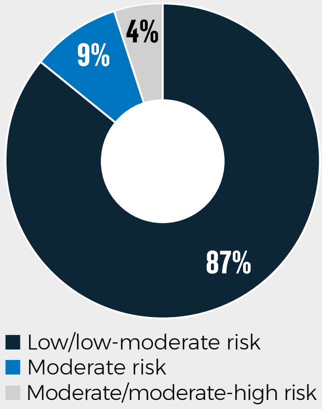
In the financial period the Company also acquired four single-let properties which are let to a variety of tenants, providing the distribution of essential products around the UK, including Unipart (who operate an NHS contract), Iron Mountain, and Health Stores. These were purchased off market at an average NIY of 5.4%. They are well located near main arterial routes and are well suited to local distribution requirements.

	Paloma Portfolio	Crown Portfolio	Single assets
Purchase price	£31.9m	£47.2m	£35.7m
Net initial yield	6.8%	7.0%	5.4%
Area (sq ft)	428,013	567,271	452,487
Contracted rent	£2.3m	£3.3m	£2.0m
Rent per sq ft	£4.81	£4.96	£4.53
Capital value per sq ft	£66.18	£83.16	£78.67

Geographic location
(by capital value)



Tenant covenant
(per Dun & Bradstreet)



Development sites

Peterborough: a commitment was made to acquire a three-acre land 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 Company of £5.8 million. The project is part pre-let to DPD.

Exeter: a commitment was made to acquire a six-acre development site at Exeter Gateway near junction 29 of the M5 motorway. The development is pre-let to Amazon at completion and is an expansion to the tenant's existing parcel distribution facility. The Company will fund the project to a total cost of £8.5 million.

The Company has also acquired an adjoining site, also of six acres, which is conditionally pre-let to DHL and will be its local parcel sorting centre with a low site cover and dual service yards. This £11.2 million development site is due for practical completion by February 2022. It is envisaged DHL will sign a 15-year lease with five-yearly upward-only rent reviews. This opportunity came about as a result of the developer losing a Local Authority funding partner due to Covid-19. The forward funding represents a discounted entry point at a 5.3% NIY in a location known for its constrained supply of logistics facilities. It will create a prime urban logistics park with the potential to own further warehouses developed on the remaining adjacent land.

Pipeline

The management team have been living and breathing logistics for over 25 years building strong relationships with the vendors, developers and occupiers of Urban Logistics assets. In short, we are uniquely placed to hear of opportunities which is why over 90% of our acquisitions have been acquired off market since our IPO in April 2016. Our pipeline is constantly evolving through daily interaction with our market contacts.

We can provide a "funding source" to developers which in turn gives them an exit. Similarly, we can provide a sale and leaseback option to an occupier or a guaranteed sale execution to an investor. Urban Logistics prides itself on deal execution; doing what it says it will do with expedience.

Off the back of developing a pipeline of opportunities, we initiated a fundraising in September 2020 and succeeded in raising £92 million. Together with banking facilities, this will enable the purchase of approximately a further £115 million of identified properties.

Financial Review

Net rental income

In the interim period, the portfolio generated net rental income of £9.4 million, an increase of £3.6 million or 62% compared to the prior period. The increase was driven largely from acquisitions made in the period following the March 2020 equity raise. On a like-for-like basis, net rental income remained broadly flat. However, there are a number of asset management initiatives ongoing which we expect to crystallise in the second half of the year.

Property costs have increased by £0.3 million, but our gross to net rental income ratio remains high at 98.4% (Sep 19: 99.2%), illustrating the strength of our business model.

Administrative costs

Administrative costs, which include all operational costs of running the business, increased by £0.8 million to £1.8 million. This is primarily due to the growth in the investment management fee following the March 2020 equity raise, and the corresponding increase in EPRA Net Tangible Assets ("NTA").

The Investment Management Agreement was reviewed and amended by the Board in conjunction with the March 2020 equity raise. The incentive terms were adjusted such that there is now a ratchet in place for the management fee:

- 0.95% per annum of the Group's EPRA NTA up to, and including, £250 million;
- 0.90% per annum of the Group's EPRA NTA in excess of £250 million and up to, and including, £500 million; and
- 0.85% per annum of the Group's EPRA NTA in excess of £500 million.

EPRA cost ratio

We continue to monitor the operational efficiency of the Group through the EPRA cost ratio, which increased to 20.7% from 18.6% in the prior period. This increase is short-term in nature and, as we undertake our investment programme, is expected to reduce in future periods which will benefit from the full effect of rental income from acquisitions made in the period.

Net finance costs

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

The weighted average cost of debt for the period was 20 bps lower than the previous period at 2.9% and the Group reported an interest cover ratio of 5.7x.

The net finance costs for the interim period were £1.5 million, an increase of £0.3 million from the prior period. This is explained by gross drawn debt increasing by £46.7 million to £122.4 million in August 2020 following the completion of the new loan facility.

IFRS profit and EPRA earnings

IFRS profit after tax for the interim period was £9.8 million (Sep 19: £9.0 million), representing a basic and diluted earnings per share of 5.20 pence, compared with 10.31 pence for the prior period. This is primarily due to the level of investment activity in the period, where the Group acquired £120.8 million of industrial and logistics properties (excluding funds advanced on our forward funding sites). In aggregate, the Group incurred £6.1 million of purchaser costs with respect to these property acquisitions, which due to the short ownership period, had only been partially recovered in the half year portfolio valuation. This revaluation deficit in properties acquired in the period was offset by a £9.8 million surplus across our existing portfolio, resulting in an overall surplus reported for the interim period of £4.3 million compared with £5.6 million in the prior period.

EPRA earnings for the interim period increased by £2.6 million to £6.0 million, however, on a per share basis this reduced by 0.73 pence to 3.19 pence per share. This is primarily due to the pace of investment being affected by the impact of Covid-19 and consequent lockdown. EPRA earnings in the second half of this year will benefit from the full effect of the acquisitions made during this interim period.

A full reconciliation between IFRS profit and EPRA earnings can be found in note 7 of the Notes to the Interim Financial Statements.

FINANCIAL HIGHLIGHTS

Net rental income
£9.4m
+62.0% Sep 19: £5.8m

EPRA EPS
3.19p
-18.6% Sep 19: 3.92p

Dividend per share
3.25p
-13.3% Sep 19: 3.75p

Total accounting return
5.5%
Sep 19: 8.2%

IFRS net assets
£265.2m
+110.3% Sep 19: £126.1m

EPRA NTA per share[1]
141.57p
-2.5% Sep 19: 145.17p

IFRS profit before tax
£9.8m
+8.4% Sep 19: £9.0m

Loan to value
19.7%
Sep 19: 34.1%

1. In October 2019, EPRA introduced new best practice recommendations for reporting of net asset value. The Group considers EPRA Net Tangible Assets ("NTA") to be the most relevant measure for its operating activities and has been adopted as the Group's primary measure of net asset value. Reconciliations for all EPRA performance measures are shown in the Supplementary Information to this report.

MANAGER'S REPORT CONTINUED

Statement of Financial Position

At 30 September 2020, IFRS net assets attributable to ordinary shareholders were £265.2 million (Sep 19: £126.1 million), representing a basic and diluted net asset value per share of 140.60 pence (Sep 19: 143.71 pence).

The Group considers EPRA Net Tangible Assets ("NTA") a key measure of overall performance. At 30 September 2020, EPRA NTA were £267.0 million (Sep 19: £127.4 million), representing an EPRA NTA per share of 141.57 pence (Sep 19: 145.17 pence).

On a per share basis both IFRS and EPRA net assets decreased in the 12 months from 30 September 2019. The decrease is primarily due to the acquisition, and associated costs, of investment properties over this interim period. The value created through our asset management initiatives is expected to come through in future financial periods.

A full reconciliation between IFRS and EPRA NTA can be found in note 18 of the Notes to the Financial Statements.

Cash and net debt

At 30 September 2020, the Group's cash balance was £54.4 million, of which £52.9 million was readily available. A significant proportion of the cash available to the Group at the period end will be deployed partly into new acquisitions and also to finance the remaining capital commitments of our development properties.

Over the interim period, net debt increased by £1.4 million, to £68.0 million, representing a loan to value ("LTV") of 19.7%, which is below our medium-term target of 30-40%. As we continue to deploy capital into new assets, we expect our LTV to increase to the lower end of our medium-term target.

Portfolio valuation

The value of the portfolio, which includes forward funded developments, was £345.9 million. In the period, the Group invested £120.8 million in industrial and logistics properties and advanced £13.6 million of funding across five forward funded developments.

The Group recognised a valuation surplus of £4.3 million upon revaluation of the portfolio. On a like-for-like basis, the portfolio generated a valuation surplus of £9.8 million, or 5.0% (Sep 19: 3.8%).

The portfolio delivered a total property return ("TPR") of 8.0% for the interim period (Sep 19: 6.6%).

Outlook

The logistics market remains in focus with property investors due to its resilience at the current time and the forecast for the next few years shows a continuation of its outperformance. We remain committed to our strategy, based on our experience of the sector and believe we can continue to acquire assets that meet our criteria and allow our assets to outperform.

The UK continues to be one of the fastest growing adopters of online retail sales and there is a requirement for all tenants to develop their e-fulfilment capability accordingly. As such, key geographic regions across the UK are seeing buoyant leasing activity. Alongside our investment programme, we will also focus on maintaining and building existing tenant relationships with a view to securing the Group's reputation as the leader in the smaller size urban logistics market.

The £115 million of assets we expect to acquire in the coming months will continue to add to the income and returns of the Company.

Richard Moffitt
11 November 2020

INDEPENDENT REVIEW REPORT TO URBAN LOGISTICS REIT PLC

Introduction
We have been engaged by Urban Logistics REIT plc (the "Company") to review the condensed set of financial statements in the Interim Report for the six months ended 30 September 2020 which comprise the Condensed Consolidated Statement of Comprehensive Income, the Condensed Consolidated Statement of Financial Position, the Condensed Consolidated Cash Flow Statement and the Condensed Consolidated Statement of Changes in Equity and notes to the Interim Financial Statements.

We have read the other information contained in the Interim Report and considered whether it contains any apparent misstatements or material inconsistencies with the financial information in the condensed set of financial statements.

Directors' responsibility
The Interim Report is the responsibility of, and has been approved by, the Directors. The Directors are responsible for preparing the Interim Report in accordance with AIM Rule 18.

As disclosed in note 2, the annual financial statements of the Group are prepared in accordance with IFRS as adopted by the European Union. It is the responsibility of the Directors to ensure that the condensed set of financial statements included in this Interim Report have been prepared on a basis consistent with that which will be adopted in the Group's annual financial statements.

Our responsibility
Our responsibility is to express to the Company a conclusion on the condensed set of financial statements in the Interim Report based on our review.

Scope of review
We conducted our review in accordance with International Standard on Review Engagements (UK and Ireland) 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Financial Reporting Council for use in the United Kingdom.

A review of interim financial information consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures.

A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (UK) and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion
Based on our review, nothing has come to our attention that causes us to believe that the condensed set of financial statements in the Interim Report for the six months ended 30 September 2020 is not prepared, in all material respects, in accordance with the requirements of the AIM rules.

Use of our report
This report is made solely to the Company in accordance with the terms of our engagement to assist the Company in meeting the requirements of the AIM Rule 18. Our review has been undertaken so that we might state to the Company those matters we are required to state to it in this 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 Company for our review work, for this report or the conclusions we have reached.

Nexia Smith & Williamson
Statutory Auditor
Chartered Accountants

25 Moorgate
London
EC2R 6AY

11 November 2020

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Note	**Six months to 30 Sep 20 (unaudited) £'000**	Six months to 30 Sep 19 (unaudited) £'000	Year ended 31 Mar 20 (audited) £'000
Revenue	5	**9,795**	5,853	12,601
Property operating expenses		**(385)**	(46)	(437)
Net rental income		**9,410**	5,807	12,164
Administrative and other expenses		**(1,835)**	(1,045)	(2,142)
Long-term incentive plan charge	8	**(11)**	(60)	(3,557)
Operating profit before changes in fair value of investment properties and interest rate derivatives		**7,564**	4,702	6,465
Changes in fair value of investment property	10	**4,289**	5,636	5,691
Profit on disposal of investment property		**–**	582	575
Operating profit		**11,853**	10,920	12,731
Finance income		**62**	7	7
Finance expense	6	**(1,605)**	(1,272)	(2,721)
Changes in fair value of interest rate derivatives	13	**(510)**	(612)	(657)
Profit before taxation		**9,800**	9,043	9,360
Tax credit/(charge) for the period		**–**	–	–
Profit and total comprehensive income (attributable to the shareholders)		**9,800**	9,043	9,360
Earnings per share – basic	7	**5.20p**	10.31p	9.95p
Earnings per share – diluted	7	**5.20p**	10.31p	9.95p
EPRA earnings per share – diluted	7	**3.19p**	3.92p	3.99p

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Note	30 Sep 20 (unaudited) £'000	30 Sep 19 (unaudited) £'000	31 Mar 20 (audited) £'000
Non-current assets				
Investment property	10	**348,610**	196,900	209,179
Intangible assets		**15**	20	17
Total non-current assets		**348,625**	196,920	209,196
Current assets				
Trade and other receivables		**3,171**	4,189	1,816
Cash and cash equivalents		**54,409**	9,103	132,280
Total current assets		**57,580**	13,292	134,096
Total assets		**406,205**	210,212	343,292
Current liabilities				
Trade and other payables		**(8,559)**	(2,762)	(2,956)
Deferred rental income		**(4,219)**	(2,698)	(2,728)
Total current liabilities		**(12,778)**	(5,460)	(5,684)
Non-current liabilities				
Long-term rental deposits		**(1,486)**	(953)	(1,029)
Lease liability	4	**(1,977)**	(1,865)	(1,774)
Interest rate derivatives	13	**(1,857)**	(1,302)	(1,347)
Other borrowings		**(2,797)**	–	–
Bank borrowings	12	**(120,119)**	(74,522)	(74,696)
Total non-current liabilities		**(128,236)**	(78,642)	(78,846)
Total liabilities		**(141,014)**	(84,102)	(84,530)
Total net assets		**265,191**	126,110	258,762
Equity				
Share capital	14	**1,886**	878	1,886
Share premium	15	**–**	93,937	228,764
Capital reduction reserve	16	**228,760**	–	–
Other reserves		**67**	254	56
Retained earnings		**34,478**	31,041	28,056
Total equity		**265,191**	126,110	258,762
Net asset value per share basic	18	**140.60p**	143.71p	137.19p
Net asset value per share diluted	18	**140.60p**	143.71p	137.19p
EPRA Net tangible assets per share	18	**141.57p**	145.17p	137.89p

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

	Note	**Six months to 30 Sep 20 (unaudited) £'000**	Six months to 30 Sep 19 (unaudited) £'000	Year ended 31 Mar 20 (audited) £'000
Cash flows from operating activities				
Profit for the period (attributable to equity shareholders)		**9,800**	9,043	9,360
Add: amortisation and depreciation		**10**	3	13
Less: changes in fair value of investment property	10	**(4,289)**	(5,636)	(5,691)
Add: changes in fair value of interest rate derivatives	13	**510**	612	657
Less: profit on disposal of investment property		**–**	(582)	(575)
Less: finance income		**(62)**	(7)	(7)
Add: finance expense	6	**1,605**	1,272	2,721
Long-term incentive plan	8	**11**	60	2,454
Increase in trade and other receivables		**(1,856)**	(2,658)	(625)
Increase in trade and other payables		**7,557**	1,265	1,454
Cash generated from operations		**13,286**	3,372	9,761
Net cash flow generated from operating activities		**13,286**	3,372	9,761
Investing activities				
Purchase of investment properties	10	**(85,591)**	(20,488)	(32,378)
Disposal of investment properties		**–**	18,091	18,085
Acquisition of a subsidiary, net of cash acquired	11	**(48,861)**	–	–
Net cash flow used in investing activities		**(134,452)**	(2,397)	(14,293)
Financing activities				
Proceeds from issue of ordinary share capital		**–**	–	136,200
Proceeds from issue of warrant shares		**–**	59	59
Cost of share issue		**(4)**	–	(2,951)
Bank borrowings drawn	12	**122,389**	10,771	10,775
Bank borrowings repaid	12	**(75,702)**	(7,667)	(7,667)
Loan arrangement fees paid	12	**(1,474)**	(165)	(179)
Other borrowings drawn		**2,797**	–	–
Interest paid	6	**(1,395)**	(1,109)	(2,374)
Interest received		**62**	7	7
Dividends paid to equity holders	9	**(3,378)**	(3,528)	(6,818)
Net cash flow generated from financing activities		**43,295**	(1,632)	127,052
Net increase in cash and cash equivalents for the period		**(77,871)**	(657)	122,520
Cash and cash equivalents at start of period		**132,280**	9,760	9,760
Cash and cash equivalents at end of period		**54,409**	9,103	132,280

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Six months ended 30 September 2020 (unaudited)	Share capital £'000	Share premium £'000	Share warrant reserves £'000	Capital reduction reserve £'000	Other reserves £'000	Retained earnings £'000	Total £'000
1 April 2020	**1,886**	**228,764**	**–**	**–**	**56**	**28,056**	**258,762**
Profit for the period	–	–	–	–	–	9,800	9,800
Total comprehensive income	**–**	**–**	**–**	**–**	**–**	**9,800**	**9,800**
Dividends to shareholders	–	–	–	–	–	(3,378)	(3,378)
Long-term incentive plan	–	–	–	–	11	–	11
Issue of Ordinary Shares	–	(4)	–	–	–	–	(4)
Transfer to capital reduction reserve	–	(228,760)	–	228,760	–	–	–
30 September 2020	**1,886**	**–**	**–**	**228,760**	**67**	**34,478**	**265,191**

Six months ended 30 September 2019 (unaudited)	Share capital £'000	Share premium £'000	Share warrant reserves £'000	Capital reduction reserve £'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	–	–	–	–	–	9,043	9,043
Total comprehensive income	**–**	**–**	**–**	**–**	**–**	**9,043**	**9,043**
Dividends to shareholders	–	–	–	–	–	(3,528)	(3,528)
Long-term incentive plan	–	–	–	–	60	–	60
Exercise of warrant shares	1	60	(2)	–	–	–	59
Expiry of warrant shares	–	–	(12)	–	–	12	–
30 September 2019	**878**	**93,937**	**–**	**–**	**254**	**31,041**	**126,110**

Year ended 31 March 2020 (audited)	Share capital £'000	Share premium £'000	Share warrant reserves £'000	Capital reduction reserve £'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)	–	–
Exercise of warrant shares	990	132,259	–	–	–	–	133,249
Redemption of warrant shares	1	60	(2)	–	–	–	59
Expiry of warrant shares	–	12	(12)	–	–	–	–
31 March 2020	**1,886**	**228,764**	**–**	**–**	**56**	**28,056**	**258,762**

NOTES TO THE INTERIM FINANCIAL STATEMENTS

1. Corporate information

Urban 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 AIM, part of the London Stock Exchange. The registered office address is 124 Sloane Street, London, SW1X 9BW.

2. Basis of preparation

The interim financial information in this report has been prepared using accounting policies consistent with IFRS as adopted by the European Union. IFRS is subject to amendment and interpretation by the International Accounting Standards Board ("IASB") and the IFRS Interpretations Committee and there is an ongoing process of review and endorsement by the European Commission. The financial information has been prepared on the basis of IFRS that the Directors expect to be adopted by the European Union and applicable as at 31 March 2021. The Group has chosen not to adopt IAS 34 "Interim Financial Statements" in preparing the interim financial information.

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 Group operates.

Non-statutory financial statements

Financial information contained in this document does not constitute statutory accounts within the meaning of Section 434 of the Companies Act 2006. The statutory accounts for the year ending 31 March 2020 have been delivered to the Registrar of Companies. The audit report was unqualified and did not contain a statement under Section 498 of the Companies Act 2006 however it did include references to two emphasis of matter, which comprised to the following points:

Valuation of investment properties

– We draw your attention to CBRE Limited's 31 March 2020 independent valuer's report which included 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.

Impact of COVID-19

– We draw your attention to the going concern statement in the notes to the financial statements, which describes the impact of COVID-19 on the Group. Our opinion is not modified in respect of this matter.

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.

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 Interim Report and Financial Statements.

3. Significant accounting judgements, estimates and assumptions

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

Business combinations

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

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

Fair value of investment property

The fair value of investment property is market value as determined on a half-yearly basis, 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 valuers use recognised valuation techniques and the principles of IFRS 13. The valuations have been prepared in accordance with RICS Valuation – Global Standards January 2020 (the "Red Book").

Factors reflected include current market conditions, annual rentals, lease lengths and location. The significant methods and assumptions used by the valuers in estimating the fair value of investment property are set out in note 10.

4. Principal accounting policies

The principal accounting policies applied in the preparation of these financial statements are consistent with those applied within the Company's Annual Report and Financial Statements for the year ended 31 March 2020.

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. 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 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.

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 of 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.

Dividends

Dividends on equity shares are recognised when they become legally payable. In the case of interim dividends, this is when paid. In the event of a final dividend, this will need approval 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.

	Six months to 30 Sep 20 (unaudited) £'000	Six months to 30 Sep 19 (unaudited) £'000	Year ended 31 Mar 20 (audited) £'000
Rental income	**9,257**	5,853	12,158
Service charge income	**235**	–	238
Licence fee	**303**	–	205
Total revenue	**9,795**	5,853	12,601

NOTES TO THE INTERIM FINANCIAL STATEMENTS CONTINUED

6. Finance expense

	Six months to 30 Sep 20 (unaudited) £'000	Six months to 30 Sep 19 (unaudited) £'000	Year ended 31 Mar 20 (audited) £'000
Interest on bank borrowings	1,096	1,004	2,101
Swap interest paid	229	105	242
Amortisation of loan arrangement fees	210	163	347
Other interest payable	38	–	–
Interest on lease liabilities	32	–	31
Total	**1,605**	1,272	2,721

7. 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.

	Six months to 30 Sep 20 (unaudited) £'000	Six months to 30 Sep 19 (unaudited) £'000	Year ended 31 Mar 20 (audited) £'000
Profit attributable to Ordinary Shareholders			
Total comprehensive income (£'000)	9,800	9,043	9,360
Weighted average number of Ordinary Shares in issue	188,616,023	87,738,937	94,083,745
Basic earnings per share (pence)	**5.20p**	10.31p	9.95p
Number of diluted shares under option/warrant	–	–	–
Weighted average number of Ordinary Shares for the purpose of dilutive earnings per share	188,616,023	87,738,937	94,083,745
Diluted earnings per share (pence)	**5.20p**	10.31p	9.95p
Adjustments to remove:			
Changes in fair value of investment property	(4,289)	(5,636)	(5,691)
Changes in fair value of interest rate derivatives	510	612	657
(Loss)/profit on disposal of investment properties	–	(582)	(575)
EPRA earnings (£'000)	6,021	3,437	3,751
EPRA diluted earnings per share	**3.19p**	3.92p	3.99p
Adjustments to add back:			
LTIP crystallisation	–	–	3,452
Adjusted earnings (£'000)	6,021	3,437	7,203
Adjusted earnings per share	**3.19p**	3.92p	7.66p

8. Long-term incentive plan

The Company has an LTIP, accounted for as an equity-settled share-based payment. At 30 September 2020, Pacific Industrial LLP, an affiliate of Pacific Capital Partners Limited, held 1,000 C Ordinary Shares of £0.01 each issued in Urban Logistics Holdings Limited, a subsidiary of the Company.

Date granted	Class of share	Fair value at grant £'000	Charge for the period £'000
August 2017	C Ordinary	131	11

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

Following the completion of the equity issue, in March 2020, 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).

– The share price element will 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 of 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.

9. Dividends

	30 Sep 20 £'000	30 Sep 19 £'000	31 Mar 20 £'000
Ordinary dividends paid			
2019: Second interim dividend: 4.02p per share	–	3,528	3,528
2020: First interim dividend: 3.75p per share	–	–	3,290
2020: Interim dividend: 3.85p per share	3,378	–	–
Total dividends paid in the period (£'000s)	**3,378**	3,528	6,818
Total dividends paid in the period	**3.85p**	4.02p	7.77p

On 14 February 2020, the Company declared an 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, taking total dividends paid with respect to the financial year ended 31 March 2020 to 7.60 pence per share.

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

10. 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 30 September 2020, in accordance with the RICS valuation – Professional Standards UK January 2020 (the "Red Book").

The valuations have been prepared in accordance with those recommended by the International Valuation Standards Committee and are consistent with the principles in IFRS 13.

	Investment properties freehold £'000	Investment properties leasehold £'000	Development properties £'000	Total £'000
At 1 April 2020	**151,560**	**46,020**	**9,400**	**206,980**
Property additions through acquisitions	102,403	18,362	13,639	**134,404**
Capital expenditure	72	196	–	**268**
Transfer from development properties	15,240	–	(15,240)	**–**
Revaluation surplus in year	3,136	3,522	(2,369)	**4,289**
At 30 September 2020	**272,411**	**68,100**	**5,430**	**345,941**
Add: tenant lease incentives	367	236	–	**603**
Investment properties excluding head lease ROU assets at 30 September 2020	**272,778**	**68,336**	**5,430**	**346,544**
Add: right-of-use asset	–	2,066	–	**2,066**
Total investment properties at 30 September 2020	**272,778**	**70,402**	**5,430**	**348,610**

Total rental income for the interim period recognised in the Condensed Consolidated Statement of Comprehensive Income amounted to £9.8 million (Sep 19: £5.9 million).

Upon application of IFRS 16, tenant lease incentives have been reclassified from "Other debtors" to "Investment properties". Tenant lease incentives at 30 September 2020 totalled £0.60 million (Sep 19: £0.74 million). The financial information relating to the six months ended 30 September 2019 has not been restated given the immaterial amounts involved.

NOTES TO THE INTERIM FINANCIAL STATEMENTS CONTINUED

11. Acquisition of subsidiaries

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

This acquisition was not judged to be the acquisition of a business and, therefore, is not treated as a business combination. Rather, the cost to acquire the Trust is allocated between identifiable assets and liabilities of the Trust based upon its relative fair value at the acquisition date. Accordingly, no goodwill or additional deferred tax arises.

The table below sets out the initial fair values to the Group in respect of this acquisition.

	Book value £'000	Redemption of liabilities £'000	Fair value adjustments £'000	**Total £'000**
Investment properties	47,174	–	1,913	**49,087**
Cash	695	–	–	**695**
Other receivables	1	–	(3)	**(2)**
Finance liabilities	(28,141)	28,115	–	**(26)**
Other liabilities	(870)	–	(23)	**(894)**
Total	**18,859**	**28,115**	**1,887**	**48,861**
Net cash outflow arising on acquisition				
Total consideration				**49,556**
Cash and cash equivalents acquired				**695**
Cash consideration net of cash acquired				**48,861**

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

	Bank borrowings £'000
Balance at 1 April 2020	**74,696**
Bank borrowings drawn in the year	**122,389**
Bank borrowings repaid in the year	**(75,702)**
Loan arrangement fees paid	**(1,474)**
Non-cash movements:	
Amortisation of loan arrangement fees	**210**
Total bank borrowings per the Condensed Consolidated Statement of Financial Position	**120,119**
Being:	
Drawn debt	**122,389**
Unamortised loan arrangement fees	**(2,270)**
Total bank borrowings per the Condensed Consolidated Statement of Financial Position	**120,119**

On 7 August, the Group entered into a new £151 million loan facility with Barclays, Santander and Lloyds, to replace the existing loan facility totalling £76 million. This new facility provides a three-year term and includes an option to extend for a further two years. At 30 September 2020, £28.6 million of this new facility was undrawn.

13. Interest rate derivatives

The Group has used interest rate swaps to mitigate exposure to interest rate risk. The total fair value of these contracts is recorded in the Statement of Financial Position. The interest rate derivatives are marked to market by the relevant counterparty banks on a quarterly basis in accordance with IFRS 9. Any movement in the fair value of the interest rate derivatives are taken to finance costs in the Statement of Comprehensive Income.

	Six months to 30 Sep 20 (unaudited) £'000	Six months to 30 Sep 19 (unaudited) £'000	Year ended 31 Mar 20 (audited) £'000
Non-current liabilities: derivative interest rate swaps:			
At beginning of period	**(1,347)**	(690)	(690)
Change in fair value in the period	**(510)**	(612)	(657)
Total	**(1,857)**	(1,302)	(1,347)

14. Share capital

	30 Sep 20 (unaudited) Number	30 Sep 20 (unaudited) £'000
Issued and fully paid up at 1 pence each	**188,616,023**	**1,886**
At beginning of period	188,616,023	1,886
At 30 September 2020	**188,616,023**	**1,886**

15. 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.

	30 Sep 20 (unaudited) £'000	30 Sep 19 (unaudited) £'000	31 Mar 20 (audited) £'000
Balance brought forward	**228,764**	93,877	93,877
Share premium on the issue of Ordinary Shares	**–**	60	135,270
Expiry of Warrant Shares	**–**	–	12
Share issue costs	**(4)**	–	(2,951)
Crystalisation of LTIP	**–**	–	2,556
Transfer to capital reduction reserve	**(228,760)**	–	–
At 30 September 2020	**–**	93,937	228,764

16. Capital reduction reserve

	30 Sep 20 (unaudited) £'000	30 Sep 19 (unaudited) £'000	31 Mar 20 (audited) £'000
Balance brought forward	**–**	–	–
Transfer from share premium	**228,760**	–	–
At 30 September 2020	**228,760**	–	–

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

17. Related party transactions

The terms and conditions of the Investment Management Agreement are described in the Management Engagement Committee Report. During the interim period, the amount paid for services provided by Pacific Capital Partners Limited (the "Manager") totalled £1,246,722 (Sep 19: £587,568).

Long-term incentive plan

Under the terms of the Company's long-term incentive plan, at 30 September 2020, Pacific Industrial LLP, an affiliate of Pacific Capital Partners Limited, has subscribed for shares in Urban Logistics Holdings Limited, a subsidiary of Urban Logistics REIT plc. Further details have been provided in note 8.

Acquisition of investment properties

During the interim period, the Group incurred fees totalling £542,795 (Sep 19: £315,570) from M1 Agency LLP, a partnership in which Richard Moffitt is a member. These fees were incurred in the acquisition and sale of investment properties.

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

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

NOTES TO THE INTERIM FINANCIAL STATEMENTS CONTINUED

18. Net asset value per share

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

Net assets have been calculated as follows:

	30 Sep 20	30 Sep 19	31 Mar 20
Net assets per Condensed Consolidated Statement of Financial Position (£'000)	**265,191**	126,110	258,762
Adjustments for:			
Fair value of interest rate derivatives (£'000)	**1,857**	1,302	1,347
Intangible assets (£'000)	**(15)**	(20)	(17)
EPRA net tangible assets (£'000)	**267,033**	127,392	260,092
Ordinary Shares in issue at period end (basic and diluted)	**188,616,023**	87,751,604	188,616,023
IFRS NAV per share (basic and diluted)	**140.60p**	143.71p	137.19p
EPRA NTA per share	**141.57p**	145.17p	137.89p

In October 2019, the European Public Real Estate Association ("EPRA") published new best practice recommendations ("BPR") for financial disclosures by public real estate companies. The BPR introduced three new measures for reporting net asset value: EPRA net reinstatement value ("NRV"), EPRA net tangible assets ("NTA") and EPRA net disposal value ("NDV"). These new measures are effective for accounting periods starting on 1 January 2020 and have been adopted by the Group in reporting the financial position as at 30 September 2020.

The Group considers EPRA NTA to be the most relevant measure for its operating activities, therefore, it will be adopted as the Group's primary measure of net asset value, replacing previously reported EPRA NAV.

A reconciliation of the three new net asset value measurements is provided in the Supplementary Information.

19. Post balance sheet events

On 5 October 2020, the Group acquired a 43,881 sq ft distribution unit for £2.9 million, representing a NIY of 6.25%.

On 19 October 2020, the Company raised £92.3 million through the issue of 66,429,798 Ordinary Shares at an issue price of 139.0 pence per share.

On 30 October 2020, the Group acquired a distribution warehouse in Braintree for £11.2 million, representing a NIY of 5.25%.

On 4 November 2020, the Group acquired a 71,384 sq ft distribution warehouse for £9.1 million, representing a NIY of 6.6%.

On 6 November 2020, the Group acquired a site in Exeter for a total consideration of £5.1 million, representing a NIY of 8.0%.

On 6 November 2020, the Group acquired a warehouse in Warrington for a total consideration of £4.8 million, representing a NIY of 7.4%.

On 9 November 2020, the Group completed the acquisition of a logistics site in Hoddesdon for a total consideration of £34.3 million, representing a NIY of 5.4%.

SUPPLEMENTARY INFORMATION

i. EPRA performance measures summary

	Six months to 30 Sep 20 (unaudited) £'000	Six months to 30 Sep 19 (unaudited) £'000	Year ended 31 Mar 20 (audited) £'000
EPRA EPS (diluted)	**3.19p**	3.92p	3.99p
EPRA net tangible asset value	**141.57p**	145.17p	137.89p
EPRA net reinstatement value	**153.87p**	160.09p	145.26p
EPRA net disposal value	**140.60p**	143.71p	137.19p
EPRA net initial yield	**5.5%**	6.2%	5.6%
EPRA 'topped up' net initial yield	**5.8%**	6.2%	5.6%
EPRA vacancy rate	**3.0%**	0.0%	2.4%
EPRA cost ratio (including vacant property costs)	**20.7%**	18.6%	46.9%
EPRA cost ratio (excluding vacant property costs)	**20.4%**	18.5%	46.8%

ii. Income statement

	Six months to 30 Sep 20 (unaudited) £'000	Six months to 30 Sep 19 (unaudited) £'000	Year ended 31 Mar 20 (audited) £'000
Gross revenue	**9,795**	5,853	12,601
Property operating costs	**(385)**	(46)	(437)
Net rental income	**9,410**	5,807	12,164
Administrative expenses	**(1,835)**	(1,045)	(2,142)
Long-term incentive plan charge	**(11)**	(60)	(3,557)
Operating profit before interest and tax	**7,564**	4,702	6,465
Net finance costs	**(1,543)**	(1,265)	(2,714)
Profit before tax	**6,021**	3,437	3,751
Tax on EPRA earnings	**–**	–	–
EPRA earnings	**6,021**	3,437	3,751
Weighted average number of Ordinary Shares	**188,616,023**	87,738,937	94,083,745
EPRA earnings per share	**3.19p**	3.92p	3.99p

iii. Balance sheet

	Six months to 30 Sep 20 (unaudited) £'000	Six months to 30 Sep 19 (unaudited) £'000	Year ended 31 Mar 20 (audited) £'000
Investment properties	**348,610**	196,900	209,179
Other net assets	**36,700**	3,732	124,279
Net borrowings	**(120,119)**	(74,522)	(74,696)
Total shareholders' equity	**265,191**	126,110	258,762
Adjustments to calculate EPRA NAV:			
Fair value of interest rate derivative	**1,857**	1,302	1,347
Intangible assets	**(15)**	(20)	(17)
EPRA net assets	**267,033**	127,392	260,092
Ordinary Shares in issue at year end (basic and diluted)	**188,616,023**	87,751,604	188,616,023
EPRA NAV per share	**141.57p**	145.17p	137.89p

In October 2019, the European Public Real Estate Association ("EPRA") published new best practice recommendations ("BPR") for financial disclosures by public real estate companies. The BPR introduced three new measures for reporting net asset value: EPRA net reinstatement value ("NRV"), EPRA net tangible assets ("NTA") and EPRA net disposal value ("NDV"). These new measures are effective for accounting periods starting on 1 January 2020 and have been adopted by the Group in reporting the financial position as at 30 September 2020.

SUPPLEMENTARY INFORMATION CONTINUED

The Group considers EPRA NTA to be the most relevant measure for its operating activities, therefore, it will be adopted as the Group's primary measure of net asset value, replacing previously reported EPRA NAV.

A reconciliation of the three new net asset value measurements is provided in the table below.

	Current measures				
30 September 2020	EPRA NTA £'000	EPRA NRV £'000	EPRA NDV £'000	EPRA NAV £'000	EPRA NNNAV £'000
IFRS equity attributable to shareholders	265,191	265,191	265,191	265,191	265,191
Fair value of interest rate derivatives	1,857	1,857	–	1,857	–
Intangible assets	(15)	–	–	–	–
Real estate transfer tax	–	23,178	–	–	–
EPRA net asset value	**267,033**	**290,226**	**265,191**	**267,048**	**265,191**
Diluted shares (number)	188,616,023	188,616,023	188,616,023	188,616,023	188,616,023
EPRA net asset value per share	**141.57p**	**153.87p**	**140.60p**	**141.58p**	**140.60p**

	Current measures				
30 September 2019	EPRA NTA £'000	EPRA NRV £'000	EPRA NDV £'000	EPRA NAV £'000	EPRA NNNAV £'000
IFRS equity attributable to shareholders	126,110	126,110	126,110	126,110	126,110
Fair value of interest rate derivatives	1,302	1,302	–	1,302	–
Intangible assets	(20)	–	–	–	–
Real estate transfer tax	–	13,067	–	–	–
EPRA net asset value	**127,392**	**140,479**	**126,110**	**127,412**	**126,110**
Diluted shares (number)	87,751,604	87,751,604	87,751,604	87,751,604	87,751,604
EPRA net asset value per share	**145.17p**	**160.09p**	**143.71p**	**145.20p**	**143.71p**

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

iv. EPRA net initial yield and 'topped up' net initial yield

	30 Sep 20	30 Sep 19	31 Mar 20
Total properties per financial statements	**348,610**	196,900	209,179
Less head lease right-of-use asset	**(2,066)**	(1,865)	(1,858)
Less development properties	**(5,430)**	(4,300)	(9,400)
Completed property portfolio	**341,114**	190,735	197,921
Add notional purchasers' costs	**22,514**	12,919	13,342
Gross up completed property portfolio valuation (A)	**363,628**	203,654	211,263
Annualised passing rent	**20,319**	12,737	11,989
Less irrecoverable property outgoings	**(182)**	(63)	(63)
Annualised net rents (B)	**20,137**	12,674	11,926
Contractual rental increases for rent-free period	**1,019**	–	–
'Topped up' annualised net rent (C)	**21,156**	12,674	11,926
EPRA net initial yield (B/A)	**5.5%**	6.2%	5.6%
EPRA 'topped up' net initial yield (C/A)	**5.8%**	6.2%	5.6%

v. EPRA vacancy rate

	30 Sep 20	30 Sep 19	31 Mar 20
Annualised potential rental value of vacant properties	666	–	317
Annualised potential rental value for the completed property portfolio	22,159	12,942	13,286
EPRA vacancy rate	**3.0%**	0.0%	2.4%

vi. EPRA cost ratio

Total cost ratio	Six months to 30 Sep 20 (unaudited) £'000	Six months to 30 Sep 19 (unaudited) £'000	Year ended 31 Mar 20 (audited) £'000
Costs			
Property operating expenses[1]	385	46	437
Administrative expenses	1,835	1,045	2,142
Less: service charge income	(68)	–	(116)
Less: service charge costs recovered through rents but not separately invoiced	(167)	–	(122)
Less: ground rents	(8)	(1)	(8)
Total costs including vacant property costs (A)	**1,977**	1,090	2,333
Group vacant property costs	(32)	(9)	(8)
Total costs excluding vacant property costs (B)	**1,945**	1,081	2,325
Gross rental income			
Gross rental income	9,795	5,853	12,601
Less: ground rents paid	(32)	(1)	(31)
Less: service charge income	(68)	–	(116)
Less: service charge costs recovered through rents but not separately invoiced	(167)	–	(122)
Total gross rental income (C)	**9,528**	5,852	12,332
Total cost including vacant property costs (A/C)	**20.7%**	18.6%	18.9%
Total cost excluding vacant property costs (B/C)	**20.4%**	18.5%	18.9%
EPRA cost ratio			
Total costs (A)	**1,977**	1,090	2,333
Long-term incentive plan crystallisation	–	–	3,452
EPRA total costs including vacant property costs (D)	**1,977**	1,090	5,785
Vacant property costs	(32)	(9)	(8)
EPRA total costs excluding vacant property costs (E)	**1,945**	1,081	5,777
EPRA cost ratio (including vacant property costs (D/C)	**20.7%**	18.6%	46.9%
EPRA cost ratio (excluding vacant property costs (E/C)	**20.4%**	18.5%	46.8%

1 Property operating expenses are cost of sales. These typically include utilities, business rates, letting fees, and other direct costs.

GLOSSARY OF TERMS

Energy Performance Certificate ("EPC")
A measure of the energy efficiency of a property on a scale of A (most efficient) to G (least efficient) and is a legal requirement for a building to be sold, let or constructed. Once obtained an EPC is valid for 10 years.

EPRA cost ratio
Administrative and operative 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 net disposal value ("NDV")
Represents the shareholders' value under a disposal scenario, where deferred tax, financial instruments and certain other adjustments are calculated to the full extent of the liability, net of any resulting tax.

EPRA net reinstatement value ("NRV")
Assumes that entities never sell assets and aims to represent the value required to rebuild the entity.

EPRA net tangible assets ("NTA")
Assumes that entities buy and sell assets, thereby crystallising certain levels of unavoidable deferred tax.

EPRA net initial yield ("NIY")
Annualised rental income based on the cash rent 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.

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

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

Net initial yield ("NIY")
Annual rents on investment properties as a percentage of the investment property portfolio valuation having added notional purchasers' costs.

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

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

Total accounting return
Represents the movement in EPRA NTA per share plus dividends paid during the period expressed as a percentage of EPRA NTA per share at the beginning of the period.

Total property return
Capital growth in portfolio, plus net rental income and gain or loss on property disposals expressed as a percentage return on the period's opening value.

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

NOTES

NOTES

COMPANY INFORMATION

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

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